Australian Pipeline Trust

ASRN 091 678 778

Interim Financial Report

For the Half Year Ended

31 December 2007

Directors' Report
For the Half Year Ended 31 December 2007

The Directors of Australian Pipeline Limited ("APL" or "Responsible Entity") submit herewith the financial report of Australian Pipeline Trust ("APT" or "Trust") and its controlled entities (together "Consolidated Entity") for the half year ended 31 December 2007 ("current period"). This report and the financial statements attached refer to the consolidated results of APT and APT Investment Trust ("APTIT") (together "APA").

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 or since the end of the half year are:

Mr L F Bleasel, AM (Chairman) (appointed Independent Non-Executive Director on 28 August 2007, appointed Chairman on 30 October 2007)

Mr M J McCormack (Managing Director)

Mr R A Higgins, AO

Mr M Muhammad

Mr R J Wright

Mr M Ratilal (appointed Independent Non-Executive Director on 31 July 2007)

Mr G H Bennett (Chairman, retired as of 30 October 2007)

Mr R M Gersbach (retired as of 1 February 2008)

Alternate Directors

The names of the Alternate Directors of the Responsible Entity during or since the end of the half year are:

Ms Wan Shamilah Saidi (alternate for Mr M Muhammad)

Mr Wan Zulkiflee Wan Ariffin (alternate for Mr M Ratilal)

Secretary

Mr A J V James, LLB

Principal activities

The principal activities of the Consolidated Entity during the course of the financial period were the ownership of gas transmission pipelines located throughout Australia and a gas distribution network in south east Queensland and northern New South Wales. The Consolidated Entity undertook the sale of transportation and related services to the producers, consumers and aggregators of gas through these gas transmission and distribution pipelines. Additionally, APA owns two coal seam gas processing plants, two gas fired power stations, gas storage facilities and two high voltage direct current interconnection systems, including underground transmission cables. The Consolidated Entity is also a major national gas infrastructure service provider, managing the operation and maintenance of its assets, as well as the gas transmission and distribution assets of Envestra Ltd ("Envestra"). The Consolidated Entity owns a shareholding in Envestra.

Distributions

The Directors have declared a total distribution for APA for the current period of 14.5 cents per security ("cps") (2007: 14.0 cps) to be paid on 28 March 2008. This is made up of an APT interim profit distribution of 9.8 cps unfranked and an APTIT interim distribution of 4.7 cps comprising a 2.0 cent unfranked interest income distribution and a 2.7 cent tax deferred capital distribution.

Financial Highlights

- **Total Revenue** - $442,975,000, up 82.1% on the previous corresponding period ("pcp");
- **EBITDA** - $214,656,000, up 59.1% on pcp;
- **Operating Profit after income tax and minorities** - $44,700,000, up 37.0% on pcp;
- **Operating Cash Flow**– $109,344,000, up 48.2% on pcp;
- **Operating Cash Flow per security** – 25.0 cps, up 11.3% on pcp;
- **APA distribution for the current period** – 14.5 cps, up 3.6% on pcp.

All figures above are referred to as "underlying results" and exclude one-off significant items ($4,405,000 or $3,083,000 after tax) and reflect two accounting adjustments to revenue and earnings caused by the introduction of the new international accounting standards (AIFRS), as follows:

i. The entire distribution received from Envestra has been included in the underlying results. Accordingly, the interest ($1,320,000) and capital ($5,677,000) components of the distribution received from Envestra have been reclassified to revenue and earnings; and

ii. A number of complementary assets are treated as finance leases under AIFRS. Accordingly, the results from these assets are recorded in finance lease (interest) income ($3,454,000) and principal reduction ($1,251,000). These amounts have been reclassified to revenue and earnings in the underlying results.

Operational Highlights

APA has continued to integrate and consolidate its Australia wide portfolio of energy infrastructure assets and its workforce of highly skilled and experienced personnel and is pursuing a program to achieve synergy benefits identified during the acquisition due diligence processes.

The integration programme has progressed well during the current period without impact to the operation of APA's existing and new assets. The potential cost savings and synergy benefits identified by APA during the acquisition due diligence processes have contributed to APA's financial performance in the current period and will continue to be realised over the next 18 months. These include reduced management costs of the assets, rationalisation and improved efficiency of operations, and optimisation of the use of interconnected infrastructure.

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

Acquisitions and Investments

During the current period, APA:

- Purchased the Origin Energy Networks assets for $554.6 million, comprising Origin Energy Asset Management which provides management and operations services to Envestra, a 17.2% stake in Envestra, a one-third interest in the SEAGas Pipeline, and a number of other smaller businesses. The acquisition of the one-third interest in SEAGas was completed on 29 June 2007, while the remainder of the acquisition was completed on 2 July 2007. The acquisition increased APA revenues by more than 25% and expands its footprint in every Australian mainland State and Territory; and
- Completed the arrangements with Alinta and the Babcock & Brown/Singapore Power Consortium to terminate or transfer the operating and maintenance services previously provided by Alinta for many of APA's gas transmission pipelines and a number of smaller operating and maintenance service contracts. These arrangements were completed on 2 October 2007. APA paid $207.0 million, resulting in the elimination of all fees and margins that were paid to Alinta, as well as the transfer to APA of associated property, plant and equipment. As a result, the operation and maintenance of all of APA's assets are now under the its direct control.

