

**Preliminary Final Report Of  
Australian Pipeline Trust (“APA”)  
for the Financial Year Ended 30 June 2005**

ARSN 091 678 778

*This Preliminary Final Report is provided to the Australian Stock Exchange (“ASX”) under ASX Listing Rule 4.3A.*

Current Reporting Period: Financial Year ended 30 June 2005

Previous Corresponding Period: Financial Year ended 30 June 2004

# Australian Pipeline Trust and Controlled Entities

## Results For Announcement To The Market For the Financial Year Ended 30 June 2005

### Revenue and Net Profit/(Loss)

		Percentage Change %	Amount \$'000
Revenue from ordinary activities	up	43.3	to 375,642
Profit/(loss) from ordinary activities after tax attributable to unitholders	down	(42.6)	to 69,681
Profit/(loss) from ordinary activities after tax before significant items attributed to unit holders	up	13.4	to 51,014

### Dividends (Distributions)

	Amount per security	Franked amount per security
Final distribution <sup>a</sup>	6.0¢	1.03¢
Interim distributions paid (Refer Note 11)		
Profit component	16.5¢	2.83¢
Capital component	-	-
Total interim distributions paid	22.5¢	3.86¢

Record date for determining entitlements to the dividend:

- final dividend 9 September 2005
- interim dividend -

<sup>a</sup> This final distribution has not been recorded in the financial report as required by AASB 1044 "Provisions, Contingent Liabilities and Contingent Assets".

The distribution is franked to 40% at the corporate income tax rate.

### Brief Explanation of Revenue, Net Profit/(Loss) and Dividends (Distributions)

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## Australian Pipeline Trust and Controlled Entities

### Statement of Financial Performance For the Financial Year Ended 30 June 2005

		Consolidated	
		2005	2004
		\$'000	\$'000
Revenue from ordinary activities		375,642	262,082
Share of net profits of associates and joint ventures accounted for using the equity method		2,148	22,990
		377,790	285,072
Pipeline operation and management expenses		(98,409)	(42,521)
Depreciation and amortisation expense		(36,818)	(22,567)
Impairment of non-current assets		-	(19,943)
Other pipeline costs		(89,304)	(74,577)
Borrowing costs		(82,157)	(63,084)
Other expenses from ordinary activities		(14,879)	(16,101)
<b><i>Profit from Ordinary Activities before Income Tax Expense</i></b>	Note 2	<b>56,223</b>	46,279
Income tax benefit/(expense) relating to ordinary activities	Note 3	13,768	75,225
<b><i>Profit from Ordinary Activities after Related Income Tax Expense</i></b>		<b>69,991</b>	121,504
Net profit attributable to outside equity interests		(310)	(212)
<b><i>Net Profit Attributable to Unitholders of the Parent Entity</i></b>		<b>69,681</b>	121,292
Increase in asset revaluation reserve arising from revaluation of non-current assets		8,669	-
<b><i>Total Changes In Equity other than those Resulting from Transactions with Unitholders as Owners</i></b>		<b>78,350</b>	121,292

# Australian Pipeline Trust and Controlled Entities

## Statement of Financial Position For the Financial Year Ended 30 June 2005

		<b>Consolidated</b>	
		<b>2005</b>	2004
		<b>\$'000</b>	\$'000
<b>Current Assets</b>			
Cash		22,373	44,251
Receivables		30,636	12,095
Inventories		3,121	50
Other		2,224	1,472
<b>Total Current Assets</b>		<b>58,354</b>	57,868
<b>Non-Current Assets</b>			
Receivables		2	1
Investments accounted for using the equity method		-	171,137
Property, plant and equipment		1,818,308	1,184,862
Intangibles		5,024	6,188
Deferred tax assets		31,458	10,077
Other		3,375	3,538
<b>Total Non-Current Assets</b>		<b>1,858,167</b>	1,375,803
<b>Total Assets</b>		<b>1,916,521</b>	1,433,671
<b>Current Liabilities</b>			
Payables		63,242	53,929
Interest-bearing liabilities		188	180
Current tax liabilities		1,187	5,938
Provisions		23,325	1,902
Other		56,601	7,327
<b>Total Current Liabilities</b>		<b>144,543</b>	69,276
<b>Non-Current Liabilities</b>			
Payables		54,920	17,938
Interest-bearing liabilities		1,011,105	730,225
Deferred tax liabilities		88,123	86,956
Provisions		74	143
Other		2,533	1,127
<b>Total Non-Current Liabilities</b>		<b>1,156,755</b>	836,389
<b>Total Liabilities</b>		<b>1,301,298</b>	905,665
<b>Net Assets</b>		<b>615,223</b>	528,006
<b>Equity</b>			
Contributed equity	Note 8	500,135	427,435
Asset revaluation reserve		8,669	-
Retained profits	Note 9	106,334	100,439
<b>Parent Entity Interest</b>		<b>615,138</b>	527,874
Outside Equity Interest		85	132
<b>Total Equity</b>		<b>615,223</b>	528,006

