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APA Group

Australian Pipeline Ltd
ACN 091 344 704

Australian Pipeline Trust
ARSN 091 678 778

APT Investment Trust
ARSN 115 585 441

29 August 2007

RESULTS FOR ANNOUNCEMENT TO THE MARKET

This announcement refers to the results of Australian Pipeline Trust and APT Investment Trust ("APA Group") as detailed in the Full Year Reports provided to the ASX for the period 1 July 2006 to 30 June 2007 ("the Financial Year")

The 2007 financial year has been a year of transition for APA Group. The business has undertaken a number of strategic acquisitions over the past 18 months, and is now working hard to efficiently integrate those businesses and to leverage off the benefits they bring to the expanded APA Group. Already, the acquired businesses are contributing strongly to the consolidated result. In summary, the operating profit after tax and minorities but before significant items for the financial year was $64.5 million, an increase of 6.4% on the prior financial year of $60.7 million. The increased performance was mainly due to:

- consolidation of GasNet Australia Group ("GasNet") for nine months, acquired in October 2006;
- eight months contribution from the Allgas gas distribution business, acquired in November 2006;
- four months contribution from the Directlink electricity transmission asset, acquired in February 2007;
- three months contribution from the Tipton West coal seam gas processing facility;
- full year contributions from both the Murraylink electricity transmission asset (acquired on 30 March 2006) and the Kogan North gas processing facility which was operational in March 2006; and
- increased pipeline transportation revenue across the majority of APA Group's other pipelines, specifically in Queensland and Western Australia, which have more than offset the known contracted reductions in revenue on the Moomba to Sydney Pipeline ("MSP") in NSW and Amadeus Gas Pipeline ("AGP") in the Northern Territory, which have been previously foreshadowed to the market.

After significant items, profit attributable to securityholders of APA Group (including APTIT) for the financial year was $56.8 million (2006: $62.5 million). Details of significant items are provided in Note 6 to the financial statements.

HIGHLIGHT FINANCIAL RESULTS

- **Total Revenue** - $532.7 million, **up 40.5%** on the previous corresponding period ("pcp");
- **EBITDA** - $296.8 million, **up 48.1%** on pcp;
- **Operating Profit after income tax and minorities** - $64.5 million, **up 6.4%** on pcp;
- **Underlying Operating cash flow**– $157.0 million, **up 39.9%** on pcp
- **Underlying Operating cash flow per security** – 41.4 cps, **up 6.8%**
- **Distributions for the financial year** – 28.0 cps, **up 16.7%** on pcp.

(Figures above have been adjusted for significant items)

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Distribution to Securityholders

On 29 August 2007, the Directors declared a final distribution of 7.0 cents per security ("cps") for APA Group (comprising a distribution of 2.0 cps from APA and a distribution of 5.0 cps from APTIT), made up of 5.0 cents per security income distribution (unfranked) and 2.0 cps tax deferred distribution. This takes the total distributions in respect of the financial year to 28.0 cps, an increase of 4.0 cps, up 16.7% over the prior year, reflecting improved operating performance, the contribution from new businesses and increased cash flows.

The final distribution will be paid on 28 September 2007 and equates to a cash distribution of $30.2 million.

Distribution Reinvestment Plan ("DRP")

The Board has determined that a further issue of securities under the DRP will be made at a discount to market of 2.5%. The last date for receipt of election notices for the DRP is 5pm on 11 September 2007. Details of the Plan are available from the Registry at Link Market Services Limited (ph 02 8280 7132) or on the APA website – www.pipelinetrust.com.au.

