

# ANNUAL REPORT

# 20 TEN

YEARS OF  
DELIVERING VALUE  
AND GROWTH





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## APT INVESTMENT TRUST AND ITS CONTROLLED ENTITIES

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Front cover: APA Group's delivery point for gas into the Uranquinty Power Station, New South Wales  
Inside cover: Culcairn compressor station and New South Wales to Victoria interconnect

# AUSTRALIAN PIPELINE TRUST AND ITS CONTROLLED ENTITIES

ARSN 091 678 778

# DIRECTORS' REPORT

The directors of Australian Pipeline Limited ("Responsible Entity") submit their report and the annual financial report of Australian Pipeline Trust ("APT") and its controlled entities (together "APA" or "Consolidated Entity") for the financial year ended 30 June 2010. This report refers to the consolidated results of APT and APT Investment Trust ("APTIT").

## DIRECTORS

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

**Leonard Bleasel AM** Chairman

**John Fletcher**

**Russell Higgins AO**

**Muri Muhammad**

**George Ratilal**

**Robert Wright**

**Michael McCormack** Managing Director

George Ratilal resigned as a director, and was appointed an alternate director for Muri Muhammad, on 26 August 2010.

Details of the directors, their qualifications, experience, special responsibilities and directorships of other listed entities are set out on pages 13 to 15.

Alternate directors who served during the year are as follows:

**W S Saidi** as alternate for Muri Muhammad, retired on 14 August 2009.

**W Z W Ariffin** as alternate for George Ratilal, retired on 19 August 2009.

## COMPANY SECRETARY

**Mark Knapman**

Details of the Company Secretary, his qualifications and experience are set out on page 14.

## PRINCIPAL ACTIVITIES

The principal activities of APA during the course of the year were the ownership and operation of energy infrastructure, including:

- gas transmission and distribution businesses located across Australia;
- energy investments, including Envestra Limited ("Envestra"), SEA Gas Pipeline, Ethane Pipeline Income Fund, Energy Infrastructure Investments Pty Limited and Hastings Diversified Utilities Fund; and
- asset management and operations services for the majority of APA's energy investments and other third parties.

## SIGNIFICANT CHANGES IN STATE OF AFFAIRS

In the opinion of the directors of the Responsible Entity, there was no significant change in the state of affairs of APA during the year.

# DIRECTORS' REPORT

## DISTRIBUTIONS

Distributions paid to securityholders during the year were:

	Final FY 2009 distribution paid 15 September 2009		Semi-annual FY 2010 distribution paid 17 March 2010	
	Cents per security	Total distribution \$000	Cents per security	Total distribution \$000
APT profit distribution	2.7	13,684	5.67	28,832
APT capital distribution	-	-	4.97	25,320
APTIT profit distribution	2.2	10,809	3.51	17,847
APTIT capital distribution	11.1	55,293	1.60	8,141
<b>Total</b>	<b>16.0</b>	<b>79,786</b>	<b>15.75</b>	<b>80,140</b>

On 25 August 2010, the directors declared a final distribution for APA for the year of 17.0 cents per security payable 15 September 2010, made up of:

	Final FY 2010 distribution payable 15 September 2010	
	Cents per security	Total distribution \$000
APT profit distribution	1.73	9,364
APT capital distribution	8.58	46,552
APTIT profit distribution	3.67	19,928
APTIT capital distribution	3.02	16,350
<b>Total</b>	<b>17.0</b>	<b>92,194</b>

Total distribution for the year is 32.75 cents per security, an increase of 1.75 cents or 5.6% on last year.

Distribution information is presented on an accounting classification basis. The APA Group Annual Tax Statement and Annual Tax Return Guide (released in September) provide the classification of distribution components for the purposes of preparation of securityholder income tax returns.

# DIRECTORS' REPORT

## FINANCIAL AND OPERATIONAL REVIEW

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

Year ended 30 June	2010 \$000	2009 \$000	Changes	
			\$000	%
Total revenue excluding pass-through <sup>(1)</sup>	659,548	673,029	(13,481)	(2.0)
<b>Total revenue</b>	<b>989,490</b>	<b>944,416</b>	<b>45,074</b>	<b>4.8</b>
EBITDA	459,975	444,375	15,600	3.5
Depreciation and amortisation expense	(91,426)	(95,640)	(4,214)	(4.4)
EBIT	368,549	348,735	19,814	5.7
Net interest expense	(229,369)	(212,991)	16,378	(7.7)
Pre-tax profit	139,180	135,744	3,436	2.5
Income tax expense	(38,672)	(35,922)	2,750	(7.7)
Minorities	(150)	(78)	72	92.3
<b>Operating profit after tax and minorities, before significant items</b>	<b>100,358</b>	<b>99,744</b>	<b>614</b>	<b>0.6</b>
Significant items after income tax <sup>(2)</sup>	-	(20,972)	20,972	(100.0)
<b>Profit after income tax and minorities</b>	<b>100,358</b>	<b>78,772</b>	<b>21,586</b>	<b>27.4</b>
Operating cash flow <sup>(3) (5)</sup>	267,761	233,565	34,196	14.6
Operating cash flow per security (cents) <sup>(5)</sup>	51.9	48.2	3.7	7.7
Earnings per security (cents) <sup>(5)</sup>	19.4	22.7	(3.3)	(14.5)
Distribution per security (cents)	32.75	31.0	1.75	5.6
Distribution payout ratio <sup>(4)</sup>	64.4	65.6	(1.2)	(1.8)
Weighted average number of securities (000)	516,243	485,077	31,166	6.4

(1) Pass-through revenue is revenue on which no margin is earned. Pass-through revenue arises in the NT Gas business and the asset management operations in respect of Envestra assets.

(2) Significant items in the 12 months to 30 June 2009 include the positive impacts from Envestra underwriting fee, DUOS revenue accrual on APA Gas Network and overprovision of prior year income tax and negative impacts from costs associated with the creation of Energy Infrastructure Investments, settlement of acquisition related liabilities and a revaluation loss on interest rate hedges which were deemed ineffective, acquired as part of the GasNet acquisition.

(3) Operating cash flow = net cash from operations after interest and tax payments, adjusted for significant items.

(4) Distribution payout ratio = total distribution payments as a percentage of operating cash flow.

(5) Adjusted for significant items.

APA reported operating profit after tax and minorities of \$100.4 million, an increase of 27.4% compared with \$78.8 million last year. APA's profit last year contained a number of significant items with an overall net negative impact of \$21.0 million. Therefore, APA's operating profit before significant items increased 0.6% from \$99.7 million last year.

EBITDA for the year was \$460.0 million, a 3.5% increase on \$444.4 million last year. This improved result is despite the sell-down of \$703 million of assets to Energy Infrastructure Investments in December 2008, as last year's EBITDA included contributions (\$21.0 million) from those assets.

The main factors driving the increase in operating profit and EBITDA include:

- increased EBITDA performance from the Gas Transmission and Distribution segment due to the sale of additional capacity from recent pipeline expansions and tariff increases, somewhat offset by the lower volumes transported through some pipelines, including the Victorian Transmission System;
- increased contribution from the Energy Investments business segment with the additional contributions from Energy Infrastructure Investments and Hastings Diversified Utilities Fund, and increased contribution from the Envestra investment since February 2009;
- reduction in depreciation costs due to the sale of assets in December 2008 to Energy Infrastructure Investments; and
- increased debt costs due to a globally experienced increase in debt margins.



# DIRECTORS' REPORT

Operating cash flow increased by 14.6% to \$267.8 million (2009: \$233.6 million), while operating cash flow per security increased by 7.7% or 3.7 cents to 51.9 cents per security (2009: 48.2 cents per security).

APA's distributions for the year total 32.75 cents per security, an increase of 5.6%, or 1.75 cents on last year. APA achieved its target of at least 5% growth in distributions for the 2010 financial year while maintaining a prudent payout ratio. The distribution payout ratio for the year was 64.4%, further demonstrating APA's ability to fully fund its distributions out of operating cash flows.

## Capital management

During the year, APA undertook the following capital raising activities to fund the continuing growth of the business:

- APA issued two tranches of securities under its Distribution Reinvestment Plan:
  - on 15 September 2009, 10,153,368 securities at \$2.87 per security raising \$29.1 million; and
  - on 17 March 2010, 8,223,709 securities at \$3.37 per security raising \$27.7 million; and
- on 18 March 2010, APA issued 25,277,956 securities at \$3.37 per security through a Security Purchase Plan raising \$85.2 million. For the first time, securityholders could purchase APA securities up to the value of \$15,000 where purchases under prior Security Purchase Plans were limited to a maximum of \$5,000.

As at 30 June 2010, 542,318,629 securities were on issue (2009: 498,663,596).

APA continues to see the operation of both the Distribution Reinvestment Plan and Security Purchase Plan as valid and appropriate tools in providing equity support to its ongoing organic growth projects.

Key initiatives to strengthen APA's statement of financial position during the year included long-term debt raisings and a new forward-start syndicated bank facility to refinance all of APA's debt maturities in calendar year 2010. The initiatives included:

- on 1 July 2009, APA issued A\$185 million equivalent of US Private Placement notes with 7 year and 10 year tenures;
- on 24 August 2009, a new \$150 million bilateral debt facility with a term of five years was executed; and
- in September 2009, APA completed the early refinancing of a \$900 million syndicated bank facility which matured in June 2010. The new syndicated bank facility comprises equal-sized tranches maturing in July 2011 and July 2013, totalling \$1.03 billion.

The terms of these new debt facilities are consistent with, and further enable APA to pursue, its stated strategy of extending the maturity of the debt portfolio to better reflect the long-term nature of its asset profile.

At 30 June 2010, APA's debt portfolio has a spread of maturities extending out to 2022, with an average maturity of 5 years. APA was geared at 69.8%<sup>(1)</sup>, down from 70.3% at 30 June 2009.

On 22 July 2010, APA issued A\$300 million of 10 year fixed rate A\$ Medium Term Notes to Australian and international institutional investors. The proceeds of this issue will be used to refinance existing facilities ahead of maturity with a view to extending the average maturity of APA's debt portfolio and reducing debt costs in the longer term.

At 30 June 2010, APA had in excess of \$538 million in cash and committed undrawn facilities available to meet the continued capital growth needs of the business. During the height of the global financial crisis, APA took the prudent decision to increase headroom to this level as a precaution against future near term global financing shocks. The cost of carrying approximately \$250 million of "excess headroom" is approximately \$5 million per annum. APA will continue to monitor debt markets going forward, with a view to ultimately reducing headroom back to a more normalised position.

APA has a prudent treasury policy which requires conservative levels of hedging of interest rate exposures to minimise the potential impacts from adverse movements in rates. All interest rates and foreign currency exposures on US Private Placement Notes have been hedged. APA also enters into interest rate hedges for a proportion of the interest rate exposure on its other floating rate borrowings. At 30 June 2010, 77.3% of interest obligations were either hedged or at fixed interest rates for varying periods extending out more than 11 years (86.8% post the issue of the A\$300 million Medium Term Notes).

A level of interest rate protection is also provided through Consumer Price Index ("CPI") indexing in most revenue contracts and the regulatory revenue setting process operating on a number of APA's assets.

(1) Gearing ratio determined in accordance with covenants in all debt facilities as Net Debt to Net Debt plus Book Equity.

# DIRECTORS' REPORT

## **Borrowings and finance costs**

As at 30 June 2010, APA had borrowings of \$3,156.8 million, principally from syndicated debt facilities, US Private Placement Notes and bilateral debt facilities, compared to \$3,056.7 million as at 30 June 2009. Committed undrawn facilities available totalled \$458 million.

The increase in borrowings was primarily due to the partial funding of the organic growth capital expenditure projects, the acquisition of the Berwyndale Wallumbilla Pipeline and the investment in Hastings Diversified Utilities Fund.

Net underlying finance costs increased by 7.7% to \$229.4 million (2009: \$213.0 million) largely as a result of carrying increased facility headroom. The average interest rate (including credit margins) applying to drawn debt was 7.86% for the year.

APA's Interest Cover Ratio for the year decreased slightly to 2.11 times from 2.13 times last year, remaining well in excess of its debt covenant default ratio of 1.1 times, and distribution lock up ratio of 1.3 times.

## **Credit rating**

APT Pipelines Limited, the borrowing entity of APA, maintained the BBB long-term corporate credit rating (outlook Stable) assigned by Standard & Poor's in June 2009.

On 29 April 2010, Moody's Investors Service assigned a Baa2 corporate credit rating (outlook Stable) to APT Pipelines Limited. This is APA's second credit rating and its level is equivalent to the Standard & Poor's rating.

The two credit ratings enable APA to further pursue its stated capital management strategy of accessing a broader range of available debt capital markets than historically.

## **Income tax**

The effective income tax rate before significant items is 27.8%, consistent with 26.5% last year.

## **Capital expenditure**

Capital expenditure for the year totalled \$131.6 million, of which \$116.9 million was in respect of growth projects, primarily being pipeline capacity expansion on the New South Wales and Victorian pipeline systems. In addition, APA acquired the Berwyndale Wallumbilla Pipeline for \$87.2 million (including stamp duty) in April 2010.

Growth capital expenditure and the pipeline acquisition are generally either fully underwritten through long-term gas transportation arrangements or have had regulatory approval through the relevant access arrangement.

During the year, APA acquired a 17% interest in Hastings Diversified Utilities Fund for \$114.5 million. APA also increased its interest in Envestra through participation in the Distribution Reinvestment Plan for \$22.4 million.



# DIRECTORS' REPORT

## Business segment performances

APA's operations and financial result for the year reflect growth of the continuing business, together with continued improvement in business operations and cost containment. The contribution from the assets sold into Energy Infrastructure Investments last year is reported separately for comparison purposes.

Statutory reported revenue and EBITDA performance of APA's business segments is tabled below:

Year ended 30 June	2010 \$000	2009 \$000	Changes \$000	%
<b>Revenue from continuing business</b>				
Gas Transmission and Distribution				
Queensland	151,204	143,942	7,262	5.0
New South Wales	120,773	107,915	12,858	11.9
Victoria	136,852	135,625	1,227	0.9
South Australia	2,005	1,943	62	3.2
Western Australia <sup>(1)</sup>	144,145	136,815	7,330	5.4
Northern Territory	11,242	17,388	(6,146)	(35.3)
Gas Transmission and Distribution total	566,221	543,628	22,593	4.2
Asset Management	60,053	60,476	(423)	(0.7)
Energy Investments <sup>(2)</sup>	19,408	11,718	7,690	65.6
<b>Total revenue from continuing business</b>	<b>645,682</b>	<b>615,822</b>	<b>29,860</b>	<b>4.8</b>
Total revenue from divested business <sup>(3)</sup>	-	33,853	(33,853)	(100)
<b>Total revenue</b>	<b>645,682</b>	<b>649,675</b>	<b>(3,993)</b>	<b>0.6</b>
Pass-through revenue	329,942	271,387	58,555	21.6
Unallocated revenue	13,866	23,354	(9,488)	(40.6)
<b>Total revenue</b>	<b>989,490</b>	<b>944,416</b>	<b>45,074</b>	<b>4.8</b>
<b>EBITDA from continuing business</b>				
Gas Transmission and Distribution				
Queensland	103,302	97,271	6,031	6.2
New South Wales	96,841	83,430	13,411	16.1
Victoria	103,987	105,773	(1,786)	(1.7)
South Australia	1,720	1,720	-	-
Western Australia <sup>(1)</sup>	100,800	97,886	2,914	3.0
Northern Territory	1,938	2,970	(1,032)	(34.7)
Gas Transmission and Distribution total	408,588	389,050	19,538	5.0
Asset Management	32,317	22,625	9,692	42.8
Energy Investments <sup>(2)</sup>	19,070	11,567	7,503	65.0
<b>Total EBITDA from continuing business</b>	<b>459,975</b>	<b>423,242</b>	<b>36,733</b>	<b>8.7</b>
Total EBITDA from divested business <sup>(3)</sup>	-	21,133	(21,133)	(100)
<b>Total EBITDA</b>	<b>459,975</b>	<b>444,375</b>	<b>15,600</b>	<b>3.5</b>

(1) Excludes the Telfer/Nifty Gas Pipeline, which was sold to Energy Infrastructure Investments in December 2008. Includes APA-owned natural gas vehicle assets (previously included in the complementary assets segment).

(2) Includes distributions of Hastings Diversified Utilities Fund and equity accounted profits of Envestra, SEA Gas, Energy Infrastructure Investments and Ethane Pipeline Income Fund.

(3) Assets sold to Energy Infrastructure Investments in December 2008.

# DIRECTORS' REPORT

## Gas Transmission and Distribution

The Gas Transmission and Distribution segment contributed 88% of revenue and 89% of EBITDA. Revenue (excluding pass-through revenue) was \$566.2 million, an increase of 4.2% on the \$543.6 million reported last year. EBITDA increased by 5.0% to \$408.6 million (2009: \$389.1 million). The following factors contributed to this result:

- New South Wales contributed the greatest increase with the sale of increased capacity for transport and storage services on the Moomba Sydney Pipeline;
- the Victorian result was assisted by increased performance of the Dandenong LNG Facility; lower gas volumes transported through the Victorian Transmission System due to warmer winter weathers were partially offset by increased tariffs;
- Queensland assets performed in line with expectations, with a strong increase in earnings on the Carpentaria Gas Pipeline following the commissioning of the Davenport Downs compressor station in June 2009. Roma Brisbane Pipeline revenue increased in line with CPI, while earnings were lower on the APA Gas Network due to flat volumes and a slowdown in infrastructure projects; and
- the Western Australian assets delivered a modest increase in earnings, with the sale of increased capacity on the Goldfields Gas Pipeline and offset by reduced revenues on the Parmelia Gas Pipeline and Mondarra Gas Storage Facility.

APA continues to focus on the operation and development of its Gas Transmission and Distribution assets across mainland Australia.

### Queensland

#### ■ Carpentaria Gas Pipeline

Pipeline capacity has increased by 15% in the year to 119 TJ/day following the commissioning of the new compressor station at Davenport Downs in June 2009.

#### ■ Roma Brisbane Pipeline

APA is currently constructing a 6 km lateral from the Roma Brisbane Pipeline to the Caltex oil refinery in Brisbane. The lateral and associated infrastructure will provide increased supply of natural gas to the refinery, and construction will be completed by September 2010.

Negotiations are continuing with several shippers for existing capacity that becomes available in 2012. APA is also evaluating requests for additional capacity along the Roma Brisbane Pipeline with the objective of expanding the pipeline with additional capacity being available by mid 2012. The expansion will include additional compression, pipeline pressure upgrades and augmentation of the pipeline in the Brisbane Metro area.

#### ■ APA Gas Network, Queensland

Network meter connections increased by 3,178, taking connections to 81,962 at 30 June 2010. Gas volume transported through the network and to large customers was 13.7 PJ, marginally above the 13.6 PJ transported last year.

Expansion of the gas network continued, including reticulation into new housing developments in the Gold Coast area as well as to industrial and commercial customers. Gas mains laid for the current period totalled 35 km, reaching approximately 1,900 new and existing home sites.

#### ■ Berwyndale Wallumbilla Pipeline

In April 2010, APA acquired the 112 km Berwyndale Wallumbilla Pipeline in Queensland for \$87.2 million (including stamp duty). Constructed in 2009 by AGL Energy, the pipeline extends from the Berwyndale coal-seam gas fields in the Surat Basin to the Wallumbilla hub near Roma in southern Queensland. This hub connects three major pipelines, including APA's Roma Brisbane Pipeline.

The acquisition is underpinned by a long-term gas transportation agreement with AGL Energy, which retains an option for increased capacity, which if triggered would see an additional payment made to AGL Energy of up to \$20 million (depending on the size and timing of the additional capacity). In addition, there are options to extend the term of the gas transportation agreement from 17 years to 27 years.

# DIRECTORS' REPORT

## New South Wales

### ■ Moomba Sydney Pipeline

Work continued on the \$100 million capacity expansion program of the Moomba Sydney Pipeline. The five year program, which commenced in 2008, is progressively increasing the mainline capacity of the pipeline. The additional capacity from this year's program was available for the 2010 winter season in line with contract requirements. Expansion costs for the year were \$11 million, bringing the total spent thus far to \$48 million.

