Australian Pipeline Trust

Interim Financial Report
31 December 2005

Director's Report
For the Half Year Ended 31 December 2005

In respect of the half year ended 31 December 2005 ("period"), the directors of Australian Pipeline Limited ("the Responsible Entity") submit the following report on the interim financial report of Australian Pipeline Trust ("APA" or "Trust"), made out in accordance with a resolution of the directors.

Directors

The following persons held office as directors of Australian Pipeline Limited during the period and up to the date of this report:

Mr G H Bennett (chairman)

Mr R M Gersbach

Mr R A Higgins, AO

Ms J F McAloon

Mr M Muhammad

Mr R J Wright

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

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

Mr J K McDonald (retired as of 1 July 2005).

Secretary

Mr A J V James LLB

Principal Activities

The principal activity of the consolidated entity during the course of the financial period 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. There has been no significant change in the activities of the consolidated entity during the financial period.

Review and Results of Operations

Highlights

The results for the period reflect APA's success in implementing its core strategies of increasing utilisation of existing assets, and investing in related and complementary assets. A summary of the major achievements for the period is set out below:

- Began construction of a $15 million compressor expansion of GGT in Western Australia. The additional capacity will be used to transport gas to the Hamersley Iron Paraburdoo mine;
- Increased revenue from short-term contracts with third parties Moomba to Sydney Pipeline ("MSP") in New South Wales, partially offsetting contracted Gas Transportation Deed ("GTD") reductions;
- Entered into a 16 year contract with Hamersley Iron's Paraburdoo mine on GGT, and a seven year agreement with Arc Energy to supply gas on Parmelia Gas Pipeline;
- Invested in coal seam gas processing facility at Kogan North on the Roma to Brisbane Pipeline ("RBP") in Queensland. To date, $11.5 million has been invested in building this facility; and
- Reduced operating costs across the business and successful integration of the WA Gas Business.

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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. This is the first financial report based on the new standards. The comparatives for the half year ended 31 December 2004 and full year ended 30 June 2005 have accordingly been restated. Note 12 to the Interim Financial Report provides details of the impact of transition to A-IFRS. All figures below are restated to reflect the impact of A-IFRS.

Financial Commentary

APA recorded a net profit after tax and minorities of $33,532,000 for the six months ended 31 December 2005, an increase of 29.0% over the previous corresponding period's ("pcp") net profit after tax and minorities of $25,995,000.

The improved performance was a mainly a result of:

- Full six month contributions from the two acquisitions in the previous financial year, ie. the acquisition of the remaining 45% of SCP Investments (No. 1) Pty Limited ("SCP") (SCP holds 88.2% of the Goldfields Gas Transmission Pipeline ("GGT")) and 100% of the Parmelia Gas Business on 17 August 2004, and the acquisition of the remaining 30% interest in the Carpentaria Gas Pipeline ("CGP") joint venture on 25 February 2005;
- Increased pipeline transportation revenue from the WA Gas Business;
- Settlement of an 'acquired' dispute regarding tariffs, resulting in a provision of $3,262,000 being released to profit; and
- Effective control of costs across the business and efficiency savings achieved through the integration of the WA Gas Business.

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

Revenue

Revenue during the period grew by 9.6% from $176,819,000 in the pcp to $193,709,000.

Pipeline transportation revenue (excluding passthrough revenue) increased by 14.5% from $124,483,000 in the pcp to $142,481,000 in the current period. The major components of this increase were:

■ Additional revenue from the SCP Gas Business	$15,012,000
■ CGP revenue increase	$5,310,000
■ RBP revenue increase	$901,000
■ MSP contracted GTD reduction, net of third party revenues	($2,475,000)

As noted earlier, APA acquired the remaining 45% interest in SCP Investments (No. 1) Pty Limited ("SCP") and the Parmelia Gas Business (together "SCP Gas Business") on 17 August 2004. The increase in revenue is a result of a combination of factors, including: full six month contributions from the SCP Gas Business (pcp: SCP's results were equity accounted up to 17 August 2004 and consolidated thereafter); "one-off' settlement of a tariff related dispute resulting in profit impact of $3,262,000; and increases in third party revenues, particularly from the mining sector.

CGP revenue, which was otherwise flat, increased primarily as a result of the 30% minority interest acquisition in February 2005 resulting in a full six month contribution in the current period.

RBP revenue increased principally because of new capacity contracts executed with CS Energy.

Other revenue includes external interest received and distributions from the strategic investment in GasNet Australia Group. In the pcp, other revenue included a $2,000,000 "one-off" recovery of due diligence costs associated with a capital project.

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Expenses

Pipeline operating and management expenses decreased by 7.6% from $35,434,000 in the pcp to $32,753,000 in the current period. The reduction in expenses resulted from efficiency savings achieved from integration of the WA Gas Business into APA, reduction in operating costs and lower regulatory costs in Western Australia following finalisation of the access arrangement on the GGT.

Borrowings and Finance Cost

As at 31 December 2005, APA had non-current borrowings of $1,106 million principally from bi-lateral facilities and US Private Placement notes, compared to $1,018 million as at 31 December 2004. Despite this increase, net borrowing costs increased only $2,203,000 to $34,692,000, primarily as a result of renegotiating syndicated borrowings on more favourable terms.

Cash Flow

The net cash from operating activities before interest and tax increased by 6.2% from $91,061,000 in the pcp to $96,747,000, due to improved operating results as highlighted above. The improvement in cashflow occurred despite timing issues associated with settlement of a tariff dispute from the previous period.