## Australian Pipeline Trust and Controlled Entities

### Statement of Cash Flows For the Financial Year Ended 30 June 2005

		<b>Consolidated</b>	
		<b>2005</b>	2004
		<b>\$'000</b>	\$'000
<b><i>Cash Flows From Operating Activities</i></b>			
Receipts from customers		<b>392,808</b>	275,813
Payments to suppliers and employees		<b>(207,831)</b>	(162,483)
Dividends received from associates		-	7,667
Interest received		<b>11,054</b>	10,129
Interest and other costs of finance paid		<b>(75,363)</b>	(45,942)
Income tax paid		<b>(14,448)</b>	(2,869)
<b><i>Net cash provided by operating activities</i></b>	Note 10(d)	<b>106,220</b>	82,315
<b><i>Cash Flows From Investing Activities</i></b>			
Payment for investments in joint venture entities		-	(7)
Payment for acquisition of joint venture interest – Carpentaria Gas Pipeline		<b>(97,238)</b>	-
Payment for property, plant and equipment		<b>(12,825)</b>	(2,752)
Proceeds from sale of property, plant and equipment		<b>89</b>	278
Purchase of controlled entities – SCP Gas Business		<b>(209,213)</b>	-
Cash from entities acquired		<b>116,424</b>	-
<b><i>Net cash used in investing activities</i></b>		<b>(202,763)</b>	(2,481)
<b><i>Cash Flows From Financing Activities</i></b>			
Proceeds from borrowings		<b>810,000</b>	16,000
Repayment of borrowings		<b>(742,593)</b>	(524,292)
Proceeds from issue of units		<b>73,278</b>	16,496
Proceeds from issue of notes		-	496,036
Payment of unit issue costs		<b>(578)</b>	(122)
Payment of debt issue costs		<b>(1,166)</b>	(2,806)
Distributions paid to:			
Unitholders of Trust		<b>(63,786)</b>	(52,950)
Outside equity interests		<b>(490)</b>	(261)
<b><i>Net cash from/(used in) financing activities</i></b>		<b>74,665</b>	(51,899)
<b><i>Net (Decrease)/Increase In Cash Held</i></b>		<b>(21,878)</b>	27,935
<i>Cash At The Beginning Of The Financial Year</i>		<b>44,251</b>	16,316
<b><i>Cash At The End Of The Financial Year</i></b>	Note 10(a)	<b>22,373</b>	44,251

# Australian Pipeline Trust and Controlled Entities

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## Notes to the Financial Statements For the Financial Year Ended 30 June 2005

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# Australian Pipeline Trust and Controlled Entities

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## Notes to the Financial Statements For the Financial Year Ended 30 June 2005

### 1. Basis of Preparation

This preliminary final report has been prepared in accordance with ASX Listing Rule 4.3A and the disclosure requirements of ASX Appendix 4E.

The accounting policies adopted in the preparation of this preliminary final report are consistent with those adopted and disclosed in the 2004 annual financial report, except for those disclosed below.

Details of changes in accounting policies:

-Nil-
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## Australian Pipeline Trust and Controlled Entities

### Notes to the Financial Statements For the Financial Year Ended 30 June 2005

	<b>2005</b>	<b>2004</b>
	<b>\$'000</b>	<b>\$'000</b>
<b>2. Profit From Ordinary Activities</b>		
Profit from ordinary activities before income tax includes the following items of revenue and expense:		
<b>(a) Revenue from Ordinary Activities</b>		
Sales Revenue:		
Pipeline transportation revenue	265,087	169,565
Other pipeline revenue - passthrough	89,304	74,577
	<b>354,391</b>	244,142
Interest revenue	17,852	16,737
Proceeds from disposal of property, plant and equipment	89	278
Other	3,310	925
	<b>375,642</b>	262,082
<b>(b) Expenses</b>		
Pipeline Operating and Management Expenses	98,409	42,521
Other Pipeline Costs:		
Operating Lease – rental expense	16,973	15,345
Gas Pipeline Costs	72,331	59,232
Total Other Pipeline Costs	<b>89,304</b>	74,577
Depreciation of non-current assets	35,654	21,403
Amortisation of non-current assets	1,164	1,164
Total Depreciation and Amortisation Expense	<b>36,818</b>	22,567
<b>(c) Significant Items</b>		
Stress corrosion cracking repair and investigative work	(23,530)	-
Mid West Pipeline written off	-	(19,943)
Due diligence costs on capital acquisition projects recovered/(written off)	2,000	(5,763)
Equity accounted tax consolidation benefit – SCP	-	6,964
Loss from Significant Items before Income Tax	<b>(21,530)</b>	(18,742)
Income tax related to significant items above	6,459	2,138
Tax consolidation benefit – APA	33,738	92,912
<b>Profit from Significant Items after Related Income Tax</b>	<b>18,667</b>	76,308