A further project to provide additional storage capacity on the southern lateral was announced in 2009. The capacity is being increased by looping a 61 km section of the Young to Wagga lateral with 450 mm diameter pipe to provide both storage and transportation services. Furthermore, the lateral is bi-directional, allowing for gas to be transported in either direction between New South Wales and Victoria. Construction commenced in June 2010 and is scheduled for completion by October 2010. The additional capacity is fully underwritten by long-term transportation and storage agreements.

A reconfiguration of compressors on the Moomba Sydney Pipeline system was completed in June 2010. This project increased the storage capacity and peak delivery of the pipeline to provide services required by shippers to manage their existing gas portfolios, and to provide new services ready to meet the introduction of the short term trading market scheduled for September 2010.

## Victoria and South Australia

### ■ Victorian Transmission System

Total gas volume transported through the Victorian Transmission System was lower this year at 228.3 PJ, down 7% on last year's record volume of 244.6 PJ. Peak day delivery of 1,163 TJ was also lower, down 4% on last year (2009: 1,255 TJ). The combination of a milder than normal winter and reduced economic activity contributed to the reduced volume of gas used by residential and commercial users, as well as for power generation.

Work commenced to expand the northern section of the Victorian Transmission System in 2009, with completion scheduled for October 2010. This increased capacity will improve gas deliverability for customers in Victoria's north, as well as improve the movement of gas between states. The expansion involves the installation of additional compressors at Wollert Compressor Station, installation of flow reversal capability at Springhurst Compressor Station and up-rating of the pipeline operating pressure of the Wollert to Euroa section of the pipeline. The expansion is included in the system's regulatory arrangement.

### ■ Dandenong LNG facility, Victoria

APA entered into an agreement with BOC to initiate an upgrade of the BOC Cryocentre at Dandenong to provide an additional volume of LNG refill to support forecast growth in the merchant market, in particular the heavy truck market. In addition, APA will invest \$5.4 million to upgrade the Dandenong LNG loading facilities to manage the additional throughput. APA's Dandenong tanker loading facility will be operated on an open access model, promoting competition, with the APA storage facility providing security of supply to facilitate growth in this market.

## Western Australia

### ■ Goldfields Gas Pipeline

The two new compressor stations completed in May and August 2009 are providing additional contracted pipeline capacity to a number of mining operations.

On 5 August 2010, the Economic Regulation Authority ("ERA") of Western Australia released its further final decision on the proposed 2010-2014 access arrangement for the Goldfields Gas Pipeline. The ERA did not accept APA's revisions to the proposed access arrangement, and will subsequently prepare and install an access arrangement reflecting the requirements and tariffs specified in its final decision. These new tariffs, which come into effect on 20 August 2010, will apply to contracts comprising approximately 40% of APA's revenue from the pipeline. Refer to 'Regulatory matters' on page 11 of this report for additional information.

### ■ Parmelia Gas Pipeline and Mondarra Gas Storage facility

Following strong demand for storage from Western Australian customers APA has commenced engineering design work to expand the Mondarra Gas Storage facility. The facility is connected to the Parmelia Gas Pipeline, and connected to the Dampier Bunbury Natural Gas Pipeline for the receipt of gas only.

In response to commercial discussions with prospective customers, APA progressed the technical aspects of the project, including a drilling strategy for new injection and production wells, design of compression and other surface works, as well as interconnection with the Dampier Bunbury Natural Gas Pipeline.

# DIRECTORS' REPORT

## Northern Territory

### ■ Amadeus Gas Pipeline

With the commissioning of the Bonaparte Gas Pipeline in 2009, natural gas from the offshore Blacktip field has replaced gas delivery from the Amadeus Basin gas fields. The Amadeus Gas Pipeline is now delivering gas north and south of Ban Ban Springs where the two pipelines connect.

## Asset Management

APA provides asset management and operational services to the majority of its energy investments and a number of third parties. Its main customers are Envestra, Ethane Pipeline Income Fund, SEA Gas Pipeline and Energy Infrastructure Investments. Asset management services and/or operational services are provided to these customers under long term contracts.

Revenue (excluding pass-through revenue) decreased by 0.7% to \$60.1 million (2009: \$60.5 million) and EBITDA increased by 42.8% to \$32.3 million, up from \$22.6 million last year. The increase in EBITDA is mainly due to the addition of earnings from Energy Infrastructure Investments asset management and a reduction in lower margin third party work.

## Energy Investments

APA has a number of energy investments across Australia, including interests in Envestra, SEA Gas Pipeline, Energy Infrastructure Investments, Ethane Pipeline Income Fund, EII2 and Hastings Diversified Utilities Fund. APA holds a number of roles in respect of these vehicles in addition to its ownership interest.

All investments are equity accounted, with the exception of APA's interests in Ethane Pipeline Income Fund and Hastings Diversified Utilities Fund.

### Envestra

APA's participation in Envestra's Dividend Reinvestment Plan during the year increased its interest in Envestra from 30.4% to 31.7%. The total value of distributions reinvested was \$22.7 million for the year.

### SEA Gas Pipeline

In October 2009, SEA Gas successfully refinanced its \$425 million non-recourse project finance debt facility, for a term of three years.

### Energy Infrastructure Investments

APA established the unlisted vehicle Energy Infrastructure Investments in December 2008, retaining a minority equity interest of 19.9% and entering into a contract to manage and operate the Energy Infrastructure Investments assets under a long-term agreement.

### EII2

In October 2009, APA (20.2%), together with Marubeni Corporation and Osaka Gas, established EII2 to acquire the North Brown Hill Wind Farm from AGL Energy. The enterprise value of the wind farm project is \$460 million and APA's equity interest represents \$20 million.

This project is currently under construction and due to be completed by June 2011. The investment is secured by a 25 year off-take agreement with AGL Energy, covering both the electricity generated and the Renewable Energy Credits produced from the wind farm.

This investment provides APA with the opportunity to strengthen its relationship with AGL Energy, one of its major customers, and to enhance its strong operational knowledge of energy infrastructure assets.

### Hastings Diversified Utilities Fund

During the year, APA acquired a 17% interest Hastings Diversified Utilities Fund at a total cost of \$114.5 million. This investment is consistent with APA's strategy of long term investment in gas transmission pipelines.



# DIRECTORS' REPORT

## REGULATORY MATTERS

Key regulatory matters addressed during the current period included:

### **Goldfields Gas Pipeline access arrangement**

On 13 May 2010, the Economic Regulation Authority ("ERA") of Western Australia released its final decision on the proposed 2010-2014 access arrangement for the Goldfields Gas Pipeline ("GGP"), an improvement compared to the draft decision issued in November 2009. The reference tariff charges in the access arrangement apply to approximately 40% of the annual revenue APA receives from the GGP.

The final decision specifies the ERA's required revisions to the proposed access arrangement.

On 4 June 2010 APA, on behalf of the GGP owners, submitted an access arrangement with revisions to elements of the final decision.

On 5 August 2010, the ERA released its further final decision on the access arrangement. The ERA has not accepted APA's revisions, and will itself prepare and install an access arrangement which reflects the requirements and tariffs specified in its final decision. These tariffs come into effect on 20 August 2010.

This further final decision will not have a material impact on APA's overall revenue. However, APA will exercise its right to pursue the appeals process available within the regulatory framework.

### **National Gas Law – light regulation**

Under the National Gas Law, where a pipeline is subject to light regulation, the pipeline owner does not have to submit a full access arrangement for regulatory approval, meaning that the Regulator has no role in determining tariffs for the pipeline other than in the event of an access dispute with a user. This year, APA has been successful in its application for light regulation of the Central West Pipeline in New South Wales and the Kalgoorlie Kambalda Pipeline in Western Australia. Along with the Carpentaria Gas Pipeline and the regulated section of the Moomba Sydney Pipeline, APA now has four pipelines subject to light regulation.

### **The short-term trading market in gas**

The short-term trading market ("STTM") in natural gas is being introduced by the Australian Energy Market Operator into New South Wales and South Australia and will operate alongside Victoria's established wholesale gas market. The STTM will facilitate the trading of natural gas at defined hubs and will have an impact on pipelines, such as the Moomba Sydney Pipeline, which deliver gas to markets where the STTM will operate. APA has implemented a program to ensure that systems and procedures are compliant with STTM requirements and interface seamlessly with the STTM from its commencement. The commencement of the STTM has been postponed to 1 September 2010 (previously scheduled for 1 June 2010 start).

Existing pipeline transportation contracts are preserved from the operation of the STTM, and the STTM will not directly affect the opportunity to negotiate long-term contracts to support the development or expansion of pipelines. APA has developed new services arising from the opportunity provided by the STTM.

## ENVIRONMENTAL REGULATIONS

All pipeline, distribution and gas processing assets owned and/or operated by APA are designed, constructed, tested, operated and maintained in accordance with pipeline and distribution licences issued by the relevant state and territory technical regulators. All licences require compliance with relevant federal, state and territory environmental legislation and Australian standards.

The pipeline 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 management plans satisfying Part A of the Australian Pipeline Industry Association Code of Environmental Practice are prepared and independently audited for construction activities. In accordance with Part 3 of AS 2885, environmental management 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 Safety and Operating Plan for APA's distribution networks have been audited in accordance with the Queensland and New South Wales technical regulator requirements.

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 year and APA has managed the assets in accordance with the environmental management plans that are in place.

# DIRECTORS' REPORT

Energy Infrastructure Investments' electricity transmission assets are designed, constructed, tested, operated and maintained in accordance with the requirements of its transmission licences complying with relevant federal and state environmental legislation and Australian standards. Environmental management plans for each asset are in place for all operating activities and are managed in accordance with Energy Infrastructure Investments' contracts and the terms and conditions of licences that Energy Infrastructure Investments has been issued.

Energy Infrastructure Investments' X41 Power Station is designed, constructed, tested and maintained in accordance with an agreement with MIM. The agreement requires compliance with relevant federal and state environmental legislation and Australian standards. Energy Infrastructure Investments' Daandine Power Station is designed, constructed, tested, operated and maintained in accordance with the requirements of its generation authority. A permit has been issued by the Queensland Environmental Protection Agency in respect of the use of natural gas for power generation. Energy Infrastructure Investments' contractor operates and/or maintains these assets in accordance with the relevant environmental management plan for each asset.

## SUBSEQUENT EVENTS

Except as disclosed elsewhere in this report, the directors are unaware of any matter or circumstance that has occurred since the current period end 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 years.

## FUTURE DEVELOPMENTS

Disclosure of information regarding likely developments in the operation of the Consolidated Entity in future years and the expected results of those operations, other than information disclosed elsewhere in this report, is likely to result in unreasonable prejudice to the Consolidated Entity. Accordingly, this information has not been disclosed in this report.

# DIRECTORS' REPORT

## INFORMATION ON DIRECTORS AND COMPANY SECRETARY

Information relating to the qualifications and experience of the directors and Company Secretary is set out below:

**Leonard Bleasel AM  
FAICD FAIM**

*Independent Chairman*

Appointed 28 August 2007.

Appointed Chairman  
30 October 2007.

Leonard (Len) Bleasel is a non-executive director of QBE Insurance Group Limited and O'Connell Street Associates Pty Limited. He is Chairman of the Taronga Conservation Society Australia and a member of the Advisory Council for RBS Group (Australia) Pty Limited and Westmead Children's Advisory Committee. Len is also involved as a member of several charitable institutions.

Len 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.

Len's past appointments have included Chairman of Foodland Associated Limited, ABN AMRO Australia Holdings Pty 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, a director of St George Bank Limited and Gas Valpo (Chile) and Vice President of the Royal Blind Society.

Len 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.

**John Fletcher  
BSc MBA FAICD**

*Independent Director*

Appointed 27 February 2008.

John Fletcher has over 35 years experience in the energy industry, having held a number of executive positions in AGL prior to his retirement in 2003, including Chief Financial Officer. John has previously been a director of Integral Energy, Natural Gas Corporation Holdings Ltd (New Zealand), Foodland Associated Limited and Alinta Energy Group. He brings a wide commercial and financial practical knowledge to the board.

John was previously an AGL appointed director of Australian Pipeline Limited from 2000 to 2005. He is also a director of Sydney Water.

John is the Chairman of the Remuneration Committee and a member of the Audit and Risk Management Committee.

**Russell Higgins AO  
BEc FAICD**

*Independent Director*

Appointed 7 December 2004.

Russell Higgins has extensive experience both locally and internationally in the energy sector and in economic and fiscal policy. He was Secretary and Chief Executive Officer of the Department of Industry, Science and Resources from 1997 to 2002 and Chairman of the Australian Government's Energy Task Force from 2003 to 2004.

Russell is a director of Telstra Corporation Limited and Ricegrowers Limited (trading as SunRice) and Chairman of the Global Carbon Capture and Storage Institute and the CSIRO Energy Transformed Flagship Advisory Committee. He is a former Chairman of the Snowy Mountains Council and the Australian Government's Management Improvement Advisory Committee and a former director of Australian Biodiesel Group Limited, Export Finance and Insurance Corporation, CSIRO, Austrade, Australian Industry and Development Corporation as well as a former member of the Australian Government's Joint Economic Forecasting Group. In 2006-07, he was a member of the Prime Ministerial Task Group on Emissions Trading.

Russell is Chairman of the Health Safety and Environment Committee and a member of the Audit and Risk Management Committee and the Remuneration Committee.

# DIRECTORS' REPORT

<p><b>Muri Muhammad</b> MSc <i>Director</i> Appointed 8 March 2000.</p>	<p>Muri Muhammad retired from Petronas in August 2002 and was reappointed as Petronas' 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.</p> <p>Muri was Petronas' Vice President for Gas Business from 1998 until his retirement and held several directorships, some as Chairman, of a number of Petronas' subsidiaries and associate companies in Malaysia and abroad. He currently sits on the boards of gas transmission companies Transportadora de Gas Del Norte of Argentina, Petronas Gas Berhad of Malaysia, and Papua New Guinea's national petroleum and minerals corporation, Petromin PNG Holdings Limited. He was also a member of the Malaysian Energy Commission, a Malaysian Government regulatory body.</p> <p>Muri is a member of the Remuneration Committee and the Health Safety and Environment Committee.</p>
<p><b>George Ratilal</b> MBA <i>Director</i> Appointed 31 July 2007. Resigned 26 August 2010.</p>	<p>Manharlal (George) Ratilal is Executive Vice President (Finance) of Petronas. He is a member of Petronas' Board and Executive Committee. Prior to joining Petronas in 2003, he was employed by a local Malaysian merchant bank for 18 years. During that time, George specialised in corporate finance where he advised on mergers and acquisitions, and the capital markets.</p> <p>George holds an MBA from the University of Aston in Birmingham, United Kingdom.</p>
<p><b>Robert Wright</b> BComm FCPA <i>Independent Director</i> Appointed 11 February 2000.</p>	<p>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 SAI Global Limited, Super Cheap Auto Group Limited, RCL Group Limited and APA Ethane Limited, the responsible entity of Ethane Pipeline Income Fund and was previously Chairman of Dexion Limited.</p> <p>Robert is the Chairman of the Audit and Risk Management Committee and a member of the Health Safety and Environment Committee.</p>
<p><b>Michael McCormack</b> BSurv GradDipEng MBA FAICD <i>Managing Director</i> Appointed Managing Director 1 July 2006.</p>	<p>Michael (Mick) McCormack has been Chief Executive Officer of APA since 1 July 2005 and Managing Director since 1 July 2006. Mick has over 25 years experience in the gas infrastructure sector in Australia, with particular focus on gas transmission pipelines, where he has worked on the development of new and existing pipelines across Australia.</p> <p>Mick is Chairman of NT Gas Pty Ltd and a director of Envestra Limited and the Australian Pipeline Industry Association.</p>
<p><b>Mark Knapman</b> BComm LLB FCIS <i>Company Secretary</i> Appointed 16 July 2008.</p>	<p>In addition to being responsible for the secretariat function, Mark Knapman oversees corporate governance and the legal, risk management and financial services compliance functions.</p> <p>He has extensive experience as a Company Secretary. He was Company Secretary and General Counsel of an ASX-listed company and Asia Pacific Legal Counsel and Company Secretary for a US multinational company prior to joining APA. Prior to those roles, he was a partner of an Australian law firm.</p> <p>Mark holds degrees in law and commerce and a Graduate Diploma in Applied Corporate Governance. He is a Fellow of the Chartered Institute of Company Secretaries and is admitted to practice as a solicitor.</p>



# DIRECTORS' REPORT

## DIRECTORSHIPS OF OTHER LISTED COMPANIES

Directorships of other listed companies held by directors at any time in the three years immediately before the end of the year are as follows:

Name	Company	Period of directorship
L F Bleasel AM	QBE Insurance Group Limited	Since January 2001
J A Fletcher	Alinta Energy Group	October 2006 to April 2010
R A Higgins AO	Telstra Corporation Limited	Since September 2009
	Ricegrowers Limited	Since December 2005
	Australian Biodiesel Group Limited	May 2006 to November 2007
M Muhammad	-	-
M Ratilal	-	-
R J Wright	SAI Global Limited	Since October 2003
	Super Cheap Auto Group Limited	Since May 2004
	RCL Group Limited	Since May 2006
	APA Ethane Limited <sup>(1)</sup>	Since 10 July 2008
	Dexion Limited	March 2005 to August 2010
M J McCormack	Envestra Limited	Since July 2007

(1) APA Ethane Limited is the responsible entity of the registered investment schemes that comprise Ethane Pipeline Income Fund, the securities in which are quoted on the ASX.

## OPTIONS GRANTED

In this report, the term “APA securities” refers to the stapled securities each comprising a unit in Australian Pipeline Trust stapled to a unit in APT Investment Trust and traded on the Australian Securities Exchange (“ASX”) under the ticker symbol “APA”.

No options over unissued APA securities were granted during or since the end of the year.

No unissued APA securities were under option as at the date of this report.

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

## INDEMNIFICATION OF OFFICERS AND EXTERNAL AUDITOR

During the year, the Responsible Entity paid a premium in respect of a contract insuring the directors of the Responsible Entity, the Responsible Entity's Company Secretary, and all executive officers of the Responsible Entity and any related body corporate of APA against any liability incurred in performing those roles 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.

Australian Pipeline Limited, in its capacity as Responsible Entity of Australian Pipeline Trust and APT Investment Trust, indemnifies each person who is or has been a director or Company Secretary of the Responsible Entity or of any related body corporate of APA under a range of deed polls and indemnity agreements which have been in place since 1 July 2000. This indemnity may extend to such other officers or former officers of APA as the board in each case determines. The indemnity operates to the full extent allowed by law but only to the extent not covered by insurance and is on terms the board considers usual for arrangements of this type.

Under its constitution, Australian Pipeline Limited (in its personal capacity) indemnifies each person who is or has been a director, Company Secretary or executive officer of that company. The indemnity operates to the full extent allowed by law but only to the extent not covered by insurance.

The Responsible Entity has not otherwise, during or since the end of the year, indemnified or agreed to indemnify an officer or external auditor of the Responsible Entity or of any related body corporate of APA against a liability incurred as such an officer or auditor.

# DIRECTORS' REPORT

## DIRECTORS' MEETINGS

During the year, 15 board meetings, three Remuneration Committee meetings, four Audit and Risk Management Committee meetings and four Health Safety and Environment Committee meetings were held. The following table sets out the number of meetings attended by each director while they were a director or a committee member:

Directors	Board		Remuneration Committee		Audit and Risk Management Committee		Health Safety and Environment Committee	
	A	B	A	B	A	B	A	B
L F Bleasel AM	15	15	-	-	-	-	-	-
J A Fletcher	15	15	3	3	4	3	-	-
R A Higgins AO	15	15	3	3	4	4	4	4
M Muhammad	15	15	3	3	-	-	4	4
M Ratilal	15	12	-	-	-	-	-	-
R J Wright	15	14	-	-	4	4	4	4
M J McCormack	15	15	-	-	-	-	-	-
W S Saidi <sup>(1)</sup>	-	-	-	-	-	-	-	-
W Z W Ariffin <sup>(2)</sup>	-	-	-	-	-	-	-	-

A: Number of meetings held during the time the director held office or was a member of the committee during the year.

B: Number of meetings attended.

(1) W S Saidi as alternate director for M Muhammad. Retired on 14 August 2009.

(2) W Z W Ariffin as alternate director for M Ratilal. Retired on 19 August 2009.

