

APA Group

Australia's leading energy transporter





Gas transmission & distribution **p12**



Gas processing **p16**



Gas-fired power stations **p18**



Gas storage **p20**



Electricity Interconnectors **p22**

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ANNUAL MEETING

DATE: 30 OCTOBER 2007

**VENUE: CITY RECITAL HALL,
ANGEL PLACE, SYDNEY.**

TIME: 11:00AM

**REGISTRATION COMMENCES
AT 10:30AM**

APA Group





Delivering energy to Australia

“Our vision is to build Australia’s leading energy transmission and distribution business. Our strategy is simple. We are committed to growing the business and maximising value for securityholders in the short, medium and long-term.

Underscoring our investment strategy is the goal of increasing distributions to securityholders by at least CPI annually.

In looking at our achievements for the 2007 financial year, I am delighted that APA has exceeded that target by providing an annual increase of 16.7% over the previous year, demonstrating the value of our growth strategy.”

Mick McCormack
MANAGING DIRECTOR

Delivering energy

APA GROUP OWNS OVER 12,000 KM OF GAS TRANSMISSION PIPELINES AND OVER 21,400 KM OF GAS DISTRIBUTION NETWORKS THROUGHOUT THE COUNTRY

1. VICTORIAN TRANSMISSION SYSTEM, NSW/VIC
2. GOLDFIELDS GAS TRANSMISSION PIPELINE, WA
3. PARMELIA GAS PIPELINE, WA
4. MIDWEST PIPELINE, WA
5. TELFER GAS PIPELINE, WA
6. MOOMBA TO SYDNEY PIPELINE SYSTEM, SA/NSW
7. CENTRAL WEST PIPELINE, NSW
8. ROMA TO BRISBANE PIPELINE, QLD
9. CARPENTARIA GAS PIPELINE, QLD
10. ALLGAS DISTRIBUTION NETWORKS, QLD/NSW
11. AMADEUS GAS PIPELINE, NT
12. PROPOSED BONAPARTE GAS PIPELINE, NT
13. KOGAN NORTH GAS PROCESSING FACILITY, QLD
14. TIPTON WEST GAS PROCESSING FACILITY, QLD
15. DAANDINE POWER STATION, QLD
16. X41 POWER STATION, QLD
17. LNG FACILITY, VIC
18. MONDARRA GAS STORAGE FACILITY, WA
19. MURRAYLINK INTERCONNECT, SA/VIC
20. DIRECTLINK INTERCONNECT, NSW/QLD
21. MURRIN MURRIN LATERAL, WA
22. KALGOORLIE TO KAMBALDA PIPELINE, WA
23. GLADSTONE TO MARYBOROUGH GAS PIPELINE, QLD
24. ENVESTRA DISTRIBUTION NETWORKS, VIC/SA/QLD
25. CAMS WATER AND WASTE WATER TREATMENT SERVICES, VIC
26. SEAGAS PIPELINE, VIC/SA
27. RIVERLAND AND MILDURA PIPELINES, SA/VIC
28. SESA PIPELINE, VIC/SA
29. ALICE SPRINGS GAS PIPELINE, NT



APA's
assets

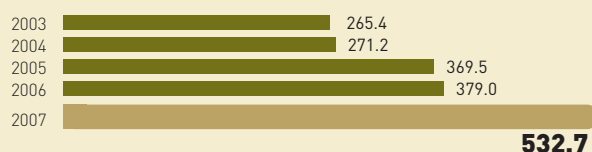


The map above is illustrative only and may not be drawn to scale.
Unless stated otherwise, all data contained on the map is based on information available at the publication date of this Annual Report.

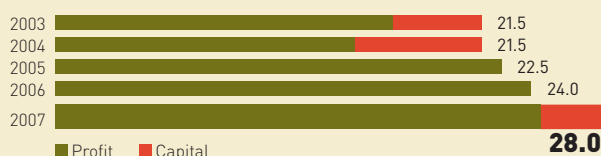
Highlights

Delivering securityholder value

TOTAL REVENUE - BEFORE SIGNIFICANT ITEMS (\$M)

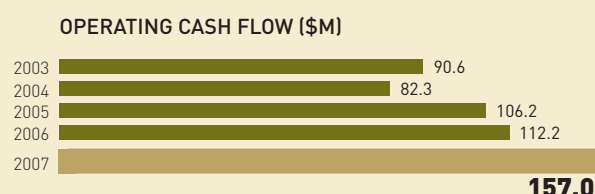
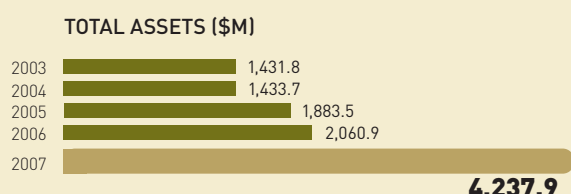


DISTRIBUTIONS (CENTS PER SECURITY)



Key operating highlights

- > 40.9% increase in pipeline transportation revenue
- > 48.1% increase in EBITDA
- > Part year revenue contribution from Allgas, GasNet and Directlink
- > Pipeline Management Agreement over main pipeline assets acquired from Alinta
- > Bonaparte Gas Pipeline project on schedule
- > Completion of Daandine Power Station and Tipton West Gas Processing Facility using coal seam gas in Queensland
- > Expansion of Moomba to Sydney Pipeline at Culcairn
- > Increase in annual distribution from 24.0 to 28.0 cents per security



Pipeline transportation revenue up 40.9%

Operating profit after tax before significant items up 6.4%

Underlying operating cash flow up 39.9%

Underlying operating cash flow per security up 6.8%

Total equity increased by 96.3%

Distributions up 16.7%

Financial highlights

YEAR ENDED	30 JUNE 2007	30 JUNE 2006	CHANGE
OPERATING RESULTS	\$M	\$M	%
Pipeline transportation revenue	393.1	279.0	40.9
Electricity transmission revenue	17.2	3.2	439.3
Other tolling revenue	1.2	1.2	–
Other pipeline revenue – passthrough	95.9	85.7	11.9
Other revenue	25.3	10.0	153.6
Total revenue	532.7	379.0	40.5
EBITDA	296.8	200.4	48.1
EBIT	227.1	161.6	40.6
Pre-tax profit	90.4	90.4	–
Income tax expense	(25.8)	(29.4)	12.4
Operating profit after income tax and minorities before significant items	64.5	60.7	6.4
Significant items after income tax	(7.8)	1.9	n/a
Profit after income tax and minorities	56.8	62.5	(9.3)
FINANCIAL RATIOS			
Underlying operating cash flow ("OCF") (\$M)	157.0	112.2	39.9
Underlying OCF per security (cents)	41.4	38.7	6.8
Earnings per security (cents) – before significant items	17.0	20.9	(18.8)
Earnings per security (cents)	15.0	21.6	(30.8)
Net tangible asset backing per security (\$)	1.99	2.09	(4.8)
Interest cover ratio (x)	2.0	2.3	–
Gearing ratio (%)	69.0	67.9	–

Chairman's report

ON BEHALF OF THE BOARD, I AM PLEASED TO PRESENT THE APA GROUP ANNUAL REPORT FOR 2007. THE 2007 FINANCIAL YEAR HAS BEEN A VERY SUCCESSFUL YEAR FOR APA GROUP BY ANY MEASURE.

In the past 12 months, APA Group ("APA") extended its national footprint to every mainland State and Territory, through strategic and prudent acquisitions, strengthened its balance sheet through effective capital management and, importantly, increased distributions in real terms to securityholders.

This will be my final report to you. On 28 August 2007, APA advised the Market that I intend to step down as Chairman and Director after the Annual Meeting on 30 October 2007. It has been my pleasure to serve as your Chairman for the last seven years.

I feel that the time is now right for me to retire. I leave knowing that the Board, staff and you, the securityholders, have created a strong, vibrant and relevant Business, the long-term value of which is assured.

The Board is delighted to advise that Len Bleasel has agreed to become a director of Australian Pipeline Limited and has also agreed to become Chairman elect. Len was Managing Director of The Australian Gas Light Company for a number of years and has held a number of senior directorships since his retirement in 2001. Len brings significant industry and business knowledge and experience to the Board at a time when APA is consolidating as a top 150 ASX business. I am sure that APA will have a long and prosperous future under his stewardship.

The Board is excited and confident about APA's future. Gas as a fuel of transition has potential to reduce the carbon footprint and its flexibility in providing energy has led ABARE to forecast that natural gas production will increase 13% during 2008. This should mean the prospects for APA growth in gas transportation are very bright.

Financial performance

APA delivered above market guidance (\$58 – 61 million) for the financial year, with net profit after tax before significant items coming in at \$64.5 million for the year ended 30 June 2007.

Distributions for the period increased by 16.7% to 28 cents per security. On a recurring basis, operating cash flow increased to \$157.0 million, up 39.9% on the previous year.

Initial contributions from acquisitions during the period helped drive the full year result, while organic growth was strong, with pipeline transportation revenue up 40.9% to \$393.1 million.

A year of expansion and integration

The 2007 financial year saw APA expand through acquisitions and deliver on its strategy of being a major player in developing, owning and operating energy infrastructure. Such growth requires significant integration and consolidation to ensure the success of these assets. APA staff, both new and old, are committed to ensuring that the new businesses operate at maximum efficiency. It is a testament to all that there has been so much goodwill and commitment to this great challenge.

Managing Director, Mick McCormack outlines APA's operational achievements in more detail on pages 6 to 9 but in brief, APA more than doubled the value of its asset base over the past year, acquiring Allgas Energy, GasNet Australia Group, Directlink and Origin Energy Networks assets.

Gas transmission is, and continues to be, APA's core business. We continue to seek other investment opportunities which enhance our ability to grow distributions to you, our securityholders. By combining our core strengths with non-core assets, such as underground electricity cables and small gas-fired power generation, APA has been able to realise its goals of growing cash distributions and provide a strong balance sheet for continued growth.

Our aim is to build a portfolio with an appropriate mix of low risk and high growth assets as part of a deliberate strategy to diversify into a wider range of business opportunities in the energy and infrastructure sectors.

A fuel of transition

Protection of our environment continues to grow as an important issue for our planet. APA is well aware of its corporate obligations and I am proud our Business delivers and promotes natural gas, which is key to helping build a more sustainable energy future for Australia.

Natural gas is playing an increasingly important role in Australia's energy mix with consumption forecast to rise 4% per year through to 2011 and 2.5% per year, to almost double, by 2023.



George Bennett

Part of that demand will be met by coal seam gas ("CSG"), which APA regards as a significant alternative fuel for eastern Australia in the medium-term, and a key step in the development of an Eastern Gas Grid.

Business should be engaged in the debate about the impact of energy consumption on our environment and, as Australia's leading energy transporter, APA has a role to play.

To that end, the Board is pleased to report Non-executive Director Russell Higgins was appointed to the Prime Ministerial Task Group on Emissions Trading in December.

The Australian and State governments have provided significant leadership in promoting alternative fuel options and Mick McCormack talks about that in his report.

Gas supply

APA was disappointed with the decision by the Papua New Guinea ("PNG") gas project partners to suspend work on the project and consider alternative commercialisation options. This led to a suspension of the proposed PNG gas to Australia pipeline project.

Gas supply to eastern Australia remains an important issue beyond the next decade, and while CSG provides a good medium-term solution, a new supply of natural gas is essential in the longer term. Northern gas supplies from PNG, Timor Sea or the North West Shelf remain the most likely options.

APA's achievements

The Board would like to remind you of some of APA's significant achievements since it floated in June 2000. Since the Initial Public Offering ("IPO"), APA's stock price has increased by over 100%, its revenue has grown by over 200% and its distributions have grown by 27%.

It has acquired most of its minority interests in jointly owned assets and, through a series of targeted and disciplined investments, doubled in size. In recognising the value of complementary assets, APA has expanded from being only a pipeline business. Today, it is the leading energy transmission and distribution business with a complementary asset portfolio that includes gas storage, electricity cables, CSG facilities and gas-fired power stations.

When APA floated in 2000, it had a staff of a little over 10 people. In 2006, APA employed around 40 people and by the end of this year, with the acquisition of the Alinta pipeline operating and maintenance staff, we will employ over 1,000 people.

APA has always prided itself on the commitment, skill and dedication of its people. APA has been very impressed with the quality of the new people who have agreed to become part of our APA culture. Let me not underestimate the task before us to ensure that the larger APA family functions appropriately. The Board is heartened by the dedication and commitment of our newest employees.

Mick McCormack addresses the Alinta dispute in his report, but let me say that the Board and Management kept securityholder interests foremost in their minds in pursuing and finalising the Alinta matters. The Board is very proud of the hard work and dedication that APA Management and staff demonstrated, in ensuring the very best result for all securityholders.

Outlook

APA has built a portfolio of quality and diverse assets which, together with our technical expertise, is the platform on which we will drive future growth for the benefit of securityholders.

As we have always said, APA will continue to examine any investment opportunities as they arise and apply the same strict set of investment criteria to those investment opportunities. We do not dictate when assets come onto the market, but when they do, we ensure that we investigate and analyse potential opportunities to determine if they will enhance our earnings and deliver on our strategy.

While transporting gas will continue to be our mainstay, we will look beyond pipelines to ensure asset diversity and to spread our business risk, while growing our returns to securityholders.

APA is firmly focused on securing a future gas supply to eastern Australia and integrating its newly acquired assets.

We are pleased to start the 2008 financial year with our legal proceedings relating to Alinta now resolved. Results to date are well on track to meet current year targets.

It has been a pleasure to work with Board, Management, staff and you, our securityholders, over the past seven years. It has been a rewarding time, and I retire satisfied that our Business has done very well. I wish the incoming Chairman, the Board and staff the best of luck and leave knowing that the Business continues to be in good hands.

On behalf of the Board, I thank Management and staff for their commitment and hard work, and all securityholders for their support.



GEORGE H BENNETT
CHAIRMAN

27 SEPTEMBER 2007

Managing Director's report

APA HAS UNDERGONE UNPRECEDENTED EXPANSION OVER THE LAST 12 MONTHS, WHICH HAS RESULTED IN A VERY SUCCESSFUL AND STRONG YEAR. I AM VERY PROUD OF WHAT WE HAVE ACHIEVED FOR SECURITYHOLDERS AND CONTINUE TO BE EXCITED ABOUT APA'S FUTURE. APA NOW HAS A TRULY NATIONAL ENERGY FOOTPRINT WITH ASSETS IN ALL MAINLAND STATES AND TERRITORIES.

During the year, I have travelled around the country and welcomed the opportunity to meet many of our new staff and securityholders. I have been asked a variety of questions. Of particular interest is APA's overall strategy and how we intend to consolidate our newly acquired assets.

In order for all securityholders to have the benefit of these discussions, I have taken the opportunity to address these issues by grouping the key issues raised into several categories.

Strategy

Our vision is to continue to grow as Australia's leading energy transmission and distribution Business. The strategy is simple. We are committed to growing the Business and maximising value for securityholders in the short, medium and long-term.

APA has a three phase approach to growth, by: growing the Business organically; investing in brownfields and greenfields projects, and acquisition. Organic growth occurs via the expansion of existing assets and, in particular, our core pipeline assets. Our success in increasing throughput and developing innovative arrangements on the Roma to Brisbane Pipeline and Goldfields Gas Transmission Pipeline are good examples of this.

Brownfields projects, which involve the development of, for example, compressor stations, provide immediate returns by building upon an already established income stream. Greenfields opportunities provide sustained longer-term returns arising from the benefit of investment in the initial stages of the projects. The Bonaparte Gas Pipeline is an excellent example of a greenfields project which will take several years to build, but will then provide strong, sustainable returns.

Finally, the acquisition of core and complementary assets completes the three phase approach, ensuring that

APA's philosophy of being a stable, strong and long-term investment for securityholders is achievable.

Underscoring our investment strategy is the goal of increasing distributions by at least CPI annually. In looking at our achievements for the 2007 financial year, I am delighted that APA has exceeded that target by providing an annual increase of 16.7% over the previous year, demonstrating the value of our acquisition strategy.

APA has a vision of developing a gas transmission grid on the eastern seaboard that will offer a seamless tariff for gas delivered into Queensland, New South Wales, the Australian Capital Territory and Victoria. This will greatly assist the expansion of a competitive gas market in Australia, by providing greater access to multiple supply sources and enhancing producer on producer competition.

APA's business model is a low cost, transparent and competitive one. Our approach distinguishes us from many other businesses that operate a fee based model.

Acquisitions

APA has made a series of acquisitions and new investments over the last 12 months, expanding our total asset base to around \$4 billion, with assets under management of over \$8 billion. This unprecedented activity reflects the ongoing ownership changes within the Australian energy infrastructure sector, as institutional investors and private equity compete for assets with established players. Our ability to compete is enhanced by our low cost competitive business model and our demonstrated knowledge of the industry.

Our acquisitions during the past 12 months include:

- Allgas Energy gas distribution business – completed in November 2006. The Allgas distribution system extends throughout the high growth population areas of south east Queensland and northern New South Wales. The natural gas network comprises over 2,300 km of distribution mains and supplies approximately 65,000 customers. Allgas has complementary infrastructure on which APA can leverage its core competencies;
- GasNet Australia Group ("GasNet") – completed in December 2006. GasNet (now referred to as APA Victoria) owns and maintains 1,935 km of high-pressure gas transmission pipelines throughout Victoria, which serve a total consumption base of approximately 1.4 million residential consumers and approximately 43,000 industrial and commercial users. Almost all the natural gas consumed in Victoria is transported through APA Victoria's pipeline assets. The acquisition of GasNet is delivering benefits to APA, including maximising the utilisation of the Interconnect, and enhancing the competitiveness of the Moomba to Sydney Pipeline and APA Victoria pipeline network with the Eastern Gas Pipeline;
- Directlink electricity interconnector – completed in February 2007. The acquisition of Directlink continues APA's strategy of acquiring complementary energy transmission assets and follows the acquisition of



Mick McCormack

APA has made a series of acquisitions and new investments over the last 12 months, expanding our total asset base to around \$4 billion, with assets under management of over \$8 billion.

Murraylink in March 2006. Directlink is one of only two electricity transmission links between the New South Wales and Queensland power grids; and

- Origin Energy Networks – completed in July 2007. The acquisition of Origin Energy Networks comprised: Origin Energy Asset Management ("OEAM"), which provides management and operations services to gas distribution and transmission company Envestra Ltd ("Envestra"); a 17% stake in Envestra, and a one-third interest in the SEAGas Pipeline. OEAM also includes a range of smaller complementary assets including Natural Gas Vehicle ("NGV") stations, cogeneration facilities and an interest in a services provider to the water industry.

APA is now in a multiple integration phase, leveraging off an already substantial operational and management skills base. We are well on our way to achieving a fully integrated APA with a strong, diversified workforce that is utilised across both asset and geographic boundaries.

As I mentioned above, APA now has a truly national energy footprint, predominantly in transmission assets. Our investment in generation assets has also significantly increased over the last 12 months, particularly in Queensland. We note that the New South Wales Government commissioned the Owen Enquiry to review the need and timing for new baseload electricity generation and to seek advice on investment in generation capacity that addresses greenhouse gas emissions.

APA believes that gas-fired power generation will be viewed as a viable and greener alternative to coal-fired power generation. We are very excited about the potential investment for APA, either directly in power station development and/or the supply of gas to the power station. APA supports the industrial carbon footprint and natural gas is an excellent fuel of transition to renewable and other fuels.

10 years without a lost time injury on the Goldfields Gas Transmission Pipeline

GOLDFIELDS GAS TRANSMISSION PTY LTD ("GGT") STAFF AND CONTRACTORS DEMONSTRATED AN OUTSTANDING EMPHASIS ON SAFETY.

Goldfields Gas Transmission Pipeline is over 1,400 km long, in harsh and remote terrain. The crew of over 50 dedicated technicians has traversed over 10 million km during the period without a significant accident.

This achievement is testament to the extensive safety management systems employed under the Safety Case, and reflects the outstanding attitude and dedication to safety demonstrated by every individual who has worked on the GGT Pipeline.

David King presents the 10 year safety award.



Managing Director's report

(continued)

We are pleased with where we are on our growth path and we will continue to pursue opportunities to participate in further consolidation in the energy sector. Importantly, acquisitions will only be pursued if they meet our strategic criteria – positioning us for future growth and enhancing our balance sheet.

Our view is that Australia is too large geographically and too small in population to support more than a handful of major energy transmission and distribution businesses. APA's intention is to be one of those businesses.

Issues facing APA and the industry

APA has long been an advocate for the development of additional northern gas supplies in order to meet the growing demand for gas in eastern Australia. This will become more pressing, given concerns over global warming. An increase in gas demand is likely as it becomes a fuel of transition. While the pipeline project from PNG has been put on hold, we believe there are adequate supplies to meet demand, particularly given the emergence of coal seam gas ("CSG") over the next decade.

The CSG industry has been developing rapidly over the last three years and is expected to play an increasing role in the energy market over the medium-term. APA is encouraged by Epic Energy's announcement to develop a new gas pipeline to Moomba that will allow APA to take advantage of this resource.

In the longer term, a northern gas solution will be vital to meet supply demands of eastern Australia and APA will continue to advocate options such as PNG, the Timor Sea and North West Shelf gas sources.

Regulation

Interaction with governments and regulators of gas transmission pipelines continues to play a significant role in APA's business. The ACCC released its final decision on access to the Roma to Brisbane Pipeline and the High Court of Australia granted APA leave to appeal against the Federal Court of Australia decision in the Moomba to Sydney Pipeline matter. While neither of these issues has a material impact on APA pipeline revenues, the continued imposition of a raft of regulatory changes places a significant burden on the Business.

The other major regulatory issue was in Queensland where Full Retail Contestability commenced on 1 July. APA sees this as a positive development in stimulating demand for gas.

Environment

APA believes gas is a fuel of transition as we move to a cleaner energy burning future. Gas has a lower carbon impact than coal. This has been recognised by governments including the Queensland Government which has announced its Climate Smart 2050 Policy that encourages gas usage. Our investments in electricity generation also provide a greener alternative to coal.

APA is committed to protecting and managing the environment in which we work. We spend a great deal of time and energy regenerating those areas where construction takes place, and are mindful of limiting adverse effects upon flora and fauna during the development process. Indeed, our concern for the environment continues over the many years that our assets will operate by adherence to strict operating practices, including monitoring of any impact on the environment.

APA's Head Office in Sydney recently moved from Mascot to George Street in the city. Our new office has been designed to incorporate environmentally friendly technology. In choosing the location, APA noted that the building owners were moving to use GreenPower, which supports renewable energy sources as well as conventional fuel.

Our commitment to reducing our carbon footprint is important for APA.

Alinta

Early this year, it was announced that a consortium comprising Babcock & Brown and Singapore Power International would buy Alinta.

In June 2007, APA entered into separation arrangements with Alinta which were supported by the consortium, to:

- bring the operating and maintenance function performed by Alinta on key APA gas transmission pipelines in-house (in New South Wales, Queensland, Northern Territory and Western Australia). This means that APA and not a competitor will control this function;
- have APA securities owned by Alinta (approximately 35%) widely distributed. This happened on 31 August 2007, when the buy-out of Alinta by the consortium became effective; and
- immediately terminate the litigation between APA and Alinta.

I welcome all of the former Alinta shareholders to the APA register and am very pleased that this matter has been settled. APA can now concentrate on growing the Business to the benefit of securityholders.

We spend a great deal of time and energy regenerating those areas where construction takes place, and are mindful of limiting adverse effects upon flora and fauna during the development process.

Sponsorship, philanthropy and community relations

As most of APA's assets can be found in regional Australia, we are very conscious that any sponsorship should benefit the people who live in regional areas. To that end, we have been very pleased to continue our association with the Australian Brandenburg Orchestra ("ABO"). The ABO is committed to taking its unique brand of baroque music to regional Australia and APA is happy to help make that happen.

As well as sponsoring the ABO, APA also supports other organisations to our mutual benefit. An example of this is the Royal Flying Doctor Service, which over the years has played a critical role in the remote areas where APA operates.

Outlook

APA has continued to perform well, in line with market expectations and our Guidance. We have remained focused on the underlying business and effective cost containment, while pursuing growth opportunities when they became available.

Our acquisitions are generating strong cash flows, which support our growth strategy and our ability to grow distributions by at least CPI annually. The part year contributions from our acquisitions – Allgas, GasNet and Directlink – have been very pleasing. On current trends, their first full year contribution will continue to improve APA's operating cash flow.

The fundamentals of the Business remain solid and we have the right strategies in place to ensure continued growth. Cash flows derived from operations continue to be strong, with further growth being supplemented by recent acquisitions. The outlook for APA is very positive.

As you would be aware, APL's Chairman, George Bennett, has announced his retirement effective 30 October 2007. The appointment of Len Bleasel AM as Chairman elect will be effective from that day.

I would like to take this opportunity to farewell Mr Bennett and thank him for his efforts since APA floated in 2000. APA has undergone significant change during this period to become the leading Australian energy distribution and transmission business.

On a personal note, I sincerely thank Mr Bennett for his support and counsel during my time as Managing Director of APA. I would also like to welcome Mr Bleasel, APL's Chairman elect, who brings substantial industry experience, having held the position of Managing Director of AGL for a number of years and a variety of senior non-executive directorships over the last decade. I look forward to working with Mr Bleasel to take APA into a new era.



MICK McCORMACK
MANAGING DIRECTOR

27 SEPTEMBER 2007

Quick facts

Delivering business strategy

Strategy and progress

> **DIVERSIFICATION:**

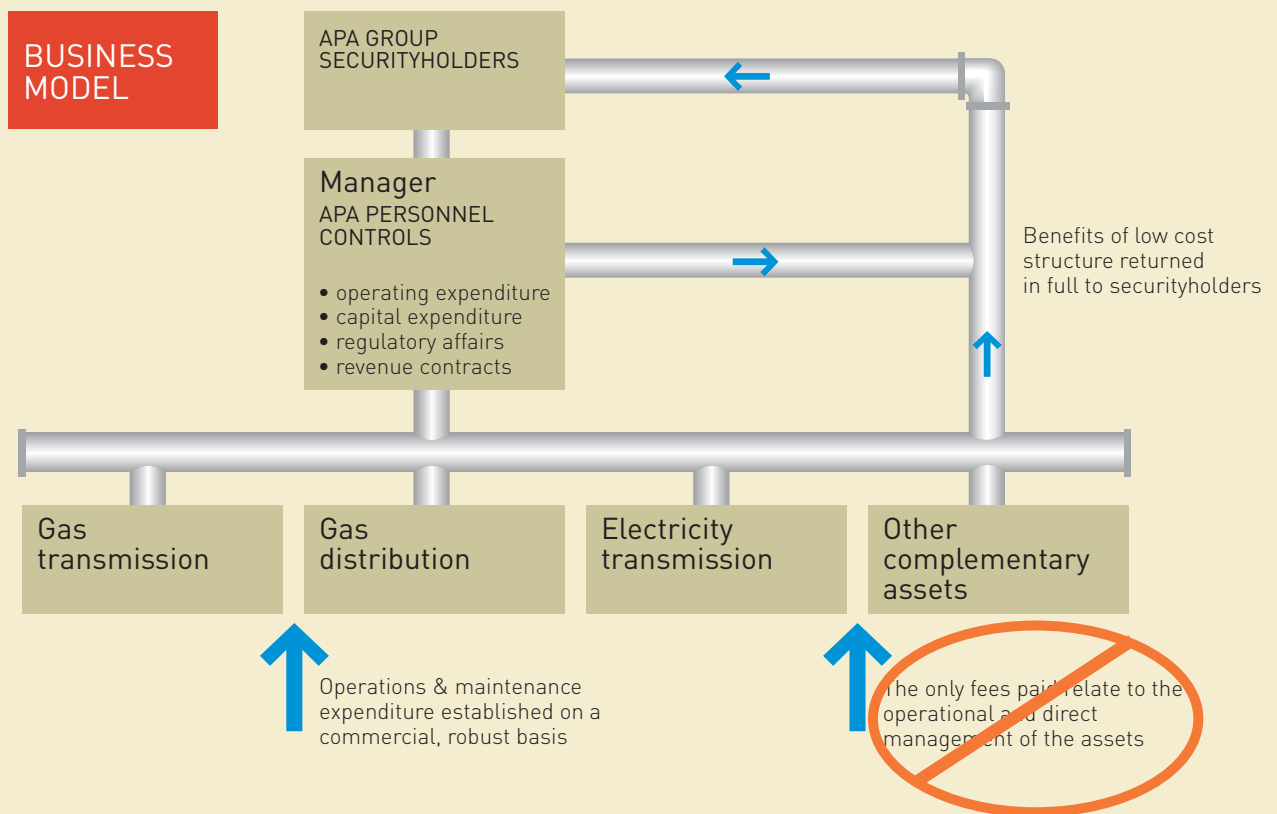
To broaden APA's asset base beyond gas transmission and spread core asset risk geographically.

Progress: APA continues to manage risk by diversifying across geographic boundaries and into new assets. APA has established a major presence in South Australia, and spread its asset base with new investments in Victoria and Queensland. Complementary investments in gas-fired power stations, gas storage and gas processing not only have delivered diversity benefits, but provide additional revenues to APA's pipelines.

> **EASTERN GAS GRID:**

To develop an integrated gas transmission system across eastern Australia.

Progress: Expansion plans for the New South Wales–Victoria Interconnect are underway with completion anticipated by 2009.



APA's business model is a low cost, transparent and competitive one. Our approach distinguishes us from many other businesses that operate a fee based model.

In addition, APA acquired a one-third interest in the SEAGas Pipeline, which connects Victoria and South Australia, and is investigating a new pipeline from Wallumbilla in Queensland to connect to the Moomba to Sydney Pipeline. This will facilitate access for Queensland produced CSG to NSW.

> **INTERNALISATION:**

To ensure APA has direct control over its Business.

- > **Progress:** APA has expanded its in-house capabilities to include asset operations, and in so doing has grown its employee numbers from around 40 in June 2006 to over 700 at 30 June 2007. APA recently announced the termination of the previous operations outsourcing arrangements with Alinta – services that now will be provided from within the Business, which will increase staff numbers to over 1000.

Delivering on strong foundations

OUR CORE BUSINESS

APA Victoria employees at work

APA OWNS AND OPERATES STRATEGICALLY PLACED ASSETS IN EVERY MAINLAND STATE AND TERRITORY, REINFORCING OUR POSITION AS THE LEADING ENERGY TRANSMISSION BUSINESS IN AUSTRALIA.

GAS TRANSMISSION AND DISTRIBUTION

VICTORIA

1 VICTORIAN TRANSMISSION SYSTEM ("VTS")

The primary function of the 1,935 km VTS is to transport gas to the major load centres in Victoria from the Longford gas treatment plant in south east Victoria, the Otway Basin gas fields and underground storage in south west Victoria. The VTS is covered by the National Gas Code and the current Access Arrangement will expire on 31 December 2007. APA lodged a revised Access Arrangement on 30 April 2007 for the five year period ending 31 December 2012.

The VTS represents a significant step towards the achievement of APA's Eastern Gas Grid. It will improve utilisation of the Victoria/New South Wales Interconnect and the Moomba to Sydney Pipeline, as well as increasing competition with the Eastern Gas Pipeline.



WESTERN AUSTRALIA

2 GOLDFIELDS GAS TRANSMISSION PIPELINE SYSTEM ("GGT")

APA has an 88.2% interest in the 1,427 km GGT that includes the 1,380 km Goldfields Gas Pipeline and the 47 km lateral to Newman.

The GGT transports gas from the Carnarvon Basin and North West Shelf producers to industrial and power generation customers in the Pilbara and Goldfields mining regions of Western Australia. During the year, APA completed a \$15 million pipeline capacity expansion with the addition of compression at Paraburdoo to service Rio Tinto's rapidly expanding Hamersley Iron mine operations.

3 PARMELIA GAS PIPELINE ("PGP")

The 445 km PGP transports gas from both the Dampier to Bunbury Pipeline ("DBNP") and the Perth Basin gas fields at Dongara, south of Geraldton, to industrial markets in the wider Perth area. In June 2007, APA signed a five year Gas Storage and Transport Agreement for the PGP with Eneabba Gas. Under this Agreement, gas will be supplied to the 168 megawatt ("MW") Centauri 1 Power Station, which is currently under construction, near Dongara. The Agreement allows for up to 46.6 TJ/d to be transported, coupled with storage arrangements using the Mondarra Storage Facility, and can be extended for a further five years.

Gas transmission and distribution

Delivering on strong foundations

OUR CORE BUSINESS
(continued)

4 MIDWEST PIPELINE ("MWP")

APA owns 50% of the 365 km MWP with the remaining 50% owned by Horizon Energy, a Western Australian Government electricity utility. The MWP transports gas from the DBNP near Geraldton to power generators for mining processes in the Windimurra and Mt Magnet regions.

In June 2007, APA signed a 15 year Gas Transportation Agreement ("GTA") for the MWP to transport gas for Precious Metal Australia's Windimurra vanadium mine. The mine, which was the foundation customer for the MWP in 1999, has been closed since 2004 but is scheduled to reopen at the end of 2007.

5 TELFER GAS PIPELINE ("TGP")

APA owns 100% of the 443 km TGP, which extends from Port Hedland to the Telfer gold mine. A 45 km Lateral extends from the TGP to the Nifty mine in Western Australia.

NEW SOUTH WALES

6 MOOMBA TO SYDNEY PIPELINE ("MSP")

The 2,029 km MSP links the gas fields of the Cooper and Eromanga Basins at Moomba with the gas distribution networks of Sydney and regional New South Wales. APA owns 100% of the MSP which includes a number of laterals. The MSP also includes the Interconnect between Barnawatha in New South Wales and Culcairn in Victoria. Since its completion in 1998, gas has been transported in both directions between the VTS and New South Wales.

The main revenue contract for the MSP is a GTA with AGL Energy which expires on 31 December 2016.

In June 2007, APA announced that the GTA had been renegotiated, resulting in some amendments to the terms and conditions under which APA will transport gas for AGL Energy. As part of the GTA, additional firm and winter services were contracted through to 31 December 2008.

The MSP delivers gas to a diverse range of industrial, commercial and residential users in New South Wales and the Australian Capital Territory, with an increasing proportion of future supply anticipated to go to power generation.

During the year, APA entered into conditional GTAs with NewGen Power ("NewGen") on the MSP for 15 years plus options to extend. NewGen is constructing a 4 x 160 MW open cycle peaking power station near Uranquinty in south central New South Wales. The GTA includes the expansion of the Interconnect by the construction of compressors at Culcairn and a new meter station for the power station.

APA is also looking at providing direct access for the south eastern gas markets to the substantial reserves of CSG in Queensland. The first such link was announced in July 2007 by Epic Energy and AGL Energy with their planned construction of a pipeline from Ballera to Moomba. While this will be of direct benefit to the MSP through increased volumes of gas, APA is actively investigating other pipeline opportunities.

7 CENTRAL WEST PIPELINE SYSTEM ("CWP")

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

During the year, APA constructed a meter station at Dubbo to deliver gas into the new Central Ranges Pipeline ("CRP") developed by Central Ranges Pipeline Pty Ltd. The CRP, which delivers gas from Dubbo to Tamworth, was opened in August 2006 and is anticipated to increase volumes through APA's CWP.

QUEENSLAND

8 ROMA TO BRISBANE PIPELINE ("RBP")

The RBP was the first natural gas pipeline to a capital city commissioned in Australia, and transports gas 437 km from the Surat Basin and regional gas hub near Roma to industrial users in Brisbane. The pipeline has undergone significant expansion since the late 1980's with the installation of six compressor stations and six stages of looping (414 km) that have increased capacity five fold. Additional inlets have also been added to receive CSG from new production areas.

Associated with RBP is the Peat Lateral, completed in 2001 and which transports gas 121 km from the Peat and Scotia gas fields to interconnect with RBP at Condamine.

APA is currently investigating expansion of the RBP through additional compression, which would result in a capacity in excess of 300 TJ/d.