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FINANCIAL SUMMARY

The following table provides a summary of key financial data for the financial year:

	Year ended 30 June 2007	Year ended 30 June 2006	Change compared to 2006	
	$000	$000	$000	%
Operating results before significant items				
Pipeline transportation revenue	**393,131**	**278,956**	114,175	40.9
Electricity transmission revenue	**17,193**	**3,188**	14,005	439.3
Other tolling revenue	**1,209**	**1,199**	10	0.8
Other pipeline revenue – passthrough	**95,911**	**85,727**	10,184	11.9
Other revenue	**25,256**	**9,958**	15,298	153.6
Total revenue	**532,700**	**379,028**	153,672	40.5
EBITDA	**296,842**	**200,402**	96,440	48.1
Depreciation	**(69,783)**	**(38,849)**	(30,934)	(79.6)
EBIT	**227,059**	**161,553**	65,506	40.6
Net interest expense	**(136,625)**	**(71,120)**	(65,505)	(92.1)
Pre-tax profit	**90,434**	**90,433**	1	0.0
Income tax expense	**(25,802)**	**(29,438)**	3,636	12.4
Operating profit after tax and minorities, before significant items	**64,530**	**60,661**	3,869	6.4
Significant items				
Alinta related legal actions	**(7,000)**	**-**	(7,000)	
SCC repair and investigative work	**(5,265)**	**(11,300)**	6,035	-
Revaluation gain – 'ineffective' interest rate hedges	**1,165**	**-**	1,165	-
Tariff dispute resolution	**-**	**3,262**	(3,262)	-
Significant items before income tax	**(11,100)**	**(8,038)**	(3,062)	-
Tax effect of significant items	**3,330**	**2,411**	919	-
Tax-consolidation benefit – APA Group	**-**	**7,512**	(7,512)	-
Significant items after income tax	**(7,770)**	**1,885**	(9,656)	(512.1)
Profit after income tax and minorities	**56,760**	**62,546**	(5,787)	(9.3)

Financial Measures

	FY 2007	FY 2006	Change compared to 2006	
Underlying operating cash flow (OCF) ($m)	**$157.0m**	$112.2m	$44.8m	39.9%
Underlying OCF per security (cents)	**41.4c**	38.7c	2.6c	6.8%
Net Tangible Asset Backing per security	**$1.99**	$2.09	$(0.1)	(4.8)%
Earnings Per Security (cents) - before significant items	**17.0c**	20.9c	(3.9)c	(18.8)%
Earnings per security (cents)	**15.0c**	21.6c	(6.6)c	(30.8)
Interest Cover Ratio (x)	**2.0**	2.3	-	-
Gearing Ratio (%)	**69.0**	67.9	-	-

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OPERATIONAL HIGHLIGHTS

Consistent with its Strategic Plan, APA Group has made a series of acquisitions and new investments, expanding its total asset base in the process from $2.1 billion at 30 June 2006 to $4.2 billion at 30 June 2007. The financial year has seen an unprecedented level of activity. This reflects the ongoing ownership changes within the Australian energy infrastructure sector as institutional investors and private equity companies compete aggressively with the established players for control of some of Australia's most valuable infrastructure assets.

However, APA Group has been disciplined in focusing on the execution of its strategy of increasing utilisation of existing assets, expanding its portfolio of gas transportation assets through targeted acquisitions and investing in related and complementary assets which supports its aim to increase distributions by at least CPI annually.

A summary of the major achievements for the period is set out below:

Acquisitions and Investments

During the financial year, APA Group:

