

APA and Alinta are also in Court (both the Federal Court and the Supreme Court) relating to the issue of shares in APL (the responsible entity of APA) to an APA subsidiary. Alinta is seeking to reverse this action, which the directors of APL undertook to ensure that APA continued to comply with its Financial Services Licence. The hearings are expected to occur in early 2007.

### Competition

On 27 November, the ACCC announced it had accepted a revised undertaking from Alinta in place of the undertakings agreed in August as part of the Alinta merger with AGL.

The revised undertaking requires Alinta to sell all of its units in APA and shares in APL, unless APA has sold the Moomba to Sydney pipeline, the Victorian portion of the GasNet business, the Parmelia Gas Pipeline and the Mondarra Gas Storage business (or at least 95% of those assets). This is a decision for the APL Board and not one currently being considered.

Unlike the earlier undertaking, Alinta can nominate and vote for the appointment of certain directors of APL, who must be independent of Alinta, and must not interfere with the management of APA and APL. It is important to note that the revised undertaking does not empower or authorise Alinta to replace the Board of APL.

### CAPITAL MANAGEMENT

As part of our capital management strategy, following the growth initiatives outlined above, APA has sought to provide unitholders with the opportunity to participate in equity raisings. Funds raised have been used to reduce gearing and provide APA with additional flexibility and financial capacity to fund future acquisitions and development opportunities.

### Institutional Placement & SPP

An Institutional Placement and Security Purchase Plan were successfully completed in September, raising \$230 million. The SPP was available to all unitholders and was well supported.

### Rights Issue

In late November, APA dispatched the Rights Issue Product Disclosure Statement (PDS) to eligible unitholders for participation in its pro rata renounceable 2 for 7 Rights Issue of new units at a price of \$3.75 per unit. The Rights Issue is expected to raise approximately \$356 million through the issue of 94.9 million units.

The Rights Issue proceeded well and we are pleased with the level of interest/participation by APA unitholders.

### Distribution Reinvestment Plan

APA continues to provide unitholders access to its Distribution Reinvestment Plan.

### Stapling (APTIT)

The PDS also activates APT Investment Trust and the subsequent creation of a stapled security comprising APA and APTIT. The creation of a stapled security will increase flexibility in paying distributions in a tax-efficient manner to unitholders.

### APPOINTMENT AND RESIGNATION OF DIRECTORS

On 28 August, APA announced the retirement of Director, Jane McAloon who resigned from AGL.

On 30 October, George Bennett, Chairman of APL was re-elected as Chairman of the Board. The Chairman's re-election was endorsed by the votes of unitholders at the Annual Meeting held on 30 October.

On 6 November, Ross Gersbach was reappointed as a Director of APL.

### FROM THE MANAGING DIRECTOR

The 2006 calendar year has been a very intense period of growth and achievement for APA and a pleasing realisation of our strategic objectives. We have proactively pursued opportunities, but only when they have met our strict investment criteria.

As a result of our acquisition strategy, APA now owns and operates strategically placed assets in every mainland state and territory, reinforcing our position as the largest owner of gas pipelines in Australia. This, in turn, brings advantages of market scale, the very best knowledge and skills, a balance sheet that allows us to pursue further opportunities, and asset class diversification that protects against risk and offers exposure to growing gas markets.

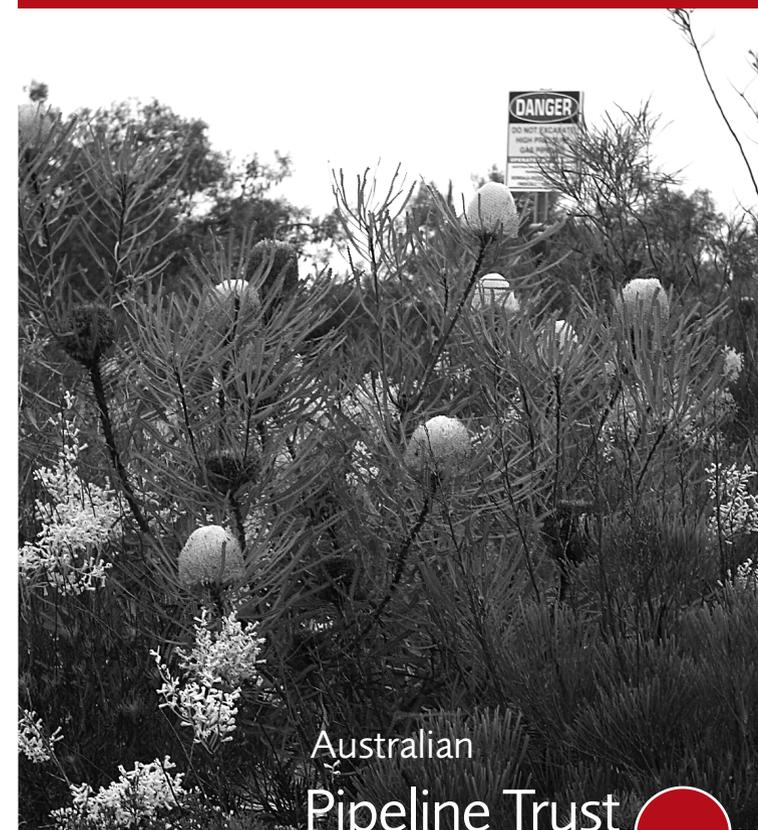
It has been a challenging and fulfilling 12 months both for myself, and my team. I am proud of our achievements over this period and I am very confident that the initiatives we have taken will deliver strong benefits for unitholder value in the future.

All of us at APA wish you a Merry Christmas and a prosperous New Year.

