# Australian Pipeline Trust

ARSN 091 678 778

## Australia's leading energy transporter

**Annual Report 2006**


## Corporate Review 2006



Front Cover Images: L to R
Row 1 – Compressor Aftercooler at Bulla Park (MSP), Right of Way (PGP)
Row 2 – Mondarra Gas Storage Well, Aerial View of Compressors (Kogan North)
Row 3 – Cooling System and AC to DC Converter Stack, Red Cliffs, Pipe work at Paraburdoo Compressor Station (CGT)
Row 4 – Aerial View of Red Cliffs, TiWest Delivery Station (PGP)
Photo above: Red Cliffs High Voltage Transformer (Murraylink)

## Annual Financial Report 2006

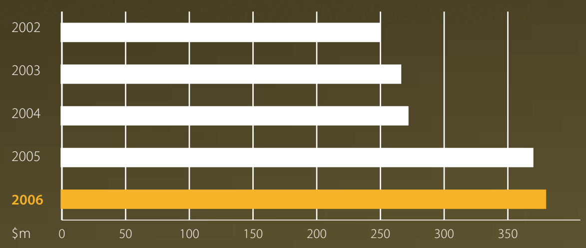
# Corporate Highlights

## Solid Delivery

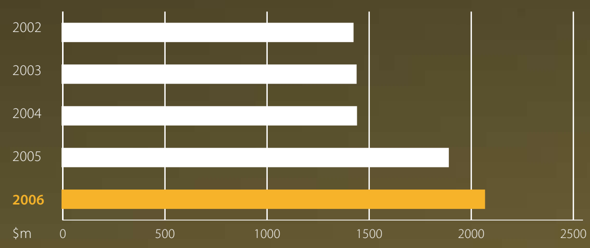
### Performance Highlights For the Past Five Years

Strong organic growth in revenue has been complemented by strategic acquisitions of natural gas and electricity transportation assets. Solid operating cash flow has supported increased distributions to unitholders.

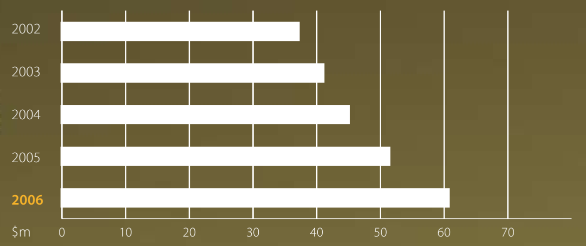
**Total Revenue – Before Significant Items**



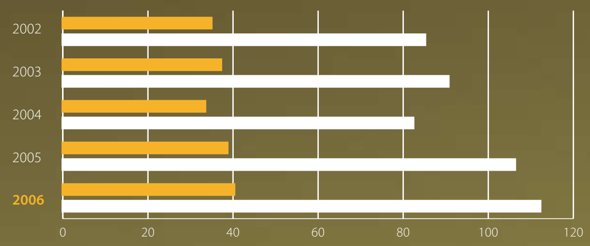

**Total Assets**



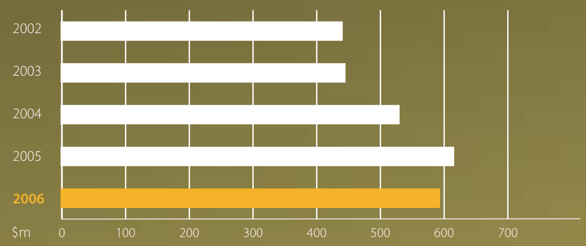

**Net Profit After Tax – Before Significant Items**



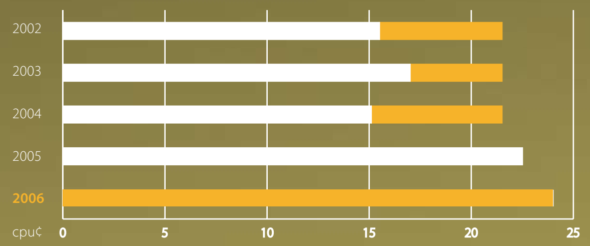

**Cash Flow – Operating**




**Total Equity**




**Distributions**




### 2006 Key Operating Highlights

- 4.4% increase in pipeline transportation revenue;
- 12% increase in EBITDA;
- Part year revenue contribution from Murraylink and Kogan North;
- Reduced operating costs achieved primarily through the integration of APA's Western Australian Gas Business and reduction in fees payable to service providers;
- Expansion of Mondarra gas storage facility;
- Committed to Bonaparte Gas Pipeline in NT;
- Developing Daandine power station using CSG in Qld;
- Increase in annual distribution from 22.5 to 24.0 cpu and distribution reinvestment plan reactivated.

## Financial Summary

| Operating Results before significant items | Year ended 30 June 06 $m | Year ended 30 June 05 $m | Change % |
|---|---|---|---|
| Pipeline transportation revenue | **279.0** | 267.2 | 4.4 |
| Electricity transmission revenue | **3.2** | – | – |
| Other tolling revenue | **1.2** | – | – |
| Other pipeline revenue–passthrough | **85.7** | 89.3 | (4.0) |
| Other revenue | **10.0** | 10.8 | (7.6) |
| Total revenue | **379.0** | 367.3 | 3.2 |
| EBITDA | **200.4** | 178.9 | 12.0 |
| EBIT | **161.6** | 142.5 | 13.4 |
| Pre-tax profit | **90.4** | 78.0 | 15.9 |
| Income tax expense | **(29.4)** | (26.4) | 11.6 |
| Operating profit after income tax and minorities before significant items | **60.7** | 51.4 | 18.1 |
| Significant items after income tax | **1.9** | 58.2 | (96.8) |
| Net profit attributable to unitholders | **62.5** | 109.5 | (42.9) |

| Financial Ratios | | | |
|---|---|---|---|
| Earnings per unit (cents) – before significant items | **21.75** | 18.67 | 16.5 |
| Earnings per unit (cents) – after significant items | **22.43** | 39.81 | (43.7) |
| Net tangible asset backing per unit | **$2.09** | $2.18 | (4.1) |
| Free cash flow per unit (cents) | **38.18** | 37.59 | 1.6 |
| Interest cover ratio – before significant items | **2.34** | 2.33 | – |
| Gearing ratio (%) | **67.87** | 62.96 | – |

**APA's unit price has increased by**

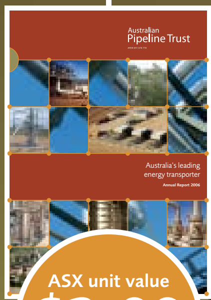
**99.5%**

**in value since float in 2000.**

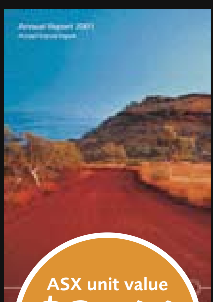
**A $10,000 parcel of units purchased in 2000 would have a current value of**

**$19,950**

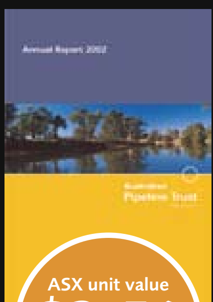
excluding distributions




ASX unit value **$3.99** average closing price for 2006 financial year



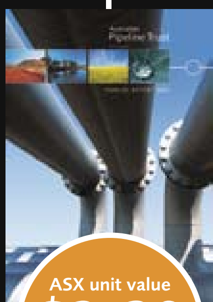
ASX unit value **$2.41** average closing price for 2001 financial year



ASX unit value **$2.51** average closing price for 2002 financial year


ASX unit value **$2.61** average closing price for 2003 financial year

ASX unit value **$2.73** average closing price for 2004 financial year



ASX unit value **$3.29** average closing price for 2005 financial year

# Quality assets


"In the 2006 financial year, APA has tapped into new revenue streams within the energy infrastructure sector. On 30 March 2006, APA acquired the Murraylink assets. By applying our skill sets and experience to these types of acquisitions, we have the opportunity to enhance APA's ability to pay increased distributions in the future. This approach is a natural progression for APA as we look towards securing a future of solid yields from a diverse portfolio of energy infrastructure assets." Mick McCormack

# Chairman's Report

I am pleased to present my sixth chairman's report to the unitholders of Australian Pipeline Trust ("APA"). APA's main objective is to focus on investments in energy transmission infrastructure which enhance our ability to increase unitholder distributions by, at least, CPI annually. The Board remains positive and enthusiastic about the future of APA and the role of natural gas in the Australian energy mix.

## Financial Performance

APA has again delivered. Operating profit after tax and minorities but before significant items increased 18.1% to $60.7 million, compared with $51.4 million for the year ended 30 June 2005. The improved performance resulted from a full 12 month contribution from two major acquisitions in the previous year, increased pipeline transportation revenue and a reduction in operating costs arising from the integration of the WA gas business. When significant items are included, net profit attributable to unitholders of APA for the financial year was $62.5 million (2005: $109.5 million).

## A Year of Consolidation and New Direction

This past year was again one of substantial change in the energy industry, with major players in the industry moving to reorganise their respective businesses. Nevertheless, APA was able to successfully implement its growth strategy.

APA has more than doubled in market capitalisation since listing in 2000, based on successfully executing a program of buying out minority interests in our assets, and building on our existing energy transmission assets. Given this framework, it was timely for the Board and senior management of APA to look anew at the longer term strategy and objectives of APA.

Managing Director ("MD") and Chief Executive Officer Michael ("Mick") McCormack, outlines in more detail the new approach in his interview on pages 4 to 7, but I would like to make the point that it is firmly based on the belief that quality assets, soundly managed, deliver value over the long term. APA has delivered excellent results to unitholders by taking a strategic and long term view of our assets, while at the same time seeking to maximize leverage from the capabilities we have developed.

In the last 12 months, APA has acquired or entered into arrangements to develop a number of assets complementary to our existing gas pipelines. Our growing asset base further underpins our strong cash flows, enabling us to deliver on our primary strategic goal, to increase distributions to unitholders by at least CPI annually.

One of the most significant of these transactions occurred just before the end of the financial year, namely APA's joint bid with Babcock & Brown Infrastructure ("BBI") for GasNet Australia Group ("GasNet").

Since then, the bidding agreement between APA and BBI lapsed and APA has made a full cash offer of $3.10 per unit for GasNet. I am pleased to advise that the GasNet Board has recommended the offer and we are now proceeding to acquire 100% of GasNet.

The acquisition of GasNet is strategically and financially compelling for APA. The GasNet business is highly complementary with APA's business, enables APA to further develop a gas transmission grid on the eastern seaboard and will assist APA to realise its intention to offer a seamless tariff for gas delivered into Queensland, New South Wales, ACT and Victoria.

APA continues to deliver on its strategy of acquiring and developing assets that enhance its ability to pay increasing distributions to all unitholders.

## The AGL/Alinta Merger

It is proposed that AGL and Alinta will "merge". If the merger is implemented, the units in APA held by AGL will form part of the Alinta group.

Alinta has given the ACCC court enforceable undertakings which aim to ensure:

- continued competition between gas pipelines owned by APA and those owned or controlled by Alinta;
- the independence of APA from Alinta; and
- a sale of its units in APA and shares in APL within a specified (confidential) period. (AGL has some rights which may see it buy these from Alinta)

On 8 September 2006, Alinta submitted proposed new undertakings to the ACCC, which would allow Alinta to keep its interests in APA if APA sells certain assets (including the Moomba to Sydney Pipeline, Parmelia Gas Pipeline and interests in GasNet). APA does not support these proposed replacement undertakings. It is not certain if they will be accepted by the ACCC in this form or at all.

Recently Alinta acquired a stake of 10.25% in APA. The matter is now before the Takeovers Panel and the Federal Court. APA is seeking a disposal of this stake.

Alinta was ordered to cease trading in APA units by the Takeovers Panel, and has been ordered to divest the 10.25% stake (as the Panel declared that they were acquired in unacceptable circumstances). A Review of this decision is underway.

*Left:* Scraper Station at Bulla Park on the MSP
*Right:* Compressor at Kogan North in Qld

Court action is continuing and the situation is highly fluid. By the time unitholders receive this annual report, or by the time of the annual meeting, circumstances may have changed. Unitholders should continue to monitor public announcements by APA of developments.

## Regulatory Environment

The regulatory environment affecting our assets continues to be a focus for APA. Regulatory reform is critical to creating a better environment for the necessary investment in energy infrastructure needed over the next decade.

We have been engaged in a long-running debate as to the regulatory value of our Moomba to Sydney Pipeline. In 2004, the Australian Competition Tribunal ("Tribunal") accepted our argument that the ACCC had acted unreasonably in rejecting APA's proposed Access Arrangement. The ACCC appealed to the Federal Court against that decision, and the Federal Court decided that the Tribunal made errors of law in its interpretation of the Gas Code. The Federal Court has now ordered that the matter be returned to the Tribunal for reconsideration.

## A Single Voice for Natural Gas

Debates about energy are constantly changing, as we have witnessed with the recent discussions around nuclear energy in Australia. This debate has only strengthened our belief in the need for a peak body to champion the benefits of "clean" natural gas as part of the energy mix for Australia. Natural gas needs a single voice of representation if it is to maximise its role in contributing to the region's energy needs.

We continue to promote the importance of "clean" natural gas, especially to the outlying and isolated parts of the country where natural gas and pipelines deliver jobs and growth.

To this end the acquisition of GasNet will enable increased trading in natural gas along the eastern seaboard. We are proud that APA is taking a lead role in facilitating "gas on gas" competition for the benefit of the Australian economy.

## People and Management

APA's success is due to the calibre and enthusiasm of our people. We are an energy infrastructure business, and our staff has long experience in the energy industry, and pipeline infrastructure in particular.

In his first full year as Chief Executive Officer, Mick McCormack clearly demonstrated his broad experience in the energy transmission industry. Mick and his team are performing well in executing the long term strategy of our Business.

## Outlook

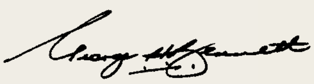
Looking forward, we continue to support the development of a northern gas supply option to meet the projected gas demand over the next decades. The Papua New Guinea ("PNG") Gas Project provides an opportunity to link the east coast gas market to northern gas and create the long touted "east coast gas grid". The PNG Gas Project is an immense and complex undertaking and there are many issues which are yet to be resolved. However, addressing the gas supply issues facing south-eastern Australia over the next decade remains a priority for Australia. We look forward to greater certainty emerging on this fundamental project.

APA is encouraged by the development of coal seam gas as an alternative fuel in the medium term. This, in turn, will support the development by APA of a gas pipeline connecting Ballera in Queensland to our Moomba to Sydney Pipeline.

2006 has been an exciting, busy and challenging year, and we have stuck to our promise – we deliver. We have delivered to our customers, our unitholders, and on our promise to develop a new strategic direction. We are already delivering on executing the objectives set for us.

The Board is confident that APA is well positioned to pursue strategies to continue its growth in profitability and distributions for the long term.

On behalf of the Board,
I thank management and staff for their efforts, and all unitholders for their support.



George H Bennett
Chairman
25 September 2006

"2006 has been an exciting, busy and challenging year for APA, and we have stuck to our promise – we deliver."

# Managing Director's Report

## an interview with Mick McCormack by Cecilia Hilder.

"We have announced a number of large developments, the most high-profile of which is the GasNet acquisition. These projects are fundamental to our new strategy, which is focused on growing distributions."

Mick, you've been in the job for a year now, and you've made some significant changes, particularly in the development and execution of new strategic objectives. What have been the highlights?

Yes, it's been an exciting first year and I'm pleased to say a very active one for APA. We have announced a number of large developments, the most high profile of which is the GasNet acquisition. Equally significant is our expansion into complementary infrastructure such as Murraylink, the continuing progress of the Kogan North gas processing project in Qld and the storage facility at Mondarra in WA. These projects are fundamental to our new strategy, which is focused on growing distributions.

### Will you elaborate on these developments?

I would be pleased to. Firstly, the GasNet offer.

Following the offer by Colonial First State Global Asset Management on 15 August 2006, the joint bidding arrangements with Babcock and Brown Infrastructure (BBI) lapsed, and we announced our intention to make a cash offer of $3.10 per GasNet security. This Offer valued the stapled securities in GasNet at approximately $452 million.

Our offer was at a 7.6% premium to the $2.88 offer from Colonial, which was recommended by the GasNet Board. The Offer was also between a 5.8% to 14.0% premium to the Independent Expert valuation range ($2.72 to $2.93) included in GasNet's Target Statement of 9 August 2006. We were in a unique position to make this bid because APA, alone, is able to extract additional value from the proposed and existing asset portfolio.

We were very pleased that on 31 August 2006 the GasNet Board unanimously recommended acceptance of our offer, in the absence of a superior offer.

We consider GasNet a quality asset that fits APA's objectives. On current analysis, the acquisition is expected to enhance APA's capacity to increase annual distributions per unit by approximately 10% on the expanded capital base post the capital raising, assuming 100% ownership of GasNet.

The acquisition of GasNet is strategically and financially compelling for APA. The GasNet business is highly complementary with APA's business, enables APA to develop a gas transmission grid on the eastern seaboard and will assist APA to realise its intention to offer a seamless tariff for gas delivered into Queensland, New South Wales, ACT and Victoria.

The acquisition will also improve utilisation of the Victoria/New South Wales interconnect pipeline and APA's Moomba to Sydney Pipeline and increase APA's ablility to compete with the Eastern Gas Pipeline. GasNet's Victorian pipeline, when integrated into APA's existing business, will add to the gas supply options for the eastern seaboard. This will create significant gas on gas competition.

GasNet is a strong strategic fit for APA and we expect it will deliver significant future value.

### How will APA fund the acquisition?

APA will fund the acquisition through committed debt facilities. However, to reduce gearing, address financing flexibility and, partly to fund other current acquisition and development opportunities, we have raised approximately $200 million through an institutional placement and a Security Purchase Plan (SPP) to existing APA unitholders. We may use some of the proceeds of the placement to fund the GasNet offer.

Unitholders will have had an opportunity to participate in the SPP by the time the Annual Report is received by them.

I should add that the units issued under the placement and SPP will not be entitled to receive the already announced APA final distribution of 6 cents per unit for the year ended 30 June 2006, but otherwise will rank equally with existing units and will be entitled to the first interim distribution for the quarter ending 30 September 2006, payable in December 2006.

### And what about the Murraylink acquisition?

Murraylink connects the electricity transmission networks in South Australia and Victoria. Assets include two converter stations and two buried, high voltage direct current cables of about 180 kilometres in length which link the two networks, from Berri in South Australia to Red Cliffs, near Mildura in Victoria. It's a relatively new system, having been completed in 2003 and features highly innovative but proven, electricity technology. It cost around $180 million to build, but APA acquired Murraylink for a little over $153 million.

### Why Murraylink?

We targeted Murraylink because it requires a very similar skill set to our core assets. Murraylink has a low risk revenue outlook with fixed revenues to 2013 and beyond. It fits with our existing stable of assets and boosts our drive to increase unitholders' distributions by at least CPI.

### How does this investment compare with your gas transmission assets?

The current business model that we successfully apply to our gas pipelines is centered on our knowledge of the business and our ability to manage external service providers. Like most of our pipelines, Murraylink is capital intensive, regulated, has a low operating cost and a relatively low risk piece of linear energy infrastructure, in a remote location.

If you look at our footprint on a map of Australia, you can see we are also used to managing assets in remote locations. This equiped us to carry out a smooth transition of ownership and operatorship of Murraylink.

### Can you give the detail of the transaction and the funding arrangements?

The acquisition of Murraylink was fully financed through a one year acquisition bridge facility. The inclusion of the bridge facility did not impact significantly on APA's gearing levels. Gearing rose to 68%, well within APA's borrowing covenants.

### What is the earnings impact? How will it affect your main corporate objective of growing distributions by at least CPI – both in the short and long term?

Murraylink is a low risk investment with strong and reliable cash flows. APA's acquisition of Murraylink further enhances APA's cash flows and therefore, APA's primary growth metric: the ability to grow distributions at least in line with CPI. On a full year basis, the acquisition is expected to generate EBITDA of approximately $9.2million in the 2007 financial year.

### Can you explain the strategic rationale of acquiring an electricity transmission asset, and how it fits your growth strategy?

We believe it's a logical extension of our business, as the skills involved are very similar to those employed in running our gas transmission pipeline business.

Murraylink's revenue certainty is somewhat higher than most regulated gas pipelines because its revenue is not dependent on the actual throughput of the system, so future revenues are independent of any throughput growth. At the same time, modest upside is achievable through performance incentives and by reducing operating costs.

We are looking to invest in a range of energy assets that have an appropriate risk and reward profile, and are cash positive. Murraylink fits those criteria perfectly and will be an important part of our growth strategy. We bought it at a good price, and it will contribute to the cash flows necessary to support our increased unit distributions into the future.

### What about Kogan North in Qld?

In August 2005, we announced a plan to build, own and operate a $13 million coal seam gas processing facility at Kogan North, west of Brisbane on the Roma to Brisbane Pipeline ("RBP"). The facility was built to process four petajoules of gas a year – approximately enough energy to supply about 35,000 homes. The Kogan North gas processing project is important for APA as it represents the first of many such potential developments that are complementary to our existing business.

### How is the facility progressing and when will the first sale of gas be delivered?

The facility is complete, with the first gas delivered into the RBP in January of this year. Volumes have been steadily increasing since that time as the Kogan field produces more gas, and full production rates are anticipated to be achieved later this year. The gas from the Kogan North facility, along with gas from other sources, is transported on the RBP for use at CS Energy's Swanbank power station.

### How did you fund Kogan North?

The construction of the plant at Kogan North was financed through existing bank facilities.

"We are looking to invest in a range of energy assets that have an appropriate risk and reward profile, and are cash positive."

*Left:* Trenching on the RBP
*Right:* Gatton Compressor Station on the RBP

# Managing Director's Report

### Tell me about the Mondarra gas storage facility in WA.

In February 2006, APA announced we would be expanding the Mondarra gas storage facility by drilling a "state of the art" purpose built gas storage well into the existing reservoir. The cost of this expansion is expected to be between $10 – $15 million.

### How is this expansion possible?

It is backed by a five year agreement, plus a five year option with Verve Energy (formerly known as Western Power) to utilise the facility, and our Parmelia Gas Pipeline ("PGP").

### What does this mean for APA?

The multi-million dollar storage and transportation contract and the expansion will allow APA to provide additional peak gas supply services which are expected to be much sought after in the rapidly developing deregulated WA energy market.

The expansion of the gas storage facility is an exciting addition to the suite of flexible and innovative services that APA has been developing to help manage peak supply constraints in the Perth region.

In addition to the gas storage revenue, this development will directly lead to additional gas transportation revenue for the PGP.

This investment forms another step in the development by APA of the "Mondarra Gas Hub", which straddles the two gas pipelines servicing the south west of WA. The Mondarra Gas Hub effectively offers interconnected pipeline gas transportation services, load management, storage, compression and processing – all controlled from APA's dedicated 24 hour Perth Control Centre.

### Are you excited about the pipeline in the Northern Territory?

Yes, the Bonaparte Gas Pipeline, as it will be called, is a very good project. At the end of the financial year, we announced that we had signed a $400 million, 25 year, Gas Transportation Agreement (GTA) with Power and Water Corporation ("PWC") commencing in January 2009. This followed our previous announcement that we had entered into a Heads of Agreement with the Northern Territory Government and PWC, to develop the pipeline for the transportation of gas from Eni's gas plant at Wadeye, to our Amadeus Basin to Darwin Pipeline.

### How much will the pipeline cost?

The 277 kilometre pipeline is estimated to cost $130 million over the next two years. This new project ensures that we will have a growing transmission business in the NT well into the future and is an important step in realising our long-term vision of bringing northern gas into Australia.

### How will the cost of building this pipeline be funded?

The different funding options for this pipeline are being examined as part of the preliminary stages of this project.

### Tell me about the Tipton West project in Queensland.

In April 2006, a Heads of Agreement was signed with the Tipton West Joint Venture for APA to fund, own and operate the Tipton West central gas processing facilities and associated lateral pipelines.

The Tipton West project is located in the Surat Basin approximately 20 kilometres south of Dalby in Queensland. The field currently has a Gas Sales Agreement with Braemar Power for up to 13.3 petajoules per annum for 15 years and a gas sales Memoranda of Understanding with BP and Ergon Energy for a total of 63 petajoules.

### What is the cost of the facilities?

The estimated cost of the facilities is $50 million. They are projected to have the capacity to process and deliver up to 17 petajoules per annum of gas from the Tipton West coal seam gas field to a number of customers, including Wambo Power, Ergon Energy and BP. We expect the first gas sales in early 2007.

### What are your plans for the future?

APA's aim is to grow unitholder distributions annually, by at least CPI. In the short term, this means that the gas transportation business is core to future developments. It is also clear that the long term growth of APA includes realising a northern gas supply into the south east Australian market, with haulage into NSW and Victoria through the MSP and the GasNet pipeline.

Stephen Ohl and Mick McCormack inspect the Murraylink assets at Red Cliffs in Vic

There is still some way to go with the PNG Gas Project, but there is little doubt that there continue to be strong drivers for this project to proceed.

In the meantime, APA is enthusiastic about the greater role in energy supply that coal seam gas is providing over the medium term. The delivery of coal seam gas into southern markets has firmed APA's intention to develop a gas pipeline which will connect Ballera in Queensland to the MSP and the NSW and Victorian markets.

I am very positive about the future, and excited by the prospects for growth and expansion available to APA. APA is continuing to grow and develop new markets because our lean, low cost, competitive business model is based on experience, expertise and industry skills. I firmly believe APA has a great long term future and will live up to its slogan – "we deliver energy".

I thank the Board for their trust in me, and my colleagues for their dedication and performance. Once again, I thank unitholders for the opportunity to serve them.

Mick McCormack
Managing Director
25 September 2006

## Staff in profile

**Rod Johannessen**

Rod Johannessen is the Commercial Manager, Queensland and also a dedicated sailor. Most summer weekends you'll find him crewing on a yacht, which races on Brisbane's Moreton Bay. This year will be the first season on the skipper's new yacht, a Mumm 36 "Georgia Express". The existing crew have been sailing together for four years, and Rod's role is as bowman. In his position at the pointy end, he is responsible for changing headsails and spinnakers. He enjoys competing in ocean races such as the Brisbane to Gladstone Race at Easter, and has also sailed in a variety of places around the world, including the Solomon Islands and the islands of Indonesia.

"APA is continuing to grow and develop new markets because our lean, low cost, competitive business model is based on experience, expertise and industry skills."

"Pigging" on the MSP

# Asset Overview

## Existing Assets

### WA Assets

#### Goldfields Gas Transmission ("GGT")

The 88.12% APA owned GGT is being expanded by the addition of compression at Paraburdoo to service Rio Tinto's rapidly expanding Hamersley Iron mine operations. The $15 million expansion is currently on time and budget for completion in October 2006 to meet the requirement in Hamersley Iron's 16 year GTA.

#### Parmelia Gas Pipeline ("PGP")

In September 2005, APA entered into a $10 million, seven year, contract with Arc Energy to transport Perth Basin gas to Midland Brick, the world's largest brickworks, in Perth. At the same time, APA also sold to Arc Energy its Dongara processing facility located on the Dongara gas field for approximately $2.5 million. This enabled the field to be more easily developed under single management control.

#### Mid West Pipeline

The Mid West Pipeline/Joint Venture entered into a GTA with Synergy for the transport of additional gas to an expansion of Harmony's Hill 60 gold mine operation close to Mt Magnet.

#### Westlime (Arrowsmith) Lateral

The Westlime lateral in the Mid West region of WA was connected to the PGP and recommissioned to transport gas to the Roc Oil operated Arrowsmith oil stabilisation plant built to process oil from the Cliff Head offshore oil platforms.

#### Wiluna Lateral

The Wiluna operation continues to use marginally increased quantities of gas and has recently announced drilling results indicative of significant additional gold reserves which should lead to an extension of the life of the current mine operation.

### NSW Assets

#### Moomba to Sydney Pipeline ("MSP") and Central West Pipeline System ("CWP")

APA has 100% ownership of the MSP. Stretching 1,299 kilometres, the MSP links the natural gas fields at Cooper Basin to the south west of Sydney.

A number of laterals branch off the main line to supply regional centres in NSW, and the ACT. They are:

- the Northern Lateral (a lateral from Young to Lithgow with branches supplying Orange, Oberon and Bathurst),
- the Young to Wagga Wagga Lateral,
- the Burnt Creek to Griffith Lateral, and
- the Dalton to Canberra Lateral.

The MSP also includes the Interconnect (from Wagga Wagga to Culcairn). The Interconnect includes a bi-directional connection at Culcairn, linking the MSP with the GasNet Pipeline System in Victoria.

Gas delivered through the MSP services a diverse range of industrial, commercial and residential users in NSW and the ACT with an expected increasing supply going to power applications.

The main revenue returned from the MSP comes from the Gas Transportation Deed with AGL Wholesale Gas. This contract provides a predictable revenue stream from the MSP until 2007 and a measure of revenue certainty to 2016.

APA also owns 100% of the 255 kilometre CWP, which links the MSP with regional centres in NSW including Forbes, Parkes, Narromine and Dubbo.

As a greenfields pipeline, the CWP is designed to allow for penetration of gas into a new and growing market. As such, there is no fixed reservation charge for capacity and the CWP Reference Tariff is charged, based only on actual throughput.

The recent commissioning of the Central Ranges Pipeline (Dubbo to Tamworth) is expected to increase volumes through the CWP.

During the year, a meter station was constructed at Dubbo to deliver gas into the new Central Ranges Pipeline developed by Central Ranges Pipeline Pty Ltd. First gas was delivered into this new pipeline in July 2006.

"APA has 100% ownership of the MSP. Stretching 1,299 kilometres, the MSP links the natural gas fields at Cooper Basin to the south west of Sydney."

Morney Tank Compressor in Qld

## Qld Assets

### Roma to Brisbane Pipeline ("RBP")

The RBP was commissioned in 1969 to transport gas 438 kilometres from the Surat Basin to industrial users in Brisbane. Since that time, the RBP has been expanded through the installation of six compressor stations and six stages of looping that have increased capacity from the original free flow capacity of 40 terajoules per day to the current nominal capacity of 180 terajoules per day.

APA is well advanced in the next phase of expansion of the RBP with Front End Engineering and Design ("FEED") completed in December 2005 and negotiations with a number of prospective new customers nearing completion. The next phase of expansion is anticipated to increase the capacity of the RBP to in excess of 200 terajoules per day. Further expansion through compression of the pipeline is possible to in excess of 300 terajoules per day.

Associated with the RBP is the Peat Lateral Pipeline which transports gas 121 kilometres from the Peat and Scotia gas fields to interconnect with the RBP at Condamine.

The RBP delivers gas to approximately 20 delivery points in south east Queensland for use by major industrial customers such as Incitec Pivot and BP, gas-fired power generators and gas retailers for supply to industrial, commercial and residential consumers.

### Carpentaria Gas Pipeline ("CGP")

The CGP was commissioned in 1998 to transport gas 840 kilometres from the Ballera gas centre to customers in Mt Isa and the surrounding Carpentaria mineral province. Gas is predominantly used for power generation for mining operations, with some additional use as a feedstock and process heating. The CGP was expanded in late 2002 through the installation of a mid-line compressor station. There is the provision for further expansion of the CGP through the installation of up to four compressors at each of the scraper stations along the CGP.

## Staff in profile

**Rick Francis**

As well as being the Chief Financial Officer for the APA Group, Rick Francis has been the manager for his children's local Under 7 soccer team since 2005. In this role, he ensures both the children and parents feel a part of the team and helps out with the coaching and refereeing during the season.

"I have really enjoyed watching all the kids grow up over the last 2 years, watching their different personalities come out and how they have become part of the team. All the kids are from the local primary school and it has really brought them together. It is very easy to get caught up in work matters, so getting involved with the kids really helps keep a balanced perspective on things.

Finding time to contribute to the local community is hard nowadays, however, there is nothing better than helping your children and others develop both on and off the sporting field and watching their determination and joy as they play each match."

*Left:* Wiluna Compressor Station on the GGT
*Right:* Pipeline stringing in Mt. Isa on the CGP

# Asset Overview

## New Developments

### Gas Storage Facilities

#### Mondarra Gas Storage Expansion

The Mondarra gas storage facility is located close to Dongara in the Mid West of WA adjacent to the two pipelines servicing Perth and the south west of WA being the APA owned Parmelia Gas Pipeline and the Alinta operated Dampier to Bunbury Gas Pipeline. It is currently operating as WA's only gas storage facility, based on a depleted gas reservoir that was discovered and developed by West Australian Petroleum in the early 1970's, and which has operated as a storage field since the bulk of the natural gas was produced during the mid 1980's. The gas reservoir is located around 30 kilometres to the south east of Dongara and sits at a depth of some three kilometres directly beneath the Parmelia Gas and Dampier to Bunbury Pipelines with the surface facilities located between the two pipelines.