## Australian Pipeline Trust and Controlled Entities

### Notes to the Financial Statements For the Financial Year Ended 30 June 2005

	2005 \$'000	2004 \$'000
<b>3. Income Tax (Benefit)/Expense</b>		
<b>(a) The prima facie income tax expense on pre-tax accounting profit reconciles to the income tax expense in the financial statements as follows:</b>		
Profit from Ordinary Activities	56,223	46,279
Income tax expense calculated at 30%	16,867	13,884
<b><i>Permanent Differences:</i></b>		
Non-allowable depreciation	744	451
Non-allowable interest expense	2,145	2,060
Amortisation of intangible assets	349	349
Equity share of joint venture entities' net profit (less unfranked dividends received)	(644)	(4,597)
Deferred tax-assets not brought to account	-	5,540
Other	509	-
<b><i>Impact of the Tax Consolidation System:</i></b>		
Initial recognition of deferred tax balances of subsidiaries on implementation of the tax consolidation system	(33,738)	(92,912)
<b><i>Income Tax (Benefit)/Expense relating to Ordinary Activities</i></b>	<b>(13,768)</b>	<b>(75,225)</b>

#### **Tax Consolidation System**

Legislation to allow groups, comprising a parent entity and its Australian resident wholly-owned entities, to elect to consolidate and be treated as a single entity for income tax purposes was substantively enacted on 21 October 2002.

APA and its wholly-owned Australian resident entities are eligible to consolidate for tax purposes under this legislation and elected to be taxed as a single entity from 1 July 2003. The head entity within the tax-consolidated group for the purposes of the tax-consolidation system is Australian Pipeline Trust.

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

## Australian Pipeline Trust and Controlled Entities

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### Notes to the Financial Statements For the Financial Year Ended 30 June 2005

#### 4. Commentary on Results

-See Appendix 1 Attached-

#### 5. Fundamental Errors

-NIL-

#### 6. Extraordinary Items

There were no extraordinary items during the period.

## Australian Pipeline Trust and Controlled Entities

### Notes to the Financial Statements For the Financial Year Ended 30 June 2005

	2005 \$'000	2004 \$'000
<b>7. Sales of Assets</b>		
Sales of assets in the ordinary course of business have given rise to the following profits and losses:		
<b>Net Profits</b>		
Property, plant and equipment	70	128
<b>Net Losses</b>		
Property, plant and equipment	-	-
<b>8. Contributed Equity</b>		
Balance at the beginning of the financial year	427,435	426,963
Private placement of APA units	61,740	-
Issued under distribution reinvestment plan	11,538	16,496
Capital distributions	-	(15,902)
Issue costs of units	(578)	(122)
Balance at the end of the financial year	500,135	427,435
<b>9. Retained Profits</b>		
Balance at the beginning of the financial year	100,439	16,195
Net profit attributable for the year	69,681	121,292
Distributions provided for or paid	(63,786)	(37,048)
Balance at the end of the financial year	106,334	100,439

# Australian Pipeline Trust and Controlled Entities

## Notes to the Financial Statements For the Financial Year Ended 30 June 2005

<b>2005</b>	<b>2004</b>
<b>\$'000</b>	<b>\$'000</b>

### 10. Notes to the Statement of Cash Flows

#### (a) Reconciliation of Cash

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

Cash at bank and on hand	20,978	14,607
Short-term deposits	1,395	29,644
	<b>22,373</b>	<b>44,251</b>

#### (b) Financing Facilities

Unsecured Bank borrowings:

Amount used	568,000	250,000
Amount unused	132,000	250,000
	<b>700,000</b>	<b>500,000</b>

Guaranteed Senior Notes<sup>a</sup> (issued September 2003)

	<b>Maturity Date</b>	<b>Amount A\$'000</b>	<b>Amount A\$'000</b>
<u>Denominated in A\$</u>			
Series A Notes	9 Sept., 2010	102,000	102,000
<u>Denominated in US\$</u>			
Series B Notes	9 Sept., 2013	96,890	107,457
Series C Notes	9 Sept., 2015	159,738	177,158
Series D Notes	9 Sept., 2018	82,488	91,483
		<b>441,116</b>	<b>478,098</b>

<sup>a</sup> APT Pipelines Limited issued Guaranteed Senior Notes ("Notes") in the US Private Placement market during the previous financial year. The issue was in dual currencies involving the Australian dollar and the US dollar. The amount disclosed represents the Australian dollar equivalent of Notes, as measured at the reporting date.

## Australian Pipeline Trust and Controlled Entities

### Notes to the Financial Statements For the Financial Year Ended 30 June 2005

#### 10. Notes to the Statement of Cash Flows (continued)

(c) *Cash Balances Not Available for Use*

- NIL -

	2005 \$'000	2004 \$'000
<b>(d) Reconciliation of Profit from Ordinary Activities After Related Income Tax Expense to Net Cash Flows Provided by Operating Activities</b>		
Profit from ordinary activities after related income tax expense	69,991	121,504
(Profit)/loss on sale of non-current assets	(70)	(128)
Share of joint venture entities profit (net of dividends received)	(2,148)	(15,323)
Depreciation, amortisation and writedowns of non-current assets	39,490	44,490
Changes in assets and liabilities:		
Current receivables	(6,101)	7,469
Current inventories	1,135	25
Other current assets	1,846	(287)
Current payables	(3,824)	1,597
Other current liabilities	32,963	1,192
Non-current assets	(52)	34
Non-current liabilities	1,206	(164)
Increase/(decrease) in income tax balances	(28,216)	(78,094)
<b>Net cash flows provided by operating activities</b>	<b>106,220</b>	<b>82,315</b>