Operations

Gas Transmission and Distribution

- APA continues work on the expansion of the Moomba Sydney Pipeline ("MSP") southern lateral as part of the requirement of its agreement with NewGen Power to supply gas transportation services to NewGen's open cycle peaking power station being constructed near Uranquinty in south central NSW. The expansion on the MSP includes the construction of compressors at Culcairn, with commissioning scheduled to start June 2008;
- Capital expansions of its Victorian Transmission System continued, including compressor station upgrades and the Brooklyn to Lara Pipeline project;

- In Queensland, APA signed new transportation agreements on the Carpentaria Gas Pipeline and development commenced for a new compressor station on the pipeline at Davenport Downs, which will increase pipeline capacity by a further 15% to meet additional demand of new and existing customers;
- In Western Australia, a new transportation agreement was signed with Pilbara Iron Company on the Goldfields Gas Pipeline, and development commenced for two new compressor stations at Wyloo West and Ned's Creek, which will increase pipeline capacity by a further 20% to meet additional contracted demand;
- In the Northern Territory, construction and major procurement contracts were awarded for the Bonaparte Gas Pipeline project. This 285km, 300mm nominal bore pipeline will transport gas from Wadeye to the Amadeus Gas Pipeline under a 25 year Gas Transportation Agreement with Power Water Corporation. Construction is scheduled to commence May 2008, and the project is on schedule to deliver gas commencing 1 January 2009. Agreements for land access, which are the final condition precedent to the gas transportation agreement becoming unconditional, are on track and expected to be finalised shortly; and
- APT Allgas distribution network connections increased by approximately 2,000 in the period, in line with the acquisition case. Throughput was 5.7 PJ for the period, above the acquisition case. APA systems and policies have been implemented, and all transitional services from Energex terminated as scheduled.

Electricity Transmission

- The operations of APA's two electricity transmission assets, Directlink and Murraylink, were integrated, utilising common services and resources where possible.

Asset Management

- Over 700 employees were transferred and integrated into APA following the acquisition of the Origin Energy asset management group and the termination or transfer of the Alinta asset management services, bringing a wealth of experience and knowledge in the management and operation of APA's and other energy infrastructure assets; and
- APA operated and managed the Envestra assets across five states and territories (Queensland, Victoria, New South Wales, the Northern Territory and South Australia). APA systems were implemented and all transitional services from Origin Energy terminated as scheduled, effective 31 December 2007.

Complementary Assets

- APA constructed its 30 MW gas-fired low emission power station (Xstrata Power Station) at Mt Isa Queensland, which provides additional power to Xstrata's upgraded and expanded minerals processing facilities. The Xstrata Power Station, fuelled by natural gas transported on the Carpentaria Gas Pipeline, was commissioned in November 2007 and will operate for 15 years.

Financial Summary

The following table provides a summary of the key underlying results and ratios. The underlying results and ratios exclude one-off significant items ($4,405,000 or $3,083,000 after tax) and reflect two accounting adjustments to revenue and earnings caused by the introduction of the new international accounting standards (AIFRS), as follows:

i. The entire distribution received from Envestra has been included in the underlying results. Accordingly, the interest ($1,320,000) and capital ($5,677,000) components of the distribution received from Envestra have been reclassified to revenue and earnings; and

ii. A number of complementary assets are treated as finance leases under AIFRS. Accordingly, the results from these assets are recorded in finance lease (interest) income ($3,454,000) and principal reduction ($1,251,000). These amounts have been reclassified to revenue and earnings in the underlying results.

Directors' Report
For the Half Year Ended 31 December 2007

Six Months ended	31 Dec 2007	31 Dec 2006	Changes on pcp	
	$000	$000	$000	%
Underlying results:				
Total revenue	**442,975**	243,276	199,699	82.1
EBITDA	**214,656**	134,923	79,733	59.1
Operating profit after tax and minorities	**44,700**	32,629	12,071	37.0
Operating cash flow	**109,344**	73,760	35,583	48.2
Operating cash flow per security (cents)	**25.0c**	22.5c	2.5c	11.3
Earnings per security (cents)	**10.2c**	9.9c	0.3c	2.9

The following table provides a summary of key financial data as reported in the Half Year Report, adjusted for significant items:

Six Months ended	31 Dec 2007	31 Dec 2006	Changes on pcp	
	$000	$000	$000	%
Operating results before significant items				
Gas transportation revenue	**303,107**	229,263	73,844	32.2
Electricity transmission revenue	**12,562**	6,389	6,173	96.6
Asset management revenue	**99,330**	-	99,330	-
Complementary / Other revenue	**14,461**	1,135	13,326	-
Other income - interest	**6,587**	6,489	98	1.5
Total revenue	**436,047**	**243,276**	**192,771**	**79.2**
EBITDA	**207,728**	134,923	72,805	54.0
Depreciation and amortisation	**(45,089)**	(29,170)	(15,919)	54.6
EBIT	**162,639**	105,753	56,886	53.8
Net interest expense	**(110,423)**	(57,139)	(53,284)	93.3
Pre-tax profit	**52,216**	48,614	3,602	7.4
Income tax expense	**(13,170)**	(15,892)	2,722	(17.1)
Minorities	**(23)**	(93)	70	(75.3)
Operating profit after tax and minorities, before significant items	**39,023**	**32,629**	**6,394**	**19.6**
Significant items after income tax	**(3,083)**	(358)	(2,725)	-
Profit after income tax and minorities	**35,940**	**32,271**	**3,668**	**11.4**

Earnings

APA recorded an underlying operating profit after tax and minorities before significant items of $44,700,000 for the current period, an increase of 37.0% over the pcp of $32,629,000.

The increased performance, was mainly due to:

- increased pipeline transportation revenue from the Western Australia and New South Wales gas businesses;
- six month contributions from the Victorian Transmission system (previously the GasNet Victorian business) and APT Allgas, acquired part way through the pcp;
- six month contribution (2006: nil) from the Directlink business acquired in February 2007 and the Origin Energy Network business acquired in July 2007, including distributions of $5,000,000 and $8,361,000 from investments in SEAGas and Envestra respectively;
- increased contributions from complementary assets, with six month operations of the Tipton West coal seam gas processing facility (2006: nil) and one month operation of the Xstrata Power Station and associated pipelines; and
- asset operating and maintenance cost savings achieved through direct control of all APA assets, rather than being managed by a third party.