- acquired GasNet, a publicly listed vehicle with gas transmission assets in Victoria and Western Australia. The acquisition of GasNet, and subsequent integration of GasNet's Victorian operations, were a key step towards the development of a gas transmission grid in eastern Australia and APA Group's goal of offering a seamless tariff for gas delivered in Queensland, New South Wales, the ACT and Victoria. Almost all the natural gas consumed in Victoria is transported through GasNet's 1,935 km pipeline network;
- acquired the Allgas gas distribution business from the Queensland Government, following a competitive tender process. Allgas is one of two gas distribution businesses in south east Queensland, servicing high population growth centres. The network includes over 2,300 km of distribution mains supplying approximately 65,000 customers. Total gas usage is currently around 10 PJ per annum; however, a significant expansion program has been approved by the regulator to satisfy rapid growth in demand;
- acquired the Directlink electricity transmission asset in February 2007, one of only two electricity transmission links between the NSW and Queensland power grids. The acquisition by APA Group complements its purchase in March 2006 of the Murraylink electricity assets, enabling the operations of both interconnects to be combined into one business operation;
- entered into an agreement with Origin Energy Limited to purchase the Origin Energy Networks ("OEN") assets, comprising Origin Energy Asset Management which provides management and operations services to Envestra Ltd ("Envestra"), a 17% stake in Envestra, and a one-third interest in the SEAGas Pipeline. The acquisition of the one-third interest in SEAGas completed on 29 June 2007, while the remainder of the acquisition was completed on 2 July 2007. The acquisition of the OEN assets will increase APA Group revenues by 40% and expand its footprint in Australia to include every mainland State and Territory: and
- entered into, on 29 June 2007, conditional agreements with Alinta and the Babcock & Brown/Singapore Power Consortium to terminate or transfer the operating and maintenance services currently provided by Alinta for many of APA Group's key gas transmission pipelines. APA Group will pay $210 million which will result in the elimination of all fees currently paid to Alinta, as well as the transfer to APA Group of associated property, plant and equipment. As a result, the long term operation and maintenance of all of APA Group's assets will now be under the direct control of APA Group, rather than a third party.

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Capital Management Activities

During the past 12 months, APA has successfully undertaken a number of significant capital and debt raising activities to fund the expansion of the business. APA Group raised over $608 million in equity through a mix of offerings as detailed below:

- raised $190 million via placement of 41.8 million new ordinary securities with institutional and sophisticated investors at an issue price of $4.55 per security on 1 September 2006. The issue price represented a discount of 4.4% to the last sale price of APA Group securities on 31 August, after adjusting for the 2006 final distribution of 6.0 cps, which the placement securities did not receive;
- in October 2006, the security purchase plan ("SPP") raised over $40 million from existing securityholders, resulting in the issue of 9.0 million securities at $4.50 per security;
- the two for seven renounceable rights issue at $3.75 per security raised $356 million on 11 December 2006. Over 90% of rights were taken up by securityholders with the remainder subscribed for by the underwriter to the issue, ABN AMRO Rothschild. As a result 94.9 million new units were issued;
- as part of the product disclosure statement for the rights issue, a new trust, APTIT, was capitalised and its securities were stapled to those of APA to form the new stapled entity, APA Group; and
- during the 2007 financial year, a total of $21.9 million was raised from securityholders through continued operation of the Distribution Reinvestment Plan ("DRP") resulting in the issue of 5.9 million new securities.

APA Group also undertook two major debt refinancings to refinance its acquisition bridge facilities and existing bilateral bank borrowings, as follows:

- during May 2007, APA Group raised US$654 million (A$811 million) in 10, 12 and 15 year debt tranches through a private placement to US and Canadian investors. More than 15 investors participated, of which 13 were first time investors in APA Group. The placement was the largest by an Australian utility, the largest by an unrated Australian company in the US and more than double the US$300 million the APA Group had initially targeted; and
- in June 2007, APA Group successfully closed its new $2.0 billion syndicated debt facility. The facility is evenly split between three and five year maturities. The syndication was well oversubscribed.

At 30 June 2007, APA Group has no immediate debt refinancing obligations due within the next 12 months, and has a healthy spread of tenors extending out to 2022. APA Group is also conservatively geared at 69.0% at 30 June 2007, and 72.4% post-completion of the OEN acquisition on 2 July 2007.

Similarly, APA Group has a prudent treasury policy which requires conservative levels of hedging of interest rate exposures to minimise the potential impacts from adverse movements in rates. At 30 June 2007, 84% of all interest rate exposures were either hedged or at fixed interest rates, for varying periods extending out as far as 15 years. Post-completion of the OEN assets acquisition, the level of overall hedging decreased to 72%.