# Australian Pipeline Trust and Controlled Entities

## Notes to the Financial Statements For the Financial Year Ended 30 June 2005

### 11. Details Relating to Distributions

	2005		2004	
	Cents per Unit	Total \$'000	Cents per Unit	Total \$'000
<b>Recognised amounts:</b>				
<b>Final distribution paid on 27 September 2004 (2004: 25 September 2003)</b>				
Profit distribution <sup>a</sup>	6.5	17,864	6.5	15,860
Capital distribution	-	-	-	-
<b>First interim distribution paid on 30 December 2004 (2004: 29 December 2003)</b>				
Profit distribution <sup>a</sup>	5.5	15,244	5.0	12,286
Capital distribution	-	-	-	-
<b>Second interim distribution paid on 30 March 2005 (2004: 29 March 2004)</b>				
Profit distribution <sup>a</sup>	5.5	15,339	3.6	8,902
Capital distribution	-	-	1.4	3,462
<b>Third interim distribution paid on 28 June 2005 (2004: 24 June 2004)</b>				
Profit distribution <sup>a</sup>	5.5	15,339	-	-
Capital distribution	-	-	5.0	12,440
	<b>23.0</b>	<b>63,786</b>	<b>21.5</b>	<b>52,950</b>
<b>Unrecognised amounts:</b>				
<b>Final distribution payable on 29 September 2005 (2004: 27 September 2004)</b>				
Profit distribution <sup>b</sup>	6.0	16,734	6.5	17,864
Capital distribution	-	-	-	-
	<b>6.0</b>	<b>16,734</b>	<b>6.5</b>	<b>17,864</b>

<sup>a</sup> Profit distributions were franked to 40% at the corporate income tax rate (2004: unfranked).

<sup>b</sup> Profit distribution franked to 40% at the corporate income tax rate (2004: 40% franked).

The final distribution in respect of the financial year has not been recognised in this financial report because the final distribution was not declared, determined or publicly recommended prior to 30 June 2005.

	2005 \$'000	2004 \$'000
Adjusted franking account balance (tax-paid basis)	<b>10,606</b>	<b>11,461</b>

## Australian Pipeline Trust and Controlled Entities

### Notes to the Financial Statements For the Financial Year Ended 30 June 2005

#### 11. Details Relating to Distributions (continued)

Any other disclosures in relation to dividends (distributions).

-NIL-
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The dividend or distribution plans shown below are in operation.

The distribution reinvestment plan is not operational for this distribution.
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The last date(s) for receipt of election notices for the dividend or distribution plans

-N/A-
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#### 12. Earnings Per Unit

	2005 ¢ per unit	2004 ¢ per unit
<i>Basic EPU</i>	25.33	49.20
<i>Basic EPU before significant items</i>	18.55	18.25

##### *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	69,681	121,292
Earnings – before significant items	51,014	44,984

	2005 No. '000	2004 No. '000
Weighted average number of ordinary units	275,050	246,504

Earnings used in the calculation of basic earnings per unit reconciles to net profit in the statement of financial performance as follows:

	2005 \$'000	2004 \$'000
Net profit from ordinary activities before significant items	51,014	44,984
Significant items (Note 2(c))	18,667	76,308
Net profit from ordinary activities after tax attributable to unitholders	69,681	121,292

##### *Diluted Earnings per Unit*

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

## Australian Pipeline Trust and Controlled Entities

### Notes to the Financial Statements For the Financial Year Ended 30 June 2005

#### 13. Net Tangible Assets Per Security

	2005	2004
	\$	\$
Net tangible assets per security	2.19	2.08

#### 14. Details of Entities Over Which Control Has Been Gained or Lost

##### *Control gained over entities*

Name of entity (or group of entities)

Western Australian Gas Transmission Company 1\*

Date control gained

17 August 2004

\* Western Australian Gas Transmission Company 1 has ownership interest in SCP Gas Business.

##### *Loss of control of entities*

Name of entity (or group of entities)

Not Applicable

Date control lost

Not Applicable-

	2005 \$'000
Contribution of the controlled entity (or group of entities) to profit/(loss) from ordinary activities during the period, to the date of losing control.	-
	2004 \$'000
Contribution of the controlled entity (or group of entities) to profit/(loss) from ordinary activities for the whole of the previous corresponding period.	-

# Australian Pipeline Trust and Controlled Entities

## Notes to the Financial Statements For the Financial Year Ended 30 June 2005

### 15. Details of Associates and Joint Venture Entities

Name of Entity	Ownership Interest		Contribution to net profit	
	2005 %	2004 %	2005 \$'000	2004 \$000
<b>Equity accounted associates and joint venture entities</b>				
SCP Investments (No.1) Pty Limited <sup>a</sup>	-	55	2,148	22,990
<b>Other material interests</b>	-	-	-	-
	-	-	-	-
<b>Aggregate Share of Profits/ (Losses)</b>	-	-	2,148	22,990

<sup>a</sup> On 17 August 2004, APA acquired the remaining 45% interest in SCP. Accordingly, the results of SCP have been equity accounted until that date and consolidated into APA's result thereafter.