## DIRECTORS' SECURITYHOLDINGS

The aggregate number of APA securities held directly, indirectly or beneficially by directors or their director related entities at the 30 June 2010 is 710,620 (2009: 614,172).

The following table sets out directors' relevant interests in APA securities as at 30 June 2010:

Directors	Fully paid securities as at 1 July 2009	Securities acquired	Securities disposed	Fully paid securities as at 30 June 2010
L F Bleasel AM	335,153	24,618	-	359,771
J A Fletcher	44,917	11,890	-	56,807
R A Higgins AO	52,021	20,933	-	72,954
M Muhammad	42,818	-	-	42,818
M Ratilal	-	-	-	-
R J Wright	24,263	7,002	-	31,265
M J McCormack	115,000	32,005	-	147,005
	614,172	96,448	-	710,620

The directors hold no other rights, nor options, over APA securities. 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 APA securities.

The Company Secretary holds 4,484 APA securities.

# DIRECTORS' REPORT

## REMUNERATION REPORT

### Introduction

At APA, we are committed to disclosing a clear and transparent summary of our remuneration arrangements.

This report explains our approach to remuneration and sets out key 2010 remuneration details for the directors of the Responsible Entity and key management personnel ("KMP") of APA.

The people currently in these positions are listed below:

#### Directors of the Responsible Entity

Leonard Bleasel AM	Chairman APA Group
John Fletcher	Chairman Remuneration Committee
Russell Higgins AO	Chairman Health Safety and Environment Committee
Muri Muhammad	
George Ratilal <sup>(1)</sup>	
Robert Wright	Chairman Audit and Risk Management Committee
Michael McCormack	Managing Director/Chief Executive Officer

#### Key management personnel

Michael McCormack	Managing Director/Chief Executive Officer
Peter Fredricson	Chief Financial Officer
Ross Gersbach	Group Manager Commercial
Stephen Ohl	Group Manager Operations
Mark Knapman	Company Secretary
Robyn Smith <sup>(2)</sup>	Group Manager Human Resources and HS&E

#### Have there been any changes to the executive remuneration structure during FY 2010?

There have been no significant changes to the remuneration structure during the year. However, the remuneration structure remains continuously under review to ensure that the organisation maintains appropriate pay structures to attract and retain suitably qualified staff.

### Remuneration Committee

#### What is the role of the Remuneration Committee?

The Remuneration Committee has been established by the board to govern and oversee executive remuneration. The role of the Remuneration Committee is to:

- ensure the provision of a robust remuneration and reward system that provides for the alignment of employee and securityholder interests;
- consider and make recommendations to the board on remuneration policies and packages applicable to directors and to senior executives of APA;
- facilitate effective attraction, retention and development of talented employees; and
- ensure compliance with relevant legislation and corporate governance principles on remuneration practices and employment policies.

The members of the Remuneration Committee, all of whom are non-executive directors, are:

- John Fletcher (Chairman);
- Russell Higgins AO; and
- Muri Muhammad.

The Chairman of the board attends all meetings of the Remuneration Committee and the Managing Director attends by invitation. The Remuneration Committee met three times during the financial year.

The Remuneration Committee may seek external professional advice on any matter within its terms of reference.

#### Our approach to non-executive director remuneration

We seek to attract and retain a high calibre of directors who are equipped with diverse skills to oversee all functions of APA in an increasingly complex environment.

(1) George Ratilal resigned on 26 August 2010.

(2) Robyn Smith resigned with effect from 31 August 2010.

# DIRECTORS' REPORT

We aim to fairly remunerate directors for their services relative to similar sized organisations.

Non executive director remuneration comprises:

- a base board fee;
- an additional fee for serving on a committee of the board; and
- superannuation levy contributions.

Base board fees and committee fees are reviewed annually by the board, acting on advice from the Remuneration Committee. External professional advice is sought in determining directors' fees to ensure they are appropriate relative to fees paid by comparable companies.

Non-executive directors do not receive incentive payments of any type. One off 'per diems' may be paid in exceptional circumstances.

In 2003, the board terminated the non-executive directors' retirement benefit plan so that the benefits to participating directors that had accrued up to termination were then quantified and preserved for payment on retirement of those directors. Robert Wright is the only current director entitled to benefits under the plan on his retirement from the board.

## Board approved fees and committee fees

Following external benchmarking and a review of APA's performance relative to other companies, base board fees and fees for serving on a committee of the board were increased effective 1 January 2010.

Base board fees and committee fees are outlined below:

Fees <sup>(1)</sup>	Chairman \$000	Member \$000
<b>Effective 1 January 2010</b>	<b>pa</b>	<b>pa</b>
Board fees	265	96
Remuneration Committee fees	22	11
Audit and Risk Management Committee fees	30	15
Health Safety and Environment Committee fees	22	11
<b>Effective 1 January 2008 to 31 December 2009<sup>(2)</sup></b>		
Board fees	245	90
Remuneration Committee fees	16	8
Audit and Risk Management Committee fees	27	12
Health Safety and Environment Committee fees	20	10

(1) Excludes Superannuation Guarantee Levy.

(2) The board did not increase the fees payable to directors over the prior period.

## Actual payments for period

Actual remuneration received by non-executive directors during the year is outlined in the table below:

Non-Executive Directors <sup>(1)</sup>	Fees \$	Superannuation \$	Total paid 2010 \$	Total paid 2009 \$
L F Bleasel AM	254,319	16,981	271,300	290,585 <sup>(2)</sup>
J A Fletcher	110,150	25,787	135,937	128,620
R A Higgins AO	137,000	12,320	149,320	143,008
M Muhammad	113,000	-	113,000	108,000
R J Wright	132,000	11,875	143,875	139,738
G Ratilal	93,000 <sup>(3)</sup>	-	93,000	89,167
<b>Total</b>	<b>839,469</b>	<b>66,963</b>	<b>906,432</b>	<b>899,118</b>

(1) The remuneration for the Managing Director, M McCormack, is included with the actual remuneration disclosures for FY 2010 on page 22.

(2) Includes prior year remuneration adjustment of \$48,727.

(3) Director's fees paid to Petronas Australia Pty Ltd.



# DIRECTORS' REPORT

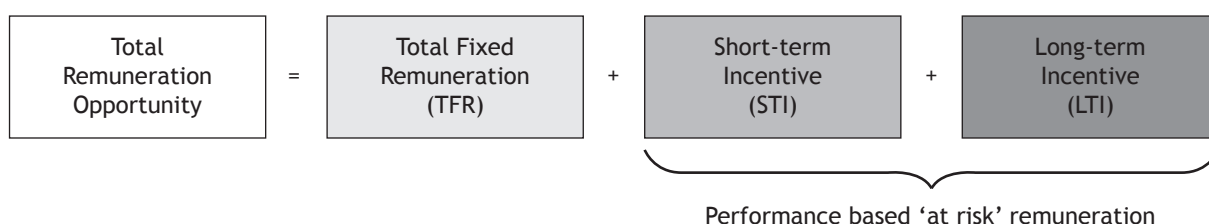
## Our approach to executive remuneration

### What is our executive remuneration strategy?

Our executive remuneration strategy is to:

- attract and retain key executives who will create long-term sustainable value for securityholders;
- 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.

We aim to pay competitive remuneration and this is communicated as Total Remuneration Opportunity ("TRO").

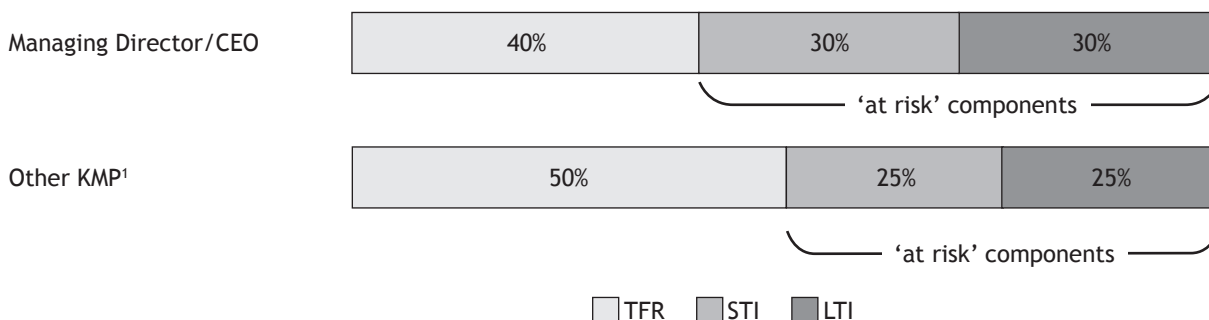


Each individual's TRO is dependent on their level in the organisation and their capacity to influence outcomes.

### What is the remuneration mix?

APA's remuneration mix for senior executives is structured as a mix of fixed remuneration and "at risk" short and long-term incentive components. The proportion of fixed versus "at risk" remuneration varies at different levels within APA, reflecting the varying capacity of employees to influence APA's operational performance and returns to securityholders.

For the Managing Director/CEO and other key management personnel ("KMP"), the remuneration mix is:



(1) Other than the Company Secretary who has a mix of 58%, 21% and 21%.

# DIRECTORS' REPORT

## An overview of remuneration components

Each remuneration component has a different purpose:

Remuneration component	Purpose	How reward is delivered
Total Fixed Remuneration ("TFR")	To reflect the market value of the role and the individual's skills and experience.	The total of base salary (which includes cash, Superannuation Guarantee Levy ("SGL"), vehicles and parking) and incidental benefits.
<b>"At Risk" components</b>		
Short-term incentive ("STI")	To reward strong performance against the achievement of specific business objectives.	Cash-based incentive based on a mix of financial and non-financial key performance indicators ("KPIs").
Long-term incentive ("LTI")	To link executive reward with securityholder value.	Cash-settled incentive based on achievement of an annual board mandated key financial hurdle.

## Total Fixed Remuneration ("TFR")

*The total of base salary, including cash, SGL, vehicles and parking and incidental benefits.*

TFR is reviewed annually and is determined by reference to appropriate remuneration benchmarking information, taking into account an individual's responsibilities, performance, qualifications and experience.

## "At risk" remuneration

"At risk" remuneration is made up of two elements, STI and LTI. Each of these components is discussed in more detail below.

### What is the key performance hurdle for 'at risk' remuneration?

Operating cash flow per security ("OCFPS") has been chosen by the board as the key performance hurdle for 'at risk' remuneration. This is directly linked to APA's strategic goal of increasing operating cashflows over the medium term, thereby improving returns to securityholders.

Using OCFPS as the key performance hurdle ensures the interests of executives and securityholders are in complete alignment. If the security price rises over the period of allocation, both parties benefit and likewise if it falls, both are similarly affected.

At the start of each year, the board establishes the OCFPS gateway that needs to be achieved before any STI and LTI is triggered. The OCFPS gateway is not changed over the course of the year.

### Short-term incentive ("STI")

*A cash-based incentive used to reward strong performance against the achievement of financial and non-financial targets or KPIs.*

### What is the purpose of the STI plan?

The STI plan is designed to put a proportion of executive remuneration "at risk" against meeting:

- KPIs linked to various financial measures such as cost control, revenue and cash generation and capital expenditure management. This reflects APA's strategic goal of increasing OCFPS over the medium term, thereby increasing securityholder returns and aligning the interests of STI participants with those of securityholders; and
- non-financial targets through the delivery of individual KPIs linked to long-term strategic measures including health, safety and environment targets, and reinforcement of an ethical and values based culture.

At least 50% of the key management personnel's KPIs are linked to financial measures.

### How is performance measured?

At the beginning of the financial year, the board, at the recommendation of the Remuneration Committee, determines the appropriate financial and non-financial KPIs for the CEO.

The board also reviews the KPIs the CEO will use to assess the performance of his direct reports.

# DIRECTORS' REPORT

At the end of the financial year, after the audited financial results are available and provided that the performance hurdle is met, the board determines the performance against KPIs of the CEO and the CEO's direct reports and approves the STI amounts to be paid.

## What is the performance hurdle?

STI payments are made from the general operating budget. Executives participating in the STI will not receive any incentive payments unless the performance hurdle for the financial year is reached and unless individual KPIs have been achieved.

## What is the value of the STI opportunity?

The STI amount payable is capped at the STI target amount. That is, the CEO's STI is capped at 30% of TRO and for his direct reports at 25% of TRO<sup>(1)</sup>.

## How is the STI reward delivered?

All STI payments are made in cash and paid in September of the new financial year following the completion of the audit of the annual accounts.

For FY 2010, the STI outcomes are shown in the table below for all key management personnel:

KMP	STI earned (\$)	STI earned (%)	STI forfeited (\$)	STI forfeited (%)
M McCormack	538,130	87.50	76,870	12.50
P Fredricson	228,125	91.25	21,875	8.75
R Gersbach	260,062	91.25	24,938	8.75
S Ohl	181,562	87.50	25,938	12.50
M Knapman	121,180	89.25	14,596	10.75
R Smith	111,375	82.50	23,625	17.50

## Long-term incentive ("LTI")

*A cash-settled incentive used to link executive reward to securityholder value based on the achievement of key financial measures.*

## What is the purpose of the LTI?

The LTI plan is designed to put a proportion of executive remuneration at risk against meeting financial targets linked to OCFPS.

This reflects APA's strategic goal of increasing OCFPS over the medium term, thereby increasing securityholder returns and aligning the interests of LTI participants with those of securityholders.

## What form does the LTI take?

Eligible participants are allocated LTI awards in the form of notional securities which exactly mirror the value of APA securities. The notional securities allocated under the LTI plan are cash-based, rather than actual equity.

Each notional LTI security is valued at the equivalent of the 30 day volume weighted average market price ("VWAP") of an APA security immediately prior to the opening of the APA security trading window, following the announcement of APA's annual financial results to the ASX.

## Why doesn't the LTI plan offer actual equity?

Due to the complexity of APA's stapled structure, APA does not currently offer a traditional security based LTI scheme.

## What is the value of the LTI opportunity?

LTI participants are advised of their maximum LTI opportunity, expressed as a percentage of their TRO. The actual individual LTI award is determined at the completion of the financial year and is based on OCFPS performance relative to the achievement of the performance target.

The amount of LTI allocated is capped at 120% of the LTI target and the LTI allocated is dependent on APA's OCFPS performance compared with the OCFPS performance hurdle.

## What is the performance target?

Where APA exceeds its OCFPS budget, the LTI is allocated to the participant executives. The OCFPS result determines the size of participants' LTI allocations up to their maximum LTI opportunity.

(1) Other than for the Company Secretary whose STI is capped at 21% of TRO.

# DIRECTORS' REPORT

## How is the LTI reward delivered?

The LTI vests over three years with the initial one-third vesting on the first anniversary of the date of allocation, one-third at the second anniversary, and one-third at the third anniversary.

As LTI allocations are subject to, and arise from, a pre-allocation performance hurdle, they are not subject to further performance tests at the vesting dates. However, participants must remain employed by APA to access the vested benefit.

Upon vesting, the LTI is delivered in cash. The cash payment is equal to the number of notional securities vesting on the vesting date multiplied by the 30 day VWAP of APA securities immediately prior to the opening of the APA executive security trading window, following the announcement of APA's annual financial results to the ASX. APA provides fully in its accounts for the obligations of the LTI in the year in which the LTI award is made.

## What rights are attached to the LTI?

No rights are attached to the LTI. As the LTI is a cash-settled plan and does not allocate APA securities to participants at any stage, participants are not entitled to vote or participate in distributions of their LTI awards.

No option or other equity instruments are issued to APA employees or directors.

APA also encourages executives to hold securities in the organisation.

## Actual remuneration received during FY 2010

Actual remuneration received by the Managing Director/CEO and other key management personnel is defined as the 'take home' pay received by these individuals during the year ended 30 June 2010.

Actual LTI payments represent the amount received by the individual during the year, regardless of when the LTI award was earned or allocated.

## What amounts are excluded?

The table below does not show LTI awards allocated in FY 2010 or previous years that are still subject to performance or employment conditions. This is because those LTI awards are still at-risk of forfeiture.

The table below sets out **actual cash payments** made to the relevant key management personnel during the 12 months end on 30 June 2010. This table differs from the information disclosed in Note 45 of the financial report for Australian Pipeline Trust and Note 19 of the financial report for APT Investment Trust. The information disclosed in those notes reflects the **total remuneration earned** by each relevant key management person in the 12 months to 30 June 2010, but not yet fully paid.

The major differences are in respect of STI for which the amount paid in 2010 represents the amount earned in 2009, and LTI for which amounts earned in a particular year vest and are paid in cash over the following three years.

The following table outlines the actual remuneration received by key management personnel during FY 2010:

Key management personnel	Total Fixed Remuneration \$	STI \$	LTI \$	Other \$	Total paid 2010 \$	Total paid 2009 \$
M McCormack	821,500	523,125	151,908	650,000 <sup>(1)</sup>	2,146,533	1,316,643
P Fredricson <sup>(2)</sup>	500,000	-	-	1,800	501,800	41,667
R Gersbach	570,000	247,500	31,882	72,500 <sup>(3)</sup>	921,883	659,200
M Knapman	370,000	119,600	-	-	489,600	328,913
S Ohl	415,000	184,000	43,809	-	642,809	603,406
R Smith	266,209	115,700	14,246	-	396,155	345,000
Total	2,942,709	1,189,925	241,845	724,300	5,098,779	3,294,829

(1) A retention payment paid to the CEO as agreed by the board in 2006 when the organisation was under threat of takeover by the then Alinta Energy.

(2) Mr Fredricson joined APA as CFO in June 2009. STI and LTI earned for the period to 30 June 2010 but not paid until future years are disclosed in the financial report.

(3) A payment to the Group Manager Commercial for acting in the CFO position in addition to his own role from 1 January 2009 to 31 May 2009.



# DIRECTORS' REPORT

## Current LTI entitlements outstanding

Current LTI entitlements outstanding are defined as LTI awards allocated but not yet vested or paid.

The following table outlines the current LTI amounts outstanding for key management personnel based on an estimated VWAP of \$3.6972:

Key management personnel	Balance of Securities Available <sup>(1)</sup>	Vesting Year			
		2010 <sup>(2)</sup>	2011	2012	2013
M McCormack	548,805	140,527	190,211	151,531	66,536
P Fredricson	81,142	-	27,047	27,047	27,048
R Gersbach	236,450	51,868	82,702	71,046	30,835
M Knapman	98,908	18,280	32,970	32,970	14,689
S Ohl	181,930	45,261	62,524	51,694	22,450
R Smith	111,261	24,219	38,822	33,615	14,605

(1) Includes LTI entitlements subject to allocation by the board in August 2010.

(2) Notional securities multiplied by 30 day VWAP to be paid as cash in September 2010.

## Executive contracts

The terms of the contractual arrangements for each of the key management personnel are set out below:

Name and title and commencement date	Term and termination provisions/benefits
<b>M McCormack</b>	No defined term.
Managing Director since 1 July 2006.	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.
Chief Executive Officer 1 July 2005 to 30 June 2006.	On termination without cause, the Company will pay 52 weeks TFR, any incentives earned but not paid on their due date and any accrued leave entitlement. The Company will also pay any TFR due and owing at the date of termination.
Commenced 1 March 2000.	
<b>R Gersbach</b>	No defined term.
Group Manager Commercial	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.
Commenced 1 February 2008.	On termination without cause, the Company will pay 26 weeks TFR, any incentives earned but not paid on their due date and any accrued leave entitlement. The Company will also pay any TFR due and owing at the date of termination.
	If Mr Gersbach 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.
<b>P Fredricson</b>	No defined term.
Chief Financial Officer	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.
Commenced 1 June 2009.	On termination without cause, the Company will pay 26 weeks TFR, any bonus entitlement not yet paid and any accrued leave entitlement. The Company will also pay any TFR due and owing at the date of termination.

# DIRECTORS' REPORT

Name and title and commencement date	Term and termination provisions/benefits
<b>S Ohl</b> Group Manager Operations Commenced 2 May 2005.	No defined term.  On termination with cause or following certain long-term illness, the company will pay any TFR due and owing at the date of termination and any accrued leave entitlements.  On termination without cause, the Company will pay 26 weeks TFR, any incentives earned but not paid on their due date and any accrued 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.
<b>M Knapman</b> Company Secretary Commenced 16 July 2008.	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 26 weeks TFR, any incentives earned but not paid on their due date and any accrued leave entitlement. The Company will also pay any TFR due and owing at the date of termination.
<b>R Smith</b> General Manager Human Resources & HSE Commenced 2 October 2007.	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 26 weeks TFR, any incentives earned but not paid on their due date and any accrued leave entitlement. The Company will also pay any TFR due and owing at the date of termination.  If Ms Smith 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.