The RBP represents an integrated business for APA. It owns ancillary transmission infrastructure, such as the Peat Lateral, CSG production facilities and a gas-fired power station as well as delivering gas into the APA owned Allgas distribution system.

In March 2007, the ACCC approved the revised Access Arrangement, including Regulated Asset Base value. The Access Arrangement will have a minimal financial impact until at least 2013, as the RBP is almost fully contracted until that time. The Access Arrangement does not establish tariffs for future expansions and extensions to RBP, for which tariffs will be negotiated between APA and users.

9 CARPENTARIA GAS PIPELINE ("CGP")

The CGP was commissioned in 1998 to transport gas from Ballera to customers in Mt Isa and the surrounding Carpentaria mineral province. The 844 km pipeline system includes the Cannington Lateral (98 km) which transports gas to BHP's Cannington silver, lead and zinc mine and the Mica Creek metering facility and Mt Isa Lateral (6 km), which supplies gas to industrial customers at Mt Isa.

The rapid growth of power generation requirements in the Carpentaria region will be accommodated through expansion of the CGP via installation of up to four compressors at each of the scraper stations. The first compressor was installed in 2001 and planning is currently underway for an additional one to two compressors to be operational in 2009 to meet increasing demand.

10 ALLGAS DISTRIBUTION NETWORKS, QLD/NSW

Allgas is one of two gas distribution businesses in south east Queensland, servicing high population growth centres. The network includes over 2,300 km of distribution mains supplying approximately 65,000 customers. Total gas usage is currently around 10 PJ per annum, however, a significant expansion program has been approved by the regulator to satisfy rapid growth in demand.

NORTHERN TERRITORY

11 AMADEUS GAS PIPELINE ("AGP")

APA's principal interest in the Northern Territory is held through its 96% interest in the Amadeus Gas Trust which leases and operates the AGP. The 1,629 km AGP, plus three small laterals, transports gas from the Amadeus Basin in central Australia to power generation, mining and commercial customers in the Northern Territory. The lease payments are funded by a tariff charged to the Power and Water Corporation.

12 BONAPARTE GAS PIPELINE ("BGP") PROJECT

In June 2006, APA signed a GTA with Power and Water Corporation. The 25 year agreement, which commences on 1 January 2009, also committed APA to develop the BGP at an estimated cost of \$150 million.

The 277 km pipeline will transport gas from Eni's on shore gas plant, to be built at Wadeye, and will connect to the AGP. Preliminary works on route selection, land access and engineering activities were undertaken over the past 12 months.

Gas transmission and distribution

Delivering complementary assets



Above: Compressor Unit, Tipton West Gas Processing Facility, Queensland



Compressor Unit, Tipton West Gas Processing Facility, Queensland.



Waukesha Engine, Tipton West Gas Processing Facility, Queensland



GAS PROCESSING

QUEENSLAND

13 KOGAN NORTH

APA owns and operates the Kogan North Gas Processing Facility located near Kogan, west of Brisbane, and adjacent to the RBP.

The Facility filters, dehydrates, compresses and meters CSG from the Kogan North gas field for injection into the RBP. The gas is then transported on the RBP for use at CS Energy's Swanbank E Power Station.

Kogan North processed its first gas in January 2006 and volumes have steadily increased since that time.

14 TIPTON WEST

The Tipton West Gas Processing Facility is located near Dalby, west of Brisbane. It was built under an agreement with Arrow Energy and Beach Petroleum and is owned and operated by APA.

The Facility filters, dehydrates, compresses and meters CSG from the Tipton West gas field for supply to the Braemar Power Station. The Facility was commissioned in March 2007.

As further markets are identified and secured by the Tipton West gas producers, the Facility can be expanded and connected to the RBP.

Gas processing

Delivering complementary assets

(continued)



Above: Engine Enclosure, Daandine Power Station, Queensland



Daandine Power Station, Queensland



GAS-FIRED POWER STATIONS

QUEENSLAND

15 DAANDINE POWER STATION

The Daandine Power Station is located at Kogan, west of Brisbane, and adjacent to APA's Kogan North Gas Processing Facility and the RBP.

The first power from the Daandine gas-fired Power Station was generated and exported to the grid on 20 December 2006, meeting the goal of first electricity before the end of 2006.

The power station is anticipated to utilise approximately two PJ per annum of gas sourced from the adjacent Daandine CSG field. In addition, as further gas is identified at the Daandine gas field, in excess of the requirements of the Power Station, it can be processed via the Kogan North Gas Processing Facility and transported to the broader market via the RBP.

16 X41 POWER STATION

During the year, APA entered into a 15 year agreement with Xstrata to build, own and maintain a \$30 million power station at Mt Isa in north western Queensland.

The 30 MW Power Station is required to meet demand from the planned expansion in production and will be fuelled by natural gas transported on the CGP to Mt Isa and then to the Xstrata mine through the Mt Isa Town Lateral, both 100% owned by APA. Commissioning is expected by late 2007.

Associated with the Power Station development, APA will transport additional gas on the CGP and invest in the Mt Isa Town Lateral.

Gas-fired power stations

Delivering complementary assets

[continued]

Above: Compression Station 1, Parmelia Gas Pipeline, Western Australia



Compressor Station 1, Parmelia Gas Pipeline
Western Australia



Mondarra Wellhead – Underground natural gas
storage, Parmelia Gas Pipeline, Western Australia



GAS STORAGE

VICTORIA

17 LIQUID NATURAL GAS ("LNG") STORAGE

APA owns a liquid natural gas facility which provides peak shaving and security of supply services for the Victorian gas transmission system together with metering services around the State.

WESTERN AUSTRALIA

18 MONDARRA GAS STORAGE FACILITY

The Mondarra Gas Storage Facility is located close to Dongara in the midwest of Western Australia. It is adjacent to the two pipelines servicing Perth and the south west of Western Australia – the APA owned PGP, and DBNP.

It is currently operating as WA's only gas storage facility, based on a depleted gas reservoir that was discovered and developed by West Australian Petroleum in the early

1970's. The gas reservoir is located around 30 km to the south east of Dongara and sits at a depth of some three km directly beneath the PGP and DBNP, with the surface facilities located between the two pipelines.

In late 2006, APA commenced the expansion of the Mondarra Gas Storage Facility with the drilling of a new well into the existing reservoir. The required tie-ins and additional surface facilities were completed in early 2007, with further expansion planned during the year, including an upgrade of the compression and processing facilities.

This investment, provides the opportunity to expand the rapidly developing "Mondarra Gas Hub", offering interconnected pipeline gas transportation services, load management, storage, compression and processing – all controlled remotely from APA's dedicated 24 hour Perth Control Centre.

Gas storage

Delivering complementary assets

(continued)

Above: High Voltage Transformer, Red Cliffs, Murraylink



Red Cliffs, Murraylink



ELECTRICITY INTERCONNECTORS

19 MURRAYLINK

Murraylink connects the Victorian and South Australian regions of the National Electricity Market. It is a 180 km, high voltage DC electricity asset linking the electricity transmission networks in Berri, South Australia and the transmission networks at Red Cliffs near Mildura, Victoria.

The cable is underground for the full 180 km and is therefore secure, reliable and less susceptible to lightning or vandalism than traditional overhead cables. The asset also includes two converter stations.

Constructed in 2003 and acquired in 2006, Murraylink is a regulated asset with revenue certainty to 2013 and beyond. In accordance with the electricity market rules, revenue from Murraylink is determined by the Australian Energy Regulator rather than through contractual arrangements.

20 DIRECTLINK

Directlink is one of only two transmission links between the New South Wales and Queensland power grids. In February 2007, APA acquired the Directlink electricity transmission asset for \$170 million.

The asset comprises three pairs of parallel cables, mostly buried underground, over a length of approximately 59 km from Mullumbimby to Bungalora in northern New South Wales. The Directlink business also comprises two AC/DC converter stations and a single 110kV AC underground transmission link of approximately four km.

The Australian Energy Regulator has approved regulatory revenues for Directlink for the period ending 30 June 2015.

Electricity Interconnectors

Delivering sustainability



LNG and the forest

NESTLED BESIDE THE DANDENONG LNG FACILITY LIES A NATURE RESERVE CONSISTING OF APPROXIMATELY FOUR HECTARES OF NATIVE RED GUM EUCALYPTS INDIGENOUS TO THE AREA.

The reserve remains largely undisturbed by human interference or plant operations, making it an ideal refuge for local species of wildlife.

As a consequence of the recent upgrade to the LNG Tanker Loading Facilities, the fence line was required to be moved one metre into the nature reserve. Following consultation with the local council, APA committed to replant eight trees for every tree felled.

The nature reserve today remains a haven for local wildlife.

Nifty copper operations

NIFTY PTY LTD COMMISSIONED CONSTRUCTION OF A NATURAL GAS PIPELINE IN ORDER TO REPLACE DIESEL AS THE EXISTING FUEL SUPPLY FOR ONSITE POWER GENERATION AT ITS NIFTY COPPER OPERATIONS. THE PIPELINE IS A LATERAL OFF THE TELFER GAS PIPELINE. CONSTRUCTION COMMENCED IN SEPTEMBER 2005 AND WAS COMPLETED IN JANUARY 2006.

Nifty Copper Operations is located on the western fringe of the Great Sandy Desert in Western Australia. Mining has occurred at Nifty since development of the project by Western Mining Corporation Limited in 1993. Construction of the 45 km pipeline required crossing of large and small interdunal swales and three sand dunes.

Total disturbance of about 100 hectares was required, of an area known to be the habitat of a number of protected fauna species. Following the laying of pipe, reinstatement was required to be completed prior to the start of the wet season to ensure effective rehabilitation of the pipeline corridor, particularly for the disturbed sand dunes.

Construction of the Telfer Gas Pipeline in 2004 gave rise to considerable stakeholder concern regarding fauna management, disturbed area rehabilitation and dune stabilisation. Birla Nifty Pty Ltd recognised these challenges and, with the assistance of MBS Environmental, set out to effectively manage the additional interest this caused during the project design, environmental approval process and construction stages of the project.

Due to the environmental management measures implemented during all stages of the project, fauna mortalities were very low, disturbed areas were rapidly and effectively rehabilitated, and dunes disturbed, stabilised.

The positive environmental outcomes achieved during the project were a direct result of co-operation between the four parties involved in the design and construction of the Project.

Community

Delivering partnerships

ABO sponsorship

At APA, we constantly strive to deliver. While delivering energy to you is what we do best, we don't intend to just stop there. That's why we have again teamed up with the Australian Brandenburg Orchestra ("ABO") to deliver the vitality and vigour of a world class musical experience to people all over Australia.

The ABO brings a cultural experience to Australia like no other. Performing baroque and classical music on period instruments, we believe the ABO's vivid concerts should be available for all to experience. APA takes pride in supporting the ABO national tour, which ran for the fourth time this year. The tour brought a magical experience to the cities, towns and regional areas of Australia for all to enjoy.

In September 2007, the ABO toured Brisbane, Perth, Darwin and Adelaide; those regions where APA has experienced vigorous growth. Maintaining direct communication with the people APA does business with, is very important to developing long-term commercial relationships, using the language of music as a common bond.

It is important for APA to develop and maintain strong partnerships with all our stakeholders. APA delivers through its strategic partnerships and businesses, the energy of music and the energy needs for the Australian community.

APA proudly supports the
Australian Brandenburg Orchestra



Delivering experience



ROBERT McMASTER

GENERAL MANAGER NEW SOUTH WALES

Rob joined APA in 2000 and has over 15 years experience in the energy industry. Prior to joining APA, Rob held several positions at AGL, mainly in regulatory and commercial roles.

Rob is responsible for the day-to-day management of APA's assets in NSW which comprises the Moomba to Sydney Pipeline and the Central West Pipeline. Rob is looking at expansion opportunities in New South Wales through greater transportation on the existing infrastructure as well as encouraging the development of gas-fired power generation.

PAUL COOLEDGE

GENERAL MANAGER SOUTH AUSTRALIA AND ENVESTRA SERVICES

Paul joined APA following the acquisition of Origin Energy Networks in July 2007. Paul has extensive experience in the energy industry, having

commenced his career at British Gas where he held several engineering positions. Paul commenced with Origin Energy in 1989 where he held senior technical and management positions and most recently headed up the Business Solutions area.

Paul is responsible for the continued integration and transition of the Origin Energy Networks systems into the broader APA group, implementing new work management systems into South Australia, and the provision of management and operations services to Envestra.

ANDREW DASH

GENERAL MANAGER QUEENSLAND

Andrew joined APA in 2004 and has over 17 years experience in Australia's energy industry. Andrew has worked in a range of engineering, commercial development and senior management roles during that time. Prior to joining APA, Andrew worked with AGL/Agility.

Andrew is responsible for the commercial and technical



performance of APA's diverse portfolio of Queensland assets including gas transmission pipelines, gas distribution, electricity transmission, gas processing facilities and gas-fired power generation.

DAVID KING

GENERAL MANAGER WESTERN AUSTRALIA

David joined APA in 2004 and has over 25 years experience in the oil and gas industry where he has held senior operational and management positions. Originally from the UK, David has been based in Western Australia since 1990. David has worked for the State Energy Commission and CMS Energy, and in 2000 was appointed General Manager of Goldfields Gas Transmission.

David is responsible for the day-to-day management of APA's assets in Western Australia which includes the Goldfields Gas Transmission Pipeline, Parmelia Gas Pipeline, the Mondarra Storage Facility, the MidWest Pipeline and the Telfer and Nifty Gas Pipelines.

EDWIN DE PRINSE

GENERAL MANAGER VICTORIA

Ed joined APA in January 2007. Prior to joining APA, Ed held senior operational and management roles in Agility working in gas transmission, gas networks and electricity networks.

Ed is responsible for the business performance of APA's assets in Victoria which includes the Victorian Transmission System, the LNG Facility at Dandenong and Envestra gas networks operations. This includes primary responsibility for the operations, contract management, commercial development and technical regulation of those assets.

EXECUTIVE MANAGEMENT

Delivering expertise



AUSTIN J V JAMES

LLB

COMPANY SECRETARY AND GENERAL MANAGER
CORPORATE

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

Mr James is Company Secretary on all subsidiary companies within APA.

SANDRA M DUREAU

BA (ASIAN STUDIES) LLB MAICD

GENERAL COUNSEL AND GENERAL MANAGER
REGULATORY

Ms Dureau is responsible for the management of legal and economic regulatory matters affecting APA and its

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

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

Ms Dureau is a Director on a number of subsidiary companies within APA.

PETER D FOX

BE (HONS) GRAD DIP PETROLEUM ENG

GENERAL MANAGER COMMERCIAL DEVELOPMENT

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



Mr Fox has over 18 years experience in the energy industry, of which over eight years has been spent on infrastructure acquisition projects. Mr Fox has qualifications in chemical and petroleum engineering and is a member of the Society of Petroleum Engineers.

RICHARD F FRANCIS

BCOMM CA MBA MAICD
CHIEF FINANCIAL OFFICER

Mr Francis is responsible for the financial management of APA. This includes accounting and financial reporting, financial compliance and governance, taxation, treasury and IT functions. Mr Francis has 25 years accounting experience, including 15 years in chartered accounting in Australia and the UK and nine years in commerce. Prior to joining APA, Mr Francis was the Group Financial Controller for Origin Energy for over five years from its initial listing in early 2000. He also held a number of divisional senior management positions in Boral Energy and Boral. Mr Francis is a chartered accountant, has a MBA from Macquarie Graduate School of Management and is a member of the Australian Institute of Company Directors.

Mr Francis is a Director on a number of subsidiary companies within APA.

STEPHEN P OHL

BENG GRAD DIP MAN MIE AUST FAICD
CHIEF OPERATING OFFICER

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

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

Mr Ohl is also a Director on a number of subsidiary companies within APA.

MICK J McCORMACK, see page 32

Board of Directors



MR G H BENNETT

FCA

INDEPENDENT CHAIRMAN

Appointed 11 February 2000.

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

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

Mr Bennett is also Chairman of the Nominations and Remuneration Committee. On 28 August 2007, Mr Bennett announced his intention to resign as Chairman and Director of APL, following the annual general meeting on 30 October 2007.

MR R M GERSBACH

BBUS CPA

NON-EXECUTIVE DIRECTOR

Originally appointed 26 August 2004 as an AGL representative Director. Resigned 30 October 2006.

Reappointed 6 November 2006.

Mr Ross Gersbach held a number of senior appointments over a 20 year period with AGL, covering areas such as infrastructure investments, mergers and acquisitions and strategic development across a range of energy related sectors.

In addition to Mr Gersbach's extensive commercial experience, he has also managed a portfolio of infrastructure assets in the electricity and natural gas distribution networks sector. Mr Gersbach is currently a Director of Envestra Limited.

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

MR R A HIGGINS AO

BEC FAICD

INDEPENDENT NON-EXECUTIVE DIRECTOR

Appointed 7 December 2004.

Mr Russell Higgins is a company director with extensive experience both locally and internationally in the energy sector and in economic and fiscal policy. Among his many roles, Mr Higgins was Secretary and Chief Executive

LEFT TO RIGHT: (TOP) G RATILAL, RA HIGGINS, RM GERSBACH, RJ WRIGHT, M MUHAMMAD (BOTTOM) W SHAMILAH SAIDI, MJ McCORMACK, GH BENNETT

INSET: (ABOVE) MR LF BLEASEL
(BELOW) MR WAN ZULKIFLEE WAN ARRIFIN



Officer of the Department of Industry, Science and Resources from 1997 to 2002 and Chairman of the Australian Government's Energy Task Force from 2003 to 2004.

Mr Higgins is the Chairman of the Co-operative Research Centre for Coal in Sustainable Development and Chairman of the CSIRO Energy Transformed Flagship Advisory Committee. He is a director of RiceGrowers Limited (trading as Sunrice) and Australian Biodiesel Group Limited. He is a former Chairman of the Snowy Mountains Council, a former Chairman of the Australian Government's Management Improvement Advisory Committee and a former director of EFIC, CSIRO, Austrade, the Australian Industry and Development Corporation, the Australian Tourist Commission and the Australian Sports Commission as well as a former member of the Australian Government's Joint Economic Forecasting Group. In 2006-07 Mr Higgins was a member of the Prime Ministerial Task Group on Emissions Trading.

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



MR L F BLEASEL AM
FAICD FAIM
INDEPENDENT NON-EXECUTIVE DIRECTOR

Appointed 28 August 2007

Mr Leonard ("Len") Bleasel is Chairman of ABN AMRO Australia Holdings Pty Limited, Zoological Parks Board NSW and YWCA of Sydney Advisory Committee; and a non-executive director of QBE Insurance Group Limited and O'Connell Street Associates Pty Limited. Mr Bleasel is also involved as a member of several charitable institutions.

Mr Bleasel had a long career in the energy industry before retiring from management in 2001. He started his career in AGL in 1958 and worked in a variety of roles, culminating in the position of Managing Director and CEO from 1990 to 2001.

Mr Bleasel's past appointments have included Chairman of Foodlands Associated Limited, Solaris Power, the Australian Gas Association, Natural Gas Corporation Holdings Ltd (New Zealand), Elgas Ltd, Auscom Holdings Pty Ltd, Industrial Pipe Systems Pty Ltd and East Australian Pipeline Ltd; Director of St George Bank Limited and Gas Valpo, (Chile); and Vice President of the Royal Blind Society.

Mr Bleasel was awarded an AM in the General Division of the Order of Australia for services to the Australian gas and energy industries and the community.



MR WAN ZULKIFLEE WAN ARRIFIN
ALTERNATE NON-EXECUTIVE DIRECTOR

Appointed 31 July 2007

Wan Zulkiflee Wan Arrifin is the Vice President of Gas Business of Petronas. He is an alternate on the APL Board for Mr Ratilal.

Wan Zulkiflee joined Petronas in 1983 as a process engineer and has held several positions in the Petronas Group including serving in the Office of the President as Senior Manager (Downstream Business)/Executive Assistant to the President for three years and as General Manager, International Projects Management Division of OGP Technical Services. He was the General Manager for the Strategy and Business Development Unit before assuming the position of Managing Director/CEO of a public listed subsidiary, Petronas Gas Berhad from 2003 to 2007.

Wan Zulkiflee is a member of Petronas Board of Directors and the Management Committee and currently sits on the Board of several companies in Petronas. He is a member of the Executive Committee of the International Gas Union. He was conferred the Honorary Fellowship by the Institute of Chemical Engineers UK in November 2005 and is the Industry Adviser to the Engineering Faculty, University Putra Malaysia.

Board of Directors

(continued)

MR M MUHAMMAD

MSC

INDEPENDENT NON-EXECUTIVE DIRECTOR

Appointed 8 March 2000.

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

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

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

MR M RATILAL

MBA

INDEPENDENT NON-EXECUTIVE DIRECTOR

Appointed 31 July 2007.

Mr Manharlal ("George") Ratilal is Vice President (Finance) of Petronas. Mr Ratilal is a member of Petronas' Management Committee and sits on the board of several Petronas subsidiaries. Prior to joining Petronas in 2003, he was employed by a local Malaysian merchant bank for 18 years. During that time, Mr Ratilal specialised in corporate finance where he advised on mergers and acquisitions, and the capital markets.

Mr Ratilal holds an MBA from the University of Aston in Birmingham, United Kingdom.

MR R J WRIGHT

BCOMM FCPA

INDEPENDENT NON-EXECUTIVE DIRECTOR

Appointed 11 February 2000.

Mr Robert Wright has over 30 years financial management experience, having held a number of Chief Financial Officer positions, including Finance Director of David Jones Limited. He is currently the Chairman of Dexion Limited and a director of SAI Global Limited, Super Cheap Auto Group Limited and Babcock & Brown Residential Land Partners.

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

MR M J McCORMACK

BSURV GRAD DIP ENG MBA FAICD

MANAGING DIRECTOR

Appointed Managing Director 1 July 2006.

Mr Michael ("Mick") McCormack has been Chief Executive Officer of APA since 1 July 2005, and was appointed Managing Director on 1 July 2006. He carries overall responsibility for the performance of APA and its management team.

Mr McCormack has extensive senior management experience in the energy transmission sector in Australia, with particular focus on gas transmission pipelines, where he has worked on the development of new and existing pipelines across Australia. Mr McCormack's entire career has been based in the energy transmission business. Prior to joining APA when it floated in 2000, he spent 13 years with AGL where he held a range of senior management positions within its pipeline business. Mr McCormack is the Chairman of a range of APA subsidiary companies.

Mr McCormack was appointed as a Director of GasNet on 10 November 2006. Mr McCormack is a Director on the board of the Australian Pipeline Industry Association, the Australian Brandenburg Orchestra and Envestra Limited.

MS WAN SHAMILAH SAIDI

BSC ACA

ALTERNATE INDEPENDENT NON-EXECUTIVE DIRECTOR

Appointed 21 October 2005.

Ms Wan Shamilah Saidi is the General Manager, Finance Division of Petronas Gas Berhad, a gas processing, transmission and utilities company listed on the Malaysian Stock Exchange. She is an alternate on the APL Board for Mr Muhammad.

Ms Wan Shamilah Saidi holds a degree in Economics and Accounting from the University of Bristol, United Kingdom. Ms Shamilah is also a member of the Institute of Chartered Accountants in England and Wales and the Malaysian Institute of Accountants. Ms Shamilah has been with Petronas since 1993 and has held various positions in Group Finance and the Corporate Planning and Development Division of Petronas. Prior to her current position, she was a manager within the Business Development Unit responsible for the mergers and acquisitions activities for Petronas.

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



Securityholder information

Distribution

The 2007 final distribution of 7.0 cps, unfranked, is to be paid on 28 September 2007. The distribution is made up of 5.0 cps income unfranked, and 2.0 cps tax deferred.

Change of address

Securityholders who have changed their address should advise the registry in writing.

Direct payment to bank accounts

Distributions may be paid direct to bank, building society or credit union accounts in Australia. Payments are electronically credited on the distribution payment date and confirmed by post. Securityholders who wish their distributions to be paid electronically, must advise the registry in writing prior to the record date of the first distribution payment that they wish to be paid by direct credit.

Consolidation of securityholdings

Securityholders who wish to consolidate their separate securityholdings into one account should advise the registry in writing.

Tax File Numbers

Australian tax resident securityholders, including minors, should advise their Tax File Number ("TFN"), Australian Business Number ("ABN") or exemption details to the registry either by phone or in writing. If a TFN or ABN is not quoted and no exemption details are provided by a securityholder, APA is required by law to deduct tax at the top marginal rate of tax plus medicare levy, from the unfranked part of distributions paid to that securityholder.

Distribution Reinvestment Plan ("DRP")

As an alternative to receiving cash distributions, securityholders may elect to participate in the DRP. The DRP enables securityholders to use cash distributions to purchase additional fully paid APA securities. If you would like to participate in our DRP, contact Link Market Services Limited.

Election of Directors

In August each year, securityholders will be notified by announcement to ASX that they may nominate a person for election to the Australian Pipeline Limited ("APL") Board as a non-corporate director.

Once all nominations are received by the required date, APL will advise securityholders of all candidates and present its nominations to the securityholders at the APA annual meeting. A majority resolution by securityholders on nominations will confirm securityholders intentions. APL will then ensure that the successful candidates are elected to its Board.

This report uses terms and abbreviations relevant to APA's activities and financial accounts. A glossary of the terms and abbreviations used in this report is provided on this page.

Enquiries

Securityholders with enquiries about their holdings should contact the Registry:

Toll Free: 1800 992 312

Outside Australia: +61 2 8280 7132

Facsimile: +61 2 9287 0303

E-mail: apagroup@linkmarketservices.com.au

Address:

APA Group Registry

C/- Link Market Services Limited

Locked Bag A14

Sydney South NSW 1235.

BOOK 2

APA Group

Financial Report

2007



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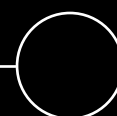
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APA Group



Corporate governance statement

APA Group ("APA") comprises the stapled entities of Australian Pipeline Trust ("APT") and APT Investment Trust ("APTIT"). It is used to describe the business of the stapled entities and their controlled entities and, for the purposes of this statement, as the context requires.

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

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

The ASX has recently released revised Principles which are effective for financial years after 1 January 2008. APL is considering the implications of the revised Principles on its corporate governance obligations.

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

Principle 1

Lay solid foundations for management and oversight by the Board

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

- (a) set the strategic direction of APA with management and monitor management's implementation of that strategy;
- (b) select and appoint (and, if appropriate, remove from office) the Managing Director, determine his conditions of service and monitor his performance against established objectives;
- (c) ratify the appointment (and, if appropriate, the removal from office) of the Chief Financial Officer and the Company Secretary;
- (d) approve conditions of service and performance monitoring procedures to apply to senior management;

- (e) monitor financial outcomes and the integrity of reporting, in particular approve annual budgets and longer term strategic and business plans;
- (f) set specific limits of authority for management to commit to new expenditure, enter contracts or acquire businesses without prior Board approval;
- (g) ensure that effective audit, risk management and compliance systems are in place to protect APA's assets and to minimise the possibility of APA operating beyond its constitution or beyond acceptable risk parameters;
- (h) establish and maintain a code of conduct ("code");
- (i) monitor compliance with regulatory requirements (including continuous disclosure) and code;
- (j) review senior management succession planning and development on a regular basis;
- (k) provide effective and timely reporting to securityholders; and
- (l) oversee occupational health and safety and environmental management and performance.

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

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

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

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

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

Corporate governance statement (continued)

Principle 2

Structure the Board to add value

The Board determines its size and composition, subject to limits imposed by APL's constitution. The constitution provides for a minimum of three Directors and a maximum of 12. During the financial year, there were between six and seven Directors who were on the Board at any one time. Mr M J McCormack, the Chief Executive Officer of APA who was appointed Managing Director from 1 July 2006, was the only Executive Director. The other Directors were Non-executives. From July 2006 to August 2006, there were six Non-executive Directors – three Non-corporate Directors (all independents), a representative of Petronas (also an independent) and two representatives of The Australian Gas Light Company ("AGL"). From September 2006 to October 2006, there were five Non-executive Directors – three Non-corporate Directors (all independents), a representative of Petronas (also an independent) and one representative of The Australian Gas Light Company.

By 30 October 2006, all AGL representatives had resigned, although Mr Gersbach rejoined the Board as a Non-executive Director on 6 November 2006. From 28 August 2007, the Board consisted of seven Non-executive Directors – four Non-corporate Directors (all independents), and two representatives of Petronas (also independents). Mr Manharlal (George) Ratilal was appointed to the Board on 31 July 2007 as a second Petronas appointed Director. Mr Leonard Francis Bleasel was appointed on 28 August 2007 as Chairman elect, following the announcement of Mr Bennett's intention to retire.

From June 2004, securityholders have had the ability to nominate candidates for Non-executive Director positions on the Board in certain circumstances.

Each of Messrs Gersbach, Ratilal and Bleasel, being casual appointments made by the Board prior to the 2007 annual meeting, will be eligible for re-election as Directors at the annual meeting in 2007, following their appointment as additional Directors during the year. In August each year, securityholders will be notified by announcement to ASX that they may nominate a person(s) for election to the Board. Securityholders have 15 days from the date of announcement to ASX to lodge a nomination form together with the relevant consent to act as a Director.

Once nominations are received by the required date, APL advises securityholders of all candidates who have been validly nominated and presents its nominations

to securityholders at the APA annual meeting, which is generally held in October each year.

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

A majority of the current members of the Board are "independent" within the ASX definition, to the extent that the components of that definition can be objectively assessed. Those members are Messrs G H Bennett (Chairman of the Board), R J Wright (Chairman of the Audit and Risk Management Committee), R A Higgins, M Muhammad and G Ratilal (the Petronas representatives). Mr R M Gersbach as a Non-executive Director is not considered to be independent by virtue of his provision of consultancy services during the financial year. Mr M J McCormack, as Managing Director, is also not considered to be independent.

APL has sought legal advice which confirms the independence of the Petronas representatives under the ASX listing rules, on the basis that there are no significant day to day business dealings between Petronas and APL, and that Petronas does not have any interest in APL.

The Nominations and Remuneration Committee ("Committee") of the Board comprises three non-executive Directors, Messrs G H Bennett (Chairman), R A Higgins and M Muhammad. Mr Gersbach stood down as a member of the Committee in February 2007. The terms of reference of the Committee are to:

- (a) ensure long-term people needs are met through effective talent management and succession planning;
- (b) ensure clear alignment between the needs and requirements of key stakeholder groups (ie customers, securityholders and communities) and the objectives and values of APA;
- (c) reward APA people for high performance, and keep them committed and motivated;
- (d) encourage teamwork and shared learning;
- (e) foster growth of APA people to enable them to reach their full potential through performance management, development and training;
- (f) ensure compliance with relevant legislation and corporate governance principles on remuneration practices and employment policies; and
- (g) effectively overview remuneration, including incentives and retirement benefits, for people at all levels, enabling APA to attract and retain people who create value for securityholders.

Corporate governance statement (continued)

The Committee met five times during the financial year ended 30 June 2007 and was attended by all members. The Committee may make use of external consultants if that is deemed appropriate.

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

The Chairman is selected by the full Board.

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

The Directors, at any time during the financial year or since, are listed below. A brief description of current Directors' qualifications, experience and special responsibilities is set out on pages 30 to 32 of Book 1:

- Mr G H Bennett FCA
– Independent Chairman
- Mr R M Gersbach BBus CPA
– Non-executive Director
- Mr R A Higgins AO BEc FAICD
– Independent Non-executive Director
- Mr M Muhammad MSc
– Independent Non-executive Director
- Mr R J Wright BComm FCPA
– Independent Non-executive Director
- Mr M Ratilal MBA
– Independent Non-executive Director
- Mr L F Bleasel AM FAICD FAIM
– Independent Non-executive Director
- Ms Wan Shamilah Saidi
– Alternate Non-executive Director
(Alternate for Mr M Muhammad)
- Mr Wan Zulkiflee Wan Arrifin
– Alternate Non-executive Director
(Alternate for Mr M Ratilal)
- Mr M J McCormack BSurv GradDipEng MBA FAICD
– Managing Director
- Ms J F McAloon BEc (Hons) LLB FCIS
– Non-executive Director

Principle 3

Promote ethical and responsible decision making

APA has policies on ethical and responsible decision making, including policies on security trading by Directors and staff, and on conflicts of interest. APA's code, which applies to Directors as well as employees, is available on the website.

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

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

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

Principle 4

Safeguard integrity in financial reporting

APA complies with all the ASX recommendations under this Principle.

APL's costs incurred in acting as responsible entity are reimbursed by APA. The actual cost recovery is generally in the order of \$1.5 million per annum. APL does not make a profit, nor seek performance fees. The constitutions of APT and APTIT enable APL to charge fees up to 0.5% per annum of the value of gross assets, however, the right to charge this has been waived to the extent it exceeds APL's costs.

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

The Board has established an Audit and Risk Management Committee ("Committee"), comprising three Non-executive Directors, all with appropriate

Corporate governance statement (continued)

experience. They are Messrs R J Wright (Chairman), R M Gersbach and R A Higgins. Committee members' qualifications are disclosed on pages 30–32 of Book 1.

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

The minutes of each Committee meeting are reviewed at the subsequent meeting of the Board and the Chairman of the Committee reports on the Committee's conclusions and recommendations. The Committee held four meetings during the financial year ended 30 June 2007.

The details of meetings attended by each member are set out in each Annual Report. The role and responsibilities of the Committee are to:

- (a) recommend to the Board the appointment of the External Auditor and its fees;
- (b) review and/or evaluate:
 - the audit plan of the External Auditor;
 - the performance of the External Auditor;
 - the provision of non-audit services by the External Auditor, including the quantum of fees and the types of activities performed;
 - the effectiveness of the internal review processes;
 - the management letters from the External Auditor and management's responses;
 - the adequacy and effectiveness of the reporting and accounting controls of APA;
 - the financial reports to be made to securityholders and/or the public prior to their release;
 - APA's exposure to business risks;
 - reports from management, the compliance service provider and/or the External Auditor concerning any significant regulatory, accounting or reporting development to assess potential financial reporting issues;
 - the adequacy of risk management strategies in relation to the maintenance, operations or replacement of assets of APA (and make recommendations to the Board); and
 - the adequacy of risk management strategies in relation to any statutory or policy requirements, including environment, and occupational health and safety (and make recommendations to the Board);

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

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

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

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

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

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

Principle 5

Make timely and balanced disclosure

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

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

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

Principle 6

Respect the rights of securityholders

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

- reports to ASX and the press;
- half year and full year profit announcements;
- a periodic newsletter;
- annual reports;

Corporate governance statement (continued)

- release to ASX of information provided to analysts; and
- webcasting of half year and full year accounts presentations.

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

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

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

Principle 7

Recognise and manage risk

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

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

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

Financial risk management

The ongoing review of control systems is supported by a system of regular internal reviews to ensure that the accounting functions operate effectively. This review, which is performed on a half yearly basis, ensures that the financial systems and controls and procedures are appropriate.

Operational and asset management

APA ensures the integrity of its infrastructure assets through the implementation of asset specific Safety and Operating Plans ("SAOPs"), Safety, Reliability, Maintenance and Technical Management Plans ("SRMTMP") and other measures that comply with the conditions of the relevant operation and Australian Standard i.e. AS 2885.3 Pipelines – Gas and Liquid Petroleum Part 3: Operations and Maintenance. These SAOPs detail the policies for personnel, the public and environmental protection as identified in risk assessments satisfying Australian Standard AS 2885.1 Pipelines – Gas and Liquid Petroleum Part 1: Design and Construction.

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

The SAOPs for each of the NSW and QLD pipelines are audited annually by qualified external auditors. In Western Australia the requirements of SAOPs are met in the Safety Case that is prepared for the Goldfields Gas Transmission Pipeline and related laterals. The Parmelia assets SAOP requirements are met by a Safety Management System ("SMS") that will be converted to a Safety Case approach in the future. Each Safety Case and SMS is audited regularly by the State technical regulator.