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

### 16. Contingent Liabilities and Contingent Assets

	2005 \$'000	2004 \$'000
Contingent liabilities		
Bank guarantees	78	78
Contingent assets	-	-

## Australian Pipeline Trust and Controlled Entities

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### Notes to the Financial Statements For the Financial Year Ended 30 June 2005

#### 17. Segment Information

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

#### 18. Discontinuing Operations

Not Applicable
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#### 19. Events Subsequent to Balance Date

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#### 20. Other Significant Information

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# Australian Pipeline Trust and Controlled Entities

## Notes to the Financial Statements For the Financial Year Ended 30 June 2005

### 21. Impact of Adopting Australian Equivalents to International Financial Reporting Standards

APA will be required to prepare financial statements that comply with Australian equivalents to International Financial Reporting Standards (“A-IFRS”) for annual reporting periods beginning on or after 1 January 2005. Accordingly, APA’s first report prepared under A-IFRS will be for the half year reporting period ending 31 December 2005.

At the date of this financial report, APA has substantially completed assessment of accounting policy alternatives on transition to A-IFRS, the finalisation of the A-IFRS accounting policies that will be adopted from 1 July 2004 (“transition date”), and the determination of the likely impact on the results and financial position of APA and the consolidated entity.

The following reconciliations outline the likely impacts on the current financial year result and financial position of APA and the consolidated entity had the financial statements been prepared using A-IFRS, based on the directors’ accounting policy decisions current at the date of this financial report. The figures disclosed are the best estimates of the quantitative impact of the changes as at the date of preparing this report. The actual effects of transition to A-IFRS may differ from the estimates disclosed due to:

- ongoing work being undertaken on A-IFRS;
- potential amendments to A-IFRS and Interpretations thereof being issued by the standard-setters;
- emerging accepted practice in the interpretation and application of A-IFRS and Urgent Issues Group Interpretations; and
- any change to accounting policy made by the directors.

#### Reconciliation of AGAAP Equity, Total Assets, Total Liabilities and Earnings to A-IFRS – 30 June 2005

Note	Equity \$'000	Total Assets \$'000	Total Liabilities \$'000	EBIT \$'000	Net Profit after Tax and Minorities \$'000
<b>Total reported under AGAAP</b>	<b>615,223</b>	<b>1,916,521</b>	<b>1,301,298</b>	<b>120,528</b>	<b>69,681</b>
A-IFRS adjustments:					
Recognise restoration obligation i	(246)	834	1,080	-	-
Restoration obligation – unwinding discount i	(156)	-	156	-	(156)
Depreciation of Restoration obligation i, ii	(13)	(13)	-	(19)	(13)
Tax impact of restoration obligation iv	47	47	-	-	47
Amortisation of goodwill iii	464	464	-	464	464
Intangibles – tax impact iv	(1,366)	-	1,366	-	210
Deferred tax liabilities iv	(3,208)	-	3,208	-	-
<b>Total A-IFRS adjustments</b>	<b>(4,478)</b>	<b>1,332</b>	<b>5,810</b>	<b>445</b>	<b>552</b>
<b>Total restated under A-IFRS</b>	<b>610,745</b>	<b>1,917,853</b>	<b>1,307,108</b>	<b>120,973</b>	<b>70,233</b>

**Notes to the Financial Statements  
For the Financial Year Ended 30 June 2005**

**21. Impact of Adopting Australian Equivalents to International Financial Reporting Standards (continued)**

- (i) AASB 116 “Property, Plant and Equipment” requires the inclusion of the estimated costs of dismantling the pipelines and restoring the site on which pipelines are located to be included in the cost of the asset. The obligation is required to be accounted for in accordance with AASB 137 “Provisions, Contingent Liabilities and Contingent Assets” and is therefore recognised as the present value of the future cash outflows. In accordance with AASB 137, the increase in restoration obligations relating to unwinding of the discount is recognised as interest expense in the income statement.
- (ii) The restoration obligation included in cost of pipelines under AASB 116 (note (i) above) is depreciated over the useful life of the pipeline.
- (iii) The adoption of A-IFRS will not significantly impact 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 that goodwill may be impaired.
- (iv) AASB 112 “Income Taxes” requires the use of a “balance sheet liability method”, rather than the current “income statement method”. The balance sheet liability method effectively recognises deferred tax balances where there is a difference between the carrying value of an asset or liability and its tax base. This results in the recognition of deferred tax assets and liabilities in relation to the assets whose carrying value and tax base are different.

APA has decided to apply the exemptions provided in AASB 1 “First-time Adoption of Australian Equivalents to International Financial Reporting Standards” which permits entities not to:

- restate previous business combinations that occurred before transition date. As there are no material differences in accounting between AGAAP and A-IFRS for acquisitions that occurred after the transition date, there is no impact from application of AASB 3 ‘Business Combinations’; and
- apply the requirements of AASB 132 “Financial Instruments: Presentation and Disclosures” and AASB 139 “Financial Instruments: Recognition and Measurement” for the financial year ended 30 June 2005. The standards will be applied from 1 July 2005. Accordingly, there is no quantitative impact on this financial statement from these standards.