The net cash used in investing activities represents payments for property, plant and equipment including the construction of a gas processing facility at Kogan North ($8,100,000) in Queensland and compressors on GGT ($3,341,000). $22,960,000 was used to fund strategic investments. 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.

Distributions, Earnings per Unit and Distribution Reinvestment Plan ("DRP")

Profits of $33,468,000 (pcp: $33,107,000) were distributed to unitholders in the current period. The directors have declared a second interim distribution of 6.0 cents per unit, franked to 30% at the corporate income tax rate, an increase of 0.5 cpu over the second interim distribution in pcp.

This takes the total distributions for the current period to 12.0 cpu an increase of 1.0 cpu over pcp, reflecting the improved performance and strong cash flows. The directors have indicated that the current level of distribution will be maintained for the remainder of the financial year, barring unforeseen circumstances.

APA's distribution strategy is directed towards increasing distribution levels at no less than CPI, year on year.

No further franking credits are expected to be available for the remainder of the financial year as a consequence of the additional tax deductions arising from APA's entry into the tax consolidation regime in 2005.

The strategy for returning cash to unitholders in the most tax-effective manner is a matter that is regularly reviewed by the Board.

Earnings per Unit, calculated on a weighted average basis, for the current period was 12.02 cpu compared to pcp figure of 9.58 cpu, an increase of 25.5%, reflecting improved performance and higher net profit after tax. The weighted average number of units on issue during the current period was 278,895,000.

The DRP remains suspended and will only be reactivated should an additional requirement for capital arise.

Regulatory Matters

Interaction with governments and regulators of gas transmission pipelines continued to play a significant role in APA's business. The key regulatory matters addressed during the period included:

- The ACCC appeal against the decision of the Australian Competition Tribunal on the MSP Access Arrangement was heard in mid- August 2005. The decision is expected before the end of the financial year.

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- The Access Arrangement for RBP was lodged on 31 January 2006. As the RBP is currently almost fully contracted, the Access Arrangement will not affect revenues until 2012 when the first contract renewal occurs.
- APA continued to participate in the consultation regarding reform of the regulatory environment for gas pipelines. The Productivity Commission report into the National Gas Access Regime has been subsumed into the wider reform of energy regulation.
  A number of features of the Commission's report are likely to be introduced, including a mechanism for a lighter-handed "monitoring" regime for pipelines which do not have market power. Significant work was also undertaken in ensuring the preservation of the rights of review, which exist under the current Code.
- The energy market reform process has also included consideration of wholesale gas market reform. APA is represented on the working group involved and is continuing to argue for preservation of the status quo or only minor reform in the absence of demonstrated market failure.
- As reported in the annual report 2005, the access arrangement for the GGT was approved by the Regulator and took effect from August 2005.

Other Issues

Papua New Guinea Gas Pipeline Project

Significant gas sales commitment during the period continue to strengthen the prospects of the Papua New Guinea (PNG) Gas Pipeline Project becoming a reality.

The AGL – Petronas Consortium is carrying out the front-end engineering and design needed to completely define the project and to obtain all necessary approvals for project commitment. Formal project commitment is expected before calendar year end.

APA has a right to purchase from AGL, at least, a 20% interest in the pipeline project, which will be an important part of the long – term gas supply solution for eastern Australia.

Update on Stress Corrosion Cracking on the MSP

As discussed in the 2005 financial report, APA is continuing to investigate and repair stress corrosion cracking (SCC) on the MSP.

A significant repair program was carried out during the current period, and further repair work will be carried out in the second half of the financial year. This work is all within the first 162 kilometres of the MSP downstream from Moomba, where the conditions for SCC are most likely to be exist.

As foreshadowed, two further sections downstream have recently been pigged. The costs for the pigging are included within the amounts previously provided.

Although the severity of SCC declines towards the end of the first pigged section, APA anticipated that there would be further incidences of SCC past that point. Preliminary results from pigging of the 138 kilometres immediately downstream of the first section, confirm the presence of SCC. Although not possible to quantify at this stage, first indications are that the extent of SCC appears to be less severe than in the first section.

We await a detailed analysis on the pigging, which will determine what remedial action and costs are required. The analysis is expected towards the end of the financial year. In the meantime, all relevant regulators and Departments are being kept informed. The Department of Energy, Utilities and Sustainability has advised that the APA's management of SCC conforms with international practice. APA continues to ensure that the MSP operates safely and reliably.

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.

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For the Half Year Ended 31 December 2005

Distributions

The directors have declared a second interim profit distribution of 6.0 cents per unit ('cpu') franked to 30%, to be paid on 30 March 2006. This takes the total distribution for the current period to 12.0 cpu (pcp:11.0 cpu).

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 interim 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 period ended 31 December 2005.

Directors' Holdings of Units

The aggregate number of units held directly, indirectly or beneficially by directors or their director-related entities at the date of this financial report is 45,769 (30 June 2005: 82,921).

Responsible Entity's Holdings of Units

No units 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 6.

Rounding of Amounts in the Directors' Report and Financial Report

APA is a registered scheme of a kind referred to in Class Order 98/0100, as amended, issued by the Australian Securities & Investments Commission relating to the "rounding off" of amounts in the directors' report and financial report. Amounts in the directors' report and financial report have been rounded to the nearest thousand dollars in accordance with that Class Order, unless otherwise indicated.

This report is made in accordance with a resolution of the directors.

G H Bennett
Chairman

RJ Wright
Director

Sydney
Date: 21 February 2006

Deloitte.