APA announced in February 2006, the execution of a five year agreement with Verve Energy which underpinned the expansion of the Mondarra gas storage facility including the drilling of a new well into the existing reservoir. The project is currently on track, with the drilling of the new well in late 2006 and the completion of the required tie-ins and additional surface facilities scheduled for early 2007. The top section of the well will be drilled conventionally to a depth of 2,700 metres and then completed using a "state of the art" underbalanced drilling technique utilising a coiled tubing unit for the 45 degree open hole section through the reservoir formation.

Further expansion of the surface facilities to upgrade the compression and processing facilities is anticipated during 2007, once the well has been tested and modelled.

This investment by APA, provides the opportunity to expand the rapidly developing "Mondarra Gas Hub" which conveniently straddles the two gas pipelines servicing the south west of WA, offering interconnected pipeline gas transportation services, load management, storage, compression and processing – all controlled remotely from APA's dedicated 24 hour Perth Control Centre.

The expansion of the gas storage facilities is an exciting addition to the suite of flexible and innovative services that APA has been developing and is a premium alternative to the standard gas transportation services that have traditionally been available in WA.

#### Kogan North Gas Processing Facility

The Kogan North gas processing facility is located at Kogan, west of Brisbane and adjacent to the RBP.

The facility will filter, dehydrate, compress and meter coal seam gas from the Kogan North gas field for injection into the RBP. The gas is then transported on the RBP for use at CS Energy's Swanbank E Power Station.

The facility processed its first gas in January 2006 and volumes have been steadily increasing since that time in line with the development plan for the Kogan North gas field. The facility has been initially designed to process four petajoules per annum and has the capability to be expanded as more gas is identified and produced in the surrounding areas.

#### Daandine Gas Fired Power Station

The Daandine gas fired power station is located at Kogan, west of Brisbane and is adjacent to APA's Kogan North gas processing facility and the RBP.

The power station consists of 11 x 3 mega watts Jenbacher gas fired engines and is designed to produce 27.4 mega watts of electricity in base load operation. The power station is anticipated to utilise approximately two petajoules per annum of gas sourced from the adjacent Daandine coal seam gas field.

Agreements for APA to build, own and operate the power station were executed in June 2006 and construction of the power station is underway. Commissioning of the power station is anticipated to occur in late 2006 to early 2007.

The location of the Daandine power station, which is adjacent to the Kogan North gas processing facility and the RBP, provides the opportunity for the power station to obtain additional gas supplies for current and future operation of the power station. In addition, as further gas is identified at the Daandine gas field in excess of the requirements of the power station, it can be processed via the Kogan North gas processing facility and transported to the broader market via the RBP.

"This investment by APA, provides the opportunity to expand the rapidly developing "Mondarra Gas Hub" which conveniently straddles WA's only two gas pipelines servicing the south west of WA."

## Electricity

### Murraylink

APA acquired Murraylink in March 2006. Murraylink is a 180 kilometre, high voltage direct current electricity transmission asset that links the electricity transmission networks in Berri, South Australia and the transmission networks at Red Cliffs near Mildura, Victoria. The assets include two converter stations and two buried high voltage direct current cables.

Murraylink was constructed in 2003, based on innovative but proven electricity technology. Like many gas pipelines, Murraylink is capital intensive, has a low operating cost and is a relatively low risk piece of linear energy infrastructure in a remote location.

Murraylink is a regulated asset with revenue certainty to 2013 and beyond. In accordance with the electricity market rules, revenue from Murraylink is determined by the Australian Energy Regulator. APA, as owner, has a statutory right to recover revenue from all electricity users in Victoria and South Australia. Murraylink has certainty of cash flow, which is provided by the electricity market framework rather than through contracts.

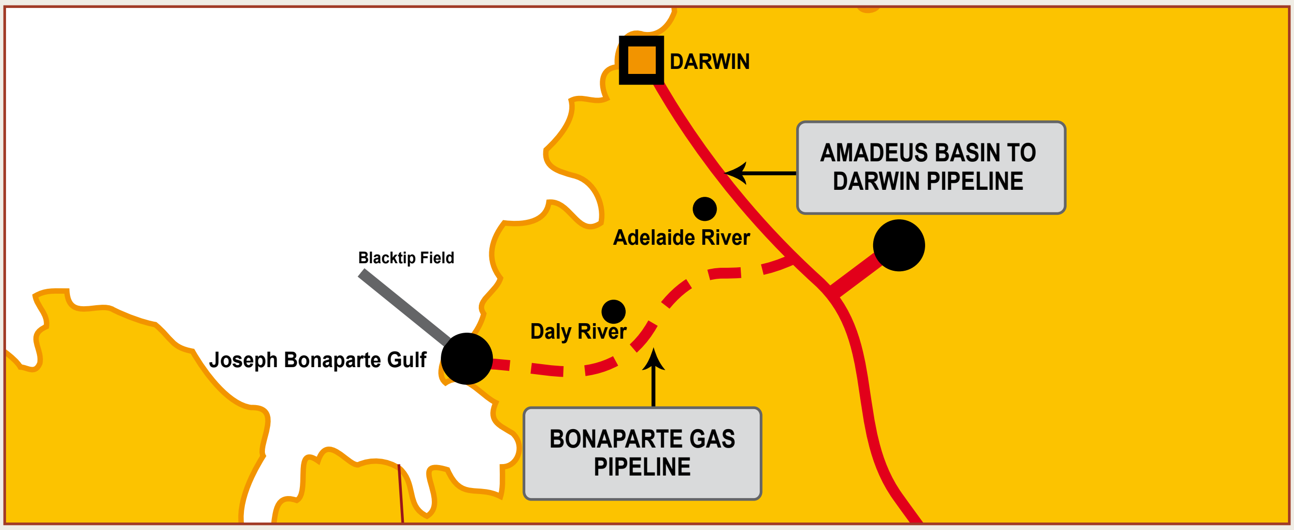
## Gas Pipelines

### Bonaparte Gas Pipeline ("BGP")

In June 2006, APA signed a $400 million GTA with Power and Water Corporation ("PWC") in the NT. The 25 year agreement, which commences on 1 January 2009, also commits APA to develop the BGP at an estimated cost of $130 million.

The pipeline will transport gas from Eni's on-shore gas plant, to be built at Wadeye, and will connect to the Amadeus Basin to Darwin Pipeline ("ABDP"). Approximately 277 kilometres in length, the new pipeline will have an initial delivery capacity of 30 petajoules per year. Preliminary works on route selection, land access and engineering activities commenced immediately in order to meet the 1 January 2009 commencement date.

APA also holds a 96% interest in NT Gas, the operator of the ABDP. The new BGP project, the GTA with PWC and the ownership interest in NT Gas, places APA in a strong position to continue its long term commitment to support the growing energy requirements of the Northern Territory.




Bonaparte Gas Pipeline map


Murraylink assets
*Left:* Redcliffs, VIC
*Right:* Berri, SA

# Board of Directors

George H Bennett

Ross M Gersbach

Russell A Higgins AO

Jane F McAloon

**George H Bennett**
**FCA**
INDEPENDENT CHAIRMAN

Appointed 11 February 2000

Mr George Bennett is a company director with almost 40 years experience at accounting services firm KPMG.

Mr Bennett retired as National Executive Chairman of KPMG and chairman of the KPMG Asia Pacific board in 1993. His other directorships include Brazin Limited, Fantastic Holdings Limited, Macquarie Leisure Management Limited and Macquarie Office Management Limited.

Mr Bennett is also the Chairman of the Nominations and Remuneration Committee.

**Ross M Gersbach**
**BBus CPA**
NON-EXECUTIVE DIRECTOR

Appointed 26 August 2004

Mr Ross Gersbach is Group Manager, Infrastructure Investments with AGL. Mr Gersbach was appointed to this position in 2004, prior to which he held the position of Group Manager, Corporate Development.

Mr Gersbach has been with AGL since 1986 and has had senior roles across a number of AGL's operating units, including AGL's pipeline division.

Mr Gersbach is a director of Elgas Limited, ActewAGL and a number of AGL investment subsidiaries.

Mr Gersbach is a member of the Nominations and Remuneration Committee and the Audit and Risk Management Committee.

**Russell A Higgins AO**
**BEc FAICD**
INDEPENDENT NON-EXECUTIVE DIRECTOR

Appointed 7 December 2004

Mr Russell Higgins AO is a company director with extensive experience both locally and internationally in the energy sector and in economic and fiscal policy. Among his many roles, Mr Higgins was Secretary and Chief Executive Officer of the Department of Industry, Science and Resources from 1997 to 2002 and Chairman of the Australian Government's Energy Task Force from 2003 to 2004.

Mr Higgins is the chairman of the Co-operative Research Centre for Coal in Sustainable Development and Chairman of the CSIRO Energy Transformed Flagship Advisory Committee.

He is a director of Rice Growers Limited (trading as SunRice) and of the Australian Biodiesel Group Limited. He is a former Chairman of the Snowy Mountains Council, a former chairman of the Australian Government's Management Improvement Advisory Committee and a former director of EFIC, CSIRO, Austrade, the Australian Industry and Development Corporation, the Australian Tourist Commission, and the Australian Sports Commission as well as former member of the Australian Government's Joint Economic Forecasting Group.

Mr Higgins is a member of the Audit and Risk Management Committee.

**Jane F McAloon**
**BEc (Hons) LLB FCIS**
NON-EXECUTIVE DIRECTOR

Appointed 23 March 2005
Retired as of 28 August 2006

Ms Jane McAloon was Company Secretary of AGL and is a Chartered Secretary. She has previously held the positions of Deputy Director General of the NSW Cabinet Office, Director General of the NSW Ministry of Energy and Utilities and Executive Director Strategy, NSW Co-ordinator of Rail. She has also worked as a lawyer and Ministerial Adviser.


APA's gas transmission pipelines connect producers of gas, (often located in remote areas), to the major consumers of gas. APA earns revenue by selling transportation and related services to the producers, consumers and retailers of gas. APA's contracts with its customers are typically over long terms, (10 to 20 years), with a large portion of the revenue being fixed and independent of how much gas is actually transported. Consequently, APA's revenue is relatively secure and well understood over a long period of time.


APA's gas processing facility removes water and other impurities to achieve pipeline quality gas for delivery into APA's pipelines and ultimately to end users.

Muri Muhammad | Robert J Wright | Michael J McCormack | Wan Shamilah Saidi

**Muri Muhammad**
**MSc**
INDEPENDENT NON-EXECUTIVE DIRECTOR

Appointed 8 March 2000

Mr Muri Muhammad retired from Petronas in August 2002 and was re-appointed as Adviser, Gas Business in the President's Office (Petronas) until 30 March 2005. He brings to the Responsible Entity 30 years experience in the chemicals and petroleum industry as well as expertise in the domestic and international gas transmission and distribution, gas utilisation, co-generation and conversion businesses where he has held various senior executive positions.

Mr Muri was appointed Vice President for Gas Business in 1998 until his retirement in August 2002. In that role, he was involved in Petronas' gas development projects in Iran, India, Algeria, Myanmar, Pakistan, Vietnam and China. Mr Muri has held several directorships including Chairman of the board of Petronas' subsidiaries and associate companies in Malaysia and abroad. He has been involved in district cooling co-generation; pipeline gas transmission and distribution; liquefied natural gas production and marketing; and urea/ammonia production and marketing. Mr Muri currently sits on the boards of Transportadora de Gas Del Norte of Argentina and Petronas Gas Berhad of Malaysia, both of which are gas pipeline transmission companies. Mr Muri is also a member of the Malaysian Energy Commission, a Malaysian Government regulatory body.

Mr Muri is a member of the Nominations and Remuneration Committee.

**Robert J Wright**
**BComm FCPA**
INDEPENDENT NON-EXECUTIVE DIRECTOR

Appointed 11 February 2000

Mr Robert Wright has over 30 years' financial management experience, having held a number of chief financial officer positions, including finance director of David Jones Limited. He is currently the chairman of Dexion Limited and a director of SAI Global Limited, Super Cheap Auto Group Limited, Babcock & Brown Residential Land Partners Group and the reconstructed Harris Scarfe Australia Pty Limited.

Mr Wright is the Chairman of the Audit and Risk Management Committee.

**Michael (Mick) J McCormack**
**BSurv GradDipEng MBA FAICD**
MANAGING DIRECTOR

For bio, see page 14.

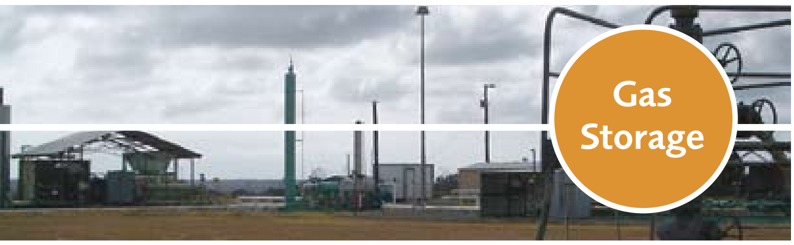
**Wan Shamilah Saidi**
**Bsc ACA**
ALTERNATE INDEPENDENT NON-EXECUTIVE DIRECTOR

Appointed 21 October 2005

Ms Wan Shamilah Saidi is the General Manager, Finance Division of Petronas Gas Berhad, a gas processing, transmission and utilities company listed on the Malaysian Stock Exchange. She holds a degree in Economics and Accounting from University of Bristol, England. Ms Shamilah is also a member of the Institute of Chartered Accountants in England & Wales and the Malaysian Institute of Accountants.

Ms Shamilah has been with Petronas since 1993 and has held various positions in Group Finance and Corporate Planning & Development Division of Petronas. Prior to the current position, she was a manager within the Business Development Unit responsible for the mergers and acquisitions activities for Petronas.

Ms Shamilah currently sits on the board of several companies in the Petronas Group.



## Gas Storage

APA's gas storage facility stores gas in a reservoir to be injected into APA's pipelines during periods of high demand.

## Electricity

APA's electricity transmission system connects electricity transmission systems from one state to another as part of the National Electricity market that ensures electricity is delivered from generators in one part of the country to another part of the country where it is needed by end users.

# Management team


## Michael (Mick) J McCormack

BSurv Grad Dip Petroleum Eng MBA FAICD
MANAGING DIRECTOR

1 Mr McCormack has been Chief Executive Officer of APA since 1 July 2005, and was appointed Managing Director on 1 July 2006. He carries overall responsibility for the performance of APA and its management team. Mr McCormack has extensive senior management experience in the energy transmission sector in Australia, with particular focus on gas transmission pipelines, where he has worked on the development of new and existing pipelines across Australia. Mr McCormack's entire career has been based in the energy transmission business and prior to joining APA on its float in 2000, he spent 13 years with AGL where he held a range of senior management positions within its pipeline business. Mr McCormack is the Chairman of a range of APA subsidiary companies. Mr McCormack has tertiary qualifications in science, engineering and business. Mr McCormack is a director on the board of the Australian Pipeline Industry Association and is a Fellow of the Australian Institute of Company Directors.

## Stephen P Ohl

BEng GradDipMan MIEAust FAICD
GROUP GENERAL MANAGER, OPERATIONS

Mr Ohl is responsible for the business performance of all APA assets. This includes primary responsibility for the operation, contract management, commercial development and technical regulation of all pipeline and related assets.

2 Mr Ohl has over 30 years experience in the petrochemical, oil and gas and pipeline industries, of which 15 years was spent managing and operating APA assets, which were previously owned by AGL. Mr Ohl has tertiary qualifications in engineering and management and is a member of the Institution of Engineers Australia, Fellow of the Australian Institute of Company Directors and past President of Australian Pipeline Industry Association.

Mr Ohl is also a director on a number of subsidiary companies within the APA group.

## Peter D Fox

BE (Hons) Grad Dip Petroleum Eng
GENERAL MANAGER, CORPORATE DEVELOPMENT

3 Mr Fox was appointed to his position on 1 July 2006. He is responsible for the corporate development of APA. This includes primary responsibility for the regular review and development of APA's overall strategic plan, evaluation of major acquisition prospects for the organisation and management of the processes to execute those acquisitions.

Mr Fox has over 17 years experience in the energy industry, of which over eight years has been spent on infrastructure acquisition projects.

Mr Fox has tertiary qualifications in chemical and petroleum engineering and is a member of the Society of Petroleum Engineers.


## Sandra M Dureau

4

BA (Asian Studies) LLB

GENERAL COUNSEL/GENERAL MANAGER, REGULATORY

Ms Dureau is responsible for the management of legal and economic regulatory matters affecting APA and its assets. This includes responsibility for the outcome of regulatory processes under the National Gas Code. Ms Dureau has extensive legal and regulatory experience in energy infrastructure, including gas pipelines, having worked in the industry since 1996 in legal, regulatory and commercial roles. Prior to moving in-house, Ms Dureau worked as a solicitor for 10 years.

Ms Dureau is a member of the Australian Institute of Company Directors.

Ms Dureau is a director on a number of subsidiary companies within the APA group.

## Richard F Francis

5

BComm CA MBA MAICD

CHIEF FINANCIAL OFFICER

Mr Francis is responsible for the financial management of APA. This includes accounting and financial reporting, financial compliance and governance, taxation, treasury and IT functions. Mr Francis has 24 years accounting experience, including 15 years in chartered accounting in Australia and the UK and nine years in commerce. Prior to joining APA, Mr Francis was the Group Financial Controller for Origin Energy for over five years from its initial listing in early 2000. He also held a number of divisional senior management positions in Boral Energy and Boral. Mr Francis is a chartered accountant, has a MBA from Macquarie Graduate School of Management and is a member of the Australian Institute of Company Directors.

Mr Francis is a director on a number of subsidiary companies within the APA group.

## Austin J V James

6

LLB

COMPANY SECRETARY / GENERAL MANAGER, CORPORATE

Mr James is responsible for the management of corporate services functions including public and unitholder relations, and administration, and has been the Company Secretary for the APA group for the last six years. Mr James has substantial experience in corporate, legal and regulatory roles. Prior to joining APA, Mr James worked for AGL, where he held senior management positions including Manager Finance and Planning, Manager Taxation and Manager Development Projects.

Mr James has been admitted to the Supreme Court of New South Wales as a barrister.

Mr James is a company secretary on all subsidiary companies within the APA group.

# Sponsorships

## Australian Brandenburg Orchestra

Above: Another string to his bow – Mick McCormack and Paul Dyer

Years removed from the day it was first penned in 1723 and far from his own 18th century Europe, Vivaldi's The Four Seasons filled the Goldfields Arts Centre in Kalgoorlie in 2005, with each and every note in perfect unison by the members of the Australian Brandenburg Orchestra ("ABO").

With so much of the arts facilities and government programs going into the major metropolitan centres, is it not about time regional and rural Australia received the same quality music and entertainment?

It will not happen without private sponsorship, and willing performers. Through the partnership of Australian Pipeline Trust ("APA") and the ABO, this has happened.

It has been a mission of APA Managing Director, Mick McCormack (an accomplished rhythm and blues musician, born and raised in country Queensland), to channel corporate support for the arts back to the bush. Paul Dyer, Artistic Director of the ABO, loves to see the Orchestra he has built from scratch over the past decade, play to everyone, not just those fortunate enough to live within driving distance of a city concert hall.

Since its inception in 1989, the Orchestra has enjoyed rapid growth, but its audience reach was primarily limited to the greater Sydney area, despite demand further afield. With the high costs of transporting an orchestra out of its metropolitan base to smaller audiences in distant locations, private sector support was needed to take the Orchestra on the road.

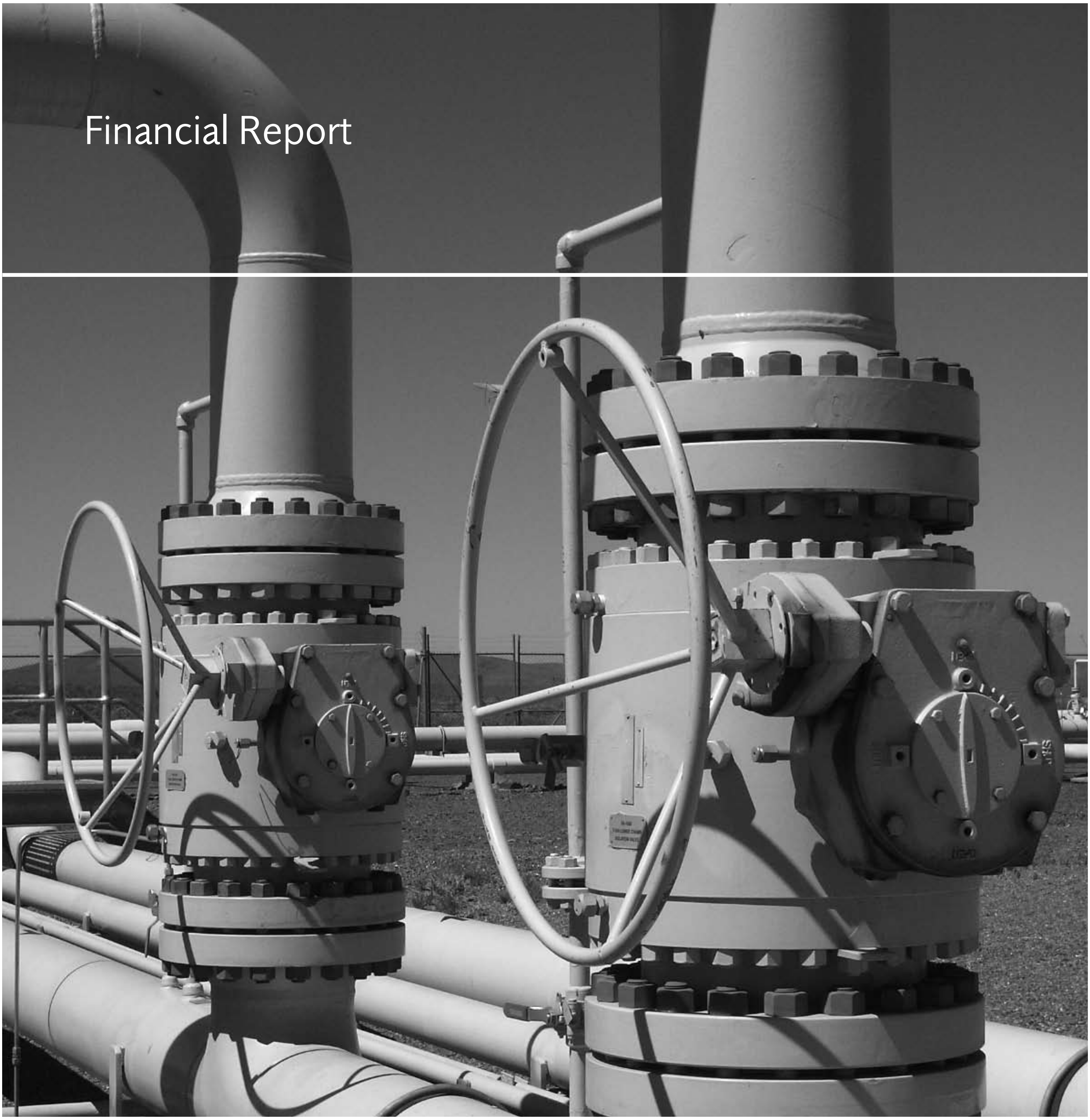
APA also recognised it needed an effective way to communicate directly with the people it does business with in those very same distant locations – in particular the Northern Territory and Western Australia. Music became the link.

In 2001, the Orchestra launched its first national tour in Perth and Darwin. In 2006, the Orchestra was encouraged by Mick McCormack to look at a more robust tour. The Orchestra went on to perform to over 10,000 concert-goers in Brisbane, Darwin, Perth, Bunbury and Adelaide. The Orchestra also toured regional parts of New South Wales, including Bathurst, Newcastle, Bowral and Goulburn. In total, the partnership allowed over 45,000 people at more than 60 performances across Australia, to experience the talents of the Orchestra, in the last 12 months.

The recently completed 2006 national tour allowed APA to maximise the value of it's sponsorship by inviting APA customers, important State Government contacts and other associates to performances in cities across Australia and so further develop our relationships and communication with all these stakeholders.

In planning and shaping the future of the partnership, both parties meet together extensively to understand each other's needs and objectives. Underpinned by this mutual understanding, the partnership has seen APA grow to be Australia's leading transporter not only of energy but also music.

# Financial Report



## Annual Financial Report 2006

# Corporate Governance Statement

The Board of Directors ("Board" or "Directors") of Australian Pipeline Limited ("APL" or "Responsible Entity"), as Responsible Entity for Australian Pipeline Trust ("APA" or "Trust") and its controlled entities (together "consolidated entity") is responsible for the consolidated entity's corporate governance practices.

The Board had conducted a review of the corporate governance practices following the publication of ASX Corporate Governance Council "Principles of Good Corporate Governance and Best Practice Recommendations" ("Principles"), which became applicable to APA in the financial year ended 30 June 2004. APA reviews its governance practices on an ongoing basis against the Principles.

For maximum transparency, each of the ten Principles issued by the Australian Stock Exchange ("ASX") has been responded to in turn:

## Principle 1: Lay Solid Foundations for Management and Oversight by the Board

The Board's responsibilities are encompassed in a charter, which is published on APA's website ("website"). The major roles it has defined to fulfil its responsibilities to APA unitholders ("unitholders") and the community are to:

(a) set the strategic direction of the consolidated entity with management and monitor management's implementation of that strategy;

(b) select and appoint (and, if appropriate, remove from office) the Managing Director/Chief Executive Officer, determine his conditions of service and monitor his performance against established objectives;

(c) ratify the appointment (and, if appropriate, the removal from office) of the Chief Financial Officer and the Company Secretary;

(d) approve conditions of service and performance monitoring procedures to apply to senior management;

(e) monitor financial outcomes and the integrity of reporting, in particular approve annual budgets and longer term strategic and business plans;

(f) set specific limits of authority for management to commit to new expenditure, enter contracts or acquire businesses without prior Board approval;

(g) ensure that effective audit, risk management and compliance systems are in place to protect the consolidated entity's assets and to minimise the possibility of APA operating beyond the constitution or beyond acceptable risk parameters;

(h) establish and maintain a code of conduct ("code");

(i) monitor compliance with regulatory requirements (including continuous disclosure) and code;

(j) review senior management succession planning and development on a regular basis; and

(k) provide effective and timely reporting to unitholders.

To assist it in carrying out its responsibilities, the Board has established standing committees of its members. They are:

- Audit and Risk Management Committee; and
- Nominations and Remuneration Committee.

Directors appointed at the time of the public float in 2000, have not received formal letters of appointment, though they have received less formal letters from the Chairman in response to their letter of consent to act as a Director. All Independent Directors appointed since, have received formal appointment letters.

The Board delegates responsibility for implementing the strategic direction and for managing the day-to-day operations of the consolidated entity to the Managing Director/Chief Executive Officer. There are clear lines of communication established between the Chairman and Managing Director/Chief Executive Officer to ensure that the responsibilities and accountabilities of each are clearly understood.

The Managing Director/Chief Executive Officer, Chief Financial Officer and other senior management have service contracts setting out their duties, responsibilities, conditions of service and termination entitlements.

## Principle 2: Structure the Board to Add Value

The Board determines its size and composition, subject to limits imposed by APL's constitution. The constitution provides for a minimum of three Directors and a maximum of 12. During the financial year, the Board was composed of six Directors, all of whom are non-executive. Mr M J McCormack, Chief Executive Officer, was appointed Managing Director from 1 July 2006. Since July 2005, the Board has consisted of three non-corporate Directors (all independents), a representative of Petronas (also an independent) and two representatives of The Australian Gas Light Company ("AGL"). From June 2004, unitholders have had the ability to nominate candidates for the three non-corporate Independent

Director positions, upon retirement or vacancy of the existing incumbents. The three non-corporate Directors nominated by unitholders, will retire on a rotating annual basis and may stand for re-election. In August each year, unitholders will be notified by announcement to ASX that they may nominate a person(s) for election to the Board as a non-corporate Director. Unitholders will have 15 days from the date of announcement to ASX to lodge a nomination form together with the relevant consent to act as a Director.

Once nominations are received by the required date, APL will advise unitholders of all candidates who have been validly nominated and present its nominations to unitholders at the APA annual meeting, which is generally held in October each year.

A majority resolution by unitholders on nominations presented to the APA meeting will confirm unitholders' intentions.

Unitholders will not be able to vote for the two Directors appointed by AGL, the one Director appointed by Petronas, or the Managing Director.

A majority of the current members of the Board are "independent" within the ASX definition, to the extent that the components of that definition can be objectively assessed. Those members are Messrs G H Bennett (Chairman of the Board), R J Wright (Chairman of the Audit and Risk Management Committee), R A Higgins AO and M Muhammad (the Petronas representative). Mr R M Gersbach and Ms J F McAloon (who retired on 28 August 2006) are not considered to be independent by virtue of their positions as Directors appointed by AGL (which owns 30% of the units on issue in the Trust). Mr M J McCormack, as Managing Director, will not be considered to be independent.

The Nominations and Remuneration Committee ("Committee") of the Board comprises three Non-Executive Directors, Messrs G H Bennett (Chairman), R M Gersbach and M Muhammad. The terms of reference of the Committee are set out on page 35 in the Directors' Report.

The Committee met four times during the financial year ended 30 June 2006. Details of attendance are set out on page 34 in the Directors' Report. The Committee may make use of external consultants if that is deemed appropriate.

Succession planning for the Board is reviewed regularly, first by the Committee and then by the Board. In considering potential new non-corporate Directors to commend to shareholders and unitholders, the Board seeks to identify candidates with appropriate skills and experience to contribute to the effective direction of APL, who can exercise an independent and informed judgement on matters which come to the Board, and who are free of any business or other relationship that may interfere materially with the exercise of that independent judgement.

The Chairman is selected by the full Board.

The Managing Director is an Executive Director of APL and Chief Executive Officer of APA.

The Directors, at any time during the financial year, or since, are listed below. For a brief description of their qualifications, experience and special responsibilities, see pages 12 to 13:

### Mr G H Bennett FCA – Independent Chairman

### Mr R M Gersbach BBus CPA – Non-Executive Director

### Mr R A Higgins AO BEc FAICD – Independent Non-Executive Director

### Ms J F McAloon BEc (Hons) LLB FCIS – Non-Executive Director

Appointed 23 March 2005. Retired as of 28 August 2006.

### Mr M Muhammad MSc – Independent Non-Executive Director

### Mr R J Wright BComm FCPA – Independent Non-Executive Director

### Ms Wan Shamilah Saidi Bsc ACA – Alternate Independent Non-Executive Director

Appointed 21 October 2005.

### Mr Ed Osman Ridzwan BSc MBA – Alternate Independent Non-Executive Director

Appointed 25 September 2003. Retired as of 21 October 2005.

### Mr M J McCormack BSurv GradDipEng MBA FAICD – Managing Director/Chief Executive Officer

Appointed Managing Director 1 July 2006.

### Mr J K McDonald FAICD – Managing Director

Appointed Managing Director 3 June 2002. Retired as of 1 July 2005.

# Corporate Governance Statement

## Principle 3: Promote Ethical and Responsible Decision Making

APA has policies on ethical and responsible decision making, including policies on unit trading by directors and senior managers, and on conflicts of interest. APA's Code of Conduct ("code"), which applies to Directors as well as employees, is available on the website.

The code is important, but equally important is the encouragement of ethical conduct not just by edict, but also by example, from all involved in APA.

It is the Board's objective that all dealings with staff, with customers, with regulatory authorities and with the community should be conducted honestly, fairly, diligently and in accordance with all applicable laws. Any departure from such practice is treated very seriously.

APA has a formal policy on dealing in units. The policy provides that Directors and staff may buy and sell APA units only during the four week periods following the release to ASX of the half year and full year results and the annual meeting of APA, unless exceptional circumstances apply. In any case, Directors and staff are precluded from buying or selling units at any time if they are aware of any price-sensitive information which has not been made public.

APA has introduced a formal Board protocol which addresses any potential conflict of interest, but in particular, outlines an appropriate methodology to address issues arising from the proposed Alinta Limited ("Alinta")/AGL merger.

## Principle 4: Safeguard Integrity in Financial Reporting

APA complies with all the ASX recommendations under this Principle.