Significant items in the current period amounting to $4,405,000 ($3,083,000 after tax) related to "one-off" costs associated with the integration of the newly acquired businesses, unsuccessful acquisition due diligence costs and net of a small revaluation gain on interest rate hedges, which are deemed ineffective, acquired as part of the GasNet acquisition. After significant items, profit attributable to securityholders of APA for the current period was $35,940,000 (2006:$32,271,000).

Revenue

Underlying revenue grew by 82.1% from $243,276,000 in the pcp to $442,975,000.

Gas transportation revenue (excluding passthrough revenue) increased by 43.7% from $181,491,000 in the pcp to $260,770,000 principally due to six month contributions in the current period from the acquisitions of the GasNet and Allgas businesses, and increased revenue across the majority of pipelines.

Major components were:

- increased pipeline transportation revenue in Western Australia and New South Wales ($6,390,000);
- additional revenue from six month contributions from the GasNet business ($37,885,000) and APT Allgas ($20,897,000) business; and
- contributions (distributions) from the SEAGas ($5,000,000) and Envestra ($8,361,000) gas transportation businesses.

Revenue from the MSP increased by $2,023,000 due to additional pipeline services, primarily as a result of cold weather in July and August 2007. Gas transportation revenues in Western Australia increased by $4,367,000 due to increased third party demand, particularly from the mining sector.

Electricity transmission revenue increased over the pcp principally due to a six month contribution from the Directlink business acquired in February 2007.

Other / complementary revenue reflects six month contributions from the Tipton West gas processing facility and Daandine Power Station, and a one month contribution from the Xstrata Power Station and associated pipelines, which commenced operation earlier than scheduled in December 2007.

Asset management revenue reflects six months of revenue (including cost recovery revenue) from providing asset operating and maintenance services over the Envestra gas assets.

Expenses

Total operating costs have increased due to the inclusion of operations of the newly acquired businesses. Net operating costs of APA's continuing businesses owned in the pcp have been reduced through efficiency gains.

Capital management activities

During the past six months, APA has undertaken capital raising activities to fund the continuing growth of the business. APA raised $96 million in equity through two offerings as detailed below:

- In September 2007, $10.9 million was raised from securityholders through continued operation of the Distribution Reinvestment Plan (DRP) resulting in the issue of 2.98 million new securities; and
- In November 2007, the security purchase plan (SPP) raised over $85 million from existing securityholders, resulting in the issue of 23.66 million securities.

APA completed the refinancing of a number of its debt facilities in July 2007. APA's new syndicated debt facility was oversubscribed and subsequently increased to $2.0 billion. APA's next refinancing requirements arise in the 2009 financial year – in August 2008 ($150 million) and March 2009 ($300 million). APA's debt portfolio has a healthy spread of tenors extending out to 2022 and is geared at 71.6% at 31 December 2007 (as defined in APA's debt agreements). Under the new syndicated facility, APA has over $500 million of committed undrawn facilities available at the contracted margins to meet the needs of the business, as and when they arise.

APA has a prudent treasury policy which requires conservative levels of hedging of interest rate exposures to minimise the potential impacts from adverse movements in rates. All interest rates on project debt and US private placement facilities have been fixed for the life of the respective facilities. APA also enters into interest rate hedges which fix a proportion of the interest rate exposure on the syndicated debt facility. In addition, the regulatory frameworks under which many of APA's assets operat,e provide a level of interest rate protection through their revenue setting process. At 31 December 2007, 69.1% of all interest rates exposures were either explicitly hedged or at fixed interest rates, for varying periods extending out as far as 15 years.

At 31 December 2007 APA has sufficient undrawn facilities available and financing flexibility to meet the estimated capital growth needs of the business for at least the next 12 months.

Borrowings and finance costs

As at 31 December 2007, APA had borrowings of $3,231million, principally from new syndicated debt facilities, US Private Placement notes and other medium-term notes, compared to $2,720 million as at 30 June 2007. Borrowings increased due to the funding of the acquisitions of the Origin Energy Network assets and the Alinta operating and maintenance activities. Finance costs have increased by $53.4 million or 84.0% to $116.9 million in the current period. The increase is a direct result of additional borrowings to fund the current period acquisitions, the full six month impact from the acquisition related borrowings in the pcp, and from recent rises in interest rates impacting on the unhedged portion of the debt portfolio.

Income tax

The effective tax rate before significant items has decreased in the current period (25.2%) in comparison to the pcp (32.7%), largely due to the operation of APTIT which is a passthrough entity for tax purposes.

Earnings per security

Underlying earnings per security ("EPS") calculated on a weighted average basis, for the current period was 10.2 cps, a 2.9% increase over the prior year of 9.9 cps. The weighted average number of securities on issue during the current period was 437,356,000 up from 328,522,000 in the pcp. Reported EPS (including significant items) was 8.2 cps for the current period.

Operating cash flow

Operating cash flow available for distribution to securityholders is a key metric for the business. The growth in operating cash flow has come from organic growth on APA's existing pipelines, recent acquisitions (GasNet, Allgas, Directlink and Origin Energy Networks businesses) and complementary assets. The termination of the Alinta operating and maintenance agreements for APA's pipeline assets has also resulted in a reduction in operating costs. Underlying operating cash flow per security grew by 2.5 cps, to 25.0 cps up 11.4% on pcp, which further demonstrates APA's ability to pay fully funded distributions out of operating cash flows each year. APA is proposing to grow distributions by 5% in FY08 and targeting at least 5% growth in FY09, while maintaining a prudent payout ratio.

Recognising APA's commitment to return fully funded healthy distributions to its securityholders, the distribution payout ratio for the half year was 61% and is expected to be around 70% of underlying operating cash flow for the full year (full year FY 2007:72.3%).