In Victoria, all pipeline assets are covered under a Safety Case with Energy Safe Victoria. The Safety Cases include a formal safety assessment according to AS 2885 and AS 4360 and a SMS which applies to all operations. The Safety Case is audited twice yearly by Energy Safe Victoria and an internal audit program is conducted of key aspects of the SMS.

The Safety Case is reviewed annually to account for incident history, when significant changes occur and every five years as required by Regulation. In the Northern Territory, APA relies on the SAOPs of NT Gas as the operator of these pipelines.

APA ensures the integrity of gas processing plant assets through the implementation of asset specific Safe Operating and Maintenance Procedures ("SOMPs") complying with the conditions of the relevant licence and Australian acts, codes and standards. These SOMPs detail

Corporate governance statement (continued)

the policies for personnel, the public and environmental protection as identified in risk assessments satisfying AS 4360: 2004 Risk Management.

APA ensures the integrity of the high voltage electrical interconnector assets through the implementation of a SRMTMP. The SRMTMP outlines the actions, procedures, and accountabilities necessary to ensure compliance with the conditions of the relevant licence and Australian acts, codes, standards and company policies.

For the LNG Facility, safety management is achieved through the Major Hazard Facility Safety Case with WorkSafe Victoria. The Safety Case is also reviewed following any significant incident or for any significant change to the Facility. WorkSafe conducts regular site visits to overview the implementation of the Safety Case and conducts an annual audit for compliance.

Managing Director and Chief Financial Officer certification

The Managing Director and Chief Financial Officer have provided the Board with written declarations that:

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

Principle 8

Encourage enhanced performance

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

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

This year, in view of the changes to Directors, a review has been delayed until the end of the calendar year 2007.

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

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

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

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

Principle 9

Remunerate fairly and responsibly

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

Corporate governance statement (continued)

The full terms of reference of the Committee are detailed under Principle 2.

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

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

Remuneration of Non-executive Directors

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

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

Fee increases of the Directors are approved by the shareholders of APL. The last increase in fees to Non-executive Directors was made in July 2006 and was approved at a general meeting held in September 2006. Non-executive Directors' fees are benchmarked in June each year against fees paid by similar companies in the S&P/ASX 200 index to ensure relativities are maintained and best practices adhered to.

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

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

In 2003, the Board terminated the retirement benefit program. The benefits that had already accrued under the program are now payable on retirement of the Directors

who participated in the retirement benefit program. No options or securities have been issued to Directors as a consequence of their position as Directors.

Remuneration of Managing Director and other key management personnel

For the purposes of this report, the remuneration details of Mr M J McCormack as Managing Director are included with the remuneration details of the other key management personnel in the Annual Report.

Principle 10

Recognise the legitimate interests of stakeholders

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

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

Corporate governance statement (continued)

ASX Corporate Governance Council Best Practice Recommendations

	ASX principle	Comply (Yes/No)
Principle 1	Lay solid foundations for management and oversight by the Board	
1.1	Formalise and disclose the functions reserved to the Board and those delegated to the management	Yes
Principle 2	Structure the Board to add value	
2.1	A majority of the Board should be Independent Directors	Yes
2.2	The Chairman should be an Independent Director	Yes
2.3	The roles of the Chairman and Managing Director should not be exercised by the same individual	Yes
2.4	The Board should establish a Nomination Committee	Yes
2.5	Provide the information indicated in the Guide to Reporting on Principle 2	Yes
Principle 3	Promote ethical and responsible decision making	
3.1	Establish a Code of Conduct to guide the Directors, the Managing Director, the Chief Financial Officer and any other key executives as to: <ul style="list-style-type: none"> 3.1.1 the practices necessary to maintain confidence in APA's integrity; and 3.1.2 in conjunction with 3.1.1 and 7.2.2, the responsibility and accountability of individuals for reporting and investigating reports of unethical practices 	Yes Yes
3.2	Disclose the policy concerning trading in APA securities by Directors, officers and employees	Yes
3.3	Provide the information indicated in the Guide to Reporting on Principle 3	Yes
Principle 4	Safeguard integrity in financial reporting	
4.1	Require the Managing Director and the Chief Financial Officer to state in writing to the Board that the financial reports present a true and fair view, in all material respects, of APA's financial condition, and that the operational results are in accordance with relevant accounting standards	Yes
4.2	The Board should establish an Audit Committee	Yes
4.3	Structure the Audit Committee so that it consists of: <ul style="list-style-type: none"> only Non-executive Directors; a majority of Independent Directors; an Independent Chairman, who is not Chairman of the Board; and at least three members 	Yes Yes Yes Yes
4.4	The Audit Committee should have a formal charter	Yes
4.5	Provide the information indicated in the Guide to Reporting on Principle 4	Yes
Principle 5	Make timely and balanced disclosure	
5.1	Establish written policies and procedures designed to ensure compliance with ASX Listing Rules disclosure requirements and to ensure accountability at a senior management level for that compliance	Yes
5.2	Provide the information indicated in the Guide to Reporting on Principle 5	Yes
Principle 6	Respect the rights of securityholders	
6.1	Design and disclose a communications strategy to promote effective communication with securityholders and encourage effective participation at general meetings	Yes
6.2	Request the External Auditor to attend the annual meeting and be available to answer securityholder questions about the conduct of the audit and the preparation and content of the auditor's report	Yes

Corporate governance statement (continued)

	ASX principle	Comply (Yes/No)
Principle 7	Recognise and manage risk	
7.1	The Board or appropriate Board Committee should establish policies on risk oversight and management	Yes
7.2	The Chief Executive Officer (or equivalent) and the Chief Financial Officer (or equivalent) should state to the Board in writing that:	
7.2.1	the statement given in accordance with best practice recommendation 4.1 is founded on a sound system of risk management and internal compliance and control which implements the policies adopted by the Board; and	Yes
7.2.2	the entity's risk management and internal compliance and control system is operating efficiently and effectively in all material respects	Yes
7.3	Provide the information indicated in the Guide to Reporting on Principle 7	Yes
Principle 8	Encourage enhanced performance	
8.1	Disclose the process for performance evaluation of the Board, its Committees and individual Directors and Key Executives	Yes
Principle 9	Remunerate fairly and responsibly	
9.1	Provide disclosure in relation to the entity's remuneration policies to enable investors to understand: <ul style="list-style-type: none"> the costs and benefits of these policies; and the link between remuneration paid to Directors and Key Executives and corporate performance. 	Yes Yes
9.2	The Board should establish a Remuneration Committee	Yes
9.3	Clearly distinguish the structure of Non-executive Directors' remuneration from that of executives	Yes
9.4	Ensure that the payment of equity-based executive remuneration is made in accordance with thresholds set in plans approved by securityholders	N/A
9.5	Provide the information in the Guide to Reporting on Principle 9	Yes
Principle 10	Recognise the legitimate interests of stakeholders	
10.1	Establish and disclose a code of conduct to guide compliance with legal and other obligations	Yes

Directors' report

The Directors of Australian Pipeline Limited ("APL" or "Responsible Entity") submit herewith the financial report of Australian Pipeline Trust ("APT" or "Trust") and its Controlled Entities (together "Consolidated Entity") for the year ended 30 June 2007. This report and the financial statements attached refer to the consolidated results of APT and APT Investment Trust ("together APA").

In order to comply with the provisions of the Corporations Act 2001, the Directors' Report as follows:

Directors

The names of the Directors of the Responsible Entity during and since the end of the financial year are:

Mr G H Bennett (Chairman)

Mr R M Gersbach (Originally appointed 26 August 2004 as an AGL representative Director. Resigned 30 October 2006. Reappointed 6 November 2006)

Mr R A Higgins, AO

Mr M Muhammad

Mr R J Wright

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

Mr L F Bleasel, AM (appointed Independent Non-executive Director on 28 August 2007)

Ms Wan Shamilah Saidi (alternate for Mr Muhammad)

Mr Wan Zulkiflee Wan Ariffin (alternate for Mr Ratilal)

Mr M J McCormack (Managing Director)

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

The Directors' qualifications, experience and special responsibilities along with details of their other listed entity directorships are provided on pages 30 to 32 of Book 1.

Secretary

Mr A J V James, LLB

Mr James is responsible for the management of corporate services functions including public and securityholder relations and administration, and has been the Company Secretary for APA for the last seven years. Mr James has substantial experience in corporate, legal and regulatory roles. Prior to joining APA, Mr James worked for AGL, where he held senior management positions including

Manager Finance and Planning, Manager Taxation and Manager Development Projects. Mr James has been admitted to the Supreme Court of New South Wales as a barrister.

Principal activities

The principal activities of the Consolidated Entity during the course of the financial year were the ownership of gas transmission pipelines located throughout Australia and a gas distribution network in south east Queensland and northern New South Wales. The Consolidated Entity undertook the sale of transportation and related services to the producers, consumers and aggregators of gas through these gas transmission and distribution pipelines. Additionally, APA owns two coal seam gas ("CSG") processing plants, a gas-fired power station, gas storage facilities and two high voltage direct current interconnection systems, including underground transmission cables.

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 APA occurred during the year, except as noted below:

Return of capital

APT Investment Trust ("APTIT") was capitalised by way of a pro-rata capital distribution of \$302,000,000 from APT, post the rights issue transaction. APT then issued APTIT securities (equalling the expanded number of securities post the rights issue) which were stapled to the existing units or securities in APT.

APTIT capital

The issued capital of APTIT, post the non-renounceable rights issue announced November 2006 ("rights issue") was \$302,000,000.

APTIT minority interest in equity

In accordance with UIG 1002 "Post-Date-of-Transaction Stapling Arrangements", APT and APTIT are required to identify one of them as the acquirer and the parent under the stapling arrangements. APT is the acquirer and the parent. Accordingly, for accounting purposes the interests of APTIT securityholders are treated as minority interests in APA.

Directors' report

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Operating and financial review

Financial performance

The 2007 financial year has been a year of transition for APA. The business has undertaken a number of strategic acquisitions over the past 18 months, and is now working hard to efficiently integrate those businesses and to leverage off the benefits they bring to the expanded APA. Already, the acquired businesses are contributing strongly to the consolidated result. In summary, the operating profit after tax and minorities but before significant items for the financial year was \$64,530,000, an increase of 6.4% on the prior financial year of \$60,661,000.

The increased performance was mainly due to:

- consolidation of GasNet Australia Group ("GasNet") for nine months, acquired in October 2006;
- eight months contribution from the Allgas gas distribution business, acquired in November 2006;
- four months contribution from the Directlink electricity transmission asset, acquired in February 2007;
- three months contribution from the Tipton West CSG processing facility;
- full year contributions from both the Murraylink electricity transmission asset (acquired on 30 March 2006) and the Kogan North gas processing facility which was operational in March 2006; and
- increased pipeline transportation revenue across the majority of APA's other pipelines, specifically in Queensland and Western Australia, which have more than offset the known contracted reductions in revenue on the Moomba to Sydney Pipeline ("MSP") in NSW and Amadeus Gas Pipeline ("AGP") in the Northern Territory, which have been previously foreshadowed to the market.

After significant items, profit attributable to securityholders of APA (including APTIT) for the financial year was \$56,760,000 (2006: \$62,546,000). Details of significant items are provided in Note 6 to the financial statements.

Distribution to securityholders

On 29 August 2007, the Directors declared a final distribution of 7.0 cents per security ("cps") for APA (comprising a distribution of 2.0 cps from APT and a distribution of 5.0 cps from APTIT), made up of 5.0 cps income distribution (unfranked) and 2.0 cps tax deferred distribution. This takes the total distributions in respect of the financial year to 28.0 cps, an increase of 4.0 cps, up 16.7% over the prior year, reflecting improved operating performance, the contribution from new businesses and increased cash flows.

The final distribution will be paid on 28 September 2007 and equates to a cash distribution of \$30,219,000.

Highlights

Acquisitions and investments

During the financial year, APA:

- acquired GasNet, a publicly listed vehicle with gas transmission assets in Victoria and Western Australia. The acquisition of GasNet, and subsequent integration of GasNet's Victorian operations, were a key step towards the development of a gas transmission grid in eastern Australia and APA's goal of offering a seamless tariff for gas delivered in Queensland, New South Wales, the ACT and Victoria. Almost all the natural gas consumed in Victoria is transported through GasNet's 1,935 km pipeline network;
- acquired the Allgas gas distribution business from the Queensland Government, following a competitive tender process. Allgas is one of two gas distribution businesses in south east Queensland, servicing high population growth centres. The network includes over 2,300 km of distribution mains supplying approximately 65,000 customers. Total gas usage is currently around 10 PJ per annum; however, a significant expansion program has been approved by the regulator to satisfy rapid growth in demand;
- acquired the Directlink electricity transmission asset in February 2007, one of only two electricity transmission links between the NSW and Queensland power grids. The acquisition by APA complements its purchase in March 2006 of the Murraylink electricity assets, enabling the operations of both interconnects to be combined into one business operation;
- entered into an agreement with Origin Energy Limited to purchase the Origin Energy Networks assets ("OEN") comprising Origin Energy Asset Management which provides management and operations services to Envestra Ltd ("Envestra"), a 17% stake in Envestra, and a one-third interest in the SEAGas Pipeline. The acquisition of the one-third interest in SEAGas completed on 29 June 2007, while the remainder of the acquisition was completed on 2 July 2007. The acquisition of the OEN assets will increase APA revenues by 40% and expand its footprint in Australia to include every mainland State and Territory;
- entered into, on 29 June 2007, conditional agreements with Alinta and the Babcock & Brown/Singapore Power International Consortium ("BNB/SPI") to terminate or transfer the operating and maintenance services currently provided by Alinta for many of

Directors' report

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APA's key gas transmission pipelines. APA will pay \$210 million which will result in the elimination of all fees currently paid to Alinta, as well as the transfer to APA of associated property, plant and equipment. As a result, the long-term operation and maintenance of all of APA's assets will now be under the direct control of APA, rather than a third party.

Capital management activities

During the past 12 months, APA has successfully undertaken a number of significant capital and debt raising activities to fund the expansion of the business. APA raised over \$608 million in equity through a mix of offerings as detailed below:

- raised \$190 million via placement of 41.8 million new ordinary securities with institutional and sophisticated investors at an issue price of \$4.55 per security on 1 September 2006. The issue price represented a discount of 4.4% to the last sale price of APA securities on 31 August 2006, after adjusting for the 2006 final distribution of 6.0 cps, which the placement securities did not receive;
- in October 2006, the security purchase plan ("SPP") raised over \$40 million from existing securityholders, resulting in the issue of 9.0 million securities at \$4.50 per security;
- the two for seven renounceable rights issue at \$3.75 per security raised \$356 million on 11 December 2006. Over 90% of rights were taken up by securityholders with the remainder subscribed for by the underwriter to the issue, ABN AMRO Rothschild. As a result, 94.9 million new units were issued;
- as part of the product disclosure statement for the rights issue, a new trust, APTIT, was capitalised and its securities were stapled to those of APT to form the new stapled entity, APA; and
- during the 2007 financial year a total of \$21.9 million was raised from securityholders through continued operation of the Distribution Reinvestment Plan ("DRP") resulting in the issue of 5.9 million new securities.

APA also undertook two major debt refinancings to refinance its acquisition bridge facilities and existing bilateral bank borrowings, as follows:

- during May 2007, APA raised US\$654 million (A\$811 million) in 10, 12 and 15 year debt tranches through a private placement to US and Canadian investors. More than 15 investors participated, of which 13 were first time investors in APA. The placement was the largest by an Australian utility,

the largest by an unrated Australian company in the US and more than double the US\$300 million the APA had initially targeted; and

- in June 2007, APA successfully closed its new \$2.0 billion syndicated debt facility. The facility is evenly split between three and five year maturities. The syndication was well oversubscribed.

At 30 June 2007, APA has no immediate debt refinancing obligations due within the next 12 months, and has a healthy spread of tenors extending out to 2022. APA is also conservatively geared at 69.0% at 30 June 2007, and 72.4% post-completion of the OEN asset acquisition on 2 July 2007.

Similarly, APA has a prudent treasury policy which requires conservative levels of hedging of interest rate exposures to minimise the potential impacts from adverse movements in rates. At 30 June 2007, 84% of all interest rate exposures were either hedged or at fixed interest rates, for varying periods extending out as far as 15 years. Post completion of the OEN asset acquisition, the level of overall hedging decreased to 72%.

Other highlights

In New South Wales, APA:

- entered into revised gas transportation arrangements with AGL Energy in respect of transportation of gas through APA's MSP. These agreements amend the conditions for the existing 10 year agreement through to 31 December 2016 which was subject to renegotiation following the expiry on 1 January 2007 of the fixed revenue payments under the Gas Transportation Deed ("GTD");
- entered into an agreement in June 2007 to supply gas to an open cycle peaking power station being constructed near Uranquinty in south central NSW. The agreement with NewGen Power also provides for the expansion of MSP's Interconnect by the construction of compressors at Culcairn and a new meter station for the power station;
- completed the acquisition of Directlink and tendered and awarded a combined Murraylink and Directlink maintenance contract; and
- continued to implement its program of investigation and repair of stress corrosion cracking ("SCC") on MSP. Expenditure for the financial year has been within the amounts previously provided, APA continues to meet its contractual obligations to deliver energy safely and reliably.

Directors' report

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In Victoria, APA:

- completed the acquisition of the GasNet business which added 104 staff to APA; and
- continued with capital expansions of the Victorian Transmission System including compressor station upgrades and the Brooklyn to Lara Pipeline project.

In Queensland, APA:

- invested in a CSG processing facility at Tipton West (west of Brisbane), which will initially deliver up to 10 PJ of processed gas a year from the Tipton West field to the Braemar Power Station. This is APA's second investment in coal seam gas processing facilities, following the completion in March 2006 of the \$13 million facility at Kogan North. Tipton West was commissioned in March 2007 and will operate for 15 years, generating cash flows to APA of around \$6.5 million a year;
- completed construction of the \$29 million Daandine gas-fired Power Station at Kogan, adjacent to the Kogan North gas processing facility. The 27.4 MW power station is designed to supply base load electricity into the southern Queensland grid. Daandine was commissioned in December 2006 and will operate for 15 years, generating cash flows to APA of approximately \$5.5 million a year;
- entered into a 15 year agreement with Xstrata to build, own and maintain X41, a \$30 million gas-fired power station at Mt Isa, in north western Queensland. The 30 MW power station will be fuelled by natural gas transported to Mt Isa on APA's Carpentaria Gas Pipeline ("CGP") and then to the Xstrata mine through the Mt Isa Town Lateral Pipeline, also owned by APA. Commissioning of X41 Power Station, APA's second gas-fired power station investment, is expected to be in late 2007; and
- completed the acquisition of the Allgas business which added 65 staff to APA.

In Western Australia, APA:

- completed and commissioned the Paraburdoo compressor station upgrade in October 2006. The additional capacity from this upgrade has been fully contracted;
- signed a five year Gas Storage and Transportation Agreement ("GSTA") in June 2007 with Eneabba Gas to transport gas via the Parmelia Gas Pipeline ("PGP") to the proposed Centauri 1 Power Station, eight km east of Dongara. The GSTA also includes storage arrangements using APA's Mondarra Storage Facility; and

- signed a 15 year agreement in June 2007 to transport gas to the Windimurra vanadium mine via the MidWest Pipeline which is jointly owned by APA and the State owned power company, Horizon Power.

In the Northern Territory, APA progressed detailed engineering, land access and environmental activities associated with the development of the Bonaparte Gas Pipeline. This 285 km, 300mm nominal bore pipeline will transport gas from Wadeye to APA's AGP under a 25 year Gas Transportation Agreement with Power Water Corporation. The project is on schedule to deliver gas commencing 1 January 2009.

Directors' report

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Financial summary

The following table provides a summary of key financial data for the financial year:

	Year ended 30 June 2007 \$000	Year ended 30 June 2006 \$000	Change compared to 2006 \$000 %	
Operating results before significant items				
Pipeline transportation revenue	393,131	278,956	114,175	40.9
Electricity transmission revenue	17,193	3,188	14,005	439.3
Other tolling revenue	1,209	1,199	10	–
Other pipeline revenue – passthrough	95,911	85,727	10,184	11.9
Other revenue	25,256	9,958	15,298	153.6
Total revenue	532,700	379,028	153,672	40.5
EBITDA	296,842	200,402	96,440	48.1
Depreciation	(69,783)	(38,849)	(30,934)	(79.6)
EBIT	227,059	161,553	65,506	40.6
Net interest expense	(136,625)	(71,120)	(65,505)	(92.1)
Pre-tax profit	90,434	90,433	1	–
Income tax expense	(25,802)	(29,438)	3,636	12.4
Operating profit after tax and minorities, before significant items	64,530	60,661	3,869	6.4
Significant items				
Alinta related legal actions	(7,000)	–	(7,000)	–
SCC repair and investigative work	(5,265)	(11,300)	6,035	–
Revaluation gain – "ineffective" interest rate hedges	1,165	–	1,165	–
Tariff dispute resolution	–	3,262	(3,262)	–
Significant items before income tax	(11,100)	(8,038)	(3,062)	–
Tax effect of significant items	3,330	2,411	919	–
Tax-consolidation benefit – APA	–	7,512	(7,512)	–
Significant items after income tax	(7,770)	1,885	(9,656)	n/a
Profit after income tax and minorities	56,760	62,546	(5,787)	(9.3)
Earnings per security, before significant items	17.0c	20.9c	(3.9)c	(18.8)
Earnings per security	15.0c	21.6c	(6.6)c	(30.8)
Underlying operating cash flow ("OCF")	156,984	112,174	44,810	39.9
Underlying OCF per security	41.4c	38.7c	2.6c	6.8

Commentary

Revenue

Revenue, before significant items, grew by 40.5% from \$379,028,000 in the previous financial year to \$532,700,000.

Pipeline transportation revenue (excluding significant items) increased by 40.9% from \$278,956,000 in the prior year to \$393,131,000 principally due to the acquisitions of the GasNet and Allgas businesses, and increased revenues across the majority of pipelines. Revenue from the Roma to Brisbane Pipeline ("RBP") increased by \$5,300,000 principally due to new revenue from CS Energy associated with additional generation at the Swanbank E Power Station and additional throughput to major industrial users in the Brisbane area. Higher revenue on the CGP by \$5,400,000 reflects the commencement of a new short-term contract with Mt Isa Mines Limited, plus general tariff escalation. The increase in revenue from the WA Gas Business of \$7,500,000 is mainly due to increased third party revenues, particularly from the mining sector.

The increase in pipeline transportation revenue is net of the impact from the contracted reduction in revenue from the MSP under the GTD as well as the cessation of the capital return tariff on the AGP of \$7,429,000, as foreshadowed in previous financial reports. The GTD with AGL is a foundation gas transportation agreement executed at the time of APA's initial public offering in 2000. The minimum payment commitments under the GTD ceased at 31 December 2006 and have been replaced with a set of revised gas transportation arrangements. The impact of the reduction in overall GTD

Directors' report

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revenues during the year was \$9,656,000 in comparison to the prior year.

Electricity transmission revenue increased over last year principally due to a full 12 month contribution from the Murraylink acquisition in the previous financial year and a part year contribution from Directlink acquired in February 2007.

Other revenue includes external interest received and distributions from the investment in GasNet prior to its acquisition by APA.

Expenses

Asset operation and management expenses increased from \$79,197,000 in the prior year to \$102,527,000, an increase of 29.5%, principally due to the impact of consolidating the newly acquired entities GasNet, Allgas and Directlink.

Borrowings and finance cost

As at 30 June 2007, APA had borrowings of \$2,720 million, principally from new syndicated debt facilities, US Private Placement notes and other medium-term notes, compared to \$1,262 million as at 30 June 2006. Borrowings increased due to the funding of the acquisitions of GasNet, Allgas, Directlink and SEAGas and the consolidation of GasNet's own borrowings of \$652 million.

Income tax

The effective tax rate before significant items has decreased in 2007 (28.5%) in comparison to the previous financial year (32.6%), largely in part due to the operation of APTIT which is a passthrough entity for tax purposes.

Earnings per security

Earnings per security ("EPS") before significant items, calculated on a weighted average basis, for the current period was 17.0 cps, an 18.8% decrease over the prior year of 20.9 cps. The equity raised through the private placement, rights issue, DRP and SPP increased the number of securities on issue, which impacted EPS. The weighted average number of securities on issue during the current year was 379,551,000, up from 289,819,000 in the prior year.

Operating cash flow

Operating cash flow available for distribution to securityholders is a key metric for the business. The growth in operating cash flow has come from organic growth on APA's existing pipelines, recent acquisitions (GasNet, Allgas and Directlink) and

complementary assets. Reported operating cash flow for the current year was \$136.7 million, an increase of \$24.5 million or 21.9% on prior year. On a per security basis, operating cash flow per security was 36.0 cps, a decrease of 2.7 cps or 7.0% on prior year, principally due to timing of interest payments, one-off costs associated with integrating major acquisitions, as well as significant legal and advisor costs associated with defending APA against Alinta's corporate raid on the business. In addition to these items, the operating cash flow for the year was further adversely impacted by a number of other one-off or timing differences in the movement of working capital balances.

Taking the above factors into account, there was a solid growth in underlying operating cash flow during the year, which further demonstrates APA's ability to pay the increased distributions in the current year, and to continue to grow those distributions, by at least CPI in the future.

Recognising APA's commitment to return distributions to its securityholders, operating cash flow payout ratio increased to 73.3% from 59.7% in the prior year.

Distributions

Following court approval to proceed with the Alinta scheme of arrangement, APA will have an expanded securityholder base. The Board has determined that it will change the frequency of distributions in the future from quarterly to semi-annually, commencing in February 2008. This will result in a potential annual cost saving of at least \$400,000. The likely dates for the semi-annual declarations of distributions will be February and August annually, with payment in the respective following month.

Changing to a semi-annual payment will not reduce the total annual distribution payment. APA remains committed to its stated objective of increasing annual distributions by at least CPI.

In line with APA's strategic goal of increasing distributions annually by at least CPI, securityholder distributions increased 49.6% from \$66,936,000 in the previous financial year to \$100,163,000 as a consequence of a higher number of securities on issue and an increase in distributions per security. Of this, \$24,602,000 net of costs (5,865,000 securities) was reinvested in new securities under the DRP.

As at 30 June 2007, 431,701,000 APA securities were on issue (2006: 280,181,000).

Directors' report

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Significant items

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

- one-off legal expenses associated with defending APA against the Alinta corporate raid and associated legal actions of \$7,000,000;
- based on the investigation, analysis and repairs carried out to date in relation to SCC on the MSP, APA has identified additional work that needs to be carried out. As there is a legal and constructive obligation to carry out further repair and investigative work, an additional amount of \$5,265,000 has been provided at 30 June 2007. Payments for SCC work conducted during the financial year were applied against the provision created in the prior year; and
- revaluation gain of \$1,165,000 on interest rate hedges acquired as part of the GasNet acquisition, but deemed ineffective on consolidation.

The net after-tax impact of significant items is a loss of \$7,770,000.

In 2006, APA reported the following significant items:

- an expense for investigation, analysis and repairs in relation to SCC on the MSP of \$11,300,000;
- settlement of an "acquired" dispute regarding tariffs, resulted in a provision of \$3,262,000 being released to profit; and
- following the finalisation of APA's entry into tax consolidation in 2004, further adjustments were made to the tax cost base of assets which resulted in a release of deferred tax liabilities and the recognition of an income tax benefit of \$7,512,000.

The net after-tax impact of significant items in the prior year was a gain of \$1,885,000.

Regulatory matters

Key regulatory matters addressed during the financial year included:

MSP Access Arrangement

Part of the MSP remains regulated under the National Gas Code, and APA is therefore required to establish an approved Access Arrangement for the regulated part of the pipeline. The litigation between APA and the ACCC in relation to the ACCC's rejection of APA's proposed Access Arrangement continues. Following appeals before the Australian Competition Tribunal (which found in APA's favour) and the Full Court of the Federal Court of Australia (which found substantially in the ACCC's

favour), APA appealed to the High Court of Australia. The appeal was heard in April 2007.

APA does not know when the High Court will hand down its decision; however, the outcome of the appeal will have no material impact on MSP revenues as the pipeline is substantially unregulated.

RBP Access Arrangement

In March 2007, the ACCC issued its Final Approval for the Access Arrangement for the RBP. The ACCC's Final Approval included an increase in the initial capital base from \$251 million (as proposed in the ACCC's draft decision in December 2006) to \$296.4 million. As the RBP is effectively fully contracted, the Access Arrangement will not affect revenues until existing contracts expire and new contracts are negotiated from 2012 onwards.

The Access Arrangement does not affect APA's ability to undertake expansions at a tariff commercially negotiated with users.

Access Arrangement for the Victorian Transmission System (GasNet)

The existing Access Arrangement for the Victorian Transmission System (part of the GasNet business) expires on 31 December 2007. As required by the National Gas Code, APA submitted a proposed new Access Arrangement with the ACCC on 31 March 2007. The ACCC is expected to release its Draft Decision on the proposed Access Arrangement during September 2007. The new Access Arrangement, when determined, will run for five years commencing from 1 January 2008.

Reform of National Energy Regulation

The process of national energy infrastructure reform has continued and the proposed new National Gas Law and National Gas Rules are expected to commence during the first half of the 2008 financial year. From APA's perspective, particular highlights include the development of a generally more intrusive policy position applicable to gas infrastructure and the ongoing development of market structures, including mechanisms to facilitate trading in gas and pipeline services. Several matters of benefit to asset owners have been achieved, including mechanisms for "regulation holidays" for new pipelines, an option for "lighter handed" regulation of existing pipelines which do not have market power, and the retention of rights of merits review of significant regulatory decisions. APA has actively contributed to this reform process, principally through participation in

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the Australian Pipeline Industry Association ("APIA") regulatory committee.

Gas supply

In February 2007, it was announced that work on the PNG to Australia pipeline project had been suspended while other possible PNG gas development options were being evaluated. While the decision is disappointing, APA is of the view that the key drivers underlying the rationale for the PNG to Australia pipeline project remain compelling with gas consumption expected to rise strongly in Australia.

This is not the first time that work on the project has been suspended and APA will continue to support all projects aimed at providing additional northern gas supplies to meet the strong demand for gas in eastern Australia into the future. These projects include PNG gas, Timor Sea gas, North West Shelf gas and CSG.

The securing of future natural gas supplies to south east Australia continues to be a major issue. APA has been active in supporting alternate gas sources, in particular, the development of CSG production which will now play a far greater role in the Australian energy market over the medium to longer term.

APA has long held the view that a pipeline needs to be built connecting Queensland gas to South Australia and New South Wales. The announcement by Epic and AGL in July 2007 of plans to link Epic's South West Queensland Pipeline at Ballera to Moomba in South Australia represents a welcome addition to Australia's network of energy infrastructure and should provide customers of the MSP with greater choice around the sourcing of natural gas.

Alinta

In October 2006, AGL and the Alinta group of companies ("Alinta") merged various parts of their businesses. As a result, AGL's 26% holding in APA was acquired by Alinta. Prior to completion of the merger, in mid August 2006, Alinta also separately acquired approximately 10% of the securities in APA ("August Purchases").

Following an application by APA, the Takeovers Panel ("Panel") found that the August Purchases amounted to unacceptable circumstances and/or were in contravention of the Corporations Act 2001. Alinta was ordered to vest the 10% holding with ASIC pending its sale by a bookbuild or into an unconditional takeover bid. Alinta was also ordered by the Panel to cease trading in APA securities. This decision was confirmed by the Panel.

Alinta appealed the declaration and orders of the Panel to the Federal Court of Australia.

APA also made an application to the Federal Court for a declaration that the August Purchases were in contravention of the Corporations Act 2001 and seeking a divestment order in relation to not only the 10% holding, but also that part of the AGL holding in APA above the 20% 'takeover threshold' which passed to Alinta.

The Federal Court found in favour of APA in respect of some matters and in favour of Alinta in respect of other matters. Both APA and Alinta appealed against these decisions to the Full Court of the Federal Court. On 20 April 2007, the Full Federal Court handed down its decision on the appeals by Alinta and APA. The Full Court's findings included that Alinta had breached the Corporations Act 2001 and the matter was remitted back to the Federal Court trial judge to determine orders consequent on that finding. Both APA and Alinta made submissions to the trial judge as to the orders which should be made.

The Full Court also held that the grant of certain powers to the Panel under the Corporations Act 2001 was invalid. Following the decision of the Full Court, both APA and Alinta appealed to the High Court of Australia. The Attorney General also appealed against the Full Court's decision in relation to the powers of the Panel.

Alinta had also commenced proceedings in the Federal Court against APL, APT Pipelines Limited and a number of Directors of APL in relation to the decision made by APL in October 2006 to issue shares to APT Pipelines Limited. Those proceedings were heard during April 2007.

On 11 May 2007, Alinta announced that it had agreed to recommend an offer and had entered into an agreement for the implementation of a scheme of arrangement which would see Alinta sold to members of BNB/SPI.

On 29 June 2007, APA entered into a number of agreements with Alinta and BNB/SPI to terminate all equity and operating relationships between APA and Alinta, as well as settling the outstanding legal proceedings between the parties. Under those agreements, Alinta's 35% equity interest in APA is to be distributed in specie to Alinta shareholders, subject to the BNB/SPI scheme being implemented. Alinta shareholders, on 15 August 2007, voted in support of the scheme, and implementation of the scheme is scheduled to occur on 31 August 2007. The distribution to Alinta shareholders of Alinta's equity holding in APA did occur on the same day. The transfer to APA of the pipeline operations for its pipelines and associated third party

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assets is expected to occur on or about 1 October 2007. APA has agreed to pay total consideration of \$210 million for the termination of the existing APA agreements and the transfer of third party contracts and all associated property, plant and equipment.

SCC

The SCC repair program on the MSP continued during the period. The excavation, investigation and repair of SCC sites were carried out during October and November 2006 and from March to May 2007. The 2007 program was prolonged by rain and subsequent road closures with work ceasing in late May. Pigging of the last two sections (276 km) of the four sections between Moomba and Bulla Park was carried out in February 2007.

The pigging results indicate that an 84 km section of pipe was more affected by SCC than the pipe sections either side. This has been attributed to the fact that, of the four producers who supplied pipe for the construction of the MSP, one type of pipe is more susceptible to SCC than the other three.

APA continues to keep the appropriate regulatory bodies fully informed of the SCC program. The SCC program will continue to ensure MSP's capability to meet contractual obligations and to operate safely and reliably now and in the future.

Australian industry funded research on fatigue failure and repair of SCC defects based on experiments on pipe cut out of the MSP has resulted in improved management and repair of SCC on the pipeline. A paper on this research was recognised as the best paper presented at the international Joint Technical Meeting of the North American, European and Australian pipeline research bodies held in Canberra in April 2007.

Subsequent events

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

Future developments

Disclosure of information regarding likely developments in the operation of the Consolidated Entity in future financial years and the expected results of those operations is likely to result in unreasonable prejudice to

the Consolidated Entity. Accordingly, this information has not been disclosed in this report.

Environmental regulations

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

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

Environmental plans satisfying Part A of the APIA Code of Environmental Practice ("Code") are prepared and independently audited for construction activities. In accordance with Part 3 of AS 2885, environmental plans satisfying Part B of the Code are in place for all operating pipelines and are managed in accordance with APA's contracts and the terms and conditions of the licences that APA has been issued.

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

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

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

Directlink, an electricity interconnector, is designed, constructed, tested, operated and maintained in accordance with the requirements of its Network Management Plan. The Network Management Plan requires compliance with relevant Australian and State environmental legislation and Australian Standards.

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

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The Allgas distribution assets are designed, constructed, tested, operated and maintained in accordance with the requirements of the distribution area licence, and in accordance with relevant Australian and State environmental legislation and Australian Standards. The Network Safety and Operating Plan has been audited in accordance with the Queensland and NSW technical regulator requirements.