M J McCormack  
Managing Director

# In the Pipeline

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Australian  
Pipeline Trust

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Australian Pipeline Trust (APA) has recorded significant operational and financial achievements in the first half of the 2007 financial year.

While focusing on the continuing strong performance and growth of our existing transmission assets, APA has also targeted acquisitions which are either complementary or synergistic with our existing businesses, or where we can leverage our existing technical and operational skills.

Our future is very promising on every measure and we are confident that we can continue to deliver growth to our unitholders.

APA is particularly pleased to have announced on 16 November, a first interim distribution of 7 cents per unit unfranked. Based on current expectations we expect to declare a 28.0 cent distribution per security for FY2007 on the expanded issued capital base. This represents an increase of 16.7% on the 24.0 cent distribution per unit for FY2006 and significantly exceeds APA's objective to grow unitholder distributions annually by at least CPI.

We anticipate releasing our results for the first half of FY2007 on 27 February 2007.

## OPERATIONAL AND FINANCIAL HIGHLIGHTS

### FULL YEAR RESULTS for FY2006

| \$million  | 2006  | 2005  | Change |
|--|-------|-------|--------|
| Revenue*   | 379.0 | 367.3 | 3.2%   |
| EBITDA*  | 200.4 | 178.9 | 12.0%  |
| NPAT*  | 60.7  | 51.4  | 18.1%  |
| Net profit attributable to unitholders after significant items | 62.5  | 109.5 | (42.9) |

\* Before significant items

In August, APA announced a full year operating profit after tax and minorities (before significant items) of \$60.7 million, up 18.1% on the previous year.

The increase was mainly due to:

- core revenue growth (excluding pass-through revenue, on which there is no margin) of \$15.3 million or 5.5% on the previous financial year, driven by an increase in gas transportation revenue of \$11.7 million or 4.4%; and
- operational cost savings in the areas of lower operating and management fees and lower service expenses.

Offsetting the increases above were higher interest expense on increased borrowings and higher tax.

Significant one-off tax benefits in 2005 as a result of entry into tax consolidation were not repeated to the same extent in FY2006. Significant items for FY2006 also included lower stress corrosion cracking expenses compared to FY2005.

Because of the strength of the results, APA was able to deliver a full year distribution of 24 cents per unit, which represents a 6.7% increase from last year.

## OUR STRATEGY

Our strategic objective continues to be to operate and grow the APA business for the benefit of our unitholders.

Our medium-term focus is to target core and complementary assets that grow distributions. Our long-term focus is to build a portfolio which balances low risk and high growth assets.

APA is committed to contributing to the development of a competitive energy market in Australia by bringing together a truly national gas pipeline network, including the development of greenfield opportunities.

We have a vision to develop a gas transmission grid on the eastern seaboard that will enable APA to offer a seamless tariff for gas delivered into Queensland, New South Wales, the Australian Capital Territory and Victoria. The acquisition of GasNet and commencement of engineering work for the NorthGas Link pipeline from Ballera to Moomba are important steps in achieving this vision.

Our internal management model is competitive, transparent and low cost, and delivers value to all APA unitholders.

## RECENT GROWTH INITIATIVES

In line with our strategy, APA has undertaken the following in the past four months:

### GasNet Australia Group

APA was successful in its cash offer to acquire all the stapled securities in GasNet for \$3.10 per GasNet stapled security (before payment of distribution) which totalled approximately \$452 million. The acquisition will improve utilisation of the Victoria/New South Wales interconnect pipeline and APA's wholly owned Moomba to Sydney Pipeline, increase competition with the Eastern Gas Pipeline and further enhance our position in Western Australia.

### Allgas Energy Limited

On 1 November, APA acquired the Allgas distribution business in south east Queensland for \$519 million 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 located in Brisbane, the Gold Coast, Toowoomba, Oakey and northern NSW.

There is significant potential to expand the existing Allgas business and develop new markets. The acquisition will also capitalise on the commercial and strategic benefits arising from APA's growing Queensland business, in particular the Roma to Brisbane Pipeline.

### Tipton West

In early November, APA entered into an agreement with Arrow Energy and Beach Petroleum to build, own and operate a \$31 million coal seam gas processing facility at Tipton West, west of Brisbane.

The facility will operate for 15 years and generate cash flows to APA of approximately \$6.5 million a year.

### Mt Isa Mines

In late November, APA entered into a 15 year agreement with Xstrata to build, own and maintain a \$30 million gas fired power station at Mt Isa in north western Queensland. The 30MW Xstrata Power Station will be fuelled by natural gas transported on the Carpentaria Gas Pipeline to Mt Isa and then to the Xstrata mine through the Mt Isa Town Lateral Pipeline, both of which are 100% owned by APA.

As a result, APA will earn approximately \$8 million per annum in additional revenues.

## UPDATE ON CORPORATE ACTIVITY

### Court and Takeovers Panel Actions

During the first half of FY2007, APA has continued to act to protect the interests of APA unitholders in response to actions by Alinta in relation to the ownership of APA units and shares in Australian Pipeline Limited.

On 7 and 8 December, the full Federal Court heard an appeal by APA and an appeal by Alinta, relating to Alinta's acquisition of approximately 25% of APA from AGL and the acquisition of approximately a further 10% of APA.

APA has asked the Court to reconsider if Alinta should be allowed to keep the whole of the 25%.

Alinta is asking the Court to allow it to keep the 10%, even though the Takeovers Panel, and a single judge of the Federal Court, have said that Alinta's acquisition of the units occurred in unacceptable circumstances, and that the units must be sold by ASIC on behalf of Alinta.

Decisions are expected in February 2007, but may be handed down earlier.