Distributions and Securityholder Base

On 31 August 2007, Alinta's 35% equity interest in APA was distributed in-specie to Alinta shareholders. As a result, APA's securityholder base expanded from approximately 28,000 to 110,000. Following the in-specie distribution, the Board decided to change the frequency of distributions from quarterly to semi-annually which will improve efficiency and reduce the cost of managing the larger securityholder base by approximately $400,000 per annum.

The semi-annual declaration of distributions will be 26 February 2008 with payment occurring on 28 March 2008. Changing to a semi-annual payment will not reduce the total annual distribution payment.

As at 31 December 2007, 458,344,511 APA securities were on issue (30 June 2007: 431,701,196).

Regulatory matters

Key regulatory matters addressed during the financial year included:

MSP Access Arrangement

In September 2007, the long running proceedings between APA and ACCC in relation to the Access Arrangement for the MSP was resolved in APA's favour by the High Court of Australia.

This decision has no material impact on MSP revenues since the pipeline is substantially unregulated and tariffs are set by negotiation. However, this decision provides important clarification of the limits on regulatory discretion under the Code, and confirmation that regulatory decisions must be reasonable

Access arrangement for the Victorian Transmission System

Directors' Report
For the Half Year Ended 31 December 2007

The existing Access Arrangement for the Victorian Transmission System (part of the GasNet business) expired on 31 December 2007. APA submitted a proposed revised Access Arrangement to the ACCC which released its Draft Decision in November 2007.

The ACCC has indicated it expects to make a final decision during March 2008. The new Access Arrangement, when determined, will have effect for the five years commencing 1 January 2008.

Other Issues

Gas supply

The securing of future natural gas supplies to east Australia continues to be a key issue. APA has been active in supporting alternate gas sources, in particular the development of CSG production is playing a far greater role in the Australian energy market over the medium to longer term, together with continued supply of conventional gas sourced from Victoria's off-shore basins.

Very large CSG reserves potentially exist in several coalfield areas of Queensland and NSW, with in situ resource estimates in excess of 100,000 PJ. Proven and probable CSG reserves in eastern Australia have more than doubled in the last two years to over 6,000 PJ, and several producers have committed to exploration programs over the next few years to further increase reserves for future domestic demand and potential LNG proposals.

APA expects that these extensive CSG resources, together with conventional gas resources, will be sufficient to meet demand in eastern Australia in the medium to longer term.

Significant Changes in State of Affairs

In the opinion of the directors of the Responsible Entity, no significant changes in the state of affairs of the Trust occurred during the period under review.

Events Occurring after Reporting Date

Since the end of the period, the directors of the Responsible Entity are not aware of any other matter or circumstance not otherwise dealt with in the half year financial report that has significantly affected or may significantly affect the operations of APA, the results of those operations or the state of affairs of APA in years subsequent to the current period.

Directors' Holdings of Securities

The aggregate number of securities held directly, indirectly or beneficially by directors or their director-related entities at the date of this financial report is 299,996 (30 June 2007: 292,974).

Responsible Entity's Holdings of Securities

No securities in the Trust are held by the Responsible Entity.

Auditor's Independence Declaration

A copy of the auditor's independence declaration as required under section 307C of the Corporations Act 2001 is set out on page 24.

Rounding off of Amounts

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 half year 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 306(3) of the Corporations Act 2001.

On behalf of the Directors

L F Bleasel
Chairman

R J Wright
Director

SYDNEY, 26 February 2008

Australian Pipeline Trust
Condensed Consolidated Income Statement
For the half year ended 31 December 2007

	Notes	Consolidated 31 Dec 2007 $000	Consolidated 31 Dec 2006 $000
Continuing operations			
Revenue	3(a)	434,058	243,276
Share of net profits of joint venture entities accounted for using the equity method	3(a)	1,989	-
		436,047	243,276
Asset operation and management expenses		(58,784)	(47,249)
Depreciation and amortisation expense	3(b)	(45,089)	(29,170)
Other pipeline costs - passthrough	3(b)	(137,495)	(47,827)
Finance costs	3(b)	(116,971)	(60,228)
Employee benefit expense		(24,966)	(8,266)
Other expenses		(4,931)	(2,433)
Profit before tax		47,811	48,103
Income tax expense		(11,848)	(15,739)
Profit for the year		**35,963**	**32,364**
Attributable to:			
Equity holders of the parent		22,470	32,271
Minority interest - APT Investment Trust equity holders		13,470	-
APA Group stapled securityholders		35,940	32,271
Minority interest - Other		23	93
		35,963	**32,364**
Earnings per security			
Basic (cents per security)	9	8.2	9.8

Diluted earnings per security is exactly the same as basic earnings per security.

The above income statement should be read in conjunction with the accompanying notes.

Australian Pipeline Trust
Condensed Consolidated Balance Sheet
As at 31 December 2007

	Consolidated	
	31 December 2007	30 June 2007
	$000	$000
Current assets		
Cash and cash equivalents	81,774	60,078
Trade and other receivables	93,442	67,464
Other financial assets	-	6,389
Inventories	10,726	6,588
Other	1,626	2,942
Total current assets	**187,568**	**143,461**
Non-current assets		
Receivables	100,267	69,503
Other financial assets	151,562	10
Investments accounted for using the equity method	140,226	135,578
Property, plant and equipment	3,652,474	3,570,223
Goodwill	508,208	297,745
Other intangible assets	164,478	3,153
Other	13,422	18,261
Total non-current assets	**4,730,637**	**4,094,473**
Total assets	**4,918,205**	**4,237,934**
Current liabilities		
Trade and other payables	102,959	108,325
Borrowings	150,130	4,494
Other financial liabilities	7,722	4,841
Provisions	27,193	20,074
Other	8,644	15,717
Total current liabilities	**296,648**	**153,451**
Non-current liabilities		
Borrowings	3,008,876	2,593,158
Other financial liabilities	66,938	131,161
Deferred tax liabilities	221,171	192,107
Provisions	22,284	5,598
Other	4,341	1,692
Total non-current liabilities	**3,323,611**	**2,923,716**
Total liabilities	**3,620,259**	**3,077,167**
Net assets	**1,297,946**	**1,160,767**

The above balance sheet should be read in conjunction with the accompanying notes.