Other Highlights

In New South Wales, APA Group:

- entered into revised gas transportation arrangements with AGL Energy in respect of transportation of gas through APA Group's MSP. These agreements amend the conditions for the existing 10 year agreement through to 31 December 2016 which was subject to renegotiation

following the expiry on 1 January 2007 of the fixed revenue payments under the Gas Transportation Deed ("GTD");

- entered into an agreement in June 2007 to supply gas to an open cycle peaking power station being constructed near Uranquinty in south central NSW. The agreement with NewGen Power also provides for the expansion of the MSP's southern lateral by the construction of compressors at Culcairn and a new meter station for the power station;
- completed the acquisition of Directlink and have tendered and awarded a combined Murraylink and Directlink maintenance contract; and
- continued to implement its program of investigation and repair of stress corrosion cracking ("SCC") on MSP. Expenditure for the financial year has been within the amounts previously provided, and APA Group continues to meet its contractual obligations and to deliver energy safely and reliably.

In Victoria, APA Group:

- completed the acquisition of the GasNet business which added 104 staff to APA Group; and
- continued with capital expansions of the Victorian Transmission System including compressor station upgrades and the Brooklyn to Lara Pipeline project.

In Queensland, APA Group:

- invested in a coal seam gas processing facility at Tipton West (west of Brisbane), which will initially deliver up to 10 PJ of processed gas a year from the Tipton West field to the Braemar Power Station. This is APA Group's second investment in coal seam gas processing facilities, following the completion in March 2006 of the $13 million facility at Kogan North. Tipton West was commissioned in March 2007 and will operate for 15 years, generating cash flows to APA Group of around $6.5 million a year;
- completed construction of the $29 million Daandine gas fired power station at Kogan, adjacent to the Kogan North gas processing facility. The 27.4 MW power station is designed to supply base load electricity into the southern Queensland grid. Daandine was commissioned in December 2006 and will operate for 15 years, generating cash flows to APA Group of approximately $5.5 million a year;
- entered into a 15 year agreement with Xstrata to build, own and maintain X41, a $30 million gas fired power station at Mt Isa, in north western Queensland. The 30 MW power station will be fuelled by natural gas transported to Mt Isa on APA Group's Carpentaria Gas Pipeline ("CGP") and then to the Xstrata mine through the Mt Isa Town Lateral Pipeline, also owned by APA Group. Commissioning of X41 power station, APA Group's second gas fired power station investment, is expected to be in late 2007; and
- completed the acquisition of the Allgas business which added 65 staff to APA Group.

In Western Australia, APA Group:

- completed and commissioned the Paraburdoo compressor station upgrade in October 2006. The additional capacity from this upgrade has been fully contracted;
- signed a five year Gas Storage and Transportation Agreement ("GSTA") in June 2007 with Eneabba Gas to transport gas via the Parmelia Gas Pipeline ("PGP") to the proposed Centauri 1 Power Station, eight km east of Dongara. The agreement also includes storage arrangements using APA Group's Mondarra Storage Facility; and
- signed a 15 year agreement in June 2007 to transport gas to the Windimurra vanadium mine via the MidWest Pipeline which is jointly owned by APA Group and the State owned power company, Horizon Power.

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In the Northern Territory, APA Group progressed detailed engineering, land access and environmental activities associated with the development of the Bonaparte Gas Pipeline. This 285km, 300mm nominal bore pipeline will transport gas from Wadeye to APA Group's AGP under a 25 year Gas Transportation Agreement with Power Water Corporation. The project is on schedule to deliver gas commencing 1 January 2009.

FINANCIAL COMMENTARY

The following is a commentary on the operating results for the period.

Revenue

Revenue, before significant items, grew by 40.5% from $379.0 million in the previous financial year to $532.7 million.