## Remuneration advisers

During FY 2010, the following remuneration advisers were appointed:

- Egan & Associates and Mercer were appointed by the Remuneration Committee, for the purposes of providing remuneration benchmarking information for both directors and key management personnel. They reported directly to the Chairman of the Committee; and
- PricewaterhouseCoopers were also appointed by the Chairman of the Remuneration Committee to provide advice to the board on remuneration reporting.

# DIRECTORS' REPORT

## INFORMATION REQUIRED FOR REGISTERED SCHEMES

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

Except as disclosed in this report, neither the Responsible Entity nor any of its associates holds any APA securities.

The number of APA securities issued during the year, and the number of APA securities at the end of the year, are disclosed in Note 28 to the financial statements.

The value of APA's assets as at the end of the year is disclosed in the balance sheet in total assets, and the basis of valuation is included in Note 3 to the financial statements.

## AUDITOR'S INDEPENDENCE DECLARATION

A copy of the Auditor's independence declaration as required under section 307C of the Corporations Act 2001 is included on page 108.

## ROUNDING OF AMOUNTS

APA is an entity of the kind referred to in ASIC Class Order 98/0100 dated 10 July 1998 and, in accordance with that Class Order, amounts in the directors' report and the financial report are rounded 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.



L F Bleasel AM  
Chairman



R J Wright  
Director

SYDNEY, 25 August 2010

# CORPORATE GOVERNANCE STATEMENT

APA Group (“APA”) comprises two registered investment schemes, Australian Pipeline Trust and APT Investment Trust, the securities in which are “stapled” together, and their controlled entities.

Australian Pipeline Limited (“Responsible Entity”) is the responsible entity of those trusts and is responsible for APA’s corporate governance practices.

The ASX Corporate Governance Council issued its revised Corporate Governance Principles and Recommendations in August 2007. That document articulates eight core principles of good corporate governance and, for each of those principles, recommendations as to their implementation. Adoption of the Council’s recommendations is not compulsory. However, under the Australian Securities Exchange (“ASX”) Listing Rules, companies are required to provide a statement in their annual report disclosing the extent to which they have followed the recommendations in the reporting period and, where companies have not followed all the recommendations, they must identify which ones they have not followed and give reasons for not following them.

Each of the principles of good corporate governance has been responded to in turn below and the table at the rear of this statement provides a checklist of APA’s adoption of the ASX Corporate Governance Council’s recommendations.

The ASX Corporate Governance Council recently released amendments to the Corporate Governance Principles and Recommendations dated 30 June 2010 that relate to diversity (in particular, gender diversity on boards and with respect to senior management and other employees), share trading policies, shareholder communications and remuneration committees, that will apply to companies with a July/June financial year from and including the year ending 30 June 2012, with appropriate disclosures to be made in the 2012 annual report. Over the coming year, APA will consider how to respond to the amendments, at least some of which it believes it already complies with.

Various references are made below to APA’s website as a source of information on corporate governance practices and documentation. The home page for APA’s web site is [www.apa.com.au](http://www.apa.com.au), and the link entitled “About APA” leads to the corporate governance material. Securityholders who do not have internet access but wish to read that material should telephone 1800 992 312 (or +61 2 8280 7132, if calling from outside Australia) and ask for a copy of the relevant material to be sent to them.

## PRINCIPLE 1:

### **Lay solid foundations for management and oversight**

The board of the Responsible Entity is accountable to securityholders for the proper management of APA’s business and affairs. It operates in accordance with a charter, which is published on APA’s web site.

The board, chaired by Leonard Bleasel AM, normally meets 11 times each year, with additional meetings being held as required. The number of times it met during the financial year ended 30 June 2010, and directors’ attendance at those meetings, are set out in the directors’ report.

To assist the board in carrying out its responsibilities, the following standing committees of its members have been established:

- Audit and Risk Management Committee;
- Remuneration Committee; and
- Health Safety and Environment Committee.

Each committee has its own charter that describes the roles and responsibilities delegated to the committee by the board, and those charters are published on APA’s web site. The charters for the board and its committees are reviewed by the board annually, and were last reviewed in July 2010.

The board delegates responsibility for implementing the strategic direction and managing the day-to-day operations of APA to the Managing Director, Michael McCormack. The Managing Director consults with the Chairman, in the first instance, on matters that are sensitive, extraordinary or of a strategic nature.

# CORPORATE GOVERNANCE STATEMENT

The current non-executive directors have each received a letter of appointment documenting, among other issues:

- the roles and responsibilities of the board and each of its committees;
- expectations of the time commitment to be made by directors in serving on the board and its committees, and of their participation in an annual review of the board, its committees and individual directors;
- requirements with respect to the disclosure of directors' interests;
- the fees payable to the directors; and
- key policies that directors are required to comply with, such as APA's securities trading policy.

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

Newly appointed senior executives complete an induction program on the management of the business covering topics that include financial matters, strategic direction, operations, risk management, health and safety, environmental issues and governance matters. APA also conducts annual processes relating to talent and succession management, and the development of leadership capabilities.

APA has processes in place to review the performance of senior management. Each senior executive, including the Managing Director, has personal objectives as well as objectives related to the performance of business or functional units and APA as a whole. They are reviewed against those objectives at least annually. A review of senior management occurred during the financial year ended 30 June 2010.

Performance evaluation of the Managing Director is handled by the Chairman with the assistance of the Remuneration Committee and a report is provided to and reviewed by the board. Assessment and monitoring of the performance of other senior executives are handled by the Managing Director who reports on those matters to the Chairman and the Remuneration Committee.

## PRINCIPLE 2:

### **Structure the board to add value**

The board determines its size and composition, subject to limits imposed by the Responsible Entity's constitution. The constitution provides for a minimum of three directors and a maximum of 12.

The current directors are Leonard Bleasel AM (Chairman), John Fletcher, Russell Higgins AO, Michael McCormack (Managing Director), Muri Muhammad, George Ratilal<sup>(1)</sup> and Robert Wright whose experience, terms of office and membership of board committees are set out in the directors' report.

The composition of the board is determined in accordance with the following principles:

- a majority of the board will be comprised of independent directors;
- the Chairman will be an independent director; and
- a person cannot hold the positions of both Chairman and Chief Executive Officer.

Under the Responsible Entity's constitution, Petronas Australia Pty Limited is entitled to appoint one director of the Responsible Entity while the Petronas Group holds not less than 10% of the issued securities in APA. Muri Muhammad is the current Petronas-appointed director.

The Responsible Entity's constitution requires one-third of its directors (excluding the Managing Director, the Petronas-appointed director and any director who is standing for re-election after having been appointed as an additional director or to fill a vacancy) to retire from office at the annual general meeting of the Responsible Entity each year. If the calculation of that one-third is not a whole number, the number of directors required to retire by this "rotation" process is rounded to the nearest whole number. Retiring directors are eligible for re-election.

If the board appoints a director to fill a vacancy or as an addition to the board, the new director holds office until the end of the next annual general meeting of the Responsible Entity and is eligible for re-election. No new director has been appointed since the last annual general meeting.

At least 60 days before annual general meetings of the Responsible Entity, securityholders are notified by announcement to ASX that they may nominate a person to fill a vacancy on the board that arises on retirement of either a director under the "rotation" process or a director appointed by the board since the last annual general meeting. If securityholders wish to exercise that right, at least 45 days before the annual general meeting they must send the Responsible Entity a signed nomination form and the nominee's signed

(1) George Ratilal resigned as a director, and was appointed as an alternate director for Muri Muhammad, on 26 August 2010.



# CORPORATE GOVERNANCE STATEMENT

consent to act as a director. If nominations are received by the required date, the Responsible Entity advises securityholders of all candidates who have been validly nominated and presents its nominations to the annual meeting of securityholders.

The board assesses the independence of non-executive directors on appointment and annually having regard to the independence of directors policy (published on APA's web site). This year the board confirmed that Leonard Bleasel AM, John Fletcher, Russell Higgins AO and Robert Wright are independent. Muri Muhammad, George Ratilal and the Managing Director, Michael McCormack, are not considered to be independent.

The former Nominations and Remuneration Committee of the board became the Remuneration Committee in early 2008 so that the functions with respect to selection and appointment of new directors and related matters previously handled by that committee then reverted to the board. Ultimate responsibility for such matters rests with the full board and the board considers the efficient handling of those matters is not diminished by the absence of a Nominations Committee.

If it is proposed to select and appoint a new director, the board predefines the skills and experience required of candidates for the role to ensure an appropriate mix of skills and experience is represented on the board. The board then assesses potential candidates against the predefined requirements and also considers their qualifications, backgrounds and personal qualities before the new director is appointed.

A review process to assess the performance of the board, its committees and individual directors is undertaken each year and the review for the 2010 financial year will be completed in September 2010. Each director completed a questionnaire, the responses were collated and the board then met to discuss and consider the results of that process and to determine any actions arising from the review. The Chairman also met with each director to discuss the review and the director's own performance. Matters covered by the review include the role and performance of the board and its committees, directors' understanding of APA's long-term objectives and key risks to the business and achievement of those objectives, succession planning and the effectiveness of the Chairman in leading the board.

Subject to normal privacy requirements, directors have access to APA's records and information, and to the Company Secretary and other relevant senior management personnel. They receive regular detailed reports on financial and operational aspects of APA's business and may request elaboration or explanation of those reports.

While most board meetings are held in Sydney, where APA's head office is located, some are held in other locations where APA has a presence, providing directors with the opportunity to receive presentations from and speak to local APA employees about the business and to inspect APA's assets and facilities.

The board collectively and each director individually may 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 attending relevant courses, seminars and conferences. Where appropriate, APA will meet expenses involved in such activities.

## PRINCIPLE 3:

### **Promote ethical and responsible decision-making**

The board and senior management are firmly committed to ensuring that they and all employees observe high standards of ethical behaviour and conduct.

APA's code of conduct sets out the behaviour required of directors and employees and recognises the responsibilities of APA and its personnel to securityholders, customers, suppliers, employees and the community. It also requires that breaches of the code are reported and provides a mechanism to enable breaches to be reported without fear of retribution. The code is published on APA's web site.

APA has a whistleblower policy, the purpose of which includes fostering in APA a culture of compliance and responsible and ethical decision-making. The policy encourages the reporting of matters of concern and suspected wrongdoing, such as dishonest or fraudulent conduct, breaches of legislation and other conduct that may cause financial loss to APA or be otherwise detrimental to the reputation or interests of APA, and describes the protection to be afforded to whistleblowers who report such conduct against reprisals, discrimination, harassment or other disadvantage resulting from their reports.

APA's securities trading policy, published on its web site, provides that directors and designated management personnel may buy or sell APA securities only during the periods, each of one calendar month, starting on the

# CORPORATE GOVERNANCE STATEMENT

second business day after each of three events, namely the release to ASX of the half year and full year results and APA's annual meeting, unless exceptional circumstances apply. Directors and employees 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**

The board has established an Audit and Risk Management Committee, the composition of which is determined in accordance with the following principles:

- the committee will have at least three members;
- all members of the committee will be independent, non-executive directors; and
- the committee Chairman cannot also be the Chairman of the board.

The current members of the committee are Robert Wright (committee Chairman), John Fletcher and Russell Higgins AO and their qualifications are set out on in the directors' report. The Chairman of the board, although not a member of the committee, usually attends committee meetings.

The roles and responsibilities delegated to the committee are set out in the committee's charter which is published on APA's web site.

The Managing Director, Chief Financial Officer, Company Secretary, Business Risk Manager, other senior management personnel, as required, and the external and internal auditors attend committee meetings at the discretion of the committee. The external and internal auditors receive all committee papers and, at each committee meeting, meet with the committee without management present.

The minutes of each meeting of the Audit and Risk Management Committee are reviewed at the subsequent meeting of the board and the committee Chairman reports to the board on the committee's activities and recommendations.

The committee is required by its charter to meet at least four times each year. The number of times it met during the financial year ended 30 June 2010, and the committee members' attendance at those meetings, are set out in the directors' report.

Apart from reviewing the integrity of APA's financial reporting, the committee monitors the effectiveness of the external and internal auditors and the independence of the external auditor, and makes recommendations to the board on the appointment or replacement (subject to securityholders' approval, if applicable) of the external auditor.

The external auditor appointment and independence policy (published on APA's web site) documents the process for appointment of the auditor and for monitoring the auditor's independence. Pursuant to that policy, the lead partner and the review or concurring partner of the external auditor must be rotated at least every five years, followed by a two year minimum time-out period during which they may not take part in the audit. APA's auditor is Deloitte Touche Tohmatsu and Greg Couttas of that firm was appointed the lead audit partner for the APA audit in December 2009.

The external auditor's independence could be impaired or compromised, or be interpreted as being impaired or compromised, through the provision of some non-audit services or by the quantum of fees paid to the auditor for such services. Accordingly, the Audit and Risk Management Committee has approved a list of non-audit services that the external auditor may perform and the process for those services being approved, identified a list of prohibited services and determined a maximum dollar limit on any non-audit services provided by the auditor in any financial year.

The Responsible Entity's costs incurred in acting as responsible entity of Australian Pipeline Trust and APT Investment Trust are reimbursed by APA. The actual cost recovery in the financial year ended 30 June 2010 was \$2.5 million. The Responsible Entity does not make a profit, nor seek performance fees. The constitutions of Australian Pipeline Trust and APT Investment Trust enable the Responsible Entity to charge fees up to 0.5% per annum of the value of gross assets; however, the right to charge such fees has been waived to the extent it exceeds the Responsible Entity's costs.

# CORPORATE GOVERNANCE STATEMENT

## PRINCIPLE 5:

### **Make timely and balanced disclosure**

APA's market disclosure policy, published on APA's web site, aims to ensure that information that a person could reasonably expect to have a material effect on the APA security price, whether the information is positive or negative, is announced to the market by release to ASX in accordance with the ASX Listing Rules and the Corporations Act 2001.

The Company Secretary is the nominated continuous disclosure officer.

All ASX announcements are posted on APA's web site as soon as reasonably possible after notification to ASX.

## PRINCIPLE 6:

### **Respect the rights of shareholders**

APA aims to ensure its securityholders are informed of all significant developments affecting APA's state of affairs and business. Information is communicated to securityholders by a number of means, including the following:

- an annual statutory report (comprising the financial report and directors' report) sent to securityholders who have elected to receive the report;
- starting in 2010, an annual review that will be sent to securityholders who elect to receive either the statutory report or the annual review alone;
- a biannual newsletter sent to securityholders who have not elected to receive the annual report, and to all securityholders on the announcement of the half year results;
- the interim (half yearly) report, and directors' commentary on that report;
- announcements to ASX and media releases;
- "Open Briefings" prepared from time to time to provide an update to investors, and released to ASX;
- analyst briefings and investor presentations released to ASX;
- the Investor Centre section of APA's web site on which the reports, ASX and media releases, presentations and other documents referred to above are posted;
- the annual meeting of securityholders; and
- webcasting of half year and full year results presentations, the annual meeting and announcements of major events.

Securityholders and others may elect on APA's web site to receive ASX and media announcements and newsletters by email.

APA encourages securityholders to participate in its annual meetings. A notice of annual meeting setting out the agenda for the meeting and explaining resolutions on which securityholders may vote is sent to all securityholders and to ASX prior to the meeting. Securityholders who cannot attend a meeting in person may appoint a proxy and may also read the Chairman and Managing Directors' addresses that are sent to ASX and posted on APA's web site, and listen to a web cast of the meeting available through APA's web site.

At the annual meeting, the Chairman encourages questions and comments from securityholders and seeks to ensure the meeting is managed to give 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. Securityholders are also invited to send written questions ahead of the meeting and, where there is a common theme to a number of questions, either the Chairman or the Managing Director will commonly seek to provide an answer in their address.

The external auditor attends the annual meetings and is available to respond to questions from securityholders about the conduct of the audit and the preparation and content of the independent audit report.

The 2010 annual meeting of securityholders will be held in Sydney on 28 October 2010. A notice of that meeting and a proxy form will be sent to securityholders some weeks before the meeting, and details of the meeting are also available from APA's web site.

# CORPORATE GOVERNANCE STATEMENT

## PRINCIPLE 7:

### **Recognise and manage risk**

The identification and effective management of risk, including calculated risk-taking, are viewed as an essential part of APA's approach to creating long-term securityholder value.

The board is responsible for adopting and reviewing APA's approach to the identification, evaluation and management of business risks that are material to the fulfilment of APA's business objectives.

The board has delegated certain activities to its Audit and Risk Management Committee, the charter for which is published on APA's web site. With respect to business risk, the committee's primary function is to maintain and oversee a sound system of internal risk management controls based on the board's adopted risk management approach.

Specific risk management responsibilities of the Audit and Risk Management Committee include:

- reviewing and approving APA's updated risk profile, and risk management policy and framework;
- reviewing at least annually APA's implementation of the risk management policy and framework; and
- receiving and reviewing management's report on the effectiveness of risk management and internal control systems and otherwise monitoring the effectiveness of the risk management framework and the system of internal control, and progress against agreed risk management plans.

The Managing Director is accountable for ensuring that a risk management system is established, implemented and maintained in accordance with APA's risk management policy and framework.

Senior management is accountable for risk management within the areas under their control, including devolution of the risk management process to operational managers, and is responsible for:

- reviewing the measures of risk impact severity that underlies the identification of material business risks, to ensure the measures remain current to APA's context;
- identifying material business risks that may impact on APA's business plans and objectives and the development, implementation, performance and review of risk management plans. In doing so, senior management considers both financial risk and non-financial risk, including operational, environmental, strategic, market related, compliance and reputation risk;
- aggregating operational risk data across APA, and monitoring external factors, to facilitate monitoring of APA's risk profile; and
- contributing advice, leadership and facilitation in the development of group-wide risk control solutions.

The Business Risk Manager, who reports to the Company Secretary and usually attends meetings of the Audit and Risk Management Committee, is responsible for:

- overseeing and facilitating the co-ordination of the risk management activities of senior management;
- reporting regularly to the Audit and Risk Management Committee on APA's risk profile and the implementation and effectiveness of risk management plans;
- contributing leadership and facilitation of the implementation of group-wide risk control solutions; and working with senior management to design and develop risk education and communication forums.

APA's management has reported to the Audit and Risk Management Committee as to its assessment of the effectiveness of management by APA of its material risks.

In the course of approving the financial statements for the financial year ended 30 June 2010, the board considered a written statement from the Chief Executive Officer and the Chief Financial Officer to the effect that, to the best of their knowledge and belief, their declaration pursuant to section 295A of the Corporations Act 2001 (broadly, that the financial statements give a true and fair view in all material respects of APA's financial position and comply in all material respects with relevant accounting standards) is founded on a sound system of risk management and internal control and that system is operating effectively in all material respects in relation to financial reporting risks, based on the management framework adopted by APA.

# CORPORATE GOVERNANCE STATEMENT

## PRINCIPLE 8:

### **Remunerate fairly and responsibly**

The board has established a Remuneration Committee to consider and make recommendations to the board on, among other things, remuneration policies applicable to board members and senior management.

The composition of the Remuneration Committee is determined in accordance with the following principles:

- the committee will have at least three members;
- all members of the committee will be non-executive directors and a majority of them will be independent directors; and
- the committee Chairman will be an independent director.

The current members of the committee are John Fletcher (committee Chairman), Russell Higgins AO and Muri Muhammad. The Chairman of the board, although not a member of the committee, usually attends committee meetings.

The roles and responsibilities delegated to the Remuneration Committee are set out in the committee's charter which is published on APA's web site.

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 Chairman reports to the board on the committee's activities and recommendations.

The committee is required by its charter to meet at least twice each year. The number of times it met during the financial year ended 30 June 2010, and the committee members' attendance at those meetings, are set out in the directors' report.

The committee can seek external professional advice on any matter within its terms of reference. As stated in APA's remuneration report, independent remuneration consultants were engaged to review non-executive director and executive compensation during the financial year.

The Corporations Act 2001 does not require registered investment schemes like Australian Pipeline Trust and APT Investment Trust to include a remuneration report as part of the annual directors' report, but APA has chosen to do so.