Australian Pipeline Trust
Condensed Consolidated Balance Sheet
As at 31 December 2007

	Note	Consolidated	
		31 Dec 2007	30 June 2007
		$000	$000
Equity and Reserves			
Australian Pipeline Trust Equity and Reserves:			
Issued capital	7(i)	825,369	801,055
Reserves	8	32,497	(3,210)
Retained earnings		78,440	64,604
Equity and reserves attributable to securityholders of the parent		**936,306**	**862,449**
Minority interests:			
APT Investment Trust Equity and Reserves			
Issued capital	7(ii)	361,051	298,253
Reserves		-	-
Retained earnings		519	-
Total APT Investment Trust Minority Interest		361,570	298,253
Other minority interest		70	65
Total Minority Interest		**361,640**	**298,318**
Total Equity and Reserves		**1,297,946**	**1,160,767**

The above balance sheet should be read in conjunction with the accompanying notes.

Australian Pipeline Trust
Condensed Consolidated Statement of Recognised Income and Expense
For the half year ended 31 December 2007

	Consolidated	
	31 Dec 2007 $000	31 Dec 2006 $000
Loss on available-for-sale investments taken to equity	(31,021)	-
Net gain on cash flow hedges taken to equity	64,297	1,328
Actuarial gain on defined benefit plan	-	-
Income tax on items taken directly to equity	(19,267)	(398)
Transfer of (gain)/loss on cash flow hedges to profit or loss (net of related tax)	19,731	14,839
Net income/(expense) recognised directly in equity	**33,740**	**15,769**
Profit for the year	35,963	32,364
Total recognised income and expense for the period	**69,703**	**48,133**
Attributable to:		
Equity holders of the parent	56,210	48,040
Minority interest - APT Investment Trust	13,470	-
Minority interest - other	23	93
	69,703	**48,133**

The above statement of recognised income and expense should be read in conjunction with the accompanying notes.

Australian Pipeline Trust
Condensed Consolidated Cash Flow Statement
For the half year ended 31 December 2007

	Note	Consolidated 31 Dec 2007 $000	31 Dec 2006 $000
Cash flows from operating activities			
Receipts from customers		468,474	248,320
Payments to suppliers and employees		(278,291)	(128,322)
Dividends and distributions received		12,142	450
Proceeds from repayment of finance leases		1,251	-
Interest received		7,277	2,770
Interest and other costs of finance paid		(105,953)	(49,903)
Income tax refunded/(paid)		(10)	(2,783)
Net cash provided by operating activities		**104,890**	**70,532**
Cash flows from investing activities			
Payments for property, plant and equipment		(95,300)	(51,438)
Proceeds from sale of property, plant and equipment		366	22
Payments for available-for-sale investments		(8,362)	-
Payment for businesses acquired (net of cash acquired)	10	(636,416)	(941,119)
Net cash used in investing activities		**(739,712)**	**(992,535)**
Cash flows from financing activities			
Proceeds from borrowings		701,000	956,336
Repayments of borrowings		(109,991)	(368,000)
Proceeds from issue of securities		95,888	597,852
Payments of security issue costs		(142)	(9,942)
Distributions paid to:			
- Securityholders of APT		(8,634)	(40,060)
- Securityholders of APTIT		(12,951)	-
- Capital return to securityholders of APTIT		(8,634)	-
- Other minority interest		(18)	(116)
Net cash provided by financing activities		**656,518**	**1,136,070**
Net increase in cash and cash equivalents		21,696	214,067
Cash and cash equivalents at the beginning of the financial year		60,078	13,004
Cash and cash equivalents at the end of the financial year		**81,774**	**227,071**

The above cash flow statement should be read in conjunction with the accompanying notes.

Australian Pipeline Trust
Notes to the Financial Statements
For the half year ended 31 December 2007

1. SIGNIFICANT ACCOUNTING POLICIES

Statement of compliance

The half year financial report is a general purpose financial report prepared in accordance with the Corporations Act 2001 and AASB 134 'Interim Financial Reporting'. Compliance with AASB 134 ensures compliance with International Financial Reporting Standard IAS 34 'Interim Financial Reporting'. The half year financial report does not include notes of the type normally included in an annual financial report and should be read in conjunction with the most recent annual financial report.

Basis of preparation

The condensed consolidated financial statements have 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. All amounts are presented in Australian dollars, unless otherwise noted.

The consolidated entity is an entity of the kind referred to in ASIC Class Order 98/0100, dated 10 July 1998, and in accordance with that Class Order amounts in the Directors' report and the half year financial report are rounded to the nearest thousand dollars ($000) unless otherwise indicated.

The accounting policies and methods of computation adopted in the preparation of the half year financial report are consistent with those adopted and disclosed in the entity's 2007 annual financial report for the financial year ended 30 June 2007.

Adoption of new and revised Accounting Standards

In the current year, the consolidated entity has adopted all of the new and revised Standards and Interpretations issued by the AASB that are relevant to its operations and effective for annual reporting periods beginning on or after 1 July 2007.

Australian Pipeline Trust
Notes to the Financial Statements (continued)
For the half year ended 31 December 2007

2. BUSINESS AND GEOGRAPHICAL SEGMENTS

The Consolidated Entity operates in one geographical segment, being Australia.

Descriptions of business segments

The Consolidated Entity comprises the following main business segments:
- gas transportation infrastructure (ie gas transmission and distribution infrastructure);
- electricity transmission infrastructure;
- asset mangement; and
- other / complementary assets.