Pipeline transportation revenue (excluding significant items) increased by 40.9% from $279.0 million in the prior year to $393.1 million principally due to the acquisitions of the GasNet and Allgas businesses, and increased revenues across the majority of pipelines. Revenue from the Roma to Brisbane Pipeline ("RBP") increased by $5.3 million principally due to new revenue from CS Energy associated with additional generation at the Swanbank Power Station and additional throughput to major industrial users in the Brisbane area. Higher revenue on CGP by $5.4 million reflects the commencement of a new short term contract with Mt Isa Mines Limited, plus general tariff escalation. The increase in revenue from the WA Gas Business of $7.5 million is mainly due to increased third party revenues, particularly from the mining sector.

The increase in pipeline transportation revenue is net of the impact from the contracted reduction in revenue from MSP under the GTD as well as the cessation of the capital return tariff on the AGP of $7.4 million, as foreshadowed in previous financial reports. The GTD with AGL is a foundation gas transportation agreement executed at the time of APA's initial public offering in 2000. The minimum payment commitments under the GTD ceased at 31 December 2006 and have been replaced with a set of revised gas transportation arrangements. The impact of the reduction in overall GTD revenues during the year was $9.7 million in comparison to the prior year.

Electricity transmission revenue increased over last year principally due to a full 12 month contribution from the Murraylink acquisition in the previous financial year and a part year contribution from Directlink acquired in February 2007.

Other revenue includes external interest received and distributions from the investment in GasNet prior to its acquisition by APA Group.

Expenses

Asset operation and management expenses increased from $79.2 million in the prior year to $102.5 million, an increase of 29.5%, principally due to the impact of consolidating the newly acquired entities Allgas, GasNet and Directlink.

Borrowings and Finance Cost

As at 30 June 2007, APA Group had borrowings of $2,720 million, principally from new syndicated debt facilities, US Private Placement notes and other medium term notes, compared to $1,262 million as at 30 June 2006. Borrowings increased due to the funding of the acquisitions of Allgas, GasNet, Directlink and SEAGas and the consolidation of GasNet's own borrowings of $652 million.

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Income Tax

The effective tax rate before significant items has decreased in 2007 (28.5%) in comparison to the previous financial year (32.6%), largely in part due to the operation of APTIT which is a passthrough entity for tax purposes.

Earnings per Security

Earnings per security ("EPS") before significant items, calculated on a weighted average basis, for the current period was 17.0 cps, an 18.8% decrease over the prior year of 20.9 cps. The equity raised through the private placement, rights issue, DRP and SPP increased the number of securities on issue, which impacted EPS. The weighted average number of securities on issue during the current year was 379.6 million, up from 289.6 million in the prior year.

Operating Cash Flow

Operating cash flow available for distribution to securityholders is a key metric for the business. The growth in operating cash flow has come from organic growth on APA Group's existing pipelines, recent acquisitions (GasNet, Allgas and Directlink) and complementary assets. Reported operating cash flow for the current year was $136.7 million, an increase of $24.5 million or 21.9% on prior year. On a per security basis, operating cash flow per security was 36.0 cps, a decrease of 2.7 cps or 7.0% on prior year, principally due to timing of interest payments, one-off costs associated with integrating major acquisitions, as well as significant legal costs associated with defending APA Group against Alinta's corporate raid on the business. In addition to these items, the operating cash flow for the year was further adversely impacted by a number of other one-off or timing differences in the movement of working capital balances.

Taking the above factors into account, there was a solid growth in underlying operating cash flow during the year, which further demonstrates APA Group's ability to pay the increased distributions in the current year, and to continue to grow those distributions, by at least CPI in the future.

Recognising APA Group's commitment to return distributions to its securityholders, operating cash flow payout ratio increased to 73.3% from 59.7% in the prior year.