APA's remuneration report sets out details of APA's policies with respect to remuneration of non-executive directors, the Managing Director and other key management personnel, together with details of the components of remuneration and total remuneration paid to those individuals over the financial year to which the report relates.

In 2003, the board terminated the non-executive directors' retirement benefit plan so that the benefits to participating directors that had accrued up to termination were then quantified and preserved for payment on retirement of those directors. Under the plan, after three years service a director was entitled to the equivalent of the emoluments received over the most recent 12 months. After 10 years service, the entitlement increased to the equivalent of emoluments received during the most recent three years. No additional entitlement accrued after 10 years. For periods between three and 10 years, the entitlement was calculated on a pro-rata basis.

Robert Wright is the only current director entitled to benefit under the plan on his retirement from the board.



# CORPORATE GOVERNANCE STATEMENT

## CORPORATE GOVERNANCE PRINCIPLES AND RECOMMENDATIONS

issued by ASX Corporate Governance Council

	Comply Yes/No
<b>Principle 1: Lay solid foundations for management and oversight</b>	
1.1 Companies should establish the functions reserved to the board and those delegated to senior executives and disclose those functions	Yes
1.2 Companies should disclose the process for evaluating the performance of senior executives	Yes
1.3 Companies should provide the information indicated in the Guide to reporting on Principle 1	Yes
<b>Principle 2: Structure the board to add value</b>	
2.1 A majority of the board should be independent directors	Yes
2.2 The chair should be an independent director	Yes
2.3 The roles of chair and chief executive officer should not be exercised by the same individual	Yes
2.4 The board should establish a nomination committee	No (note 1)
2.5 Companies should disclose the process for evaluating the performance of the board, its committees and individual directors	Yes
2.6 Companies should provide the information indicated in the Guide to reporting on Principle 2	Yes
<b>Principle 3: Promote ethical and responsible decision-making</b>	
3.1 Companies should establish a code of conduct and disclose the code or a summary of that code as to: <ul style="list-style-type: none"> <li>■ the practices necessary to maintain confidence in the company's integrity</li> <li>■ the practices necessary to take into account their legal obligations and the reasonable expectations of their stakeholders</li> <li>■ the responsibility and accountability of individuals for reporting and investigating reports of unethical practices</li> </ul>	Yes
3.2 Companies should establish a policy concerning trading in company securities by directors, senior executives and employees, and disclose the policy or a summary of that policy	Yes
3.3 Companies should provide the information indicated in the Guide to reporting on Principle 3	Yes
<b>Principle 4: Safeguard integrity in financial reporting</b>	
4.1 The board should establish an audit committee	Yes
4.2 The audit committee should be structured so that it: <ul style="list-style-type: none"> <li>■ consists only of non-executive directors</li> <li>■ consists of a majority of independent directors</li> <li>■ is chaired by an independent chair, who is not chair of the board</li> <li>■ has at least three members</li> </ul>	Yes
4.3 The audit committee should have a formal charter	Yes
4.4 Companies should provide the information indicated in the Guide to reporting on Principle 4	Yes

# CORPORATE GOVERNANCE STATEMENT

## CORPORATE GOVERNANCE PRINCIPLES AND RECOMMENDATIONS

issued by ASX Corporate Governance Council

	Comply Yes/No
<b>Principle 5: Make timely and balanced disclosure</b>	
5.1 Companies should establish written policies designed to ensure compliance with ASX Listing Rule disclosure requirements and to ensure accountability at a senior executive level for that compliance and disclose those policies or a summary of those policies	Yes
5.2 Companies should provide the information indicated in the Guide to reporting on Principle 5	Yes
<b>Principle 6: Respect the rights of shareholders</b>	
6.1 Companies should design a communications policy for promoting effective communication with shareholders and encouraging their participation at general meetings and disclose their policy or a summary of that policy	Yes
6.2 Companies should provide the information indicated in the Guide to reporting on Principle 6	Yes
<b>Principle 7: Recognise and manage risk</b>	
7.1 Companies should establish policies for the oversight and management of material business risks and disclose a summary of those policies	Yes
7.2 The board should require management to design and implement the risk management and internal control system to manage the company's material business risks and report to it on whether those risks are being managed effectively. The board should disclose that management has reported to it as to the effectiveness of the company's management of its material business risks	Yes
7.3 The board should disclose whether it has received assurance from the chief executive officer (or equivalent) and the chief financial officer (or equivalent) that the declaration provided in accordance with section 295A of the Corporations Act is founded on a sound system of risk management and internal control and that the system is operating effectively in all material respects in relation to financial reporting risks	Yes
7.4 Companies should provide the information indicated in the Guide to reporting on Principle 7	Yes
<b>Principle 8: Remunerate fairly and responsibly</b>	
8.1 The board should establish a remuneration committee	Yes
8.2 Companies should clearly distinguish the structure of non-executive directors' remuneration from that of executive directors and senior executives	Yes
8.3 Companies should provide the information indicated in the Guide to reporting on Principle 8	Yes

### Note

1. The board has chosen not to have a separate nomination committee, as explained in the section of this corporate governance statement entitled "Principle 2: Structure the board to add value".

## STATEMENT OF COMPREHENSIVE INCOME

FOR THE FINANCIAL YEAR ENDED 30 JUNE 2010

		Consolidated		Trust	
	Note	2010 \$000	2009 \$000	2010 \$000	2009 \$000
<b>Continuing operations</b>					
Revenue	6	975,803	943,636	50,295	88,462
Share of net profits of jointly controlled entities accounted for using the equity method	6	13,687	6,143	-	-
		<b>989,490</b>	<b>949,779</b>	<b>50,295</b>	<b>88,462</b>
Asset operation and management expenses		(75,959)	(111,182)	-	-
Depreciation and amortisation expense	7	(91,426)	(95,640)	-	-
Other operating costs - pass-through	7	(329,942)	(271,387)	-	-
Finance costs	7	(243,235)	(245,078)	-	-
Employee benefit expense	7	(97,859)	(90,811)	-	-
Other expenses		(11,889)	(20,949)	(4,965)	1,905
Profit before tax		<b>139,180</b>	<b>114,732</b>	<b>45,330</b>	<b>90,367</b>
Income tax expense	9	(38,672)	(35,882)	(5,236)	(3,197)
<b>Profit for the year</b>		<b>100,508</b>	<b>78,850</b>	<b>40,094</b>	<b>87,170</b>
<b>Other comprehensive income</b>					
(Loss)/gain on available-for-sale investments taken to equity		(389)	(2,497)	1,444	(1,101)
Transfer of (gain)/loss on cash flow hedges to profit or loss		45,748	(115,599)	-	-
Gain on cash flow hedges taken to equity		294	47,695	-	-
Gain/(loss) on associate hedges taken to equity		13,622	(6,409)	-	-
Actuarial loss on defined benefit plan		(8,153)	(9,775)	-	-
Income tax relating to other comprehensive income components		(16,651)	26,113	(62)	-
Other comprehensive income/(expense) in the year (net of tax)		<b>34,471</b>	<b>(60,472)</b>	<b>1,382</b>	<b>(1,101)</b>
<b>Total comprehensive income for the year</b>		<b>134,979</b>	<b>18,378</b>	<b>41,476</b>	<b>86,069</b>
<b>Profit attributable to:</b>					
Equityholders of the parent		62,584	44,708	40,094	87,170
Minority interest - APT Investment Trust equityholders		37,774	34,064	-	-
APA stapled securityholders		100,358	78,772	40,094	87,170
Minority interest - other		150	78	-	-
		<b>100,508</b>	<b>78,850</b>	<b>40,094</b>	<b>87,170</b>
<b>Total comprehensive income attributable to:</b>					
Equityholders of the parent		95,710	(14,368)	41,476	86,069
Minority interest - APT Investment Trust equityholders		39,119	32,668	-	-
APA stapled securityholders		134,829	18,300	41,476	86,069
Minority interest - other		150	78	-	-
		<b>134,979</b>	<b>18,378</b>	<b>41,476</b>	<b>86,069</b>
<b>Earnings per security</b>					
Basic and diluted (cents per security)	35	19.4	16.2		

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

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

## STATEMENT OF FINANCIAL POSITION

AS AT 30 JUNE 2010

		Consolidated		Trust	
	Note	2010 \$000	2009 \$000	2010 \$000	2009 \$000
<b>Current assets</b>					
Cash and cash equivalents		80,940	108,815	293	104
Trade and other receivables	11	142,529	142,498	485	7,785
Inventories	12	10,698	14,156	-	-
Other	13	3,757	4,182	-	-
<b>Total current assets</b>		<b>237,924</b>	<b>269,651</b>	<b>778</b>	<b>7,889</b>
<b>Non-current assets</b>					
Receivables	14	21,402	21,168	355,751	-
Other financial assets	15	129,185	14,259	639,815	1,547,758
Investments accounted for using the equity method	16	403,528	388,416	-	-
Property, plant and equipment	17	3,483,328	3,362,445	-	-
Goodwill	18	520,779	520,779	-	-
Other intangible assets	19	179,282	168,521	-	-
Deferred tax assets	9	-	-	136,823	150,401
Other	20	7,008	2,088	-	-
<b>Total non-current assets</b>		<b>4,744,512</b>	<b>4,477,676</b>	<b>1,132,389</b>	<b>1,698,159</b>
<b>Total assets</b>		<b>4,982,436</b>	<b>4,747,327</b>	<b>1,133,167</b>	<b>1,706,048</b>
<b>Current liabilities</b>					
Trade and other payables	21	131,839	109,882	136,823	150,427
Borrowings	22	103,883	900,219	-	-
Other financial liabilities	23	8,738	7,648	-	-
Provisions	24	42,957	39,434	-	-
Other	25	10,874	13,042	-	-
<b>Total current liabilities</b>		<b>298,291</b>	<b>1,070,225</b>	<b>136,823</b>	<b>150,427</b>
<b>Non-current liabilities</b>					
Borrowings	26	2,891,891	2,057,875	-	-
Other financial liabilities	27	66,691	71,628	-	648,738
Deferred tax liabilities	9	297,808	242,485	-	-
Provisions	24	31,685	23,457	-	-
Other	25	925	3,202	-	-
<b>Total non-current liabilities</b>		<b>3,289,000</b>	<b>2,398,647</b>	<b>-</b>	<b>648,738</b>
<b>Total liabilities</b>		<b>3,587,291</b>	<b>3,468,872</b>	<b>136,823</b>	<b>799,165</b>
<b>Net assets</b>		<b>1,395,145</b>	<b>1,278,455</b>	<b>996,344</b>	<b>906,883</b>

The above statement of financial position should be read in conjunction with the accompanying notes.

## STATEMENT OF FINANCIAL POSITION (CONTINUED)

AS AT 30 JUNE 2010

		Consolidated		Trust	
	Note	2010 \$000	2009 \$000	2010 \$000	2009 \$000
<b>Equity</b>					
Australian Pipeline Trust equity:					
Issued capital	28	984,936	894,435	984,936	894,435
Reserves	29	59,955	21,123	145	(1,237)
Retained earnings	30	9,364	(4,998)	11,263	13,685
Equity attributable to securityholders of the parent		1,054,255	910,560	996,344	906,883
Minority interests:					
APT Investment Trust:					
Issued capital	31	320,931	358,450	-	-
Reserves	31	(101)	(1,446)	-	-
Retained earnings	31	19,928	10,810	-	-
Equity attributable to securityholders of APT Investment Trust		340,758	367,814	-	-
Other minority interest	31	132	81	-	-
Total minority interests		340,890	367,895	-	-
<b>Total equity</b>		<b>1,395,145</b>	<b>1,278,455</b>	<b>996,344</b>	<b>906,883</b>

The above statement of financial position should be read in conjunction with the accompanying notes.



The above statement of changes in equity should be read in conjunction with the accompanying notes.

The above statement of changes in equity should be read in conjunction with the accompanying notes.

## STATEMENT OF CHANGES IN EQUITY

FOR THE FINANCIAL YEAR ENDED 30 JUNE 2010

	Trust			
	Available-for-sale			Attributable
	Investment			to owner
	Issued	Revaluation	Retained	of the
	Capital	Reserve	earnings	parent
	\$000	\$000	\$000	\$000
Balance at 1 July 2008	844,150	(75,385)	12,752	781,517
Profit for the year	-	-	87,170	87,170
Other comprehensive income	-	(1,101)	-	(1,101)
Total comprehensive income for the year	-	(1,101)	87,170	86,069
Payment of distributions	-	-	(86,237)	(86,237)
Issued under distribution reinvestment plan	29,185	-	-	29,185
Reversal on acquisition of significant interest	-	75,249	-	75,249
Security purchase plan	21,493	-	-	21,493
Issue cost of securities	(393)	-	-	(393)
Balance at 30 June 2009	894,435	(1,237)	13,685	906,883
Balance at 1 July 2009	894,435	(1,237)	13,685	906,883
Profit for the year	-	-	40,094	40,094
Other comprehensive income	-	1,382	-	1,382
Total comprehensive income for the year	-	1,382	40,094	41,476
Payment of distributions	-	-	(42,516)	(42,516)
Issued under distribution reinvestment plan	41,720	-	-	41,720
Equity values adjustment between stapled entities	9,868	-	-	9,868
Security purchase plan	64,463	-	-	64,463
Issue cost of securities	(230)	-	-	(230)
Capital return to securityholders	(25,320)	-	-	(25,320)
Balance at 30 June 2010	984,936	145	11,263	996,344

The above statement of changes in equity should be read in conjunction with the accompanying notes.

## STATEMENT OF CASH FLOWS

FOR THE FINANCIAL YEAR ENDED 30 JUNE 2010

		Consolidated		Trust	
	Note	2010 \$000	2009 \$000	2010 \$000	2009 \$000
<b>Cash flows from operating activities</b>					
Receipts from customers		1,055,107	1,005,478	97	2,194
Payments to suppliers and employees		(615,697)	(593,821)	-	(7,296)
Dividends received		38,143	24,273	49,955	86,315
Proceeds from repayment of finance leases		2,875	3,964	-	-
Interest received		18,003	30,684	339	117
Interest and other costs of finance paid		(230,670)	(244,031)	-	-
Income tax paid		-	(178)	-	-
<b>Net cash provided by operating activities</b>	36(c)	<b>267,761</b>	<b>226,369</b>	<b>50,391</b>	<b>81,330</b>
<b>Cash flows from investing activities</b>					
Payments for property, plant and equipment		(135,426)	(301,729)	-	-
Proceeds from sale of property, plant and equipment		-	5	-	-
Payments for available-for-sale investments	36(b)	(114,498)	-	-	-
Payments for equity accounted investments	36(b)	(22,706)	(96,114)	(22,379)	(71,735)
Payments for controlled entities	36(b)	(83,328)	(22,616)	-	(473,287)
Proceeds from controlled entities		-	-	939,496	-
Payments for intangible assets		-	(2,000)	-	-
Payments for financial assets		-	(10,083)	-	-
Proceeds from sale of businesses	40	8,190	545,905	7,265	-
<b>Net cash (used in)/provided by investing activities</b>		<b>(347,768)</b>	<b>113,368</b>	<b>924,382</b>	<b>(545,022)</b>
<b>Cash flows from financing activities</b>					
Proceeds from borrowings		1,275,050	560,000	-	499,736
Repayments of borrowings		(1,175,000)	(831,000)	(1,022,570)	-
Proceeds from issue of securities		142,040	78,998	106,183	50,678
Equity values adjustment between stapled entities		-	-	9,868	-
Payment of debt issue costs		(29,629)	-	-	-
Payments of security issue costs		(304)	(555)	(229)	(393)
Distributions paid to:					
Securityholders of APT		(67,836)	(86,237)	(67,836)	(86,237)
Securityholders of minority interests - APTIT		(92,090)	(57,492)	-	-
Other minority interest		(99)	(91)	-	-
<b>Net cash provided by/(used in) by financing activities</b>		<b>52,132</b>	<b>(336,377)</b>	<b>(974,584)</b>	<b>463,784</b>
<b>Net (decrease)/increase in cash and cash equivalents</b>		<b>(27,875)</b>	<b>3,360</b>	<b>189</b>	<b>92</b>
Cash and cash equivalents at beginning of financial year		108,815	105,455	104	12
<b>Cash and cash equivalents at end of financial year</b>	36(a)	<b>80,940</b>	<b>108,815</b>	<b>293</b>	<b>104</b>

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

# NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 30 JUNE 2010

## 1. General information

Australian Pipeline Trust ("APT") is one of two stapled entities of APA Group ("APA"). The other stapled entity is APT Investment Trust ("APTIT"). APA is listed on the Australian Securities Exchange (trading under the symbol 'APA'), registered in Australia and operating in Australia.

The financial statements represent the consolidated financial results of the two stapled entities Australian Pipeline Trust and APT Investment Trust, together "APA".

APT's registered office and principal place of business are as follows:

### Registered office and principal place of business

Level 19  
HSBC Building  
580 George Street  
SYDNEY NSW 2000  
Tel: (02) 9693 0000.

The principal activities of the Consolidated Entity during the course of the year were the ownership and operation of energy infrastructure, including:

- Gas transmission and distribution businesses located across Australia;
- Energy investments, including Envestra Limited ("Envestra"), SEA Gas Pipeline, Ethane Pipeline Income Fund ("EPX") and Energy Infrastructure Investments Pty Limited ("EII"); and
- Asset management and operations services for APA's energy investments and other third parties.

## 2. Adoption of new and revised Accounting Standards

### (a) Standards and Interpretations affecting amounts reported in the current period (and/or prior periods)

The following new and revised Standards and Interpretations have been adopted in the current period and have affected the amounts reported in these financial statements. Details of other Standards and Interpretations adopted in these financial statements but that have had no effect on the amounts reported are set out in part b.

#### Standards affecting presentation disclosure

Standard	Impact
<ul style="list-style-type: none"> <li>• AASB 101 'Presentation of Financial Statements' (as revised in September 2007), AASB 2007-8 'Amendments to Australian Accounting Standards arising from AASB 101' and AASB 2007-10 'Further Amendments to Australian Accounting Standards arising from AASB 101'.</li> </ul>	AASB 101 (September 2007) has introduced terminology changes and changes in the format and content of the financial statements.
<ul style="list-style-type: none"> <li>• AASB 8 'Operating Segments'.</li> </ul>	The Consolidated Entity has adopted AASB 8 Operating Segments and AASB 2008-3 Amendments to Australian Accounting Standards arising from AASB 8 with effect from 1 July 2009. There is no significant change to the reportable segments following the adoption of AASB 8 as the Consolidated Entity previously reported in this manner.
<ul style="list-style-type: none"> <li>• AASB 2009-2 'Amendments to Australian Accounting Standards - Improving Disclosures about Financial Instruments'.</li> </ul>	The amendments to AASB 7 expand the disclosures required in respect of fair value measurements and liquidity risk. The Consolidated Entity has elected not to provide comparative information for these expanded disclosures in the current year in accordance with the transitional reliefs offered in these amendments.

## NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 30 JUNE 2010

**2. Adoption of new and revised Accounting Standards (continued)****Standards affecting the reported results or financial position**

- AASB 3 'Business Combinations (as revised in 2008)'.

AASB 3 (2008) has been applied prospectively to business combinations for which the acquisition date is on or after 1 July 2009. The impact of the adoption has been to require that acquisition related costs be accounted for separately from the business combination generally leading to those costs being recognised as an expense in profit or loss as incurred, where as previously they were accounted for as part of the costs of the acquisition.

In the current period, this change in policy has affected the accounting for the acquisition of Berwyndale to Wallumbilla Pipeline as follows:

	2010 \$000
Acquisition-related costs expensed when incurred (profit or loss)	4,587

Additional impacts of the adoption of AASB 3 (2008) are:

- to allow choice on a transaction-by-transaction basis for the measurement of non-controlling interests either at fair value or at the non-controlling interests' share of the fair value of the identifiable net asset of the acquiree;
- to change the recognition and subsequent accounting requirements for contingent consideration; and
- where the business combination in effect settles a pre-existing relationship between the Consolidated Entity and the acquiree, to require the recognition of a settlement gain or loss.

The impact of these has not yet been determined as it is dependent upon an event of this type occurring.

**(b) Standards and Interpretations adopted with no effect on financial statements**

The following new and revised Standards have also been adopted in these financial statements. Their adoption has not had any significant impact on the amounts reported in these financial statements but may affect the accounting for future transactions and arrangements.