The Managing Director/Chief Executive Officer and the Chief Financial Officer have, for many years, provided detailed written undertakings to the Board providing assurances that the consolidated entity's financial reports present a "true and fair view" and are in accordance with relevant accounting standards.

The Board has established an Audit and Risk Management Committee ("Committee"), comprising three Non-Executive Directors, all with appropriate experience. They are Messrs R J Wright (Chairman), R M Gersbach and R A Higgins. Committee members' qualifications are disclosed under Principle 2.

The Managing Director/Chief Executive Officer, Chief Financial Officer, Company Secretary/General Manager, Corporate, Group General Manager, Operations, and External Auditor attend Committee meetings at the discretion of the Committee. The Committee also meets privately with the External Auditor without management present.

The minutes of each Committee meeting are reviewed at the subsequent meeting of the Board and the Chairman of the Committee reports on the Committee's conclusions and recommendations. The Committee held four meetings during the year ended 30 June 2006. The details of meetings attended by each member are set out on page 34 in the Directors' Report.

The role and responsibilities of the Committee are to:

(a) recommend to the Board the appointment of the External Auditor and its fees;

(b) review and/or evaluate:

- the audit plan of the External Auditor;
- the performance of the External Auditor;
- the provision of non-audit services by the External Auditor, including the quantum of fees and the types of activities performed;
- the effectiveness of the internal review processes;
- the management letters from the External Auditor and management's responses;
- the adequacy and effectiveness of the reporting and accounting controls of the consolidated entity;
- the financial reports to be made to unitholders and/or the public prior to their release;
- the consolidated entity's exposure to business risks;
- reports from management, the compliance service provider and/or the External Auditor concerning any significant regulatory, accounting or reporting development to assess potential financial reporting issues;

- the adequacy of risk management strategies in relation to the maintenance, operations or replacement of assets of the consolidated entity (and make recommendations to the Board); and
- the adequacy of risk management strategies in relation to any statutory or policy requirements, including environment, and occupational health and safety (and make recommendations to the Board);

(c) approve and recommend acceptance to the Board of:

- all significant accounting policy changes;
- the consolidated entity's taxation position; and
- half yearly and annual financial statements;

(d) determine that no restrictions are being placed upon either the internal review processes or the External Auditor;

(e) monitor the standard of corporate conduct in areas such as arms length dealings and likely conflicts of interest;

(f) direct any special projects on investigations deemed necessary by the Board; and

(g) perform other duties as directed by the Board, from time to time.

## Principle 5: Make Timely and Balanced Disclosure

A continuous disclosure regime operates throughout APA. The continuous disclosure policy is posted on the website. Policies and procedures are in place to ensure matters that a person could reasonably expect to have a material effect on the unit price are announced to ASX in a timely manner. The Company Secretary is the nominated Continuous Disclosure Officer and he reports to the Board quarterly on matters notified to ASX.

In addition, direct reports to the Managing Director/Chief Executive Officer also confirm in writing to the Board, on a quarterly basis, that matters which might need to be disclosed have been brought to the attention of the Continuous Disclosure Officer for review.

In the event a decision is made not to notify ASX of a particular event or development, the reasons for non-notification are advised to the Board. Directors receive copies of all announcements immediately after notification to ASX. All announcements are posted on the website.

## Principle 6: Respect the Rights of Unitholders

APA endeavours to keep its unitholders fully informed of matters likely to be of interest to them. It does this through:

- reports to ASX and the press;
- half year and full year profit announcements;
- a periodic newsletter;
- annual reports;
- release to ASX of information provided to analysts; and
- web casting of half year and full year accounts presentations.

All the above are notified on the website. Unitholders are given the opportunity to provide their e-mail addresses to APA to enable them to receive reports and announcements to ASX without delay.

At the annual meeting, the Chairman encourages questions and comments from unitholders and seeks to ensure the meeting is managed to give the maximum number of unitholders an opportunity to participate. In the interests of clarity, questions on operational matters may be answered by the Managing Director/Chief Executive Officer or another appropriate member of senior management.

The External Auditor attends APA's annual meeting and is available to respond to questions about the conduct of the audit and the preparation and content of the Independent Audit Report.

## Principle 7: Recognise and Manage Risk

Any business faces a wide variety of risks depending on the nature of its operations and the regions within which it operates. APA has a formal enterprise-wide risk program based on Standards Australia's AS/NZS 4360:1999 (Risk Management). This program is supported by APA's Risk Management Statement, which has been endorsed by the Board on the recommendation of the Managing Director/Chief Executive Officer and the Audit and Risk Management Committee.

# Corporate Governance Statement

All outstanding audit issues are monitored through to satisfactory completion. The External Auditor also reports findings on relevant risk issues to the Audit and Risk Management Committee and to the Board on a half yearly basis.

The system of risk management and internal control ensures compliance with the policies established by the Board. This system underpins the integrity of the financial statements and the operation and management of APA assets.

### Financial risk management

The ongoing review of control systems that is undertaken is supported by a system of regular internal reviews to ensure that the outsourced components of accounting functions operate effectively. This review, which is performed on a half year basis, ensures that the financial systems and controls and procedures, operate in accordance with the Pipeline Management Agreement.

### Operational and asset management

APA ensures the integrity of pipeline assets through the implementation of asset specific Safety and Operating Plans ("SAOPs") complying with the conditions of the relevant pipeline licence and Australian Standard AS 2885.3 Pipelines – Gas and Liquid Petroleum Part 3: Operations and Maintenance. These SAOPs detail the policy for personnel, the public and environmental protection as identified in risk assessments satisfying Australian Standard AS 2885.1 Pipelines – Gas and Liquid Petroleum Part 1: Design and Construction.

The plans include measures to protect pipeline assets, promote public awareness of the pipelines, operate and maintain the pipelines safely, respond to emergencies, prevent gas escapes, carry out inspections and ensure that plans and procedures continue to comply with engineering design. Each SAOP is reviewed and updated every two years if significant incremental change has occurred. The risk assessments are reviewed and updated to coincide with any change in use of the relevant pipeline and at intervals not exceeding five years.

The SAOPs for each of the New South Wales and Queensland pipelines are audited annually by qualified external auditors. In Western Australia, the requirements of SAOP are met in the Safety Case that is prepared for each pipeline. Each Safety Case is audited regularly by the Western Australia technical regulator.

### Managing Director and Chief Financial Officer certification

As noted in the Directors' Declaration on page 93, the Managing Director and Chief Financial Officer have provided the Board with written declarations that:

- the statement given to the Board on the integrity of APA's financial statements and operating and asset management is founded on a sound system of risk management and internal compliance and control which implements the policies adopted by the Board; and
- APA's risk management and internal compliance and control system is operating efficiently and effectively in all material respects.

## Principle 8: Encourage Enhanced Performance

A formal review process to assess Board performance is undertaken annually in June. The review involves completion of a questionnaire by each Board member to assess the performance of the Board as a whole and Board Committees. Using the services of an independent third party to collate the responses, the Board then meets to discuss and consider the results and make recommendations.

The performance review covers the role of the Board and its Committees, their composition, how the Board operates, how Board members interact, the effectiveness of the Chairman in leading the Board, and Board performance generally. The review continues to indicate sound operation in all key areas.

APA has processes in place to review the performance of senior management. Arrangements are formal and quantitative. Each senior manager, including the Managing Director/Chief Executive Officer, has personal objectives as well as objectives related to business units and APA as a whole. They are assessed against those objectives on an annual basis, or more frequently if that is indicated. A more detailed outline is set out in the Directors' Report.

The assessment and monitoring of the Managing Director/Chief Executive Officer is handled by the Chairman with the assistance of the Nominations and Remuneration Committee. A full report is provided to, and discussed in detail by the Board. Assessment and monitoring of other senior managers is handled by the Managing Director/Chief Executive Officer, who reports in detail to the Chairman and the Nominations and Remuneration Committee.

# Corporate Governance Statement

Each year, the Board devotes time to consider broad corporate governance matters, including the continuing relevance of existing Committees and to reviewing its own performance. The Chairman is responsible, in the first instance, for monitoring the contribution of individual Directors and counselling them on any areas for improvement.

Subject to normal privacy requirements, Directors have unfettered access to the consolidated entity's records and information, and to the Company Secretary and other relevant senior officers. They receive regular detailed reports on financial and operational aspects of APA's business and may request elaboration or explanation of those reports at any time. Each Director has the added right to seek independent professional advice at APA's expense. Prior approval of the Chairman is required, but this may not be unreasonably withheld. Directors and senior management are encouraged to broaden their knowledge of APA's business and to keep abreast of developments in business more generally by attendance at relevant courses, seminars, conferences etc both in Australia and overseas. APA meets expenses involved in such activities.

## Principle 9: Remunerate Fairly and Responsibly

A more detailed outline of the remuneration and reward principles for Directors and Key Management Personnel is set out on pages 35 to 42 in the Directors' Report.

## Principle 10: Recognise the Legitimate Interests of Stakeholders

APA's code sets out the behaviour required of Directors, employees and contractors. The code provides a mechanism to enable employees to report breaches of the code without any fear of retribution. The full code is published on the website.

APA has also introduced a Whistleblower's Policy. This policy covers the procedures for dealing with reports and suspected improper conduct within APA. It also addresses the protection of individuals making those reports. This policy is consistent with the whistleblower provisions of the Corporations Act 2001, Part 9.4AAA and the Australian Standard AS 8004.2003.

## ASX Corporate Governance Council Best Practice Recommendations

The following table provides a summary of APA's compliance with the Principles:

| | ASX Principle | Comply (yes/no) |
|---|---|---|
| Principle 1 | Lay Solid Foundations for Management and Oversight by the Board | |
| 1.1 | Formalise and disclose the functions reserved to the Board and those delegated to the Management | Yes |
| Principle 2 | Structure the Board to Add Value | |
| 2.1 | A majority of the Board should be Independent Directors | Yes |
| 2.2 | The Chairman should be an Independent Director | Yes |
| 2.3 | The roles of the Chairman and Managing Director/Chief Executive Officer should not be exercised by the same individual | Yes |
| 2.4 | The Board should establish a Nomination Committee | Yes |
| 2.5 | Provide the information indicated in the guide to reporting on Principle 2 | Yes |
| Principle 3 | Promote Ethical and Responsible Decision Making | |
| 3.1 | Establish a Code of Conduct to guide the Directors, the Managing Director/Chief Executive Officer, the Chief Financial Officer, and any other key executives as to: | |
| | 3.1.1 the practices necessary to maintain confidence in APA's integrity | Yes |
| | 3.1.2 in conjunction with 3.1.1 and 7.2.2 the responsibility and accountability of individuals for reporting and investigating reports of unethical practices | Yes |
| 3.2 | Disclose the policy concerning trading in APA securities by Directors, Officers and employees | Yes |
| 3.3 | Provide the information indicated in the guide to reporting on Principle 3 | Yes |

# Corporate Governance Statement

| | ASX Principle | Comply (yes/no) |
|---|---|---|
| Principle 4 | Safeguard Integrity in Financial Reporting | |
| 4.1 | Require the Managing Director/Chief Executive Officer and the Chief Financial Officer, to state in writing to the Board that the financial reports present a true and fair view, in all material respects, of APA's financial condition and operational results are in accordance with relevant accounting standards | Yes |
| 4.2 | The Board should establish an Audit Committee | Yes |
| 4.3 | Structure the Audit Committee so that it consists of: | |
| | • only Non-Executive Directors | Yes |
| | • a majority of Independent Directors | Yes |
| | • an Independent Chairman, who is not Chairman of the Board | Yes |
| | • at least three members | Yes |
| 4.4 | The Audit Committee should have a formal charter | Yes |
| 4.5 | Provide the information indicated in the guide to reporting on Principle 4 | Yes |
| Principle 5 | Make Timely and Balanced Disclosure | |
| 5.1 | Establish written policies and procedures designed to ensure compliance with ASX Listing Rules disclosure requirements and to ensure accountability at a senior management level for that compliance | Yes |
| 5.2 | Provide the information indicated in the guide to reporting on Principle 5 | Yes |
| Principle 6 | Respect the Rights of Unitholders | |
| 6.1 | Design and disclose a communications strategy to promote effective communication with unitholders and encourage effective participation at general meetings | Yes |
| 6.2 | Request the External Auditor to attend the annual meeting and be available to answer unitholder questions about the conduct of the audit and the preparation and content of the auditor's report | Yes |
| Principle 7 | Recognise and Manage Risk | |
| 7.1 | The Board or appropriate Board Committee should establish policies on risk oversight and management | Yes |
| 7.2 | The Chief Executive Officer (or equivalent) and the Chief Financial Officer (or equivalent) should state to the Board in writing that: | |
| | 7.2.1 the statement given in accordance with best practice recommendation 4.1 is founded on a sound system of risk management and internal compliance and control which implements the policies adopted by the Board | Yes |
| | 7.2.2 the company's risk management and internal compliance and control system is operating efficiently and effectively in all material respects | Yes |
| 7.3 | Provide the information indicated in the guide to reporting on Principle 7 | Yes |
| Principle 8 | Encourage Enhanced Performance | |
| 8.1 | Disclose the process for performance evaluation of the Board, its Committees and individual Directors and Key Executives | Yes |
| Principle 9 | Remunerate Fairly and Responsibly | |
| 9.1 | Provide disclosure in relation to the entity's remuneration policies to enable investors to understand: | |
| | • the costs and benefits of these policies; and | Yes |
| | • the link between remuneration paid to Directors and Key Executives and corporate performance. | Yes |
| 9.2 | The Board should establish a Remuneration Committee | Yes |
| 9.3 | Clearly distinguish the structure of Non-Executive Directors' remuneration from that of Executives | Yes |
| 9.4 | Ensure that the payment of equity based executive remuneration is made in accordance with thresholds set in plans approved by unitholders | N/A |
| 9.5 | Provide the information in the guide to reporting on Principle 9 | Yes |
| Principle 10 | Recognise the Legitimate Interests of Stakeholders | |
| 10 | Establish and disclose a code of conduct to guide compliance with legal and other obligations | Yes |

# Directors' Report

The Directors of Australian Pipeline Limited ("APL" or "Responsible Entity") submit herewith the annual financial report of Australian Pipeline Trust ("APA" or "Trust") and its controlled entities (together "consolidated entity") for the financial year ended 30 June 2006 ("financial year" or "current financial year"). In order to comply with the provisions of the Corporations Act 2001, the Directors report as follows:

## Directors

The names of the Directors of the Responsible Entity during and since the end of the financial year are as follows. The Directors held office for the entire period, unless stated otherwise:

Mr G H Bennett (Chairman)

Mr R M Gersbach

Mr R A Higgins AO

Ms J F McAloon (retired as of 28 August 2006)

Mr M Muhammad

Mr R J Wright

Ms Wan Shamilah Saidi (alternate for Mr M Muhammad – appointed as of 21 October 2005)

Mr Ed Osman Ridzwan (alternate for Mr M Muhammad – retired as of 21 October 2005)

Mr M J McCormack (Managing Director – appointed as of 1 July 2006)

Mr J K McDonald (Managing Director – retired as of 1 July 2005)

The Directors' qualifications, experience and special responsibilities are set out on pages 12 to 13.

## Secretary

### Mr A J V James LLB

Mr James is responsible for the management of corporate services functions including public and unitholder relations, and administration, and has been the Company Secretary for the APA group for the last six years. Mr James has substantial experience in corporate, legal and regulatory roles. Prior to joining APA, Mr James worked for AGL, where he held senior management positions including Manager Finance and Planning, Manager Taxation and Manager Development Projects. Mr James has been admitted to the Supreme Court of New South Wales as a barrister.

## Principal Activities

The principal activity of the consolidated entity during the course of the financial year was the ownership of gas transmission pipelines located throughout Australia. The consolidated entity undertook the sale of transportation and related services to the producers, consumers and aggregators of gas through these gas transmission pipelines. Additionally, APA owns a coal seam gas processing plant, gas storage facilities and a high voltage direct current interconnection system, including a 180 kilometre underground transmission cable.

# Directors' Report

## Operating and Financial Review

### Change of accounting standards

The financial reporting framework used by Australian reporting entities has changed to Australian equivalents to International Financial Reporting Standards ("A-IFRS") from the previous Australian accounting standards. The accompanying financial report is the first full financial report based on the new standards. The comparatives for the financial year ended 30 June 2005 have been restated accordingly. Note 47 to the financial statements provides details of the impact of transition to A-IFRS. All figures below are restated to reflect the impact of A-IFRS.

### Financial performance

Operating profit after tax and minorities but before significant items for the financial year was $60,661,000, an increase of 18.1% on the prior financial year of $51,351,000. The increased performance was mainly due to:

- a full 12 month contribution from the two acquisitions in the 2005 year, ie, the acquisition of the remaining 45% of SCP Investments (No. 1) Pty Limited ("SCP") and 100% of the Parmelia Gas Business on 17 August 2004 and the remaining 30% interest in the Carpentaria Gas Pipeline ("CGP") joint venture on 17 February 2005;
- part year contribution from Murraylink, which was acquired on 30 March 2006;
- increased pipeline transportation revenue across pipelines; and
- reduced operating costs achieved primarily through the integration of APA's Western Australian Gas Business and negotiated savings under operating and management contracts.

After significant items, profit attributable to unitholders of APA for the financial year was $62,546,000 (2005: $109,508,000). Details of significant items are provided in Note 4 to the financial statements.

### Distribution to unitholders

On 29 August 2006, the Directors declared an unfranked final profit distribution of 6.0 cents per unit ("cpu"), taking the total distribution for the financial year to 24.0 cpu. This is an increase of 1.5 cpu, up 6.7%, over the prior year reflecting improved operating performance and increased cashflows.

This distribution will be paid on 29 September 2006 and equates to a cash distribution of $16,811,000.

No further franking credits are currently available as a consequence of the additional tax deductions arising from APA's entry into the tax consolidation regime in the 2004 financial year.

### Highlights

#### Acquisitions and Investments

During the financial year, APA:

- acquired the Murraylink electricity transmission assets, including two converter stations and two buried, high voltage direct current cables between Berri in South Australia and Red Cliffs near Mildura in Victoria linking the electricity transmission networks in Victoria and South Australia. The Murraylink business has been operating to budget since its acquisition in March 2006;
- in association with Babcock & Brown Infrastructure ("BBI"), announced a takeover offer for GasNet Australia Group ("GasNet"), a publicly listed vehicle with gas transmission assets in Victoria and Western Australia. On 22 August 2006, APA and BBI terminated their joint bidding agreement and APA has made a full cash takeover offer for GasNet securities;
- invested in a coal seam gas processing facility at Kogan North, adjacent to the Roma to Brisbane Pipeline ("RBP"). APA has constructed and will operate the $13 million facility for a period of 15 years and process four petajoules of gas a year. The facility was commissioned on 1 March 2006;

- entered into arrangements to build, own and operate the $29 million Daandine gas fired power station at Kogan. The 27.4 MW power station will operate for 15 years and generate gas tolling revenue to APA of approximately $5.5 million, with electricity generated being supplied into the southern Queensland grid; and
- entered into a Heads of Agreement and Gas Transportation Agreement with the NT Power and Water Corporation ("PWC") for the development of the estimated $130 million Bonaparte Gas Pipeline ("BGP") which will run from the onshore gas plant at Wadeye to the Amadeus Basin to Darwin Pipeline.

### Other Highlights

In Western Australia, APA:

- began construction of a $15 million compressor expansion of Goldfields Gas Transmission Pipeline ("GGT"). The additional capacity will be used to transport gas to the Hamersley Iron Paraburdoo mine;
- entered into a 16 year contract with Hamersley Iron's Paraburdoo mine on GGT;
- executed a five year agreement (plus a five year option) with Verve Energy (formerly known as Western Power) to utilise the Mondarra storage facility; and
- signed a seven year contract with Arc Energy to transport gas from the Perth basin gas fields through the Parmelia Gas Pipeline to Midland Brick.

In New South Wales, APA:

- negotiated a 10 year contract for the transportation of gas through the Central West Pipeline to the inlet of the new Central Ranges Pipeline linking Dubbo to Tamworth, which required the construction of a new meter station at the inlet of the pipeline; and
- increased Moomba to Sydney Pipeline ("MSP") third party revenue on the MSP to approximately $4 million. APA expects the trend of increasing revenues from third parties to continue as retail competition increases.

In the Northern Territory, APA:

- signed a 25 year $400 million Gas Transportation Agreement ("GTA") with PWC, commencing 1 January 2009, for the transportation of gas from the onshore gas plant at Wadeye to the Amadeus Basin to Darwin Pipeline.

In Queensland, APA:

- completed construction and commenced operation of the Kogan North gas processing facility; and
- entered into agreements for and commenced construction of the Daandine gas fired power station.

## Stress corrosion cracking ("SCC")

Work continued on the investigation and repair of SCC on the MSP following the in-line inspection ("intelligent pigging") of the first 162 kilometres of the MSP in the prior period.

Further intelligent pigging was conducted in January 2006 in the section immediately downstream of the first 162 kilometres of the pipeline, and in February 2006, the section immediately downstream of the Bulla Park compressor station. Based on the results of the current financial year's program, APA has provided for further repair costs to the MSP and further intelligent pigging exercises in the two sections between Moomba and Bulla Park that have not yet been inspected. During the financial year, APA incurred $14,909,000 in repair and inspection costs (compared to the provision of $20,120,000 established at 30 June 2005). APA has raised a further provision of $11,300,000 in relation to the 2006/07 SCC program.

APA has ensured that all appropriate regulatory bodies are fully informed and has worked with the Department of Energy, Utility and Sustainability in reviewing the approach adopted by APA. APA continues to meet its contractual obligations and to deliver energy safely and reliably.

# Directors' Report

## Financial summary

The following table provides a summary of key financial data as applicable to the financial year:

| | Year ended 30 June 2006 $'000 | Year ended 30 June 2005 $'000 | Change compared to 2005 $'000 | % |
|---|---|---|---|---|
| **Operating Results before Significant Items** | | | | |
| Pipeline transportation revenue | 278,956 | 267,235 | 11,721 | 4.4 |
| Electricity transmission revenue | 3,188 | – | 3,188 | – |
| Other tolling revenue | 1,199 | – | 1,199 | – |
| Other pipeline revenue – passthrough | 85,727 | 89,304 | (3,577) | (4.0) |
| Other revenue | 9,958 | 10,773 | (815) | (7.6) |
| Total revenue | 379,028 | 367,312 | 11,716 | 3.2 |
| EBITDA | 200,402 | 178,876 | 21,526 | 12.0 |
| EBIT | 161,553 | 142,503 | 19,050 | 13.4 |
| Pre-tax profit | 90,433 | 78,043 | 12,390 | 15.9 |
| Income tax expense | (29,438) | (26,382) | (3,056) | 11.6 |
| Operating profit after tax and minorities, before significant items | 60,661 | 51,351 | 9,310 | 18.1 |
| **Significant Items** | | | | |
| SCC repair and investigative work | (11,300) | (23,530) | 12,230 | – |
| Tariff dispute resolution | 3,262 | – | 3,262 | – |
| Due diligence cost on capital acquisition projects recovered | – | 2,000 | (2,000) | – |
| Significant items before income tax | (8,038) | (21,530) | 13,492 | – |
| Tax effect of significant items | 2,411 | 6,459 | (4,048) | – |
| Tax-consolidation benefit – APA | 7,512 | 33,738 | (26,226) | – |
| A-IFRS transitional tax adjustment | – | 39,490 | (39,490) | – |
| Significant items after income tax | 1,885 | 58,157 | (56,272) | (96.8) |
| Profit after income tax and minorities | 62,546 | 109,508 | (46,962) | (42.9) |
| Earnings per unit, before significant items | 21.75c | 18.67c | 3.08c | 16.5 |
| Earnings per unit | 22.43c | 39.81c | (17.38)c | (43.7) |

## Commentary

### Revenue

Pipeline revenue increased by 4.4% from $267,235,000 to $278,956,000, principally due to a full 12 month contribution from the two acquisitions in the previous financial year. APA added $11,968,000 from the consolidation of the WA Gas Business, while the CGP acquisition added an additional $5,969,000. Settlement of $3,262,000 in relation to an "acquired" dispute regarding tariffs is also included in pipeline revenue, as a significant item. The reduction in transportation revenue on the MSP under the Gas Transportation Deed ("GTD"), which was foreshadowed in previous financial reports, was $5,839,000 but was largely mitigated by additional revenue from other customers. This additional revenue has increased by 51% on the previous financial year and reflects the emergence of retail competition.

The revenue from the RBP increased by $1,674,000 to $31,887,000, principally due to new capacity contracts executed with CS Energy in February 2005.

# Directors' Report

## Expenses

Asset operating and management ("O&M") expenses before significant items decreased from $74,879,000 in the previous financial year to $67,897,000, mainly as a result of efficiency savings achieved from the integration of the WA Gas Business into APA, lower service expenses associated with operations and management of capital expansions and negotiated savings under the O&M agreement with Agility.

At 30 June 2006, APA had borrowings of $1,262 million principally from bi-lateral facilities and US Private Placement notes, compared to $1,066 million at 30 June 2005. Borrowings increased mainly due to funding of the acquisition of Murraylink, however net borrowing costs increased only $6,972,000 (10.9%) to $71,121,000, due to the timing of the drawdowns and as a result of renegotiating syndicated borrowings on more favourable terms during the year.

## Income Tax

The effective tax rate before significant items has reduced marginally in 2006 (32.6%) in comparison to the previous financial year (33.8%).

## Earnings per Unit

Earnings per unit ("EPU") before significant items increased from 18.67 cpu to 21.75 cpu due to the improved performance mentioned above. The issue of 1,286,000 units under the Distribution Reinvestment Plan ("DRP") occurred on 30 June 2006 and hence did not significantly impact EPU in 2006.

## Free Cash Flow/Operating Cash Flow

Cash flow from operating activities of $112,174,000 increased 5.6% or $5,954,000 on the previous financial year, due to improved operating performance adjusted for non-cash items and working capital movements. Operating cashflows also increased despite payments in relation to stress corrosion cracking ("SCC") increasing to $14,909,000 in the current year (2005: $3,410,000). The increase in interest paid due to the acquisitions in 2006 and 2005 was largely offset by the tax refunds received in 2006.

Net cash used in investing activities includes the acquisition of the Murraylink electricity transmission assets ($158,254,000) and a 6.2% shareholding in GasNet ($22,511,000). Payments for property, plant and equipment include the construction of a gas processing facility at Kogan in Queensland and a compressor expansion on the GGT pipeline in Western Australia.

As provided for in the 2005 accounts, a further $35,902,000 was incurred in settlement of an outstanding tariff dispute recognised as part of the WA Gas Business acquisition.

In line with APA's strategic goal of increasing distributions annually by at least consumer price index ("CPI"), unitholder distributions increased 4.9% from $63,786,000 in the previous financial year to $66,936,000 as a consequence of a higher number of units on issue and an increase in distributions per unit.

## Distribution Reinvestment Plan ("DRP")

The DRP was reinstated during the year following a reassessment of future capital requirements across the APA group. The DRP was reintroduced for the third interim distribution for the financial year ended 30 June 2006 and raised $5,244,000, net of costs, from the 1,286,000 units that were issued. As at 30 June 2006, 280,181,000 units were on issue (2005: 278,895,000).

## Significant Items

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

- based on the investigation, analysis and repairs carried out to date in relation to SCC on the MSP, APA 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 $11,300,000 has been provided at 30 June 2006. Payments for SCC work conducted during the financial year of $14,909,000 were applied against the provision created in the prior year;

- following the finalisation of APA's entry into tax consolidations in 2004, further adjustments have been made to the tax cost base of assets which have resulted in a release of deferred tax liabilities and the recognition of an income tax benefit of $7,512,000; and
- settlement of an 'acquired' dispute regarding tariffs, resulted in a provision of $3,262,000 being released to profit.

The net after-tax impact of the significant items is $1,885,000.

In 2005, APA reported the following significant items:

- an expense for investigation, analysis and repairs in relation to SCC on the MSP of $23,530,000;
- recovery of acquisition related due diligence costs of $2,000,000;
- release of deferred tax liabilities and a corresponding income tax benefit of $33,738,000 following changes to the Tax Laws Amendment (2004 Measures No. 6) Act; and
- as at A-IFRS transition date (1 July 2004), the tax base of the CGP was not uplifted for tax-consolidation purposes and existing tax values were used pending resolution of certain tax-consolidation technical matters. It was therefore necessary to create a deferred tax liability "DTL" of $39,490,000 at transition date, representing the difference between the accounting and tax bases at that time. Following clarification of the technical issues, which provided certainty of treatment, the tax values were uplifted using the allocable cost approach method resulting in a reversal of the DTL in the 30 June 2005 year A-IFRS income statement.

## Regulatory Matters

Key regulatory matters addressed during the financial year included:

*Federal Court Decision on MSP Access Arrangement*

The Federal Court of Australia handed down its decision on the ACCC's appeal against the decision of the Australian Competition Tribunal ("Tribunal") in relation to the MSP Access Arrangement. The Full Court decided that the Tribunal made errors of law in its interpretation of the National Gas Code and that the value of the Initial Capital Base should be redetermined by the Tribunal.

The Full Court's decision has no impact on MSP revenues as the pipeline is substantially uncovered.

*ACCC Draft Decision on the Access Arrangement for the RBP*

APA lodged a proposed Access Arrangement for the RBP with the ACCC in January 2006. The ACCC is expected to publish its draft decision on the Access Arrangement in August 2006, with the final decision expected in late 2006. As the RBP is currently almost fully contracted, the Access Arrangement will not affect revenues until renewal of contracts from 2012 onwards.

*National Gas Code in Queensland not an "Effective" Access Regime*

During July 2006, the Parliamentary Secretary to the Treasurer decided that the National Gas Code, as it applies to pipelines in Queensland, is not an "effective" access regime under the Trade Practices Act 1974. The effect of this is that as well as the Code applying to pipelines in Queensland, the access framework under Part IIIA of the Trade Practices Act also applies. This matter had been under consideration by the Australian Government since the Code was introduced in 1998, and both the decision, and the length of time taken for the decision to be made, are disappointing.

The decision does not affect existing contracts and is not expected to adversely affect revenues for the CGP or the RBP.

*Energy Reform*

The process of energy infrastructure reform continued with particular highlights including:

- the establishment of the Australian Energy Regulator ("AER") and the Australian Energy Market Commission
  - These bodies will regulate both gas and electricity infrastructure going forward, and in time will replace the numerous State and Federal regulators. The AER will be a part of, but independent of, the ACCC;
- the development of a Federal policy position in relation to gas infrastructure regulation
  - The policy generally adopts a more intrusive policy position, consistent with that applicable to regulated electricity networks. At the same time, several matters of importance to pipelines have been achieved, including:
    - › the retention of rights of merits review of key regulatory decisions; and

# Directors' Report

  - options for less intrusive regulation including the concept of a "regulatory holiday" for new pipelines, and application of "monitoring" rather than price regulation for existing pipelines which do not have market power.

  The legislation resulting from this process is expected to be released for comment in August - September 2006, with the legislation being enacted in early 2007; and

- the development of a broad industry position favouring the further development of market structures in the Australian gas industry;
  - Part of this process will involve the establishment of mandatory "electronic bulletin boards" for all significant gas pipelines which are intended to provide current information on pipelines and facilitate trading in gas and pipeline services.

APA has contributed to the on-going development of the regulatory environment through APA's own activities and through involvement in industry bodies, notably the Australian Pipeline Industry Association.

## Gas Supply

The securing of future natural gas supplies to south-east Australia continues to be a major issue. APA has been active in supporting alternate gas sources, in particular the development of coal seam gas ("CSG") production.

APA continues to develop the "missing link" pipeline to connect Queensland gas to South Australia and New South Wales. This pipeline would be constructed from Ballera in Western Queensland to a point on the MSP allowing Queensland CSG producers to sell gas to users in all major South-East Australian markets. APA notes that Epic Energy has announced it is undertaking a study on the gas pipeline connection.

APA notes the recent announcement by AGL regarding scaling back of further work on the Front End Engineering and Design activities for the Papua New Guinea ("PNG") Pipeline.

APA continues to recognise the importance of PNG gas as an additional supply option for Northern Queensland and Eastern Australia to satisfy the projected energy supply requirements over the next decade.

APA's rights to acquire at least 20% of the aggregate ownership interest in the PNG Gas Pipeline, on commercial terms remain, notwithstanding the AGL/Alinta merger. APA recognises the complexity and difficulty in developing the PNG Gas Project, and is heartened by the support from both the Australian and Queensland Governments.