Distributions

Following court approval to proceed with the Alinta Scheme of Arrangement, APA Group will have an expanded securityholder base. The Board has determined that it will change the frequency of distributions in the future from quarterly to semi-annually, commencing in February 2008. This will result in potential annual savings of at least $400,000. The likely dates for the semi-annual declarations of distributions will be February and August annually, with payment in the respective following month.

Changing to a semi-annual payment will not reduce the total annual distribution payment. APA Group remains committed to its stated objective of increasing annual distributions by at least CPI.

In line with APA Group's strategic goal of increasing distributions annually by at least CPI, securityholder distributions increased 49.6% from $66.9 million in the previous financial year to $100.2 million as a consequence of a higher number of securities on issue and an increase in distributions per security. Of this, $24.6 million net of costs (5.9 million securities) was reinvested in new securities under the DRP.

As at 30 June 2007, 431.7 million APA Group securities were on issue (2006: 280.2 million).

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Significant Items

The results of the current financial year were impacted by the following significant items:

- one-off legal expenses associated with defending APA Group against the Alinta corporate raid and associated legal actions of $7.0 million;
- based on the investigation, analysis and repairs carried out to date in relation to SCC on the MSP, APA Group has identified additional work that needs to be carried out. As there is a legal and constructive obligation to carry out further repair and investigative work, an additional amount of $5.3 million has been provided at 30 June 2007. Payments for SCC work conducted during the financial year was applied against the provision created in the prior year; and
- revaluation gain of $1.2 million on interest rate hedges acquired as part of the GasNet acquisition, but deemed ineffective on consolidation.

The net after-tax impact of the significant items is a loss of $7.8 million.

In 2006, APA Group reported the following significant items:

- an expense for investigation, analysis and repairs in relation to SCC on the MSP of $11.3 million;
- settlement of an "acquired" dispute regarding tariffs, resulted in a provision of $3.3 million being released to profit; and
- following the finalisation of APA Group's entry into tax consolidation in 2004, further adjustments were made to the tax cost base of assets which resulted in a release of deferred tax liabilities and the recognition of an income tax benefit of $7.5 million.
- The net after-tax impact of the significant items in the prior year was a gain of $1.9 million.

REGULATORY MATTERS

Key regulatory matters addressed during the financial year included:

MSP Access Arrangement

Part of MSP remains regulated under the National Gas Code, and APA Group is therefore required to establish an approved Access Arrangement for the regulated part of the pipeline. The litigation between APA Group and the ACCC in relation to the ACCC's rejection of APA Group's proposed Access Arrangement continues. Following appeals before the Australian Competition Tribunal (which found in APA Group's favour) and the Full Court of the Federal Court of Australia (which found substantially in the ACCC's favour), APA Group appealed to the High Court of Australia. The appeal was heard in April 2007.

APA Group does not know when the High Court will hand down its decision, however, the outcome of the appeal will have no material impact on MSP revenues as the pipeline is substantially unregulated.

RBP Access Arrangement

In March 2007, the ACCC issued its Final Approval for the Access Arrangement for RBP. The ACCC's Final Approval included an increase in the initial capital base from $251 million (as proposed in the ACCC's draft decision in December 2006) to $296.4 million. As the RBP is effectively fully contracted, the Access Arrangement will not affect revenues until existing contracts expire and new contracts are negotiated from 2012 onwards.

The Access Arrangement does not affect APA Group's ability to undertake expansions at a tariff commercially negotiated with users.

Access Arrangement for the Victorian Transmission System (GasNet)

The existing Access Arrangement for the Victorian Transmission System (part of the GasNet business) expires on 31 December 2007. As required by the National Gas Code, APA Group submitted a proposed new Access Arrangement with the ACCC on 31 March 2007. The ACCC is expected to release its Draft Decision on the proposed Access Arrangement during September 2007. The new Access Arrangement, when determined, will run for five years commencing from 1 January 2008.