Deloitte Touche Tohmatsu
ABN 74 490 121 060

Grosvenor Place
225 George Street
Sydney NSW 2000
PO Box N250 Grosvenor Place
Sydney NSW 1217 Australia

DX 10307SSE
Tel: +61 (0) 2 9322 7000
Fax: +61 (0) 2 9322 7001
www.deloitte.com.au

21 February 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 review of the financial statements of Australian Pipeline Trust for the financial half year ended 31 December 2005, 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

Consolidated Income Statement
for the Half Year Ended 31 December 2005

	Note	Consolidated Half-year ended 31 December 2005 $'000	Half-year ended 31 December 2004 $'000
Revenue	2 (a)	**193,709**	176,819
Share of net profits of jointly controlled entities accounted for using the equity method		**-**	2,148
Pipeline operation and management expenses		**(32,753)**	(35,434)
Other pipeline costs		**(42,625)**	(40,994)
Depreciation and amortisation expense		**(18,797)**	(17,667)
Finance costs		**(42,953)**	(41,907)
Other expenses		**(6,815)**	(4,645)
Profit before Income Tax Expense	2	**49,766**	38,320
Income tax expense		**(16,068)**	(12,168)
Profit after Income Tax Expense		**33,698**	26,152
Net Profit Attributable to Minority Interests		**(166)**	(157)
Net Profit Attributable to Unitholders of the Parent Entity		**33,532**	25,995

Earnings per unit (cents per unit)

Earnings used to calculate earnings per unit ($'000)	**33,532**	25,995
Weighted average number of units ('000)	**278,895**	271,268
Basic earnings per unit based on profit after income tax expense attributable to unitholders of the parent entity (cents per unit)	**12.02¢**	9.58¢

(Diluted earnings per unit is exactly the same as basic earnings per unit)

Consolidated Balance Sheet as at 31 December 2005

	Note	Consolidated 31 December 2005 $'000	30 June 2005 $'000
Current Assets			
Cash	3	**15,588**	22,373
Receivables		**28,981**	30,636
Other financial assets	1(k)	**160**	-
Inventories		**3,172**	3,121
Prepayments		**892**	1,548
Other		**338**	676
Total Current Assets		**49,131**	58,354
Non-Current Assets			
Receivables		**-**	2
Investments – Available-for-Sale		**22,299**	-
Property, plant and equipment		**1,812,586**	1,819,019
Goodwill		**935**	935
Other intangible assets		**4,203**	4,553
Deferred tax assets		**-**	-
Other		**831**	3,375
Total Non-Current Assets		**1,840,854**	1,827,884
Total Assets		**1,889,985**	1,886,238
Current Liabilities			
Payables		**60,697**	63,242
Borrowings		**196**	188
Other financial liabilities	1(k)	**10,208**	-
Current tax liabilities		**-**	1,187
Provisions		**22,783**	23,325
Other		**4,268**	56,601
Total Current Liabilities		**98,152**	144,543
Non-Current Liabilities			
Payables		**-**	54,920
Borrowings		**1,065,828**	1,011,105
Other financial liabilities	1(k)	**68,685**	-
Deferred tax liabilities		**60,571**	58,004
Provisions		**1,559**	1,364
Other		**2,050**	2,533
Total Non-Current Liabilities		**1,198,693**	1,127,926
Total Liabilities		**1,296,845**	1,272,469
Net Assets		**593,140**	613,769

Consolidated Balance Sheet
as at 31 December 2005

	Note	Consolidated 31 December 2005 $'000	30 June 2005 $'000
Equity			
Contributed equity		**500,135**	500,135
Reserves	1(k)	**(12,030)**	8,669
Retained profits		**104,944**	104,880
Parent Entity Interest		**593,049**	613,684
Minority interests		**91**	85
Total Equity		**593,140**	613,769

Consolidated Statement of Changes in Equity
For the Half Year Ended 31 December 2005

	Consolidated						
	Contributed Equity	Reserves			Retained Profits	Minority Interests	Total Entity
		Hedge Revaluation	Asset Revaluation	Investment Revaluation			
	$'000	$'000	$'000	$'000	$'000	$'000	$'000
2005							
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 12(f))	**-**	**(19,291)**	**-**	**-**	**-**	**-**	**(19,291)**
Related tax effect of transition adjustments on 1 July 2005	**-**	**5,787**	**-**	**-**	**-**	**-**	**5,787**
Net profit for the period	**-**	**-**	**-**	**-**	**33,532**	**166**	**33,698**
Distributions	**-**	**-**	**-**	**-**	**(33,468)**	**(232)**	**(33,700)**
Revaluation of Available-for-sale investments	**-**	**-**	**-**	**(661)**	**-**	**-**	**(661)**
Other	**-**	**-**	**-**	**-**	**-**	**72**	**72**
Cash flow hedges - fair value change	**-**	**5,066**	**-**	**-**	**-**	**-**	**5,066**
Transferred to profit, net of tax	**-**	**(10,279)**	**-**	**-**	**-**	**-**	**(10,279)**
Income tax on items directly transferred to equity	**-**	**(1,519)**	**-**	**198**	**-**	**-**	**(1,321)**
Balance at 31 December 2005	**500,135**	**(20,236)**	**8,669**	**(463)**	**104,944**	**91**	**593,140**
2004							
Balance at 1 July 2004	427,435	-	-	-	59,158	132	486,725
Net profit for the period	-	-	-	-	25,995	157	26,152
Distributions	-	-	-	-	(33,108)	(154)	(33,262)
Other	-	-	-	-	-	66	66
Private placement of units	61,740	-	-	-	-	-	61,740
Issued under distribution re-investment plan	11,538	-	-	-	-	-	11,538
Unit issue expenses	(565)	-	-	-	-	-	(565)
Revaluation of assets	-	-	28,615	-	-	-	28,615
Balance at 31 December 2004	500,148	-	28,615	-	52,045	201	581,009