## AGL/Alinta Merger

On 26 April 2006, AGL and Alinta announced their intention to merge various parts of their businesses. As part of that merger, Alinta will acquire AGL's interest in APA and the Responsible Entity.

The ACCC on 3 August 2006 approved a series of legally enforceable undertakings from Alinta which requires Alinta to divest both its 30% interest in APA and the Responsible Entity within a specified time, and which ensure APA's continuing independence prior to such divestment.

On 16 August 2006 Alinta undertook to acquire a significant additional stake in APA and has currently acquired an additional 10.25% as at 23 August 2006. Alinta was ordered by the Takeovers Panel to cease trading in APA's units on 22 August 2006.

## Investment

APA has previously advised the market on the reduction in revenues post December 2006, arising from the contracted reduction in the GTD on the MSP and the termination of the return tariff on the Amadeus Pipeline in the Northern Territory in September 2006. APA is confident that the potential reduction in revenue will be offset by opportunities to increase the utilisation of the existing portfolio of pipelines assets, and through targeted acquisitions of pipelines and complementary assets which will enhance unitholder value.

# Directors' Report

## Changes in State of Affairs

During the financial year, there was no significant change in the state of affairs of the consolidated entity other than that referred to in the financial statements or notes thereto.

## Subsequent Events

There has not been any matter or circumstance, other than that referred to in the financial statements at Note 48, that has arisen since the end of the financial year, that has significantly affected, or may significantly affect, the operations of the consolidated entity, the results of those operations, or the state of affairs of the consolidated entity in future financial years.

## Future Developments

Disclosure of information regarding likely developments in the operation of the consolidated entity in future financial years and the expected results of those operations is likely to result in unreasonable prejudice to the consolidated entity. Accordingly, this information has not been disclosed in this report.

## Environmental Regulations

All pipeline assets owned by APA are designed, constructed, tested, operated and maintained in accordance with pipeline licences issued by the relevant State and Territory technical regulators. All licences require compliance with relevant Australian, State and Territory environmental legislation and Australian standards.

The licences also require compliance with the Australian Standard AS 2885 "Pipelines-Gas and Liquid Petroleum", which has specific requirements for the management of environmental matters associated with all aspects of the high pressure pipeline industry.

Environmental plans satisfying Part A of the Australian Pipeline Industry Association Code of Environmental Practice ("Code") are prepared and independently audited for construction activities. In accordance with Part 3 of AS 2885, environmental plans satisfying Part B of the Code are in place for all operating pipelines and are managed in accordance with APA's contracts and the terms and conditions of the licences that APA has been issued. Ongoing monitoring of these requirements is achieved through an environmental audit process carried out by an accredited independent auditor.

The Board reviews external audit reports and, on a monthly basis, the internal reports prepared relating to environmental issues. No breaches have been reported during the financial year and APA has complied fully with the environmental management plans that are in place.

Murraylink, an electricity transmission asset, is designed, constructed, tested, operated and maintained in accordance with the requirements of its transmission licence. The transmission licence requires compliance with relevant Australian and State environmental legislation and Australian standards.

The Murraylink Environmental Management Plan is in place for all operating activities and is managed in accordance with APA's contracts and the terms and conditions of the Murraylink transmission licence.

# Directors' Report

## Distributions

During the financial year, the following distributions were made to the unitholders:

| | Date paid | Profit Distribution cpu | $'000 |
|---|---|---|---|
| Final distribution for financial year ended 30 June 2005[a] | 29 September 2005 | 6.0 | 16,734 |
| **Interim Distributions for the Current Financial Year** | | | |
| First interim distribution[a] | 30 December 2005 | 6.0 | 16,734 |
| Second interim distribution[b] | 30 March 2006 | 6.0 | 16,734 |
| Third interim distribution[c] | 30 June 2006 | 6.0 | 16,734 |

[a] Profit distributions were franked to 40%.
[b] Profit distribution was franked to 30%
[c] Profit distribution unfranked.

A final profit distribution for the financial year of 6.0 cpu, unfranked, was declared on 29 August 2006. This distribution will be paid on 29 September 2006 and equates to a cash distribution of $16,811,000.

## Options Granted

No options were granted during or since the end of the financial year:

- over unissued units in APA; and
- to the Responsible Entity.

No unissued units in APA were under option as at the date on which this report was made.

No units were issued in APA during or since the end of the financial year as a result of the exercise of an option over unissued units in APA.

## Indemnification of Officers and External Auditor

During the financial year, the Responsible Entity paid a premium in respect of a contract insuring the Directors of the Responsible Entity, the Responsible Entity's Secretary, Mr A J V James, and all Executive Officers of the Responsible Entity and of any related body corporate of APA against any liability incurred as such a Director, Secretary or Executive Officer to the extent permitted by the Corporations Act 2001. The contract of insurance prohibits disclosure of the nature of the liability and the amount of the premium.

The Responsible Entity has not otherwise, during or since the financial year, indemnified or agreed to indemnify an Officer or External Auditor of the Responsible Entity or of any related body corporate of APA against a liability incurred as such an Officer or Auditor.

# Directors' Report

## Directors' Meetings

The following table sets out the number of Directors' meetings (including meetings of Committees of the Directors) held during the financial year and the number of meetings attended by each Director (while they were a Director or a Committee member). During the financial year, 18 Board meetings and four meetings each of Nominations and Remuneration Committee and Audit and Risk Management Committee were held:

| Directors | Regular Board Meetings A | Regular Board Meetings B | Special Board Meetings A | Special Board Meetings B | NaRC[a] A | NaRC[a] B | ARMC[b] A | ARMC[b] B | DDC[c] A | DDC[c] B |
|---|---|---|---|---|---|---|---|---|---|---|
| G H Bennett | 12 | 11 | 6 | 6 | 4 | 4 | – | – | – | – |
| R M Gersbach | 12 | 10 | 6 | 4 | 4 | 4 | 4 | 4 | 3 | 2 |
| R A Higgins | 12 | 12 | 6 | 5 | – | – | 4 | 4 | 6 | 6 |
| J F McAloon | 12 | 10 | 6 | 2 | – | – | – | – | – | – |
| M Muhammad | 12 | 11 | 6 | 3 | 4 | 4 | – | – | – | – |
| R J Wright | 12 | 11 | 6 | 6 | – | – | 4 | 4 | 6 | 6 |
| Wan Shamilah Saidi | 1 | 1 | 3 | – | – | – | – | – | – | – |
| Ed Osman Ridzwan | – | – | – | – | – | – | – | – | – | – |

[a] Nominations and Remuneration Committee
[b] Audit and Risk Management Committee
[c] Due Diligence Committee

A – number of meetings held

B – number of meetings attended during the time the Director held office in the financial year.

## Directors' Unitholdings

The following table sets out each Director's relevant interest in units of APA as at the date of this report:

| Directors | Fully Paid Units as at 30 June 2005 | Units Acquired during the Financial Year | Units Disposed of during the Financial Year | Fully Paid Units as at 30 June 2006 |
|---|---|---|---|---|
| G H Bennett | 16,971 | 250 | – | 17,221 |
| R M Gersbach | – | – | – | – |
| R A Higgins | 6,609 | 97 | – | 6,706 |
| J F McAloon | – | – | – | – |
| M Muhammad | 10,875 | – | – | 10,875 |
| R J Wright | 11,314 | 166 | – | 11,480 |
| Wan Shamilah Saidi[a] | – | – | – | – |
| Ed Osman Ridzwan[b] | – | – | – | – |
| M J McCormack[c] | 10,000 | 20,441 | – | 30,441 |

[a] Alternate for Mr M Muhammad – appointed as of 21 October 2005.
[b] Alternate for Mr M Muhammad – retired as of 21 October 2005.
[c] Managing Director – appointed 1 July 2006

There are no contracts to which a Director is a party or under which the Director is entitled to a benefit and that confer a right to call for or deliver interests in the scheme.

# Directors' Report

## Remuneration Report

This report outlines the remuneration arrangements in place for Directors and Executives of APL.

The Board has established a Nominations and Remuneration Committee ("Committee") to consider and report on, among other things, remuneration policies and packages applicable to Board members and to senior managers of APA. Three Non-Executive Directors, Messrs G H Bennett (Chairman), R M Gersbach and M Muhammad are members of the Committee, which meets at least twice each year.

The terms of reference of the Committee are to:

(a) ensure long term people needs are met through effective talent management and succession planning;

(b) ensure clear alignment between the needs and requirements of key stakeholder groups (ie customers, unitholders and communities) and the objectives and values of APA;

(c) reward APA people for high performance, and keep them committed and motivated;

(d) encourage teamwork and shared learning;

(e) foster growth of APA people to enable them to reach their full potential through performance management, development and training;

(f) ensure compliance with relevant legislation and corporate governance principles on remuneration practices and employment policies; and

(g) effectively overview remuneration, including incentives and retirement benefits, for people at all levels, enabling APA to attract and retain people who create value for unitholders.

The Managing Director/Chief Executive Officer attends meetings of the Committee by invitation when required to report on, and discuss, senior management performance and other remuneration matters.

The Committee can seek external professional advice on any matter within its terms of reference. Egan Associates was engaged to review Non-Executive Director and Executive compensation and benchmarking during the financial year.

AGL was also engaged to review the short term incentive plan and advise on whether APA should introduce a long term incentive plan. The Board approved AGL services in advance.

### Remuneration of Non-Executive Directors

Non-Executive Directors receive fees determined by the Board, acting on advice of the committee. External professional advice is sought in determining Directors' fees to ensure they are appropriate relative to fees paid by comparable listed companies. The Board has available to it data on fees paid by a wide range of companies.

Non-Executive Director remuneration comprises a base fee, superannuation guarantee contributions, a Due Diligence Committee attendance fee and an additional fee for the Chairman of the Audit and Risk Management Committee.

The Directors of the Responsible Entity, during the financial year were:

- Mr G H Bennett (Chairman, Non-Executive);
- Mr R M Gersbach (Non-Executive);
- Mr R A Higgins (Non-Executive);
- Ms J F McAloon (Non-Executive) – retired as of 28 August 2006;
- Mr M Muhammad (Non-Executive);
- Mr R J Wright (Non-Executive);
- Ms Wan Shamilah Saidi (Non-Executive), alternate for M Muhammad – appointed as of 21 October 2005;
- Mr Ed Osman Ridzwan (Non-Executive), alternate for Mr M Muhammad – retired as of 21 October 2005;
- Mr M J McCormack (Managing Director, Executive) – appointed from 1 July 2006; and
- Mr J K McDonald (Managing Director, Executive) – retired as of 1 July 2005.

The Key Management Personnel of APA during the financial year were:

- Mr R F Francis (Chief Financial Officer) commenced 1 August 2005;
- Mr S P Ohl (Group General Manager, Operations);
- Mr A J V James (Company Secretary/General Manager, Corporate); and
- Ms S M Dureau (General Counsel/General Manager, Regulatory).

# Directors' Report

The table below sets out the remuneration for the Directors for the financial year including Executive Directors who are also included in the Key Management Personnel table on page 37.

| | | Short-Term Employment Benefits | | | | Post-Employment | | | |
|---|---|---|---|---|---|---|---|---|---|
| | | Salary/ Fees $ | Due Diligence Committee Fees $ | Short-Term Incentive Scheme $ | Non-monetary $ | Super-annuation $ | Long-Term Incentive Scheme[c] $ | Termination Benefits $ | Total $ |
| **Non-Executive Directors** | | | | | | | | | |
| G H Bennett | 2006 | 130,000 | – | – | – | 11,700 | – | – | 141,700 |
| | 2005 | 90,000 | 21,400 | – | – | 10,026 | – | – | 121,426 |
| R M Gersbach | 2006 | 77,500 | – | – | – | – | – | – | 77,500 |
| | 2005 | 37,500 | – | – | – | – | – | – | 37,500 |
| R A Higgins | 2006 | 72,500 | 2,433 | – | – | 6,744 | – | – | 81,677 |
| | 2005 | 26,250 | – | – | – | 2,363 | – | – | 28,613 |
| J F McAloon | 2006 | 65,000 | – | – | – | – | – | – | 65,000 |
| | 2005 | 11,250 | – | – | – | – | – | – | 11,250 |
| M Muhammad | 2006 | 70,000 | – | – | – | – | – | – | 70,000 |
| | 2005 | 45,000 | 20,700 | – | – | – | – | – | 65,700 |
| R J Wright | 2006 | 80,000 | 2,433 | – | – | 7,419 | – | – | 89,852 |
| | 2005 | 50,000 | 27,100 | – | – | 6,939 | – | – | 84,039 |
| Ed Osman Ridzwan | 2006 | – | – | – | – | – | – | – | – |
| | 2005 | – | – | – | – | – | – | – | – |
| Wan Shamilah Saidi | 2006 | – | – | – | – | – | – | – | – |
| | 2005 | – | – | – | – | – | – | – | – |
| L J Fisk | 2006 | – | – | – | – | – | – | – | – |
| | 2005 | 7,500 | – | – | – | – | – | – | 7,500 |
| J A Fletcher | 2006 | – | – | – | – | – | – | – | – |
| | 2005 | 33,750 | – | – | – | – | – | – | 33,750 |
| T C Ford | 2006 | – | – | – | – | – | – | – | – |
| | 2005 | 22,500 | 18,400 | – | – | 2,088 | – | – | 42,988 |
| **Executive Directors** | | | | | | | | | |
| M J McCormack[a] | 2006 | 436,031 | – | 216,286 | 26,184 | 19,339 | 48,500 | – | 746,340 |
| | 2005 | – | – | – | – | – | – | – | – |
| J K McDonald[b] | 2006 | – | – | – | – | – | – | – | – |
| | 2005 | 419,410 | – | 247,143 | 33,948 | 91,732 | – | 400,000 | 1,192,233 |
| Total | 2006 | 931,031 | 4,866 | 216,286 | 26,184 | 45,202 | 48,500 | – | 1,272,069 |
| | 2005 | 743,160 | 87,600 | 247,143 | 33,948 | 113,148 | – | 400,000 | 1,624,999 |

[a] Managing Director from 1 July 2006. (Note: table above includes remuneration for full financial year).
[b] Managing Director until 1 July 2005.
[c] Cash settled share based payments.

Fee increases of the Directors for APL are approved by the shareholders of APL. The last increase in fees to Non-Executive Directors was made in July 2005 and was approved at the Annual General Meeting held in October 2005. Non-Executive Directors fees are benchmarked in June each year against fees paid by similar companies in the S&P/ASX 200 index to ensure relativities are maintained and best practices adhered to.

Non-Executive Directors do not receive incentive payments of any type.

# Directors' Report

Two of the Directors, Messrs G H Bennett and R J Wright, had as a condition of their service with APL, an entitlement to a deferred benefit payable at retirement from the Board. After three years service, a Director was entitled to the equivalent of the emoluments received over the most recent 12 months. After ten years service, the entitlement rose to the equivalent of emoluments received during the most recent three years. No additional entitlement accrued after ten years. For periods between three and ten years, the entitlement was calculated on a pro-rata basis.

In 2003, the Board terminated the retirement benefit program. The benefits that had already accrued under the program are now payable on retirement of the Directors who participated in the retirement benefit program. No options or units have been issued to Directors as a consequence of their position as Directors.

## Remuneration of Managing Director and other Key Management Personnel

For the purposes of this report, the remuneration details of Mr M J McCormack as Managing Director and Mr J K McDonald as former Managing Director have been included with the remuneration details of the other Key Management Personnel. The following table discloses the remuneration of other Key Management Personnel of the consolidated entity for the financial year.

| | | Short-term employment benefits | | | Post-employment | | | |
|---|---|---|---|---|---|---|---|---|
| | | Salary/ Fees $ | Short-term Incentive Scheme $ | Non-monetary $ | Super-annuation $ | Long-term Incentive Scheme[i] $ | Termination Benefits $ | Total $ |
| M J McCormack[a] | 2006 | 436,031 | 216,286 | 26,184 | 19,339 | 48,500 | – | 746,340 |
| | 2005 | 260,022 | 84,000 | 45,769 | 18,785 | – | – | 408,576 |
| R F Francis[b] | 2006 | 262,543 | 102,000 | – | 11,128 | 20,000 | – | 395,671 |
| | 2005 | – | – | – | – | – | – | – |
| S P Ohl[c] | 2006 | 196,433 | 86,000 | 5,784 | 53,139 | 16,667 | – | 358,023 |
| | 2005 | 86,204 | – | 25,882 | 4,931 | – | – | 117,017 |
| A J V James[d] | 2006 | 227,643 | 90,000 | – | 29,212 | 17,333 | – | 364,188 |
| | 2005 | 208,590 | 80,500 | 12,752 | 28,658 | – | – | 330,500 |
| S M Dureau[e] | 2006 | 216,411 | 79,000 | – | 12,139 | 15,333 | – | 322,883 |
| | 2005 | 170,468 | 64,078 | 1,329 | 10,619 | – | – | 246,494 |
| J K McDonald[f] | 2006 | – | – | – | – | – | – | – |
| | 2005 | 419,410 | 247,143 | 33,948 | 91,732 | – | 400,000 | 1,192,233 |
| G N Williams[g] | 2006 | – | – | – | – | – | – | – |
| | 2005 | 215,359 | 101,500 | 31,257 | 41,585 | – | 350,000 | 739,701 |
| K F Dixon[h] | 2006 | – | – | – | – | – | – | – |
| | 2005 | 212,335 | 65,000 | 1,208 | 9,654 | – | 230,000 | 518,197 |
| Total | 2006 | 1,339,061 | 573,286 | 31,968 | 124,957 | 117,833 | – | 2,187,105 |
| | 2005 | 1,572,388 | 642,221 | 152,145 | 205,964 | – | 980,000 | 3,552,718 |

[a] Chief Operating Officer until 30 June 2005, Chief Executive Officer until 30 June 2006 (Managing Director from 1 July 2006).
[b] Chief Financial Officer, commenced 1 August 2005.
[c] Group General Manager, Operations, commenced 2 May 2005 (Salary component includes living away from home allowance).
[d] Company Secretary/General Manager, Corporate.
[e] General Counsel/General Manager, Regulatory.
[f] Managing Director (retired from 1 July 2005).
[g] Chief Financial Officer until 1 July 2005. Other payments relate to termination benefits, as per contract terms.
[h] General Manager, Strategic Planning until 30 April 2005. Other payments relate to termination benefits, as per contract terms.
[i] Cash settled share based payments.

# Directors' Report

APA operates in a highly competitive national environment, and the Board has adopted policies and processes which:

- enable APA to attract and retain key executives who will create sustainable value for unitholders;
- properly motivate and reward executives having regard to the overall performance of APA, the performance of the Executive measured against pre-determined objectives and the external compensation environment;
- appropriately align the interests of Executives with those of unitholders; and
- comply with applicable legal requirements and appropriate standards of governance.

All executive Key Management Personnel of APA receive a combination of fixed and variable (at risk) remuneration. Fixed remuneration is made up of base salary and other incidental benefits. Total fixed remuneration ("TFR") is determined by reference to appropriate benchmark information, taking into account an individual's responsibilities, performance, qualifications and experience.

During the 2005 calendar year, APA engaged external consultants who reviewed the variable component of staff remuneration to ensure relativities with other similar businesses was maintained and best practices adhered to. As a consequence of that review, the bases for determining financial goals for short term incentives was amended and a long term incentive scheme introduced. For the current financial year onwards, variable remuneration is in the form of short term and long term incentives, payable in cash.

The Board believes that well designed and managed short term and long term incentive plans are important elements of employee remuneration, providing tangible incentives for employees to strive to improve APA's performance to the benefit of unitholders. The aggregate of short term and long term incentives is subject to a maximum limit.

The proportions vary at different levels within APA, reflecting the capacity of the staff to influence the overall outcome of APA's operations and returns to unitholders. The variable component is based on the financial performance of APA and a series of personal key performance indicators.

Details of the short term and long term incentive schemes are set out below.

## Short term incentive plans

Access to incentives is based on APA achieving specific financial goals, reinforcing a culture that is ethical and values based. All Senior Executives have their short term incentive plan ("STI") opportunity based on the achievement of financial targets and the delivery of performance objectives incorporating strategic and non-financial objectives including safety, health and environment targets.

For the Managing Director/Chief Executive Officer, the maximum STI is 45% of TFR. For other senior executives, the maximum STI is 35% of TFR.

At the beginning of each financial year, the Committee considers the appropriate financial and non-financial performance targets to be met for the senior executives. Following the external review, the Board has adopted new financial goals, which more closely reflect APA's strategic goals – the foundation of which is increasing unitholder distributions annually, by at least the CPI. Economic Profit (a cash-based measure) has been identified as the most appropriate measure of APA Management's financial performance.

At the end of each financial year, the Committee compares the financial results to the agreed financial targets to determine what levels, in relation to those targets, have been achieved.

Short term incentives are paid from a bonus pool which is funded from excess profits over and above the Budgeted Economic Profit for the financial year. Executives participating in the STI will not receive the maximum incentive available against the financial targets unless the Budgeted Economic Profit for the financial year is exceeded.

STI awards are paid to the participants in cash.

# Directors' Report

## Long term incentive plans

The Board has decided to introduce a long term incentive plan ("LTI") to better align the long term interests of employees with those of unitholders, and with the assistance of its external advisers has introduced a LTI plan in the 2006 financial year. On the basis that APA met its financial targets for the financial year, an allocation under the LTI has been provided for in the financial statements at Note 27. Details of the LTI awarded to Key Management Personnel are set out on page 37.

Because of the complexities of issuing equity to employees of a managed investment fund (including differences in income tax treatment) and the additional costs of setting up an equity based scheme against the relatively modest numbers of employees, the LTI does not offer actual equity to participants.

LTI participants are advised at the beginning of the financial year, a maximum LTI opportunity, which is expressed as a percentage of TFR. The actual individual LTI award will be determined at the completion of the financial year as an outcome of the financial results as measured against the Budgeted Economic Profit. Where the Budgeted Economic Profit has been exceeded, LTI pool will be funded and distributed to participants in the form of a LTI allocation. The Economic Profit result will determine the pool size and, in turn, the LTI allocations to participants up to the maximum individual LTI opportunity.

At the completion of the financial year the LTI allocation to participants will be in the form of a "phantom" or notional allocation of LTI units which will be equivalent to the LTI award converted at the market value of APA units at the date of allocation ie the value of a LTI unit will mirror the value of an APA unit. The incentive which will be delivered in cash once vested, will be determined by the movement in the unit price of APA over the period of the incentive, aligning employee reward with the interests of unitholders.

Access to the LTI award is restricted for a total period of two years vesting 50% at the first anniversary and 50% at the second anniversary of the date of allocation. The LTI allocations, being subject to, and arising from, a pre-allocation performance hurdle, are not subject to a further performance test at the vesting dates, though participants must remain employed by the consolidated entity to access the vested benefit. Participants will receive a cash payment for vested LTI units equal to the market value of the equivalent number of APA units at the vesting date.

As the LTI is a cash plan and does not allocate APA units to participants, they will not be entitled to vote or participate in distributions. APA will make a cash provision for the obligations of the LTI plan.

No options or other equity instruments are issued to APA employees or Directors.

# Directors' Report

## Performance of APA

Movement in APA's unit price over the period from initial public offering in June 2000 to 30 June 2006


## APA – performance against the S&P/ASX 200 index

# Directors' Report

## Net profit after tax and minorities

The net profit after tax and minorities ("NPATM") for the last five financial years were as follows:

| Financial Year ended 30 June | NPATM before Significant Items $'000 | NPATM $'000 |
|---|---|---|
| 2002[a] | 37,101 | 37,101 |
| 2003[a] | 41,046 | 41,046 |
| 2004[a] | 44,984 | 121,292 |
| 2005[b] | 51,351 | 109,508 |
| 2006[b] | 60,661 | 62,546 |

[a] Figures are based on A-GAAP.
[b] Figures have been restated for compliance with A-IFRS.

## Distributions

The distribution paid to unitholders in respect of each of the last five financial years is as follows:

| | Distribution (cpu) | | | |
|---|---|---|---|---|
| Distribution Paid/Payable in Respect of Financial Year ended 30 June | Profit | Capital | Total | Total $'000 |
| 2002 | 15.5 | 6.0 | 21.5 | 52,460 |
| 2003 | 17.0 | 4.5 | 21.5 | 52,460 |
| 2004 | 15.1 | 6.4 | 21.5 | 54,954 |
| 2005 | 22.5 | – | 22.5 | 62,656 |
| 2006 | 24.0[a] | – | 24.0 | 66,936 |

[a] Includes final distribution of 6.0 cpu declared on 29 August 2006.

## Contractual Terms of Key Management Personnel

The termination payments in relation to Key Management Personnel are set out below:

| Name and Title | Employing Company | Commencement Date | Term | Termination Provisions/Benefits |
|---|---|---|---|---|
| M J McCormack Chief Executive Officer until 30 June 2006; Managing Director from 1 July 2006 | APT Management Services Pty Limited | Commenced 1 March 2000. Promoted to Chief Executive Officer on 1 July 2005 and Managing Director effective 1 July 2006. | Minimum term of two years from 1 July 2005 | On termination with cause or following certain long term illness, the Company will pay any TFR due and owing at the date of termination and any accrued leave entitlements.<br>On termination without cause, the Company will pay 52 weeks TFR, any bonus earned but not paid and any accrued leave entitlement. The Company will also pay any TFR due and owing at the date of termination. |
| R F Francis Chief Financial Officer | APT Management Services Pty Limited | Commenced 1 August 2005. | No defined term | On termination with cause or following certain long term illness, the Company will pay any TFR due and owing at the date of termination and any accrued leave entitlements.<br>On termination without cause, the Company will pay 26 weeks TFR, any bonus earned but not paid and any accrued leave entitlement. The Company will also pay any TFR due and owing at the date of termination. |
| S P Ohl Group General Manager, Operations | APT Management Services Pty Limited | Commenced 2 May 2005. | No defined term | On termination with cause or following certain long term illness, the Company will pay any TFR due and owing at the date of termination and any accrued leave entitlements.<br>On termination without cause, the Company will pay 26 weeks TFR, any bonus earned but not paid and any accrued leave entitlement. The Company will also pay any TFR due and owing at the date of termination. |
| A J V James Company Secretary/ General Manager, Corporate | APT Management Services Pty Limited | Commenced 1 March 2000. | No defined term | On termination with cause or following certain long term illness, the Company will pay any TFR due and owing at the date of termination and any accrued leave entitlements.<br>On termination without cause, the Company will pay 52 weeks TFR, any bonus earned but not paid and any accrued leave entitlement. The Company will also pay any TFR due and owing at the date of termination. |
| S M Dureau General Counsel/ General Manager, Regulatory | APT Management Services Pty Limited | Commenced 1 August 2004. | No defined term | On termination with cause or following certain long term illness, the Company will pay any TFR due and owing at the date of termination and any accrued leave entitlements.<br>On termination without cause, the Company will pay 26 weeks TFR, any bonus earned but not paid and any accrued leave entitlement. The Company will also pay any TFR due and owing at the date of termination. |

# Directors' Report

## Information Required for Registered Schemes

Fees paid to the Responsible Entity and its associates (including Directors and Secretaries of the Responsible Entity, related bodies corporate and Directors and Secretaries of related bodies corporate) out of APA property during the financial year are disclosed in Note 42 to the financial statements.

The Responsible Entity does not hold any units in APA. AGL, a 50% shareholder in the Responsible Entity, holds 30% of the units in APA. The number of units in APA issued during the financial year, withdrawals from APA during the financial year, and the number of units in APA at the end of the financial year are disclosed in Note 28 to the financial statements.

The value of APA's assets as at the end of the financial year is disclosed in the balance sheet in total assets, and the basis of valuation is included in Note 1 to the financial statements.

## Auditor Independence and Non-Audit Services

APA may decide to employ the Auditor, Deloitte Touche Tohmatsu ("Deloitte"), on assignments additional to its statutory audit duties where the Auditor's expertise and experience with the consolidated entity are relevant.

The Board has considered the non-audit services provided during the financial year by the Auditor and in accordance with written advice provided by resolution of the Audit and Risk Management Committee, is satisfied that the provision of those non-audit services during the financial year by the Auditor is compatible with, and did not compromise, the Auditor independence requirements of the Corporations Act 2001 for the following reasons:

- all non-audit services were subject to the corporate governance procedures adopted by APA and have been reviewed by the Audit and Risk Management Committee to ensure they do not impact the integrity and objectivity of the Auditor; and
- the non-audit services provided do not undermine the general principles relating to auditor independence as set out in Professional Statement F1 "Professional Independence", as they did not involve reviewing or auditing the Auditors' own work, acting in a management or decision making capacity for APA, acting as an advocate for APA or jointly sharing risks and rewards.

A copy of the Auditors' independence declaration as required under section 307C of the Corporation Act is included on page 94.

Deloitte received, or is due to receive, the following amounts for the provision of non-audit services:

| | |
|---|---|
| Tax services | $347,663 |
| Other accounting and assurance services | $45,935 |
| **Total** | $393,598 |

## Rounding

APA is an entity of the kind referred to in Australian Securities and Investments Commission Class Order 98/0100, dated 10 July 1998, and in accordance with that Class Order amounts in this report and the financial report are rounded off to the nearest thousand dollars, unless otherwise indicated.

Signed in accordance with a resolution of the Directors of the Responsible Entity made pursuant to section 298(2) of the Corporations Act 2001.

On behalf of the Directors

**G H Bennett**
Chairman
SYDNEY, 29 August 2006

**R J Wright**
Director

# Income Statement

## FOR THE FINANCIAL YEAR ENDED 30 JUNE 2006

| | | Consolidated | | Trust | |
|---|---|---|---|---|---|
| | Note | 2006 $'000 | 2005 $'000 | 2006 $'000 | 2005 $'000 |
| Revenue | | 382,290 | 367,164 | 67,223 | 63,853 |
| Share of net profit of joint venture entity accounted for using the equity method | | – | 2,148 | – | – |
| | 3 | 382,290 | 369,312 | 67,223 | 63,853 |
| Asset operation and management expenses | | (79,197) | (98,409) | – | – |
| Depreciation and amortisation expense | | (38,848) | (36,373) | – | – |
| Other pipeline costs – passthrough | | (85,727) | (89,304) | – | – |
| Finance costs | | (80,068) | (75,164) | (7) | (22) |
| Other expenses | | (16,056) | (13,550) | (26) | (4) |
| **Profit before Income Tax Expense** | 3 | 82,394 | 56,512 | 67,190 | 63,827 |
| Income tax (expense)/benefit | 5 | (19,514) | 53,306 | (76) | (12) |
| **Profit after Related Income Tax (Expense)/Benefit** | | 62,880 | 109,818 | 67,114 | 63,815 |
| Profit attributable to minority interests | | (334) | (310) | – | – |
| **Profit Attributable to Unitholders of the Parent Entity** | | 62,546 | 109,508 | 67,114 | 63,815 |
| | | | | | |
| Earnings per unit: | | | | | |
| Earnings used to calculate earnings per unit ($'000) | | 62,546 | 109,508 | | |
| Basic earnings per unit based on profit after income tax expense, attributable to unitholders of the parent entity (cpu) | | 22.43 | 39.81 | | |
| Weighted average number of units on issue used in the calculation of basic earnings per unit (million) | | 278.9 | 275.1 | | |

Diluted earnings per unit are exactly the same as basic earnings per unit.

Notes to the financial statements are included on pages 49 to 92.