Reform of National Energy Regulation

The process of national energy infrastructure reform has continued and the proposed new National Gas Law and National Gas Rules are expected to commence during the first half of the 2008 financial year. From APA Group's perspective, particular highlights include the development of a generally more intrusive policy position applicable to gas infrastructure and the ongoing development of market structures, including mechanisms to facilitate trading in gas and pipeline services. Several matters of benefit to asset owners have been achieved, including mechanisms for "regulation holidays" for new pipelines, an option for "lighter handed" regulation of existing pipelines which do not have market power, and the retention of rights of merits review of significant regulatory decisions. APA Group has actively contributed to this reform process, principally through participation in the Australian Pipeline Industry Association ("APIA") regulatory committee.

OTHER ISSUES

Gas Supply

In February 2007, it was announced that work on the PNG to Australia pipeline project had been suspended while other possible PNG gas development options were being evaluated. While the decision is disappointing, APA Group is of the view that the key drivers underlying the rationale for the PNG to Australia pipeline project remain compelling with gas consumption expected to rise strongly in Australia.

This is not the first time that work on the project has been suspended and APA Group will continue to support all projects aimed at providing additional Northern gas supplies to meet the strong demand for gas in eastern Australia into the future. These projects include PNG gas, Timor Sea gas, North West Shelf gas and coal seam gas ("CSG").

The securing of future natural gas supplies to south east Australia continues to be a major issue. APA Group has been active in supporting alternate gas sources, in particular the development of CSG production which will now play a far greater role in the Australian energy market over the medium to longer term.

APA Group has long held the view that a pipeline needs to be built connecting Queensland gas to South Australia and New South Wales. The announcement by Epic and AGL in July 2007 of plans to link Epic's South West Queensland Pipeline at Ballera to Moomba in South Australia represents a welcome addition to Australia's network of energy infrastructure and should provide customers of MSP with greater choice around the sourcing of natural gas.

Alinta

In October 2006, AGL and the Alinta group of companies ("Alinta") merged various parts of their businesses. As a result AGL's 26% holding in APA Group was acquired by Alinta. Prior to completion of the merger, in mid August 2006, Alinta also separately acquired approximately 10% of the securities in APA Group ("August Purchases").

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Following an application by APA Group, the Panel found that the August Purchases amounted to unacceptable circumstances and/or were in contravention of the Corporations Act 2001. Alinta was ordered to vest the 10% holding with ASIC pending its sale by a bookbuild or into an unconditional takeover bid. Alinta was also ordered by the Panel to cease trading in APA Group securities. This decision was confirmed by the Takeover Review Panel ("Panel").

Alinta appealed the declaration and orders of the Panel to the Federal Court of Australia.

APA Group also made an application to the Federal Court for a declaration that the August Purchases were in contravention of the Corporations Act 2001 and seeking a divestment order in relation to not only the 10% holding, but also that part of the AGL holding in APA Group above the 20% 'takeover threshold' which passed to Alinta.

The Federal Court found in favour of APA Group in respect of some matters and in favour of Alinta in respect of other matters. Both APA Group and Alinta appealed against these decisions to the Full Court of the Federal Court. On 20 April 2007, the Full Federal Court handed down its decision on the appeals by Alinta and APA Group. The Full Court's findings included that Alinta had breached the Corporations Act 2001 and the matter was remitted back to the Federal Court trial judge to determine orders consequent on that finding. Both APA Group and Alinta made submissions to the trial judge as to the orders which should be made.

The Full Court also held that the grant of certain powers to the Panel under the Corporations Act 2001 was invalid. Following the decision of the Full Court, both APA Group and Alinta appealed to the High Court of Australia. The Commonwealth Attorney General also appealed against the Full Court's decision in relation to the powers of the Panel.

Alinta had also commenced proceedings in the Federal Court against APL, APT Pipelines Limited and a number of Directors of APL in relation to the decision made by APL in October 2006 to issue shares to APT Pipelines Limited. Those proceedings were heard during April 2007.