Primary reporting format - business segment

Half year ended 31 December 2007	Gas Transportation $000	Electricity Transmission $000	Asset Management $000	Complementary/ Other Assets $000	Consolidated $000
Segment revenue					
External sales revenue	250,359	12,562	9,799	11,117	283,837
Equity profits	1,939	-	50	-	1,989
Passthrough revenue	48,014	-	89,481	-	137,495
Finance lease income	110	-	-	3,344	3,454
Distribution - other entities	2,685	-	-	-	2,685
Total segment revenue	303,107	12,562	99,330	14,461	429,460
Unallocated revenue					6,587
Consolidated revenue					436,047
Segment result					
Earnings before interest, tax, depreciation and amortisation ("EBITDA")	186,941	10,052	6,059	2,687	205,739
Share of net profits of joint venture entities accounted for using the equity method	1,939	-	50	-	1,989
Depreciation and amortisation	(37,578)	(4,696)	(589)	(2,226)	(45,089)
Earnings before interest and tax ("EBIT")	151,302	5,356	5,520	461	162,639
Net finance cost (a)					(110,423)
Profit before tax					52,216
Income tax expense					(13,170)
Profit for the period (excluding significant items)					39,046
Significant items after tax					(3,083)
Profit for the period					35,963

Half year ended 31 December 2006	Gas Transportation $000	Electricity Transmission $000	Asset Management $000	Complementary/ Other Assets $000	Consolidated $000
Segment revenue					
External sales revenue	181,491	6,389	-	651	188,531
Passthrough revenue	47,772	-	-	55	47,827
Finance lease income	-	-	-	429	429
Total segment revenue	229,263	6,389	-	1,135	236,787
Unallocated revenue					6,489
Consolidated revenue					243,276
Segment result					
Earnings before interest, tax, depreciation and amortisation ("EBITDA")	131,291	3,366	-	266	134,923
Depreciation and amortisation	(27,994)	(1,432)	-	256	(29,170)
Earnings before interest and tax ("EBIT")	103,297	1,934	-	522	105,753
Net finance cost (excluding finance lease income)					(57,139)
Profit before tax					48,614
Income tax expense					(15,892)
Profit for the period (excluding significant items)					32,722
Significant items after tax					(358)
Profit for the period					32,364

(a) Excluding finance lease income, Envestra loan note interest and any gains or losses on revaluation of derivatives.

	Consolidated 31 Dec 2007 $000	Consolidated 31 Dec 2006 $000
3. PROFIT FROM OPERATIONS		
Profit before income tax includes the following items of revenue and expense:		
(a) REVENUE		
An analysis of the Consolidated Entity's revenue for the half year is as follows:		
Operating revenue		
Gas transportation revenue:		
- gas transportation revenue	244,393	179,495
- passthrough revenue	48,014	47,827
	292,407	227,322
Electricity transmission revenue	12,562	6,389
Asset Management revenue:		
- asset management revenue	9,799	-
- passthrough revenue	89,481	-
	99,280	-
Other / Complementary revenue	11,117	651
	415,365	234,361
Share of net profits of joint venture entities accounted for using the equity method	1,989	-
Finance income		
Interest	7,908	6,489
Finance lease income	3,454	429
	11,362	6,918
Dividends		
Other entities	1,364	450
	1,364	450
Other income		
Gain on disposal of property, plant and equipment	-	17
Rental income	122	-
Other revenue	5,844	1,529
	5,966	1,546
	436,047	243,276
(b) EXPENSES		
Profit before tax includes the following expenses:		
Depreciation and amortisation expense		
Depreciation of non-current assets	43,096	28,820
Amortisation of non-current assets	1,993	350
	45,089	29,170
Other operating costs - passthrough		
Operating lease - rental expenses	9,947	9,352
Gas pipeline costs	38,067	38,475
Envestra - management, operating and maintenance costs	89,481	-
	137,495	47,827
Finance costs		
Interest	114,801	62,434
Amortisation of deferred borrowing costs	1,334	949
Finance lease charges	21	18
Other finance costs	778	142
	116,934	63,543
Gain on fair value of other derivatives	(48)	(3,400)
Unwinding of discount on non-current provisions	85	85
	116,971	60,228

4. SIGNIFICANT ITEMS

	Consolidated 31 Dec 2007 $000	Consolidated 31 Dec 2006 $000
Individually significant revenues/(expenses) included in profit after related income tax expense are as follows:		
Revaluation of interest rates swaps - deemed 'ineffective' under AASB139	48	3,400
Corporate legal and advisor costs	-	(3,911)
Integration costs associated with new acquisitions	(3,110)	-
Unsuccessful acquisition due diligence costs	(1,343)	-
Loss from significant items before related income tax	(4,405)	(511)
Income tax related to significant items above	1,322	153
Loss from significant items after related income tax	(3,083)	(358)

5. DISTRIBUTIONS

	Consolidated 31 December 2007 Cents per security	Total $000	Consolidated 31 December 2006 Cents per security	Total $000
Recognised amounts:				
Final quarterly distribution paid on 28 September 2007 (2006: 29 September 2006)				
Profit distribution - APT (a)	2.0	8,634	6.0	16,811
Profit distribution - APTIT (a)	3.0	12,951	-	-
Capital distribution - APTIT	2.0	8,634	-	-
	7.0	30,219	6.0	16,811
First interim quarterly distribution 2007: nil (b) (2006: 18 December 2006)				
Profit distribution - APT (a)	-	-	7.0	23,249
	7.0	30,219	13.0	40,060
Unrecognised amounts:				
Interim distribution payable on 28 March 2008 (2006: 30 March 2007)				
Profit distribution - APT (a)	9.8	44,918	4.0	17,140
Profit distribution - APTIT (a)	2.0	9,167	1.5	6,427
Capital distribution - APTIT	2.7	12,375	1.5	6,428
	14.5	66,460	7.0	29,995

(a) Profit distributions were unfranked (2006: unfranked).
(b) As previously advised, APA Group changed the frequency of distributions from quarterly to semi-annually, commencing in December 2007.