# Balance Sheet

## AS AT 30 JUNE 2006

| | | Consolidated | | Trust | |
|---|---|---|---|---|---|
| | Note | 2006 $'000 | 2005 $'000 | 2006 $'000 | 2005 $'000 |
| **Current Assets** | | | | | |
| Cash and cash equivalents | | 13,004 | 22,373 | 207 | 173 |
| Receivables | 7 | 35,259 | 30,636 | 148 | 124 |
| Inventories | 8 | 4,096 | 3,121 | – | – |
| Current tax assets | 5 | 7,164 | – | 7,164 | – |
| Other | 9 | 1,401 | 2,224 | – | – |
| **Total Current Assets** | | 60,924 | 58,354 | 7,519 | 297 |
| **Non-Current Assets** | | | | | |
| Receivables | 10 | 10,956 | 2 | – | – |
| Investments | 11 | 23,199 | – | – | – |
| Other financial assets | 12 | – | – | 523,734 | 527,728 |
| Property, plant and equipment | 13 | 1,956,037 | 1,819,601 | – | – |
| Goodwill | 14 | 935 | 935 | – | – |
| Other intangible assets | 15 | 3,853 | 4,553 | – | – |
| Other | 16 | 4,951 | 50 | – | – |
| **Total Non-Current Assets** | | 1,999,931 | 1,825,141 | 523,734 | 527,728 |
| **Total Assets** | | 2,060,855 | 1,883,495 | 531,253 | 528,025 |
| **Current Liabilities** | | | | | |
| Payables | 17 | 58,823 | 63,242 | 25,460 | 26,467 |
| Interest bearing liabilities | 18 | 158,542 | 188 | – | – |
| Other financial liabilities | 19 | 3,273 | – | – | – |
| Current tax liabilities | 5 | – | 1,187 | – | 1,187 |
| Provisions | 20 | 22,848 | 23,325 | – | – |
| Other | 21 | 9,275 | 56,601 | – | – |
| **Total Current Liabilities** | | 252,761 | 144,543 | 25,460 | 27,654 |
| **Non-Current Liabilities** | | | | | |
| Payables | 22 | – | 54,920 | – | – |
| Interest bearing liabilities | 23 | 1,055,708 | 1,007,780 | – | – |
| Other financial liabilities | 24 | 79,338 | – | – | – |
| Deferred tax liabilities | 5 | 77,198 | 57,982 | – | – |
| Provisions | 25 | 2,610 | 1,968 | – | – |
| Other | 26 | 1,780 | 2,533 | – | – |
| **Total Non-Current Liabilities** | | 1,216,634 | 1,125,183 | – | – |
| **Total Liabilities** | | 1,469,395 | 1,269,726 | 25,460 | 27,654 |
| **Net Assets** | | 591,460 | 613,769 | 505,793 | 500,371 |
| **Equity** | | | | | |
| Issued capital | 28 | 505,379 | 500,135 | 505,379 | 500,135 |
| Reserves | 29 | (14,510) | 8,669 | – | – |
| Retained profits | 30 | 100,490 | 104,880 | 414 | 236 |
| **Parent Entity Interest** | | 591,359 | 613,684 | 505,793 | 500,371 |
| Minority interests | 31 | 101 | 85 | – | – |
| **Total Equity** | | 591,460 | 613,769 | 505,793 | 500,371 |

Notes to the financial statements are included on pages 49 to 92.

# Statement of Changes in Equity

FOR THE FINANCIAL YEAR ENDED 30 JUNE 2006

| | Consolidated | | | | | | |
|---|---|---|---|---|---|---|---|
| | Contributed Equity | Reserves | | | Retained Profits | Minority Interests | Total |
| | | Hedge Revaluation | Asset Revaluation | Investment Revaluation | | | |
| | $'000 | $'000 | $'000 | $'000 | $'000 | $'000 | $'000 |
| **2006** | | | | | | | |
| Balance at 1 July 2005 | 500,135 | – | 8,669 | – | 104,880 | 85 | 613,769 |
| Initial recognition of fair value of financial instruments on 1 July 2005 (Note 46) | – | (19,291) | – | – | – | – | (19,291) |
| Related tax effect of transition adjustments on 1 July 2005 | – | 5,787 | – | – | – | – | 5,787 |
| Revaluation of available-for-sale investments | – | – | – | 687 | – | – | 687 |
| Cash flow hedges – fair value change | – | (5,127) | – | – | – | – | (5,127) |
| Transferred to profit | – | (9,449) | – | – | – | – | (9,449) |
| Income tax on items directly transferred to equity | – | 4,423 | – | (206) | – | – | 4,217 |
| Net income recognised directly in equity | – | (10,153) | – | 481 | – | – | (9,672) |
| Net profit for the period | – | – | – | – | 62,546 | 334 | 62,880 |
| Total recognised income and expense for the year | – | (10,153) | – | 481 | 62,546 | 334 | 53,208 |
| Distributions | – | – | – | – | (66,936) | (461) | (67,397) |
| Other | – | (3) | – | – | – | 143 | 140 |
| Units issued under DRP | 5,258 | – | – | – | – | – | 5,258 |
| Unit issue expenses | (14) | – | – | – | – | – | (14) |
| Balance at 30 June 2006 | 505,379 | (23,660) | 8,669 | 481 | 100,490 | 101 | 591,460 |
| 2005 | | | | | | | |
| Balance at 1 July 2004 | 427,435 | – | – | – | 59,158 | 132 | 486,725 |
| Net profit for the period[b] | – | – | – | – | 109,508 | 310 | 109,818 |
| Distributions | – | – | – | – | (63,786) | (489) | (64,275) |
| Other | – | – | – | – | – | 132 | 132 |
| Private placement of units | 61,740 | – | – | – | – | – | 61,740 |
| Units issued under DRP | 11,538 | – | – | – | – | – | 11,538 |
| Unit issue expenses | (578) | – | – | – | – | – | (578) |
| Revaluation of assets[a,b] | – | – | 8,669 | – | – | – | 8,669 |
| Balance at 30 June 2005 | 500,135 | – | 8,669 | – | 104,880 | 85 | 613,769 |

[a] Net income recognised directly in equity in 2005 amounts to $8,669,000.
[b] Total recognised income and expense for the 2005 year amounts to $118,487,000

Notes to the financial statements are included on pages 49 to 92.

# Statement of Changes in Equity

FOR THE FINANCIAL YEAR ENDED 30 JUNE 2006

| | Trust | | | | | | |
|---|---|---|---|---|---|---|---|
| | Contributed Equity | Reserves | | | Retained Profits | Minority Interests | Total |
| | | Hedge Revaluation | Asset Revaluation | Investment Revaluation | | | |
| | $'000 | $'000 | $'000 | $'000 | $'000 | $'000 | $'000 |
| **2006** | | | | | | | |
| Balance at 1 July 2005 | 500,135 | – | – | – | 236 | – | 500,371 |
| Net profit for the period[a] | – | – | – | – | 67,114 | – | 67,114 |
| Distributions | – | – | – | – | (66,936) | – | (66,936) |
| Units issued under DRP | 5,258 | – | – | – | – | – | 5,258 |
| Unit issue expenses | (14) | – | – | – | – | – | (14) |
| Balance at 30 June 2006 | 505,379 | – | – | – | 414 | – | 505,793 |
| **2005** | | | | | | | |
| Balance at 1 July 2004 | 427,435 | – | – | – | 207 | – | 427,642 |
| Net profit for the period[a] | – | – | – | – | 63,815 | – | 63,815 |
| Distributions | – | – | – | – | (63,786) | – | (63,786) |
| Private placement of units | 61,740 | – | – | – | – | – | 61,740 |
| Units issued under DRP | 11,538 | – | – | – | – | – | 11,538 |
| Unit issue expenses | (578) | – | – | – | – | – | (578) |
| Balance at 30 June 2005 | 500,135 | – | – | – | 236 | – | 500,371 |

[a] Net income recognised directly in equity

Total recognised income and expense for the year amounts to $67,114,000 (2005: $63,815,000)

Notes to the financial statements are included on pages 49 to 92.

# Cash Flow Statement

## FOR THE FINANCIAL YEAR ENDED 30 JUNE 2006

| | | Consolidated | | Trust | |
|---|---|---|---|---|---|
| | Note | 2006 $'000 | 2005 $'000 | 2006 $'000 | 2005 $'000 |
| **Cash Flows from Operating Activities** | | | | | |
| Receipts from customers | | 402,988 | 392,808 | 1,297 | 1,288 |
| Payments to suppliers and employees | | (220,232) | (207,831) | (1,352) | (1,366) |
| Dividends received | | 832 | – | 66,935 | 63,786 |
| Interest received | | 9,275 | 11,054 | 288 | 67 |
| Interest and other costs of finance paid | | (81,932) | (75,363) | (7) | (22) |
| Income tax refunded/(paid) | | 1,243 | (14,448) | (1,187) | (9,819) |
| **Net Cash from Operating Activities** | 43(d) | 112,174 | 106,220 | 65,974 | 53,934 |
| **Cash Flows from Investing Activities** | | | | | |
| Payment for property, plant and equipment | | (31,976) | (12,825) | – | – |
| Proceeds from sale of property, plant and equipment | | 2,820 | 89 | – | – |
| Purchase of available-for-sale investments | | (22,511) | – | – | – |
| Purchase of controlled entities | 43(c) | (158,051) | (248,137) | – | – |
| Settlement of acquisition related liabilities | | (45,747) | – | – | – |
| Existing ownership of cash balances | | – | 58,110 | – | – |
| **Net Cash Used in Investing Activities** | | (255,465) | (202,763) | – | – |
| **Cash Flows from Financing Activities** | | | | | |
| Proceeds from borrowings | | 1,495,000 | 810,000 | – | – |
| Repayment of borrowings | | (1,299,302) | (742,593) | – | – |
| Proceeds from issue of units | | – | 61,740 | – | 61,740 |
| Payment of unit issue costs | | (14) | (578) | (14) | (578) |
| Payment of debt issue costs | | – | (1,166) | – | – |
| Proceeds from repayment of related party receivables | | – | – | (4,248) | (62,809) |
| Distributions paid to: | | | | | |
| Unitholders of Trust (net of DRP) | | (61,678) | (52,248) | (61,678) | (52,248) |
| Minority interests | | (460) | (490) | – | – |
| **Net Cash from/(Used in) Financing Activities** | | 133,546 | 74,665 | (65,940) | (53,895) |
| **Net (Decrease)/Increase in Cash and Cash Equivalents** | | (9,745) | (21,878) | 34 | 39 |
| Cash and cash equivalents at the beginning of the financial year | | 22,373 | 44,251 | 173 | 134 |
| **Cash and Cash Equivalents at the end of the Financial Year** | 43(a) | 12,628 | 22,373 | 207 | 173 |

Notes to the financial statements are included on pages 49 to 92.

# Notes to the Financial Statements

FOR THE FINANCIAL YEAR ENDED 30 JUNE 2006

## 1. Summary of Accounting Policies

### Financial reporting framework

The financial report is a general purpose financial report which has been prepared in accordance with the constitution, the Corporations Act 2001, Accounting Standards and Urgent Issues Group Interpretations, and complies with other requirements of the law.

The financial statements were authorised for issue by the Directors on 29 August 2006.

### Significant accounting policies

The financial report has been prepared on the basis of historical cost, except for the revaluation of certain non-current assets and financial instruments. Cost is based on the fair values of the consideration given in exchange for assets.

This is the consolidated entity's first full financial report prepared in accordance with Australian Accounting Standards, being Australian Equivalents to International Financial Reporting Standards ("A-IFRS"). The consolidated entity changed its accounting policies on 1 July 2005 to comply with A-IFRS. The transition to A-IFRS is accounted for in accordance with AASB 1 "First-time Adoption of Australian Equivalents to International Financial Reporting Standards", with 1 July 2004 as the date of transition. The superseded policies were in accordance with Australian generally accepted accounting principles ("A-GAAP") and accounting standards in force at the time.

Compliance with A-IFRS ensures that the consolidated financial statements and notes thereto comply with International Financial Reporting Standards ("IFRS"). The Trust's financial statements and notes thereto also comply with IFRS except for the disclosure requirements in FAS 32 "Financial Instruments: Disclosure and Presentation" as the Australian equivalent Accounting Standard, AASB 132 'Financial Instruments: Disclosure and Presentation' does not require such disclosures to be presented by the Trust when its separate financial statements are presented together with the consolidated financial statements.

The accounting policies set out below have been applied in preparing the financial statements for the financial year ended 30 June 2006 and the comparative information presented in these financial statements, and in the preparation of the opening A-IFRS balance sheet at 1 July 2004 (as disclosed in Note 47), the consolidated entity's date of transition, except for the accounting policies in respect of financial instruments. The consolidated entity has not restated comparative information for financial instruments including derivatives, as permitted under the first-time adoption transitional provisions. The accounting policies for financial instruments applicable to the comparative information and the impact of changes in these accounting policies on 1 July 2005, the date of transition for financial instruments, are discussed further in Note 47.

In the application of A-IFRS, management is required to make judgements, estimates and assumptions about carrying values of assets and liabilities that are not readily apparent from other sources. The estimates and associated assumptions are based on historical experience and various other factors that are believed to be reasonable under the circumstance, the results of which form the basis of making the judgements. Actual results may differ from these estimates.

The estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to accounting estimates are recognised in the period in which the estimate is revised if the revision affects only that period, or in the period of the revision and future periods if the revision affects both current and future periods.

Judgements made by management in the application of A-IFRS that have significant effects on the financial statements and estimates with a significant risk of material adjustments in the next financial year are disclosed, where applicable, in the relevant notes to the financial statements.

These financial statements have been prepared on a going concern basis. The Directors have reasonable grounds to believe that the consolidated entity will be able to pay its debts as and when they become due and payable. During the year the consolidated entity entered into a $158 million, 12 month bridging facility, to finance the acquisition of the business disclosed in Note 39. This has resulted in current liabilities being greater than current assets for this report. The Directors are confident that this short term facility can be replaced with long term debt on normal commercial terms.

Accounting policies are selected and applied in a manner, which ensures that the resulting financial information satisfies the concepts of relevance and reliability, thereby ensuring that the substance of the underlying transactions or other events is effectively reported.

## 1. Summary of Accounting Policies (continued)

The following significant accounting policies have been adopted in the preparation and presentation of the financial report:

### (a) Principles of Consolidation

The consolidated financial statements are prepared by combining the financial statements of all the entities that comprise the consolidated entity, being Australian Pipeline Trust ("parent entity") and its controlled entities as defined in AASB 127 "Consolidated and Separate Financial Statements".

A list of controlled entities appears in Note 38. Consistent accounting policies are employed in the preparation and presentation of the consolidated financial statements.

The consolidated financial statements include the information and results of each controlled entity from the date on which APA obtains control and until such time as APA ceases to control such entity.

In preparing the consolidated financial statements, all inter-entity balances and transactions, and unrealised profits arising, within the consolidated entity are eliminated in full.

### (b) Trade and Other Payables

Trade and other payables are recognised when the consolidated entity becomes obliged to make future payments resulting from the purchase of goods and services. Trade and other payables are stated at amortised cost.

### (c) Cash and Cash Equivalents

Cash and cash equivalents comprise cash on hand and cash in banks and investments in money market instruments, net of outstanding bank overdrafts. Bank overdrafts are shown within current interest-bearing liabilities in the balance sheet.

### (d) Acquisition of Assets

Assets acquired are recorded at the cost of acquisition, being the purchase consideration determined as at the date of acquisition plus costs incidental to the acquisition.

In the event that settlement of all or part of the cash consideration given in the acquisition of an asset is deferred, the fair value of the purchase consideration is determined by discounting the amounts payable in the future to their present values as at the date of acquisition.

### (e) Borrowings

Borrowings are recorded initially at fair value, net of transaction costs. Subsequent to initial recognition, borrowings are measured at amortised cost with any difference between the initial recognised amount and the redemption value being recognised in the income statement over the period of the borrowing using the effective interest method.

### (f) Borrowing Costs

Borrowing costs directly attributable to assets under construction are capitalised as part of the cost of those assets.

### (g) Depreciation

Depreciation is provided on property, plant and equipment, including freehold buildings but excluding land. Depreciation is calculated on either a straight-line or throughput basis depending on the nature of the asset so as to write off the net cost of each asset over its estimated useful life. Leasehold improvements are depreciated over the period of the lease or estimated useful life, whichever is the shorter, using the straight-line method. The following estimated useful lives are used in the calculation of depreciation:

## 1. Summary of Accounting Policies (continued)

### (g) Depreciation (continued)

- buildings – 50 years;
- compressors – up to 25 years;
- pipelines – up to 65 years; and
- other plant and equipment – 3-20 years.

### (h) Goodwill

Goodwill, representing the excess of the cost of acquisition over the fair value of the identifiable net assets acquired, is recognised as an asset and not amortised, but tested for impairment annually and whenever there is an indication that the goodwill may be impaired. Any impairment is recognised immediately in the income statement and is not subsequently reversed. Refer also Note 1(n).

### (i) Derivative Financial Instruments

The consolidated entity uses derivative financial instruments ("derivatives") to hedge exposures to interest rate and foreign exchange risk. In order to be designated as a hedge, at inception and during the term of the hedging instrument, it must be expected that the hedge will be effective in reducing exposure to the risks being hedged. Derivatives are not entered into for speculative purposes.

*Interest Rate*

Interest rate swaps are used to vary the consolidated entity's mix of fixed and variable rate borrowing. These derivatives are accounted for on an accrual basis consistent with the accounting treatment of the underlying borrowing.

Both payments and receipts under the swaps are included in interest expense. The related amount receivable from or payable to counterparties, is included in other financial liabilities.

*Foreign Exchange*

Cross currency swaps are used to hedge foreign currency borrowings. Derivatives that hedge the borrowings are measured at the spot rate and included in financial liabilities. Gains or losses are recognised in the income statement as they occur and offset translation gains and losses on the underlying hedged item. If a derivative is terminated and the anticipated transaction is no longer probable, all gains and losses are recognised immediately in the income statement. Further details are disclosed in Note 46.

### (j) Employee Benefits

Provision is made for benefits accruing to employees in respect of wages and salaries, incentives, annual leave and long service leave when it is probable that settlement will be required and they are capable of being measured reliably.

Provisions made in respect of wages and salaries, annual leave, and other employee benefits (long service leave) expected to be settled within 12 months, are measured at their nominal values using the remuneration rates expected to apply at the time of settlement.

Provisions made in respect of employee benefits which are not expected to be settled within 12 months are measured as the present value of the estimated future cash outflows to be made by the consolidated entity in respect of services provided by employees up to the end of the financial year.

### (k) Financial Instruments Issued by APA

*Debt and Equity Instruments*

Debt and equity instruments are classified as either liabilities or equity in accordance with the substance of the contractual arrangement.

## 1. Summary of Accounting Policies (continued)

### (k) Financial Instruments Issued by APA (continued)

*Transaction Costs on the Issue of Equity Instruments*

Transaction costs arising on the issue of equity instruments are recognised directly in equity as a reduction of the proceeds of the equity instruments to which the costs relate. Transaction costs are the costs that are incurred directly in connection with the issue of those equity instruments and which would not have been incurred had those instruments not been issued.

*Interest and Distributions*

Interest and distributions are classified as expenses or as distributions of profit consistent with the balance sheet classification of the related debt or equity instruments or component parts of compound instruments.

### (l) Foreign Currency Transactions

All foreign currency transactions during the financial year are brought to account using the exchange rate in effect at the date of the transaction. Foreign currency monetary items at reporting date are translated at the exchange rate existing at that date and resulting exchange differences are recognised in the income statement in the period in which they arise.

### (m) Goods and Services Tax

Revenues, expenses and assets are recognised net of the amount of goods and services tax ("GST"), except:

- where the amount of GST incurred is not recoverable from the taxation authority, it is recognised as part of the cost of acquisition of an asset or as part of an item of expense; or
- for receivables and payables which are recognised inclusive of GST, except for accrued revenue and accrued expense at balance dates which exclude GST.

The net amount of GST recoverable from, or payable to, the taxation authority is included as part of receivables or payables.

GST receivable or GST payable is only recognised once a tax invoice has been issued or received.

Cash flows are included in the cash flow statement on a gross basis. The GST component of cash flows arising from investing and financing activities which is recoverable from, or payable to, the taxation authority is classified as operating cash flows.

### (n) Impairment of Assets

The carrying amounts of the consolidated entity's assets, other than inventories and deferred tax assets, are reviewed at each balance sheet date to determine whether there is any indication of impairment. If any such indication exists, the asset's recoverable amount is estimated.

For goodwill, assets that have an indefinite useful life and intangible assets that are not yet available for use, the recoverable amount is estimated at each balance sheet date.

An impairment loss is recognised whenever the carrying amount of an asset or its cash-generating unit exceeds its recoverable amount. Impairment losses are recognised in the income statement. Impairment losses recognised in respect of cash-generating units are allocated first to reduce the carrying amount of any goodwill allocated to cash-generating units (group of units) and then to reduce the carrying amount of the other assets in the unit (group of units) on a pro-rata basis.

When there is a decline in the recoverable amount of the consolidated entity's receivables, an impairment loss is recognised in the income statement.

*(i) Calculation of Recoverable Amount*

The recoverable amount of the consolidated entity's receivables carried at amortised cost is calculated as the present value of estimated future cash flows discounted at the original effective interest rate (ie the effective interest rate computed at initial recognition of these financial assets). Receivables with a short duration are not discounted.

## 1. Summary of Accounting Policies (continued)

### (n) Impairment of Assets (continued)

The recoverable amount of other assets is the greater of their fair value less costs to sell and value in use. In assessing value in use, the estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset. For an asset that does not generate largely independent cash inflows, the recoverable amount is determined for the cash-generating unit to which the asset belongs.

*(ii) Reversals of Impairment*

An impairment loss in respect of a receivable carried at amortised cost is reversed if the subsequent increase in recoverable amount can be related objectively to an event occurring after the impairment loss was recognised.

An impairment loss in respect of goodwill is not reversed.

Impairment losses, in respect of other assets, are reversed if there has been a change in the estimates used to determine the recoverable amount.

An impairment loss is reversed only to the extent that the asset's carrying amount does not exceed the carrying amount that would have been determined, net of depreciation or amortisation, if no impairment loss had been recognised.

### (o) Income Tax

Income tax on the profit and loss for the financial year comprises current and deferred tax. Income tax is recognised in the income statement except to the extent that it relates to items recognised directly in equity, in which case it is recognised in equity.

Current tax is the expected tax payable on the taxable income for the financial year, using tax rates enacted or substantively enacted at the balance sheet date, and any adjustment to tax payable in respect of previous financial years.

Deferred tax is provided using the balance sheet liability method, providing for temporary differences between the carrying amounts of assets and liabilities for financial reporting purposes and the amounts used for taxation purposes. The following temporary differences are not provided for: initial recognition of goodwill, initial recognition of assets or liabilities that affect neither accounting nor taxable profit, and differences relating to investments in wholly owned entities to the extent that they will probably not reverse in the foreseeable future. The amount of deferred tax provided is based on the expected manner of realisation or settlement of the carrying amount of assets and liabilities, using the tax rates enacted or substantively enacted at the balance sheet date.

A deferred tax asset is recognised only to the extent that it is probable that future taxable profits will be available against which the asset can be utilised. Deferred tax assets are reduced to the extent that it is no longer probable that the related tax benefit will be realised.

*Tax-Consolidation*

The Trust and its wholly-owned Australian tax resident entities have formed a tax-consolidated group with effect from 1 July 2003 and are therefore taxed as a single entity from that date. The head entity within the tax-consolidated group is Australian Pipeline Trust.

Current tax expense/income, deferred tax liabilities and deferred tax assets arising from temporary differences of the members of the tax-consolidated group are recognised in the separate financial statements of the members of the tax-consolidated group using the "separate taxpayer within group" approach by reference to the carrying amounts of assets and liabilities in the separate financial statements of each entity and the tax values applying under tax-consolidation.

Any current tax liabilities (or assets) and deferred tax assets arising from unused tax losses of the wholly owned entities is assumed by the head entity in the tax-consolidated group and are recognised as amounts payable (receivable) to (from) other entities in the tax-consolidated group in conjunction with any tax funding arrangement amounts.

The Trust recognises deferred tax assets arising from unused tax losses of the tax-consolidated group to the extent that it is probable that future taxable profits of the tax-consolidated group will be available against which the assets can be utilised.

## 1. Summary of Accounting Policies (continued)

### (p) Inventories

Inventories are stated at the lower of cost and net realisable value. Costs, including an appropriate portion of fixed and variable overhead expenses, are assigned to inventories on hand by the method most appropriate to each particular class of inventories, with the majority being valued on a first-in, first-out basis.

### (q) Investments in Debt and Equity Securities

Financial instruments held for trading are classified as current assets and are stated at fair value, with any resultant gain or loss recognised in the income statement.

Other financial instruments held by the consolidated entity are classified as being available-for-sale and are stated at fair value, with any resultant gain or loss being recognised directly in equity, except for impairment losses and, in the case of monetary items such as debt securities, foreign exchange gains and losses. When these investments are derecognised, the cumulative gain or loss previously recognised directly in equity is recognised in the income statement. Where these investments are interest-bearing, interest calculated using the effective interest method is recognised in the income statement.

The fair value of financial instruments classified as held for trading and available-for-sale is their quoted bid price at the balance sheet date.

### (r) Joint Ventures

*Jointly Controlled Operations*

Interests in jointly controlled operations are reported in the financial statements by including the consolidated entity's share of assets employed in the joint ventures, the share of liabilities incurred in relation to joint ventures and the share of any expenses incurred in relation to joint ventures in their respective classification categories.

*Jointly Controlled Entities*

Interests in jointly controlled entities are accounted for under the equity method in the consolidated financial statements and the cost method in APA's financial statements.

### (s) Leased Assets

Leased assets classified as finance leases are capitalised. The amount initially brought to account is the present value of the minimum lease payments.

A finance lease is one which effectively transfers from the lessor to the lessee substantially all the risks and benefits incidental to ownership of the leased property.

Capitalised leased assets are amortised on a straight-line basis over the estimated useful life of the asset.

Finance lease payments are allocated between interest expense and reduction of the lease liability over the term of the lease. The interest expense is determined by applying the interest rate implicit in the lease to the outstanding lease liability at the beginning of each lease payment period.

Operating lease payments are charged as an expense in the period in which they are incurred.

### (t) Provisions

A provision is recognised when there is a legal, equitable or constructive obligation as a result of a past event, it is probable that a future sacrifice of economic benefits will be required to settle the obligation and the amount of the provision can be measured reliably.

The amount recognised as a provision is the best estimate of the consideration required to settle the present obligation at the end of the financial year, taking into account the risks and uncertainties surrounding the obligation. Where a provision is measured using the cash flows estimated to settle the present obligation, its carrying amount is the present value of those cash flows.

## 1. Summary of Accounting Policies (continued)

### (t) Provisions (continued)

When some or all of the economic benefits required to settle a provision are expected to be recovered from a third party, the receivable is recognised as an asset if it is probable that recovery will be received and the amount of the receivable can be measured reliably.

### (u) Distributions

A provision is recognised for distributions only when they have been declared, determined or publicly recommended by the Directors.

### (v) Trade and Other Receivables

Trade and other receivables are stated at their amortised cost less impairment loss. Refer Note 1(n).

### (w) Revenue Recognition

Revenue is measured at the fair value of the consideration received or receivable.

*(i) Sales Revenue*

Sales revenue represents revenue earned for the transportation of gas, transmission of electricity and other related services.

*(ii) Interest Revenue*

Interest revenue is recognised as it accrues using the effective interest method.

*(iii) Sale of Non-Current Assets*

The net profit/(loss) on the sale of non-current assets is included as income at the date control of the assets passes to the buyer. This is usually when an unconditional contract of sale is signed.

The gain or loss on disposal is calculated as the difference between the carrying amount of the asset at the time of disposal and the net proceeds on disposal (including incidental costs).

*(iv) Dividend Income*

Dividend revenue is recognised when the right to receive a dividend has been established.

### (x) AASB Accounting Standards not yet Effective

The Australian Accounting Standards Board (AASB) and Urgent Issues Group (UIG) issued additional standards and interpretations which are effective for periods after the date of these financial statements. The following standards and interpretations have not yet been adopted:

- AASB 7 "Financial Instruments: Disclosures" applicable to annual reporting periods beginning on or after 1 January 2007; and
- UIG 9 "Reassessment of Embedded Derivatives" applicable to annual reporting periods beginning on or after 1 June 2006.

APA does not anticipate that the adoption of these standards and interpretations will have a material effect on its financial statements on initial adoption. Upon adoption of AASB 7 APA will be required to disclose additional information about financial instruments, including greater detail as to its risk disclosure. There will be no effect on reported earnings or net assets.

# Notes to the Financial Statements

FOR THE FINANCIAL YEAR ENDED 30 JUNE 2006

## 2. Segment Information

A business segment is a group of assets and operations engaged in providing products or services that are subject to risks and returns that are different to those of other business segments. A geographical segment is engaged in providing products or services within a particular economic environment and is subject to risks and returns that are different from those of segments operating in other economic environments. The consolidated entity only operates in Australia.

### (a) Description of Segments

#### Primary Reporting Format – Business Segments

The consolidated entity comprises the following main business segments:

- Gas transportation infrastructure;
- Electricity transmission infrastructure; and
- Other complementary assets – including coal seam gas processing facility

#### Secondary Reporting Format – Geographical Segments

The consolidated entity operates in predominantly one geographical segment, being Australia.

Inter-segment pricing is determined on an arms length basis.

## 2. Segment Information (continued)

### (b) Primary Reporting Format – Business Segments

| 2006 | Gas Transportation $'000 | Electricity Transmission $'000 | Complementary Assets $'000 | Total $'000 |
|---|---|---|---|---|
| **Revenue** | | | | |
| External sales revenue | 367,945 | 3,188 | 1,199 | 372,332 |
| **Total segment revenue** | 367,945 | 3,188 | 1,199 | 372,332 |
| Unallocated revenue | | | | 9,958 |
| **Revenue** | | | | 382,290 |
| **Result** | | | | |
| Earnings before interest, tax, depreciation and amortisation (EBITDA) | 189,449 | 2,516 | 398 | 192,363 |
| Depreciation and amortisation | (37,564) | (1,028) | (256) | (38,848) |
| Earnings before interest and tax (EBIT) | 151,885 | 1,488 | 142 | 153,515 |
| Net finance costs | | | | (71,121) |
| **Profit before Income Tax Expense** | | | | 82,394 |
| Income tax expense | | | | (19,514) |
| **Net Profit** | | | | 62,880 |
| Acquisition of non-current assets (includes capital expenditure) | 11,825 | 157,205 | 5,677 | 174,707 |
| **Assets** | | | | |
| Segment assets | 1,856,500 | 159,871 | 24,316 | 2,040,687 |
| Unallocated assets* | | | | 20,168 |
| **Total Assets** | | | | 2,060,855 |
| **Liabilities** | | | | |
| Segment liabilities | 93,714 | 722 | 900 | 95,336 |
| Unallocated liabilites** | | | | 1,374,059 |
| **Total Liabilities** | | | | 1,469,395 |

* Unallocated assets consist of cash and cash equivalents and current tax assets.
** Unallocated liabilities consist of current and non-current interest-bearing liabilities and deferred tax liabilities.

**2005**

The consolidated entity operated predominatly in one business segment, being gas transmission infrastructure, and one geographical segment, being Australia.