Consolidated Cash Flow Statement for the Half Year Ended 31 December 2005

	Note	Consolidated Half-year ended 31 December 2005 $'000	Half-year ended 31 December 2004 $'000
Cash Flows From Operating Activities			
Receipts from customers		**202,299**	183,170
Payments to suppliers and employees		**(105,934)**	(92,109)
Dividends received		**382**	-
Net cash from operating activities before interest and tax		**96,747**	91,061
Interest received		**649**	2,136
Interest and other costs of finance paid		**(37,028)**	(37,375)
Income tax paid		**(5,742)**	(14,989)
Net cash provided by operating activities		**54,626**	40,833
Cash Flows From Investing Activities			
Payment for property, plant and equipment		**(14,341)**	(5,425)
Proceeds from sale of property, plant and equipment		**2,566**	67
Purchase of Available-for-Sale investments		**(22,960)**	-
Acquisition of controlled entities / settlement of liabilities		**(35,902)**	(209,067)
Cash from entities acquired		**-**	116,424
Net cash used in investing activities		**(70,637)**	(98,001)
Cash Flows From Financing Activities			
Proceeds from borrowings		**229,000**	642,000
Repayment of borrowings		**(186,074)**	(622,495)
Distributions paid to:		**-**	-
Unitholders of APA		**(33,468)**	(33,107)
Outside equity interest		**(232)**	(155)
Proceeds from issue of units		**-**	73,278
Payment for unit issue costs		**-**	(565)
Payment of debt issue costs		**-**	(1,144)
Net cash from financing activities		**9,226**	57,812
Net (Decrease) / Increase In Cash Held		**(6,785)**	644
Cash At The Beginning Of The Financial Period		**22,373**	44,251
Cash At The End Of The Financial Period	3	**15,588**	44,895

Notes to the Financial Statements for the Half Year Ended 31 December 2005

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Notes to the Financial Statements for the Half Year Ended 31 December 2005

1. Summary of Accounting Policies

Basis of Preparation and Significant Accounting Policies

This Half Year Report is a general purpose financial report prepared in accordance with the requirements of the Corporations Act 2001, Australian Accounting Standard AASB 134 "Interim Financial Reporting" and the Listing Rules of the Australian Stock Exchange Limited. Compliance with AASB 134 ensures compliance with International Financial Reporting Standard IAS 34 "Interim Financial Reporting".

This Report does not include all the notes to the financial statements of the type normally included in an annual financial report. Accordingly it is recommended that this report be read in conjunction with Australian Pipeline Trust's ("APA") annual financial report for the year ended 30 June 2005.

The consolidated entity changed its accounting policies on 1 July 2005 to comply with Australian Equivalents to International Financial Reporting Standards ("A-IFRS"). The transition to A-IFRS is accounted for in accordance with Australian Accounting Standard AASB 1 "First-time Adoption of Australian Equivalents to International Financial Reporting Standards", with 1 July 2004 as the date of transition. The superseded accounting policies were in accordance with Australian Generally Accepted Accounting Principles ("AGAAP") and accounting standards in force at the time.

The accounting policies set out below have been applied in preparing the financial statements for the half year ended 31 December 2005, 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 12), 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 are consistent with those adopted and disclosed in the 2005 annual financial report.

The following significant accounting policies have been adopted in the preparation and presentation of this Report.

a) Principles of Consolidation

The financial report is prepared for the consolidated entity, being APA and the entities it controls. In these statements:

- results of each entity are included from the date APA obtains control and until such time as it ceases to control the entity; and
- all inter-entity balances and transactions and unrealised profits arising within the consolidated entity have been eliminated.

b) Payables

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

c) Borrowings

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

Notes to the Financial Statements for the Half Year Ended 31 December 2005

1. Summary of Accounting Policies (continued)

d) Capitalisation of Borrowing Costs

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

e) Property, Plant and Equipment (“PP & E”)

PP & E acquired is recorded at the cost of acquisition, being the purchase consideration determined as at the date of acquisition plus costs incidental to the acquisition. Where applicable, the present value of any asset retirement costs or restoration obligations at inception is included in the carrying value of the asset.

In the event that settlement of all or part of the cash consideration given in the acquisition of an item of PP & E 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.

PP & E is stated at cost less accumulated depreciation and impairment.

Depreciation

Depreciation is provided on PP & E, 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:

- Buildings 50 years;
- Compressors Up to 25 years;
- Pipelines Up to 65 years; and
- Other plant and equipment 3 to 20 years.

The estimated useful lives, residual values and depreciation methods are reviewed on a periodic basis.

f) Goodwill

Goodwill, representing the excess of the cost of acquisition over the fair value of the identifiable assets, liabilities and contingent liabilities acquired, is recognised as an asset and not amortised. Goodwill is tested annually for impairment and whenever there is an indication that the goodwill may be impaired, such impairment is recognised immediately in profit or loss and is not subsequently reversed.

g) Intangible Assets

The right to receive a pipeline tariff is being amortised on a straight-line basis until 2011, being the termination date of the contract to which the right relates.

h) Restoration Obligations

Provision is made to recognise the present value of the liability for restoration of areas on which pipelines are located. The associated asset retirement costs are capitalised as part of the carrying amount of the related asset and amortised over the life of the asset using the throughput method. At the end of each year, the liability is increased to reflect the passage of time (the unwinding of the discount is included in borrowing costs) and adjusted (increase or decrease) to reflect changes in the estimated future cash flows underlying the initial fair value measurement.