Distributions

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

Relevant period	Date paid	Distribution	
		cps	\$000
Final distribution for financial year ended 30 June 2006 ^(a)	29 September 2006	6.0	16,811
Interim distributions for the current financial year			
First interim distribution ^(a)	18 December 2006	7.0	23,249
Second interim distribution ^(b)	30 March 2007	7.0	29,996
Third interim distribution ^(a)	29 June 2007	7.0	30,107

(a) APT profit distribution – unfranked.

(b) Comprises 4.0 cps APT profit distribution (unfranked) and 3.0 cps APTIT distribution – 1.5 cps profit distribution (unfranked) and 1.5 cps tax deferred distribution.

A final distribution for the financial year of 7.0 cps was declared on 29 August 2007. The distribution comprises a 2.0 cps APT profit distribution (unfranked) and a 5.0 cps APTIT distribution – 3.0 cps profit distribution (unfranked) and 2.0 cps tax deferred distribution. This distribution will be paid on 28 September 2007 and equates to a cash distribution of \$30,219,000.

Options granted

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

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

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

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

Indemnification of officers and external auditor

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

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

Directors' report

(continued)

Directors' meetings

The following table sets out the number of Directors' meetings (including meetings of Committees of the Directors) held during the financial year and the number of meetings attended by each Director (while they were a Director or a Committee member). During the financial year, 48 Board meetings, five Nominations and Remuneration Committee meetings, four Audit and Risk Management Committee meetings and 18 Due Diligence Committee meetings were held:

	Regular Board meetings		Special Board meetings		NaRC ^(a)		ARMC ^(b)		DDC ^(c)	
	A	B	A	B	A	B	A	B	A	B
G H Bennett	10	10	38	36	5	5	–	–	–	–
R M Gersbach	10	10	38	38	3	3	4	3	18	16
R A Higgins	10	10	38	38	2	2	4	4	18	18
M Muhammad	10	10	38	31	5	5	–	–	–	–
R J Wright	10	10	38	35	–	–	4	4	18	14
Wan Shamilah Saidi	–	–	7	2	–	–	–	–	–	–
M J McCormack	10	10	38	33	–	–	–	–	–	–
J F McAloon ^(d)	2	2	6	5	–	–	–	–	–	–

(a) Nominations and Remuneration Committee.

(b) Audit and Risk Management Committee.

(c) Due Diligence Committee.

(d) Retired as of 28 August 2006.

A – number of meetings held.

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

Directors' securityholdings

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

	Fully paid securities as at 30 June 2006	Securities acquired during the financial year	Securities disposed of during the financial year	Fully paid securities as at 30 June 2007
G H Bennett	17,221	7,788	–	25,009
R M Gersbach	–	5,665	–	5,665
R A Higgins	6,706	11,213	–	17,919
M Muhammad	10,875	4,537	–	15,412
R J Wright	11,480	5,691	–	17,171
M Ratilal ^(a)	–	–	–	–
L F Bleasel ^(b)	n/a	–	–	154,285
W Shamilah Saidi ^(c)	–	–	–	–
Wan Zulkiflee Wan Ariffin ^(d)	–	–	–	–
M J McCormack ^(e)	30,441	27,072	–	57,513

(a) Appointed 31 July 2007.

(b) Appointed 28 August 2007.

(c) Alternate for Mr M Muhammad.

(d) Appointed alternate for Mr M Ratilal on 31 July 2007.

(e) Managing Director.

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

Directors' report

(continued)

Remuneration Report

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

The Board has established a Nominations and Remuneration Committee ("Committee") to consider and report on, among other things, remuneration policies and packages applicable to Board members and to senior managers of APA. The Committee comprises three Non-executive Directors: Messrs G H Bennett (Chairman), R A Higgins and M Muhammad. Mr Gersbach was a member until February 2007 when he stood down. Mr Higgins was appointed at that time. The Committee meets at least twice each year.

The terms of reference of the committee are to:

- ensure long-term people needs are met through effective talent management and succession planning;
- ensure clear alignment between the needs and requirements of key stakeholder groups (ie customers, securityholders and communities) and the objectives and values of APA;
- reward APA people for high performance, and keep them committed and motivated;
- encourage teamwork and shared learning;
- foster growth of APA people to enable them to reach their full potential through performance management, development and training;
- ensure compliance with relevant legislation and corporate governance principles on remuneration practices and employment policies; and
- effectively overview remuneration, including incentives and retirement benefits, for people at all levels, enabling APA to attract and retain people who create value for securityholders.

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

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

Remuneration of Non-executive Directors (audited)

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

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

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

Mr G H Bennett (Chairman, Non-executive);

Mr R M Gersbach (Non-executive);

Mr R A Higgins (Non-executive);

Mr M Muhammad (Non-executive);

Mr R J Wright (Non-executive);

Ms Wan Shamilah Saidi (Non-executive), alternate for M Muhammad;

Mr M J McCormack (Managing Director, Executive); and

Ms J F McAloon (Non-executive) – retired as of 28 August 2006.

The key management personnel of APA during the financial year were:

Mr R F Francis (Chief Financial Officer);

Mr S P Ohl (Group General Manager Operations until 30 June 2007, Chief Operating Officer from 1 July 2007);

Mr A J V James (Company Secretary and General Manager Corporate);

Ms S M Dureau (General Counsel and General Manager Regulatory); and

Mr P D Fox (General Manager Commercial Development).

Directors' report

(continued)

The table below sets out the remuneration for the Directors for the financial year including the Executive Director.

	Short-term employment benefits			Post-employment	Long-term incentive plans			
	Salary/fees \$	Due Diligence Committee fees \$	Short-term incentive scheme \$	Non- monetary \$	Super- annuation \$	Share-based payment ^(a) \$	Retention award \$	Total \$
Non-executive Directors								
G H Bennett								
2007	163,199	4,000	–	–	12,686	–	–	179,885
2006	130,000	–	–	–	11,700	–	–	141,700
R M Gersbach ^(b)								
2007	90,782	9,375	–	–	–	–	–	100,157
2006	77,500	–	–	–	–	–	–	77,500
R A Higgins								
2007	95,351	18,750	–	–	57,900	–	–	172,001
2006	72,500	2,433	–	–	6,744	–	–	81,677
M Muhammad								
2007	82,839	–	–	–	–	–	–	82,839
2006	70,000	–	–	–	–	–	–	70,000
R J Wright								
2007	99,766	14,375	–	–	28,811	–	–	142,952
2006	80,000	2,433	–	–	7,419	–	–	89,852
Wan Shamilah Saidi								
2007	–	–	–	–	–	–	–	–
2006	–	–	–	–	–	–	–	–
J F McAloon ^(c)								
2007	11,667	–	–	–	–	–	–	11,667
2006	65,000	–	–	–	–	–	–	65,000
Executive Director								
M J McCormack								
2007	587,247	–	325,000	53,842	35,086	99,487	198,611	1,299,273
2006	436,031	–	216,286	27,634	19,339	48,500	–	747,790
Total								
2007	1,130,851	46,500	325,000	53,842	134,483	99,487	198,611	1,988,774
2006	931,031	4,866	216,286	27,634	45,202	48,500	–	1,273,519

(a) Cash settled security-based payments.

(b) In addition to Directors fees, Mr R M Gersbach received \$183,000 for consulting services (2006: \$nil).

(c) Retired as of 28 August 2006.

Fee increases of the Directors are approved by the shareholders of APL. The last increase in fees to Non-executive Directors was made in July 2006 and approved at a general meeting held in September 2006. Non-executive Director fees are benchmarked in June each year against fees paid by similar companies in the S&P/ASX 200 index to ensure relativities are maintained and best practices adhered to.

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

Two of the Directors, Messrs G H Bennett and R J Wright had, as a condition of their service with APL, an entitlement to a deferred benefit payable at retirement from the Board. After three years service, a Director was entitled to the equivalent of the emoluments received over the most recent 12 months. After ten years service, the entitlement rose to the equivalent of emoluments received during the most recent three years. No additional entitlement accrued after ten years. For periods between three and ten years, the entitlement was calculated on a pro-rata basis. In 2003, the Board terminated the retirement benefit program. The benefits that had already accrued under the program are now payable on retirement of the Directors who participated in the retirement benefit program.

Directors' report

(continued)

No options or securities have been issued to Directors as a consequence of their position as Directors.

Remuneration of other key management personnel (audited)

The following table discloses the remuneration of other key management personnel of the Consolidated Entity for the financial year:

	Short-term employment benefits			Post-Employment		Total \$
	Salary/Fees \$	Short-term Incentive Scheme \$	Non-monetary \$	Super-annuation \$	Share-based payment ^(f) \$	
R F Francis^(a)						
2007	308,863	124,800	7,744	12,686	37,173	491,266
2006	262,543	102,000	1,450	11,128	20,000	397,121
S P Ohi^(b)						
2007	249,640	115,200	27,327	33,686	32,436	458,289
2006	196,433	86,000	7,234	53,139	16,667	359,473
A J V James^(c)						
2007	242,246	105,600	2,995	29,759	31,884	412,484
2006	227,643	90,000	1,450	29,212	17,333	365,638
S M Dureau^(d)						
2007	215,863	101,900	1,450	42,686	29,042	390,941
2006	216,411	79,000	1,450	12,139	15,333	324,333
P D Fox^(e)						
2007	210,863	92,000	1,450	12,686	24,124	341,123
2006	189,713	65,000	1,450	12,139	12,067	280,369
Total						
2007	1,227,475	539,500	40,966	131,503	154,659	2,094,103
2006	1,092,743	422,000	13,034	117,757	81,400	1,726,934

(a) Chief Financial Officer.

(b) Group General Manager Operations until 30 June 2007, Chief Operating Officer from 1 July 2007.

(c) Company Secretary and General Manager Corporate.

(d) General Counsel and General Manager Regulatory.

(e) General Manager Commercial Development.

(f) Cash settled share-based payments.

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

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

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

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

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

Directors' report

(continued)

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

Short-term incentive ("STI") plans (audited)

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

For the Managing Director, the maximum STI is 50% of TFR. For other senior executives, the maximum STI is 40% of TFR.

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

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

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

STI awards are paid to the participants in cash.

Long-term incentive ("LTI") plans (audited)

In the 2006 financial year, the Board introduced an LTI plan to better align the long term interests of employees with those of securityholders. On the basis that APA met its financial targets for the financial year, an allocation under the LTI has been provided for in the financial statements at Note 41. Details of the LTI (share-based payment) awarded to key management personnel are set out on pages 22 and 23.

Because of the complexities of issuing equity to employees of a managed investment fund (including differences in income tax treatment) and the additional costs of setting up an equity-based scheme against the relatively modest numbers of employees, the LTI does not offer actual equity to participants. However, recent tax changes now extend the opportunity to provide equity-based schemes to employees. APA has engaged an external consultant to consider whether an equity plan is an appropriate mechanism to remunerate employees. This work is expected to be completed by late 2007.

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

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

Access to the LTI award in respect of the year ended 30 June 2006 is restricted for a total period of two years, vesting 50% at the first anniversary and 50% at the second anniversary of the date of allocation. Subsequent allocations under the LTI plan, ie from 2007 onwards, will be restricted for a total period of three years, vesting 1/3 at the first anniversary, 1/3 at the second anniversary and 1/3 at the third anniversary of the date of allocation. The LTI allocations, being subject to and arising from a pre-allocation performance hurdle, are not subject to a further performance test at the vesting dates, though participants must remain employed by the Consolidated Entity to access the vested benefit. Participants will receive a cash payment for vested LTI securities equal to the market value of the equivalent number of APA securities at the vesting date.

Directors' report

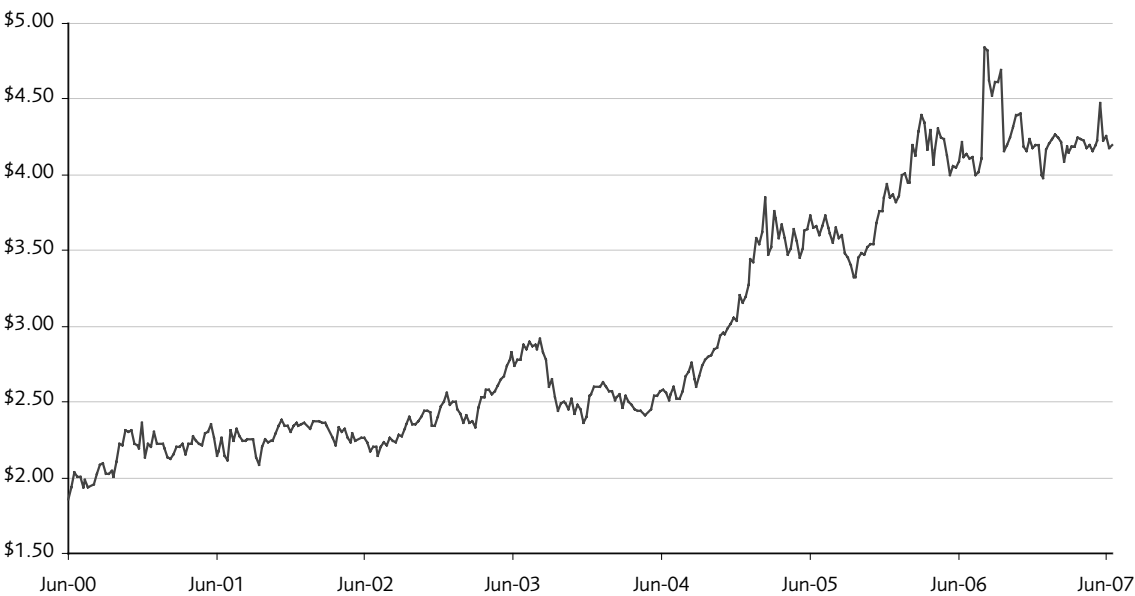
(continued)

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

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

Performance of APA

Movement in APA's security price over the period from the initial public offering of APA in June 2000 to 30 June 2007:



APA – performance against the S&P/ASX 200 Index



Directors' report

(continued)

Net profit after tax and minorities

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

Financial year ended 30 June	NPATM before significant items \$000	NPATM \$000
2003 ^(a)	41,046	41,046
2004 ^(a)	44,984	121,292
2005 ^(b)	51,351	109,508
2006	60,661	62,546
2007	64,530	56,760

(a) Figures are based on A-GAAP.

(b) Figures have been restated for compliance with A-IFRS.

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

Distribution paid/payable in respect of financial year ended 30 June	Distribution (cps)			Total \$000
	Profit	Capital	Total	
2003	17.0	4.5	21.5	52,460
2004	15.1	6.4	21.5	54,954
2005	22.5	–	22.5	62,656
2006	24.0	–	24.0	67,013
2007^(a)	24.5	3.5	28.0	113,571

(a) Includes final distribution of 7.0 cps declared on 29 August 2007.

Contractual terms of key management personnel (audited)

The termination payments in relation to key management personnel are set out below:

Name and title, employing company, commencement date, term	Termination provisions/benefits
M J McCormack – Managing Director APT Management Services Pty Limited ("Company") Commenced 1 March 2000 Promoted to Chief Executive Officer on 1 July 2005 and Managing Director effective 1 July 2006 No defined term	<p>On termination with cause or following certain long-term illness, the Company will pay any TFR due and owing at the date of termination and any accrued leave entitlements.</p> <p>On termination without cause, the Company will pay 52 weeks TFR, any bonus earned but not paid and any accrued leave entitlement. The Company will also pay any TFR due and owing at the date of termination.</p> <p>Following a review of his entitlements, the Board approved in August 2006, a retention award of \$650,000 if Mr McCormack continues to be employed in a full time capacity by the Company or another member of the APA group of entities at 1 August 2009.</p> <p>If Mr McCormack's employment ceases (other than for termination with cause or following certain long-term illness) prior to 1 August 2009, the Company will use its best endeavours (and procure that the APA group of entities uses their best endeavours) in seeking approval of securityholders to ensure the retention award is paid to Mr McCormack in full (or to the greatest degree possible).</p>
R F Francis – Chief Financial Officer APT Management Services Pty Limited Commenced 1 August 2005 No defined term	<p>On termination with cause or following certain long-term illness, the Company will pay any TFR due and owing at the date of termination and any accrued but untaken leave entitlements.</p> <p>On termination without cause, the Company will pay 26 weeks TFR, any bonus earned but not paid and any accrued but untaken leave entitlement. The Company will also pay any TFR due and owing at the date of termination.</p> <p>If Mr Francis gives notice to terminate his employment, the Company may (after consulting with the Board) at its discretion agree to make a termination payment of an amount up to 26 weeks TFR.</p>

Directors' report

(continued)

Name and title, employing company, commencement date, term	Termination provisions/benefits
S P Ohl – Group General Manager Operations until 30 June 2007, Chief Operating Officer from 1 July 2007 APT Management Services Pty Limited Commenced 2 May 2005 No defined term	On termination with cause or following certain long-term illness, the Company will pay any TFR due and owing at the date of termination and any accrued but untaken leave entitlements. On termination without cause, the Company will pay 26 weeks TFR, any bonus earned but not paid and any accrued but untaken leave entitlement. The Company will also pay any TFR due and owing at the date of termination. If Mr Ohl gives notice to terminate his employment, the Company may (after consulting with the Board) at its discretion agree to make a termination payment of an amount up to 26 weeks TFR.
A J V James – Company Secretary and General Manager Corporate APT Management Services Pty Limited Commenced 1 March 2000 No defined term	On termination with cause or following certain long-term illness, the Company will pay any TFR due and owing at the date of termination and any accrued but untaken leave entitlements. On termination without cause, the Company will pay 52 weeks TFR, any bonus earned but not paid and any accrued but untaken leave entitlement. The Company will also pay any TFR due and owing at the date of termination. If Mr James gives notice to terminate his employment, the Company may (after consulting with the Board) at its discretion agree to make a termination payment of an amount up to 52 weeks TFR.
S M Dureau – General Counsel and General Manager Regulatory APT Management Services Pty Limited Commenced 1 August 2004 No defined term	On termination with cause or following certain long-term illness, the Company will pay any TFR due and owing at the date of termination and any accrued but untaken leave entitlements. On termination without cause, the Company will pay 26 weeks TFR, any bonus earned but not paid and any accrued but untaken leave entitlement. The Company will also pay any TFR due and owing at the date of termination. If Ms Dureau gives notice to terminate her employment, the Company may (after consulting with the Board) at its discretion agree to make a termination payment of an amount up to 26 weeks TFR.
P D Fox – General Manager Commercial Development APT Management Services Pty Limited Commenced 31 January 2003 No defined term	On termination with cause or following certain long-term illness, the Company will pay any TFR due and owing at the date of termination and any accrued but untaken leave entitlements. On termination without cause, the Company will pay 26 weeks TFR, any bonus earned but not paid and any accrued but untaken leave entitlement. The Company will also pay any TFR due and owing at the date of termination. If Mr Fox gives notice to terminate his employment, the Company may (after consulting with the Board) at its discretion agree to make a termination payment of an amount up to 26 weeks TFR.

Information required for registered schemes

Fees paid to the Responsible Entity and its associates (including Directors and secretaries of the Responsible Entity, related bodies corporate and Directors and secretaries of related bodies corporate) out of APA property during the financial year are disclosed in Note 46 to the financial statements.

The Responsible Entity does not hold any securities in APA. The number of securities in APA issued during the financial year and the number of securities in APA at the end of the financial year are disclosed in Note 29 to the financial statements.

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

Auditor independence and non-audit services

APL may decide to employ the Auditor, Deloitte Touche Tohmatsu, on assignments additional to its statutory audit duties where the Auditor's expertise and experience with the Consolidated Entity are relevant.

Directors' report

(continued)

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

- all non-audit services were subject to the corporate governance procedures adopted by APA and have been reviewed by the Audit and Risk Management Committee to ensure they do not impact the integrity and objectivity of the Auditor; and
- the non-audit services provided do not undermine the general principles relating to Auditor independence as set out in Accounting Professional and Ethical Standard 110 "Code of Ethics for Professional Accountants", as they did not involve reviewing or auditing the Auditor's own work, acting in a management or decision making capacity for APA, acting as an advocate for APA or jointly sharing risks and rewards.

A copy of the Auditor's independence declaration as required under section 307C of the Corporations Act 2001 is included on page 76.

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

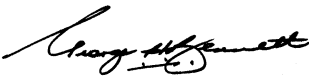
Investigating accountant services on rights issue product disclosure statement	\$251,576
Tax services	\$325,035
Other accounting and assurance services	\$20,125
Other advisory services	\$32,500
Total	\$629,236

Rounding

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

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

On behalf of the Directors



G H Bennett
Chairman



R J Wright
Director

Sydney, 29 August 2007

Income statement

For the financial year ended 30 June 2007

		Consolidated		Trust	
	Note	2007 \$000	2006 \$000	2007 \$000	2006 \$000
Continuing operations					
Revenue	4	532,700	382,290	88,022	67,223
Asset operation and management expenses		(102,527)	(79,197)	–	–
Depreciation and amortisation expense	5	(69,783)	(38,848)	–	–
Other pipeline costs – passthrough	5	(95,911)	(85,727)	–	–
Finance costs	5	(150,224)	(80,068)	(15)	(7)
Employee benefit expense	5	(20,323)	(6,427)	–	–
Other expenses		(14,600)	(9,629)	23	(26)
Profit before tax		79,332	82,394	88,030	67,190
Income tax expense	7	(22,470)	(19,514)	(214)	(76)
Profit for the year		56,862	62,880	87,816	67,114
Attributable to:					
Equity holders of the parent		50,333	62,546	87,816	67,114
Minority interest – APT Investment Trust equity holders		6,427	–	–	–
APA stapled securityholders		56,760	62,546	87,816	67,114
Minority interest – other		102	334	–	–
		56,862	62,880	87,816	67,114
Earnings per security					
Basic (cents per security)	36	15.0	21.6		

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

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

Balance sheet

As at 30 June 2007

		Consolidated		Trust	
	Note	2007 \$000	2006 \$000	2007 \$000	2006 \$000
Current assets					
Cash and cash equivalents		60,078	13,004	2	207
Trade and other receivables	9	67,464	35,259	–	148
Other financial assets	10	6,389	–	–	–
Inventories	11	6,588	4,096	–	–
Current tax assets	7	–	7,164	–	7,164
Other	12	2,942	1,401	–	–
Total current assets		143,461	60,924	2	7,519
Non-current assets					
Receivables	13	69,503	10,956	–	–
Other financial assets	14	10	23,199	808,507	523,734
Investments accounted for using the equity method	15	135,578	–	–	–
Property, plant and equipment	16	3,570,223	1,956,037	–	–
Goodwill	17	297,745	935	–	–
Other intangible assets	18	3,153	3,853	–	–
Deferred tax asset	7	–	–	119,163	–
Other	19	18,261	4,951	–	–
Total non-current assets		4,094,473	1,999,931	927,670	523,734
Total assets		4,237,934	2,060,855	927,672	531,253
Current liabilities					
Trade and other payables	20	108,325	58,823	125,696	25,460
Borrowings	21	4,494	158,542	–	–
Other financial liabilities	22	4,841	3,273	–	–
Provisions	23	20,074	22,848	–	–
Other	24	15,717	9,275	–	–
Total current liabilities		153,451	252,761	125,696	25,460
Non-current liabilities					
Borrowings	25	2,593,158	1,055,708	–	–
Other financial liabilities	26	131,161	79,338	–	–
Deferred tax liabilities	7	192,107	77,198	–	–
Provisions	27	5,598	2,610	–	–
Other	28	1,692	1,780	–	–
Total non-current liabilities		2,923,716	1,216,634	–	–
Total liabilities		3,077,167	1,469,395	125,696	25,460
Net assets		1,160,767	591,460	801,976	505,793
Equity					
Australian Pipeline Trust equity:					
Issued capital	29	801,055	505,379	801,055	505,379
Reserves	30	(3,210)	(14,510)	–	–
Retained earnings	31	64,604	100,490	921	414
Equity attributable to securityholders of the parent		862,449	591,359	801,976	505,793
Minority interests:					
APT Investment Trust	32	298,253	–	–	–
Other minority interest	32	65	101	–	–
Total minority interests		298,318	101	–	–
Total equity		1,160,767	591,460	801,976	505,793

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

Statement of recognised income and expense

For the financial year ended 30 June 2007

	Consolidated		Trust	
	2007 \$000	2006 \$000	2007 \$000	2006 \$000
Gain/(loss) on available-for-sale investments taken to equity	(687)	687	–	–
Loss on cash flow hedges taken to equity	(51,896)	(5,127)	–	–
Actuarial gain on defined benefit plan	1,554	–	–	–
Income tax on items taken directly to equity	15,309	1,382	–	–
Net income/(expense) recognised directly in equity	(35,721)	(3,058)	–	–
Transfers (net of any related tax):				
Transfer to profit or loss on cash flow hedges	48,130	(6,614)	–	–
Profit for the year	56,862	62,880	87,816	67,114
Total recognised income and expense for the year	69,271	53,208	87,816	67,114
Attributable to:				
Equity holders of the parent	62,742	52,874	87,816	67,114
Minority interest – APT Investment Trust	6,427	–	–	–
Minority interest – other	102	334	–	–
	69,271	53,208	87,816	67,114

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

Cash flow statement

As at 30 June 2007

		Consolidated		Trust	
	Note	2007 \$000	2006 \$000	2007 \$000	2006 \$000
Cash flows from operating activities					
Receipts from customers		526,277	402,988	1,060	1,297
Payments to suppliers and employees		(263,082)	(220,232)	(907)	(1,352)
Dividends received		450	832	87,307	66,935
Interest received		18,000	9,275	715	288
Interest and other costs of finance paid		(145,100)	(81,932)	(10)	(7)
Income tax refunded/(paid)		163	1,243	–	(1,187)
Net cash provided by operating activities	37(c)	136,708	112,174	88,165	65,974
Cash flows from investing activities					
Payments for property, plant and equipment		(130,279)	(31,976)	–	–
Proceeds from sale of property, plant and equipment		99	2,820	–	–
Payments for available-for-sale investments		–	(22,511)	–	–
Payments for equity accounted investments		(133,347)	–	–	–
Payments for controlled entities	37(b)	(1,114,430)	(158,051)	(396,689)	–
Settlement of acquisition related liabilities		(7,958)	(45,747)	(7,958)	–
Net cash used in investing activities		(1,385,915)	(255,465)	(404,647)	–
Cash flows from financing activities					
Proceeds from borrowings		2,262,957	1,495,000	107,910	–
Repayments of borrowings		(1,457,769)	(1,299,302)	–	–
Payments of debt issue costs		(8,585)	–	–	–
Proceeds from issue of securities		586,324	–	586,324	–
Payments of security issue costs		(10,630)	(14)	(10,547)	(14)
Proceeds from repayment of related party receivables		–	–	–	(4,248)
Distributions paid to:					
Securityholders of APT (net of DRP)		(65,410)	(61,678)	(65,410)	(61,678)
Securityholders of minority interests – APTIT (net of DRP)		(10,092)	–	–	–
Capital return to securityholders of APTIT		–	–	(302,000)	–
Other minority interest		(138)	(460)	–	–
Net cash provided by/(used in) financing activities		1,296,657	133,546	316,277	(65,940)
Net increase/(decrease) in cash and cash equivalents		47,450	(9,745)	(205)	34
Cash and cash equivalents at beginning of financial year		12,628	22,373	207	173
Cash and cash equivalents at end of financial year	37(a)	60,078	12,628	2	207

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

Notes to the financial statements

For the financial year ended 30 June 2007

1. Significant accounting policies

Statement of compliance

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

The financial report includes the separate financial statements of the Trust and the consolidated financial statements of the Consolidated Entity.

Accounting Standards include Australian equivalents to International Financial Reporting Standards ("A-IFRS"). Compliance with A-IFRS ensures that the financial statements and notes of the Consolidated Entity comply with International Financial Reporting Standards ("IFRS"). The Trust financial statements and notes also comply with IFRS except the disclosure requirements in IAS32 "Financial Instruments: Disclosure and Presentation" as the Australian equivalent standard does not require such disclosures to be presented by the parent entity where its separate financial statements are presented together with the consolidated financial statements of the Group.

The financial statements were authorised for issue by the Directors on 29 August 2007.

Basis of preparation

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

The financial report is presented in Australian dollars and all values are rounded to the nearest thousand dollars (\$000) unless otherwise stated under the option available to APA under ASIC Class Order 98/100. APA is an entity to which the class order applies.

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

(a) Basis of consolidation

The consolidated financial statements incorporate the financial statements of the Trust and entities (including special purpose entities) controlled by the Trust (its controlled entities) (referred to as the "Consolidated Entity" or "Group" or "APA Group" in these financial statements). Control is achieved where the Trust has the power to govern the financial and operating policies of an entity so as to obtain benefits from its activities.

The results of controlled entities acquired during the year are included in the consolidated income statement from the effective date of acquisition.

Where necessary, adjustments are made to the financial statements of controlled entities to bring their accounting policies into line with those used by other members of the Group.

All intra-group transactions, balances, income and expenses are eliminated in full on consolidation. In the separate financial statements of the Trust, the intra-group transactions ("common control transactions") are generally accounted for by reference to the existing (consolidated) book value of the items. Where the transaction value of common control transactions differ from

their consolidated book value, the difference is recognised as a contribution by or distribution to equity participants by the transaction entities.

Minority interests in the net assets (excluding goodwill) of consolidated controlled entities are identified separately from the Consolidated Entity's equity therein. Minority interests consist of the amount of those interests at the date of the original business combination and the minority's share of changes in equity since the date of the combination. Losses applicable to the minority in excess of the minority's interest in the controlled entity's equity are allocated against the interests of the Consolidated Entity except to the extent that the minority has a binding obligation and is able to make an additional investment to cover the losses.

(b) Trade and other payables

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

(c) Cash and cash equivalents

Cash comprises cash on hand and demand deposits. Cash equivalents are short-term, highly liquid investments that are readily convertible to known amounts of cash which are subject to insignificant risk of changes in values.

Bank overdrafts are shown within borrowings in current liabilities in the balance sheet.

(d) Acquisition of assets

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

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

(e) Borrowings

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

(f) Borrowing costs

Borrowing costs directly attributable to the acquisition, construction or production of qualifying assets, which are assets that necessarily take a substantial period of time to get ready for their intended use or sale, are added to the cost of those assets, until such time as the assets are substantially ready for their intended use or sale. Investment income earned on the temporary investment of specific borrowings pending their expenditure on qualifying assets is deducted from the borrowing costs eligible for capitalisation.

All other borrowing costs are recognised in profit or loss in the period in which they are incurred.

Notes to the financial statements

For the financial year ended 30 June 2007

(continued)

1. Significant accounting policies (continued)

(g) Depreciation

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

- Buildings – 30 to 50 years;
- Compressors – up to 50 years;
- Gas transportation systems – up to 80 years;
- Meters – 25 to 50 years;
- Electricity transmission systems – up to 50 years; and
- Other plant and equipment – 3 to 20 years.

(h) Business combinations

Acquisitions of controlled entities and businesses are accounted for using the purchase method. The cost of the business combination is measured as the aggregate of the fair values (at the date of exchange) of assets given, liabilities incurred or assumed, and equity instruments issued by the Consolidated Entity in exchange for control of the acquiree, plus any costs directly attributable to the business combination. The acquiree's identifiable assets, liabilities and contingent liabilities that meet the conditions for recognition under AASB 3 "Business Combinations" are recognised at their fair values at the acquisition date, except for non-current assets (or disposal groups) that are classified as held for sale in accordance with AASB 5 "Non-current Assets Held for Sale and Discounted Operations", which are recognised and measured at fair value less costs to sell.

Goodwill arising on acquisition is recognised as an asset and initially measured at cost, being the excess of the cost of the business combination over the Consolidated Entity's interest in the net fair value of the identifiable assets, liabilities and contingent liabilities exceeds the cost of the business combination, the excess is recognised immediately in profit or loss.

The interest of minority equityholders in the acquiree is initially measured at the minority's proportion of the net fair value of the assets, liabilities and contingent liabilities recognised.

(i) Derivative financial instruments

APA enters into a variety of derivatives financial instruments to manage its exposure to interest rate and foreign exchange rate risk, including foreign exchange forward contracts and interest rate swaps. Further details of derivatives financial instruments are disclosed in Note 38.

Derivatives are initially recognised at fair value at the date a derivatives contract is entered into and subsequently remeasured to their fair value at each reporting period. The resulting gain or loss is recognised in profit or loss immediately unless the derivative is designated and effective as a hedging instrument, in which event the timing of the recognition in profit or loss depends on the nature of the hedge relationship. The Consolidated Entity designates certain derivatives as hedges of the fair value of recognised assets or liabilities or firm commitments (fair value hedges), hedges of highly probable forecast transactions or hedges of foreign currency risk of firm commitments (cash flow hedges).

The fair value of hedging derivatives is classified as a non-current asset or a non-current liability if the remaining maturity of the hedge relationship is more than 12 months and as a current asset or a current liability if the remaining maturity of the hedge relationship is less than 12 months.

Derivatives not designated into an effective hedge relationship are classified as a current asset or a current liability.

Embedded derivatives

Derivatives embedded in other financial instruments or other host contracts are treated as separate derivatives when their risks and characteristics are not closely related to those of the host contracts and the host contracts are not measured at fair value recognised in profit or loss.

Hedge accounting

The Consolidated Entity designates certain hedging instruments, which include derivatives, embedded derivatives and non-derivatives in respect of foreign currency risk, as either fair value hedges or cash flow hedges.

Hedges of foreign exchange risk on firm commitments are accounted for as cash flow hedges.

At the inception of the hedge relationship, the Consolidated Entity documents the relationship between the hedging instrument and hedged item, along with its risk management objectives and its strategy for undertaking various hedge transactions. Furthermore, at the inception of the hedge and on an ongoing basis, the Consolidated Entity documents whether the hedging instrument that is used in the hedging relationship is highly effective in offsetting changes in fair values or cash flows of the hedged item.

Note 38 contains details of the fair values of the derivatives instruments used for hedging purposes. Movements in the hedging reserve in equity are also detailed in Note 30.

Fair value hedges

Changes in the fair value of derivatives that are designated and qualify as fair value hedges are recorded in profit or loss immediately, together with any changes in the fair value of the hedged item that is attributable to the hedged risk.

Hedge accounting is discontinued when the Consolidated Entity revokes the hedging relationship, the hedging instrument expires or is sold, terminated, or exercised, or no longer qualifies for hedge accounting. The adjustment to the carrying amount of the hedged item arising from the hedged risk is amortised to profit or loss from that date.

Notes to the financial statements

For the financial year ended 30 June 2007

(continued)

1. Significant accounting policies (continued)

(i) Derivative financial instruments (continued)

Cash flow hedges

The effective portion of changes in the fair value of derivatives that are designated and qualify as cash flow hedges are deferred in equity. The gain or loss relating to the ineffective portion is recognised immediately in profit or loss.

Amounts deferred in equity are recycled in profit or loss in the periods when the hedged item is recognised in profit and loss. However, when the forecast transaction that is hedged results in the recognition of a non-financial asset or a non-liability, the gains and losses previously deferred in equity are transferred from equity and included in the initial measurement of the cost of the asset or liability.

Hedge accounting is discontinued when the Consolidated Entity revokes the hedging relationship, the hedging instrument expires or is sold, terminated, or exercised, or no longer qualifies for hedge accounting. Any cumulative gain or loss deferred in equity at that time remains in equity and is recognised when the forecast transaction is ultimately recognised in profit or loss. When a forecast transaction is no longer expected to occur, the cumulative gain or loss that was deferred in equity is recognised immediately in profit or loss.

(j) Employee benefits

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

Provisions made in respect of employee benefits expected to be settled within 12 months, are measured at their nominal values using the remuneration rates expected to apply at the time of settlement.

Provisions made in respect of employee benefits which are not expected to be settled within 12 months are measured as the present value of the estimated future cash outflows to be made by the Consolidated Entity in respect of services provided by employees up to reporting date.