## 3. Profit from Operations

| | Consolidated | | Trust | |
|---|---|---|---|---|
| | 2006 $'000 | 2005 $'000 | 2006 $'000 | 2005 $'000 |
| Profit before income tax expense includes the following items of revenue and expense: | | | | |
| **(a) Operating Revenue** | | | | |
| Sales revenue: | | | | |
| Pipeline transportation revenue | 282,218 | 265,087 | – | – |
| Electricity transmission revenue | 3,188 | – | – | – |
| Other tolling revenue | 1,199 | – | – | – |
| Other pipeline revenue – passthrough | 85,727 | 89,304 | – | – |
| | 372,332 | 354,391 | – | – |
| Interest revenue: | | | | |
| Other entities | 8,947 | 10,703 | 288 | 67 |
| Dividends – wholly-owned controlled entities | – | – | 66,935 | 63,786 |
| Dividends – other | 832 | – | – | – |
| Other | – | 2,000 | – | – |
| | 382,111 | 367,094 | 67,223 | 63,853 |
| **(b) Other Income** | | | | |
| Gains from disposal of property, plant and equipment | 179 | 70 | – | – |
| | 382,290 | 367,164 | 67,223 | 63,853 |
| **(c) Expenses** | | | | |
| Finance costs: | | | | |
| Interest - other entities | 79,029 | 71,634 | 7 | 22 |
| Amortisation of deferred borrowing costs | 606 | 2,672 | – | – |
| Finance lease charges | 46 | 57 | – | – |
| Unwinding discount on non-current provisions | 171 | 156 | – | – |
| Other borrowing costs | 216 | 645 | – | – |
| | 80,068 | 75,164 | 7 | 22 |
| Net bad and doubtful debts arising from other entities | – | 133 | – | – |
| Depreciation of non-current assets: | | | | |
| Property, plant and equipment | 37,925 | 35,389 | – | – |
| Amortisation of non-current assets: | | | | |
| Leased assets | 223 | 284 | – | – |
| Intangible assets | 700 | 700 | – | – |
| | 38,848 | 36,373 | – | – |
| Other pipeline costs – passthrough: | | | | |
| Operating lease rental expense | 17,744 | 16,973 | – | – |
| Gas pipeline costs | 67,983 | 72,331 | – | – |
| | 85,727 | 89,304 | – | – |
| Net transfers to provisions: | | | | |
| Employee benefits* | 705 | 182 | – | – |
| * Includes cash settled share based payment | | | | |
| Employee benefits expense: | | | | |
| Other employee benefits | 4,454 | 4,307 | – | – |
| Defined contribution pension plan | 228 | 280 | – | – |
| Termination benefits | – | 980 | – | – |
| | 4,682 | 5,567 | – | – |

## 4. Significant Items

| | Consolidated | | Trust | |
|---|---|---|---|---|
| | 2006 $'000 | 2005 $'000 | 2006 $'000 | 2005 $'000 |
| Individually significant (expenses)/revenue included in profit after related income tax expense are as follows: | | | | |
| Stress corrosion cracking repair and investigative work | (11,300) | (23,530) | – | – |
| Tariff dispute resolution | 3,262 | – | – | – |
| Due diligence costs on capital acquisition projects recovered | – | 2,000 | – | – |
| Loss from significant items before related income tax | (8,038) | (21,530) | – | – |
| Income tax related to significant items above | 2,411 | 6,459 | – | – |
| Tax-consolidation benefit – APA | 7,512 | 33,738 | – | – |
| **Profit from Significant Items after Related Income Tax – before A-IFRS adjustment** | 1,885 | 18,667 | – | – |
| A-IFRS tax adjustment (Note 47(e)(v)) | – | 39,490 | – | – |
| **Profit from Significant Items after Related Income Tax** | 1,885 | 58,157 | – | – |

## 5. Income Tax

### (a) Income tax recognised in profit or loss

| | Consolidated 2006 $'000 | Consolidated 2005 $'000 | Trust 2006 $'000 | Trust 2005 $'000 |
|---|---|---|---|---|
| Tax expense/(benefit) comprises: | | | | |
| Current tax expense | (9,708) | 7,219 | 76 | 12 |
| Deferred tax expense | 29,220 | (60,480) | – | – |
| Under/(over) provided in prior years | 2 | (45) | – | – |
| Total tax expense/(benefit) | 19,514 | (53,306) | 76 | 12 |
| Tax expense/(benefit) is attributable to: | | | | |
| Profit from continuing operations | 19,514 | (53,306) | 76 | 12 |
| The prima facie income tax expense on pre-tax accounting profit reconciles to the income tax expense/(benefit) in the financial statements as follows: | | | | |
| **Profit before Income Tax** | 82,394 | 56,512 | 67,190 | 63,827 |
| Income tax expense calculated at 30% | 24,717 | 16,954 | 20,157 | 19,148 |
| Non-allowable interest expense | 2,239 | 2,145 | – | – |
| Equity share of joint venture entity net profit (less unfranked dividends received) | – | (644) | – | – |
| Transactions within the tax consolidated group that are exempt from taxation | – | – | (20,081) | (19,136) |
| Other | 70 | 1,467 | – | – |
| **Impact of the Tax-Consolidation System** | | | | |
| Release of deferred tax liability | (7,512) | (33,738) | – | – |
| A-IFRS tax adjustment (Note 47(e)(v)) | – | (39,490) | – | – |
| **Income Tax Expense/(Benefit)** | 19,514 | (53,306) | 76 | 12 |

The tax rate used in the above reconciliation is the corporate tax rate of 30% payable by Australian corporate entities on taxable profits under Australian tax law. There has been no change in the corporate tax rate when compared with the previous reporting period.

# Notes to the Financial Statements

FOR THE FINANCIAL YEAR ENDED 30 JUNE 2006

## 5. Income Tax (continued)

| | Consolidated | | Trust | |
|---|---|---|---|---|
| | 2006 $'000 | 2005 $'000 | 2006 $'000 | 2005 $'000 |
| **(b) Income tax recognised directly in equity** | | | | |
| The following current and deferred amounts were charged directly to equity during the period: | | | | |
| Deferred tax: | | | | |
| Revaluations of financial instruments treated as cash flow hedges | 4,423 | – | – | – |
| Revaluations of available-for-sale securities | (206) | – | – | – |
| | 4,217 | – | – | – |
| **(c) Current tax assets and liabilities** | | | | |
| **Current tax assets:** | | | | |
| Tax refund receivable | 7,164 | – | 7,164 | – |
| | 7,164 | – | 7,164 | – |
| **Current tax payables:** | | | | |
| Income tax payable attributable to: | | | | |
| Parent entity | – | 12 | – | 12 |
| Entities in the tax-consolidated group | – | 1,175 | – | 1,175 |
| | – | 1,187 | – | 1,187 |
| **(d) Deferred tax balances** | | | | |
| **Deferred tax assets comprise:** | | | | |
| Temporary differences | 24,599 | 30,844 | – | – |
| | 24,599 | 30,844 | – | – |
| **Deferred tax liabilities comprise:** | | | | |
| Temporary differences | 101,797 | 88,826 | – | – |
| | 101,797 | 88,826 | – | – |

## 5. Income Tax (continued)

| | Consolidated | | | | | |
|---|---|---|---|---|---|---|
| | Opening Balance $'000 | Charged to Income $'000 | Charged to Equity $'000 | Acquisitions/ Disposals $'000 | AASB 139 $'000 | Closing Balance $'000 |
| **2006** | | | | | | |
| Gross Deferred Tax Liabilities: | | | | | | |
| Intangible assets | 1,365 | (209) | – | – | – | 1,156 |
| Property, plant and equipment | 86,794 | 13,221 | – | – | – | 100,015 |
| Deferred expenses | 112 | 70 | – | – | – | 182 |
| Available-for-sale financial assets | – | – | 206 | – | – | 206 |
| Other | 555 | (317) | – | – | – | 238 |
| | 88,826 | 12,785 | 206 | – | – | 101,797 |
| Gross Deferred Tax Assets: | | | | | | |
| Provisions | 8,623 | (986) | – | – | – | 7,637 |
| Property, plant and equipment | 3,063 | 1,351 | – | – | – | 4,414 |
| Deferred revenue | 19,158 | (16,820) | – | – | – | 2,338 |
| Cash flow hedges | – | – | 4,423 | – | 5,787 | 10,210 |
| | 30,844 | (16,455) | 4,423 | – | 5,787 | 24,599 |
| | 57,982 | 29,220 | (4,217) | – | (5,787) | 77,198 |
| **2005** | | | | | | |
| Gross Deferred Tax Liabilities: | | | | | | |
| Intangible assets | 1,574 | (209) | – | – | – | 1,365 |
| Property, plant and equipment | 126,321 | (47,339) | – | 7,812 | – | 86,794 |
| Deferred expenses | 113 | (1) | – | – | – | 112 |
| Other | (1,562) | 2,117 | – | – | – | 555 |
| | 126,446 | (45,432) | – | 7,812 | – | 88,826 |
| Gross Deferred Tax Assets: | | | | | | |
| Provisions | 1,244 | 7,379 | – | – | – | 8,623 |
| Property, plant and equipment | 3,094 | (31) | – | – | – | 3,063 |
| Deferred revenue | 4,333 | 9,106 | – | 5,719 | – | 19,158 |
| Other | 1,406 | (1,406) | – | – | – | – |
| | 10,077 | 15,048 | – | 5,719 | – | 30,844 |
| | 116,369 | (60,480) | – | 2,093 | – | 57,982 |

## 5. Income Tax (continued)

### Tax-Consolidation

#### Relevance of Tax-Consolidation to the Consolidated Entity

The Trust and its wholly-owned Australian resident entities have formed a tax-consolidated group with effect from 1 July 2003 and are therefore taxed as a single entity from that date. The head entity within the tax-consolidated group is Australian Pipeline Trust. The members of the tax-consolidated group are identified at Note 38.

#### Nature of Tax Funding Arrangement and Tax Sharing Agreements

Entities within the tax-consolidated group have entered into a tax funding arrangement and a tax sharing agreement with the head entity. Under the terms of the tax funding arrangement, Australian Pipeline Trust and each of the entities in the tax-consolidated group has agreed to pay a tax equivalent payment to or from the head entity, based on the current tax liability or current tax asset of the entity. Such amounts are reflected in amounts receivable from or payable to other entities in the tax-consolidated group.

The tax sharing agreement entered into between members of the tax-consolidated group provides for the determination of the allocation of income tax liabilities between the entities should the head entity default on its tax payment obligations. No amounts have been recognised in the financial statements in respect of this agreement as payment of any amounts under the tax sharing agreement is considered remote.

## 6. Distributions

| | Consolidated and Trust | | | |
|---|---|---|---|---|
| | 2006 ¢ per unit | 2006 $'000 | 2005 ¢ per unit | 2005 $'000 |
| **(a) Recognised Amounts** | | | | |
| **Final distribution paid on 29 September 2005** | | | | |
| (2005: 27 September 2004) | | | | |
| Profit distribution[a] | 6.0 | 16,734 | 6.5 | 17,864 |
| **First interim distribution paid on 30 December 2005** | | | | |
| (2005: 30 December 2004) | | | | |
| Profit distribution[a] | 6.0 | 16,734 | 5.5 | 15,244 |
| **Second interim distribution paid on 30 March 2006** | | | | |
| (2005: 30 March 2005) | | | | |
| Profit distribution[b] | 6.0 | 16,734 | 5.5 | 15,339 |
| **Third interim distribution paid on 30 June 2006** | | | | |
| (2005: 28 June 2005) | | | | |
| Profit distribution[c] | 6.0 | 16,734 | 5.5 | 15,339 |
| | 24.0 | 66,936 | 23.0 | 63,786 |
| **(b) Unrecognised Amounts** | | | | |
| **Final distribution payable on 29 September 2006** | | | | |
| (2005: 29 September 2005) | | | | |
| Profit distribution[c] | 6.0 | 16,811 | 6.0 | 16,734 |
| | 6.0 | 16,811 | 6.0 | 16,734 |

[a] Profit distributions were franked to 40% at the corporate income tax rate (2005: 40% franked).
[b] Profit distributions were franked to 30% at the corporate income tax rate (2005: 40% franked).
[c] Profit distribution unfranked (2005: 40% franked).

## 6. Distributions (continued)

The final distribution in respect of the financial year has not been recognised in this financial report because the final distribution was not declared, determined or publicly recommended prior to the end of the financial year.

| | Consolidated | | Trust | |
|---|---|---|---|---|
| | 2006 $'000 | 2005 $'000 | 2006 $'000 | 2005 $'000 |
| Adjusted franking account balance (tax paid basis) | (7,131) | 10,606 | (7,131) | 10,606 |

## 7. Current Receivables

| | | | | |
|---|---|---|---|---|
| Trade receivables | 33,891 | 30,844 | – | – |
| Less: allowance for doubtful debts | – | (208) | – | – |
| | 33,891 | 30,636 | – | – |
| Finance lease receivable (Note 36) | 1,368 | – | – | – |
| Goods and services tax recoverable | – | – | 148 | 124 |
| | 35,259 | 30,636 | 148 | 124 |

## 8. Current Inventories

| | | | | |
|---|---|---|---|---|
| Spare parts – at cost | 4,096 | 3,121 | – | – |

## 9. Other Current Assets

| | | | | |
|---|---|---|---|---|
| Prepayments | 1,401 | 1,548 | – | – |
| Other | – | 676 | – | – |
| | 1,401 | 2,224 | – | – |

## 10. Non-Current Receivables

| | | | | |
|---|---|---|---|---|
| Other receivables | – | 2 | – | – |
| Finance lease receivable (Note 36) | 10,956 | – | – | – |
| | 10,956 | 2 | – | – |

## 11. Non-Current Investments

| | | | | |
|---|---|---|---|---|
| Listed equity securities - available-for-sale | 23,199 | – | – | – |

## 12. Other Non-Current Financial Assets

| | | | | |
|---|---|---|---|---|
| Shares in controlled entities – at cost (Note 38) | – | – | 371,551 | 371,551 |
| Non-trade receivables from: | | | | |
| Wholly-owned controlled entities[a] | – | – | 152,183 | 156,177 |
| | – | – | 523,734 | 527,728 |

[a] Includes amounts arising from APA's tax sharing agreement between APA and each of the entities in the tax-consolidated group (Note 5).

## 13. Property, Plant and Equipment

| | Consolidated $'000 | | | | |
|---|---|---|---|---|---|
| | Freehold Land and Buildings at Cost | Leasehold Improvements at Cost | Plant and Equipment at Cost | Work in Progress at Cost | Total |
| **2006** | | | | | |
| **Gross Carrying Amount** | | | | | |
| Balance at 30 June 2005 | 35,602 | 456 | 1,896,980 | 8,283 | 1,941,321 |
| Additions | 34 | 2 | 2,916 | 14,550 | 17,502 |
| Acquisition of business | – | – | 157,205 | – | 157,205 |
| Disposals | (3) | – | (4,050) | – | (4,053) |
| Transfers | 2 | – | 1,535 | (1,537) | – |
| **Balance at 30 June 2006** | 35,635 | 458 | 2,054,586 | 21,296 | 2,111,975 |
| **Accumulated Depreciation** | | | | | |
| Balance at 30 June 2005 | (2,216) | (438) | (119,066) | – | (121,720) |
| Depreciation expense | (1,858) | (7) | (36,283) | – | (38,148) |
| Disposals | – | – | 3,930 | – | 3,930 |
| **Balance at 30 June 2006** | (4,074) | (445) | (151,419) | – | (155,938) |
| **Net Book Value as at 30 June 2006** | 31,561 | 13 | 1,903,167 | 21,296 | 1,956,037 |
| **2005** | | | | | |
| **Gross Carrying Amount** | | | | | |
| Balance at 30 June 2004 | 6,163 | 435 | 1,262,115 | 2,289 | 1,271,002 |
| Additions | 189 | 15 | 8,665 | 6,552 | 15,421 |
| Acquisition of business | 29,261 | 6 | 622,956 | 2,877 | 655,100 |
| Disposals | – | – | (202) | – | (202) |
| Transfers | (11) | – | 3,446 | (3,435) | – |
| **Balance at 30 June 2005** | 35,602 | 456 | 1,896,980 | 8,283 | 1,941,321 |
| **Accumulated Depreciation** | | | | | |
| Balance at 30 June 2004 | (518) | (431) | (85,191) | – | (86,140) |
| Depreciation expense | (1,698) | (7) | (34,058) | – | (35,763) |
| Disposals | – | – | 183 | – | 183 |
| **Balance at 30 June 2005** | (2,216) | (438) | (119,066) | – | (121,720) |
| **Net Book Value as at 30 June 2005** | 33,386 | 18 | 1,777,914 | 8,283 | 1,819,601 |

The freehold land and buildings of the consolidated entity were valued on a "market value – in use" basis at $36,852,000 in June 2005 by independent licensed valuers.

The Trust has no property, plant and equipment.

## 14. Goodwill

| | Consolidated 2006 $'000 | Consolidated 2005 $'000 | Trust 2006 $'000 | Trust 2005 $'000 |
|---|---|---|---|---|
| **Net Book Value** | | | | |
| Balance at beginning of financial year | 935 | 935 | – | – |
| Balance at end of financial year | 935 | 935 | – | – |

## 15. Other Intangible Assets

| | Consolidated 2006 $'000 | Consolidated 2005 $'000 | Trust 2006 $'000 | Trust 2005 $'000 |
|---|---|---|---|---|
| **Right to Receive Pipeline Tariff** | | | | |
| **Gross Carrying Amount** | | | | |
| Balance at beginning of financial year | 15,677 | 15,677 | – | – |
| Balance at end of financial year | 15,677 | 15,677 | – | – |
| **Accumulated Amortisation and Impairment** | | | | |
| Balance at beginning of financial year | (11,124) | (10,424) | – | – |
| Amortisation expense | (700) | (700) | – | – |
| Balance at end of financial year | (11,824) | (11,124) | – | – |
| **Net Book Value** | 3,853 | 4,553 | – | – |

## 16. Other Non-Current Assets

| | Consolidated 2006 $'000 | Consolidated 2005 $'000 | Trust 2006 $'000 | Trust 2005 $'000 |
|---|---|---|---|---|
| Other – project costs | 4,951 | 50 | – | – |

## 17. Current Payables

| | Consolidated 2006 $'000 | Consolidated 2005 $'000 | Trust 2006 $'000 | Trust 2005 $'000 |
|---|---|---|---|---|
| Trade payables | 35,352 | 25,494 | 12 | 12 |
| Other payables | 23,471 | 37,748 | 8,145 | 17,994 |
| | 58,823 | 63,242 | 8,157 | 18,006 |
| Non-trade payables to: | | | | |
| Wholly-owned controlled entities[a] | – | – | 17,303 | 8,461 |
| | 58,823 | 63,242 | 25,460 | 26,467 |

[a] Includes amounts arising from APA's tax sharing agreement between APA and each of the entities in the tax-consolidated group (Note 5).

## 18. Current Interest-Bearing Liabilities

| | Consolidated 2006 $'000 | Consolidated 2005 $'000 | Trust 2006 $'000 | Trust 2005 $'000 |
|---|---|---|---|---|
| **(a) Unsecured** | | | | |
| At amortised cost: | | | | |
| Bank borrowings | 158,000 | – | – | – |
| Bank overdraft | 376 | – | – | – |
| | 158,376 | – | – | – |
| **(b) Secured** | | | | |
| At amortised cost: | | | | |
| Finance lease liabilities[a] (Note 36) | 166 | 188 | – | – |
| | 158,542 | 188 | – | – |

[a] Secured by the assets leased, the current market value of which exceeds the value of the finance lease liability.

# Notes to the Financial Statements

FOR THE FINANCIAL YEAR ENDED 30 JUNE 2006

## 19. Other Current Financial Liabilities

| | Consolidated | | Trust | |
|---|---|---|---|---|
| | 2006 $'000 | 2005 $'000 | 2006 $'000 | 2005 $'000 |
| At fair value: | | | | |
| Interest rate swaps | 1,410 | – | – | – |
| Foreign currency swaps | 1,863 | – | – | – |
| | 3,273 | – | – | – |

## 20. Current Provisions

| | | | | |
|---|---|---|---|---|
| Employee benefits (Note 27) | 1,696 | 1,414 | – | – |
| Other (Note 32) | 21,152 | 21,911 | – | – |
| | 22,848 | 23,325 | – | – |

## 21. Other Current Liabilities

| | | | | |
|---|---|---|---|---|
| Unearned revenue – interest | 7,794 | 7,465 | – | – |
| Unearned revenue – other | 1,481 | 49,136 | – | – |
| | 9,275 | 56,601 | – | – |

## 22. Non-Current Payables

| | | | | |
|---|---|---|---|---|
| Deferred foreign exchange loss | – | 54,920 | – | – |

## 23. Non-Current Interest-Bearing Liabilities

| | | | | |
|---|---|---|---|---|
| **(a) Unsecured** | | | | |
| At amortised cost: | | | | |
| Bank borrowings | 606,000 | 568,000 | – | – |
| Guaranteed Senior Notes[a] | 450,493 | 441,116 | – | – |
| Less: amortised borrowing costs | (2,790) | (3,325) | – | – |
| | 1,053,703 | 1,005,791 | – | – |
| **(b) Secured** | | | | |
| At amortised cost: | | | | |
| Bank borrowings[b] | 1,645 | 1,645 | – | – |
| Finance lease liabilities[c] (Note 36) | 360 | 344 | – | – |
| | 2,005 | 1,989 | – | – |
| | 1,055,708 | 1,007,780 | – | – |

[a] Represents notes of US$259 million measured at the exchange rate at reporting date, and A$102 million.
[b] Secured over buildings located in the Northern Territory.
[c] Secured by the assets leased, the current market value of which exceeds the value of the finance lease liability.

## 24. Other Non-Current Financial Liabilities

| | Consolidated | | Trust | |
|---|---|---|---|---|
| | 2006 $'000 | 2005 $'000 | 2006 $'000 | 2005 $'000 |
| At fair value: | | | | |
| Interest rate swaps | 33,795 | – | – | – |
| Foreign currency swaps | 45,543 | – | – | – |
| | 79,338 | – | – | – |

## 25. Non-Current Provisions

| | | | | |
|---|---|---|---|---|
| Employee benefits (Note 27) | 497 | 74 | – | – |
| Other (Note 32) | 2,113 | 1,894 | – | – |
| | 2,610 | 1,968 | – | – |

## 26. Other Non-Current Liabilities

| | | | | |
|---|---|---|---|---|
| Unearned revenue – other | 1,780 | 2,533 | – | – |

## 27. Employee Benefits

| | | | | |
|---|---|---|---|---|
| The aggregate employee benefit liability recognised and included in the financial statements is as follows: | | | | |
| Provision for employee benefits | | | | |
| Current (Note 20) | | | | |
| Incentives | 1,498 | 889 | – | – |
| Other | 198 | 525 | – | – |
| | 1,696 | 1,414 | – | – |
| Non-current (Note 25) | | | | |
| Incentives | 298 | – | – | – |
| Other | 199 | 74 | – | – |
| | 497 | 74 | – | – |
| | 2,193 | 1,488 | – | – |

| | Consolidated | | Trust | |
|---|---|---|---|---|
| | 2006 No. | 2005 No. | 2006 No. | 2005 No. |
| Number of employees at end of financial year | 23 | 31 | – | – |

# Notes to the Financial Statements

FOR THE FINANCIAL YEAR ENDED 30 JUNE 2006

## 28. Issued Capital

| | Consolidated | | Trust | |
|---|---|---|---|---|
| | 2006 $'000 | 2005 $'000 | 2006 $'000 | 2005 $'000 |
| **(a) Contributed Equity** | | | | |
| Balance at beginning of financial year | 500,135 | 427,435 | 500,135 | 427,435 |
| Private placement of APA units | – | 61,740 | – | 61,740 |
| Issued under DRP | 5,258 | 11,538 | 5,258 | 11,538 |
| Issue costs of units | (14) | (578) | (14) | (578) |
| Balance at end of financial year | 505,379 | 500,135 | 505,379 | 500,135 |
| | No. '000 | No. '000 | No. '000 | No. '000 |
| **(b) Fully Paid Units**[a] | | | | |
| Balance at beginning of financial year | 278,895 | 250,336 | 278,895 | 250,336 |
| Private placement of APA units | – | 24,500 | – | 24,500 |
| Issued under DRP | 1,286 | 4,059 | 1,286 | 4,059 |
| Balance at end of financial year | 280,181 | 278,895 | 280,181 | 278,895 |

[a] Fully paid units carry one vote per unit and carry the right to distributions.

## 29. Reserves

| | Consolidated | | Trust | |
|---|---|---|---|---|
| | 2006 $'000 | 2005 $'000 | 2006 $'000 | 2005 $'000 |
| Hedging reserve | (23,660) | – | – | – |
| Asset revaluation | 8,669 | 8,669 | – | – |
| Available-for-sale investment revaluation | 481 | – | – | – |
| | (14,510) | 8,669 | – | – |
| **Hedging Reserve** | | | | |
| Balance at beginning of financial year | – | – | – | – |
| Adjustment on adoption of accounting policies specified by AASB139 (refer Note 47(f)) | (13,504) | – | – | – |
| Gain/(loss) recognised: | | | | |
| Interest rate swaps/currency swaps | (5,127) | – | – | – |
| Transferred to profit or loss: | | | | |
| Interest rate swaps/currency swaps | (9,449) | – | – | – |
| Deferred tax arising on hedges | 4,423 | – | – | – |
| Other | (3) | – | – | – |
| Balance at end of financial year | (23,660) | – | – | – |

The hedging reserve represents hedging gains and losses recognised on the effective portion of cash flow hedges. The cumulative deferred gain or loss on the hedge is recognised in profit or loss when the hedged transaction impacts the profit or loss, or is included as a basis adjustment to the non-financial hedged item, consistent with the applicable accounting policy.

## 29. Reserves (continued)

| | Consolidated | | Trust | |
|---|---|---|---|---|
| | 2006 $'000 | 2005 $'000 | 2006 $'000 | 2005 $'000 |
| **Asset Revaluation Reserve** | | | | |
| Balance at beginning of financial year | 8,669 | 8,669 | – | – |
| Balance at end of financial year | 8,669 | 8,669 | – | – |

The asset revaluation reserve arose on the revaluation of the existing interest in a pipeline as a result of a business combination. Where revalued pipelines are sold, that portion of the asset revaluation reserve which relates to that asset, and is effectively realised, is transferred directly to retained profits. The reserve can be used to pay dividends only in limited circumstances.

| | Consolidated 2006 $'000 | Consolidated 2005 $'000 | Trust 2006 $'000 | Trust 2005 $'000 |
|---|---|---|---|---|
| **Available-For-Sale Investment Revaluation Reserve** | | | | |
| Balance at beginning of financial year | – | – | – | – |
| Valuation gain/(loss) recognised | 687 | – | – | – |
| Deferred tax arising on revaluation | (206) | – | – | – |
| Balance at end of financial year | 481 | – | – | – |

The available-for-sale investment revaluation reserve arises on the revaluation of available-for-sale financial assets. Where a revalued financial asset is sold, that portion of the reserve which relates to that financial asset, and is effectively realised, is recognised in profit or loss. Where a revalued financial asset is impaired, that portion of the reserve which relates to that financial asset is recognised in profit or loss.

## 30. Retained Profits

| | Consolidated 2006 $'000 | Consolidated 2005 $'000 | Trust 2006 $'000 | Trust 2005 $'000 |
|---|---|---|---|---|
| Balance at beginning of financial year | 104,880 | 59,158 | 236 | 207 |
| Net profit attributable to unitholders | 62,546 | 109,508 | 67,114 | 63,815 |
| Distributions provided for or paid (Note 6) | (66,936) | (63,786) | (66,936) | (63,786) |
| Balance at end of financial year | 100,490 | 104,880 | 414 | 236 |

## 31. Minority Interests

| | Consolidated 2006 $'000 | Consolidated 2005 $'000 | Trust 2006 $'000 | Trust 2005 $'000 |
|---|---|---|---|---|
| Minority interests in controlled entities comprise: | | | | |
| Issued capital | 4 | 4 | – | – |
| Reserves | 1 | 1 | – | – |
| Retained profits | 96 | 80 | – | – |
| | 101 | 85 | – | – |

## 32. Provisions

| | Consolidated $'000 | | | | |
|---|---|---|---|---|---|
| | Provision for Abandonment | Force Majeure Claims[a] | SCC Repair Provision | Other | Total |
| Balance at 30 June 2005 | 1,894 | 353 | 20,120 | 1,438 | 23,805 |
| Additional provisions recognised | 49 | – | 11,300 | 4,079 | 15,428 |
| Unwinding of discount | 170 | – | – | – | 170 |
| Reductions arising from payments/ other sacrifices of future economic benefits | – | – | (14,909) | (1,229) | (16,138) |
| Balance at 30 June 2006 | 2,113 | 353 | 16,511 | 4,288 | 23,265 |
| Current (Note 20) | – | 353 | 16,511 | 4,288 | 21,152 |
| Non-current (Note 25) | 2,113 | – | – | – | 2,113 |

[a] The force majeure provision represents claims made by certain customers on the consolidated entity for disruption to their business by extraneous events. The Directors have provided for these claims in full.

The Trust has no provisions.

## 33. Cash Settled Share Based Payments

| | Consolidated | | Trust | |
|---|---|---|---|---|
| | 2006 $'000 | 2005 $'000 | 2006 $'000 | 2005 $'000 |
| The aggregate cash settled share based payment liability recognised and included in the financial statements is as follows: | | | | |
| Current (Note 27) | 298 | – | – | – |
| Non-current (Note 27) | 298 | – | – | – |
| | 596 | – | – | – |

At the reporting date, no amounts are vested.

## 34. Commitments for Expenditure

### Capital Expenditure Commitments

| | Consolidated 2006 $'000 | Consolidated 2005 $'000 | Trust 2006 $'000 | Trust 2005 $'000 |
|---|---|---|---|---|
| **Plant and Equipment** | | | | |
| Not longer than 1 year | 38,077 | 15,693 | – | – |
| | 38,077 | 15,693 | – | – |
| **Consolidated Entity's Share of Jointly Controlled Operation's Commitments** | | | | |
| Not longer than 1 year | 7,553 | – | – | – |
| | 7,553 | – | – | – |

# Notes to the Financial Statements

FOR THE FINANCIAL YEAR ENDED 30 JUNE 2006

## 35. Contingent Liabilities and Contingent Assets

| | Consolidated | | Trust | |
|---|---|---|---|---|
| | 2006 $'000 | 2005 $'000 | 2006 $'000 | 2005 $'000 |
| **(a) Contingent Liabilities** | | | | |
| Bank guarantees | 3,745 | 78 | – | – |
| Contingent liability arising from provision of financial support to wholly-owned controlled entities[a] | – | – | 184,315 | 159,846 |
| **(b) Contingent Assets** | – | – | – | – |

[a] APA has agreed to provide financial support, when and as required, to all wholly-owned controlled entities with either a deficit in shareholders' funds or an excess of current liabilities over current assets. The amount disclosed as a contingent liability is the total deficit in shareholders' funds of such wholly-owned controlled entities. The extent of cash outflow that will be required is dependent on future operations of the relevant entities.

## 36. Leases

### (a) Finance Leases

**(i) Leasing Arrangements – Liabilities**

Finance lease liabilities relate to leases of general property, plant and equipment. There are no contingent rental payments due or payable. There are no renewal or purchase options and escalation clauses or restrictions imposed by the lease arrangements concerning distributions, additional debt and further leasing.

| | | | | |
|---|---|---|---|---|
| **Finance Lease Liabilities** | | | | |
| Not longer than 1 year | 201 | 224 | – | – |
| Longer than 1 year but not longer than 5 years | 393 | 376 | – | – |
| Minimum finance lease payments | 594 | 600 | – | – |
| Less: future finance charges | (68) | (68) | – | – |
| Present value of lease payments | 526 | 532 | – | – |
| Included in the financial statements as: | | | | |
| Current interest-bearing liabilities (Note 18) | 166 | 188 | – | – |
| Non-current interest-bearing liabilities (Note 23) | 360 | 344 | – | – |

**(ii) Leasing Arrangements – Receivables**

Finance lease receivables relate to the lease of a coal seam gas processing facility. There are no contingent rental payments due.

| | | | | |
|---|---|---|---|---|
| **Finance Lease Receivable** | | | | |
| Not longer than 1 year | 1,484 | – | – | – |
| Longer than 1 year but not longer than 5 years | 5,936 | – | – | – |
| Longer than 5 years | 14,841 | – | – | – |
| Minimum future lease receivable | 22,261 | – | – | – |
| Gross finance lease receivable | 22,261 | – | – | – |
| Less: unearned finance income | (9,937) | – | – | – |
| Present value of lease receivable | 12,324 | – | – | – |
| Included in the financial statements as: | | | | |
| Current receivables (Note 7) | 1,368 | – | – | – |
| Non-current receivables (Note 10) | 10,956 | – | – | – |

## 36. Leases (continued)

### (b) Non-Cancellable Operating Leases

**Leasing Arrangements**

Operating leases relate to leases of office space and the lease of transmission pipelines in the Northern Territory. There are no renewal or purchase options and escalation clauses or restrictions imposed by the lease arrangements concerning distributions, additional debt and further leasing. Various operating leases have standard lease renewal options. The office space lease is subject to annual increases based on the Consumer Price Index ("CPI").

In respect of the transmission pipelines, the Northern Territory Government has guaranteed a minimum income to APA to meet the operating lease commitments as detailed below:

| | Consolidated | | Trust | |
|---|---|---|---|---|
| | 2006 $'000 | 2005 $'000 | 2006 $'000 | 2005 $'000 |
| **Non-Cancellable Operating Leases – Transmission Pipelines** | | | | |
| Not longer than 1 year | 18,120 | 17,812 | – | – |
| Longer than 1 year but not longer than 5 years | 136,138 | 72,228 | – | – |
| Longer than 5 years | – | 81,892 | – | – |
| | 154,258 | 171,932 | – | – |
| **Non-Cancellable Operating Leases – Other** | | | | |
| Not longer than 1 year | 647 | 1,062 | – | – |
| Longer than 1 year but not longer than 5 years | 383 | 1,143 | – | – |
| Longer than 5 years | 577 | 768 | – | – |
| | 1,607 | 2,973 | – | – |

## 37. Jointly Controlled Operations

| Joint Venture | Principal Activity | Interest of Consolidated Entity 2006 (%) | Interest of Consolidated Entity 2005 (%) |
|---|---|---|---|
| Goldfields Gas Transmission | Gas pipeline operation – Western Australia | 88.2[a] | 88.2[a] |
| Mid West Pipeline | Gas pipeline operation – Western Australia | 50.0[b] | 50.0[b] |

[a] On 17 August 2004, APA acquired a direct interest in the GGT jointly controlled operations as a part of the SCP Gas Business acquisition.