If the obligation is settled for other than the carrying amount of the liability, APA will recognise a gain or loss on settlement.

1. Summary of Accounting Policies (continued)

i) Impairment of Assets

At each reporting date and when there are indications of impairment the consolidated entity reviews the carrying amounts of its tangible and intangible assets and goodwill to determine whether there is any indication that those assets have suffered an impairment loss. Where an asset does not generate cash flows that are independent from other assets, recoverable amount of the cash-generating unit to which the asset belongs is estimated.

Recoverable amount is based on value in use. In assessing such value, 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 which the estimates of future cash flows have not been adjusted.

If the recoverable amount of an asset (or cash-generating unit) is estimated to be less than its carrying amount, the carrying amount of the asset (or cash-generating unit) is written down to its recoverable amount and an impairment loss is recognised in profit or loss immediately. Where an impairment loss subsequently reverses, a reversal of an impairment loss is recognised in profit or loss immediately but only to the extent of the original carrying amount. Impairment of goodwill is not reversed.

j) Cash and Cash Equivalents

Cash and cash equivalents comprise cash on hand, cash in bank and investments in money market instruments, net of outstanding bank overdrafts. Bank overdrafts are shown within Borrowings in Current Liabilities in the balance sheet.

k) Derivative Financial Instruments

The consolidated entity enters into a range of derivative financial instruments ("derivatives") to manage its exposure to interest rate and foreign exchange rate risk. Derivatives are initially recognised at fair value on the date a derivative contract is entered into and are subsequently remeasured to their fair value at each reporting date. The resulting gain or loss is recognised in profit or loss immediately unless the derivative is designated and determined to be effective as a hedging instrument, in which event the resulting gain or loss is deferred in equity in a hedge revaluation reserve.

Hedge accounting is discontinued when the hedging instrument expires or is sold, terminated, or exercised, or no longer qualifies for hedge accounting. At that time, any cumulative gain or loss deferred in equity at that time remains in equity until the original hedged transaction is ultimately recognised in profit or loss, or the hedged transaction is no longer expected to occur, at which time the cumulative deferred gain or loss is recognised immediately in profit or loss.

Accounting Standard AASB 139 "Financial Instruments: Recognition and Measurement", is effective for reporting periods beginning on or after 1 July 2005. The consolidated entity has elected not to restate comparative information for financial instruments within the scope of AASB 139, as permitted on the first-time adoption of A-IFRS. The impact of adopting AASB 139 at 1 July 2005 is disclosed in note 12(f).

l) Employee Benefits

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

Provisions made in respect of employee benefits expected to be settled within 12 months, are measured at their nominal values using the remuneration rate 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 reporting date.

1. Summary of Accounting Policies (continued)

m) Financial Instruments Issued by APA

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

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 to 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.

n) Foreign Currency Transactions

Foreign currency monetary items at reporting date are translated at the exchange rate existing at the reporting date. Exchange differences are recognised in profit or loss in the period in which they arise except for exchange differences on transactions entered into in order to hedge foreign exchange rate risk (refer note 1 (k)).

o) 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 date which excludes 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 statement of cash flows 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.

p) Tax Effect Accounting

Current Tax
Current tax is calculated by reference to the amount of income tax payable or recoverable in respect of the taxable profit or tax loss for the period. It is calculated using tax rates and tax laws that have been enacted or substantively enacted by reporting date. Current tax for current and prior periods is recognised as a liability (or asset) to the extent that it is unpaid (or refundable).

Deferred Tax
Deferred tax is accounted for using the comprehensive balance sheet liability method in respect of temporary differences arising from differences between the carrying amount of assets and liabilities in the financial statements and the corresponding tax base of those items.

In principle, deferred tax liabilities are recognised for all taxable temporary differences. Deferred tax assets are recognised to the extent that it is probable that sufficient taxable amounts will be available against which deductible temporary differences or unused tax losses and tax offsets can be utilised. A deferred tax liability is not recognised in relation to taxable temporary differences arising from goodwill.

1. Summary of Accounting Policies (continued)

Tax Consolidation

APA and all its wholly-owned Australian resident entities are part of a tax-consolidated group under Australian taxation law with APA being the head entity of the group. 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, APA and each of the entities in the tax-consolidated group has agreed to pay a tax equivalent payment to or from APA, based on the current tax liability or current tax receivable of the entity.

q) Inventories

Inventories are valued at the lower of cost and net realisable value.

r) 'Available for Sale' Investments

Certain shares / units held by the consolidated entity are classified as being available for sale and are stated at fair value less impairment. Gains and losses arising from changes in fair value are recognised directly in the investment revaluation reserve, until the investment is disposed of or is determined to be impaired, at which time the cumulative gain or loss previously recognised in the investment revaluation reserve is included in profit or loss for the period.

s) 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.

t) Leased Assets

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

u) Provisions

Provisions are recognised when the consolidated entity has a present obligation, the future sacrifice of economic benefits is probable, 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. The subsequent unwinding of any discount is included in borrowing costs in the profit and loss.

v) Distributions

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

w) Receivables

Trade receivables and other receivables are recorded at amounts due less any allowance for doubtful debts.