Defined contribution plans

Contributions to defined contribution superannuation plans are expensed when incurred.

Defined benefit plan

For defined benefit superannuation plans, the cost of providing benefits is determined using the projected unit credit method, with actuarial valuations being carried out at each reporting date. Actuarial gains and losses are recognised directly to retained earnings in the period they occur.

Past service cost is recognised immediately to the extent that the benefits are already vested, and otherwise amortised on a straight-line basis over the average period until the benefits become vested.

The defined benefit obligation recognised in the balance sheet represents the present value of the defined benefit obligation, adjusted for unrecognised past service cost, net of the fair value of the plan assets. Any asset resulting from this calculation is limited to past service cost, plus the present value of available refunds and reductions in future contributions to the plan.

(k) Financial instruments issued by the company

Debt and equity instruments

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

Financial guarantee contract liabilities

Financial guarantee contract liabilities are measured initially at their fair values and subsequently at the higher of the amount recognised as a provision and the amount initially recognised less cumulative amortisation in accordance with the revenue recognition policies.

Transaction costs on the issue of equity instruments

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

Interest and distributions

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

(l) Foreign currency transactions

Both the functional and presentation currency of the Consolidated Entity and the Trust is Australian dollars (A\$).

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

(m) Goods and Services Tax

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

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

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

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

Notes to the financial statements

For the financial year ended 30 June 2007

(continued)

1. Significant accounting policies (continued)

(m) Goods and Services Tax (continued)

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

(n) Goodwill

Goodwill acquired in a business combination is initially measured at its cost, being the excess of the cost of the business combination over the acquirer's interest in the net fair value of the identifiable assets, liabilities and contingent liabilities recognised. Goodwill is tested for impairment annually and whenever there is an indication that the goodwill may be impaired. Any impairment is recognised immediately to the profit or loss. Refer also Note 1(o).

(o) Impairment of assets

Goodwill and intangible assets that have an indefinite useful life are not subject to amortisation and are tested annually for impairment, or more frequently if events or changes in circumstances indicate that they might be impaired. Other assets are reviewed for impairment whenever events or changes in circumstances indicate that the carrying amount may not be recoverable. An impairment loss is recognised for the amount by which the asset's carrying amount exceeds its recoverable amount. The recoverable amount is the higher of an asset's fair value less costs to sell and value in use. For the purposes of assessing impairment, assets are grouped at the lowest levels for which there are separately identifiable cash inflows which are largely independent on the cash inflows from other assets or groups of assets (cash-generating units). Non-financial assets other than goodwill that suffered of an impairment are reviewed for possible reversal of the impairment at each reporting period.

(p) Income tax

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

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

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

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

Tax-consolidation

The Trust and its wholly-owned Australian tax resident entities are part of a tax-consolidated group under Australian taxation law. The head entity within the tax-consolidated group is APT.

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

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

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

(q) Inventories

Inventories are stated at the lower of cost and net realisable value. Costs, including an appropriate portion of fixed and variable overhead expenses, are assigned to inventories on hand by the method most appropriate to each particular class of inventories, with the majority being valued on a first-in, first-out basis. Net realisable value represents the estimated selling price less all estimated costs of completion and costs necessary to make the sale.

(r) Investments in debt and equity securities

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

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

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

Notes to the financial statements

For the financial year ended 30 June 2007

(continued)

1. Significant accounting policies (continued)

(s) Joint venture arrangements

Jointly controlled operations

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

Jointly controlled entities

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

(t) Leased assets

Leases are classified as finance leases when the terms of the lease transfer substantially all the risks and rewards incidental to the ownership of the leased asset to the lessee. All other leases are classified as operating leases.

Group as lessor

Amounts due from a lessee under a finance lease are recorded as receivables. Finance lease receivables are initially recognised at the amount equal to the present value of the minimum lease payments receivable plus the present value of an unguaranteed residual value expected to accrue at the end of the lease term. Finance lease receipts are allocated between interest revenue and reduction of the lease receivable over the term of the lease in order to reflect a constant periodic rate of return on the net investment outstanding in respect of the lease.

Group as lessee

Assets held under a finance lease are initially recognised at their fair value or, if lower, at amounts equal to the present value of the minimum lease payments, each determined at the inception of the lease. The corresponding liability to the lessor is included in the balance sheet as a finance lease obligation.

Lease payments are allocated between finance charges and reduction of the lease obligation so as to achieve a constant rate on interest on the remaining balance of the liability.

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

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

(u) Provisions

A provision is recognised when there is a legal, equitable or constructive obligation as a result of a past event, it is probable that a future sacrifice of economic benefits will be required to settle the obligation and the amount of the provision can be measured reliably. The amount recognised as a provision is the best estimate of the consideration required to settle the present obligation at the end of the financial year, taking into account the risks and uncertainties surrounding the obligation. Where a provision is measured using the cash flows estimated to settle the present obligation, its carrying amount is the present value of those cash flows.

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

(v) Distributions

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

(w) Trade and other receivables

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

(x) Revenue recognition

Revenue is recognised to the extent that it is probable that the economic benefits will flow to the Consolidated Entity and the revenue can be reliably measured. Amounts disclosed as revenue are net of duties and taxes paid. Revenue is recognised for the major business activities as follows:

Sales revenue

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

Interest revenue

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

Sale of non-current assets

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

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

Dividend revenue

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

Notes to the financial statements

For the financial year ended 30 June 2007

(continued)

2. Adoption of new and revised accounting standards

In the current year, the Consolidated Entity has adopted all the new and revised Standards and Interpretations issued by the Australian Accounting Standard Board ("AASB") that are relevant to its operations and effective for the current annual reporting period. The adoption of these new and revised Standards and Interpretations has resulted in changes to the Consolidated Entity's accounting policies in relation to financial guarantee contracts (AASB 2005-09 'Amendments to Australian Accounting Standards'). However this did not result in a change to amounts reported in the current or prior years.

Initial application of the following Standards will not affect any of the amounts recognised in the financial report, but will change the disclosure presently made in relation to the consolidated entity's financial report:

- **AASB 7 'Financial Instruments: Disclosures' and consequential amendments to other accounting standards resulting from its issue**
Effective for annual periods beginning on or after 1 January 2007. Expected to be initially applied in the financial year ending 30 June 2008.
- **AASB 101 'Presentation of Financial Statements' – revised standard**
Effective for annual periods beginning on or after 1 January 2007. Expected to be initially applied in the financial year ending 30 June 2008.
- **AASB 2007-7 'Amendments to Australian Accounting Standards'**
Effective for annual periods beginning on or after 1 July 2007. Expected to be initially applied in the financial year ending 30 June 2008.
- **AASB 8 'Operating Segments'**
Effective for annual periods beginning on or after 1 January 2009. Expected to be initially applied in the financial year ending 30 June 2010.

Initial application of the following Standards and Interpretations is not expected to have any material impact to the financial report of the consolidated entity and the company:

- **AASB Interpretation 10 'Interim Financial Reporting and Impairment'**
Effective for annual periods beginning on or after 1 November 2006. Expected to be initially applied in the financial year ending 30 June 2008.
- **AASB 2007-2 'Amendments to Australian Accounting Standards arising from AASB interpretation 12'**
Effective for annual periods beginning on or after 1 January 2008. Expected to be initially applied in the financial year ending 30 June 2009.
- **AASB 2007-4 'Amendments to Australian Accounting Standards arising from ED 151 and Other Amendments'**
Effective for annual periods beginning on or after 1 July 2007. Expected to be initially applied in the financial year ending 30 June 2008.

- **AASB Interpretation 14 'AASB 119 – The Limit on a Defined Benefit Asset, Minimum Funding Requirements and their Interaction'**
Effective for annual periods beginning on or after 1 January 2008. Expected to be initially applied in the financial year ending 30 June 2009.
- **AASB 123 'Borrowing Costs' – revised standard**
Effective for annual periods beginning on or after 1 January 2009. Expected to be initially applied in the financial year ending 30 June 2010.
- **AASB 2007-6 'Amendments to Australian Accounting Standards arising from AASB 123'**
Effective for annual periods beginning on or after 1 January 2009. Expected to be initially applied in the financial year ending 30 June 2010.

Critical accounting judgements and key sources of estimation uncertainty

In the application of the Consolidated Entity's accounting policies, which are described in Note 1, management is required to make judgements, estimates and assumptions about the carrying value of assets and liabilities that are not readily apparent from other sources. The estimates and associated assumptions are based on historical experience and various other factors that are believed to be reasonable under the circumstances, the results of which form the basis of making judgements. Actual results may differ from these estimates.

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

Key sources of estimation uncertainty

The following are the critical assumptions concerning the future, and other key sources of estimation uncertainty at the balance sheet date, that have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities within the next financial year:

Useful lives of property, plant and equipment

The Consolidated Entity reviews the estimated useful lives of property, plant and equipment at the end of each annual reporting period.

Impairment of assets

Determining whether property, plant and equipment and goodwill is impaired requires an estimation of the value-in-use of the cash-generating units. The value-in-use calculation requires the Consolidated Entity to estimate the future cash flows expected to arise from cash-generating units and suitable discount rates in order to calculate the present value of cash-generating units.

Notes to the financial statements

For the financial year ended 30 June 2007

(continued)

3. Business and geographical segments

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

Descriptions of segments

The Consolidated Entity comprises the following main business segments:

- gas transportation infrastructure (ie gas transmission and distribution infrastructure);
- electricity transmission infrastructure; and
- complementary assets – including a power station and two coal seam gas processing facilities.

Notes to the financial statements

For the financial year ended 30 June 2007

(continued)

3. Business and geographical segments (continued)

Primary reporting format – business segment

2007	Gas transmission \$000	Electricity transmission \$000	Complementary assets \$000	Consolidated \$000
Segment revenue				
External sales revenue	489,042	17,193	1,209	507,444
Other revenue	7,221	–	2,821	10,042
Total segment revenue	496,263	17,193	4,030	517,486
Unallocated revenue				15,214
Consolidated revenue				532,700
Segment result				
Earnings before interest, tax, depreciation and amortisation ("EBITDA")	269,449	12,630	2,496	284,575
Depreciation and amortisation	(63,705)	(6,078)	–	(69,783)
Earnings before interest and tax ("EBIT")	205,744	6,552	2,496	214,792
Net finance cost (excluding finance lease income)				(135,460)
Profit before tax				79,332
Income tax expense				(22,470)
Profit for the year				56,862
Segment assets and liabilities				
Segment assets	3,718,293	357,576	95,598	4,171,467
Unallocated assets ^(a)				66,467
Total assets				4,237,934
Acquisition of segment assets	1,496,328	176,586	–	1,672,914
Segment liabilities	146,923	1,220	3,264	151,407
Unallocated liabilities ^(b)				2,925,760
Total liabilities				3,077,167
2006	Gas transmission \$000	Electricity transmission \$000	Complementary assets \$000	Consolidated \$000
Segment revenue				
External sales revenue	367,945	3,188	1,199	372,332
Total segment revenue	367,945	3,188	1,199	372,332
Unallocated revenue				9,958
Consolidated revenue				382,290
Segment result				
Earnings before interest, tax, depreciation and amortisation ("EBITDA")	189,449	2,516	398	192,363
Depreciation and amortisation	(37,564)	(1,028)	(256)	(38,848)
Earnings before interest and tax ("EBIT")	151,885	1,488	142	153,515
Net finance cost				(71,121)
Profit before tax				82,394
Income tax expense				(19,514)
Profit for the year				62,880
Segment assets and liabilities				
Segment assets	1,856,500	159,871	24,316	2,040,687
Unallocated assets ^(a)				20,168
Total assets				2,060,855
Segment liabilities	93,714	722	900	95,336
Unallocated liabilities ^(b)				1,374,059
Total liabilities				1,469,395

(a) Unallocated assets consist of cash and cash equivalents, current tax assets and fair value of interest rate swaps.

(b) Unallocated liabilities consist of current and non-current borrowings, deferred tax liabilities and fair value of interest rate swaps.

Notes to the financial statements

For the financial year ended 30 June 2007

(continued)

4. Revenue

An analysis of the Consolidated Entity's revenue for the year, from both continuing and discontinued operations, is as follows:

Continuing operations

	Consolidated		Trust	
	2007 \$000	2006 \$000	2007 \$000	2006 \$000
Transportation revenue				
Pipeline transportation revenue	393,131	282,218	–	–
Electricity transmission revenue	17,193	3,188	–	–
Other tolling revenue	1,209	1,199	–	–
Other pipeline revenue – passthrough	95,911	85,727	–	–
	507,444	372,332	–	–
Finance income				
Interest	14,764	8,947	715	288
Finance lease income	2,821	–	–	–
	17,585	8,947	715	288
Dividends				
Wholly-owned controlled entities	–	–	87,307	66,935
Other entities	450	832	–	–
	450	832	87,307	66,935
Other income				
Gain on disposal of property, plant and equipment	–	179	–	–
Rental income	181	–	–	–
Other revenue	7,040	–	–	–
	7,221	179	–	–
	532,700	382,290	88,022	67,223

Notes to the financial statements

For the financial year ended 30 June 2007

(continued)

5. Expenses

Profit before tax includes the following expenses:

	Consolidated		Trust	
	2007 \$000	2006 \$000	2007 \$000	2006 \$000
Depreciation and amortisation expense				
Depreciation of non-current assets	69,083	37,925	–	–
Amortisation of non-current assets	700	923	–	–
	69,783	38,848	–	–
Other pipeline costs – passthrough				
Operating lease – rental expenses	18,542	17,744	–	–
Gas pipeline costs	77,369	67,983	–	–
	95,911	85,727	–	–
Finance costs				
Interest	148,437	79,029	10	7
Amortisation of deferred borrowing costs	2,414	606	–	–
Finance lease charges	39	46	–	–
Other finance costs	454	216	5	–
	151,344	79,897	15	7
Gain arising on derivatives in a designated fair value hedge accounting relationship	(53)	–	–	–
Gain on fair value of other derivatives	(1,238)	–	–	–
Unwinding of discount on non-current provisions	171	171	–	–
	150,224	80,068	15	7
Employee benefit expense				
Post-employment benefits:				
Defined contribution plans	1,039	228	–	–
Defined benefits plan	(85)	–	–	–
	954	228	–	–
Termination benefits	97	–	–	–
Other employee benefits	19,272	6,199	–	–
	20,323	6,427	–	–
Other expenses				
Loss on disposal of property, plant and equipment	511	–	–	–

6. Significant items

Individually significant revenue/(expenses) included in profit after related income tax expense are as follows:

Revaluation of interest rates swaps – deemed "ineffective" under AASB139	1,165	–	–	–
Corporate legal and advisor costs ^(a)	(7,000)	–	–	–
Stress corrosion cracking repair and investigative work	(5,265)	(11,300)	–	–
Tariff dispute resolution	–	3,262	–	–
Loss from significant items before related income tax	(11,100)	(8,038)	–	–
Income tax related to significant items above	3,330	2,411	–	–
Tax-consolidation benefit – APT	–	7,512	–	–
Profit/(loss) from significant items after related income tax	(7,770)	1,885	–	–

(a) One-off legal and advisor expenses associated with defending APA against the Alinta corporate raid and associated legal actions.

Notes to the financial statements

For the financial year ended 30 June 2007

(continued)

7. Income tax

Income tax recognised in profit or loss

	Consolidated		Trust	
	2007 \$000	2006 \$000	2007 \$000	2006 \$000
Tax expense comprises:				
Current tax expense/(income)	1,515	(9,708)	214	76
Adjustments recognised in the current year in relation to current tax of prior years	2,000	2	–	–
Deferred tax expense/(income) relating to the origination and reversal of temporary differences	18,955	29,220	–	–
Total tax expense	22,470	19,514	214	76
Attributable to:				
Profit from continuing operations	22,470	19,514	214	76

The prima facie income tax expense on pre-tax accounting profit from operations reconciles to the income tax expense in the financial statements as follows:

Profit before tax	79,332	82,394	88,030	67,190
Income tax expense calculated at 30%	23,800	24,717	26,409	20,157
Effect of interest expense not deductible in determining taxable profit	2,338	2,239	–	–
Effect of non-assessable trust distribution	(1,922)	–	–	–
Effect of transactions within the tax-consolidated group that are exempt from taxation	–	–	(26,192)	(20,081)
Effect of expenses that are not deductible in determining taxable profit	254	68	(3)	–
Impact of the tax-consolidation system				
Release of deferred tax liability	–	(7,512)	–	–
	24,470	19,512	214	76
Adjustment recognised in the current year in relation to the current tax of prior years	(2,000)	2	–	–
	22,470	19,514	214	76

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

Notes to the financial statements

For the financial year ended 30 June 2007

(continued)

7. Income tax (continued)

Income tax recognised directly in equity

The following deferred amounts were charged/(credited) directly to equity during the period:

	Consolidated		Trust	
	2007 \$000	2006 \$000	2007 \$000	2006 \$000
Deferred income tax				
Revaluation of financial instruments treated as cash flow hedges	5,080	4,423	–	–
Revaluations of available-for-sale securities	–	(206)	–	–
Actuarial movements on defined benefit plans	(466)	–	–	–
Income tax (benefit)/expense reported in equity	4,614	4,217	–	–
Current tax assets and liabilities				
Current tax assets				
Tax refund receivable	–	7,164	–	7,164
	–	7,164	–	7,164
Deferred tax balances				
Deferred tax liabilities				
Temporary differences	(336,618)	(101,797)	(46)	–
	(336,618)	(101,797)	(46)	–
Deferred tax assets				
Temporary differences	25,302	24,599	–	–
Tax losses ^(a)	119,209	–	119,209	–
	144,511	24,599	119,209	–
	(192,107)	(77,198)	119,163	–

Trust

(a) Movement in the current year is the transfer of tax losses from the controlled entities to the head entity of the tax-consolidated group.

Deferred tax balances

Deferred tax assets/(liabilities) arise from the following:

	Consolidated					
2007	Opening balance \$000	Charged to income \$000	Charged to equity \$000	Transfers \$000	Acquisitions/ disposals \$000	Closing balance \$000
Gross deferred tax liabilities						
Intangible assets	(1,156)	209	–	–	–	(947)
Property, plant and equipment	(100,015)	(20,316)	–	–	(216,521)	(336,852)
Deferred expenses	(182)	(1,239)	–	–	4,271	(2,850)
Available-for-sale financial assets	(206)	–	–	–	206	–
Defined benefit obligation	–	(124)	(466)	–	(393)	(983)
Other	(238)	(194)	–	–	(254)	(686)
	(101,797)	(21,664)	(466)	–	(212,691)	(336,618)
Gross deferred tax assets						
Provisions	7,637	(3,637)	–	–	3,763	7,763
Property, plant and equipment	4,414	(379)	–	–	–	4,035
Deferred revenue	2,338	2,558	–	–	–	4,896
Cash flow hedges	10,210	(1,080)	(5,080)	–	(837)	3,213
Other	–	(16)	–	5,395	16	5,395
Tax losses	–	3,263	–	7,292	108,654	119,209
	24,599	709	(5,080)	12,687	111,596	144,511
	(77,198)	(20,955)	(5,546)	12,687	(101,095)	(192,107)

Notes to the financial statements

For the financial year ended 30 June 2007

(continued)

7. Income tax (continued)

Deferred tax balances (continued)

2006	Consolidated					Closing balance \$000
	Opening balance \$000	Charged to income \$000	Charged to equity \$000	Acquisitions/ disposals \$000	AASB 139 \$000	
Gross deferred tax liabilities						
Intangible assets	(1,365)	209	–	–	–	(1,156)
Property, plant and equipment	(86,794)	(13,221)	–	–	–	(100,015)
Deferred expenses	(112)	(70)	–	–	–	(182)
Available-for-sale financial assets	–	–	(206)	–	–	(206)
Other	(555)	317	–	–	–	(238)
	(88,826)	(12,765)	(206)	–	–	(101,797)
Gross deferred tax assets						
Provisions	8,623	(986)	–	–	–	7,637
Property, plant and equipment	3,063	1,351	–	–	–	4,414
Deferred revenue	19,158	(16,820)	–	–	–	2,338
Cash flow hedges	–	–	4,423	–	5,787	10,210
	30,844	(16,455)	4,423	–	5,787	24,599
	(57,982)	(29,220)	4,217	–	5,787	(77,198)

Tax-consolidation

The Trust and its wholly-owned Australian resident entities have formed a tax-consolidated group with effect from 1 July 2003 and are therefore taxed as a single entity from that date. The head entity within the tax-consolidated group is APT. The members of the tax-consolidated group are identified at Note 42.

Nature of tax funding arrangement and tax sharing agreement

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, APT and each of the entities in the tax-consolidated group have agreed to pay a tax equivalent payment to or from the head entity, based on the current tax liability or current tax asset of the entity. Such amounts are reflected in amounts receivable from or payable to other entities in the tax-consolidated group.

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

Notes to the financial statements

For the financial year ended 30 June 2007

(continued)

8. Distributions

(a) Recognised amounts

	2007 Cents per security	2007 Total \$000	Trust 2006 Cents per security	2006 Total \$000
Final distribution paid on 29 September 2006				
(2006: 29 September 2005)				
Profit distribution ^(a)	6.0	16,811	6.0	16,734
First interim distribution paid on 18 December 2006				
(2006: 30 December 2005)				
Profit distribution ^(a)	7.0	23,249	6.0	16,734
Second interim distribution paid on 30 March 2007				
(2006: 30 March 2006)				
Profit distribution ^(b)	4.0	17,141	6.0	16,734
Third interim distribution paid on 29 June 2007				
(2006: 30 June 2006)				
Profit distribution ^(c)	7.0	30,107	6.0	16,734
	24.0	87,308	24.0	66,936

Unrecognised amounts

Final distribution payable on 28 September 2007

(2006: 29 September 2006)				
Profit distribution ^(c)	2.0	8,634	6.0	16,811
	2.0	8,634	6.0	16,811

(a) Profit distributions unfranked (2006: 40% franked).

(b) Profit distributions unfranked (2006: 30% franked).

(c) Profit distributions unfranked (2006: unfranked).

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

(b) Recognised amounts

	2007 Cents per security	2007 Total \$000	APT and APTIT 2006 Cents per security	2006 Total \$000
Final distribution paid on 29 September 2006				
(2006: 29 September 2005)				
Profit distribution – APT ^(a)	6.0	16,811	6.0	16,734
First interim distribution paid on 18 December 2006				
(2006: 30 December 2005)				
Profit distribution – APT ^(a)	7.0	23,249	6.0	16,734
Second interim distribution paid on 30 March 2007				
(2006: 30 March 2006)				
Profit distribution – APT ^(b)	4.0	17,141	6.0	16,734
Profit distribution – APTIT ^(b) (Note 32)	1.5	6,427	–	–
Capital distribution – APTIT ^(b) (Note 32)	1.5	6,427	–	–
Third interim distribution paid on 29 June 2007				
(2006: 30 June 2006)				
Profit distribution – APT ^(c)	7.0	30,107	6.0	16,734
	27.0	100,163	24.0	66,936

Notes to the financial statements

For the financial year ended 30 June 2007

(continued)

8. Distributions (continued)

	2007 Cents per security	APT and APTIT 2007 Total \$000	2006 Cents per security	2006 Total \$000
Unrecognised amounts				
Final distribution payable on 28 September 2007				
(2006: 29 September 2006)				
Profit distribution – APT ^(c)	2.0	8,634	6.0	16,811
Profit distribution – APTIT ^(c)	3.0	12,951	–	–
Capital distribution – APTIT	2.0	8,634	–	–
	7.0	30,219	6.0	16,811

(a) Profit distributions unfranked (2006: 40% franked).

(b) Profit distributions unfranked (2006: 30% franked).

(c) Profit distributions unfranked (2006: unfranked).

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

	Consolidated		Trust	
	2007 \$000	2006 \$000	2007 \$000	2006 \$000
Adjusted franking account balance (tax paid basis)	145	(7,131)	145	(7,131)

9. Trade and other receivables

Trade receivables	64,444	33,891	–	–
Allowance for doubtful debts	–	–	–	–
	64,444	33,891	–	–
Finance lease receivable (Note 33)	2,213	1,368	–	–
Goods and services tax recoverable	–	–	–	148
Interest receivable	111	–	–	–
Other debtors	696	–	–	–
	67,464	35,259	–	148

Trade receivables are non-interest bearing and are generally on 30 day terms.

10. Other current financial assets

Derivatives at fair value:

Interest rate swaps – cash flow hedges	6,389	–	–	–
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11. Inventories

Spare parts at cost	6,588	4,096	–	–
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12. Other current assets

Prepayments	2,632	1,401	–	–
Other	310	–	–	–
	2,942	1,401	–	–

Notes to the financial statements

For the financial year ended 30 June 2007

(continued)

13. Non-current receivables

	Consolidated		Trust	
	2007 \$000	2006 \$000	2007 \$000	2006 \$000
Finance lease receivables (Note 33)	69,503	10,956	–	–

14. Other non-current financial assets

Investments carried at cost:

Investments in controlled entities – – 774,638 371,551

Available-for-sale investments carried at fair value:

Shares 10 23,199 – –

Loans carried at amortised cost:

Loans to controlled entities – – 33,869 152,183

10 23,199 808,507 523,734

For terms and conditions relating to related party receivables refer to Note 46.

15. Investment accounted for using the equity method

Investments in joint venture entity 135,578 – – –

Name of entity	Principal activity	Country of incorporation	Ownership interest	
			2007 %	2006 %
SEAGas	Gas transmission	Australia	33.33	–

Summarised financial information in respect of the joint venture entity is set out below:

	Consolidated	
	2007 \$000	2006 \$000
Financial position		
Total assets	844,453	–
Total liabilities	437,718	–
Net assets	406,735	–
Consolidated Entity's share of associates' net assets	135,578	–
Financial performance		
Total revenue	66,088	–
Total profit for the year	19,708	–
Consolidated Entity's share of joint venture entity's profit/(loss) before tax ^(a)	–	–
Consolidated Entity's share of joint venture entity's income tax expense ^(a)	–	–
Consolidated Entity's share of joint venture entity's profit/(loss) ^(a)	–	–

(a) Acquired on 29 June 2007, nil share of profit for financial year.

Contingent liabilities and capital commitments

The Consolidated Entity's share of the contingent liabilities, capital commitments and other expenditure commitments of joint venture entities are disclosed in Notes 44 and 47, respectively.

As at 30 June 2007, the notional purchase price accounting for this investment is provisional.

Notes to the financial statements

For the financial year ended 30 June 2007

(continued)

16. Property, plant and equipment

	Consolidated				
	Freehold land and buildings at cost \$000	Leasehold improvements at cost \$000	Plant and equipment at cost \$000	Work in progress at cost \$000	Total \$000
Gross carrying amount					
Balance at 1 July 2005	35,602	456	1,896,980	8,283	1,941,321
Additions	34	2	2,916	14,550	17,502
Disposals	(3)	–	(4,050)	–	(4,053)
Acquisitions through business combinations	–	–	157,205	–	157,205
Transfers	2	–	1,535	(1,537)	–
Balance at 1 July 2006	35,635	458	2,054,586	21,296	2,111,975
Additions	625	–	8,165	129,504	138,294
Disposals – finance leases	–	–	–	(60,093)	(60,093)
Disposals – other	–	(453)	(1,527)	–	(1,980)
Acquisitions through business combinations	71,590	–	1,499,445	34,642	1,605,677
Transfers	4,184	–	(3,934)	–	250
Balance at 30 June 2007	112,034	5	3,556,735	125,349	3,794,123
Accumulated depreciation					
Balance at 1 July 2005	(2,216)	(438)	(119,066)	–	(121,720)
Disposals	–	–	3,930	–	3,930
Depreciation expense	(1,858)	(7)	(36,283)	–	(38,148)
Balance at 1 July 2006	(4,074)	(445)	(151,419)	–	(155,938)
Disposals	–	447	924	–	1,371
Depreciation expense	(2,356)	(6)	(66,721)	–	(69,083)
Transfers	(216)	–	(34)	–	(250)
Balance at 30 June 2007	(6,646)	(4)	(217,250)	–	(223,900)
Net book value					
As at 30 June 2006	31,561	13	1,903,167	21,296	1,956,037
As at 30 June 2007	105,388	1	3,339,485	125,349	3,570,223

The Trust has no property, plant and equipment.

Assets pledged as security

Property, plant and equipment held by GasNet Australia Trust with a carrying amount of \$1,002,869,000 are subject to a first charge to secure all its interest-bearing liabilities.

Notes to the financial statements

For the financial year ended 30 June 2007

(continued)

17. Goodwill

	Consolidated		Trust	
	2007 \$000	2006 \$000	2007 \$000	2006 \$000
Net book value				
Balance at beginning of financial year	935	935	–	–
Additional amounts recognised from business combinations during the period	296,810	–	–	–
Balance at end of financial year	297,745	935	–	–

Allocation of goodwill to cash-generating units

Goodwill has been allocated for impairment testing purposes to two individual cash-generating units as follows:

Individual cash-generating units

- GasNet gas transmission business in Victoria; and
- Allgas gas distribution business in Queensland.

Reported accounting fair values of the GasNet and Allgas businesses are provisional at reporting date. Allocation of goodwill to cash-generating units is also provisional at reporting date. For impairment testing purposes, goodwill has been wholly attributed to the operations of the acquired businesses only.

The carrying amount of goodwill allocated to cash-generating units that are significant individually or in aggregate is as follows:

	Consolidated	
	2007 \$000	2006 \$000
GasNet gas transmission business in Victoria	148,296	–
Allgas gas distribution business in Queensland	148,514	–
	296,810	–

The recoverable amount of a cash-generating units are determined based on value-in-use calculations. These calculations use cash flow projections based on current and expected regulatory outcomes for gas assets and market outcomes for non-regulated assets. Cash flow projections are estimated for a period of up to 20 years, with a terminal value, recognising the long nature of the assets. The pre-tax discount used is 7.5%.

18. Other intangible assets

Right to receive pipeline tariff

	Consolidated		Trust	
	2007 \$000	2006 \$000	2007 \$000	2006 \$000
Gross carrying amount				
Balance at beginning of financial year	15,677	15,677	–	–
Balance at end of financial year	15,677	15,677	–	–
Accumulated amortisation and impairment				
Balance at beginning of financial year	(11,824)	(11,124)	–	–
Amortisation expense	(700)	(700)	–	–
Balance at end of financial year	(12,524)	(11,824)	–	–
Net book value	3,153	3,853	–	–

Amortisation expense is included in the line item depreciation and amortisation expense in the income statement.

Notes to the financial statements

For the financial year ended 30 June 2007

(continued)

19. Other non-current assets

	Consolidated		Trust	
	2007 \$000	2006 \$000	2007 \$000	2006 \$000
Line pack gas	1,129	–	–	–
Prepayments	–	–	–	–
Retirement benefit obligations (Note 35)	3,274	–	–	–
Other project costs	13,858	4,951	–	–
	18,261	4,951	–	–

20. Trade and other payables

Trade payables	23,955	35,352	–	12
Other payables	84,370	23,471	6,487	8,145
Non-trade payables to:				
Wholly-owned controlled entities ^(a)	–	–	119,209	17,303
	108,325	58,823	125,696	25,460

Trade creditors are non-interest bearing and are normally settled on 15-30 day terms.

(a) Includes amounts arising from APT's tax sharing agreement between APT and each of the entities in the tax-consolidated group (Note 7).

21. Current borrowings

Unsecured – at amortised cost

Bank borrowings	–	158,000	–	–
Bank overdraft	–	376	–	–
	–	158,376	–	–

Secured – at amortised cost

Project Finance Facilities ^(a)	4,360	–	–	–
Less: amortised borrowing costs	(85)	–	–	–
Finance lease liabilities ^(b) (Note 33)	219	166	–	–
	4,494	166	–	–
	4,494	158,542	–	–

(a) Secured over the Telfer Gas Pipeline.

(b) Secured by the assets leased, the current market value of which exceeds the value of the finance lease liability.

22. Other current financial liabilities

Derivatives

Derivatives that are designated and effective as hedging instruments carried at fair value:

Interest rate swaps	4,841	1,410	–	–
Foreign currency swaps	–	1,863	–	–
	4,841	3,273	–	–

23. Current provisions

Employee benefits (Note 41)	4,309	1,696	–	–
Other (Note 34)	15,765	21,152	–	–
	20,074	22,848	–	–

Notes to the financial statements

For the financial year ended 30 June 2007

(continued)

24. Other current liabilities

	Consolidated		Trust	
	2007 \$000	2006 \$000	2007 \$000	2006 \$000
Unearned revenue – interest	8,161	7,794	–	–
Unearned revenue – other	7,556	1,481	–	–
	15,717	9,275	–	–

25. Non-current borrowings

Unsecured – at amortised cost

Bank borrowings	880,000	606,000	–	–
Guaranteed Senior Notes ^(a)	1,192,388	450,493	–	–
Less: amortised borrowing costs	(9,638)	(2,790)	–	–
	2,062,750	1,053,703	–	–

Secured – at amortised cost

Bank borrowings ^(b)	1,645	1,645	–	–
Finance lease liabilities ^(c) (Note 33)	418	360	–	–
Medium-term Notes ^(d)	452,000	–	–	–
Project Finance Facilities ^(e)	78,040	–	–	–
Less: amortised borrowing costs	(1,695)	–	–	–
	530,408	2,005	–	–
	2,593,158	1,055,708	–	–

(a) Represents notes of US\$659.8 million (2006: US\$259 million) measured at the exchange rate at reporting date, and A\$416.9 million (2006: A\$102 million).

(b) Secured over buildings located in the Northern Territory.

(c) Secured by the assets leased, the current market value of which exceeds the value of the finance lease liability.

(d) Secured by the assets of GasNet Australia Trust and its wholly owned controlled entities.

(e) Secured over the Telfer and Nifty Pipelines.

26. Other non-current financial liabilities

Derivatives at fair value:

Interest rate swaps – cash flow hedges	16,862	33,795	–	–
Foreign exchange hedges – cash flow hedges	114,299	45,543	–	–
	131,161	79,338	–	–

27. Non-current provisions

Employee benefits (Note 41)	3,108	497	–	–
Other (Note 34)	2,490	2,113	–	–
	5,598	2,610	–	–

28. Other non-current liabilities

Unearned revenue – other	1,692	1,780	–	–
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Notes to the financial statements

For the financial year ended 30 June 2007

(continued)

29. Issued capital

	Consolidated		Trust	
	2007 \$000	2006 \$000	2007 \$000	2006 \$000
Securities:				
Fully paid securities ^(a)	801,055	505,379	801,055	505,379
	Consolidated and Trust			
	2007 No. of securities 000	2007 No. of securities \$000	2006 No. of securities 000	2006 No. of securities \$000
Movements:				
Balance at beginning of financial year	280,181	505,379	278,895	500,135
Issued under Distribution Reinvestment Plan	5,865	21,899	1,286	5,258
Institutional placements of securities	41,800	190,190	–	–
Security purchase plan	8,950	40,242	–	–
Renounceable rights issue	94,905	355,892	–	–
Issue cost of securities	–	(10,547)	–	(14)
Capital return to securityholders ^(b)	–	(302,000)	–	–
Balance at end of financial year	431,701	801,055	280,181	505,379

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

(b) During the year, APT returned capital of \$302 million to its securityholders. The return of capital was used in turn to subscribe for the issue of securities in APTIT, which were subsequently stapled to APT securities to form a single economic group.