Application of AASB 139 will result in recognition of new assets and liabilities on the statement of financial position, representing fair value of derivatives. To the extent that such derivatives are “effective” any changes in fair value will be accounted for in an equity reserve account in the statement of financial position.

***Restated A-IFRS Statement of Cash Flows for the Financial Year ended 30 June 2005***

No material impacts are expected on the cash flows presented under AGAAP on the adoption of A-IFRS.

# Australian Pipeline Trust and Controlled Entities

## Notes to the Financial Statements For the Financial Year Ended 30 June 2005

### Compliance Statement

#### 22. Information on Audit or Review

This preliminary final report is based on accounts to which one of the following applies.

The accounts have been audited.

The accounts have been subject to review.

The accounts are in the process of being audited or subject to review.

The accounts have not yet been audited or reviewed.

Description of likely dispute or qualification if the accounts have not yet been audited or subject to review or are in the process of being audited or subjected to review.

- N/A -

Description of dispute or qualification if the accounts have been audited or subjected to review.

- N/A -

The entity has a formally constituted audit committee.

Sign here:

\_\_\_\_\_

Director

\_\_\_\_\_

Date 30/08/05

Print name: George H Bennett

# Australian Pipeline Trust

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## Appendix 1

### Operating and Financial Review

#### **Financial Performance**

Operating profit after tax and minorities but before significant items for the year ended 30 June 2005 was \$51,014,000, which was an increase of 13.4% on the prior year of \$44,984,000. The improved performance resulted from acquisitions (as noted below) and increased pipeline transportation revenue principally in the Roma to Brisbane Pipeline (“RBP”). After significant items, net profit attributable to unitholders of APA for the financial year was \$69,681,000 (2004: \$121,292,000).

#### **Distribution to Unitholders**

On 30 August 2005, the directors declared a final profit distribution of 6.0 cents per unit (“cpu”) franked to 40% at the corporate income tax rate, which takes the total distribution in respect of the financial year to 22.5 cpu. This is an increase of 1.0 cpu over the previous financial year reflecting improved operating performance.

#### **Highlights**

##### **Acquisitions and Investments**

- APA acquired the remaining 45% interest in SCP Investments (No.1) Pty Limited (“SCP”), the 88.2% owner of Goldfields Gas Transmission Pipeline (“GGT”), and Parmelia gas business from CMS (together the “SCP Gas Business”) on 17 August 2004. APA paid \$209,213,000 for the acquisition including a working capital adjustment;
- prior to the acquisition, APA had equity accounted SCP’s financial results. From the date of the acquisition, the results of the SCP Gas Business have been consolidated into APA’s figures;
- on 25 February 2005, APA acquired the remaining 30% minority interest in Carpentaria Gas Pipeline (“CGP”) joint venture for \$97,238,000; and
- subsequent to year end, APA acquired a 5.3% unitholding in the issued units of Gas Net Australia Group, a gas transmission business listed on the ASX.

##### **Other Highlights**

In Queensland, APA entered into:

- a ten year transportation agreement with Incitec Pivot Limited (“IPL”) to transport up to 16 PJ per annum of gas through the RBP in Queensland to IPL’s fertiliser at Gibson Island. The agreement will commence in 2007;
- a variation agreement with CS Energy to increase transportation volumes through the RBP to over 15 PJ pa, to deliver CS Energy’s Swanbank E power station. The agreement is for a period of 12.5 years and commences immediately; and
- a ten year transportation agreement to the new Braemar power station in Queensland. Starting in 2006, APA will transport six PJ of gas per annum via the RBP.

In Western Australia, APA:

- has advanced planning to expand its Mondarra gas storage facilities following the gas storage optimisation agreement signed with Western Power. Gas storage optimisation is intended to assist Western Power to meet its power requirements in the Perth region; and
- signed a four year contract with Western Power to transport gas through the Parmelia Gas Pipeline to Austral Bricks in Western Australia.

In addition, APA renegotiated the syndicated borrowing, which was due to expire in June 2005, on a bilateral basis with the lenders for a term extending up to five years. Project debt under SCP has also been re-financed under the bilateral facility. The new facility is on terms more favourable than the previous facility, which will lower borrowing costs in future periods.

## Appendix 1

During the year an APA backed consortium was named preferred bidder to build, own and operate the Trans-Territory Pipeline (“TTP”) in Northern Territory for Alcan. However, following termination of negotiations between Alcan and the Blacktip joint venture (which was to supply gas to Alcan), the construction of TTP has been indefinitely delayed. All associated costs have been written off.

### ***Moomba to Sydney Pipeline - Stress Corrosion Cracking***

As previously reported, APA has carried out extensive investigation and analysis of the incidence and impact of stress corrosion cracking (“SCC”) on the Moomba to Sydney Pipeline (“MSP”). The work has concentrated on the first 162 kilometres of the MSP where the conditions under which SCC can develop, are most likely to be found. The first 162 kilometres of pipeline runs through the remote northern parts of South Australia and New South Wales and crosses a small section of south-western Queensland. The main investigation included the running of two “intelligent pigs” through the gas stream in the pipeline to measure and record irregularities in the steel wall of the pipe. This was carried out in January and March 2005 and preliminary data obtained.