Notes to the Financial Statements for the Half Year Ended 31 December 2005

1. Summary Of Accounting Policies (continued)

x) Revenue Recognition

Rendering of Services
Revenue from services is recognised on an accrual basis, when the consolidated entity has provided the relevant service.

Disposal of Assets
Gain or loss on the disposal of an item of PP & E is recognised on a net basis as other income or other expense.

Notes to the Financial Statements for the Half Year Ended 31 December 2005

2. Profit from Operations

Profit before income tax includes the following items of revenue and expense:

(a) Revenue

	2005 $'000	2004 $'000
Sales Revenue:		
Pipeline transportation revenue	**142,481**	124,483
Other pipeline revenue - passthrough	**42,625**	40,994
	185,106	165,477
Interest revenue	**8,175**	9,340
Other	**428**	2,002
	193,709	176,819

(b) Expenses

	2005 $'000	2004 $'000
Pipeline Operating and Management Expenses	**32,753**	35,434
Other Pipeline Costs:		
Operating lease – rental expense	**8,918**	8,187
Gas pipeline costs	**33,707**	32,807
Total Other Pipeline Costs - passthrough	**42,625**	40,994
Depreciation of non-current assets	**18,438**	17,276
Amortisation of non-current assets	**359**	391
Depreciation and Amortisation Expense	**18,797**	17,667

Notes to the Financial Statements for the Half Year Ended 31 December 2005

	2005 $'000	2004 $'000

3. Notes to the Statement of Cash Flows

	2005 $'000	2004 $'000
Cash at bank and on hand	**13,545**	26,480
Short-term deposits	**2,043**	18,415
	15,588	44,895

Financing Facilities

	2005 $'000	2004 $'000
Unsecured syndicated bank borrowings:		
Amount used	**611,000**	520,000
Amount unused	**89,000**	180,000
	700,000	700,000

Guaranteed Senior Notes (issued September 2003):

	Amount A $'000	**Maturity Date**
Denominated in A$		
Series A Notes	**102,000**	9 Sept. 2010
Denominated in US$		
Series B Notes	**101,086**	9 Sept. 2013
Series C Notes	**166,655**	9 Sept. 2015
Series D Notes	**86,060**	9 Sept. 2018
	455,801	

Notes to the Financial Statements for the Half Year Ended 31 December 2005

4. Details Relating to Distributions

	2005		2004	
	Cents per Unit	**Total $'000**	Cents per Unit	Total $'000
Recognised amounts:				
Final distribution in respect of financial year ended 30 June 2005 paid on 29 September 2005 (2004: 27 September 2004)				
Profit distribution [a]	**6.0**	**16,734**	6.5	17,864
Capital distribution	**-**	**-**	-	-
First interim distribution in respect of financial year ending 30 June 2006 paid on 30 December 2005 (2004: 30 December 2004)				
Profit distribution [a]	**6.0**	**16,734**	5.5	15,243
Capital distribution	**-**	**-**	-	-
	12.0	**33,468**	12.0	33,107
Unrecognised amounts:				
Second interim distribution in respect of financial year ending 30 June 2006 payable on 30 March 2006 (2004: 30 March 2005)				
Profit distribution [b]	**6.0**	**16,734**	5.5	15,339
Capital distribution	**-**	**-**	-	-
	6.0	**16,734**	5.5	15,339

[a] Profit distribution 40% franked (2004: 40% franked) at the corporate income tax rate.
[b] Profit distribution 30% franked (2004: 40% franked) at the corporate income tax rate.

The second interim distribution in respect of the financial year ending 30 June 2006 has not been recognised in this half-year report because the distribution was declared, determined or publicly recommended subsequent to 31 December 2005.

	2005 $'000	2004 $'000
Franking account balance (tax paid basis)	**2,259**	14,373

4. Details Relating to Distributions (continued)

The dividend or distribution plans shown below are in operation.

The distribution reinvestment plan is not in operation for this distribution.

The last date(s) for receipt of election notices for the dividend or distribution plans	-

5. Earnings Per Unit

	2005 ¢ per unit	2004 ¢ per unit
Basic Earnings per Unit (cents per unit)	**12.02c**	9.58c

Basic Earnings per Unit

The earnings and weighted average number of ordinary units used in the calculation of basic earnings per unit are as follows:

	2005 $'000	2004 $'000
Earnings	**33,532**	25,995

	2005 No. '000	2004 No. '000
Weighted average number of ordinary units	**278,895**	271,268

6. Net Tangible Assets Per Security

	2005 $	2004 $
Net tangible assets per security (unit)	**2.11**	2.05

7. Details of Entities Over Which Control Has Been Gained / Lost

During the half-year ended 31 December 2005, there were no material acquisitions or disposals of controlled entities.

In the previous corresponding period, the consolidated entity acquired West Australian Gas Transmission Company 1 (“WAG 1”) on 17 August 2004 at a cost of $209,067,000. WAG 1 has a 45% ownership interest in SCP Investments (No. 1) Pty Limited, which holds 88.2% of the Goldfields Gas Transmission Pipeline, and a 100% interest in the Parmelia gas business.

Notes to the Financial Statements for the Half Year Ended 31 December 2005

8. Contingent Liabilities and Contingent Assets

	2005 $'000	2004 $'000
Contingent liabilities		
Bank guarantees	**113**	113
Contingent assets	**-**	-

9. Segment Information

The consolidated entity operates predominantly in one business segment, being gas transmission infrastructure, and one geographical segment, being Australia. The consolidated entity earns revenue by selling transportation and related services to the producers, consumers and aggregators of gas.