30. Reserves

	Consolidated		Trust	
	2007 \$000	2006 \$000	2007 \$000	2006 \$000
Hedging	(11,879)	(23,660)	–	–
Asset revaluation	8,669	8,669	–	–
Available-for-sale investment revaluation	–	481	–	–
	(3,210)	(14,510)	–	–
Hedging reserve				
Balance at beginning of financial year	(23,660)	–	–	–
Adjustment on adoption of accounting policies, specified by AASB139	–	(13,504)	–	–
Gain/(loss) recognised:				
Interest rate swaps/currency swaps	(51,896)	(5,127)	–	–
Transferred to profit or loss:				
Interest rate swaps/currency swaps	68,757	(9,449)	–	–
Deferred tax arising on hedges	(5,080)	4,423	–	–
Other	–	(3)	–	–
Balance at end of financial year	(11,879)	(23,660)	–	–

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

Notes to the financial statements

For the financial year ended 30 June 2007

(continued)

30. Reserves (continued)

Asset revaluation reserve

	Consolidated		Trust	
	2007 \$000	2006 \$000	2007 \$000	2006 \$000
Balance at beginning of financial year	8,669	8,669	–	–
Balance at end of financial year	8,669	8,669	–	–

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

Available-for-sale investment revaluation reserve

Balance at beginning of financial year	481	–	–	–
Reversed on acquisition of controlling interest	(481)	–	–	–
Valuation gain/(loss) recognised	–	687	–	–
Deferred tax arising on valuation	–	(206)	–	–
Balance at end of financial year	–	481	–	–

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

31. Retained earnings

Balance at beginning of financial year	100,490	104,880	414	236
Net profit attributable to securityholders	50,333	62,546	87,816	67,114
Distributions paid (Note 8(a))	(87,308)	(66,936)	(87,308)	(66,936)
Actuarial gains on defined benefits recognised directly in retained earnings (Note 35)	1,089	–	–	–
Balance at end of financial year	64,604	100,490	921	414

32. Minority interests

APT Investment Trust	298,253	–	–	–
Other minority interest	65	101	–	–
	298,318	101	–	–

APT Investment Trust

Issued capital:

Balance at beginning of financial year	–	–	–	–
Issue of securities	302,000	–	–	–
Issued under DRP	2,763	–	–	–
Distribution – capital return	(6,427)	–	–	–
Issue cost of securities	(83)	–	–	–
Balance at end of financial year	298,253	–	–	–

Retained earnings:

Balance at beginning of financial year	–	–	–	–
Net profit attributable to APTIT	6,427	–	–	–
Distributions paid (Note 8(b))	(6,427)	–	–	–
Balance at end of financial year	–	–	–	–

Notes to the financial statements

For the financial year ended 30 June 2007

(continued)

32. Minority interests (continued)

	Consolidated		Trust	
	2007 \$000	2006 \$000	2007 \$000	2006 \$000
Other minority interest				
Issued capital	4	4	–	–
Reserves	1	1	–	–
Retained earnings	60	96	–	–
	65	101	–	–

33. Leases

(a) Finance leases

(i) Leasing arrangements – receivables

Finance lease receivables relate to the lease of a power station and two coal seam gas processing facilities. There are no contingent rental payments due.

Finance lease receivables

Not longer than 1 year	7,984	1,484	–	–
Longer than 1 year and not longer than 5 years	31,934	5,936	–	–
Longer than 5 years	77,317	14,841	–	–
Minimum future lease receivables	117,235	22,261	–	–
Gross finance lease receivables	117,235	22,261	–	–
Less: unearned finance lease receivables	(52,966)	(9,937)	–	–
Less: guaranteed residual	7,447	–	–	–
Present value of lease receivables	71,716	12,324	–	–
Included in the financial statements as part of:				
Current trade and other receivables (Note 9)	2,213	1,368	–	–
Non-current receivables (Note 13)	69,503	10,956	–	–
	71,716	12,324	–	–

(ii) Leasing arrangements – liabilities

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

Finance lease liabilities

Not longer than 1 year	234	201	–	–
Longer than 1 year and not longer than 5 years	513	393	–	–
Minimum finance lease payments	747	594	–	–
Less: future finance charges	(110)	(68)	–	–
Present value of lease payments	637	526	–	–
Included in the financial statements as part of:				
Current borrowings (Note 21)	219	166	–	–
Non-current borrowings (Note 25)	418	360	–	–
	637	526	–	–

Notes to the financial statements

For the financial year ended 30 June 2007

(continued)

33. Leases (continued)

(b) Non-cancellable operating leases

Leasing arrangements

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

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

	Consolidated		Trust	
	2007 \$000	2006 \$000	2007 \$000	2006 \$000
Non-cancellable operating leases – transmission pipelines				
Not longer than 1 year	18,887	18,120	–	–
Longer than 1 year and not longer than 5 years	120,478	136,138	–	–
	139,365	154,258	–	–
Non-cancellable operating leases – other				
Not longer than 1 year	1,437	647	–	–
Longer than 1 year and not longer than 5 years	3,739	383	–	–
Longer than 5 years	543	577	–	–
	5,719	1,607	–	–

34. Provisions

	Consolidated				
	Abandonment ^(a) \$000	Force majeure claims ^(b) \$000	SCC repair ^(c) \$000	Other \$000	Total \$000
Balance at 30 June 2006	2,113	353	16,511	4,288	23,265
Acquired through business combinations	–	–	–	5,306	5,306
Additional provisions recognised	207	–	5,265	1,545	7,017
Unwinding of discount	170	–	–	–	170
Reductions arising from payments/other sacrifices of future economic benefits	–	–	(13,706)	(3,797)	(17,503)
Balance at 30 June 2007	2,490	353	8,070	7,342	18,255
Current (Note 23)	–	353	8,070	7,342	15,765
Non-current (Note 27)	2,490	–	–	–	2,490
	2,490	353	8,070	7,342	18,255

(a) Costs of dismantling pipelines and restoring the sites on which the pipelines are located are to be included in the cost of the asset at inception and is required to be accounted for in accordance with AASB 137 "Provisions, Contingent Liabilities and Contingent Assets".

(b) The force majeure provision represents claims made by certain customers on the Consolidated Entity for disruption to their business by extraneous events. The Directors have provided for these claims in full.

(c) Provision for repair and investigative work on the MSP due to stress corrosion cracking.

Notes to the financial statements

For the financial year ended 30 June 2007

(continued)

35. Employee superannuation funds

All employees of the Consolidated Entity are entitled to benefits on retirement, disability or death from an industry-sponsored fund, or an alternative fund of their choice. The Consolidated Entity has one plan with a defined benefit section (due to the acquisition of the GasNet Australia Group) and plans with defined contribution sections. The defined benefit section provides lump sum benefits based on service. The defined contribution section receives fixed contributions from the Consolidated Entity and the Consolidated Entity's legal and constructive obligations are limited to these amounts.

The following sets out details in respect of the defined benefit plan only:

	Consolidated	
	2007	2006
	\$000	\$000
Amounts recognised in the income statement		
Current service cost	353	–
Interest cost on benefit obligation	509	–
Expected return on plan assets	(832)	–
Total included in superannuation costs which form part of employee benefit expense	30	–
Actual return on plan assets	1,928	–
Amounts recognised in the balance sheet		
Fair value of plan assets	18,098	–
Present value of benefit obligation	(14,824)	–
Net benefit asset – non-current	3,274	–
Movement in asset during the year		
Balance at beginning of the year	–	–
Acquisitions through business combinations	1,415	–
Expense recognised in income statement	(30)	–
Amount recognised in retained earnings	1,554	–
Contributions	335	–
Balance at end of financial year ^(a)	3,274	–

(a) The above balances are recorded within the other non-current assets section of the balance sheet, refer to Note 19.

The principal actuarial assumptions used in determining post employment obligations for the Consolidated Entity's plan are shown below (expressed as weighted averages):

	%	%
Discount rate:		
Lump sum liabilities (net of tax)	5.30	–
Pension liabilities (gross of tax)	6.30	–
Expected rate of return on assets (active members)	7.00	–
Expected rate of return on assets (pensioners)	7.50	–
Future salary increases	4.00	–
Future pension increases	3.00	–
Details of the defined benefit plan as extracted from the plan's most recent financial report:	\$000	\$000
Net market value of plan assets to meet future benefit payments	–	15,510
Accrued benefits	–	13,148
Surplus of net market value of plan assets over accrued benefits	–	2,362

Notes to the financial statements

For the financial year ended 30 June 2007

(continued)

36. Earnings per security

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

	Consolidated	
	2007 \$000	2006 \$000
Profit attributable to securityholders for calculating basic and diluted earnings per security	56,760	62,546
	No. of securities	No. of securities
Adjusted weighted average number of ordinary securities used in the calculation of basic and diluted earnings per security ^(a)	379,551,000	289,614,000

(a) Weighted average number of ordinary securities on issue have been adjusted to reflect the impact of the rights issue.

37. Notes to the cash flow statement

(a) Reconciliation of cash and cash equivalents

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

	Consolidated		Trust	
	2007 \$000	2006 \$000	2007 \$000	2006 \$000
Cash at bank and on hand ^(a)	40,896	11,728	2	207
Short-term deposits ^(b)	19,182	1,276	–	–
Bank overdraft	–	(376)	–	–
	60,078	12,628	2	207

(a) As at 30 June 2007, Australian Pipeline Limited held \$5.0 million on deposit to meet its financial requirements as the holder of an Australian Financial Services Licence.

(b) Short-term deposits include insurance proceeds totalling \$2.9 million which require the consent of the project financiers before being released.

(b) Businesses acquired

During the financial year, the Consolidated Entity acquired three businesses. The net cash outflow on acquisition was \$1,114.4 million. Refer to Note 43 for further details of these acquisitions.

	Consolidated		Trust	
	2007 \$000	2006 \$000	2007 \$000	2006 \$000

(c) Reconciliation of profit for year to the net cash flows provided by operating activities

Profit for year	56,862	62,880	87,816	67,114
Loss/(gain) on disposal of property, plant and equipment	511	(179)	–	–
Depreciation and amortisation expense	69,783	38,848	–	–
Amortisation of deferred borrowing costs	2,414	606	–	–
Changes in assets and liabilities:				
Trade and other receivables	(12,637)	(4,915)	22	(23)
Inventories	(593)	(975)	–	–
Other assets	(5,775)	(4,410)	–	–
Payables	7,667	(1,385)	113	(6)
Other liabilities	(4,735)	946	–	–
Income tax balances	22,636	20,758	214	(1,111)
Reserves	576	–	–	–
Net cash provided by operating activities	136,708	112,174	88,165	65,974

Notes to the financial statements

For the financial year ended 30 June 2007

(continued)

37. Notes to the cash flow statement (continued)

(d) Financing facilities

	Consolidated		Trust	
	2007 \$000	2006 \$000	2007 \$000	2006 \$000
Unsecured facilities:				
Bank borrowings^(a)				
Amounts used	880,000	764,000	–	–
Amounts unused	920,000	94,000	–	–
	1,800,000	858,000	–	–
Guaranteed Senior Notes^(b)				
Amounts used	1,192,388	450,493	–	–
Amounts unused	–	–	–	–
	1,192,388	450,493	–	–
Secured facilities:				
Bank borrowings				
Amounts used	82,400	–	–	–
Amounts unused	–	–	–	–
	82,400	–	–	–
Medium Term Notes^(c)				
Amounts used	452,000	–	–	–
Amounts unused	–	–	–	–
	452,000	–	–	–

(a) APT Pipelines Limited entered into a Syndication facility for \$1.8 billion on 8 June 2007. On completion in July 2007, the facility was increased to \$2 billion to reflect oversubscription.

(b) APT Pipelines Limited issued notes in the US Private Placement market in September 2003 and May 2007. The issue was in dual currencies involving the Australian dollar and the US dollar. The disclosed amount represents the Australian dollar equivalent of Notes issued as measured at the reporting date. The maturity date and interest rates payable are disclosed in Note 38(c).

(c) Medium Term Notes consists of \$150 million that bears interest at a fixed rate maturing on 15 August 2008, \$100 million that bears interest at a fixed rate maturing on 20 March 2009 and \$202 million that bears interest at floating rates and matures on 20 March 2009. The notes are secured over the assets of GasNet Australia Trust and its controlled entities.

(e) Non-cash items

During the current financial year, APA disposed of property, plant and equipment with an aggregate fair value of \$60.1 million under finance lease arrangements. Under the DRP holders of securities elected to have \$24.7 million of distributed entitlements satisfied by the issue of new ordinary securities rather than being paid in cash. The asset disposals and subsequent recognition of finance lease receivables, and DRP proceeds are not reflected in the cash flow statement.

Notes to the financial statements

For the financial year ended 30 June 2007

(continued)

38. Financial instruments

(a) Financial risk management objectives

APA's Corporate Treasury function provides services to the business, co-ordinates access to domestic and international financial markets, monitors and manages the financial risks relating to the operations of the Consolidated Entity. These risks include market risk (including currency risk and fair interest rate risk), credit risk, liquidity risk and cash flow interest rate risk.

The Consolidated Entity seeks to minimise the effects of these risks, by using derivatives instruments to hedge these risk exposures. The use of financial derivatives is governed by the Consolidated Entity's policy approved by the board of directors, which provide written principles on foreign exchange risk, interest rate risk, credit risk, the use of financial derivatives and non-derivative financial instruments, and the investment of excess liquidity. The Consolidated Entity does not enter into or trade financial instruments, including derivative financial instruments for speculative purposes.

The Consolidated Entity's activities exposure is primarily to the financial risk of changes in foreign currency exchange rates and interest rates. The Consolidated Entity enters in a variety of derivative financial instruments to manage its exposure to interest rate and foreign currency risk, including:

- foreign exchange forward contracts to hedge the exchange rate risk arising on the importation of equipment from the United States;
- currency swaps to manage the foreign currency risk associated with foreign currency denominated borrowings;
- interest rate forward contracts to manage interest rate risk; and
- interest rate swaps to mitigate the risk of rising interest rate risk.

There has been no change to the Consolidated Entity's exposure to market risks or the manner to which it manages and measures the risk.

The Corporate Treasury function reports quarterly to the Consolidated Entity's Audit and Risk Management Committee, an independent body that monitors risks and policies implemented to mitigate risk exposures.

Financial assets and other credit exposures

In accordance with a deed of cross guarantee, APT Pipelines Limited, a subsidiary of APA Group, has agreed to provide financial support, when and as required, to all wholly-owned controlled entities with either a deficit in shareholders' funds or an excess of current liabilities over current assets. The fair value of the financial guarantee as at 30 June 2007 has been determined to be immaterial and no liability has been recorded (30 June 2006: \$nil).

(b) Significant accounting policies

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

(c) Interest rate risk management

The Consolidated Entity is exposed to interest rate risk as it borrows funds at both fixed and floating interest rates. The risk is managed by the Consolidated Entity by maintaining an appropriate mix between fixed and floating rate borrowings, by the use of interest rate swap contracts and forward interest rate contracts. Hedging activities are evaluated regularly to align with interest rate views and defined risk appetite, ensuring optimal hedging strategies are applied, by either positioning the balance sheet or protecting interest expense through different interest rate cycles.

Interest rate swap contracts

Under interest rate swap contracts, the Consolidated Entity agrees to exchange the difference between fixed and floating rate interest amounts calculated on agreed notional principal amounts. Such contracts enable the Consolidated Entity to mitigate the risk of changing interest rates on the fair value of issued fixed rate debt held and the cash flow exposures on the issued variable debt held. The fair value of interest rate swaps at the reporting date is determined by discounting the future cash flows using the curves at reporting date and the credit risk inherent in the contract, and is disclosed below. The average interest rate is based on the outstanding balances at the start of the financial year.

Notes to the financial statements

For the financial year ended 30 June 2007

(continued)

38. Financial instruments (continued)

(c) Interest rate risk management (continued)

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

	Weighted average interest rate 2007 % pa	Notional principal amount 2007 \$000	Weighted average interest rate 2006 % pa	Notional principal amount 2006 \$000
Outstanding contracts				
Pay fixed interest/receive floating interest				
Less than 1 year	5.92	440,000	–	–
1 year to 2 years	–	–	7.12	100,000
2 years to 5 years	5.99	150,000	5.99	150,000
5 years and more	7.12	1,168,978	7.02	594,036
		1,758,978		844,036
Pay floating interest/receive fixed interest				
Less than 1 year	–	–	–	–
1 year to 2 years	6.79	(140,000)	–	–
2 years to 5 years	–	–	–	–
5 years and more	–	–	–	–
		(140,000)		–

The interest rate swaps settle on a quarterly or semi-annual basis. The floating rate on the interest rate swaps is the Australian BBSW. The Consolidated Entity will settle the difference between the fixed and floating interest rate on a net basis.

Interest rate swap contracts entered into by the Consolidated Entity (excluding GasNet subsidiaries) exchanging fixed rate interest for floating rate interest are designated and effective as fair value hedges. Interest rate swap contracts entered into by GasNet are effective at the subsidiary level as fair value hedges, however on consolidation these hedges have been designated as ineffective. The GasNet swap contracts exchange fixed rate for floating rate interest and floating rate for fixed rate interest.

Notes to the financial statements

For the financial year ended 30 June 2007

(continued)

38. Financial instruments (continued)

(c) Interest rate risk management (continued)

Maturity profile of financial instruments

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

	Average interest rate % pa	Variable interest rate \$000	Fixed interest rate maturity			Non interest bearing \$000	Total \$000
			Less than 1 year \$000	1–5 years \$000	More than 5 years \$000		
2007							
Financial assets							
Cash and cash equivalents	6.05	60,078	–	–	–	–	60,078
Trade receivables		–	–	–	–	64,444	64,444
Finance lease receivables	9.39	–	2,213	11,083	58,420	–	71,716
		60,078	2,213	11,083	58,420	64,444	196,238
Financial liabilities							
Trade payables		–	–	–	–	244,327	244,327
Unsecured bank borrowings	6.81	880,000	–	–	–	–	880,000
Secured bank loan ^(a)		–	–	–	–	1,645	1,645
Interest rate swaps	6.72	(1,618,978)	440,000	10,000	1,168,978	–	–
Cross currency swaps	7.52	775,522	–	–	(775,522)	–	–
Guaranteed Senior Notes:							
Denominated in A\$							
Series A ^(b)	6.66	–	–	102,000	–	–	102,000
Series A ^(f)	7.33	–	–	–	5,000	–	5,000
Series C ^(f)	7.38	–	–	–	99,157	–	99,157
Series E ^(g)	7.40	–	–	–	68,171	–	68,171
Series G ^(h)	7.45	–	–	–	80,565	–	80,565
Series H ^(h)	7.45	–	–	–	61,973	–	61,973
Denominated in US\$							
Series B ^(c)	5.67	–	–	–	87,084	–	87,084
Series C ^(d)	5.77	–	–	–	143,572	–	143,572
Series D ^(e)	6.02	–	–	–	74,139	–	74,139
Series B ^(f)	5.89	–	–	–	181,230	–	181,230
Series D ^(g)	5.99	–	–	–	143,572	–	143,572
Series F ^(h)	6.14	–	–	–	145,925	–	145,925
Financial lease liabilities	7.69	637	–	–	–	–	637
Employee provisions		–	–	–	–	7,418	7,418
Other:							
Unearned revenue – interest		–	–	–	–	8,161	8,161
Unearned revenue – other		–	–	–	–	9,248	9,248
Medium-term Notes	6.70	202,000	–	250,000	–	–	452,000
Project Finance Facilities	7.91	82,400	–	–	–	–	82,400
		321,581	440,000	362,000	1,483,844	270,799	2,878,224

(a) Residual payment due to financiers on expiration of lease.

(b) Matures on 9 September 2010.

(c) Matures on 9 September 2013.

(d) Matures on 9 September 2015.

(e) Matures on 9 September 2018.

(f) Matures on 15 May 2017.

(g) Matures on 15 May 2019.

(h) Matures on 15 May 2022.

Notes to the financial statements

For the financial year ended 30 June 2007

(continued)

38. Financial instruments (continued)

(c) Interest rate risk management (continued)

Maturity profile of financial instruments (continued)

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

(a) Residual payment due to financiers on expiration of lease.

(b) Matures on 9 September 2010.

(c) Matures on 9 September 2013.

(d) Matures on 9 September 2015.

(e) Matures on 9 September 2018.

Cross currency swap contracts

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

The Consolidated Entity receives fixed amounts in US\$ and pays both variable interest rates (based on BBSW) and fixed interest rates based on agreed IRS rates.

Notes to the financial statements

For the financial year ended 30 June 2007

(continued)

38. Financial instruments (continued)

(c) Interest rate risk management (continued)

Cross currency swap contracts (continued)

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

	Exchange rate		Principal amount	
	2007 \$	2006 \$	2007 \$000	2006 \$000
2003 Notes issue				
Buy US Dollars – Interest				
Less than 1 year	0.6573	0.6573	(22,863)	(22,863)
1 year to 2 year	0.6573	0.6573	(22,863)	(22,863)
2 years to 5 years	0.6573	0.6573	(68,589)	(68,589)
5 years and more	0.6573	0.6573	(84,563)	(107,426)
Buy US Dollars – Principal				
5 years and more	0.6573	0.6573	(394,036)	(394,036)
2007 Notes issue				
Buy US Dollars – Interest				
Less than 1 year	0.8068	–	(29,737)	–
1 year to 2 years	0.8068	–	(29,737)	–
2 years to 5 years	0.8068	–	(89,211)	–
5 years and more	0.8068	–	(214,351)	–
Buy US Dollars – Principal				
5 years and more	0.8068	–	(495,786)	–

(d) Credit risk management

Credit risk refers to the risk that a counterparty will default on its contractual obligations resulting in financial loss to the Consolidated Entity. The Consolidated Entity has adopted the policy of only dealing with creditworthy counterparties and obtaining sufficient collateral or other security where appropriate, as a means of mitigating the risk of financial loss from defaults. The Consolidated Entity's exposure to and credit rating of its counterparties are continuously monitored and the aggregate value of transactions concluded is spread among approved counterparties. The Consolidated Entity measures credit risk on a fair value basis. The Consolidated Entity does not have any significant credit risk exposure to any single counterparty or any group of counterparties having similar characteristics.

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

(e) Fair value of financial instruments

As at 30 June 2007, the carrying amount of financial assets and financial liabilities recorded in the financial statements represents their respective fair values, determined in accordance with the accounting policies disclosed in Note 1.

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

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

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

Notes to the financial statements

For the financial year ended 30 June 2007

(continued)

38. Financial instruments (continued)

(f) Liquidity risk management

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

39. Jointly controlled operations and assets

The Consolidated Entity is a participant in the following jointly controlled operations and assets.

Name of venture	Principal activity	Output interest	
		2007 %	2006 %
Goldfields Gas Transmission ("GGT") ^(a)	Gas pipeline operation – Western Australia	88.2	88.2
MidWest Pipeline ^(b)	Gas pipeline operation – Western Australia	50.0	50.0

(a) On 17 August 2004, APT acquired a direct interest in the GGT jointly controlled operations as a part of the SCP Gas Business acquisition.

(b) Pursuant to the joint venture agreement, the Consolidated Entity receives a 70.8% share of operating income and expenses.

The Consolidated Entity's interest, as a participant, in assets employed in the above jointly controlled operations and assets is detailed below. The amounts are included in the consolidated financial statements under their respective asset categories:

	Consolidated	
	2007 \$000	2006 \$000
Current assets		
Cash and cash equivalents	3,262	1,085
Trade and other receivables	1,505	4,179
Inventories	1,585	1,494
Other	858	857
Total current assets	7,210	7,615
Non-current assets		
Property, plant and equipment	465,464	457,497
Total non-current assets	465,464	457,497
Total assets	472,674	465,112

Contingent liabilities and capital commitments

Contingent liabilities and capital commitments arising from the Consolidated Entity's interest in joint ventures are disclosed in Notes 44 and 47.

40. Cash settled share-based payments

The aggregate cash settled share-based payment liability recognised and included in the financial statements is as follows:

	Consolidated		Trust	
	2007 \$000	2006 \$000	2007 \$000	2006 \$000
Current (Note 41)	286	298	–	–
Non-current (Note 41)	1,040	298	–	–
	1,326	596	–	–

Notes to the financial statements

For the financial year ended 30 June 2007

(continued)

41. Employee benefits

The aggregate employee benefit liability recognised and included in the financial statements is as follows:

	Consolidated		Trust	
	2007 \$000	2006 \$000	2007 \$000	2006 \$000
Provision for employee benefits				
Current (Note 23)				
Incentives	1,652	1,498	–	–
Other	2,657	198	–	–
	4,309	1,696	–	–
Non-current (Note 27)				
Incentives	1,040	298	–	–
Retention award	198	–	–	–
Other	1,870	199	–	–
	3,108	497	–	–
	7,417	2,193	–	–
	Consolidated		Trust	
	2007 No.	2006 No.	2007 No.	2006 No.
Number of employees at end of financial year	216	31	–	–

42. Controlled entities

Name of entity	Country of registration/ incorporation	Ownership interest	
		2007 %	2006 %
Parent Entity			
Australian Pipeline Trust ^(a)			
Controlled entities			
APT Pipelines Limited ^{(b),(c)}	Australia	100	100
Agex Pty Ltd ^{(b),(c)}	Australia	100	100
Amadeus Gas Trust	Australia	96	96
APT Goldfields Pty Ltd ^{(b),(c)}	Australia	100	100
APT Management Services Pty Limited ^{(b),(c)}	Australia	100	100
APT Parmelia Gas Pty Ltd ^{(b),(c)}	Australia	100	100
APT Parmelia Holdings ^{(b),(c)}	Australia	100	100
APT Parmelia Pty Ltd ^{(b),(c)}	Australia	100	100
APT Parmelia Trust	Cayman Islands	100	100
APT Petroleum Pipelines Holdings Pty Limited ^{(b),(c)}	Australia	100	100
APT Petroleum Pipelines Pty Limited ^{(b),(c)}	Australia	100	100
APT Pipelines (NSW) Pty Limited ^{(b),(c)}	Australia	100	100
APT Pipelines (NT) Pty Limited ^{(b),(c)}	Australia	100	100
APT Pipelines (Operations) Pty Limited ^{(b),(c)}	Australia	100	100
APT Pipelines (QLD) Pty Limited ^{(b),(c)}	Australia	100	100
APT Pipelines (TTP Investments) Pty Limited ^(b)	Australia	100	100
APT Pipelines (TTP) Pty Limited ^(b)	Australia	100	100
APT Pipelines (WA) Pty Limited ^{(b),(c)}	Australia	100	100
APT Pipelines Investments (NSW) Pty Ltd ^{(b),(c)}	Australia	100	100
APT Pipelines Investments (WA) Pty Ltd ^{(b),(c)}	Australia	100	100

Notes to the financial statements

For the financial year ended 30 June 2007

(continued)

42. Controlled entities (continued)

Name of entity	Country of registration/ incorporation	Ownership interest	
		2007 %	2006 %
East Australian Pipeline Pty Limited ^{(b),(c)}	Australia	100	100
Gasinvest Australia Pty Limited ^{(b),(c)}	Australia	100	100
Goldfields Gas Transmission Pty Ltd ^(b)	Australia	100	100
NT Gas Distribution Pty Limited	Australia	96	96
NT Gas Easements Pty Limited ^{(b),(c)}	Australia	100	100
NT Gas Pty Limited	Australia	96	96
Roverton Pty Ltd ^{(b),(c)}	Australia	100	100
SCP Investments (No1) Pty Limited ^{(b),(c)}	Australia	100	100
SCP Investments (No2) Pty Limited ^{(b),(c)}	Australia	100	100
SCP Investments (No3) Pty Limited ^{(b),(c)}	Australia	100	100
Sopic Pty Ltd ^{(b),(c)}	Australia	100	100
Southern Cross Pipelines (NPL) Australia Pty Ltd ^{(b),(c)}	Australia	100	100
Southern Cross Pipelines Australia Pty Limited ^{(b),(c)}	Australia	100	100
Trans Australia Pipeline Pty Limited ^{(b),(c)}	Australia	100	100
Western Australia Gas Transmission Company 1 ^{(b),(c)}	Australia	100	100
APT Bonaparte Pty Limited ^{(b),(c)}	Australia	100	100
APT Energy Pty Ltd ^(c)	Australia	100	100
BGP Asset Pty Limited ^(b)	Australia	100	100
Murraylink (No.1) Pty Limited ^(b)	Australia	100	100
Murraylink (No.2) Pty Limited ^(b)	Australia	100	100
Murraylink Transmission Company Pty Ltd ^(b)	Australia	100	100
GasNet Australia Trust ^{(b),(d)}	Australia	100	–
GasNet Australia (Holdings) Pty Ltd ^{(b),(d)}	Australia	100	–
GasNet Australia (Operations) Pty Ltd ^{(b),(d)}	Australia	100	–
GasNet A Pty Ltd ^{(b),(d)}	Australia	100	–
GasNet A Trust ^(d)	Australia	100	–
GasNet Australia (NSW) Pty Ltd ^{(b),(d)}	Australia	100	–
GasNet B Pty Ltd ^{(b),(d)}	Australia	100	–
GasNet B Trust ^{(b),(d)}	Australia	100	–
GasNet Australia Investments Limited ^{(b),(d)}	Australia	100	–
Gas Investments Australia (Holdings) Pty Ltd ^{(b),(d)}	Australia	100	–
Gas Transmission Services WA (Holdings) Pty Ltd ^{(b),(d)}	Australia	100	–
Gas Transmission Services WA (Operations) Pty Ltd ^{(b),(d)}	Australia	100	–
GasNet Australia Investments Trust ^(d)	Australia	100	–
APT Allgas Energy Pty Limited ^{(b),(c)}	Australia	100	–
APT Allgas Pipelines Operations Pty Limited ^{(b),(c)}	Australia	100	–
APT Allgas Toowoomba Pty Limited ^{(b),(c)}	Australia	100	–
APT Directlink Holdings Pty Limited ^{(b),(c)}	Australia	100	–
Directlink (No 1) Pty Limited ^{(b),(c)}	Australia	100	–
Directlink (No 2) Pty Limited ^{(b),(c)}	Australia	100	–
Directlink (No 3) Pty Limited ^{(b),(c)}	Australia	100	–

(a) APT is the head entity within the tax-consolidated group.

(b) These entities are members of the tax-consolidated group.

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

(d) Whilst not controlled entities in the prior year, APT held 6.2% of GasNet stapled securities at 30 June 2006.

Notes to the financial statements

For the financial year ended 30 June 2007

(continued)

42. Controlled entities (continued)

The consolidated income statement of the entities party to the deed of cross guarantee is:

	Consolidated	
	2007 \$000	2006 \$000
Revenue	343,214	285,769
Expenses	(96,425)	(84,937)
Depreciation and amortisation expense	(49,849)	(36,145)
Finance costs	(127,147)	(80,014)
Profit before tax	69,793	84,673
Income tax expense	(23,724)	(19,560)
Profit for the year	46,069	65,113
Attributable to:		
Equity holders of the parent	46,069	65,113
Minority interest	–	–
	46,069	65,113

The balance sheet of the entities party to the deed of cross guarantee is:

Current assets

Cash and cash equivalents	29,324	10,849
Trade and other receivables	40,393	28,948
Inventories	5,444	4,076
Current tax assets	–	–
Other	1,328	805
Total current assets	76,489	44,678

Non-current assets

Receivables	70,970	181,016
Investments	4	23,199
Property, plant and equipment	2,563,285	1,795,047
Goodwill	148,514	–
Other financial assets	11,347	7,757
Other	13,858	4,951
Total non-current assets	2,807,978	2,011,970
Total assets	2,884,467	2,056,648

Current liabilities

Trade and other payables	71,576	41,183
Borrowings	–	158,376
Other financial liabilities	4,841	3,273
Provisions	11,849	22,848
Other	11,522	9,247
Total current liabilities	99,788	234,927

Non-current liabilities

Trade and other payables	15,912	153,033
Borrowings	2,062,750	1,053,703
Other financial liabilities	131,161	79,338
Deferred tax liabilities	137,166	75,654
Provisions	4,017	2,610
Other	1,692	1,665
Total non-current liabilities	2,352,698	1,366,003
Total liabilities	2,452,486	1,600,930
Net assets	431,981	455,718

Notes to the financial statements

For the financial year ended 30 June 2007

(continued)

42. Controlled entities (continued)

	Consolidated	
	2007	2006
	\$000	\$000
Equity		
Issued capital	117,330	117,330
Reserves	(3,185)	(14,507)
Retained earnings	317,836	352,895
Total equity	431,981	455,718

43. Acquisitions of businesses

Name of business acquired	Principal activity	Date of acquisition	Proportion of shares acquired %	Cost of acquisition ^(a) \$000
During the financial year ended 30 June 2007				
GasNet	Gas transmission	1 Oct 06	93.8	429,776
Allgas	Gas distribution	1 Nov 06	100	538,431
Directlink	Electricity transmission	28 Feb 07	100	172,888
				1,141,095
During the financial year ended 30 June 2006				
Murraylink	Electricity transmission	30 Mar 06	100	158,254
				158,254

(a) Includes transaction costs.

	GasNet			Allgas			Directlink			Total
	Book value \$000	Fair value adjustment \$000	Fair value on acquisition \$000	Book value \$000	Fair value adjustment \$000	Fair value on acquisition \$000	Book value \$000	Fair value adjustment \$000	Fair value on acquisition \$000	\$000
Net assets acquired										
Current assets										
Cash and cash equivalents	28,639	–	28,639	–	–	–	1,898	–	1,898	30,537
Trade and other receivables	16,536	–	16,536	–	–	–	2,480	–	2,480	19,016
Other financial assets	372	–	372	–	–	–	–	–	–	372
Inventories	853	–	853	1,042	–	1,042	–	–	–	1,895
Other	1,112	–	1,112	–	–	–	158	–	158	1,270
Non-current assets										
Property, plant and equipment	893,212	103,338	996,550	314,995	130,963	445,958	112,304	50,685	163,169	1,605,677
Other financial assets	2,569	–	2,569	–	–	–	–	–	–	2,569
Deferred tax assets	–	–	–	212	(212)	–	–	8,881	8,881	8,881
Other	1,792	905	2,697	–	–	–	–	–	–	2,697
Current liabilities										
Trade and other payables	(15,880)	–	(15,880)	–	(116)	(116)	(3,698)	–	(3,698)	(19,694)
Borrowings	(4,087)	–	(4,087)	–	–	–	–	–	–	(4,087)
Provisions	(1,878)	(6,700)	(8,578)	(707)	–	(707)	–	–	–	(9,285)
Deferred revenue	(10,090)	871	(9,219)	–	(494)	(494)	–	–	–	(9,713)
Non-current liabilities										
Borrowings	(646,230)	(4,991)	(651,221)	–	–	–	–	–	–	(651,221)
Deferred tax liabilities	(73,875)	19,665	(54,210)	(28,526)	(27,240)	(55,766)	–	–	–	(109,976)
Other financial liabilities	(152)	–	(152)	–	–	–	–	–	–	(152)
Provisions	(1,685)	(306)	(1,991)	–	–	–	–	–	–	(1,991)
	191,208	112,782	303,990	287,016	102,901	389,917	113,142	59,746	172,888	866,795
Goodwill on acquisition			148,296			148,514			–	296,810
Investment held as at 30 June 2006			(22,510)			–			–	(22,510)
Cost of acquisition			429,776			538,431			172,888	1,141,095
Cash balances acquired			(28,639)			–			(1,898)	(30,537)
Pre-acquisition liabilities settled			8,333			–			2,089	10,422
Transaction costs not yet paid			(6,501)			–			(49)	(6,550)
Net cash outflow on acquisition			402,969			538,431			173,030	1,114,430

Notes to the financial statements

For the financial year ended 30 June 2007

(continued)

43. Acquisitions of businesses (continued)

The initial accounting for the acquisition for the entities acquired during the year has only been provisionally determined at reporting date. These entities became wholly owned on acquisition and have joined APT's tax-consolidated group. For tax purposes, the tax values of these entities' assets are required to be reset based on market values and other factors. At the date of finalisation of this report, the necessary market valuations and other calculations had not been finalised and the adjustments to deferred tax liabilities and goodwill noted above have therefore only been provisionally determined based on the Directors' best estimate of the likely tax values. The market valuations obtained for tax purposes may also impact the recognised fair values of the other assets acquired as part of the business combination.

The initial cost of the acquisitions comprises cash for all the acquisitions. In each acquisition, the Consolidated Entity has paid a premium for the acquiree as it believes the acquisitions will create synergistic benefits to its existing operations.