Standard	Impact
<ul style="list-style-type: none"> <li>• AASB 2008-7 'Amendments to Australian Accounting Standards - Cost of an Investment in a Subsidiary, Jointly Controlled Entity or Associate'.</li> </ul>	The amendments cover the measurement of the costs of investments in subsidiaries, jointly controlled entities and associates when adopting A-IFRS for the first time and the recognition of dividend income in a parent's separate financial statements.
<ul style="list-style-type: none"> <li>• AASB 2008-1 'Amendments to Australian Accounting Standards - Share-based payments: Vesting Conditions and Cancellations'.</li> </ul>	The amendments clarify the definition of vesting conditions for the purposes of AASB 2, introduce the concept of 'non-vesting' conditions, and clarify the accounting treatment of cancellations.
<ul style="list-style-type: none"> <li>• AASB 123 'Borrowing Costs (as revised in 2007)' and AASB 2007-6 'Amendments to Australian Accounting Standards arising from AASB 123'.</li> </ul>	AASB 123 has eliminated the option to expense all borrowing costs when incurred. The change has had no impact on these financial statements because it has always been the Consolidated Entity's accounting policy to capitalise borrowing costs incurred on qualifying assets.
<ul style="list-style-type: none"> <li>• AASB 2008-8 'Amendments to Australian Accounting Standards - Eligible Hedged Items'.</li> </ul>	The amendments provide clarification on two aspects of hedge accounting: identifying inflation as a hedged risk or portion, and hedging with options.

## NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 30 JUNE 2010

**2. Adoption of new and revised Accounting Standards (continued)****(c) Standards and Interpretations issued not yet adopted**

At the date of authorisation of the financial statements, the Standards and Interpretations listed below were in issue but not yet effective.

Standard/Interpretation	Effective for annual reporting periods beginning on or after	Expected to be initially applied in the financial year ending
• AASB 2009-5 'Further Amendments to Australian Accounting Standards arising from the annual Improvements Project'.	1 January 2010	30 June 2011
• AASB 2009-8 'Amendments to Australian Accounting Standards Group Cash-Settled Share-based Payment Transactions'.	1 January 2010	30 June 2011
• AASB 2009-10 'Amendments to Australian Accounting Standards Classification of Rights Issue'.	1 February 2010	30 June 2011
• AASB 124 'Related Party Disclosures (revised December 2009)' AASB 2009-12 'Amendments to Australian Accounting Standards'.	1 January 2011	30 June 2012
• AASB 9 'Financial Instruments', AASB 2009-11 'Amendments to Australian Accounting Standards arising from AASB 9'.	1 January 2013	30 June 2014
• Interpretation 19 'Extinguishing Financial Liabilities with Equity Instruments'.	1 July 2010	30 June 2011

The potential impact of the initial application of the above Standards has not yet been determined.

**3. Significant accounting policies****Statement of compliance**

The financial report is a general purpose financial report which has been prepared in accordance with 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 report and notes of the Trust and the Consolidated Entity comply with International Financial Reporting Standards ("IFRS").

The financial report was authorised for issue by the Directors on 25 August 2010.

**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 98/0100. 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) Working capital position**

The working capital position as at 30 June 2010 for the Consolidated Entity is a surplus of current liabilities over current assets of \$60.4 million (2009: \$800.6 million) primarily as a result of \$102 million of guaranteed senior notes being due for repayment in September 2010 (see Note 22). APA's refinancing strategies have ensured that the Group has in excess of \$800 million of medium to long term committed debt facilities out of which to meet this repayment.



# NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 30 JUNE 2010

## 3. Significant accounting policies (continued)

### **(a) Working capital position (continued)**

The Directors continually monitor the Group's working capital position, including forecast working capital requirements and have ensured that there are appropriate refinancing strategies and adequate committed funding facilities in place to accommodate debt repayments as and when they fall due.

### **(b) Basis of consolidation**

The financial report incorporates 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", "Group" or "APA Group" in this financial report). 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 financial year are included in the statement of comprehensive income from the effective date of acquisition.

Where necessary, adjustments are made to the financial reports 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 report 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 differs 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.

### **(c) Business combinations**

Acquisitions of subsidiaries and businesses are accounted for using the acquisition method. The consideration for each acquisition 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. Acquisition costs directly attributable to the business combination are recognised in profit or loss as incurred.

Where applicable, the consideration for the acquisition includes any asset or liability resulting from a contingent consideration arrangement, measured at its acquisition-date fair value. Subsequent changes in fair values are adjusted against the cost of acquisition where they qualify as measurement period adjustments. All other subsequent changes in the fair value of contingent consideration classified as an asset or liability are accounted for in accordance with relevant standards. Changes in the fair value of contingent consideration classified as equity are not recognised.

Where a business combination is achieved in stages, the Consolidated Entity's previously held interests in the acquired entity are remeasured to fair value at the acquisition date and the resulting gains or losses, if any, are recognised in profit or loss. Amounts arising from interests in the acquiree prior to the acquisition date that have previously been recognised in other comprehensive income are reclassified to profit or loss, where such treatment would be appropriate if that interest were disposed of.

The acquiree's identifiable assets, liabilities and contingent liabilities that meet the conditions for recognition under AASB 3 (2008) are recognised at their fair value at the acquisition date, except that:

- deferred tax assets or liabilities and liabilities or assets related to employee benefit arrangements are recognised in accordance with AASB 112 'Income Taxes' and AASB '119 Employee Benefits' respectively;
- liabilities or equity instruments related to the replacement by the consolidated entity of an acquiree's share-based payment awards are measured in accordance with AASB 2 'Share-based payment'; and
- 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' are measured in accordance with that standard.

# NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 30 JUNE 2010

## 3. Significant accounting policies (continued)

### **(c) Business combinations (continued)**

If the initial accounting for a business combination is incomplete by the end of the reporting period in which the combination occurs, the Consolidated Entity reports provisional amounts for the items for which the accounting is incomplete. Those provisional amounts are adjusted for during the measurement period, or additional assets or liabilities are recognised, to reflect new information obtained about facts and circumstances that existed as of the acquisition date, that, if known, would have affected the amounts recognised as at that date.

The measurement period is the period from the date of acquisition to the date the Consolidated Entity obtains complete information about facts and circumstances that existed as of the acquisition date - and is subject to a maximum of one year.

### **(d) Joint venture arrangements**

#### **Jointly controlled operations**

Interests in jointly controlled operations are reported in the financial report 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 report and the cost method in APT's financial report.

### **(e) Investments in associates**

An associate is an entity over which the Consolidated Entity has significant influence and that is neither a subsidiary nor a joint venture. The results and assets and liabilities of associates are accounted for using the equity method of accounting. Under the equity method, investments in associates are carried in the consolidated statement of financial position at cost as adjusted for post-acquisition changes in the Consolidated Entity's share of the net assets of the associate, less any impairment in the value of individual investments. Losses of an associate in excess of the Consolidated Entity's interest are recognised only to the extent that there is a legal or constructive obligation or the Consolidated Entity has made payments on behalf of the associate.

Any excess of the cost of acquisition over the Consolidated Entity's share of the net fair value of identifiable assets, liabilities and contingent liabilities of the associate recognised at the date of acquisition is recognised as goodwill. This is included within the carrying amount of the investment and is assessed for impairment as part of that investment. Any excess of the Consolidated Entity's share of the net fair value of assets and liabilities over the cost of acquisition after reassessment is recognised immediately in profit or loss.

### **(f) Financial assets and liabilities**

#### **Available-for-sale financial assets**

Certain shares and redeemable notes held by the Group are classified as being available-for-sale and are stated at fair value. Gains and losses arising from changes in fair value are recognised directly in the available-for-sale investment revaluation reserve with the exception of impairment losses, interest calculated using the effective interest method and foreign exchange gains and losses on monetary assets which are recognised directly in profit or loss. Where the investment is disposed of or is determined to be impaired, the cumulative gain or loss previously recognised in the available-for-sale investment revaluation reserve is included in profit or loss for the period. Dividends on available-for-sale equity instruments are recognised in profit or loss when the Group's right to receive the dividends is established. The change in fair value attributable to translation differences that result from a change in amortised cost of the asset is recognised in profit or loss, and other changes are recognised in equity.

# NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 30 JUNE 2010

## 3. Significant accounting policies (continued)

### **(f) Financial assets and liabilities (continued)**

#### **Loans and 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 and receivables'. Trade and other receivables are stated at their amortised cost less impairment.

#### **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.

#### **Impairment of financial assets**

Financial assets, other than those at fair value through profit or loss, are assessed for indicators of impairment at the end of each reporting period. Financial assets are impaired where there is objective evidence that as a result of one or more events that occurred after the initial recognition of the financial asset the estimated future cash flows of the investments have been impacted.

For financial assets carried at amortised cost, the amount of the impairment is the difference between the asset's carrying amount and the present value of estimated future cash flows, discounted at the original effective interest rate. The carrying amount of financial assets including uncollectible trade receivables is reduced by the impairment loss through the use of an allowance account. Subsequent recoveries of amounts previously written off are credited against the allowance account. Changes in the carrying amount of the allowance account are recognised in profit or loss.

With the exception of available-for-sale equity instruments, if, in a subsequent period, the amount of the impairment loss decreases and the decrease can be related objectively to an event occurring after the impairment was recognised, the previously recognised impairment loss is reversed through profit or loss to the extent the carrying amount of the investment at the date the impairment is reversed, does not exceed what the amortised cost would have been had the impairment not been recognised.

In respect of available-for-sale equity instruments, any subsequent increase in fair value after an impairment loss is recognised in other comprehensive income.

### **(g) 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.

### **(h) Acquisition of assets**

Assets acquired are recorded at the cost of acquisition, being the purchase consideration determined as at the date of acquisition. Cost includes expenditure that is directly attributable to the acquisition or construction of the asset.

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.

### **(i) 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 statement of comprehensive income over the period of the borrowing using the effective interest method.

# NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 30 JUNE 2010

## 3. Significant accounting policies (continued)

### **(j) 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.

### **(k) Property, plant and equipment**

Land and buildings held for use are carried in the consolidated statement of financial position at cost, less any subsequent accumulated depreciation and impairment losses.

Leasehold improvements and plant and equipment are stated at cost less accumulated depreciation and impairment. Work in progress is stated at cost. Cost includes expenditure that is directly attributable to the acquisition or construction of the item.

### **(l) 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 estimated useful lives and depreciation methods are reviewed at the end of each reporting period, with the effect of any changes recognised on a prospective basis. The following estimated useful lives are used in the calculation of depreciation:

- buildings 30 - 50 years;
- compressors up to 50 years;
- gas transportation systems up to 80 years;
- meters 25 - 50 years; and
- other plant and equipment 3 - 20 years.

### **(m) 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 plans are expensed when incurred.

#### **Defined benefit plans**

For defined benefit 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 in which 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 consolidated statement of financial position represents the present value of the defined benefit obligation, adjusted for unrecognised actuarial gains and losses and unrecognised past service costs, net of the fair value of the plan assets. Any asset resulting from this calculation is limited to unrecognised actuarial losses and past service cost, plus the present value of available refunds and reductions in future contributions to the plan.

# NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 30 JUNE 2010

## 3. Significant accounting policies (continued)

### **(n) Intangible assets**

#### **Intangible assets acquired separately**

Intangible assets acquired separately are carried at cost less accumulated amortisation and accumulated impairment losses. Amortisation is recognised on a straight-line basis over their estimated useful lives. The estimated useful life and amortisation method are reviewed at the end of the each annual reporting period, with the effects of any changes in estimate being accounted for on a prospective basis.

#### **Intangible assets acquired in a business combination**

Intangible assets acquired in a business combination are identified and recognised separately from goodwill and are initially recognised at their fair value at the acquisition date. Subsequent to initial recognition, intangible assets acquired in a business combination are reported at cost less accumulated amortisation and accumulated impairment losses, on the same basis as intangible assets acquired separately.

### **(o) 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 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 statement of comprehensive income. Where these investments are interest bearing, interest calculated using the effective interest method is recognised in the statement of comprehensive income.

The fair value of financial instruments classified as held for trading and available-for-sale is their quoted bid price at the end of the reporting period.

### **(p) Derivative financial instruments**

The Group enters into a variety of derivative 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 derivative financial instruments are disclosed in Note 37.

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) or, hedges of highly probable forecast transactions or 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 with changes in 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 and interest rate risk on firm commitments are accounted for as cash flow hedges.

# NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 30 JUNE 2010

## 3. Significant accounting policies (continued)

### **(p) Derivative financial instruments (continued)**

#### **Hedge accounting (continued)**

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 37 contains details of the fair values of the derivative instruments used for hedging purposes. Movements in the hedging reserve in equity are also detailed in Note 29.

#### **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 or 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.

#### **Cash flow hedges**

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

Amounts deferred in equity are recycled in profit or loss in the periods when the hedged item is recognised in profit or loss in the same line of the statement of comprehensive income as the recognised hedged item. However, when the forecast transaction that is hedged results in the recognition of a non-financial asset or a non-financial 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 or 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.

### **(q) Financial instruments issued by the Consolidated Entity**

#### **Debt and equity instruments**

Debt and equity instruments are classified as either liabilities or equity in accordance with the substance of the contractual arrangement. An equity instrument is any contract that evidences a residual interest in the assets of an entity after deducting all of its liabilities. Equity instruments issued by the Consolidated Entity are recorded at the proceeds received, net of direct issue costs.

#### **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 arising 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.



# NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 30 JUNE 2010

## 3. Significant accounting policies (continued)

### **(q) Financial instruments issued by the Consolidated Entity (continued)**

#### **Interest and distributions**

Interest and distributions are classified as expenses or as distributions of profit consistent with the consolidated statement of financial position classification of the related debt or equity instruments or component parts of compound instruments.

### **(r) 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.

### **(s) 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 statement of cash flows on a gross basis. The GST component of cash flows arising from investing and financing activities which is recoverable from, or payable to, the taxation authority is classified within operating cash flows.

### **(t) Goodwill**

Goodwill arising in a business combination is recognised as an asset at the acquisition date. Goodwill is measured as the excess of the sum of the consideration transferred, the amount of any non-controlling interests in the acquiree, and the fair value of the acquirer's previously held equity interest in the acquiree (if any) over the net of the acquisition-date amounts of the identifiable assets acquired and the liabilities assumed.

If, after reassessment, the Consolidated Entity's interest in the fair value of the acquiree's identifiable net assets exceeds the sum of the consideration, the amount of any non-controlling interests in the acquiree and the fair value of the acquirer's previously held equity interest, the excess is recognised immediately in the profit or loss as a bargain purchase gain.

On disposal of a subsidiary, the attributable amount of goodwill is included in the determination of the profit or loss on disposal.

### **(u) 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 of 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.

### **(v) Distributions**

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

# NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 30 JUNE 2010

## 3. Significant accounting policies (continued)

### (w) 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 by the method most appropriate to each particular class of inventory, with the majority being valued on a first-in, first-out basis. Net realisable value represents the estimated selling price for the inventories less all estimated costs of completion and costs necessary to make the sale.

### (x) Non-current assets held for sale

Non-current assets are classified as held for sale if their carrying amount will be recovered principally through a sale transaction rather than through continuing use. This condition is regarded as met only when the sale is highly probable and the asset is available for immediate sale in its present condition. Management must be committed to the sale, which should be expected to qualify for recognition as a completed sale within one year from the date of classification.

Non-current assets classified as held for sale are measured at the lower of their previous carrying amount and fair value less costs to sell.

### (y) Share-based payments

The Group provides benefits to certain employees in the form of cash settled share-based payments. For cash settled share-based payments, a liability equal to the portion of services received is recognised at the current fair value determined at each reporting date.

### (z) Income tax

Income tax on the profit or loss for the financial year comprises current and deferred tax. Income tax is recognised in the statement of comprehensive income 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 by the end of the reporting period, and any adjustment to tax payable in respect of previous financial years. Current tax for current and prior periods is recognised as a liability (or asset) to the extent that it is unpaid (or refundable).

Deferred tax 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 by the end of the reporting period.

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 Australian Pipeline Trust.

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 reports 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 reports 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.

# NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 30 JUNE 2010

## 3. Significant accounting policies (continued)

### **(aa) 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 finance leases are recorded as receivables. Finance lease receivables are initially recognised at amounts equal to the present value of the minimum lease payments receivable plus the present value of any unguaranteed residual value expected to accrue at the end of the lease term. Finance lease income is allocated to accounting periods so as to reflect a constant periodic rate of return on the net investment outstanding in respect of the leases.

#### **Group as lessee**

Assets held under finance leases 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 consolidated statement of financial position 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 of 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 recognised as an expense on a straight-line basis over the lease term, except where another systematic basis is more representative of the time patterns in which economic benefits from the leased asset are consumed.

### **(ab) 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.

### **(ac) 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 and is recognised when the services are provided.

#### **Pass-through revenue**

Pass-through revenue is revenue on which no margin is earned and is offset by corresponding pass-through costs.

# NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 30 JUNE 2010

## 3. Significant accounting policies (continued)

### **(ac) Revenue recognition (continued)**

#### **Interest revenue**

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

#### **Sale of non-current assets**

The net gain or loss on 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.

#### **Finance lease income**

Finance lease income is allocated to accounting periods so as to reflect a constant periodic rate of return on the Group's net investment outstanding in respect of the leases.

## 4. Critical accounting judgements and key sources of estimation uncertainty

In the application of the Consolidated Entity's accounting policies, management is required to make judgements, estimates and assumptions about the carrying values of assets and liabilities that are not readily apparent from other sources. The estimates and associated assumptions are based on historical experience and other factors that are considered to be relevant. Actual results may differ from 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.

The following are the critical judgements (apart from those involving estimations, which are dealt with below) that management has made in the process of applying the Group's accounting policies and that have the most significant effect on the amounts recognised in the financial statements:

#### **Accounting for acquisitions**

Assets acquired are recorded at the cost of acquisition, being the purchase consideration determined as at the date of acquisition. Cost is allocated to individual identifiable assets and liabilities.

Management makes a number of judgements in allocating cost, particularly in relation to the valuation of identifiable intangible assets such as contractual arrangements, including assumptions relating to potential contract renewals and associated useful life.

#### **Key sources of estimation uncertainty**

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.

#### **Impairment of assets**

Determining whether property, plant and equipment, identifiable intangible assets and goodwill are impaired requires an estimation of the value-in-use or fair value of the cash-generating units. The calculations require 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 2010

## 4. Critical accounting judgements and key sources of estimation uncertainty (continued)

### **Impairment of assets (continued)**

Estimates and assumptions used are reviewed on an ongoing basis.

Determining whether available-for-sale investments are impaired requires an assessment as to whether declines in value are significant or prolonged. Management has taken into account a number of qualitative and quantitative factors in making this assessment. Any assessment of whether a decline in value represents an impairment would result in the transfer of the decrement from reserves to the statement of comprehensive income.

### **Useful lives of non-current assets**

The Consolidated Entity reviews the estimated useful lives of property, plant and equipment at the end of each annual reporting period. Any reassessment of useful lives in a particular year will affect the depreciation or amortisation expense.

## 5. Segment information

The Consolidated Entity has adopted AASB 8 'Operating Segments' and AASB 2008-3 'Amendments to Australian Accounting Standards arising from AASB 8' with effect from 1 July 2009. AASB 8 requires operating segments to be identified on the basis of internal reports about components of the Consolidated Entity that are regularly reviewed by the chief operating decision maker in order to allocate resources to the segment and assess its performance. In contrast, the predecessor Standard (AASB 114 'Segment Reporting') required an entity to identify two sets of segments (business and geographical), using a risks and rewards approach, with the entity's system of internal financial reporting to key management personnel serving only as the starting point for the identification of such segments. There is no significant change to the reportable segments following the adoption of AASB 8 as the Consolidated Entity previously reported in this manner.

In October 2009 APA, together with Marubeni Corporation and Osaka Gas, acquired the North Brown Hill Wind farm. This acquisition is collectively known as Energy Infrastructure Investments 2 ("EII2").

In April 2010, APA acquired the Berwyndale to Wallumbilla Pipeline. This acquisition has been included in Gas transmission and distribution.