[b] Pursuant to the joint venture agreement, the consolidated entity receives a 70.8% share of operating income and expenses.

## 37. Jointly Controlled Operations (continued)

The consolidated entity's interest in assets employed in the above jointly controlled operations is detailed below. The amounts are included in the consolidated financial statements under their respective asset categories:

| | 2006 $'000 | 2005 $'000 |
|---|---|---|
| **Current Assets** | | |
| Cash | 1,085 | 730 |
| Receivables | 4,179 | 1,809 |
| Inventories | 1,494 | 1,340 |
| Other | 857 | 925 |
| **Non-Current Assets** | | |
| Property, plant and equipment | 457,497 | 448,262 |
| **Total Assets** | 465,112 | 453,066 |

The capital commitments and contingent liabilities from jointly controlled operations are disclosed in Notes 34 and 35 respectively.

## 38. Controlled Entities

| Name of Entity | Country of Registration/ Incorporation | Ownership Interest 2006 (%) | Ownership Interest 2005 (%) |
|---|---|---|---|
| **Parent Entity** | | | |
| Australian Pipeline Trust[a] | Australia | | |
| **Controlled Entities** | | | |
| APT Pipelines Limited[b,c] | Australia | 100 | 100 |
| Agex Pty Ltd[b,c] | Australia | 100 | 100 |
| Amadeus Gas Trust | Australia | 96 | 96 |
| APT Goldfields Pty Ltd[b,c] | Australia | 100 | 100 |
| APT Management Services Pty Limited[b,c] | Australia | 100 | 100 |
| APT Parmelia Gas Pty Ltd[b,c] | Australia | 100 | 100 |
| APT Parmelia Holdings[b,c] | Australia | 100 | 100 |
| APT Parmelia Pty Ltd[b,c] (formally known as APT Parmelia) | Australia | 100 | 100 |
| APT Parmelia Trust | Cayman Islands | 100 | 100 |
| APT Petroleum Pipelines Holdings Pty Limited[b,c] | Australia | 100 | 100 |
| APT Petroleum Pipelines Limited[b,c] | Australia | 100 | 100 |
| APT Pipelines (NSW) Pty Limited[b,c] | Australia | 100 | 100 |
| APT Pipelines (NT) Pty Limited[b,c] | Australia | 100 | 100 |
| APT Pipelines (Operations) Pty Limited[b,c] | Australia | 100 | 100 |
| APT Pipelines (Qld) Pty Limited[b,c] | Australia | 100 | 100 |
| APT Pipelines (TTP Investments) Pty Limited[b,c] | Australia | 100 | 100 |
| APT Pipelines (TTP) Pty Limited[b,c] | Australia | 100 | 100 |
| APT Pipelines (WA) Pty Limited[b,c] | Australia | 100 | 100 |
| APT Pipelines Investments (NSW) Pty Ltd[b,c] | Australia | 100 | 100 |

[a] Australian Pipeline Trust is the head entity within the tax-consolidated group.

[b] These entities are members of the tax-consolidated group.

[c] These wholly-owned subsidiaries have entered into a deed of cross guarantee with APT Pipelines Limited pursuant to ASIC Class Order 98/1418 and are relieved from the requirement to prepare and lodge an audited financial report.

## 38. Controlled Entities (continued)

| Name of Entity (continued) | Country of Registration/ Incorporation | Ownership Interest 2006 (%) | Ownership Interest 2005 (%) |
|---|---|---|---|
| APT Pipelines Investments (WA) Pty Ltd[b,c] | Australia | 100 | 100 |
| East Australian Pipeline Limited[b,c] | Australia | 100 | 100 |
| Gasinvest Australia Pty Limited[b,c] | Australia | 100 | 100 |
| Goldfields Gas Transmission Pty Ltd[b,c] | Australia | 100 | 100 |
| NT Gas Distribution Pty Limited | Australia | 96 | 96 |
| NT Gas Easements Pty Limited[b,c] | Australia | 100 | 100 |
| NT Gas Pty Limited | Australia | 96 | 96 |
| Roverton Pty Ltd[b,c] | Australia | 100 | 100 |
| SCP Investments (No1) Pty Limited[b,c] | Australia | 100 | 100 |
| SCP Investments (No2) Pty Limited[b,c] | Australia | 100 | 100 |
| SCP Investments (No3) Pty Limited[b,c] | Australia | 100 | 100 |
| Sopic Pty Ltd[b,c] | Australia | 100 | 100 |
| Southern Cross Pipelines (NPL) Australia Pty Ltd[b,c] | Australia | 100 | 100 |
| Southern Cross Pipelines Australia Pty Limited[b,c] | Australia | 100 | 100 |
| Trans Australia Pipeline Pty Limited[b,c] | Australia | 100 | 100 |
| Western Australia Gas Transmission Company 1[b,c] | Australia | 100 | 100 |
| APT Bonaparte Pty Limited | Australia | 100 | – |
| APT Energy Pty Ltd[b] | Australia | 100 | – |
| BGP Asset Pty Limited | Australia | 100 | – |
| Murraylink (No.1) Pty Limited[b] | Australia | 100 | – |
| Murraylink (No.2) Pty Limited[b] | Australia | 100 | – |
| Murraylink Transmission Company Pty Ltd[b] | Australia | 100 | – |

[a] Australian Pipeline Trust is the head entity within the tax-consolidated group.
[b] These entities are members of the tax-consolidated group.
[c] These wholly-owned subsidiaries have entered into a deed of cross guarantee with APT Pipelines Limited pursuant to ASIC Class Order 98/1418 and are relieved from the requirement to prepare and lodge an audited financial report.

Consolidated income statement of the entities which are party to the deed of cross guarantee:

| | 2006 $'000 | 2005 $'000 |
|---|---|---|
| Revenue | 274,308 | 269,192 |
| Asset operation and management expenses | 65,966 | 91,456 |
| Depreciation and amortisation expense | 36,145 | 34,780 |
| Other pipeline costs – passthrough | 2,929 | 9,832 |
| Finance costs | 80,014 | 74,929 |
| Other expenses | 16,042 | 13,407 |
| **Profit before Income Tax Expense** | 73,212 | 44,788 |
| Income tax expense | (19,560) | 53,436 |
| **Profit after Related Income Tax Expense** | 53,652 | 98,224 |
| Profit attributable to minority interests | – | – |
| **Profit Attributable to Unitholders of the Parent Entity** | 53,652 | 98,224 |

## 38. Controlled Entities (continued)

Consolidated balance sheet of the entities which are party to the deed of cross guarantee are:

| | 2006 $'000 | 2005 $'000 |
|---|---|---|
| **Current Assets** | | |
| Cash and cash equivalents | 10,849 | 20,579 |
| Receivables | 28,818 | 25,423 |
| Inventories | 4,076 | 3,117 |
| Current tax assets | 7,164 | – |
| Other | 805 | 1,724 |
| **Total Current Assets** | 51,712 | 50,843 |
| **Non-Current Assets** | | |
| Receivables | 112,388 | 21,895 |
| Investments | 23,199 | – |
| Property, plant and equipment | 1,795,047 | 1,814,491 |
| Other intangible assets | 3,853 | 4,553 |
| Other | 4,951 | (562) |
| **Total Non-Current Assets** | 1,939,438 | 1,840,377 |
| **Total Assets** | 1,991,150 | 1,891,220 |
| **Current Liabilities** | | |
| Payables | – | – |
| Interest bearing liabilities | 158,376 | – |
| Other financial liabilities | 9,495 | – |
| Provisions | 22,848 | 22,318 |
| Other | 9,247 | 56,573 |
| **Total Current Liabilities** | 199,966 | 78,891 |
| **Non-Current Liabilities** | | |
| Payables | – | – |
| Interest bearing liabilities | 1,053,703 | 1,005,792 |
| Other financial liabilities | 79,338 | 54,920 |
| Deferred tax liabilities | 77,198 | 57,982 |
| Provisions | 2,609 | 1,968 |
| Other | 1,665 | 2,392 |
| **Total Non-Current Liabilities** | 1,214,513 | 1,123,054 |
| **Total Liabilities** | 1,414,479 | 1,201,945 |
| **Net Assets** | 576,671 | 689,275 |
| **Equity** | | |
| Issued capital | 490,409 | 576,018 |
| Reserves | (14,510) | 8,638 |
| Retained profits | 100,772 | 104,619 |
| **Total Equity** | 576,671 | 689,275 |

## 39. Acquisition of Businesses

| Names of Businesses Acquired | Principal activity | Date of Acquisition | Proportion of Shares Acquired (%) | Cost of Acquisition $'000 |
|---|---|---|---|---|
| **2006** | | | | |
| Murraylink | Electricity transmission | 30 March 2006 | 100 | 158,254 |
| **2005** | | | | |
| WA Gas Business | Gas transportation | 17 August 2004 | 45 | 209,213 |
| Carpentaria Gas Pipeline | Gas transportation | 25 February 2005 | 30 | 97,238 |

The consolidated entity acquired 100% of the shares in Murraylink (No.1) Pty Limited (formerly Murraylink HQI Australia Pty Limited) and Murraylink (No.2) Pty Limited (formerly SNC-Lavalin Investment Australia Pty Ltd) for $158,254,000.

Included in the net profit for the financial year is $1,448,000 attributable to the EBIT generated by Murraylink post-acquisition. Had this business combination been effected at 1 July 2005, Murraylink would have contributed $12,484,000 in revenue and $5,622,000 in EBIT, on a full year basis.

| | Murraylink | | |
|---|---|---|---|
| Net Assets Acquired | Book Value $'000 | Fair Value Adjustment $'000 | Fair value on Acquisition $'000 |
| **Current Assets** | | | |
| Cash and cash equivalents | 203 | – | 203 |
| Trade and other receivables | 1,598 | – | 1,598 |
| Prepayments | 336 | – | 336 |
| **Non-Current Assets** | | | |
| Plant and equipment | 141,923 | 15,282 | 157,205 |
| Deferred tax asset | 801 | (801) | – |
| **Current liabilities** | | | |
| Trade and other payables | 1,088 | – | 1,088 |
| Net Assets | 143,773 | 14,481 | 158,254 |

As at 30 June 2006 the above amounts are provisional, as uncertainty exists regarding the availability of carry forward tax losses.

Further details of the business acquired during the financial year are disclosed in Note 43(c).

## 40. Remuneration Report for Directors and Executives

The remuneration of Directors and Executives ("Key Management Personnel") is disclosed in Note 42(c) and in the Remuneration Report on pages 35 to 42 of the Directors' Report.

## 41. Remuneration of External Auditor

| | Consolidated | | Trust | |
|---|---|---|---|---|
| | 2006 $ | 2005 $ | 2006 $ | 2005 $ |
| **Remuneration of the External Auditor of APA for:** | | | | |
| Auditing of the financial report | 278,000 | 215,700 | 4,550 | 4,550 |
| Compliance plan audit | 14,000 | 11,000 | – | – |
| Due diligence reporting on acquisitions[a] | – | 218,835 | – | – |
| Tax services[a] | 347,663 | 474,715 | – | – |
| Other accounting and assurance services[a] | 45,935 | 197,435 | – | – |
| | 685,598 | 1,117,685 | 4,550 | 4,550 |

[a] Services provided were in accordance with the external auditor independence policy.

## 42. Related Party and Key Management Personnel Disclosures

### (a) Responsible Entity – Australian Pipeline Limited

The Responsible Entity is 50% owned by The Australian Gas Light Company and 50% owned by unrelated parties.

### (b) Equity Interests in Related Parties

Details of the percentage of ordinary securities held in controlled entities are disclosed in Note 38 and the details of the percentage of ordinary shares held in jointly controlled operations are disclosed in Note 37.

### (c) Key Management Personnel's Remuneration

Details of Key Management Personnel's remuneration are disclosed in the Directors' Report on pages 35 to 42.

The compensation of the Key Management Personnel of the consolidated entity, is set out below:

| | Consolidated and Trust | |
|---|---|---|
| | 2006 $ | 2005 $ |
| Short term employment benefits | 2,444,181 | 2,778,104 |
| Post employment benefits | 150,820 | 227,380 |
| Termination benefits | – | 980,000 |
| Cash settled share based benefits | 117,833 | – |
| | 2,712,834 | 3,985,484 |

## 42. Related Party and Key Management Personnel Disclosures (continued)

### (d) Key Management Personnel Equity Holdings

The unitholdings of Key Management Personnel are as follows:

| | | Fully Paid Units Opening Balance | Units Acquired during the Financial Year | Units Disposed during the Financial Year | Fully Paid Units Closing Balance |
|---|---|---|---|---|---|
| G H Bennett | 2006 | 16,971 | 250 | – | 17,221 |
| | 2005 | 16,276 | 695 | – | 16,971 |
| R M Gersbach | 2006 | – | – | – | – |
| | 2005 | – | – | – | – |
| R A Higgins | 2006 | 6,609 | 97 | – | 6,706 |
| | 2005 | – | 6,609 | – | 6,609 |
| J F McAloon | 2006 | – | – | – | – |
| | 2005 | – | – | – | – |
| M Muhammad | 2006 | 10,875 | – | – | 10,875 |
| | 2005 | 10,556 | 319 | – | 10,875 |
| R J Wright | 2006 | 11,314 | 166 | – | 11,480 |
| | 2005 | 10,851 | 463 | – | 11,314 |
| Ms Wan Shamilah Saidi | 2006 | – | – | – | – |
| | 2005 | – | – | – | – |
| Ed Osman Ridzwan | 2006 | – | – | – | – |
| | 2005 | – | – | – | – |
| M J McCormack | 2006 | 10,000 | 20,441 | – | 30,441 |
| | 2005 | 2,000 | 8,000 | – | 10,000 |
| L J Fisk | 2006 | – | – | – | – |
| | 2005 | 5,425 | 232 | – | 5,657 |
| J A Fletcher | 2006 | – | – | – | – |
| | 2005 | 4,340 | 186 | – | 4,526 |
| T C Ford | 2006 | – | – | – | – |
| | 2005 | 10,000 | – | – | 10,000 |
| J K McDonald | 2006 | – | – | – | – |
| | 2005 | 16,275 | 694 | – | 16,969 |
| R F Francis | 2006 | – | 1,015 | – | 1,015 |
| | 2005 | – | – | – | – |
| S P Ohl | 2006 | – | 2,000 | – | 2,000 |
| | 2005 | – | – | – | – |
| A J V James | 2006 | 3,000 | 44 | – | 3,044 |
| | 2005 | 3,000 | – | – | 3,000 |
| S M Dureau | 2006 | 1,000 | 2,044 | – | 3,044 |
| | 2005 | – | 1,000 | – | 1,000 |
| G N Williams | 2006 | – | – | – | – |
| | 2005 | 3,255 | 139 | – | 3,394 |
| K F Dixon | 2006 | – | – | – | – |
| | 2005 | – | – | – | – |

## 42. Related Party and Key Management Personnel Disclosures (continued)

### (e) Transactions between APA and Controlled Entities

Details of dividend revenue from controlled entities are disclosed in Note 3. Aggregate amounts receivable from and payable to controlled entities are disclosed in Notes 12 and 17 respectively.

In the financial year ended 30 June 2004, the Directors elected for wholly-owned Australian tax resident entities within the consolidated entity to be taxed as a single entity from 1 July 2003. APA has recognised all tax payable/receivable and expenses in relation to those entities, and a corresponding payable has been recognised in those entities to compensate APA for tax paid on their behalf.

### (f) Transactions with Other Related Parties

Transactions with related parties have taken place at arms length and in the ordinary course of business.

#### Australian Pipeline Limited

Management fees of $1,319,000 (2005: $1,287,000) were paid to the Responsible Entity as reimbursement of costs incurred on behalf of APA. No amounts were paid directly by APA to the Directors of the Responsible Entity.

Australian Pipeline Limited, in its capacity as trustee and Responsible Entity of the Trust, has guaranteed the payment of principal, interest and other amounts as provided in the Note and Guarantee Agreement relating to the issue of Guaranteed Senior Notes.

#### AGL

The relationship between APA and AGL is governed by a number of agreements including the Pipeline Management Agreement ("PMA") and the Pipeline Development Agreement ("PDA").

Under the PMA, a controlled entity of AGL, Agility Management Pty Limited, provides operations and maintenance services in respect of the consolidated entity's gas transmission assets. Payment for these services is a combination of agreed costs and an annual management fee partially indexed to CPI. The initial term of the PMA is 20 years from 2000 and rolling five year terms thereafter, terminable on 12 months notice. The costs for specified services for gas transmission assets as at 1 July 2005 have been renegotiated for a further five years to 1 July 2010.

The PDA sets out the terms governing the future transfer of assets between APA and AGL. Pursuant to the PDA, both parties agree that they will jointly seek out and examine opportunities to develop projects. The PDA provides the consolidated entity with a first right to purchase at least 20% of the Papua New Guinea Gas Pipeline, and AGL's entire interest in other future gas transmission projects in Australia that AGL intends to sell. Under the PDA, the Board of the Responsible Entity will review any future project offered to APA and determine whether or not to purchase the project on terms negotiated with AGL. From 1 July 2005, the amount payable for these services is as agreed between APA and AGL. The initial term of the PDA is 20 years and rolling five year terms thereafter, terminable on 12 months notice.

During the financial year, various controlled entities of AGL provided services to the consolidated entity as follows:

| Controlled Entity of AGL | Nature of Services | 2006 $'000 | 2005 $'000 |
|---|---|---|---|
| Agility Management Pty Limited | Technical services under PMA | 29,997 | 30,220 |
| Agility Management Pty Limited | Pipeline maintenance and operating services | 33,311 | 14,461 |
| Agility Management Pty Limited | Other services | 4,399 | 6,533 |
| Other AGL controlled entities | Advisory and other services | 3,681 | 835 |
| | **Total operating costs** | 71,388 | 52,049 |
| Agility Management Pty Limited | Capital construction projects | 13,432 | 815 |
| | **Total costs** | 84,820 | 52,864 |

## 42. Related Party and Key Management Personnel Disclosures (continued)

The Gas Transportation Deed ("GTD") between East Australian Pipeline Limited ("EAPL"), an entity in the wholly-owned group, and AGL Wholesale Gas Limited is the main revenue contract for the MSP system and expires on 1 January 2017. Until 1 January 2007, AGL Wholesale Gas Limited will, pursuant to the GTD, pay a series of minimum monthly payments to EAPL to be offset against AGL Wholesale Gas Limited's liability to pay for gas transported, determined using the minimum published reference tariff from time to time. As at 1 January 2007, any amounts that are not required to satisfy AGL Wholesale Gas Limited's liability to pay for transportation services are retained by EAPL.

For the period from 1 January 2007 until 1 January 2017, EAPL must provide AGL Wholesale Gas Limited a firm transportation service with a grant of transportation reservation to a defined maximum daily quantity. The tariff for this service will be the minimum published reference tariff from time to time.

During the financial year, APA provided gas transportation and other services to AGL and its controlled entities. The total gas transportation and related services revenue was $80,091,000 (2005: $86,032,000). Of this amount, transportation revenue under the GTD with AGL Wholesale Gas Limited was $76,220,000 (2005: $82,059,000).

During the financial year, APA paid $9,844,000 to AGL for stamp duty relating to the transfer of shares in AGL Pipelines Limited (now APT Pipelines Limited) as a result of the APA float in June 2000.

AGL has provided a $5,000,000 Eligible Undertaking, as defined under ASIC Policy Statement 166, to APL to enable the Responsible Entity to meet its financial requirements as the holder of an Australian financial services licence.

## 43. Notes to the Cash Flow Statement

| | Consolidated | | Trust | |
|---|---|---|---|---|
| | 2006 $'000 | 2005 $'000 | 2006 $'000 | 2005 $'000 |
| **(a) Reconciliation of Cash and Cash Equivalents** | | | | |
| For the purposes of the cash flow statement, cash includes cash on hand and in banks and investments in money market instruments, net of outstanding bank overdrafts. Cash at the end of the financial year as shown in the cash flow statement is reconciled to the related items in the balance sheet as follows: | | | | |
| Cash at bank and on hand | 11,728 | 20,978 | 207 | 173 |
| Short term deposits | 1,276 | 1,395 | – | – |
| Bank overdraft | (376) | – | – | – |
| | 12,628 | 22,373 | 207 | 173 |
| **(b) Financing Facilities (Unsecured)** | | | | |
| Bank borrowings: | | | | |
| Amount used | 764,000 | 568,000 | – | – |
| Amount unused | 94,000 | 132,000 | – | – |
| | 858,000 | 700,000 | – | – |
| Guaranteed Senior Notes[a]: | | | | |
| Amount used | 450,493 | 441,116 | – | – |
| Amount unused | – | – | – | – |
| | 450,493 | 441,116 | – | – |

[a] APT Pipelines Limited issued Notes in the US Private Placement market in October 2003. The issue was in dual currencies involving the Australian dollar and the US dollar. The disclosed amount represents the Australian dollar equivalent of Notes issued as measured at the reporting date. The maturity date and interest rates payable are disclosed in Note 46(d).

## 43. Notes to the Cash Flow Statement (continued)

| | Consolidated | | Trust | |
|---|---|---|---|---|
| | 2006 $'000 | 2005 $'000 | 2006 $'000 | 2005 $'000 |
| **(c) Businesses Acquired** | | | | |
| During the financial year, APA acquired the Murraylink electricity transmission assets. | | | | |
| Acquisitions in the previous financial year relate to the WA Gas Business and the remaining interest in Carpentaria Gas Pipeline Joint Venture. Details of the acquisitions are as follows: | | | | |
| Consideration: | | | | |
| Cash and cash equivalents | 158,254 | 306,451 | – | – |
| Fair value of net assets acquired: | | | | |
| Current assets: | | | | |
| Cash and cash equivalents | 203 | 58,314 | – | – |
| Receivables | 1,598 | 8,141 | – | – |
| Inventories | – | 2,920 | – | – |
| Other | 336 | 2,123 | – | – |
| Non-current assets: | | | | |
| Property, plant and equipment | 157,205 | 376,413 | – | – |
| Deferred tax assets | – | 5,719 | – | – |
| Deferred expenditure | – | 581 | – | – |
| Total assets | 159,342 | 454,211 | – | – |
| Current liabilities: | | | | |
| Payables | 1,088 | 23,222 | – | – |
| Interest-bearing liabilities | – | 11,438 | – | – |
| Current tax liabilities | – | 2,714 | – | – |
| Non-current liabilities: | | | | |
| Interest-bearing liabilities | – | 101,243 | – | – |
| Deferred tax liabilities | – | 7,812 | – | – |
| Other | – | 1,331 | – | – |
| Net assets acquired | 158,254 | 306,451 | – | – |
| Net cash outflow on acquisition: | | | | |
| Cash consideration | 158,254 | 306,451 | – | – |
| Less: cash balances acquired | (203) | (58,314) | – | – |
| | 158,051 | 248,137 | – | – |

## 43. Notes to the Cash Flow Statement (continued)

| | Consolidated | | Trust | |
|---|---|---|---|---|
| | 2006 $'000 | 2005 $'000 | 2006 $'000 | 2005 $'000 |
| **(d) Reconciliation of Profit after related Income Tax (Expense)/Benefit to Net Cash from Operating Activities** | | | | |
| Profit after Related Income Tax (Expense)/Benefit | 62,880 | 109,818 | 67,114 | 63,815 |
| Gain from disposal of property, plant and equipment | (179) | (70) | – | – |
| Share of joint venture entity net profit (net of dividends received) | – | (2,148) | – | – |
| Depreciation and amortisation expense | 38,848 | 36,373 | – | – |
| Finance costs | 606 | 2,672 | – | – |
| Changes in assets and liabilities: | | | | |
| Current receivables | (4,915) | (6,101) | (23) | (28) |
| Current inventories | (975) | 1,135 | – | – |
| Other current assets | 487 | 1,846 | – | – |
| Current payables | (1,385) | (3,824) | (6) | (46) |
| Other current liabilities | 1,059 | 32,963 | – | – |
| Non-current assets | (4,897) | (52) | – | – |
| Non-current liabilities | (113) | 1,362 | – | – |
| Income tax balances | 20,758 | (67,754) | (1,111) | (9,807) |
| **Net Cash from Operating Activities** | 112,174 | 106,220 | 65,974 | 53,934 |

## 44. Economic Dependency

(a) A significant amount of the consolidated entity's revenues is derived pursuant to the GTD between AGL Wholesale Gas Limited and a wholly-owned controlled entity of APA, as disclosed in Note 42.

(b) The consolidated entity is dependent to a significant extent on the technical and marketing services provided by Agility Management Pty Limited pursuant to the PMA that covers certain of the consolidated entity's gas transmission pipelines, as disclosed in Note 42.

## 45. Investments Accounted for Using the Equity Method

On 17 August 2004, APA acquired the remaining 45% interest in SCP Investments (No1) Pty Limited. Accordingly, the results of SCP were equity accounted until that date and consolidated into APA's result thereafter.

Even though APA had a 55% ownership interest until 17 August 2004, the investment in SCP was equity accounted as APA, pursuant to the Shareholders Agreement, did not control nor have the capacity to carry any resolution at a meeting of the directors, which required a higher majority of the total number of votes which could be cast in relation to the resolution than that controlled by APA.

## 45. Investments Accounted for Using the Equity Method (continued)

| | Consolidated | |
|---|---|---|
| | 2006 $'000 | 2005 $'000 |
| **(a) Movement in Investment in Joint Venture Entity** | | |
| Equity accounted amount of investment at beginning of financial year | – | 171,137 |
| Share of profit after related income tax expense | – | 2,148 |
| Impact of SCP Gas Business acquisition | – | (173,285) |
| Equity accounted amount of investment at end of financial year | – | – |
| **(b) Share of Net Profit of Joint Venture Entity** | | |
| Revenues | – | 6,795 |
| Expenses | – | (3,648) |
| Profit before income tax expense | – | 3,147 |
| Income tax expense | – | (999) |
| Profit after related income tax expense | – | 2,148 |
| **(c) Share of Reserves of Joint Venture Entity** | | |
| Retained profits: | | |
| At beginning of financial year | – | 19,359 |
| At end of financial year | – | – |

## 46. Financial Instruments

### (a) Significant Accounting Policies

Details of the significant accounting policies and methods adopted, including the criteria for recognition, the basis of measurement and the basis on which revenues and expenses are recognised, in respect of each class of financial asset, financial liability and equity instrument are disclosed in Note 1.

### (b) Derivative Instruments

#### Interest Rate Contracts

The consolidated entity enters into various types of interest rate contracts in managing interest rate exposure, including interest rate swap contracts. The consolidated entity's risk management policy strictly prohibits it from entering into such instruments for speculative purposes.

Under interest rate swap contracts, the consolidated entity agrees to exchange the difference between fixed and floating rate interest amounts calculated on agreed notional principal amounts. Such contracts enable the consolidated entity to mitigate the risk of rising interest rates.

## 46. Financial Instruments (continued)

### (b) Derivative Instruments (continued)

The following table details the notional principal amounts and remaining terms of interest rate swap contracts and forward interest rate contracts outstanding as at the end of the financial year:

| Outstanding Contracts | Weighted Average Interest Rate 2006 % pa | Notional Principal Amount 2006 $'000 | Weighted Average Interest Rate 2005 % pa | Notional Principal Amount 2005 $'000 |
|---|---|---|---|---|
| **Pay Fixed Interest/Receive Floating Interest** | | | | |
| Less than 1 year | – | – | – | – |
| 1 year to 2 years | 7.1200 | 100,000 | – | – |
| 2 years to 5 years | 5.9875 | 150,000 | 6.6775 | 362,582 |
| 5 years and more | 7.0210 | 594,036 | 7.5078 | 381,454 |
| | | 844,036 | | 744,036 |
| **Pay Floating Interest/Receive Fixed Interest** | – | – | – | – |

### Cross Currency Swap Contracts

Under cross currency swap contracts, the consolidated entity agrees to exchange specified principal and interest foreign currency amounts at agreed future dates at a specified exchange rate. Such contracts enable the consolidated entity to mitigate the risk of adverse movements in foreign exchange rates in relation to principal and interest payments arising under the note issue. The entire US dollar cash flows arising from the note issue have been swapped, and as such the consolidated entity has no currency risk.

The consolidated entity pays variable interest rate (based on BBSW) and receives fixed amounts in US dollars.

The following table details the swap contracts principal balances over various durations as at reporting date:

| | Exchange Rate | | Principal Amount | |
|---|---|---|---|---|
| | 2006 $ | 2005 $ | 2006 $'000 | 2005 $'000 |
| **Buy US Dollars – Interest** | | | | |
| Less than 1 year | 0.6573 | 0.6573 | (22,863) | (22,863) |
| 1 year to 2 years | 0.6573 | 0.6573 | (22,863) | (22,863) |
| 2 years to 5 years | 0.6573 | 0.6573 | (68,589) | (68,589) |
| 5 years and more | 0.6573 | 0.6573 | (107,426) | (130,289) |
| **Buy US Dollars – Principal** | | | | |
| 5 years and more | 0.6573 | 0.6573 | (394,036) | (394,036) |

### (c) Credit Risk

Credit risk refers to the risk that a counterparty will default on its contractual obligations resulting in financial loss to the consolidated entity. The consolidated entity has adopted the policy of only dealing with creditworthy counterparties and obtaining sufficient collateral or other security where appropriate, as a means of mitigating the risk of financial loss from defaults. The consolidated entity measures credit risk on a fair value basis. The consolidated entity does not have any significant credit risk exposure to any single counterparty or any group of counterparties having similar characteristics, other than those referred to in Note 44.

The carrying amount of financial assets recorded in the financial statements, net of any allowances, represents the consolidated entity's maximum exposure to credit risk in relation to those assets.

## 46. Financial Instruments (continued)

### (d) Interest Rate Risk and Maturity Profile

The consolidated entity's exposure to interest rate risk and the effective interest rate on financial instruments at the end of the financial year are detailed in the following tables:

| 2006 | Average Interest Rate % pa | Variable Interest Rate $'000 | Fixed Interest Rate Maturity Less than 1 year $'000 | 1 to 5 year(s) $'000 | More than 5 years $'000 | Non-interest-bearing $'000 | Total $'000 |
|---|---|---|---|---|---|---|---|
| **Financial Assets** | | | | | | | |
| Cash and cash equivalents | 4.50 | 13,004 | – | – | – | – | 13,004 |
| Receivables | – | – | – | – | – | 33,891 | 33,891 |
| Finance lease receivables | 8.50 | – | 1,368 | 4,480 | 6,476 | – | 12,324 |
| | | 13,004 | 1,368 | 4,480 | 6,476 | 33,891 | 59,219 |
| **Financial Liabilities** | | | | | | | |
| Payables | – | – | – | – | – | 141,434 | 141,434 |
| Unsecured bank borrowing | 6.18 | 764,000 | 376 | – | – | – | 764,376 |
| Secured bank loan[a] | – | – | – | – | – | 1,645 | 1,645 |
| Interest rate contracts – fixed | 6.93 | (844,036) | – | 250,000 | 594,036 | – | – |
| Cross currency swaps | 7.72 | 348,493 | – | – | (348,493) | – | – |
| Guaranteed Senior Notes: | | | | | | | |
| Denominated in A$ | | | | | | | |
| Series A[b] | 6.66 | – | – | 102,000 | – | – | 102,000 |
| Denominated in US$ | | | | | | | |
| Series B[c] | 5.67 | – | – | – | 99,569 | – | 99,569 |
| Series C[d] | 5.77 | – | – | – | 164,155 | – | 164,155 |
| Series D[e] | 6.02 | – | – | – | 84,769 | – | 84,769 |
| Financial lease liabilities | 7.69 | 526 | – | – | – | – | 526 |
| Employee benefits provision | – | – | – | – | – | 2,193 | 2,193 |
| Other: | | | | | | | |
| Unearned revenue - interest | – | – | – | – | – | 7,794 | 7,794 |
| Unearned revenue - other | – | – | – | – | – | 3,261 | 3,261 |
| | | 268,983 | 376 | 352,000 | 594,036 | 156,327 | 1,371,722 |

[a] Residual payment due to financiers on expiration of lease.
[b] Matures on 9 September 2010.
[c] Matures on 9 September 2013.
[d] Matures on 9 September 2015.
[e] Matures on 9 September 2018.