The interim distribution in respect of the financial year ending 30 June 2008 has not been recognised in this half year financial report because the distribution was not declared, determined or publicly recommended prior to 31 December 2007.

	31 Dec 2007 $000	31 Dec 2006 $000
Adjusted franking account balance (tax paid basis)	145	-

6. NOTES TO THE CONSOLIDATED CASH FLOW STATEMENT

Reconciliation of cash and cash equivalents

For the purposes of the cash flow statement, cash and cash equivalents includes cash on hand and in banks and investments in money market instruments, net of outstanding bank overdrafts. Cash and cash equivalents at the end of the financial period as shown in the cash flow statement is reconciled to the related items in the balance sheet as follows:

	Consolidated 31 Dec 2007 $000	Consolidated 31 Dec 2006 $000
Cash at bank and on hand (i)	70,293	56,106
Short term deposits (ii)	11,481	170,965
	81,774	227,071

(i) As at 31 December 2007, Australian Pipeline Limited held $5.0 million on deposit to meet its financial requirements as the holder of an Australian Financial Services Licence.
(ii) Short term deposits include insurance proceeds totalling $2.9 million which require the consent of the project financiers before being released.

7. ISSUED CAPITAL

	31 Dec 2007 $000	30 June 2007 $000
(i) APT Securities, fully paid (a)	825,369	801,055

Movements:	2007 No. of securities '000	$000
Balance at 1 July 2007	431,701	801,055
Issued under Distribution Reinvestment Plan	2,984	3,103
Security purchase plan	23,659	21,257
Issue cost of securities	-	(46)
Balance at 31 December 2007	458,344	825,369

(a) Fully paid securities carry one vote per security and carry the right to distributions.

	31 Dec 2007 $000	30 June 2007 $000
(ii) APT Investment Trust Securities, fully paid	361,051	298,253

Movements:	2007 No. of securities '000	$000
Balance at 1 July 2007	431,701	298,253
Issued under Distribution Reinvestment Plan	2,984	7,758
Security purchase plan	23,659	63,770
Issue cost of securities	-	(96)
Capital return to securityholders	-	(8,634)
Balance at 31 December 2007	458,344	361,051

7. ISSUED CAPITAL (continued)

	31 Dec 2006 $000	30 June 2006 $000
(i) APT Securities, fully paid (a)	791,289	505,379

Movements:	2006 No. of securities '000	$000
Balance at 1 July 2006	280,181	505,379
Issued under Distribution Reinvestment Plan	2,678	11,529
Institutional placements of units	41,800	190,190
Security purchase plan	8,950	40,242
Renounceable rights issue	94,905	355,891
Issue cost of securities	-	(9,942)
Capital return to securityholders (b)	-	(302,000)
Balance at 31 December 2006	428,514	791,289

(a) Fully paid securities carry one vote per security and carry the right to distributions.

	31 Dec 2006 $000	30 June 2006 $000
(ii) APT Investment Trust Securities, fully paid	302,000	-

Movements:	2006 No. of securities '000	$000
Balance at 1 July 2006	-	-
Issued under Product Disclosure Statement	428,514	302,000
Balance at 31 December 2006	428,514	302,000

(b) During the half year ended 31 December 2006 APA returned capital of $302,000,000 to its securityholders. The return of capital was used in turn to subscribe for the issue of securities in APTIT, which were subsequently stapled to APA securities to form a single economic group.

8. RESERVES

	31 Dec 2007 $000	30 June 2007 $000
Hedging	54,849	(11,879)
Asset revaluation	8,669	8,669
Available-for-sale investment revaluation	(31,021)	-
	32,497	(3,210)
Hedging reserve		
Balance at 1 July 2007	(11,879)	(23,660)
Gain/(loss) recognised:		
Interest rate swaps/currency swaps	64,297	(51,896)
Transferred to profit or loss:		
Interest rate swaps/currency swaps	28,187	68,757
Deferred tax arising on hedges	(27,724)	(5,080)
Share of hedge reserve of associate	1,968	-
Balance at 31 December 2007	54,849	(11,879)

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 the profit and loss when the hedged transaction impacts the profit and loss, or is included as a basis adjustment to the non-financial hedge item, consistent with the applicable accounting policy.

	31 Dec 2007 $000	30 June 2007 $000
Asset revaluation reserve		
Balance at 1 July 2007	8,669	8,669
Balance at 31 December 2007	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 earnings. The reserve can be used to pay distributions only in limited circumstances.

	31 Dec 2007 $000	30 June 2007 $000
Available-for-sale investment revaluation reserve		
Balance at 1 July 2007	-	481
Reversed on acquisition of controlling interest	-	(481)
Revaluation gain/(loss) recognised	(31,021)	-
Deferred tax arising on revaluation	-	-
Balance at 31 December 2007	(31,021)	-

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 considered impaired, that portion of the reserve which relates to that financial asset is recognised in profit or loss.

9. EARNINGS PER SECURITY

The earnings and weighted average number of ordinary securities used in the calculation of basic and diluted earnings per security as follows:

	31 Dec 2007 $000	31 Dec 2006 $000
Net profit attributable to securityholders for calculating basic and diluted earnings per security	35,940	32,271
	No. of securities '000	'000
Adjusted weighted average number of ordinary securities used in the calculation of basic and diluted earnings per security	437,356	328,522