On 11 May 2007, Alinta announced that it had agreed to recommend an offer and had entered into an agreement for the implementation of a scheme of arrangement which would see Alinta sold to members of the Babcock & Brown and Singapore Power International groups ("BNB/SPI").

On 29 June 2007, APA Group entered into a number of agreements with Alinta and the BNB/SPI consortium to terminate all equity and operating relationships between APA Group and Alinta, as well as settling the outstanding legal proceedings between the parties. Under those agreements, Alinta's 35% equity interest in APA Group is to be distributed in specie to Alinta shareholders, subject to the BNB/SPI scheme being implemented. Alinta shareholders, on 15 August 2007, voted in support of the scheme, and implementation of the scheme is scheduled to occur on 31 August 2007. The distribution to Alinta shareholders of Alinta's equity holding in APA Group will occur on the same day. The transfer to APA Group of the pipeline operations for APA Group's pipelines and associated third party assets is expected to occur on or about 1 October 2007. APA Group has agreed to pay total consideration of $210 million for the termination of the existing APA Group agreements and the transfer of third party contracts and all associated property, plant and equipment.

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SCC

The SCC repair program on the MSP continued during the period. The excavation, investigation and repair of SCC sites were carried out during October and November 2006 and from March to May 2007. The 2007 program was prolonged by rain and subsequent road closures with work ceasing in late May. Pigging of the last two sections (276 km) of the four sections between Moomba and Bulla Park was carried out in February 2007.

The pigging results indicate that an 84 km section of pipe was more affected by SCC than the pipe sections either side. This has been attributed to the fact that, of the four producers who supplied pipe for the construction of the MSP, one type of pipe is more susceptible to SCC than the other three.

APA Group continues to keep the appropriate regulatory bodies fully informed of the SCC program. The SCC program will continue to ensure MSP's capability to meet contractual obligations and to operate safely and reliably now and in the future.

Australian industry funded research on fatigue failure and repair of SCC defects based on experiments on pipe cut out of the MSP has produced positive results in terms of being able to optimise the management and repair of SCC on the MSP. A paper on this research was recognised as the best paper presented at the international Joint Technical Meeting of the North American, European and Australian pipeline research bodies held in Canberra in April.

OUTLOOK

The Directors are pleased with the performance of the APA business in the 2007 financial year. They are pleased with the initial contributions from the new acquisitions during the year and look forward to further increased contributions from the new Asset Management and Networks businesses acquired from Origin in July 2007, and from the likely purchase of the Asset Management business from Alinta, which has currently been agreed under a Heads of Agreement. In the Directors' opinion, the fundamentals of the business are solid and management has the appropriate strategies in place to continue growth and profit.

Cash flows derived from operations were strong in the 2007 financial year and are expected to continue to be strong with further growth being supplemented by the recent acquisitions. Barring unforseen circumstances, APA confirms market consensus views of EBITDA in the range of $380 million to $390 million for the 2008 financial year.

Subject to achieving the above guidance, APA expects to grow distributions by at least CPI annually.

About APA Group (APA)
APA Group, comprised of Australian Pipeline Trust and APT Investment Trust, is the major ASX-listed energy transmission company in Australia with interests in more than 10,000 kms of natural gas pipeline infrastructure, over 2,300 kms of gas distribution networks in south east Queensland, Coal Seam Gas processing plants, gas fired power stations, gas storage facilities and two high voltage direct current interconnector systems. APA's interests also extend to the provision of management and operations services to gas distribution and transmission company Envestra (which owns 19,100 km of natural gas distribution networks and 1,029 km of natural gas transmission pipelines), a 17.2 percent stake in Envestra and a one-third interest in the SEAGas pipeline. The Group has a varied and quality customer base including AGL Energy, Cooper Eromanga Basin Producers, Xstrata, Newmont, CS Energy, BHP Billiton, Zinifex, Incitec Pivot, Origin, RioTinto, Nickel West, Synergy and Verve Energy.

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