From this preliminary data six sites were identified which required further investigation. In May 2005, these sites were excavated and work successfully carried out which ensured that the MSP continued to operate safely at a sufficient pressure to meet expected load requirements for winter 2005.

A final inspection data report has been received. On the basis of this report, it has been established that there is a higher occurrence of SCC towards the beginning of the 162 kilometres of pipeline which declines in severity near the end of this section.

APA is planning to carry out the additional work needed to ensure the continued safe and reliable operation of the MSP. APA is confident that it will continue to meet its contractual obligations. As mentioned, APA has provided \$23,530,000 in relation to SCC during the year. Of this amount approximately \$12,120,000 will be applied to remediation work, \$8,000,000 has been provided for additional intelligent pigging exercises, while SCC investigative work during the year of \$3,410,000 has been written off.

# Australian Pipeline Trust

## Appendix 1

### **Financial Summary**

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

	Year ended 30 June 05 \$'000	Year ended 30 June 04 \$'000	Change Compared to 2004	
			\$'000	%
<b>Operating results</b>				
Pipeline revenue	267,235	185,591	81,644	44.0
Other pipeline revenue	89,304	74,577	14,727	19.7
Other revenue	19,251	17,940	1,311	7.3
Total revenue	375,790	278,108	97,682	35.1
EBITDA	178,876	133,935	44,941	33.6
EBIT	142,058	111,368	30,690	27.6
Pre-tax profit	77,754	65,021	12,733	19.6
Income tax expense	(26,430)	(19,825)	(6,605)	(33.3)
Operating profit after tax and minorities, before significant items	51,014	44,984	6,030	13.4
<b>Significant items</b>				
SCC repair provision/expense	(23,530)	-	(23,530)	-
Due diligence cost recovered/(written off)	2,000	(5,763)	7,763	-
Mid West pipeline written off	-	(19,943)	19,943	-
Tax consolidation benefit – SCP group	-	6,964	(6,964)	-
Significant items before income tax	(21,530)	(18,742)	(2,788)	-
Tax effect of significant items	6,459	2,138	4,321	-
Tax consolidation benefit – APA	33,738	92,912	(59,174)	-
Significant items after tax	18,667	76,308	(57,641)	(75.5)
Profit after income tax and minorities	69,681	121,292	(51,611)	(42.6)
Earnings per unit, before significant items	18.55c	18.25c	0.30c	1.6
Earnings per unit	25.33c	49.20c	(23.87)c	(48.5)

# Australian Pipeline Trust

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## Appendix 1

### **Operating Results**

#### **Revenue**

Pipeline revenue grew by 44.0% from \$185,591,000 to \$267,235,000 which was principally due to consolidation into APA of SCP Gas Business revenue, which had been previously equity accounted. Excluding the acquired entities' share, the Pipeline revenue fell 2.2% to \$181,514,000 a reduction of \$4,077,000 compared to last year. The lower revenue is a direct consequence of the reduction in the transportation revenue on the MSP under the Gas Transportation Deed ("GTD"), which was foreshadowed in previous financial reports. The full impact of GTD reduction of \$5,621,000 was mitigated by additional revenue from other customers, indicating that the increased competition in gas markets is encouraging the emergence of alternate retailers and aggregators.

The revenue from the RBP increased by 11.5% from \$27,098,000 to \$30,213,000 due to an increase in capacity contracted and higher throughput to existing customers.

#### **Expenses**

Pipeline operating and management expenses increased from \$42,521,000 in the previous financial year to \$74,879,000 on an operating basis, an increase of 76.1%, mainly due to the impact of consolidating the newly acquired entities for the first time in 2005. Excluding the Pipeline operating and management expenses of the acquired entities and a "one-off" adjustment to expenses of the Amadeus Gas Trust in the previous year, expenses were higher by \$2,752,000 to \$45,273,000.

The net borrowing cost increased by \$17,958,000 to \$64,305,000 in the current year due to additional borrowing to fund the acquisitions. Interest expense also benefited from an 'one-off' reduction resulting from the re-negotiation of various hedge contracts following the issue of Guaranteed Senior Notes in the United States Private Placement market in the previous financial year.

#### **Income Tax**

Income tax expense is higher as a percentage of pre-tax profit in comparison to the previous financial year, as the share of net profit of joint venture entities (included in Pipeline revenue) is not tax effected to the extent that such profit is not received as cash dividends.

#### **Earnings per Unit**

Earnings per unit ("EPU") before significant items increased from 18.25 cents per unit ("cpu") to 18.55 cpu. Including significant items, EPU decreased from 49.20 cpu to 25.33 cpu. The equity raised through the private placement of units to fund SCP Gas Business acquisition and Distribution Re-investment Plan ("DRP") increased the number of units on issue, which impacted EPU.

#### **Cash Flow**

Cash flow from operating activities of \$106,220,000 was \$23,905,000 higher than the previous year of \$82,315,000 as a consequence of acquisitions, which were cash flow accretive.