## 46. Financial Instruments (continued)

### (d) Interest Rate Risk and Maturity Profile (continued)

| 2005 | Average Interest Rate % pa | Variable Interest Rate $'000 | Fixed Interest Rate Maturity Less than 1 year $'000 | 1 to 5 year(s) $'000 | More than 5 years $'000 | Non-interest-bearing $'000 | Total $'000 |
|---|---|---|---|---|---|---|---|
| **Financial Assets** | | | | | | | |
| Cash | 4.99 | 22,373 | – | – | – | – | 22,373 |
| Receivables | – | – | – | – | – | 30,636 | 30,636 |
| | | 22,373 | – | – | – | 30,636 | 53,009 |
| **Financial Liabilities** | | | | | | | |
| Payables | – | – | – | – | – | 118,162 | 118,162 |
| Unsecured bank borrowing | 6.29 | 568,000 | – | – | – | – | 568,000 |
| Secured bank loan[a] | – | – | – | – | – | 1,645 | 1,645 |
| Interest rate contracts – fixed | 7.10 | (744,036) | – | 362,582 | 381,454 | – | – |
| Cross currency swaps | 7.74 | 339,116 | – | – | (339,116) | – | – |
| Guaranteed Senior Notes: | | | | | | | |
| Denominated in A$ | | | | | | | |
| Series A[b] | 6.66 | – | – | – | 102,000 | – | 102,000 |
| Denominated in US$ | | | | | | | |
| Series B[c] | 5.67 | – | – | – | 96,890 | – | 96,890 |
| Series C[d] | 5.77 | – | – | – | 159,738 | – | 159,738 |
| Series D[e] | 6.02 | – | – | – | 82,488 | – | 82,488 |
| Financial lease liabilities | 7.89 | 532 | – | – | – | – | 532 |
| Employee benefits provision | – | – | – | – | – | 1,488 | 1,488 |
| Other: | | | | | | | |
| Unearned revenue - interest | – | – | – | – | – | 7,465 | 7,465 |
| Unearned revenue - other | – | – | – | – | – | 51,669 | 51,669 |
| | | 163,612 | – | 362,582 | 483,454 | 180,429 | 1,190,077 |

[a] Residual payment due to financiers on expiration of lease.
[b] Matures on 9 September 2010.
[c] Matures on 9 September 2013.
[d] Matures on 9 September 2015.
[e] Matures on 9 September 2018.

## 46. Financial Instruments (continued)

### (e) Net Fair Values

As at 30 June 2006, the carrying amount of financial assets and financial liabilities recorded in the financial statements represents their respective net fair values, determined in accordance with the accounting policies disclosed in Note 1. Refer Note 47(f) for the effect of the application of AASB139 on the balance sheet at 1 July 2005.

The net fair value of financial assets and liabilities is determined in accordance with generally accepted pricing models based on discounted cash flow theory.

The net fair values of financial assets and financial liabilities are determined as follows:

- the fair value of financial assets and financial liabilities with standard terms and conditions and traded on active liquid markets are determined with reference to quoted market prices;
- the fair value of other financial assets and financial liabilities are determined in accordance with generally accepted pricing models based on discounted cash flow analysis; and
- the fair value of derivative instruments, included in hedging assets and liabilities, are calculated using quoted prices. Where such prices are not available, use is made of discounted cash flow analysis using the applicable yield curve for the duration of the instruments.

Transaction costs are included in the determination of net fair value.

### (f) Liquidity Risk Management

The consolidated entity manages liquidity risk by maintaining adequate reserves, banking facilities and borrowing facilities by continuously monitoring forecast and actual cash flows and matching the maturity profiles of financial assets and liabilities.

## 47. Impacts of the Adoption of A-IFRS

The consolidated entity changed its accounting policies on 1 July 2005 to comply with A-IFRS. The transition to A-IFRS is accounted for in accordance with AASB 1 "First-time Adoption of Australian Equivalents to International Financial Reporting Standards", with 1 July 2004 as the date of transition, except for financial instruments, including derivatives, where the date of transition is 1 July 2005 (refer (e) and Note 46).

An explanation of how the transition from superseded accounting policies (ie previously generally acceptable accounting principles or "previous A-GAAP") to A-IFRS has affected the consolidated entity's financial position, financial performance and cash flows is set out in the following tables and the notes that accompany the tables.

## 47. Impacts of the Adoption of A-IFRS (continued)

### (a) Effect of the Transition to A-IFRS on the Consolidated Balance Sheet at 1 July 2004

| | Note | Previous A-GAAP $'000 | Effect of Transition $'000 | A-IFRS $'000 |
|---|---|---|---|---|
| **Current Assets** | | | | |
| Cash and cash equivalents | | 44,250 | – | 44,250 |
| Receivables | | 12,095 | – | 12,095 |
| Inventories | | 51 | – | 51 |
| Prepayments | | 1,053 | – | 1,053 |
| Other | | 419 | – | 419 |
| **Total Current Assets** | | 57,868 | – | 57,868 |
| **Non-Current Assets** | | | | |
| Receivables | | 1 | – | 1 |
| Investments | | 171,137 | – | 171,137 |
| Property, plant and equipment | (e) (i) | 1,184,862 | 729 | 1,185,591 |
| Goodwill | | – | – | – |
| Other intangible assets | | 6,188 | – | 6,188 |
| Deferred tax assets* | (e) (iv) | 10,077 | (1,386) | 8,691 |
| **Total Non-Current Assets** | | 1,372,265 | (657) | 1,371,608 |
| **Total Assets** | | 1,430,133 | (657) | 1,429,476 |
| **Current Liabilities** | | | | |
| Payables | | 53,929 | – | 53,929 |
| Interest-bearing liabilities | | 180 | – | 180 |
| Current tax liabilities | | 5,938 | – | 5,938 |
| Provisions | | 1,902 | – | 1,902 |
| Other | | 7,327 | – | 7,327 |
| **Total Current Liabilities** | | 69,276 | – | 69,276 |
| **Non-Current Liabilities** | | | | |
| Payables | | 17,938 | – | 17,938 |
| Interest-bearing liabilities | | 726,688 | – | 726,688 |
| Deferred tax liabilities* | (e) (iv), (v) | 86,955 | 39,490 | 126,445 |
| Provisions | (e) (i) | 143 | 1,134 | 1,277 |
| Other | | 1,127 | – | 1,127 |
| **Total Non-Current Liabilities** | | 832,851 | 40,624 | 873,475 |
| **Total Liabilities** | | 902,127 | 40,624 | 942,751 |
| **Net Assets** | | 528,006 | (41,281) | 486,725 |
| **Equity** | | | | |
| Issued capital | | 427,435 | – | 427,435 |
| Retained profits | | 100,439 | (41,281) | 59,158 |
| **Parent Entity Interest** | | 527,874 | (41,281) | 486,593 |
| Minority interests | | 132 | – | 132 |
| **Total Equity** | | 528,006 | (41,281) | 486,725 |

* For the purpose of the reconciliation, deferred tax assets and deferred tax liabilities have not been offset against each other.

## 47. Impacts of the Adoption of A-IFRS (continued)

### (b) Effect of the Transition to A-IFRS on the Consolidated Income Statement for the Financial Year ended 30 June 2005

| | Note | Financial Year ended 30 June 2005 Previous A-GAAP $'000 | Effect of Transition $'000 | A-IFRS $'000 |
|---|---|---|---|---|
| Revenue | | 367,164 | – | 367,164 |
| Share of net profit of joint venture entity accounted for using the equity method | | 2,148 | – | 2,148 |
| | | 369,312 | – | 369,312 |
| Asset operation and management expenses | | (98,409) | – | (98,409) |
| Other pipeline costs | | (89,304) | – | (89,304) |
| Depreciation and amortisation expense | (e)(ii),(iii) | (36,818) | 445 | (36,373) |
| Finance costs | (e) (i) | (75,008) | (156) | (75,164) |
| Other expenses from ordinary activities | | (13,550) | – | (13,550) |
| Profit before income tax expense | | 56,223 | 289 | 56,512 |
| Income tax benefit relating to ordinary activities | (e) (v) | 13,768 | 39,538 | 53,306 |
| Profit after income tax expense | | 69,991 | 39,827 | 109,818 |
| Profit attributable to minority interests | | (310) | – | (310) |
| Net profit attributable to unitholders of the parent entity | | 69,681 | 39,827 | 109,508 |

### (c) Effect of the Transition to A-IFRS on the Consolidated Balance Sheet at 30 June 2005

| | Note | 30 June 2005 Previous A-GAAP $'000 | Effect of Transition $'000 | A-IFRS $'000 |
|---|---|---|---|---|
| **Current Assets** | | | | |
| Cash and cash equivalents | | 22,373 | – | 22,373 |
| Receivables | | 30,636 | – | 30,636 |
| Inventories | | 3,121 | – | 3,121 |
| Prepayments | | 1,548 | – | 1,548 |
| Other | | 676 | – | 676 |
| **Total Current Assets** | | 58,354 | – | 58,354 |
| **Non-Current Assets** | | | | |
| Receivables | | 2 | – | 2 |
| Property, plant and equipment | (e) (i), (ii) | 1,818,308 | 1,293 | 1,819,601 |
| Goodwill | | 935 | – | 935 |
| Other intangible assets | (e) (iii) | 4,089 | 464 | 4,553 |
| Deferred tax assets* | (e) (iv) | 31,458 | (614) | 30,844 |
| Other | | 50 | – | 50 |
| **Total Non-Current Assets** | | 1,854,842 | 1,143 | 1,855,985 |
| **Total Assets** | | 1,913,196 | 1,143 | 1,914,339 |

## 47. Impacts of the Adoption of A-IFRS (continued)

### (c) Effect of the Transition to A-IFRS on the Consolidated Balance Sheet at 30 June 2005 (continued)

| | | 30 June 2005 | | |
|---|---|---|---|---|
| | Note | Previous A-GAAP $'000 | Effect of Transition $'000 | A-IFRS $'000 |
| **Current Liabilities** | | | | |
| Payables | | 63,242 | – | 63,242 |
| Interest-bearing liabilities | | 188 | – | 188 |
| Current tax liabilities | | 1,187 | – | 1,187 |
| Provisions | | 23,325 | – | 23,325 |
| Other | | 56,601 | – | 56,601 |
| **Total Current Liabilities** | | 144,543 | – | 144,543 |
| **Non-Current Liabilities** | | | | |
| Payables | | 54,920 | – | 54,920 |
| Interest-bearing liabilities | | 1,007,780 | – | 1,007,780 |
| Deferred tax liabilities* | (e) (iv), (v) | 88,123 | 703 | 88,826 |
| Provisions | (e) (i) | 74 | 1,894 | 1,968 |
| Other | | 2,533 | – | 2,533 |
| **Total Non-Current Liabilities** | | 1,153,430 | 2,597 | 1,156,027 |
| **Total Liabilities** | | 1,297,973 | 2,597 | 1,300,570 |
| **Net Assets** | | 615,223 | (1,454) | 613,769 |
| **Equity** | | | | |
| Issued capital | | 500,135 | – | 500,135 |
| Reserves | | 8,669 | – | 8,669 |
| Retained profits | | 106,334 | (1,454) | 104,880 |
| **Parent Entity Interest** | | 615,138 | (1,454) | 613,684 |
| Minority interests | | 85 | – | 85 |
| **Total Equity** | | 615,223 | (1,454) | 613,769 |

* For the purpose of the reconciliation, deferred tax assets and deferred tax liabilities have not been offset against each other.

### (d) Effect of A-IFRS on the Cash Flow Statement

There are no material differences between the cash flow statement presented under A-IFRS and the cash flow statement presented under A-GAAP.

### (e) Notes to the Impacts of the Adoption of A-IFRS

#### (i) Recognition of Restoration Obligations

AASB 116 "Property, Plant and Equipment" requires the inclusion of the estimated costs of dismantling pipelines and restoring the sites on which pipelines are located to be included in the cost of the asset at inception. The obligation is required to be accounted for in accordance with AASB 137 "Provisions, Contingent Liabilities and Contingent Assets" and is recognised at the present value of the future cash outflows. In accordance with AASB 137, the increase in the restoration obligation resulting from the unwinding of the discount is recognised as interest expense in the income statement.

## 47. Impacts of the Adoption of A-IFRS (continued)

### (e) Notes to the Impacts of the Adoption of A-IFRS (continued)

#### (ii) Depreciation of Restoration Obligations

The restoration obligation included in cost of pipelines under AASB 116 (refer (e)(i)) is depreciated over the useful life of the pipeline, increasing depreciation expense in the relevant periods.

#### (iii) Non-Amortisation of Goodwill

The adoption of A-IFRS has not impacted the carrying amount of goodwill as the Directors have decided not to restate past business combinations. Under A-IFRS, goodwill is not subject to amortisation, but must be tested for impairment annually and whenever there is an indication the goodwill may be impaired. Accordingly, goodwill amortisation under previous A-GAAP has been reversed.

#### (iv) Deferred Tax Assets and Liabilities

AASB 112 "Income Taxes" requires the use of a "balance sheet liability method" rather than "income statement method" to determine the required tax effect accounting balances. The balance sheet liability method effectively recognises deferred tax balances where there is a difference between the carrying amount of an asset or liability and its tax base. This results in the recognition of deferred tax assets and deferred tax liabilities in relation to those assets whose carrying amount and tax base are different.

#### (v) A-IFRS Transition Adjustments

As at A-IFRS transition date (1 July 2004), the tax base of the Carpentaria Gas Pipeline was not uplifted for tax-consolidation purposes and existing tax values were used pending resolution of certain tax-consolidation technical matters. It was therefore necessary to create a DTL of $39,490,000 at transition date, representing the difference between the accounting and tax bases at that time. Following clarification of the technical issues, which provided certainty of treatment, the tax values were uplifted using the allocable cost approach method resulting in a reversal of the DTL in the 30 June 2005 year A-IFRS income statement.

### (f) Effect of Application of AASB 139 on the Balance Sheet on 1 July 2005

APA has applied AASB 139 "Financial Instruments: Recognition and Measurement" with effect from 1 July 2005. AASB 139 establishes principles for recognising and measuring financial assets and financial liabilities, and requires financial assets and financial liabilities to be recognised on the balance sheet at fair value.

The following table sets out the impacts arising from the initial application of AASB 139 on 1 July 2005:

| | A-IFRS Pre-AASB 139 30 June 2005 $'000 | AASB 139 Initial Application[a] $'000 | Related Tax Impact $'000 | A-IFRS Post-AASB 139 1 July 2005 $'000 |
|---|---|---|---|---|
| **Assets** | | | | |
| Deferred tax assets | 30,844 | – | 5,787 | 36,631 |
| **Liabilities** | | | | |
| Non-current payables | (54,920) | 54,920 | – | – |
| Other financial liabilities | – | (74,211) | – | (74,211) |
| **Equity** | | | | |
| Hedge revaluation reserve | – | 19,291 | (5,787) | 13,504 |

[a] Foreign denominated debt is revalued at the foreign exchange rate current at 30 June 2005. The unrealised foreign exchange gain of $54,920,000 is recorded directly in profit.

## 47. Impacts of the Adoption of A-IFRS (continued)

### (f) Effect of Application of AASB 139 on the Balance Sheet on 1 July 2005 (continued)

Foreign currency and interest rate hedges have been fair valued at 30 June 2005 and recorded on the balance sheet (unrealised loss of $74,211,000 recognised in hedge revaluation reserve). The fair value of the foreign currency hedges (loss of $54,920,000) which effectively hedges the movements in foreign denominated debt is subsequently transferred to profit.

### (g) Impact of A-IFRS on APA

With the exception of the transition from UIG 52 "Income Tax Accounting under the Tax-consolidation System" to UIG 1052 "Tax-consolidation Accounting" the income statement, balance sheet, statement of changes in equity and cash flow statement of the Trust are not impacted by A-IFRS.

The implementation of UIG 1052 has resulted in the Trust no longer assuming the deferred tax balances of other entities within the tax-consolidated group. Accordingly, at 1 July 2004 deferred tax liabilities of $57,982,000 were derecognised. Non-trade receivables due from wholly-owned entities has reduced by the same amount. The implementation of UIG 1052 had no impact upon the income statement or cash flow statement.

## 48. Subsequent Events

On 22 August 2006, APA made a takeover offer to acquire all the stapled securities in GasNet Australia Group ("GAS") for $3.10 per stapled security (the "Offer"). The offer values the stapled securities in GAS at approximately $452 million. APA is making this Offer as a sole bidder after having agreed to terminate the joint bidding agreement with Babcock & Brown Infrastructure ("BBI").

As at 23 August 2006, APA holds 19.99% of GAS stapled securities, comprising a direct holding of 12.02% and a relevant interest in the 7.97% stake held by the Babcock & Brown Group.

# Directors' Declaration

The financial statements and notes thereto of Australian Pipeline Trust ("APA") for the financial year ended 30 June 2006 have been prepared by Australian Pipeline Limited ("Responsible Entity") in accordance with the Corporations Act 2001.

The Directors declare that:

(a) in the Directors' opinion, there are reasonable grounds to believe that APA will be able to pay its debts as and when they become due and payable; and

(b) in the Directors' opinion, the attached financial statements and notes thereto are in accordance with the Corporations Act 2001, including compliance with accounting standards and giving a true and fair view of the financial position and performance of the consolidated entity.

At the date of this declaration, APA is within the class of companies affected by ASIC Class Order 98/1418. The nature of the deed of cross guarantee is such that each company which is party to the deed guarantees to each creditor payment in full of any debt in accordance with the deed of cross guarantee.

In the Directors' opinion, there are reasonable grounds to believe that APA and the companies to which the ASIC Class Order applies, as detailed in Note 38 to the financial statements will, as a group, be able to meet any obligations or liabilities to which they are, or may become, subject by virtue of the deed of cross guarantee. During the financial year the consolidated entity entered into a $158 million, 12 month bridging facility. This has resulted in current liabilities being greater than current assets for this report. The Directors are confident that this short term facility can be replaced with long term debt on normal commercial terms.

The Directors have been given the declarations by the Managing Director and Chief Financial Officer required by section 295A of the Corporations Act 2001.

Signed in accordance with a resolution of the Directors of the Responsible Entity made pursuant to section 295A of the Corporations Act 2001.

On behalf of the Directors

**G H Bennett**
Chairman
SYDNEY, 29 August 2006

**R J Wright**
Director

Deloitte.

Deloitte Touche Tohmatsu
A.B.N. 74 490 121 060

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225 George Street
Sydney NSW 2000
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www.deloitte.com.au

29 August 2006

The Directors
Australian Pipeline Limited
As responsible entity for
Australian Pipeline Trust
Level 5, Airport Central Tower
241 O'Riordan Street
Mascot NSW 2020

Dear Directors

**Independence Declaration**

In accordance with section 307C of the Corporations Act 2001, I am pleased to provide the following declaration of independence to the directors of Australian Pipeline Limited.

As lead audit partner for the audit of the financial statements of Australian Pipeline Trust for the financial year ended 30 June 2006, I declare that to the best of my knowledge and belief, there have been no contraventions of:

(i) the auditor independence requirements of the Corporations Act 2001 in relation to the audit; and

(ii) any applicable code of professional conduct in relation to the audit.

Yours sincerely

Deloitte Touche Tohmatsu

DELOITTE TOUCHE TOHMATSU

Samantha Lewis
Partner

Deloitte.

Deloitte Touche Tohmatsu
A.B.N. 74 490 121 060

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# Independent Audit Report to the Unitholders of Australian Pipeline Trust

## Scope

### The financial report, compensation disclosures and directors' responsibility

The financial report comprises the balance sheet, income statement, cash flow statement, statement of changes in equity, a summary of significant accounting policies and other explanatory notes and the directors' declaration for both Australian Pipeline Trust ('the Trust') and the consolidated entity, for the financial year ended 30 June 2006 as set out on pages 44 to 93. The consolidated entity comprises the Trust and the entities it controlled at the year's end or from time to time during the financial year.

The company has disclosed information about the compensation of Key Management Personnel ("compensation disclosures"), as required by paragraphs Aus 25.4 to Aus 25.7.2 of Accounting Standard AASB 124 Related Party Disclosures ("AASB 124") under the heading "Remuneration Report" on pages 35 to 42 of the Directors' report, and not in the financial report, as permitted by the Corporations Regulations 2001.

The directors of Australian Pipeline Limited are responsible for the preparation and true and fair presentation of the financial report in accordance with Accounting Standards in Australia and the Corporations Act 2001. This includes responsibility for the maintenance of adequate financial records and internal controls that are designed to prevent and detect fraud and error, and for the accounting policies and accounting estimates inherent in the financial report. The directors are also responsible for the compensation disclosures contained in the directors' report.

### Audit approach

We have conducted an independent audit of the financial report and compensation disclosures in order to express an opinion on it to the unitholders of the Trust. Our audit has been conducted in accordance with Australian Auditing Standards to provide reasonable assurance whether the financial report is free of material misstatement and the compensation disclosures comply with AASB 124. The nature of an audit is influenced by factors such as the use of professional judgement, selective testing, the inherent limitations of internal controls, and the availability of persuasive rather than conclusive evidence. Therefore, an audit cannot guarantee that all material misstatements have been detected.

We performed procedures to form an opinion whether, in all material respects, the financial report is presented fairly in accordance with Accounting Standards in Australia and the Corporations Act 2001 so as to present a view which is consistent with our understanding of the Trust's and the consolidated entity's financial position, and performance as represented by the results of their operations, their changes in equity and their cash flows and whether the compensation disclosures comply with AASB 124.

Our procedures included examination, on a test basis, of evidence supporting the amounts and other disclosures in the financial report, and the evaluation of accounting policies and significant accounting estimates made by the directors.

While we considered the effectiveness of management's internal controls over financial reporting when determining the nature and extent of our procedures, our audit was not designed to provide assurance on internal controls.

The audit opinion expressed in this report has been formed on the above basis.

## Audit opinion

In our opinion:

(1) the financial report of Australian Pipeline Trust is in accordance with the Corporations Act 2001, including:
   i. giving a true and fair view of the Trust's and consolidated entity's financial position as at 30 June 2006 and of their performance for the year ended on that date; and
   ii. complying with Accounting Standards in Australia and the Corporations Regulations 2001.

(2) the compensation disclosures that are contained under the heading "Remuneration Report" on pages 35 to 42 of the Directors' Report comply with paragraphs Aus 25.4 to Aus 25.7.2 of Accounting Standard AASB 124 Related Party Disclosures.

Deloitte Touche Tohmatsu

DELOITTE TOUCHE TOHMATSU

Samantha Lewis
Partner
Chartered Accountants
Sydney, 29 August 2006

Liability limited by a scheme approved under professional standards legislation.

Member of
Deloitte Touche Tohmatsu

# Additional Stock Exchange Information

1. There were 26,184 holders of ordinary units as at 7 September 2006.
2. The 20 largest holders represented 61.18% of the total issued capital.
3. The distribution of holders was:

| Ranges | No. of Holders | % | No. of Units | % |
|---|---|---|---|---|
| 1–1,000 units | 2,512 | 9.59 | 1,868,583 | 0.58 |
| 1,001–5,000 units | 17,403 | 66.46 | 46,586,590 | 14.47 |
| 5,001–10,000 units | 4,240 | 16.19 | 31,620,464 | 9.82 |
| 10,001–100,000 units | 1,984 | 7.59 | 39,723,829 | 12.34 |
| 100,001 units and over | 45 | 0.17 | 202,181,621 | 62.79 |
| | 26,184 | 100.00 | 321,981,087 | 100.00 |

4. There were 232 holders of less than 110 units each.
5. Holders by address and class of holders were:

| Addresses | No. of Holders | % | No. of Units | % |
|---|---|---|---|---|
| Australia | 25,289 | 96.58 | 314,864,190 | 97.79 |
| USA and Canada | 24 | 0.09 | 106,318 | 0.03 |
| United Kingdom | 22 | 0.08 | 55,808 | 0.02 |
| New Zealand | 814 | 3.12 | 6,730,912 | 2.09 |
| Others | 35 | 0.13 | 223,859 | 0.07 |
| | 26,184 | 100.00 | 321,981,087 | 100.00 |

| Class of Holder | No. of Holders | % | No. of Units | % |
|---|---|---|---|---|
| Individuals | 20,710 | 79.09 | 83,629,880 | 25.97 |
| Companies and other | 5,474 | 20.91 | 238,351,207 | 74.03 |
| | 26,184 | 100.00 | 321,981,087 | 100.00 |

| Twenty largest holders as at 7 September 2006 | | |
|---|---|---|
| The Australian Gas Light Company | 84,054,326 | 26.11 |
| Petronas Australia Pty Ltd | 43,554,722 | 13.53 |
| Trewas Pty Ltd | 32,812,644 | 10.19 |
| J P Morgan Nominees Australia | 4,310,932 | 1.34 |
| Westpac Custodian Nominees Limited | 4,290,375 | 1.33 |
| ANZ Nominees Limited | 4,194,125 | 1.30 |
| RBC Dexia Investor Services Australia Nominees Pty Limited | 3,436,275 | 1.07 |
| HSBC Custody Nominees (Australia) Limited-GSI ECSA | 3,433,537 | 1.06 |
| National Nominees Limited | 3,397,618 | 1.05 |
| Custodial Services Limited | 2,542,449 | 0.79 |
| Questor Financial Services Limited ‹TPS RF A/C› | 2,184,507 | 0.68 |
| Citicorp Nominees Pty Limited | 2,153,906 | 0.67 |
| Cogent Nominees Pty Limited | 1,452,287 | 0.45 |
| ANZ Nominees Limited | 1,147,557 | 0.35 |
| UBX Nominees Pty Ltd | 1,040,754 | 0.32 |
| Huntley Investment Company Limited | 700,000 | 0.22 |
| Sandhurst Trustees Ltd ‹Aust Ethical Equities A/C› | 607,000 | 0.19 |
| Fleet Nominees Pty Limited | 600,000 | 0.19 |
| Sandhurst Trustees Ltd ‹Aust Ethical Balanced A/C› | 576,000 | 0.18 |
| Ms Thelma Joan Martin-Weber | 505,000 | 0.16 |
| **Total** | 196,994,014 | 61.18 |

# Unitholder Information

## Enquiries

Unitholders with enquiries about their unitholdings should contact the unit registry:

Telephone: +61 2 8280 7132
Facsimile: + 61 2 9287 0303
E-mail: registrars@linkmarketservices.com.au

Address:
APA Unit Registry
C/-Link Market Services Limited
Locked Bag A14
Sydney South, NSW 1235

## Distribution

The 2006 final income distribution of 6 cents per unit, unfranked, is to be paid on 29 September 2006.

## Change of Address

Unitholders who have changed their address should advise the registry in writing.

## Direct Payment to Bank Accounts

Distributions may be paid direct to bank, building society or credit union accounts in Australia. Payments are electronically credited on the distribution payment date and confirmed by post. Unitholders who wish their distributions to be paid electronically must advise the registry in writing prior to the record date of the first distribution payment they wish to be paid by direct credit.

## Consolidation of Unitholdings

Unitholders who wish to consolidate their separate unitholdings into one account should advise the registry in writing.

## Annual Report Mailing List

The unitholders have the discretion to decide their preferred arrangements for receipt of APA's annual report and other documents.

With the distribution received in September 2006, an Annual Report Election and E-mail Notification Service form will be sent to you. This gives you the option to receive notification that the annual report is available to view on APA's website and be informed when the Trust makes major public announcements regarding APA and its business activities. If you do not wish to receive an e-mail notification or you do not wish to receive a report, please advise the registry by phone or in writing.

## Tax File Numbers

Australian tax resident unitholders, including minors, should advise their Tax File Number ("TFN"), Australian Business Number ("ABN") or exemption details to the registry either by phone or in writing. If a TFN or ABN is not quoted and no exemption details are provided by a unitholder, APA is required by law to deduct tax at the top marginal rate of tax plus medicare levy from the unfranked part of distributions paid to that unitholder.

# Unitholder Information

## You Can Do So Much More Online

Did you know that you can access, and even update information about your holdings in Australia Pipeline Trust via the Internet?

Visit Link Market Services website www.linkmarketservices.com.au and access a wide variety of holdings information, make some changes online or download forms. You can:

- Check your current and previous holdings balances;
- Choose your preferred annual report option;
- Update your address details;
- Update your bank details;
- Confirm whether you have lodged your TFN, ABN or exemption;
- Check transaction and distribution history;
- Enter your e-mail address;
- Check share prices and graphs;
- Download a variety of instruction forms.

You can access this information via a security login using your Securityholder Reference Number ("SRN) or Holder Identification Number ("HIN") as well as your surname (or company name) and postcode (must be the postcode recorded on your holding record).

## Don't Miss Out On Your Distributions

Distribution cheques that are not banked are required to be handed over to the State Trustee under the Unclaimed Monies Act. You are reminded to bank cheques immediately.

**Better still, why not have us bank your distribution payments for you?**

How would you like to have immediate access to your distribution payments? Your distribution payments can be credited directly into any nominated bank, building society or credit union account in Australia. Not only can we do your banking for you, distributions paid by direct credit reach your account as cleared funds, allowing you to access them on payment date.

### Distribution Reinvestment Plan ("DRP")

After a review of capital requirements, the Board made a decision to reinstate the operation of the DRP with effect from the third interim distribution, paid on 30 June 2006.

As an alternative to receiving cash distributions, investors may elect to participate in the DRP. The DRP enables investors to use cash dividends to purchase additional fully paid APA units. If you would like to participate in our DRP, contact Link Market Services Limited today.

## Election of Directors

In August each year, unitholders will be notified by announcement to ASX that they may nominate a person for election to the Australian Pipeline Limited ("APL") board as a non-corporate director.

Once all nominations are received by the required date, APL will advise unitholders of all candidates and present its nominations to the unitholders at the APL annual meeting. A majority resolution by unitholders on nominations will confirm unitholders intentions. APL will then ensure that the successful candidates are elected to its board.

This report uses terms and abbreviations relevant to APA's activities and financial accounts. A glossary of the terms and abbreviations used in this report is provided on the following page.

# Glossary of Terms and Abbreviations

**ACCC** – Australian Competition and Consumer Commission

**AGAAP** – Australian Generally Accepted Accounting Principles

**AGL** – The Australian Gas Light Company

**APL** – Australian Pipeline Limited

**APA or Trust** – Australian Pipeline Trust

**ASX** – Australian Stock Exchange

**BBSW** – Bank Bill Swap Reference Rate

**CGP** – Carpentaria Gas Pipeline

**Co-generation** – The simultaneous production of electrical energy plus heat from a single fuel source, such as natural gas

**CPI** – Consumer Price Index

**CSG** – Coal Seam Gas – The extraction of natural gas from a coal seam

**EBIT** – Earnings before interest and tax

**EBITDA** – Earnings before interest, tax, depreciation and amortisation

**Financial year** – The 12 months to 30 June

**GGT** – Goldfields Gas Transmission Pipeline

**GTA** – Gas Transportation Agreement

**GTD** – Gas Transportation Deed

**LNG** – Liquid natural gas

**MSP** – Moomba to Sydney Pipeline

**National Gas Access Code** – National third party access code for natural gas pipeline systems

**Natural gas** – Naturally occurring hydrocarbons consisting mainly of methane, often associated with petroleum

**Parmelia Gas Business** – Made up of the Parmelia Gas Pipeline, gas storage and gas processing businesses

**PGP** – Parmelia Gas Pipeline

**PJ** – Petajoule

**PJ/d** – Petajoule per day

**RBP** – Roma to Brisbane Pipeline

**SCP** – SCP Investments (No. 1) Pty Limited

**SCP Gas Business** – refers to SCP Investments (No. 1) Pty Limited, the 88.2% owner of GGT, and the Parmelia Gas Business

**TJ** – Terajoule

**TJ/d** – Terajoule per day

# Financial Calendar

At the time of printing, dates are as follows:

## September 2006

Final distribution payable

## October 2006

Annual Meeting – InterContinental Sydney

## December 2006

Interim distribution payable

## February 2007

Half year results announced

## March 2007

Interim distribution payable

## June 2007

Interim distribution payable

Financial year end

# Directory

## Responsible Entity and Registered Office

Australian Pipeline Limited
ABN 99 091 344 704

Level 5, Airport Central Tower
241 O'Riordan Street
(PO Box 934)
Mascot NSW 2020

Telephone: +61 2 9693 0000
Facsimile: +61 2 8339 0005

www.pipelinetrust.com.au

## Directors of the Responsible Entity (current)

Mr George H Bennett (Chairman)

Mr Ross M Gersbach

Mr Russell A Higgins AO

Mr Muri Muhammad

Mr Robert J Wright

Ms Wan Shamilah Saidi (alternate for Mr Muri Muhammad)

Mr Michael J McCormack (Managing Director)

## Chief Financial Officer

Mr Richard F Francis

## Company Secretary

Mr Austin J V James

## Auditor of the Trust

Deloitte Touche Tohmatsu

## ASX Code

APA