Goodwill arose in the business combinations because the cost of the combinations included a control premium paid to acquire each group. In addition, the consideration paid for the combination effectively included amounts in relation to the benefit of expected synergies, revenue growth, future market development and the assembled workforce of the entities. These benefits are not recognised separately from goodwill as the future economic benefits arising from them cannot be reliably measured.

The Consolidated Entity also acquired the customer lists and customer relationships and licences of the entities as part of the acquisition. These assets were not able to be separately recognised from the underlying property, plant and equipment due to the nature of the assets and have therefore been recognised as a composite asset.

Included in the consolidated net profit for the year is revenue of \$89,202,000 and earnings before interest, tax and depreciation ("EBITDA") of \$62,251,000 attributable to the GasNet business, revenue of \$27,452,000 and EBITDA of \$12,907,000 attributable to the Allgas business and revenue of \$4,053,000 and EBITDA of \$3,447,000 attributable to Directlink.

Had these business combinations been effected by 1 July 2006, the revenue of the Consolidated Entity would be \$589,531,000 and EBITDA of \$338,803,000. The Directors of the Consolidated Entity consider these "pro-forma" numbers to represent an appropriate measure of the performance of the combined group on an annualised basis and to provide a reference point for comparison in future periods.

APT Investment Trust

On 12 August 2005, APTIT was established and became a registered managed investment scheme with securities on issue held by a nominee on behalf of securityholders. During the current financial year APT returned capital of \$302 million to its securityholders. The return of capital was used in turn to subscribe for the issue of securities in APTIT, which were subsequently stapled to APT securities to form a single economic group. Immediately following the issue of securities to securityholders for the purpose of stapling, the nominee securities were cancelled.

44. Commitments for expenditure

(a) Capital expenditure commitments

	Consolidated		Trust	
	2007 \$000	2006 \$000	2007 \$000	2006 \$000
Plant and equipment				
Not longer than 1 year	212,707	38,077	—	—
Longer than 1 year and not longer than 5 years	87,345	—	—	—
Longer than 5 years	—	—	—	—
	300,052	38,077	—	—

Consolidated entity's share of jointly controlled operation's commitments

Not longer than 1 year	12,409	7,553	—	—
Longer than 1 year and not longer than 5 years	9,323	—	—	—
Longer than 5 years	—	—	—	—
	21,732	7,553	—	—

(b) Acquisition purchase price

Other – Origin Energy Networks acquisition

Not longer than 1 year (Note 48)	450,811	—	—	—
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Notes to the financial statements

For the financial year ended 30 June 2007

(continued)

45. Remuneration of external auditor

	Consolidated		Trust	
	2007	2006	2007	2006
	\$	\$	\$	\$
Amounts received or due and receivable by Deloitte Touche Tohmatsu for:				
Auditing the financial report	441,600	278,000	5,000	4,550
Compliance plan audit	17,900	14,000	–	–
Rights Issue services ^(a)	251,576	–	–	–
Tax services ^(a)	325,035	347,663	–	–
Other accounting and assurance services ^(a)	20,125	45,935	–	–
Other advisory services ^(a)	32,500	–	–	–
	1,088,736	685,598	5,000	4,550

(a) Services provided were in accordance with the external auditor independence policy.

46. Key management personnel and related party disclosures

The Consolidated Entity has applied the relief available under ASIC Class Order CO 06/50, which exempts listed entities from providing remuneration disclosures in their annual financial report as required by paragraphs Aus 25.4 to Aus 25.7.2 of AASB 124 "Related Party Disclosures". These remuneration disclosures are provided in the Remuneration Report section in the Directors' Report designated as audited.

(a) Details of key management personnel

The Directors and other members of key management personnel of the Consolidated Entity during the year were:

Mr G H Bennett (Chairman).

Mr R M Gersbach (Non-executive Director).

Mr R A Higgins (Independent Non-executive Director).

Mr M Muhammad (Independent Non-executive Director).

Mr R J Wright (Independent Non-executive Director).

Ms Wan Shamilah Saidi (Alternate Non-executive Director).

Mr M J McCormack (Managing Director).

Ms J F McAloon (Non-executive Director), retired as of 28 August 2006.

Mr R F Francis (Chief Financial Officer).

Mr S P Ohi (Group General Manager Operations until 30 June 2007, Chief Operating Officer from 1 July 2007).

Mr A J V James (Company Secretary and General Manager Corporate).

Ms S M Dureau (General Counsel and General Manager Regulatory).

Mr P D Fox (General Manager Commercial Development).

(b) Key management personnel compensation

	Consolidated and Trust	
	2007	2006
	\$	\$
Short-term employment benefits	3,364,134	2,444,181
Post employment benefits	265,986	150,820
Cash settled share-based benefits	254,145	117,833
Retention award	198,611	–
	4,082,876	2,712,834

The compensation of each member of the key management personnel of the Consolidated Entity is set out in the Remuneration Report section in the Directors' Report designated as audited.

Notes to the financial statements

For the financial year ended 30 June 2007

(continued)

46. Key management personnel and related parties disclosures (continued)

(c) Responsible entity – Australian Pipeline Limited

The Responsible Entity is owned 99.9% by APT Pipelines Limited and 0.1% by unrelated parties.

(d) Equity interest in related parties

Details of the percentage of ordinary securities held in controlled entities are disclosed in Note 42 and the details of the percentage of interest held in jointly controlled operations are disclosed in Note 39.

(e) Transactions with key management personnel

During the financial year, Mr R M Gersbach, a Non-executive Director of Australian Pipeline Limited received \$183,000 for consulting services.

Loans to key management personnel

No loans have been made to key management personnel.

Key management personnel equity holdings at date of this report:

	Fully paid securities opening balance	Securities acquired during the financial year	Securities disposed during the financial year	Fully paid securities closing balance
2007				
Mr G H Bennett	17,221	7,788	–	25,009
Mr R M Gersbach	–	5,665	–	5,665
Mr R A Higgins	6,706	11,213	–	17,919
Mr M Muhammad	10,875	4,537	–	15,412
Mr R J Wright	11,480	5,691	–	17,171
Mr M Ratilal (appointed 31 July 2007)	–	–	–	–
Mr L F Bleasel (appointed 28 August 2007)	n/a	–	–	154,285
Ms Wan Shamilah Saidi	–	–	–	–
Mr Wan Zulkiflee Wan Arrifin (appointed 31 July 2007)	–	–	–	–
Mr M J McCormack	30,441	27,072	–	57,513
Ms J F McAloon (retired as of 28 August 2006)	–	–	–	–
Mr R F Francis	1,015	1,870	–	2,885
Mr S P Ohl	2,000	2,000	–	4,000
Mr A J V James	3,044	2,610	–	5,654
Ms S M Dureau	3,044	3,627	–	6,671
Mr P D Fox	3,044	4,110	–	7,154
2006				
Mr G H Bennett	16,971	250	–	17,221
Mr R M Gersbach	–	–	–	–
Mr R A Higgins	6,609	97	–	6,706
Mr M Muhammad	10,875	–	–	10,875
Mr R J Wright	11,314	166	–	11,480
Ms Wan Shamilah Saidi	–	–	–	–
Mr M J McCormack	10,000	20,441	–	30,441
Ms J F McAloon	–	–	–	–
Mr R F Francis	–	1,015	–	1,015
Mr S P Ohl	–	2,000	–	2,000
Mr A J V James	3,000	44	–	3,044
Ms S M Dureau	1,000	2,044	–	3,044
Mr P D Fox	–	3,044	–	3,044

Notes to the financial statements

For the financial year ended 30 June 2007

(continued)

46. Key management personnel and related parties disclosures (continued)

(f) Transactions with related parties within APA

Transactions between the entities that comprise APA during the financial year ended 30 June 2007 consisted of:

- Dividends;
- System lease rentals;
- Loans advanced and payments received on long-term intercompany loans;
- Management fees;
- Operational services provided between entities;
- Payment of distributions;
- Payment of capital distributions (returns of capital); and
- Equity issues.

The above transactions were made on normal commercial terms and conditions. The Group charges interest on inter-entity loans from time to time. All transactions between the entities that comprise APA have been eliminated on consolidation.

Refer to Note 42 for details of the entities that comprise APA.

(g) Transactions with other related parties

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

Australian Pipeline Limited

Management fees of \$1,533,000 (2006: \$1,319,000) were paid to the Responsible Entity as reimbursement of costs incurred on behalf of APA. No amounts were paid directly by APA to the Directors of the Responsible Entity, except as disclosed at Note 46(e).

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

AGL/Alinta

The relationship between APA and AGL/Alinta (part of Alinta Group since the AGL/Alinta merger in October 2006) is governed by a number of agreements including the Pipeline Management Agreement ("PMA") and the Pipeline Development Agreement ("PDA"). Under the PMA, a controlled entity of AGL/Alinta, Agility Management Pty Limited, provides operations and maintenance services in respect of the Consolidated Entity's gas transmission assets. Payment for these services is a combination of agreed costs and an annual management fee partially indexed to CPI. The initial term of the PMA is 20 years from 2000 and rolling five year terms thereafter, terminable on 12 months notice. In 2005, the costs for specified services for gas transmission assets were renegotiated for the five years to 1 July 2010.

The PDA sets out the terms governing the future transfer of assets between APA and AGL and the terms on which the parties will jointly seek out and examine opportunities to develop projects. The PDA provides the Consolidated Entity with a first right to purchase at least 20% of the Papua New Guinea Gas Pipeline, and AGL's entire interest in other future gas transmission projects in Australia that AGL intends to sell. The initial term of the PDA is 20 years and rolling five-year terms thereafter, terminable on 12 months notice.

Under the agreements entered into with Alinta and the Babcock and Brown/Singapore Power International Consortium on 29 June 2007, the PMA and the PDA are to be terminated on completion of those agreements. Completion, and therefore termination of the agreements, is expected to occur on or around 1 October 2007.

During the financial year, various related parties provided services to the Consolidated Entity as follows:

Related party	Nature of service	2007 \$000	2006 \$000
Agility Management Pty Limited	Technical services under PMA	29,768	29,997
Agility Management Pty Limited	Pipeline maintenance and operating services	34,897	33,311
Agility Management Pty Limited	Other services	3,974	4,399
Other AGL/Alinta controlled entities	Advisory and other services	384	3,681
Petronas	Other services	1,000	1,000
	Total operating costs	70,023	72,388
Agility Management Pty Limited	Capital construction projects	13,503	13,432
	Total costs	83,526	85,820

Notes to the financial statements

For the financial year ended 30 June 2007

(continued)

47. Contingencies

	Consolidated		Trust	
	2007	2006	2007	2006
	\$000	\$000	\$000	\$000
Contingent liabilities				
Bank guarantees	22,149	3,745	–	–
	22,149	3,745	–	–
Contingent assets	–	–	–	–
	–	–	–	–

48. Events occurring after reporting date

APA entered into an agreement with Origin Energy to purchase the Origin Energy Networks Assets ("OEN") comprising Origin Energy Asset Management which provides management and operations services to Envestra Ltd, a 17% stake in Envestra, and a one-third interest in the SEAGas Pipeline for \$571.9 million (including transaction costs). The acquisition of the one-third interest in SEAGas completed on 29 June 2007, while the remainder of the acquisition was completed on 2 July 2007. The acquisition of the OEN assets will increase APA revenues by 40% and expand its footprint in Australia to include every mainland State and Territory. As APA have only just obtained control of OEN it has not yet performed a preliminary purchase price allocation and is therefore unable to provide detailed disclosure of the breakdown of assets and liabilities acquired.

APA entered into, on 29 June 2007, conditional agreements with Alinta and the Babcock and Brown/Singapore Power Consortium to terminate or transfer the operating and maintenance services currently provided by Alinta for many of APA's key gas transmission pipelines. APA will pay \$210 million which will result in the elimination of all fees currently paid to Alinta, as well as the transfer to APA of associated property, plant and equipment. As a result the long term operation and maintenance of all of APA's assets will now be under the direct control of APA, rather than a third party.

On 29 August 2007, the Directors declared a final distribution of 7.0 cents per security (\$30,219,000) for APA (comprising a distribution of 2.0 cps from APT and a distribution of 5.0 cps from APTIT), made up of 5.0 cps income distribution (unfranked) and 2.0 cents per security tax deferred distribution.

Declaration by the Directors

For the financial year ended 30 June 2007

The financial statements and notes thereto of Australian Pipeline Trust ("APA") as well as the Consolidated Entity, for the financial year ended 30 June 2007 have been prepared by Australian Pipeline Limited ("Responsible Entity") in accordance with the Corporations Act 2001.

The Directors declare that:

- (a) in the Directors' opinion, there are reasonable grounds to believe that APA will be able to pay its debts as and when they become due and payable; and
- (b) in the Directors' opinion, the attached financial statements and notes thereto are in accordance with the Corporations Act 2001, including compliance with accounting standards and giving a true and fair view of the financial position and performance of APA and the Consolidated Entity.

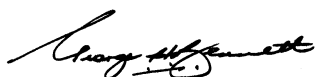
At the date of this declaration, APA is within the class of companies affected by ASIC Class Order 98/1418. The nature of the deed of cross guarantee is such that each company which is party to the deed guarantees to each creditor payment in full of any debt in accordance with the deed of cross guarantee.

In the Directors' opinion, there are reasonable grounds to believe that APA and the companies to which the ASIC Class Order applies, as detailed in Note 42 to the financial statements will, as a group, be able to meet any obligations or liabilities to which they are, or may become, subject by virtue of the deed of cross guarantee.

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

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

On behalf of the Directors



G H Bennett
Chairman



R J Wright
Director

Sydney, 29 August 2007

Auditor's independence declaration

For the financial year ended 30 June 2007

Deloitte.

Deloitte Touche Tohmatsu
ABN 74 490 121 060

Grosvenor Place
225 George Street
Sydney NSW 2000
PO Box N250 Grosvenor Place
Sydney NSW 1219 Australia

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

The Directors
Australian Pipeline Limited as responsible entity for
Australian Pipeline Trust
HSBC Building
Level 19, 580 George Street
SYDNEY NSW 2000

Dear Directors

Independence Declaration

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

As lead audit partner for the audit of the financial statements of Australian Pipeline Trust for the financial year ended 30 June 2007, I declare that to the best of my knowledge and belief, there have been no contraventions of:

- (i) the auditor independence requirements of the Corporations Act 2001 in relation to the audit; and
- (ii) any applicable code of professional conduct in relation to the audit.

Yours sincerely



DELOITTE TOUCHE TOHMATSU



Samantha Lewis
Partner
Sydney, 29 August 2007

Member of
Deloitte Touche Tohmatsu

Liability limited by a scheme approved under Professional Standards Legislation.

Independent Auditor report

For the financial year ended 30 June 2007

Deloitte.

Deloitte Touche Tohmatsu
ABN 74 490 121 060

Grosvenor Place
225 George Street
Sydney NSW 2000
PO Box N250 Grosvenor Place
Sydney NSW 1219 Australia

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

Independent Auditor's Report to the Unitholders of Australian Pipeline Trust

We have audited the accompanying financial report of Australian Pipeline Trust, which comprises the balance sheet as at 30 June 2007, and the income statement, cash flow statement and statement of recognised income and expense for the year ended on that date, a summary of significant accounting policies, other explanatory notes and the directors' declaration of the consolidated entity comprising the Trust and the entities it controlled at the year's end or from time to time during the financial year as set out on pages 29 to 75.

We have also audited the compensation disclosures contained in the directors' report. As permitted by the Corporations Regulations 2001, the Trust has disclosed information about the compensation of key management personnel ("compensation disclosures") as required by paragraphs Aus 25.4 to Aus 25.7.2 of Accounting Standard AASB 124 Related Party Disclosures ("AASB 124"), under the heading "remuneration report" on pages 24 to 31 of the directors' report, and not in the financial report.

Directors' Responsibility for the Financial Report and the AASB 124 Compensation Disclosures Contained in the Directors' Report

The directors of Australian Pipeline Limited are responsible for the preparation and fair presentation of the financial report in accordance with Australian Accounting Standards (including the Australian Accounting Interpretations) and the *Corporations Act 2001*. This responsibility includes establishing and maintaining internal control relevant to the preparation and fair presentation of the financial report that is free from material misstatement, whether due to fraud or error; selecting and applying appropriate accounting policies; and making accounting estimates that are reasonable in the circumstances. The directors are also responsible for the compensation disclosures contained in the directors' report. In Note 1, the directors also state, in accordance with Accounting Standard AASB 101 Presentation of Financial Statements, that compliance with the Australian equivalents to International Financial Reporting Standards ensures that the financial report, comprising the consolidated financial statements and notes, complies with International Financial Reporting Standards.

Auditor's Responsibility

Our responsibility is to express an opinion on the financial report and compensation disclosures contained in the directors' report based on our audit. We conducted our audit in accordance with Australian Auditing Standards. These Auditing Standards require that we comply with relevant ethical requirements relating to audit engagements and plan and perform the audit to obtain reasonable assurance whether the financial report is free from material misstatement and the compensation disclosures comply with AASB 124.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial report and the compensation disclosures contained in the directors' report. The procedures selected depend on the auditor's judgement, including the assessment of the risks of

Independent Auditor report

For the financial year ended 30 June 2007

Deloitte.

material misstatement of the financial report and the compensation disclosures contained in the directors' report, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial report and the compensation disclosures contained in the directors' report in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by the directors, as well as evaluating the overall presentation of the financial report and the compensation disclosures contained in the directors' report.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinions.

Auditor's Independence Declaration

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

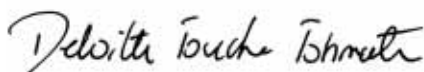
Auditor's Opinion on the Financial Report

In our opinion:

- (a) the financial report of Australian Pipeline Trust is in accordance with the Corporations Act 2001, including:
 - (i) giving a true and fair view of the Trust's and consolidated entity's financial position as at 30 June 2007 and of their performance for the year ended on that date; and
 - (ii) complying with Australian Accounting Standards (including the Australian Accounting Interpretations) and the Corporations Regulations 2001; and
- (b) the consolidated financial statements and notes also comply with International Financial Reporting Standards as disclosed in Note 1.

Auditor's Opinion on the AASB 124 Compensation Disclosures Contained in the Directors' Report

In our opinion, the compensation disclosures that are contained on pages 24 to 31 under the heading "remuneration report" of the directors' report and identified as being subject to audit, complies with paragraphs Aus 25.4 to Aus 25.7.2 of Accounting Standard AASB 124 Related Party Disclosures.



DELOITTE TOUCHE TOHMATSU



Samantha Lewis
Partner
Chartered Accountants
Sydney, 29 August 2007

Directors' report

The Directors of Australian Pipeline Limited ("APL" or "Responsible Entity") submit herewith the financial report of APT Investment Trust ("APTIT" or "Trust") and its controlled entities (together "Consolidated Entity") for the year ended 30 June 2007. This report and the financial statements attached refer to the consolidated results of APTIT, one of the two stapled entities of APA, with the other stapled entity being Australian Pipeline Trust ("APT").

In order to comply with the provisions of the Corporations Act 2001, the Directors report as follows:

Directors

The names of the Directors of the Responsible Entity during and since the end of the financial year are:

Mr G H Bennett (Chairman)

Mr R M Gersbach (Originally appointed 26 August 2004 as an AGL representative Director. Resigned 30 October 2006. Reappointed 6 November 2006)

Mr R A Higgins, AO

Mr M Muhammad

Mr R J Wright

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

Mr L F Bleasel, AM (appointed Independent Non-executive Director on 28 August 2007)

Ms Wan Shamilah Saidi (alternate for Mr M Muhammad)

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

Mr M J McCormack (Managing Director)

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

The Directors' qualifications, experience and special responsibilities along with details of their other listed entity directorships are provided on pages 30 to 32 of Book 1.

Secretary

Mr A J V James, LLB

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

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

Principal activities

APTIT operates as an investment and financing entity for APA.

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 APTIT occurred during the year, except as noted below:

Capitalisation

APTIT was capitalised by way of a pro-rata capital distribution of \$302,000,000 from APT, post APT's rights issue transaction in December 2006. APTIT then issued securities (equalling the expanded number of securities post the rights issue) which were stapled to the existing securities in APT to form APA.

The issued capital of APTIT post the rights issue was \$302,000,000.

Review and results of operations

During the financial year ended 30 June 2007, APL's offer, in its capacity as responsible entity of APTIT and APT, to acquire GasNet Australia Group ("GasNet") securities was successful. APTIT and APT achieved effective control of GasNet on 1 October 2006 with completion of the compulsory acquisition process occurring on 18 December 2006.

APTIT reported net profit after tax of \$6,427,000 (2006: \$nil) for the year ended 30 June 2007 on total revenue of \$6,427,000 (2006: \$nil). APTIT owns 100% of GasNet Australia Investments Trust which, in turn, has a loan receivable from a related party and an investment in GasNet A Trust, which it does not consolidate as it does not control that entity. APTIT also has direct loans to related parties.

Directors' report

(continued)

Distribution to securityholders

On 29 August 2007, the Directors declared a final distribution for the 2007 financial year of 5.0 cents per security ("cps") (\$21,586,000). The distribution represents a 3.0 cps unfranked income distribution and a 2.0 cps capital distribution. The distribution will be paid on 28 September 2007.

As at 30 June 2007, 431,701,000 securities were on issue (2006: 278,895,434).

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

Relevant period	Date paid	Distribution	
		cps	\$000
Interim distribution for the current financial year			
First interim distribution ^(a)	30 March 2007	3.0	12,855

(a) Comprises 1.5 cps profit distribution (unfranked) and 1.5 cps tax deferred distribution

Options granted

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

- over unissued securities in APTIT; and
- to the Responsible Entity.

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

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

Indemnification of officers and external auditor

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

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

Directors' report

(continued)

Directors' meetings

The following table sets out the number of Directors' meetings (including meetings of Committees of the Directors) held during the financial year and the number of meetings attended by each Director (while they were a Director or a Committee member). During the financial year, 48 Board meetings, five Nominations and Remuneration Committee meetings, four Audit and Risk Management Committee meetings and 18 Due Diligence Committee meetings were held:

Directors	Regular Board meetings		Special Board meetings		NaRC ^(a)		ARMC ^(b)		DDC ^(c)	
	A	B	A	B	A	B	A	B	A	B
G H Bennett	10	10	38	36	5	5	–	–	–	–
R M Gersbach	10	10	38	38	3	3	4	3	18	16
R A Higgins	10	10	38	38	2	2	4	4	18	18
M Muhammad	10	10	38	31	5	5	–	–	–	–
R J Wright	10	10	38	35	–	–	4	4	18	14
W Shamilah Saidi	–	–	7	2	–	–	–	–	–	–
M J McCormack	10	10	38	33	–	–	–	–	–	–
J F McAloon ^(d)	2	2	6	5	–	–	–	–	–	–

(a) Nominations and Remuneration Committee.

(b) Audit and Risk Management Committee.

(c) Due Diligence Committee.

(d) Retired as of 28 August 2006.

A – number of meetings held.

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

Directors' securityholdings

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

Directors	Fully paid securities as at 30 June 2006	Securities acquired during the financial year	Securities disposed of during the financial year	Fully paid securities as at 30 June 2007
G H Bennett	17,221	7,788	–	25,009
R M Gersbach	–	5,665	–	5,665
R A Higgins	6,706	11,213	–	17,919
M Muhammad	10,875	4,537	–	15,412
R J Wright	11,480	5,691	–	17,171
M Ratilal ^(a)	–	–	–	–
L F Bleasel ^(b)	n/a	–	–	154,285
Wan Shamilah Saidi ^(c)	–	–	–	–
Wan Zulkiflee Wan Ariffin ^(d)	–	–	–	–
M J McCormack ^(e)	30,441	27,072	–	57,513

(a) Appointed 31 July 2007.

(b) Appointed 28 August 2007.

(c) Alternate for Mr M Muhammad.

(d) Appointed alternate for Mr M Ratilal on 31 July 2007.

(e) Managing Director.

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

Directors' report

(continued)

Remuneration report

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

The Board has established a Nominations and Remuneration Committee ("Committee") to consider and report on, among other things, remuneration policies and packages applicable to Board members and to senior managers of APA. The Committee comprises three Non-executive Directors: Messrs G H Bennett (Chairman), R A Higgins and M Muhammad. Mr Gersbach was a member until February 2007 when he stood down. Mr Higgins was appointed at that time. The Committee meets at least twice each year.

The terms of reference of the Committee are to:

- ensure long-term people needs are met through effective talent management and succession planning;
- ensure clear alignment between the needs and requirements of key stakeholder groups (ie customers, securityholders and communities) and the objectives and values of APA;
- reward APA people for high performance, and keep them committed and motivated;
- encourage teamwork and shared learning;
- foster growth of APA people to enable them to reach their full potential through performance management, development and training;
- ensure compliance with relevant legislation and corporate governance principles on remuneration practices and employment policies; and
- effectively overview remuneration, including incentives and retirement benefits, for people at all levels, enabling APA to attract and retain people who create value for securityholders.

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

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

Remuneration of Non-executive Directors (audited)

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

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

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

Mr G H Bennett (Chairman, Non-executive);

Mr R M Gersbach (Non-executive);

Mr R A Higgins (Non-executive);

Mr M Muhammad (Non-executive);

Mr R J Wright (Non-executive);

Ms Wan Shamilah Saidi (Non-executive), alternate for M Muhammad;

Mr M J McCormack (Managing Director, Executive); and

Ms J F McAloon (Non-executive) – retired as of 28 August 2006.

The key management personnel of APA during the financial year were:

Mr R F Francis (Chief Financial Officer);

Mr S P Ohl (Group General Manager Operations until 30 June 2007, Chief Operating Officer from 1 July 2007);

Mr A J V James (Company Secretary and General Manager Corporate);

Ms S M Dureau (General Counsel and General Manager Regulatory); and

Mr P D Fox (General Manager Commercial Development).

Directors' report

(continued)

The table below sets out the remuneration for the Directors for the financial year including the Executive Director.

	Short-term employment benefits			Post-employment	Long-term incentive plans			
	Salary/fees \$	Due Diligence Committee fees \$	Short-term incentive scheme \$	Non- monetary \$	Super- annuation \$	Share-based payment ^(a) \$	Retention award \$	Total \$
Non-executive Directors								
G H Bennett								
2007	163,199	4,000	–	–	12,686	–	–	179,885
2006	130,000	–	–	–	11,700	–	–	141,700
R M Gersbach ^(b)								
2007	90,782	9,375	–	–	–	–	–	100,157
2006	77,500	–	–	–	–	–	–	77,500
R A Higgins								
2007	95,351	18,750	–	–	57,900	–	–	172,001
2006	72,500	2,433	–	–	6,744	–	–	81,677
M Muhammad								
2007	82,839	–	–	–	–	–	–	82,839
2006	70,000	–	–	–	–	–	–	70,000
R J Wright								
2007	99,766	14,375	–	–	28,811	–	–	142,952
2006	80,000	2,433	–	–	7,419	–	–	89,852
Wan Shamilah Saidi								
2007	–	–	–	–	–	–	–	–
2006	–	–	–	–	–	–	–	–
J F McAloon ^(c)								
2007	11,667	–	–	–	–	–	–	11,667
2006	65,000	–	–	–	–	–	–	65,000
Executive Director								
M J McCormack								
2007	587,247	–	325,000	53,842	35,086	99,487	198,611	1,299,273
2006	436,031	–	216,286	27,634	19,339	48,500	–	747,790
Total								
2007	1,130,851	46,500	325,000	53,842	134,483	99,487	198,611	1,988,774
2006	931,031	4,866	216,286	27,634	45,202	48,500	–	1,273,519

(a) Cash settled security-based payments.

(b) In addition to Directors' Fees, Mr R M Gersbach received \$183,000 for consulting services (2006: \$nil).

(c) Retired as of 28 August 2006.

Fee increases of the Directors are approved by the shareholders of APL. The last increase in fees to Non-executive Directors was made in July 2006 and approved at a general meeting held in September 2006. Non-executive Directors' fees are benchmarked in June each year against fees paid by similar companies in the S&P/ASX 200 index to ensure relativities are maintained and best practices adhered to.

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

Two of the Directors, Messrs G H Bennett and R J Wright had, as a condition of their service with APL, an entitlement to a deferred benefit payable at retirement from the Board. After three years service, a Director was entitled to the equivalent of the emoluments received over the most recent 12 months. After ten years service, the entitlement rose to the equivalent of emoluments received during the most recent three years. No additional entitlement accrued after ten years. For periods between three and ten years, the entitlement was calculated on a pro-rata basis. In 2003, the Board terminated the retirement benefit program. The benefits that had already accrued under the program are now payable on retirement of the Directors who participated in the retirement benefit program.

Directors' report

(continued)

No options or securities have been issued to Directors as a consequence of their position as Directors.

Remuneration of other key management personnel (audited)

The following table discloses the remuneration of other key management personnel of the APA for the financial year:

	Short-term Employment Benefits			Post-Employment		
	Salary/Fees \$	Short-term Incentive Scheme \$	Non- Monetary \$	Super- annuation \$	Share-based payment ^(f) \$	Total \$
R F Francis^(a)						
2007	308,863	124,800	7,744	12,686	37,173	491,266
2006	262,543	102,000	1,450	11,128	20,000	397,121
S P Ohl^(b)						
2007	249,640	115,200	27,327	33,686	32,436	458,289
2006	196,433	86,000	7,234	53,139	16,667	359,473
A J V James^(c)						
2007	242,246	105,600	2,995	29,759	31,884	412,484
2006	227,643	90,000	1,450	29,212	17,333	365,638
S M Dureau^(d)						
2007	215,863	101,900	1,450	42,686	29,042	390,941
2006	216,411	79,000	1,450	12,139	15,333	324,333
P D Fox^(e)						
2007	210,863	92,000	1,450	12,686	24,124	341,123
2006	189,713	65,000	1,450	12,139	12,067	280,369
Total						
2007	1,227,475	539,500	40,966	131,503	154,659	2,094,103
2006	1,092,743	422,000	13,034	117,757	81,400	1,726,934

(a) Chief Financial Officer.

(b) Group General Manager Operations until 30 June 2007, Chief Operating Officer from 1 July 2007.

(c) Company Secretary and General Manager Corporate.

(d) General Counsel and General Manager Regulatory.

(e) General Manager Commercial Development.

(f) Cash settled security-based payments.

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

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

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

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

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

Directors' report

(continued)

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

Short-term incentive ("STI") plan (audited)

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

For the Managing Director, the maximum STI is 50% of TFR. For other senior executives, the maximum STI is 40% of TFR.

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

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

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

STI awards are paid to the participants in cash.

Long-term incentive ("LTI") plan (audited)

In the 2006 financial year, the Board introduced a LTI plan to better align the long-term interests of employees with those of securityholders. On the basis that APA met its financial targets for the financial year, an allocation under the LTI has been provided for in the financial statements of APA. Details of the LTI (share-based payment) awarded to key management personnel are set out on pages 83 and 84.

Because of the complexities of issuing equity to employees of a managed investment fund (including differences in income tax treatment) and the additional costs of setting up an equity-based scheme against the

relatively modest numbers of employees, the LTI does not offer actual equity to participants. However, recent tax changes now extend the opportunity to provide equity-based schemes to employees. APA has engaged an external consultant to consider whether an equity plan is an appropriate mechanism to remunerate employees. This work is expected to be completed by late 2007.

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

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

Access to the LTI award in respect of the year ended 30 June 2006 is restricted for a total period of two years, vesting 50% at the first anniversary and 50% at the second anniversary of the date of allocation. Subsequent allocations under the LTI plan ie from 2007 onwards, will be restricted for a total period of three years, vesting 1/3 at the first anniversary, 1/3 at the second anniversary and 1/3 at the third anniversary of the date of allocation. The LTI allocations, being subject to and arising from a pre-allocation performance hurdle, are not subject to a further performance test at the vesting dates, though participants must remain employed by the consolidated entity to access the vested benefit. Participants will receive a cash payment for vested LTI securities equal to the market value of the equivalent number of APA securities at the vesting date.

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

Directors' report

(continued)

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

Contractual terms of key management personnel

The termination payments in relation to key management personnel are set out below:

Name and title, employing company, commencement date, term	Termination provisions/benefits
M J McCormack – Managing Director APT Management Services Pty Limited ("Company") Commenced 1 March 2000 Promoted to Chief Executive Officer on 1 July 2005 and Managing Director effective 1 July 2006 No defined term	On termination with cause or following certain long-term illness, the Company will pay any TFR due and owing at the date of termination and any accrued leave entitlements. On termination without cause, the Company will pay 52 weeks TFR, any bonus earned but not paid and any accrued leave entitlement. The Company will also pay any TFR due and owing at the date of termination. Following, a review of his entitlements, the Board approved in August 2006, a retention award of \$650,000 if Mr McCormack continues to be employed in a full time capacity by the Company or another member of the APA group of entities at 1 August 2009. If Mr McCormack's employment ceases (other than for termination with cause or following certain long-term illness) prior to 1 August 2009, the Company will use its best endeavours (and procure that the APA group of entities uses their best endeavours) in seeking approval of securityholders to ensure the retention award is paid to Mr McCormack in full (or to the greatest degree possible).
R F Francis – Chief Financial Officer APT Management Services Pty Limited Commenced 1 August 2005 No defined term	On termination with cause or following certain long-term illness, the Company will pay any TFR due and owing at the date of termination and any accrued but untaken leave entitlements. On termination without cause, the Company will pay 26 weeks TFR, any bonus earned but not paid and any accrued but untaken leave entitlement. The Company will also pay any TFR due and owing at the date of termination. If Mr Francis gives notice to terminate his employment, the Company may (after consulting with the Board) at its discretion agree to make a termination payment of an amount up to 26 weeks TFR.
S P Ohl – Group General Manager Operations until 30 June 2007, Chief Operating Officer from 1 July 2007 APT Management Services Pty Limited Commenced 2 May 2005 No defined term	On termination with cause or following certain long-term illness, the Company will pay any TFR due and owing at the date of termination and any accrued but untaken leave entitlements. On termination without cause, the Company will pay 26 weeks TFR, any bonus earned but not paid and any accrued but untaken leave entitlement. The Company will also pay any TFR due and owing at the date of termination. If Mr Ohl gives notice to terminate his employment, the Company may (after consulting with the Board) at its discretion agree to make a termination payment of an amount up to 26 weeks TFR.
A J V James – Company Secretary and General Manager Corporate APT Management Services Pty Limited Commenced 1 March 2000 No defined term	On termination with cause or following certain long-term illness, the Company will pay any TFR due and owing at the date of termination and any accrued but untaken leave entitlements. On termination without cause, the Company will pay 52 weeks TFR, any bonus earned but not paid and any accrued but untaken leave entitlement. The Company will also pay any TFR due and owing at the date of termination. If Mr James gives notice to terminate his employment, the Company may (after consulting with the Board) at its discretion agree to make a termination payment of an amount up to 52 weeks TFR.
S M Dureau – General Counsel and General Manager Regulatory APT Management Services Pty Limited Commenced 1 August 2004 No defined term	On termination with cause or following certain long-term illness, the Company will pay any TFR due and owing at the date of termination and any accrued but untaken leave entitlements. On termination without cause, the Company will pay 26 weeks TFR, any bonus earned but not paid and any accrued but untaken leave entitlement. The Company will also pay any TFR due and owing at the date of termination. If Ms Dureau gives notice to terminate her employment, the Company may (after consulting with the Board) at its discretion agree to make a termination payment of an amount up to 26 weeks TFR.
P D Fox – General Manager Commercial Development APT Management Services Pty Limited Commenced 31 January 2003 No defined term	On termination with cause or following certain long-term illness, the Company will pay any TFR due and owing at the date of termination and any accrued but untaken leave entitlements. On termination without cause, the Company will pay 26 weeks TFR, any bonus earned but not paid and any accrued but untaken leave entitlement. The Company will also pay any TFR due and owing at the date of termination. If Mr Fox gives notice to terminate his employment, the Company may (after consulting with the Board) at its discretion agree to make a termination payment of an amount up to 26 weeks TFR.