APA paid \$209,213,000 on the SCP Gas Business acquisition and \$97,238,000 on the CGP acquisition. The SCP Gas Business acquisition was funded by a private equity placement of \$61,740,000, operating cashflows and borrowings. The cash from acquired entities of \$116,424,000 was subsequently utilised to repay part of the additional borrowing.

APA entered into new bilateral debt arrangements for tenures of three and five years. This increases the total unsecured bank facility to \$700 million from \$500 million at 30 June 2004.

Unitholder distribution increased from \$52,950,000 in the previous financial year to \$63,786,000 as a consequence of a higher number of units issued and an increase in distributions per unit.

#### **Distribution Re-investment Plan**

The DRP that was operational for the final distribution for the year ended 30 June 2004 and first interim distribution of the current financial year raised \$11,511,000, net of costs, from the 4,059,000 units that were issued. The DRP has now been suspended and will be reactivated when an additional requirement for capital arises. As at 30 June 2005, 278,895,000 units were on issue.

# Australian Pipeline Trust

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## Appendix 1

### **Significant Items**

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

- based on the investigation and analysis carried out in relation to SCC, APA has identified various sites where repair work needs to be undertaken. As there is a legal and constructive obligation to carry out the repair and further investigative work, an amount of \$20,120,000 has been provided at 30 June 2005. Expenses for SCC investigative work conducted during the year of \$3,410,000 have been written off;
- APA negotiated with the administrators of Dampier to Bunbury Natural Gas Pipeline to recover \$2,000,000 towards costs of APA's unsuccessful bid for the pipeline. The costs incurred in relation to the bid were written off in the previous financial year; and
- as outlined in the 2004 Annual Report, the Business Tax Reform legislation, of which tax consolidation is a part, was being enacted through a series of successive legislation. The tax consolidation benefit of \$92,912,000 that was taken into account in the previous financial year was based on the prevailing legislation. In March 2005, Tax Laws Amendment (2004 Measures No. 6) Bill 200 received Royal Assent. The Act amended the basis of calculation of tax bases of assets of transitional entities such as APA, consequently increasing the tax base of assets further. This resulted in the further release of deferred tax liabilities and a corresponding income tax benefit of \$33,738,000.

### **Regulatory Matters**

Key regulatory matters addressed during the financial year included:

- the appeal to the Australian Competition Tribunal against the ACCC's decision on the access arrangements for the MSP system was finalised in June 2005. The tribunal ordered that the regulatory value for MSP be set at \$834.7 million at 1 July 2003. The ACCC has appealed to the Full Court of the Federal Court against the decision of the Tribunal, on the basis that the Tribunal's decision contained error of law. The hearing of the appeal occurred in mid-August 2005. APA expects that the Federal Court to uphold the Tribunal's decision;
- approval by the Economic Regulation Authority of the GGT access arrangements finalises the regulatory process effective 1 August 2005. Additionally, the appeal against the Minister's decision that the pipeline should not be regulated under the Gas Code has been discontinued. With the regulatory process finally complete, APA will pursue new pipeline opportunities in Western Australia; and
- APA and the gas transmission industry await the Australian and State Governments' implementation of the recommendation contained in the Productivity Commission Final Report on the National Gas Access Regime. The recommendations recognise the need for a simpler, fairer and more efficient regulatory regime than presently exists. APA continues to work with Australian Pipeline Industry Association and other industry bodies to ensure the recommendations are introduced in a timely manner.

### **Gas Supply**

The question of sourcing of future natural gas supplies to south-east and northern Australia from the end of this decade continues to be a major issue. APA has made the decision to support the development of Coal Bed Methane ("CBM") production as a means of partially addressing a conventional natural gas shortfall. CBM has proven to be a useful adjunct energy source and its development will continue to be fully supported by APA.

There has been a "missing link" in connecting Queensland gas to South Australia and New South Wales. The absence of a physical link is being managed through gas swap agreements between our customers, which enables Queensland gas to be sold in New South Wales. The Papua New Guinea ("PNG") gas pipeline project provides an opportunity to connect the eastern coast gas market to northern gas and create the long touted "east coast gas grid".

The announcement by the PNG Gas Project participants, that they had entered into a conditional agreement with Alcan to deliver 43.5 PJ of gas over 20 years for its Northern Territory based Gove alumina project is real progress for the PNG gas pipeline project.

# Australian Pipeline Trust

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## Appendix 1

This news, together with AGL's announcement of a conditional gas supply agreement with the PNG Gas Project producers to purchase around 1,500 PJ of gas over 20 years from 2009, adds strength to the likelihood that the PNG gas pipeline project will finally become a reality.

Under the Pipeline Development Agreement ("PDA") between APA and AGL, APA has the first right to purchase at least 20% of the aggregate ownership interest in the PNG Gas Pipeline, on normal commercial terms, as well as any other future gas transmission projects that AGL intends to sell. We understand that the PNG gas project participants are looking to make a final investment decision in the second half of 2006. APA welcome these developments and looks forward to the PNG gas project becoming a reality.

### ***Investment***

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