10. ACQUISITIONS OF BUSINESSES

Names of business acquired:	Principal activity	Date of acquisition	Proportion of shares acquired	Cost of acquisition a
During the half year ended 31 December 2007			%	$000
Origin Energy Networks (Asset Management business and investment in Envestra Limited)	Gas Transmission	2 July 2007	100	421,288
Alinta Contract Termination and Contract Novation (of Pipeline Management Agreement)	Operating & maintenance services	2 October 2007	n/a	207,034
				628,322
During the half year ended 31 December 2006				
GasNet Australia Group	Gas Transmission	1 October 2006	100	402,688
Allgas Energy Limited	Gas Distribution	1 November 2006	100	538,431
				941,119

a Includes transaction costs

	Origin Energy Networks	Alinta Contract Termination and Contract Novation	Provisional fair value on acquisition Total
	$000	$000	$000
Net assets acquired			
Current assets			
Trade and other receivables	25,928	-	25,928
Inventories	2,821	-	2,821
Non-current assets			
Property, plant and equipment	78,727	4,565	83,292
Other financial assets	175,811	-	175,811
Investments accounted for using the equity method	4,948	-	4,948
Deferred tax assets	5,304	1,755	7,059
Intangible assets	147,672	15,544	163,216
Current liabilities			
Trade and other payables	(21,520)	-	(21,520)
Provisions	(1,484)	(1,884)	(3,368)
Non-current liabilities			
Provisions	(16,202)	(3,964)	(20,166)
	402,005	16,016	418,021
Goodwill on acquisition	19,283	191,018	210,301
Cost of acquisition	**421,288**	**207,034**	**628,322**
Prior year transaction costs paid			8,094
Net cash outflow on acquisition			**636,416**

The initial accounting for the acquisition for the entities acquired during the half year has only been provisionally determined at reporting date.

11. CONTINGENT LIABILITIES AND CONTINGENT ASSETS

	Consolidated 31 Dec 2007 $000	30 June 2007 $000
Contingent liabilities		
Bank guarantees	10,549	22,149
	10,549	22,149
Contingent assets	-	-

12. SUBSEQUENT EVENTS

On 26 February 2008, the Directors declared an interim distribution of 14.5 cents per security ($66,460,000) for the APA Group (comprising a distribution of 9.8 cps from Australian Pipeline Trust and a distribution of 4.7 cps from APT Investment Trust, made up of 2.0 cents per security income distribution (unfranked) and 2.7 cents per security tax deferred distribution). The distribution will be paid on 28 March 2008.

Australian Pipeline Trust
Declaration by the Directors of Australian Pipeline Limited
For the half year ended 31 December 2007

The Directors declare that:

(a) in the Directors' opinion, there are reasonable grounds to believe that Australian Pipeline Trust 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.

Signed in accordance with a resolution of the Directors of the Responsible Entity made pursuant to section 303(5) of the Corporations Act 2001.

On behalf of the Directors

L F Bleasel
Chairman

R J Wright
Director

SYDNEY, 26 February 2008

Deloitte.

Deloitte Touche Tohmatsu
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26 February 2008

The Board of Directors
Australian Pipeline Limited
As responsible entity for
Australian Pipeline Trust
HSBC Building
Level 19, 580 George Street
Sydney NSW 2000

Dear Board Members

Australian Pipeline Trust

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 review of the financial statements of Australian Pipeline Trust for the half year ended 31 December 2007, 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 review; and

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

Yours sincerely

Deloitte Touche Tohmatsu

DELOITTE TOUCHE TOHMATSU

Samantha Lewis
Partner
Chartered Accountants

Deloitte.

Deloitte Touche Tohmatsu
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Independent Auditor's Review Report to the Unitholders of Australian Pipeline Trust

We have reviewed the accompanying half-year financial report of Australian Pipeline Trust which comprises the balance sheet as at 31 December 2007, and the income statement, cash flow statement, statement of recognised income and expense for the half-year ended on that date, selected explanatory notes and the directors' declaration of the consolidated entity comprising the Trust and the entities it controlled at the end of the half-year or from time to time during the half-year as set out on pages 8 to 23.

Directors' Responsibility for the Half-Year Financial Report

The directors of the Trust are responsible for the preparation and fair presentation of the half-year financial report in accordance with Australian Accounting Standards (including the Australian Accounting Interpretations) and the *Corporations Act 2001*. This responsibility includes establishing and maintaining internal control relevant to the preparation and fair presentation of the half-year financial report that is free from material misstatement, whether due to fraud or error; selecting and applying appropriate accounting policies; and making accounting estimates that are reasonable in the circumstances.

Auditor's Responsibility

Our responsibility is to express a conclusion on the half-year financial report based on our review. We conducted our review in accordance with Auditing Standard on Review Engagements ASRE 2410 *Review of an Interim Financial Report Performed by the Independent Auditor of the Entity*, in order to state whether, on the basis of the procedures described, we have become aware of any matter that makes us believe that the half-year financial report is not in accordance with the *Corporations Act 2001* including: giving a true and fair view of the consolidated entity's financial position as at 31 December 2007 and its performance for the half-year ended on that date; and complying with Accounting Standard AASB 134 *Interim Financial Reporting* and the *Corporations Regulations 2001*. As the auditor of Australian Pipeline Trust, ASRE 2410 requires that we comply with the ethical requirements relevant to the audit of the annual financial report.

A review of a half-year financial report consists of making enquiries, primarily of persons responsible for financial and accounting matters, and applying analytical and other review procedures. A review is substantially less in scope than an audit conducted in accordance with Australian Auditing Standards and consequently does not enable us to obtain assurance that we would become aware of all significant matters that might be identified in an audit. Accordingly, we do not express an audit opinion.

Deloitte.

Auditor's Independence Declaration

In conducting our review, we have complied with the independence requirements of the *Corporations Act 2001.*

Conclusion

Based on our review, which is not an audit, we have not become aware of any matter that makes us believe that the half-year financial report of Australian Pipeline Trust is not in accordance with the *Corporations Act 2001*, including:

(a) giving a true and fair view of consolidated entity's financial position as at 31 December 2007 and of its performance for the half-year ended on that date; and

(b) complying with Accounting Standard AASB 134 *Interim Financial Reporting* and the *Corporations Regulations 2001.*

Deloitte Touche Tohmatsu

DELOITTE TOUCHE TOHMATSU

Samantha Lewis
Partner
Chartered Accountants
Sydney, 26 February 2008