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

### **(a) Description of reportable segments**

The Consolidated Entity comprises the following reportable segments:

- gas transmission and distribution;
- asset management;
- energy investments; and historically
- electricity transmission and complementary assets (sold during the year ended 30 June 2009).

## NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 30 JUNE 2010

## 5. Segment information (continued)

## (b) Reportable segments

	Gas transmission & distribution	Asset management	Energy investments	Consolidated
2010	\$000	\$000	\$000	\$000
<b>Segment revenue <sup>(d)</sup></b>				
External sales revenue	563,800	60,053	320	624,173
Equity accounted net profits	-	-	13,687	13,687
Pass-through revenue	152,501	177,441	-	329,942
Finance lease and investment interest income	2,421	-	1,350	3,771
Distribution - other entities	-	-	4,051	4,051
<b>Total segment revenue</b>	<b>718,722</b>	<b>237,494</b>	<b>19,408</b>	<b>975,624</b>
Significant items				-
Other interest income				13,866
<b>Consolidated revenue</b>				<b>989,490</b>
<b>Segment result</b>				
Earnings before interest, tax, depreciation and amortisation ("EBITDA")	406,167	32,317	4,033	442,517
Share of net profits of jointly controlled entities accounted for using the equity method	-	-	13,687	13,687
Finance lease and investment interest income	2,421	-	1,350	3,771
Total EBITDA (excluding significant items)	408,588	32,317	19,070	459,975
Depreciation and amortisation	(85,798)	(5,628)	-	(91,426)
Earnings before interest and tax ("EBIT") (excluding significant items)	322,790	26,689	19,070	368,549
Net finance costs <sup>(a)</sup>				(229,369)
<b>Profit before tax (excluding significant items)</b>				<b>139,180</b>
Income tax expense				(38,672)
<b>Profit for the year (excluding significant items)</b>				<b>100,508</b>
Significant items after tax				-
<b>Profit for the year</b>				<b>100,508</b>
<b>Segment assets and liabilities</b>				
Segment assets	4,126,963	222,039	19,781	4,368,783
Carrying value of investments accounted for using the equity method			403,528	403,528
Unallocated assets <sup>(b)</sup>				210,125
<b>Total assets</b>				<b>4,982,436</b>
Acquisition of segment assets	103,026	-	-	103,026
Segment liabilities	148,216	69,499	565	218,280
Unallocated liabilities <sup>(c)</sup>				3,369,011
<b>Total liabilities</b>				<b>3,587,291</b>

(a) Excluding finance lease income and any gains or losses on revaluation of derivatives included as part of EBIT for segment reporting purposes.

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

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

(d) The revenue reported above represents revenue generated from external customers, any intersegment sales were immaterial.



## NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 30 JUNE 2010

## 5. Segment information (continued)

## (b) Reportable segments (continued)

2009 <sup>(a)</sup>	Gas transmission & distribution \$000	Asset management \$000	Energy investments \$000	Electricity transmission <sup>(e)</sup> \$000	Complementary assets \$000	Consolidated \$000
<b>Segment revenue <sup>(f)</sup></b>						
External sales revenue	550,650	60,476	573	13,120	7,407	632,226
Equity accounted net profits	-	-	6,143	-	-	6,143
Pass-through revenue	88,457	182,930	-	-	-	271,387
Finance lease and investment interest income	2,438	-	1,477	-	3,855	7,770
Distribution - other entities	-	-	3,536	-	-	3,536
<b>Total segment revenue</b>	<b>641,545</b>	<b>243,406</b>	<b>11,729</b>	<b>13,120</b>	<b>11,262</b>	<b>921,062</b>
Significant items						5,363
Other interest income						23,354
<b>Consolidated revenue</b>						<b>949,779</b>
<b>Segment result</b>						
Earnings before interest, tax, depreciation and amortisation ("EBITDA")	394,326	22,625	3,947	8,728	836	430,462
Share of net profits of jointly controlled entities accounted for using the equity method	-	-	6,143	-	-	6,143
Finance lease and investment interest income	2,438	-	1,477	-	3,855	7,770
<b>Total EBITDA (excluding significant items)</b>	<b>396,764</b>	<b>22,625</b>	<b>11,567</b>	<b>8,728</b>	<b>4,691</b>	<b>444,375</b>
Depreciation and amortisation	(82,856)	(8,497)	(57)	(4,230)	-	(95,640)
Earnings before interest and tax ("EBIT")						
(excluding significant items)	313,908	14,128	11,510	4,498	4,691	348,735
Net finance costs <sup>(b)</sup>						(212,991)
<b>Profit before tax (excluding significant items)</b>						<b>135,744</b>
Income tax expense						(35,922)
<b>Profit for the year (excluding significant items)</b>						<b>99,822</b>
Significant items after tax						(20,972)
<b>Profit for the year</b>						<b>78,850</b>
<b>Segment assets and liabilities</b>						
Segment assets	3,945,592	246,753	21,919	-	21,571	4,235,835
Carrying value of investments accounted for using the equity method	-	-	388,416	-	-	388,416
Unallocated assets <sup>(c)</sup>						123,076
<b>Total assets</b>						<b>4,747,327</b>
Segment liabilities	121,291	56,001	499	-	11,225	189,016
Unallocated liabilities <sup>(d)</sup>						3,279,856
<b>Total liabilities</b>						<b>3,468,872</b>

(a) All equity accounted investments have been reclassified from Gas transmission & distribution to Energy investments. This new segment includes APA's investments which were previously in the Gas transmission & distribution segment, namely Envestra, SEAGas Pipeline and the Ethane Pipeline Income Fund. EII is also included in this segment from 12 December 2008.

(b) Excluding finance lease income and any gains or losses on revaluation of derivatives included as part of EBIT for segment reporting purposes.

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

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

(e) Electricity transmission includes income and expenses up to the 12 December 2008, when the assets were sold to EII.

(f) The revenue reported above represents revenue generated from external customers, any intersegment sales were immaterial.

## NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 30 JUNE 2010

**5. Segment information (continued)****(c) Other segment information****Revenue from major products and services**

The revenue from major products and services is shown by the reportable segments. No further analysis is required.

**Information about major customers**

Included in revenues arising from gas transmission and distribution of \$563.8 million (2009: \$550.7 million) are revenues of approximately \$236.6 million (2009: \$241.0 million) which arose from sales to the Consolidated Entity's top three customers.

**6. Revenue**

An analysis of the Consolidated Entity's revenue for the year is as follows:

**Continuing operations**

	Consolidated		Trust	
	2010	2009	2010	2009
	\$000	\$000	\$000	\$000
<b>Operating revenue</b>				
Gas transmission and distribution revenue:				
• gas transmission and distribution revenue	563,378	544,864	-	-
• pass-through revenue	152,501	88,457	-	-
	715,879	633,321	-	-
Asset management revenue:				
• asset management revenue	59,393	69,129	-	-
• pass-through revenue	177,441	182,930	-	-
	236,834	252,059	-	-
Energy investments	320	2,124	-	-
Electricity transmission revenue	-	13,120	-	-
Complementary assets revenue	-	7,407	-	-
	953,033	908,031	-	-
Share of net profits of jointly controlled entities accounted for using the equity method	13,687	6,143	-	-
<b>Finance income</b>				
Interest	13,866	23,354	340	119
Redeemable ordinary shares (EII) interest income	1,350	676	-	-
Envestra loan note interest income	-	801	-	-
Finance lease income	2,421	6,293	-	-
	17,637	31,124	340	119
<b>Dividends</b>				
Wholly-owned controlled entities	-	-	25,673	78,815
Other entities	4,051	3,536	24,282	7,500
	4,051	3,536	49,955	86,315
<b>Other income</b>				
Rental income	1,082	945	-	-
Other revenue	-	-	-	2,028
	1,082	945	-	2,028
	989,490	949,779	50,295	88,462

## NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 30 JUNE 2010

**7. Expenses**

Profit before tax includes the following expenses:

	Consolidated		Trust	
	2010	2009	2010	2009
	\$000	\$000	\$000	\$000
<b>Depreciation and amortisation expense</b>				
Depreciation of non-current assets	86,387	90,518	-	-
Amortisation of non-current assets	5,039	5,122	-	-
	91,426	95,640	-	-
<b>Other operating costs - pass-through</b>				
Operating lease rental expenses	16,909	18,240	-	-
Gas pipeline costs	135,592	70,217	-	-
	152,501	88,457	-	-
Management, operating and maintenance costs	177,441	182,930	-	-
	329,942	271,387	-	-
<b>Finance costs</b>				
Interest on bank overdrafts and borrowings	223,223	235,305	-	-
Amortisation of deferred borrowing costs	10,749	2,453	-	-
Finance lease charges	55	49	-	-
Other finance costs	11,279	1,159	-	-
	245,306	238,966	-	-
Less: amounts included in the cost of qualifying assets	(2,512)	(2,791)	-	-
	242,794	236,175	-	-
Loss on fair value of other derivatives	-	8,733	-	-
Unwinding of discount on non-current provisions	441	170	-	-
	243,235	245,078	-	-
<b>Employee benefit expense</b>				
Post-employment benefits:				
Defined contribution plans	6,296	5,911	-	-
Defined benefit plans	1,876	2,115	-	-
	8,172	8,026	-	-
Termination benefits	781	1,812	-	-
Cash settled share-based payments	9,518	7,422	-	-
Other employee benefits	79,388	73,551	-	-
	97,859	90,811	-	-
<b>Other expenses</b>				
Impairment of trade receivables	2,211	2,414	-	-
Loss on disposal of property, plant and equipment	2,799	1,452	-	-

The average capitalisation rate on funds borrowed generally is 7.86% p.a. (2009: 6.93% p.a.) including amortisation of borrowing costs and other finance costs.

## NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 30 JUNE 2010

**8. Significant items**

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

	Consolidated		Trust	
	2010	2009	2010	2009
	\$000	\$000	\$000	\$000
<b>Significant (expense)/income items</b>				
Revaluation of interest rates swaps - deemed ineffective under AASB 139 'Financial Instruments: Recognition and Measurement'	-	(8,733)	-	-
Loss on sale of business	-	(16,167)	-	(1,955)
Telfer litigation	-	(1,475)	-	-
Envestra underwriting fee	-	1,551	-	1,509
DUOS revenue accrual on APA Gas Network Queensland	-	3,812	-	-
Loss from significant items before related income tax	-	(21,012)	-	(446)
Income tax related to significant items above	-	(5,948)	-	134
Overprovision prior year income tax	-	5,988	-	-
Loss from significant items after related income tax	-	(20,972)	-	(312)

**9. Income tax****Income tax recognised in profit or loss****Tax expense/(income) comprises:**

Current tax expense/(income) in respect of the current year	(2,678)	8,900	296	-
Adjustments recognised in the current year in relation to current tax of prior years	2,678	(9,723)	(296)	411
	-	(823)	-	411
Deferred tax expense relating to the origination and reversal of temporary differences	38,672	36,705	5,236	2,786
Total tax expense	38,672	35,882	5,236	3,197
<b>Attributable to:</b>				
Profit from continuing operations	38,672	35,882	5,236	3,197

## NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 30 JUNE 2010

**9. Income tax (continued)**

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:

	Consolidated		Trust	
	2010 \$000	2009 \$000	2010 \$000	2009 \$000
Profit before tax	139,180	114,732	45,330	90,367
Income tax expense calculated at 30%	41,754	34,420	13,599	27,110
Effect of interest expense not deductible in determining taxable profit	2,660	2,548	-	-
Effect of non-assessable trust distribution	(11,331)	(10,219)	-	-
Effect of transactions within the tax-consolidated group that are exempt from taxation	-	-	(6,187)	(23,645)
Effect of expenses that are not deductible in determining taxable profit	3,635	18,551	-	-
Effect of income that is not assessable in determining taxable profit	(8,028)	-	(2,686)	(679)
Effect of income that is not assessable in determining accounting profit	7,994	824	806	-
Investment allowance	(690)	(519)	-	-
	35,994	45,605	5,532	2,786
Adjustment recognised in the current year in relation to the current tax of prior years	2,678	(9,723)	(296)	411
	38,672	35,882	5,236	3,197

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.

**Income tax recognised directly in equity**

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

	Consolidated		Trust	
	2010 \$000	2009 \$000	2010 \$000	2009 \$000
<b>Deferred income tax</b>				
Revaluation of financial instruments treated as cash flow hedges	19,035	(23,180)	-	-
Actuarial movements on defined benefit plans	(2,446)	(2,933)	-	-
Revaluation of available-for-sale financial assets	62	-	62	-
Income tax (benefit)/expense reported in equity	16,651	(26,113)	62	-
<b>Deferred tax balances</b>				
<b>Deferred tax liabilities</b>				
Temporary differences	(467,804)	(416,854)	(207)	(156)
	(467,804)	(416,854)	(207)	(156)
<b>Deferred tax assets</b>				
Temporary differences	32,667	23,611	-	-
Tax losses <sup>(a)</sup>	137,329	150,557	137,030	150,557
	169,996	174,369	137,030	150,557
	(297,808)	(242,485)	136,823	150,401

(a) Movement is the transfer of taxable income from the controlled entities to the head entity of the tax-consolidated group.

## NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 30 JUNE 2010

**9. Income tax (continued)****Deferred tax balances**

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

	Opening balance \$000	Charged to income \$000	Consolidated Charged to equity \$000	Acquisitions/ disposals \$000	Closing balance \$000
<b>2010</b>					
<b>Gross deferred tax liabilities</b>					
Intangible assets	(526)	(4,530)	-	-	(5,056)
Property, plant and equipment	(392,632)	(15,536)	-	(12)	(408,180)
Deferred expenses	(20,142)	(10,546)	-	-	(30,688)
Cash flow hedges	(3,505)	(736)	(13,793)	-	(18,034)
Investments equity accounted	201	316	(5,242)	-	(4,725)
Available for sale investments	-	-	(62)	-	(62)
Other	(49)	(1,010)	-	-	(1,059)
	<b>(416,653)</b>	<b>(32,042)</b>	<b>(19,097)</b>	<b>(12)</b>	<b>(467,804)</b>
<b>Gross deferred tax assets</b>					
Provisions	14,493	7,163	-	12	21,668
Deferred revenue	4,721	790	-	-	5,511
Defined benefit obligation	4,397	(1,355)	2,446	-	5,488
Tax losses	150,557	(13,228)	-	-	137,329
	<b>174,168</b>	<b>(6,630)</b>	<b>2,446</b>	<b>12</b>	<b>169,996</b>
	<b>(242,485)</b>	<b>(38,672)</b>	<b>(16,651)</b>	<b>-</b>	<b>(297,808)</b>
				Consolidated 2010 \$000	2009 \$000

Presented in the statement of financial position as follows:

Deferred tax liabilities attributable to:

Continuing operations	(297,808)	(242,485)
	<b>(297,808)</b>	<b>(242,485)</b>

Deferred tax assets attributable to:

Continuing operations	-	-
	-	-
	<b>(297,808)</b>	<b>(242,485)</b>



## NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 30 JUNE 2010

**9. Income tax (continued)****Deferred tax balances (continued)**

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

	Opening balance \$000	Charged to income \$000	Consolidated Charged to equity \$000	Acquisitions/ disposals \$000	Closing balance \$000
<b>2009</b>					
<b>Gross deferred tax liabilities</b>					
Intangible assets	(736)	210	-	-	(526)
Property, plant and equipment	(355,388)	(39,993)	-	2,749	(392,632)
Deferred expenses	(8,704)	(11,520)	-	82	(20,142)
Cash flow hedges	(26,657)	989	23,180	(1,017)	(3,505)
Other	-	(49)	-	-	(49)
	(391,485)	(50,363)	23,180	1,814	(416,854)
<b>Gross deferred tax assets</b>					
Provisions	14,039	317	-	137	14,493
Deferred revenue	5,139	(682)	-	264	4,721
Defined benefit obligation	2,044	(580)	2,933	-	4,397
Investments equity accounted	-	201	-	-	201
Other	481	(481)	-	-	-
Tax losses	135,674	14,883	-	-	150,557
	157,377	13,658	2,933	401	174,369
	(234,108)	(36,705)	26,113	2,215	(242,485)
	Opening balance \$000	Charged to income \$000	Trust Charged to equity \$000	Transfers \$000	Closing balance \$000
<b>2010</b>					
<b>Gross deferred tax liabilities</b>					
Available for sale investments	-	-	(62)	-	(62)
Other	(156)	11	-	-	(145)
	(156)	11	(62)	-	(207)
<b>Gross deferred tax assets</b>					
Investments equity accounted	-	-	-	-	-
Tax losses	150,557	(5,247)	-	(8,280)	137,030
	150,557	(5,247)	-	(8,280)	137,030
	150,401	(5,236)	(62)	(8,280)	136,823
<b>2009</b>					
<b>Gross deferred tax liabilities</b>					
Other	2	(158)	-	-	(156)
	2	(158)	-	-	(156)
<b>Gross deferred tax assets</b>					
Investments equity accounted	-	-	-	-	-
Tax losses	135,674	(2,628)	-	17,511	150,557
	135,674	(2,628)	-	17,511	150,557
	135,676	(2,786)	-	17,511	150,401

# NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 30 JUNE 2010

## 9. Income tax (continued)

### Unrecognised deferred tax assets

	Consolidated		Trust	
	2010	2009	2010	2009
	\$000	\$000	\$000	\$000
The following deferred tax assets have not been brought to account as assets:				
Tax losses - capital	11,898	6,527	11,898	6,527

### Tax consolidation

#### Relevance of tax consolidation to the Group

The Trust and its wholly-owned Australian resident entities have formed a tax-consolidated group with effect from 1 July 2003 and are therefore taxed as a single entity from that date. The head entity within the tax-consolidated group is Australian Pipeline Trust. The members of the tax-consolidated group are identified at Note 39.

#### 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, Australian Pipeline Trust 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. The effect of the tax sharing agreement is that each member's liability for the tax payable by the tax-consolidated group is limited to the amount payable to the head entity under the tax funding arrangement.

## 10. Distributions

### (a) Recognised amounts

	2010	Trust		2009
	cents per	2010	2009	2009
	security	Total	cents per	Total
		\$000	security	\$000
<b>Final distribution paid on 15 September 2009</b>				
(2009: 10 September 2008)				
Profit distribution <sup>(a)</sup>	2.7	13,684	9.0	42,142
<b>Semi-annual distribution paid on 17 March 2010</b>				
(2009: 27 March 2009)				
Profit distribution <sup>(a)</sup>	5.7	28,832	9.0	44,095
	8.4	42,516	18.0	86,237

### Unrecognised amounts

#### Final distribution payable on 15 September 2010

(2009: 15 September 2009)

Profit distribution <sup>(a)</sup>	1.7	9,364	2.7	13,684
	1.7	9,364	2.7	13,684

## NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 30 JUNE 2010

**10. Distributions (continued)****(b) Recognised amounts**

	2010 cents per security	APT and APTIT 2010 Total \$000	2009 cents per security	2009 Total \$000
<b>Final distribution paid on 15 September 2009</b>				
(2009: 10 September 2008)				
Profit distribution - APT <sup>(a)</sup>	2.7	13,684	9.0	42,142
Profit distribution - APTIT <sup>(a)</sup> (Note 31)	2.2	10,809	3.4	16,014
Capital distribution - APTIT (Note 31)	11.1	55,293	2.6	12,081
<b>Semi-annual distribution paid on 17 March 2010</b>				
(2009: 27 March 2009)				
Profit distribution - APT <sup>(a)</sup>	5.7	28,832	9.0	44,095
Profit distribution - APTIT <sup>(a)</sup> (Note 31)	3.5	17,847	2.9	14,221
Capital distribution - APT (Note 28)	5.0	25,320	0.0	-
Capital distribution - APTIT (Note 31)	1.6	8,141	3.1	15,176
	<b>31.7</b>	<b>159,926</b>	<b>30.0</b>	<b>143,729</b>

(a) Profit distributions were unfranked (2009: unfranked).