10. Update on Stress Corrosion Cracking

As discussed in the 2005 financial report, APA is continuing to investigate and repair stress corrosion cracking (SCC) on the MSP.

A significant repair program was carried out during the current period, and further repair work will be carried out in the second half of the financial year. This work is all within the first 162 kilometres of the MSP downstream from Moomba, where the conditions for SCC are most likely to be exist.

As foreshadowed, two further sections downstream have recently been pigged. The costs for the pigging are included within the amounts previously provided.

Although the severity of SCC declines towards the end of the first pigged section, APA anticipated that there would be further incidences of SCC past that point. Preliminary results from pigging of the 138 kilometres immediately downstream of the first section, confirm the presence of SCC. Although not possible to quantify at this stage, first indications are that the extent of SCC appears to be less severe than in the first section.

APA is awaiting a detailed analysis on the pigging, which will determine what remedial action and costs are required. The analysis is expected towards the end of the financial year. In the meantime, all relevant regulators and Departments are being kept informed. The Department of Energy, Utilities and Sustainability has advised that the APA's management of SCC conforms with international practice. APA continues to ensure that the MSP operates safely and reliably.

11. Subsequent Events

There has not been any matter or circumstance, other than that referred to in the financial statements or notes thereto, that has arisen since the end of the financial period, 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 periods.

12. 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 Accounting Standard 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 (f) and note 1(k)).

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.

(a) Effect of the transition to A-IFRS on the balance sheet at 1 July 2004

	Notes	Previous A-GAAP $'000	Effect of Transition $'000	A-IFRS $'000
Current Assets				
Cash		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 accounted for using the equity method		171,137	-	171,137
Property, plant and equipment	(e) i	1,184,862	729	1,185,591
Intangibles		6,188	-	6,188
Deferred tax assets *	(e) iv	10,077	(1,386)	8,691
Other		3,538	-	3,538
Total Non-Current Assets		1,375,803	(657)	1,375,146
Total Assets		1,433,671	(657)	1,433,014
Current Liabilities				
Payables		53,929	-	53,929
Borrowings		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
Borrowings		730,226	-	730,226
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		836,389	40,624	877,013
Total Liabilities		905,665	40,624	946,289
Net Assets		528,006	(41,281)	486,725
Equity				
Contributed equity		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.

Notes to the Financial Statements
for the Half Year Ended 31 December 2005

12. Impacts of the Adoption of A-IFRS (continued)

(b) Effect of the transition to A-IFRS on the income statements for the half-year ended 31 December 2004 and the financial year ended 30 June 2005

	Notes	Half-year ended 31 December 2004			Financial year ended 30 June 2005		
		Previous A-GAAP $'000	Effect of Transition $'000	A-IFRS $'000	Previous A-GAAP $'000	Effect of Transition $'000	A-IFRS $'000
Revenue from ordinary activities		176,819	-	176,819	375,642	-	375,642
Share of net profits of joint venture entities accounted for using the equity method		2,148	-	2,148	2,148	-	2,148
		178,967	-	178,967	377,790	-	377,790
Pipeline operation and management expenses		(35,434)	-	(35,434)	(98,409)	-	(98,409)
Other pipeline costs		(40,994)	-	(40,994)	(89,304)	-	(89,304)
Depreciation and amortisation expense	(e) ii, iii	(17,890)	223	(17,667)	(36,818)	445	(36,373)
Borrowing costs	(e) i	(41,829)	(78)	(41,907)	(82,157)	(156)	(82,313)
Other expenses from ordinary activities		(4,645)	-	(4,645)	(14,879)	-	(14,879)
Profit before Income Tax Expense		38,175	145	38,320	56,223	289	56,512
Income tax (expense) / benefit relating to ordinary activities	(e) v	(12,300)	132	(12,168)	13,768	39,538	53,306
Profit after Income Tax Expense		25,875	277	26,152	69,991	39,827	109,818
Net profit attributable to outside equity interests		(157)	-	(157)	(310)	-	(310)
Net Profit Attributable to Unitholders of the Parent Entity		25,718	277	25,995	69,681	39,827	109,508

Notes to the Financial Statements for the Half Year Ended 31 December 2005

12. Impacts of the adoption of A-IFRS (continued)

(c) Effect of the transition to A-IFRS on the balance sheets at 31 December 2004 and 30 June 2005