Directors' report

(continued)

Information required for registered schemes

Fees paid to the Responsible Entity and its associates (including Directors and Secretaries of the Responsible Entity, related bodies corporate and Directors and Secretaries of related bodies corporate) out of APA property during the financial year are disclosed in Note 14 to the financial statements.

The Responsible Entity does not hold any securities in APA. The number of securities in APA issued during the financial year and the number of securities in APA at the end of the financial year are disclosed in Note 9 to the financial statements.

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

Auditor independence and non-audit services

APL may decide to employ the Auditor, Deloitte Touche Tohmatsu, on assignments additional to its statutory audit duties where the Auditor's expertise and experience with the Consolidated Entity are relevant.

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

- all non-audit services were subject to the corporate governance procedures adopted by APA and have been reviewed by the Audit and Risk Management Committee to ensure they do not impact the integrity and objectivity of the Auditor; and
- the non-audit services provided do not undermine the general principles relating to Auditor independence as set out in Accounting Professional and Ethical Standard 110 "Code of Ethics for Professional Accountants", as they did not involve reviewing or auditing the Auditors' own work, acting in a management or decision making capacity for APA, acting as an advocate for APA or jointly sharing risks and rewards.

A copy of the Auditor's independence declaration as required under section 307C of the Corporations Act 2001 is included on page 102.

Rounding

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

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

On behalf of the Directors



G H Bennett
Chairman



R J Wright
Director

Sydney, 29 August 2007

Income statement

For the financial year ended 30 June 2007

		Consolidated		Trust	
	Note	2007 \$000	2006 \$000	2007 \$000	2006 \$000
Continuing operations					
Revenue	4	6,427	–	6,427	–
Expenses		–	–	–	–
Profit before tax		6,427	–	6,427	–
Income tax expense		–	–	–	–
Profit for the year		6,427	–	6,427	–
Attributable to:					
Equity holders of the parent		6,427	–	6,427	–
Minority interest		–	–	–	–
		6,427	–	6,427	–
Earnings per security					
Basic and diluted earnings per security (cents)	10	1.8	–	–	–

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

Balance sheet

As at 30 June 2007

	Note	Consolidated 2007 \$000	2006 \$000	Trust 2007 \$000	2006 \$000
Non-current assets					
Receivables	6	159,609	3	117,801	3
Other financial assets	7	138,646	–	180,454	–
Total non-current assets		298,255	3	298,255	3
Total assets		298,255	3	298,255	3
Current liabilities					
Trade and other payables	8	4	–	4	–
Total liabilities		4	–	4	–
Net assets		298,251	3	298,251	3
Equity					
Issued capital	9	298,251	3	298,251	3
Retained earnings		–	–	–	–
Total equity		298,251	3	298,251	3

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

Statement of changes in equity

For the financial year ended 30 June 2007

		Consolidated and Trust		
	Note	Issued capital \$000	Retained earnings \$000	Total \$000
Balance at 1 July 2006		3	–	3
Profit for the year		–	6,427	6,427
Cancelled securities	9	(3)	–	(3)
Issue of capital	9	304,679	–	304,679
Distribution	5	(6,428)	(6,427)	(12,855)
Balance at 30 June 2007		298,251	–	298,251

The above statement of changes in equity should be read in conjunction with the accompanying notes.

Cash flow statement

For the financial year ended 30 June 2007

	Consolidated		Trust	
	2007 \$000	2006 \$000	2007 \$000	2006 \$000
Cash flows from operating activities				
Trust distribution – related party	6,427	–	–	–
Trust distribution – controlled entity	–	–	6,427	–
Net cash provided by operating activities	6,427	–	6,427	–
Cash flows from investing activities				
Capital distribution received – related party	6,428	–	–	–
Capital distribution received – controlled entity	–	–	6,428	–
Acquisition of controlled entity, net of cash acquired (Note 13)	(186,882)	–	(186,882)	–
Advances to related parties	(117,797)	–	(117,797)	–
Net cash used in investing activities	(298,251)	–	(298,251)	–
Cash flows from financing activities				
Proceeds from issue of securities	302,000	–	302,000	–
Distributions to securityholders, net of DRP	(10,176)	–	(10,176)	–
Net cash provided by financing activities	291,824	–	291,824	–
Net increase/(decrease) in cash and cash equivalents	–	–	–	–
Cash and cash equivalents at beginning of financial year	–	–	–	–
Cash and cash equivalents at end of financial year	–	–	–	–

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

Notes to the financial statements

For the financial year ended 30 June 2007

1. Significant accounting policies

Statement of compliance

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

The financial report includes the separate financial statements of the Trust and the consolidated financial statements of the Group.

Accounting Standards include Australian equivalents to International Financial Reporting Standards ("A-IFRS"). Compliance with A-IFRS ensures that the financial statements and notes of the Trust and the Consolidated Entity comply with International Financial Reporting Standards ("IFRS").

The financial statements were authorised for issue by the Directors on 29 August 2007.

Basis of preparation

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

The financial report is presented in Australian dollars and all values are rounded to the nearest thousand dollars (\$000) unless otherwise stated under the option available to APT Investment Trust (APTIT) under ASIC Class Order 98/100. APTIT is an entity to which the class order applies.

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

(a) Basis of consolidation

The consolidated financial statements incorporate the financial statements of the Trust and entities (including special purpose entities) controlled by the Trust (its subsidiaries) (referred to as the "Consolidated Entity" in these financial statements). Control is achieved where the Trust has the power to govern the financial and operating policies of an entity so as to obtain benefits from its activities.

The results of subsidiaries acquired during the year are included in the consolidated income statement from the effective date of acquisition.

Where necessary, adjustments are made to the financial statements of subsidiaries to bring their accounting policies into line with those used by other members of the Group.

All intra-group transactions, balances, income and expenses are eliminated in full on consolidation. In the separate financial statements of the Trust, the intra-group transactions ('common control transactions') are generally accounted for by reference to the existing (consolidated) book value of the items. Where the transaction value of common control transactions differ from their consolidated book value, the difference is recognised as a contribution by or distribution to equity participants by the transaction entities.

Minority interests in the net assets (excluding goodwill) of consolidated subsidiaries are identified separately from the Consolidated Entity's equity therein. Minority interests consist of the amount of those interests at the date of the original business combination and the minority's share of changes in equity since the date of the combination. Losses applicable to the minority

in excess of the minority's interest in the subsidiary's equity are allocated against the interests of the Consolidated Entity except to the extent that the minority has a binding obligation and is able to make an additional investment to cover the losses.

(b) Trade and other payables

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

(c) Cash and cash equivalents

Cash comprises cash on hand and demand deposits. Cash equivalents are short-term, highly liquid investments that are readily convertible to known amounts of cash which are subject to insignificant risk of changes in values.

Bank overdrafts are shown within borrowings in current liabilities in the balance sheet.

(d) Acquisition of assets

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

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

(e) Business combinations

Acquisitions of subsidiaries and businesses are accounted for using the purchase method. The cost of the business combination is measured as the aggregate of the fair values (at the date of exchange) of assets given, liabilities incurred or assumed, and equity instruments issued by the Consolidated Entity in exchange for control of the acquiree, plus any costs directly attributable to the business combination. The acquiree's identifiable assets, liabilities and contingent liabilities that meet the conditions for recognition under AASB 3 'Business Combinations' are recognised at their fair values at the acquisition date, except for non-current assets (or disposal groups) that are classified as held for sale in accordance with AASB 5 'Non-current Assets Held for Sale and Discontinued Operations', which are recognised and measured at fair value less costs to sell.

Goodwill arising on acquisition is recognised as an asset and initially measured at cost, being the excess of the cost of the business combination over the Consolidated Entity's interest in the net fair value of the identifiable assets, liabilities and contingent liabilities exceeds the cost of the business combination, the excess is recognised immediately in profit or loss.

The interest of minority shareholders in the acquiree is initially measured at the minority's proportion of the net fair value of the assets, liabilities and contingent liabilities recognised.

Notes to the financial statements

For the financial year ended 30 June 2007

(continued)

1. Significant accounting policies (continued)

(f) Financial instruments issued by the company

Debt and equity instruments

Debt and equity instruments are classified as either liabilities or 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 of the proceeds of the equity instruments to which the costs relate. Transaction costs are the costs that are incurred directly in connection with the issue of those equity instruments and which would not have been incurred had those instruments not been issued.

Interest and Distributions

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

(g) Goods and Services Tax

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

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

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

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

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

(h) Impairment of assets

Goodwill and intangible assets that have an indefinite useful life are not subject to amortisation and are tested annually for impairment, or more frequently if events or changes in circumstances indicate that they might be impaired. Other assets are reviewed for impairment whenever events or changes in circumstances indicate that the carrying amount may not be recoverable. An impairment loss is recognised for the amount by which the asset's carrying amount exceeds its recoverable amount. The recoverable amount is the higher of an asset's fair value less costs to sell and value in use. For the purposes of assessing impairment, assets are grouped at the lowest levels for which there are separately identifiable cash inflows which are largely independent on the cash inflows from other assets or groups of assets (cash generating units). Assets other than goodwill that suffered an impairment are reviewed for possible reversal of the impairment at each reporting period.

(i) Income tax

Income tax expense is not brought to account in respect of APTIT, as pursuant to the Australian taxation laws APTIT is not liable for income tax provided that its taxable income (including any assessable realised capital gains) is fully distributed to the stapled securityholders each year.

(j) Investments in debt and equity securities

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

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

Holdings in unlisted shares are measured at fair value. Fair value is estimated using a discounted cash flow model which includes some assumptions that are not supportable by observable market prices or rates.

(k) Distributions

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

(l) Trade and other receivables

Trade receivables, loans and other receivables that have fixed or determinable payments that are not quoted in an active market are classified as 'loans receivable'. Loans and receivables are measured at amortised cost using the effective interest method less impairment. Interest is recognised by applying the effective interest rate method, agreed between the parties at the end of each quarter and can be any percentage from 0% upwards.

(m) Revenue recognition

Revenue is recognised to the extent that it is probable that the economic benefits will flow to the Consolidated Entity and the revenue can be reliably measured. Amounts disclosed as revenue are net of duties and taxes paid. Revenue is recognised for the major business activities as follows:

Interest revenue

Interest is recognised by applying the effective interest rate method, agreed between the parties at the end of each quarter and can be any percentage from 0% upwards.

Distribution revenue

Distribution revenue is recognised when the right to receive a distribution has been established.

Notes to the financial statements

For the financial year ended 30 June 2007

(continued)

2. Adoption of new and revised accounting standards

In the current year, the Consolidated Entity has adopted all the new and revised Standards and Interpretations issued by the Australian Accounting Standard Board ("AASB") that are relevant to its operations and effective for the current annual reporting period. The adoption of these new and revised Standards and Interpretations did not result in a change to amounts reported in the current or prior years.

Initial application of the following Standards will not affect any of the amounts recognised in the financial report, but will change the disclosure presently made in relation to the consolidated entity's financial report:

- **AASB 7 'Financial Instruments: Disclosures' and consequential amendments to other accounting standards resulting from its issue**
Effective for annual periods beginning on or after 1 January 2007. Expected to be initially applied in the financial year ending 30 June 2008.
- **AASB 101 'Presentation of Financial Statements' - revised standard**
Effective for annual periods beginning on or after 1 January 2007. Expected to be initially applied in the financial year ending 30 June 2008.
- **AASB 2007-7 'Amendments to Australian Accounting Standards'**
Effective for annual periods beginning on or after 1 July 2007. Expected to be initially applied in the financial year ending 30 June 2008.

Initial application of the following Standards and Interpretations is not expected to have any material impact to the financial report of the consolidated entity and the company:

- **AASB Interpretation 10 'Interim Financial Reporting and Impairment'**
Effective for annual periods beginning on or after 1 November 2006. Expected to be initially applied in the financial year ending 30 June 2008.
- **AASB 2007-2 'Amendments to Australian Accounting Standards arising from AASB interpretation 12'**
Effective for annual periods beginning on or after 1 January 2008. Expected to be initially applied in the financial year ending 30 June 2009.
- **AASB 2007-4 'Amendments to Australian Accounting Standards arising from ED 151 and Other Amendments'**
Effective for annual periods beginning on or after 1 July 2007. Expected to be initially applied in the financial year ending 30 June 2008.

3. Critical accounting judgements and key sources of estimation uncertainty

In the application of the Consolidated Entity's accounting policies, which are described in Note 1, management is required to make judgements, estimates and assumptions about the carrying value of assets and liabilities that are not readily apparent from other sources. The estimates and associated assumptions are based on historical experience and various other factors that are believed to be reasonable under the circumstance, the results of which form the basis of making judgements. Actual results may differ from these estimates.

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

Notes to the financial statements

For the financial year ended 30 June 2007

(continued)

4. Revenue

An analysis of revenue for the year, from both continuing and discontinued operations, is as follows:

Continuing operations

	Consolidated		Trust	
	2007	2006	2007	2006
	\$000	\$000	\$000	\$000
Revenue				
Trust distribution – related party	6,427	–	–	–
Trust distribution – controlled entity	–	–	6,427	–
Total revenue	6,427	–	6,427	–

5. Distributions

Recognised amounts

Distribution paid on 30 March 2007

(2006: \$nil)

Profit distribution ^(a)	6,427	–	6,427	–
Capital distribution	6,428	–	6,428	–
	12,855	–	12,855	–

Unrecognised amounts

Final distribution payable on 28 September 2007

Profit distribution ^(a)	12,951	–	12,951	–
Capital distribution	8,635	–	8,635	–
	21,586	–	21,586	–

[a] Profit distributions were unfranked (2006: \$nil).

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

6. Non-current receivables

Receivable from related party	41,808	–	–	–
Advance to related party	117,801	3	117,801	3
	159,609	3	117,801	3

7. Other non-current financial assets

Investment in controlled entity – at cost	–	–	180,454	–
Investment in related party	138,646	–	–	–
	138,646	–	180,454	–

The investment in the related party reflects the investment of GasNet Australia Investments Trust ("GAIT") in 100% of the B Class securities in GasNet A Trust. The B Class securities give GAIT rights to the income and capital of the GasNet A Trust, but hold no voting rights. As such, GAIT neither controls nor has a significant influence over GasNet A Trust. GasNet Australia Trust, a related party wholly owned by APA, owns 100% of the A class securities in GasNet A Trust and, accordingly, GasNet A Trust is included in the consolidation of the APA group of entities.

8. Trade and other payables

Other payables	4	–	4	–
	4	–	4	–

Notes to the financial statements

For the financial year ended 30 June 2007

(continued)

9. Issued capital

	Consolidated		Trust	
	2007 \$000	2006 \$000	2007 \$000	2006 \$000
Securities, fully paid	298,251	3	298,251	3
	2007 No. of securities 000	Consolidated and Trust 2007 \$000	2006 No. of securities 000	2006 \$000
Movements:				
Balance at beginning of financial year	278,895	3	–	–
Cancellation of nominee securities	(278,895)	(3)	–	–
Movement during the year ^(a)	–	–	278,895	3
Issue of securities ^(b)	428,514	302,000	–	–
Issue of securities under DRP	3,187	2,679	–	–
Capital distributions paid (Note 5)	–	(6,428)	–	–
Balance at end of financial year	431,701	298,251	278,895	3

(a) On 12 August 2005, APTIT was established and became a registered managed investment scheme with securities on issue held by a nominee on behalf of securityholders. Immediately following the issue of securities to securityholders for the purpose of stapling, these nominee securities were cancelled.

(b) During December 2006, APA was restructured. As part of this restructure, APA made a return of capital of \$302,000,000 to its securityholders, who then simultaneously used this cash to subscribe for the securities issued by APTIT.

10. Earnings per security

	Consolidated	
	2007	2006
Basic and diluted earnings per security (cents)	1.8	–
The earnings and weighted average number of ordinary securities used in the calculation of basic and diluted earnings per security are as follows:		
Net profit attributable to securityholders for calculating basic and diluted earnings per security (\$000)	6,427	–
	No. of securities	
	000	000
Weighted average number of ordinary securities on issue used in the calculation of basic and diluted earnings per security	359,675	278,895

11. Financial instruments

(a) Financial risk management objectives

APA's Corporate Treasury function provide services to the business, co-ordinate access to domestic and international financial markets, and monitors and manages the financial risks relating to the operations of APA as a whole. These risks include market risk (including currency risk and interest rate risk), credit risk, liquidity risk and cash flow interest rate risk.

APA seeks to minimise the effects of these risks, by using derivative instruments to hedge these risk exposures. The use of financial derivatives is governed by APA's policy approved by the Board of Directors, which provides written principles on foreign exchange risk, interest rate risk, credit risk, the use of financial derivatives and non-derivative financial instruments, and the investment of excess liquidity. APTIT does not have any derivative financial instruments.

Notes to the financial statements

For the financial year ended 30 June 2007

(continued)

11. Financial instruments (continued)

(b) Interest rate risk management

Maturity profile of financial instruments

The following tables detail the Consolidated Entity's and Trust's exposure to interest rate risk:

2007	Average interest rate % pa	Variable interest rate \$000	Consolidated Fixed interest rate maturity			Non- interest bearing \$000	Total \$000
			Less than 1 year \$000	1–5 years \$000	More than 5 years \$000		
Financial assets							
Receivables	0	159,609	—	—	—	—	159,609
Investments	0	138,646	—	—	—	—	138,646
		298,255	—	—	—	—	298,255

Financial liabilities

Trade and other payables		–	–	–	–	4	4
--------------------------	--	---	---	---	---	---	---

2006

Financial Assets

Receivables	0	3	–	–	–	–	3
-------------	---	---	---	---	---	---	---

Financial liabilities

Trade and other payables		–	–	–	–	–	–
--------------------------	--	---	---	---	---	---	---

2007	Average interest rate % pa	Variable interest rate \$000	Trust			Non- interest bearing \$000	Total \$000
			Fixed interest rate maturity				
			Less than 1 year \$000	1–5 years \$000	More than 5 years \$000		
Financial assets							
Receivables	0	117,801	—	—	—	—	117,801
Investments	0	180,454	—	—	—	—	180,454
		298,255	—	—	—	—	298,255

Financial liabilities

Trade and other payables		–	–	–	–	4	4
--------------------------	--	---	---	---	---	---	---

2006

Financial Assets

Receivables	0	3	–	–	–	–	3
-------------	---	---	---	---	---	---	---

Financial liabilities

Trade and other payables		–	–	–	–	–	–
--------------------------	--	---	---	---	---	---	---

Loans subject to interest to be agreed upon between the parties from 0% upwards. During the current period, the agreed interest rate was 0%. The loans are repayable on demand.

Notes to the financial statements

For the financial year ended 30 June 2007

(continued)

12. Controlled entities

Name of entity	Country of registration/ incorporation	Ownership interest	
		2007 %	2006 %
Parent entity			
APT Investment Trust			
Controlled entities			
GasNet Australia Investments Trust	Australia	100	

13. Acquisition of business

2007		Date of acquisition	Proportion of shares acquired %	Cost of acquisition \$000
Name of business acquired	Principal activity			
GasNet Australia Investments Trust	Financing	1 October 2006	100	186,882

The net assets acquired in the business combination, and the goodwill arising, are as follows:

	Acquiree's carrying amount before business combination \$000	Fair value adjustments \$000	Fair value \$000
Net assets acquired:			
Receivables	41,808	–	41,808
Other financial assets – investment in related party	156,676	(11,602)	145,074
	198,484	(11,602)	186,882
Goodwill arising on acquisition			–
Total consideration, satisfied by cash			186,882

The initial accounting for the acquisition of GasNet Australia Investments Trust has only been provisionally determined at reporting date.

2006 – nil

14. Key management personnel and related party disclosures

The entity has applied the relief available under ASIC Class Order CO 06/50, which exempts listed companies from providing remuneration disclosures in their annual financial report as required by paragraphs Aus 25.4 to Aus 25.7.2 of AASB 124 'Related Party Disclosures'. These remuneration disclosures are provided in the Remuneration Report section in the Directors' Report designated as audited.

Notes to the financial statements

For the financial year ended 30 June 2007

(continued)

14. Key management personnel and related parties disclosures (continued)

(a) Details of key management personnel

The Directors and other members of key management personnel of the APA group of entities during the year were:

Mr G H Bennnett (Chairman).

Mr R M Gersbach (Non-executive Director).

Mr R A Higgins (Independent Non-executive Director).

Mr M Muhammad (Independent Non-executive Director).

Mr R J Wright (Independent Non-executive Director).

Ms Wan Shamilah Saidi (Alternate Non-executive Director).

Mr M J McCormack (Managing Director).

Ms J F McAloon (Non-executive Director), retired as of 28 August 2006.

Mr R F Francis (Chief Financial Officer).

Mr S P Ohl (Group General Manager Operations until 30 June 2007, Chief Operating Officer from 1 July 2007).

Mr A J V James (Company Secretary and General Manager Corporate).

Ms S M Dureau (General Counsel and General Manager Regulatory).

Mr P D Fox (General Manager Commercial Development).

(b) Responsible Entity – Australian Pipeline Limited

The Responsible Entity is 99.9% owned by APT Pipelines Limited and 0.1% by unrelated parties.

(c) Equity interest in related parties

Details of the percentage of ordinary securities held in controlled entities are disclosed in Note 12.

(d) Transactions with key management personnel

Loans to key management personnel

No loans have been made to key management personnel.

Key management personnel equity holdings in APTIT:

	Fully paid securities as at 30 June 2006	Securities acquired during the financial year ^(a)	Securities disposed of during the financial year	Fully paid securities as at 30 June 2007
Mr G H Bennnett	–	25,009	–	25,009
Mr R M Gersbach	–	5,665	–	5,665
Mr R A Higgins	–	17,919	–	17,919
Mr M Muhammad	–	15,412	–	15,412
Mr R J Wright	–	17,171	–	17,171
Mr M Ratilal (appointed 31 July 2007)	–	–	–	–
Mr L F Bleasel (appointed 28 August 2007)	–	154,285	–	154,285
Ms Wan Shamilah Saidi	–	–	–	–
Mr Wan Zulkiflee Wan Ariffin (appointed 31 July 2007)	–	–	–	–
Mr M J McCormack	–	57,513	–	57,513
Ms J F McAloon	–	–	–	–
Mr R F Francis	–	2,885	–	2,885
Mr S P Ohl	–	4,000	–	4,000
Mr A J V James	–	5,654	–	5,654
Ms S M Dureau	–	6,671	–	6,671
Mr P D Fox	–	7,154	–	7,154

(a) During December 2006, APT was restructured. As part of this restructure, APT made a return of capital of \$302,000,000 to its securityholders, who then simultaneously used this cash to subscribe for the securities issued by APTIT.

Notes to the financial statements

For the financial year ended 30 June 2007

(continued)

14. Key management personnel and related parties disclosures (continued)

(e) Key management personnel compensation

	Consolidated and Trust	
	2007	2006
	\$	\$
Short term employment benefits	3,364,134	2,444,181
Post employment benefits	265,986	150,820
Cash settled share based benefits	254,145	117,833
Retention award	198,611	–
	4,082,876	2,712,834

The compensation of each member of the key management personnel of the Consolidated Entity is set out in the Remuneration Report section in the Directors' Report designated as audited.

(f) Transactions with related parties within the Consolidated Entity

Transactions between the entities that comprise APTIT during the financial year ended 30 June 2007 consisted of:

- Loans advanced and payments received on long-term inter-entity loans;
- Payment of distributions;
- Payment of capital distributions (returns of capital); and
- Equity issues.

All transactions between the entities that comprise APTIT have been eliminated on consolidation.

Refer to Note 12 for details of the entities that comprise APTIT.

(g) Transactions with other related parties

APTIT and its controlled entities have a number of loan receivable balances with other entities in the APA group. These loans have various terms however can be repayable on agreement of the parties. The interest payable on the loans is agreed between the parties at the end of each quarter and can be any percentage agreed from 0% upwards. During the period no interest was charged.

15. Contingent liabilities and contingent assets

At 30 June 2007, there are no material contingent liabilities or contingent assets (2006: \$nil)

16. Subsequent events

On 29 August 2007, the Directors declared a final distribution for the 2007 financial year, of 5.0 cents per security (\$21,586,000). The distribution represents a 3.0 cps unfranked income distribution and a 2.0 cps capital distribution. The distribution will be paid on 28 September 2007.

Declaration by the Directors

For the financial year ended 30 June 2007

The financial statements and notes thereto of APT Investment Trust ("APTIT") as well as the Consolidated Entity for the financial year ended 30 June 2007 have been prepared by Australian Pipeline Limited ("Responsible Entity") in accordance with the Corporations Act 2001.

The Directors declare that:

- (a) in the Directors' opinion, there are reasonable grounds to believe that APTIT will be able to pay its debts as and when they become due and payable; and
- (b) in the Directors' opinion, the attached financial statements and notes thereto are in accordance with the Corporations Act 2001, including compliance with accounting standards and giving a true and fair view of the financial position and performance of APTIT and the Consolidated Entity.

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

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

On behalf of the Directors



G H Bennett
Chairman



R J Wright
Director

Sydney, 29 August 2007

Auditor's independence declaration

For the financial year ended 30 June 2007

Deloitte.

Deloitte Touche Tohmatsu
ABN 74 490 121 060

Grosvenor Place
225 George Street
Sydney NSW 2000
PO Box N250 Grosvenor Place
Sydney NSW 1219 Australia

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

The Directors
Australian Pipeline Limited as responsible entity for
APT Investment Trust
HSBC Building
Level 19, 580 George Street
SYDNEY NSW 2000

Dear Directors

Independence Declaration

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

As lead audit partner for the audit of the financial statements of APT Investment Trust for the financial year ended 30 June 2007, I declare that to the best of my knowledge and belief, there have been no contraventions of:

- (i) the auditor independence requirements of the Corporations Act 2001 in relation to the audit; and
- (ii) any applicable code of professional conduct in relation to the audit.

Yours sincerely



DELOITTE TOUCHE TOHMATSU



Samantha Lewis
Partner
Sydney, 29 August 2007

Member of
Deloitte Touche Tohmatsu

Liability limited by a scheme approved under Professional Standards Legislation.

Independent Auditor report

For the financial year ended 30 June 2007

Deloitte.

Deloitte Touche Tohmatsu
ABN 74 490 121 060

Grosvenor Place
225 George Street
Sydney NSW 2000
PO Box N250 Grosvenor Place
Sydney NSW 1219 Australia

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

Independent Auditor's Report to the Unitholders of APT Investment Trust

We have audited the accompanying financial report of APT Investment Trust, which comprises the balance sheet as at 30 June 2007, and the income statement, cash flow statement and statement of changes in equity for the year ended on that date, a summary of significant accounting policies, other explanatory notes and the directors' declaration of the consolidated entity comprising the Trust and the entities it controlled at the year's end or from time to time during the financial year as set out on pages 88 to 101.

We have also audited the compensation disclosures contained in the directors' report. As permitted by the Corporations Regulations 2001, the Trust has disclosed information about the compensation of key management personnel ("compensation disclosures") as required by paragraphs Aus 25.4 to Aus 25.7.2 of Accounting Standard AASB 124 Related Party Disclosures ("AASB 124"), under the heading "remuneration report" on pages 82 to 86 of the directors' report, and not in the financial report.

Directors' Responsibility for the Financial Report and the AASB 124 Compensation Disclosures Contained in the Directors' Report

The directors of Australian Pipeline Limited are responsible for the preparation and fair presentation of the financial report in accordance with Australian Accounting Standards (including the Australian Accounting Interpretations) and the Corporations Act 2001. This responsibility includes establishing and maintaining internal control relevant to the preparation and fair presentation of the financial report that is free from material misstatement, whether due to fraud or error; selecting and applying appropriate accounting policies; and making accounting estimates that are reasonable in the circumstances. The directors are also responsible for the compensation disclosures contained in the directors' report. In Note 1, the directors also state, in accordance with Accounting Standard AASB 101 Presentation of Financial Statements, that compliance with the Australian equivalents to International Financial Reporting Standards ensures that the financial report, comprising the consolidated financial statements and notes, complies with International Financial Reporting Standards.

Auditor's Responsibility

Our responsibility is to express an opinion on the financial report and compensation disclosures contained in the directors' report based on our audit. We conducted our audit in accordance with Australian Auditing Standards. These Auditing Standards require that we comply with relevant ethical requirements relating to audit engagements and plan and perform the audit to obtain reasonable assurance whether the financial report is free from material misstatement and the compensation disclosures comply with AASB 124.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial report and the compensation disclosures contained in the directors' report. The procedures selected depend on the auditor's judgement, including the assessment of the risks of

Independent Auditor report

For the financial year ended 30 June 2007

Deloitte.

material misstatement of the financial report and the compensation disclosures contained in the directors' report, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial report and the compensation disclosures contained in the directors' report in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by the directors, as well as evaluating the overall presentation of the financial report and the compensation disclosures contained in the directors' report.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinions.

Auditor's Independence Declaration

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

Auditor's Opinion on the Financial Report

In our opinion:

- (a) the financial report of APT Investment Trust is in accordance with the Corporations Act 2001, including:
 - (i) giving a true and fair view of the Trust's and consolidated entity's financial position as at 30 June 2007 and of their performance for the year ended on that date; and
 - (ii) complying with Australian Accounting Standards (including the Australian Accounting Interpretations) and the Corporations Regulations 2001; and
- (b) the consolidated financial statements and notes also comply with International Financial Reporting Standards as disclosed in Note 1.

Auditor's Opinion on the AASB 124 Compensation Disclosures Contained in the Directors' Report

In our opinion, the compensation disclosures that are contained on pages 85 to 90 under the heading "remuneration report" of the directors' report and identified as being subject to audit, complies with paragraphs Aus 25.4 to Aus 25.7.2 of Accounting Standard AASB 124 Related Party Disclosures.



DELOITTE TOUCHE TOHMATSU



Samantha Lewis
Partner
Chartered Accountants
Sydney, 29 August 2007

Additional stock exchange information

- There were 121,144 holders of ordinary securities as at 6 September 2007.
- The 20 largest holders represented 46.2% of the total issued capital.
- The distribution of holders was:

Ranges	No. of Holders	%	No. of Securities	%
1-1,000 Securities	87,329	72.09	21,974,386	5.09
1,001-5,000 Securities	22,419	18.51	56,433,266	13.07
5,001-10,000 Securities	7,282	6.01	51,733,353	11.98
10,001-100,000 Securities	4,002	3.30	77,160,648	17.87
100,001 Securities and over	112	0.09	224,399,543	51.98
	121,144	100.0	431,701,196	100.00

- There were 30,935 holders of less than 136 securities each.
- Holders by address and class of holders were:

Addresses	No. of Holders	%	No. of Securities	%
Australia	118,161	97.54	418,642,460	96.97
USA and Canada	27	0.02	133,803	.03
United Kingdom	333	0.27	123,627	.03
New Zealand	2,523	2.08	12,513,298	2.90
Others	100	0.08	288,008	.07
	121,144	100.00	431,701,196	100.00

Class of holder	No. of Holders	%	No. of Securities	%
Individuals	73,514	60.68	98,008,494	22.70
Companies and other	47,630	39.32	333,692,702	77.30
	121,144	100.00	431,701,196	100.00

	Fully Paid Ordinary Securities	% of Total Issued Securities
Twenty largest holders as at 6 September 2007		
Petronas Australia Pty Ltd	72,073,008	16.70
Citicorp Nominees Pty Limited	23,973,690	5.55
RBC Dexia Investor Services	18,185,199	4.21
National Nominees Limited	12,052,805	2.79
ANZ Nominees Limited	10,448,212	2.42
J P Morgan Nominees	9,522,618	2.21
HSBC Custody Nominees (Australia) Limited A/c 3	8,657,675	2.01
HSBC Custody Nominees (Australia) Limited	8,441,616	1.96
Custodial Services Limited	5,903,472	1.37
Fleet Nominees Pty Ltd	5,192,374	1.20
CS Fourth Nominees Pty Ltd	4,374,381	1.01
UBS Securities Australia Limited	3,860,212	.89
Questor Financial Services Limited	2,639,850	.61
UBS Nominees Pty Ltd	2,500,634	.58
HSBC Custody Nominees (Australia) Limited – A/c 2	2,311,178	.54
CS Third Nominees Pty Ltd	1,938,012	.45
HSBC Custody Nominees (Australia) Limited	1,905,709	.44
Cogent Nominees Pty Limited	1,891,123	.44
BT (Queensland) Pty Limited	1,864,342	.43
Alinta Limited	1,666,216	.39
Total	199,402,326	46.20

Glossary

ABARE

Australian Bureau of Agricultural and Resource Economics

ACCC

Australian Competition and Consumer Commission

AGL

The Australian Gas Light Company

APT or Trust

Australian Pipeline Trust

APA Group or APA

The stapled entities, Australian Pipeline Trust and APT Investment Trust, and their controlled entities

APA Victoria

Comprises of GasNet gas transmission operations and Envestra gas networks operations

APL

Australian Pipeline Limited

APTIT or Trust

APT Investment Trust

ASX

Australian Stock Exchange

BBSW

Bank Bill Swap Reference Rate

CGP

Carpentaria Gas Pipeline

Cogeneration

The simultaneous production of electrical energy plus heat from a single fuel source, such as natural gas

CPI

Consumer Price Index

CSG – coal seam gas

The extraction of natural gas from a coal seam

EBIT

Earnings before interest and tax

EBITDA

Earnings before interest, tax, depreciation and amortisation

Financial year

The 12 months to 30 June

GasNet

GasNet Australia Group

GGT

Goldfields Gas Transmission Pipeline

GTA

Gas Transportation Agreement

GTD

Gas Transportation Deed

IPO

Initial Public Offering

Interconnect

Lateral connecting Barnawatha to Culcairn

kV

Kilovolts

LNG

Liquid natural gas

MSP

Moomba to Sydney Pipeline

MW

Megawatt

National Gas Code

National third party access code for natural gas pipeline systems

Natural gas

Naturally occurring hydrocarbons consisting mainly of methane, often associated with petroleum

Parmelia Gas Business

Made up of the PGP, gas storage and gas processing businesses

PGP

Parmelia Gas Pipeline

PMA

Pipeline Management Agreement between Alinta and APA

PJ

Petajoule

PJ/d

Petajoule per day

RBP

Roma to Brisbane Pipeline

SCP Gas Business

Refers to SCP Investments (No.1) Pty Limited, the 88.2% owner of GGT, and the Parmelia Gas Pipeline

TJ

Terajoule

TJ/d

Terajoule per day

FINANCIAL CALENDAR

At the time of printing, dates are as follows:

30 OCTOBER 2007

Annual Meeting
City Recital Hall
Angel Place, Sydney
11.00am

FEBRUARY 2008

Half year results announced

MARCH 2008

Interim distribution payable

JUNE 2008

Financial year end

SEPTEMBER 2008

Final distribution payable

COMPANY DIRECTORY

Responsible Entity and Registered Office

Australian Pipeline Limited
ABN 99 091 344 704
HSBC Building
Level 19, 580 George Street
Sydney NSW 2000
(PO Box R41, Royal Exchange NSW 1225)
Telephone: +61 2 9693 0000
Facsimile: +61 2 9693 0093
www.pipelinetrust.com.au

Directors of the Responsible Entity

(current)
Mr George H Bennett (Chairman)
Mr Leonard F Bleasel AM
Mr Ross M Gersbach
Mr Russell A Higgins AO
Mr Muri Muhammad
Mr Manharlal (George) Ratilal
Mr Robert J Wright
Mr Michael J McCormack (Managing Director)
Ms Wan Shamilah Saidi (alternate for Mr Muhammad)
Mr Wan Zulkiflee Wan Ariffin (alternate for Mr Ratilal)

Chief Financial Officer

Mr Richard F Francis

Company Secretary

Mr Austin J V James

Auditor of APA

Deloitte Touche Tohmatsu

ASX Code : APA