		31 December 2004			30 June 2005		
	Notes	A-GAAP $'000	Effect of Transition $'000	A-IFRS $'000	A-GAAP $'000	Effect of Transition $'000	A-IFRS $'000
Current Assets							
Cash		44,895	-	44,895	22,373	-	22,373
Receivables		28,282	-	28,282	30,636	-	30,636
Inventories		3,586	-	3,586	3,121	-	3,121
Prepayments		802	-	802	1,548	-	1,548
Other		1,506	-	1,506	676	-	676
Total Current Assets		79,071	-	79,071	58,354	-	58,354
Non-Current Assets							
Receivables		1	-	1	2	-	2
Property, plant and equipment	(e) i, ii	1,803,512	720	1,804,232	1,818,308	711	1,819,019
Intangibles	(e) iii	7,797	232	8,029	5,024	464	5,488
Deferred tax assets *	(e) iv	20,754	145	20,899	31,458	(636)	30,822
Other		3,575	-	3,575	3,375	-	3,375
Total Non-Current Assets		1,835,639	1,097	1,836,736	1,858,167	539	1,858,706
Total Assets		1,914,710	1,097	1,915,807	1,916,521	539	1,917,060
Current Liabilities							
Payables		61,744	-	61,744	63,242	-	63,242
Borrowings		168	-	168	188	-	188
Current tax liabilities		-	-	-	1,187	-	1,187
Provisions		3,567	-	3,567	23,325	-	23,325
Other		46,192	-	46,192	56,601	-	56,601
Total Current Liabilities		111,671	-	111,671	144,543	-	144,543
Non-Current Liabilities							
Payables		61,494	-	61,494	54,920	-	54,920
Borrowings		956,606	-	956,606	1,011,105	-	1,011,105
Deferred tax liabilities *	(e) iv, v	159,780	40,890	200,670	88,123	703	88,826
Provisions	(e) i	906	1,212	2,118	74	1,290	1,364
Other		2,239	-	2,239	2,533	-	2,533
Total Non-Current Liabilities		1,181,025	42,102	1,223,127	1,156,755	1,993	1,158,748
Total Liabilities		1,292,696	42,102	1,334,798	1,301,298	1,993	1,303,291
Net Assets		622,014	(41,005)	581,009	615,223	(1,454)	613,769
Equity							
Contributed equity		500,148	-	500,148	500,135	-	500,135
Reserves		28,615	-	28,615	8,669	-	8,669
Retained profits		93,050	(41,005)	52,045	106,334	(1,454)	104,880
Parent Entity Interest		621,813	(41,005)	580,808	615,138	(1,454)	613,684
Minority interests		201	-	201	85	-	85
Total Equity		622,014	(41,005)	581,009	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.

Notes to the Financial Statements for the Half Year Ended 31 December 2005

12. Impacts of the adoption of A-IFRS (continued)

(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 the superseded accounting policies.

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

i) Recognise Restoration Obligations

AASB 116 “Property, Plant and Equipment” requires the inclusion of the estimated costs of dismantling the 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 to the unwinding of the discount is recognised as interest expense in the income statement.

ii) Depreciation of Restoration Obligations

The restoration obligation included in cost of pipelines under AASB 116 (note (i) above) 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 (“DTA”) and deferred tax liabilities (“DTL”) 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 A-IFRS income statement.

12. Impacts of the adoption of A-IFRS (continued)

(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	AASB 139 Initial Application [a]	Related Tax Impact	A-IFRS Post AASB 139 1 July 2005
	$'000	$'000	$'000	$'000
Assets				
Deferred tax assets	30,822	-	5,787	36,609
Liabilities				
Non-current payables	(54,920)	54,920	-	-
Other financial liabilities	-	(74,211)	-	(74,211)
Equity				
Reserves				
Hedge revaluation	-	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.

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.

Statement by the Directors of the Responsible Entity

In the opinion of the directors of Australian Pipeline Limited, the Responsible Entity of the Trust, the financial statements of Australian Pipeline Trust ("APA"):

(a) comply with Accounting Standards, the Corporations Act 2001 and other mandatory professional reporting requirements; and

(b) give a true and fair view of APA's financial position as at 31 December 2005 and of its performance, as represented by the results of its operations and its cash flows, for the half year ended on that date.

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.

This declaration is made in accordance with a resolution of directors.

G H Bennett
Chairman

R J Wright
Director

Sydney
Date: 21 February 2006

Deloitte Touche Tohmatsu
ABN 74 490 121 060

Grosvenor Place
225 George Street
Sydney NSW 2000
PO Box N250 Grosvenor Place
Sydney NSW 1217 Australia

DX 10307SSE
Tel: +61 (0) 2 9322 7000
Fax: +61 (0) 2 9322 7001
www.deloitte.com.au

Independent review report to the members of Australian Pipeline Trust

Scope

The financial report and directors' responsibility

The financial report comprises the balance sheet, income statement, cash flow statement, statement of changes in equity, selected explanatory notes and the directors' declaration for the consolidated entity for the half-year ended 31 December 2005 as set out on pages 7 to 29. The consolidated entity comprises both Australian Pipeline Trust (the company) and the entities it controlled at the end of the half-year or from time to time during the half-year.

The directors of the company 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.

Review Approach

We have performed an independent review of the financial report in order to state whether, on the basis of the procedures described, anything has come to our attention that would indicate that the financial report is not presented fairly in accordance with the Corporations Act 2001 and Accounting Standards AASB 134 'Interim Financial Reporting' and AASB 1 'First-time Adoption of Australian Equivalents to International Financial Reporting Standards', so as to present a view which is consistent with our understanding of the consolidated entity's financial position, and performance as represented by the results of its operations, its changes in equity and its cash flows, and in order for the company to lodge the financial report with the Australian Securities and Investments Commission.

Our review was conducted in accordance with Australian Auditing Standards applicable to review engagements. A review is limited primarily to inquiries of the entity's personnel and analytical procedures applied to the financial data. These procedures do not provide all the evidence that would be required in an audit, thus the level of assurance provided is less than given in an audit. We have not performed an audit and, accordingly, we do not express an audit opinion.

Deloitte.

Statement

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 the consolidated entity's financial position as at 31 December 2005 and of its performance for the half-year ended on that date; and

(b) complying with Accounting Standards AASB 134 'Interim Financial Reporting' and AASB 1 'First-time Adoption of Australian Equivalents to International Financial Reporting Standards' and the Corporations Regulations 2001.

Deloitte Touche Tohmatsu

DELOITTE TOUCHE TOHMATSU

S Lewis

Samantha Lewis
Partner
Chartered Accountants
Sydney, 21 February 2006