**Unrecognised amounts****Final distribution payable on 15 September 2010**

(2009: 15 September 2009)				
Profit distribution - APT <sup>(a)</sup>	1.7	9,364	2.7	13,684
Profit distribution - APTIT <sup>(a)</sup>	3.7	19,928	2.2	10,809
Capital distribution - APT	8.6	46,552	0.0	-
Capital distribution - APTIT	3.0	16,350	11.1	55,293
	<b>17.0</b>	<b>92,194</b>	<b>16.0</b>	<b>79,786</b>

(a) Profit distributions were unfranked (2009: 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	
	2010 \$000	2009 \$000	2010 \$000	2009 \$000
Adjusted franking account balance (tax paid basis)	3,350	193	3,350	193

## NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 30 JUNE 2010

11. Trade and other receivables

	Consolidated		Trust	
	2010	2009	2010	2009
	\$000	\$000	\$000	\$000
Trade receivables	104,382	104,033	-	37
Allowance for doubtful debts	(2,211)	(2,414)	-	-
	102,171	101,619	-	37
Receivables from associates and related parties	36,976	37,991	482	482
Finance lease receivables (Note 32)	3,181	2,737	-	-
Interest receivable	148	123	3	1
Other debtors	53	28	-	7,265
	142,529	142,498	485	7,785

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

**Ageing of past due but not impaired**

30 - 60 days	3,201	2,856	-	-
60 - 90 days	91	284	-	-
90 - 120 days	3,022	3,076	-	-
Total	6,314	6,216	-	-

**Movement in the allowance for doubtful debts**

Balance at beginning of year	2,414	20	-	-
(Credited)/charged to statement of comprehensive income	(203)	2,394	-	-
Balance at end of year	2,211	2,414	-	-

In determining the recoverability of a trade receivable, the Consolidated Entity considers any change in the credit quality of the trade receivable from the date the credit was initially granted up to the reporting date. The concentration of credit risk is limited due to the customer base being large and unrelated.

Included in the allowance for doubtful debts is an individual trade receivable with a balance of \$2.205 million (2009: \$2.390 million) which has been placed into receivership.

**Ageing of impaired receivables**

90 - 120 days	2,205	2,394	-	-
Total	2,205	2,394	-	-

12. Inventories

Spare parts - at cost	10,385	10,371	-	-
Gas stock	313	3,785	-	-
	10,698	14,156	-	-

13. Other current assets

Prepayments	3,757	4,182	-	-
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## NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 30 JUNE 2010

14. Non-current receivables

	Consolidated		Trust	
	2010	2009	2010	2009
	\$000	\$000	\$000	\$000
Finance lease receivables (Note 32)	21,344	21,168	-	-
Loans from controlled entities	-	-	355,751	-
Loan receivable - related party	58	-	-	-
	21,402	21,168	355,751	-

15. Other non-current financial assets

## Investments carried at cost:

Investments in controlled entities	-	-	371,551	1,303,316
Envestra	-	-	265,197	242,807
Energy Infrastructure Investment	-	-	329	329

## Available-for-sale investments carried at fair value:

Ethane Pipeline Income Fund	5,751	3,497	2,738	1,306
Hastings Diversified Utilities Fund	111,321	-	-	-
Other	4	4	-	-

## Financial assets carried at amortised cost:

Redeemable ordinary shares	12,109	10,758	-	-
	129,185	14,259	639,815	1,547,758

Available-for-sale investments consist of investments in ordinary securities, and therefore have no fixed maturity date or coupon rate. The fair value of listed available-for-sale investments has been determined directly by reference to published price quotations in an active market.

Financial assets carried at amortised cost relate to APA Group's 19.9% investment in Energy Infrastructure Investments Pty Ltd where APL, as responsible entity for APTIT, acquired the redeemable ordinary shares, which include a debt component. This debt component amortises over ten years from December 2008 at 12% per annum.

## NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 30 JUNE 2010

16. Investments accounted for using the equity method

	Consolidated		Trust	
	2010	2009	2010	2009
	\$000	\$000	\$000	\$000
Investments in jointly controlled entities	403,528	388,416	-	-
Reconciliation of movements in investments accounted for using the equity method				
Balance at 1 July	388,416	136,314	-	-
Transfer at fair value from available-for-sale investments	-	207,996	-	-
Acquisitions during the year	22,396	67,561	-	-
Share of net profit for the year	13,687	6,143	-	-
Movement in reserves	13,622	(6,409)	-	-
	438,121	411,605	-	-
Dividends	(34,593)	(23,189)	-	-
Balance at 30 June	403,528	388,416	-	-

Name of entity	Principal activity	Country of incorporation	Ownership interest %	
			2010	2009
SEA Gas	Gas transmission	Australia	33.33	33.33
CAMS	Water management	Australia	50.00	50.00
Envestra Limited <sup>(a)</sup>	Gas transmission	Australia	31.66	30.36
Energy Infrastructure Investments	Unlisted energy vehicle	Australia	19.90	19.90
Energy Infrastructure Investments 2 <sup>(b)</sup>	Unlisted energy vehicle	Australia	20.20	-

Summarised financial information in respect of the jointly controlled entities is set out below:

	Consolidated	
	2010	2009
	\$000	\$000
<b>Financial position</b>		
Total assets	4,449,597	4,148,903
Total liabilities	3,568,440	3,218,022
Net assets	881,157	930,881
Consolidated Entity's share of jointly controlled entities net assets	281,585	284,421

**Financial performance**

Total revenue	343,575	493,519
Total profit for the year	56,011	47,560
Consolidated Entity's share of jointly controlled entities profit	13,687	6,143

(a) APA participated in Envestra's Distribution Reinvestment Plan under Envestra's October and April Distribution, increasing its interest in Envestra from 30.36% to 31.66%.

(b) In October 2009, APA, together with Marubeni Corporation and Osaka Gas, acquired the North Brown Hill Wind Farm from AGL. This project is currently under construction and due to be completed by June 2011. APA's share is 20.2%.

The Consolidated Entity has unrecognised losses for Energy Infrastructure Investments 2 of \$0.3 million.

**Contingent liabilities and capital commitments**

The Consolidated Entity's share of the contingent liabilities, capital commitments and other expenditure commitments of joint venture entities is disclosed in Notes 47 and 42 respectively.

## NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 30 JUNE 2010

17. Property, plant and equipment

	Freehold land and buildings - at cost \$000	Leasehold improvements - at cost \$000	Consolidated Plant and equipment - at cost \$000	Work in progress - at cost \$000	Total \$000
<b>Gross carrying amount</b>					
Balance at 1 July 2008	111,982	1,665	3,322,303	66,389	3,502,339
Additions	-	649	3,105	297,264	301,018
Disposals	(3,854)	(179)	(5,344)	(105,686)	(115,063)
Acquisitions through business combinations	-	86	22,822	-	22,908
Transfer to assets classified as finance leases	-	-	-	(2,635)	(2,635)
Transfers	153	(8)	100,889	(101,034)	-
Balance at 1 July 2009	108,281	2,213	3,443,775	154,298	3,708,567
Additions	-	-	37	126,636	126,673
Disposals	-	-	(6,959)	-	(6,959)
Acquisitions through business combinations	70	-	87,058	-	87,128
Transfer to assets classified as finance leases	-	-	-	(3,495)	(3,495)
Transfers	5,165	692	146,209	(152,303)	(237)
Balance at 30 June 2010	113,516	2,905	3,670,120	125,136	3,911,677
<b>Accumulated depreciation</b>					
Balance at 1 July 2008	(9,030)	(667)	(255,919)	-	(265,616)
Disposals	571	122	9,319	-	10,012
Depreciation expense	(2,243)	(753)	(87,522)	-	(90,518)
Transfers	-	100	(100)	-	-
Balance at 1 July 2009	(10,702)	(1,198)	(334,222)	-	(346,122)
Disposals	-	-	4,160	-	4,160
Depreciation expense	(1,657)	(342)	(84,388)	-	(86,387)
Transfers	-	(32)	32	-	-
Balance at 30 June 2010	(12,359)	(1,572)	(414,418)	-	(428,349)
<b>Net book value</b>					
As at 30 June 2009	97,579	1,015	3,109,553	154,298	3,362,445
As at 30 June 2010	101,157	1,333	3,255,702	125,136	3,483,328

The Trust has no property, plant and equipment.



## NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 30 JUNE 2010

18. Goodwill

	Consolidated		Trust	
	2010	2009	2010	2009
	\$000	\$000	\$000	\$000
<b>Gross carrying amount</b>				
Balance at beginning of financial year	520,779	520,774	-	-
Finalisation of provisional purchase price accounting	-	5	-	-
Balance at end of financial year	520,779	520,779	-	-

**Allocation of goodwill to cash-generating units**

Goodwill has been allocated for impairment testing purposes to the following individual cash-generating units:

**Individual cash-generating units**

- Asset management business;
- Gas transmission pipelines in New South Wales, Queensland and Western Australia;
- Victorian transmission system; and
- APA Gas Networks.

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

	Consolidated	
	2010	2009
	\$000	\$000
Asset management business	37,828	37,828
Gas transmission pipelines in New South Wales, Queensland and Western Australia	272,692	272,692
Victorian transmission system	105,061	105,061
APA Gas Networks	104,263	104,263
Other	935	935
	520,779	520,779

The recoverable amounts of cash-generating units are determined based on value-in-use calculations. These calculations use cash flow projections based on a five year financial business plan and thereafter a further 15 year financial model, being the basis of the Group's forecasting and planning processes.

For fully regulated assets, cash flows have been extrapolated on the basis of existing transportation contracts and government policy settings, and expected contract renewals with resulting average annual growth rates of between 1.0% and 3.6% p.a. These expected cash flows are factored into the regulated asset base and do not exceed management's expectations of the long-term average growth rate for the market in which the CGU operates.

For non-regulated assets, APA has assumed no capacity expansion beyond installed and committed levels; utilisation of capacity is based on existing contracts, government policy settings and expected market outcomes.

Asset management cash flow projections reflect long term agreements with assumptions of renewal on similar terms and conditions based on management expectations.

Cash flow projections are estimated for a period of up to 20 years, with a terminal value, recognising the long term nature of the assets. The pre-tax discount rates used are 9.0% p.a. (2009: 9.0% p.a.) for gas transmission and distribution assets and 9.0% p.a. (2009: 9.0% p.a.) for asset management.

These assumptions have been determined with reference to historic information, current performance and expected changes taking into account external information.

## NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 30 JUNE 2010

19. Other intangible assets

	Consolidated		Trust	
	2010	2009	2010	2009
	\$000	\$000	\$000	\$000
Right to receive pipeline tariff	1,053	1,753	-	-
Contract intangibles	178,229	166,768	-	-
	179,282	168,521	-	-
<b>Right to receive pipeline tariff</b>				
<b>Gross carrying amount</b>				
Balance at 1 July 2009	15,677	15,677	-	-
Balance at 30 June 2010	15,677	15,677	-	-
<b>Accumulated amortisation and impairment</b>				
Balance at 1 July 2009	(13,924)	(13,224)	-	-
Amortisation expense	(700)	(700)	-	-
Balance at 30 June 2010	(14,624)	(13,924)	-	-
<b>Net book value</b>	1,053	1,753	-	-
<b>Contract intangibles</b>				
<b>Gross carrying amount</b>				
Balance at 1 July 2009	175,075	173,075	-	-
Acquisitions	15,800	2,000	-	-
Balance at 30 June 2010	190,875	175,075	-	-
<b>Accumulated amortisation and impairment</b>				
Balance at 1 July 2009	(8,307)	(3,885)	-	-
Amortisation expense	(4,339)	(4,422)	-	-
Balance at 30 June 2010	(12,646)	(8,307)	-	-
<b>Net book value</b>	178,229	166,768	-	-

The Consolidated Entity holds various third party operating and maintenance contracts. The combined gross carrying amount of \$190.875 million amortises over terms ranging from one to 60 years. Useful life is determined based on the underlying contractual terms plus estimations of renewal of up to two terms where considered probable by management. Amortisation expense is included in the line item of depreciation and amortisation expense in the statement of comprehensive income.

In April 2010, APA Group acquired the Berwyndale to Wallumbilla Pipeline for \$87.2 million. This 112 km pipeline extends from the Berwyndale coal-seam gas fields to the Wallumbilla hub in Central Queensland. The purpose of this acquisition is to connect three major pipelines including the Roma to Brisbane Pipeline. As part of the acquisition a contract intangible was recognised for \$15.8 million relating to a gas transportation agreement with AGL which has a one time exercisable option, which if exercised will generate an increased revenue stream from AGL.

20. Other non-current assets

Line pack gas	2,354	1,160	-	-
Gas held in storage	2,361	-	-	-
Other assets	2,293	928	-	-
	7,008	2,088	-	-

## NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 30 JUNE 2010

**21. Trade and other payables**

	Consolidated		Trust	
	2010	2009	2010	2009
	\$000	\$000	\$000	\$000
Trade payables <sup>(a)</sup>	18,872	19,481	-	-
Other payables <sup>(b)</sup>	112,967	90,394	-	26
Payables to associates	-	7	-	-
Non-trade payables to: Wholly-owned controlled entities <sup>(c)</sup>	-	-	136,823	150,401
	131,839	109,882	136,823	150,427

(a) Trade payables are non-interest bearing and are normally settled on 15 - 30 day terms.

(b) Predominantly consists of creditor capital expenditure accruals and external interest payable accruals.

(c) Includes amounts arising from APA's tax sharing agreement between APA and each of the entities in the tax-consolidated group (Note 9).

**22. Current borrowings****Unsecured - at amortised cost**

Bank borrowings	-	900,000	-	-
Guaranteed Senior Notes	102,000	-	-	-

**Secured - at amortised cost**

Bank Borrowings <sup>(a)</sup>	1,645	-	-	-
Finance lease liabilities <sup>(b)</sup> (Note 32)	238	219	-	-
	1,883	219	-	-
	103,883	900,219	-	-

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

(b) Secured by the assets leased; the current weighted average effective interest rate on the finance lease liabilities is 8.01% p.a. (2009: 7.96% p.a.).

**23. Other current financial liabilities****Derivatives**

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

Forward foreign exchange contracts	152	-	-	-
Interest rate swaps	8,586	7,648	-	-
	8,738	7,648	-	-

## NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 30 JUNE 2010

**24. Provisions**

	Consolidated		Trust	
	2010	2009	2010	2009
	\$000	\$000	\$000	\$000
<b>Current</b>				
Employee benefits <sup>(a)</sup>	39,497	38,477	-	-
Other (Note 33)	3,460	957	-	-
	42,957	39,434	-	-
<b>Non-current</b>				
Employee benefits <sup>(a)</sup>	28,645	20,627	-	-
Other (Note 33)	3,040	2,830	-	-
	31,685	23,457	-	-

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

<b>Current</b>				
Incentives	5,922	6,902	-	-
Cash settled share-based payments	1,969	452	-	-
Retention award	-	632	-	-
Restructuring costs	355	1,093	-	-
Leave balances	31,251	29,398	-	-
	39,497	38,477	-	-
<b>Non-current</b>				
Cash settled share-based payments	7,271	3,479	-	-
Retirement benefit obligation (Note 34)	18,294	14,656	-	-
Leave balances	3,080	2,492	-	-
	28,645	20,627	-	-

**25. Other liabilities**

<b>Current</b>				
Unearned revenue - interest	9,260	8,870	-	-
Unearned revenue - other	1,614	4,172	-	-
	10,874	13,042	-	-
<b>Non-current</b>				
Unearned revenue - other	925	3,202	-	-
	925	3,202	-	-

## NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 30 JUNE 2010

26. Non-current borrowings

	Consolidated		Trust	
	2010	2009	2010	2009
	\$000	\$000	\$000	\$000
<b>Unsecured - at amortised cost</b>				
Bank borrowings <sup>(a)</sup>	1,665,324	850,000	-	-
Guaranteed Senior Notes <sup>(b)</sup>	1,253,596	1,214,258	-	-
Less: amortised borrowing costs	(27,409)	(8,529)	-	-
	<b>2,891,511</b>	<b>2,055,729</b>	<b>-</b>	<b>-</b>
<b>Secured - at amortised cost</b>				
Bank borrowings <sup>(c)</sup>	-	1,645	-	-
Finance lease liabilities <sup>(d)</sup> (Note 32)	380	501	-	-
	<b>380</b>	<b>2,146</b>	<b>-</b>	<b>-</b>
	<b>2,891,891</b>	<b>2,057,875</b>	<b>-</b>	<b>-</b>

(a) Relates to the non-current portion of long-term borrowings. (Refer to Note 37 for details of interest rates).

(b) Represents US denominated notes of US\$659 million (2009: US\$659 million) measured at the exchange rate at reporting date, and A\$416.9 million of A\$ denominated notes (2009: A\$416.9 million).

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

(d) Secured by the assets leased. The current weighted average effective interest rate on the finance lease liabilities is 8.01% p.a. (2009: 7.96% p.a.).

27. Other non-current financial liabilities

Derivatives - at fair value:

Interest rate swaps - cash flow hedges	41,335	49,414	-	-
Foreign exchange hedges - cash flow hedges	25,356	22,214	-	-
Loans carried at amortised cost:				
Loans from controlled entities	-	-	-	648,738
	<b>66,691</b>	<b>71,628</b>	<b>-</b>	<b>648,738</b>

## NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 30 JUNE 2010

**28. Issued capital**

	Consolidated		Trust	
	2010	2009	2010	2009
	\$000	\$000	\$000	\$000
<b>Securities</b>				
542,318,629 securities, fully paid (2009: 498,663,596 securities, fully paid) <sup>(a)</sup>	<b>984,936</b>	894,435	<b>984,936</b>	894,435
	2010	Consolidated and Trust		2009
	No. of	2010	2009	2009
	securities		No. of	
	000	\$000	securities	\$000
<b>Movements</b>				
Balance at beginning of financial year	<b>498,664</b>	<b>894,435</b>	468,241	844,150
Issue of securities under Distribution Reinvestment Plan	<b>18,377</b>	<b>41,720</b>	18,718	29,185
Issue of securities under Security Purchase Plan	<b>25,278</b>	<b>64,463</b>	11,705	21,493
Capital return to securityholders (Note 10(b))	-	(25,320)	-	-
Equity values adjustment between stapled entities	-	<b>9,868</b>	-	-
Issue cost of securities	-	(230)	-	(393)
Balance at end of financial year	<b>542,319</b>	<b>984,936</b>	498,664	894,435

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

Changes to the then Corporations Law abolished the authorised capital and par value concept in relation to issued capital from 1 July 1998. Therefore, the Trust does not have a limited amount of authorised capital and issued securities do not have a par value.

## NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 30 JUNE 2010

**29. Reserves**

	Consolidated		Trust	
	2010	2009	2010	2009
	\$000	\$000	\$000	\$000
Hedging	54,318	13,690	-	-
Asset revaluation	8,669	8,669	-	-
Available-for-sale investment revaluation	(3,032)	(1,236)	145	(1,237)
	59,955	21,123	145	(1,237)
<b>Hedging reserve</b>				
Balance at beginning of financial year	13,690	64,821	-	-
Gain/(loss) recognised:				
Interest rate swaps/currency swaps	294	48,528	-	-
Deferred tax related to gains/losses recognised	(87)	(11,500)	-	-
Transferred to profit or loss:				
Interest rate swaps/currency swaps	45,749	(115,599)	-	-
Deferred tax related to amounts transferred to profit or loss	(13,725)	34,680	-	-
Share of hedge reserve of associate	13,622	(6,409)	-	-
Deferred tax related to share of hedge reserve	(5,225)	-	-	-
Other	-	(831)	-	-
Balance at end of financial year	54,318	13,690	-	-

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

**Asset revaluation reserve**

Balance at beginning of financial year	8,669	8,669	-	-
Balance at end of financial year	8,669	8,669	-	-

The asset revaluation reserve arose on the revaluation of the existing interest in a pipeline as a result of a business combination. Where revalued pipelines are sold, that portion of the asset revaluation reserve which relates to that asset and is effectively realised, is transferred directly to retained 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	(1,236)	(75,385)	(1,237)	(75,386)
Reversed on acquisition of significant interest	-	75,250	-	75,250
Revaluation gain/(loss) recognised	(1,734)	(1,101)	1,444	(1,101)
Deferred tax related to gains/losses recognised	(62)	-	(62)	-
Balance at end of financial year	(3,032)	(1,236)	145	(1,237)

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.



## NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 30 JUNE 2010

**30. Retained earnings**

	Consolidated		Trust	
	2010 \$000	2009 \$000	2010 \$000	2009 \$000
Balance at beginning of financial year	(4,998)	43,375	13,685	12,752
Net profit attributable to securityholders	62,584	44,708	40,094	87,170
Distributions paid (Note 10)	(42,516)	(86,237)	(42,516)	(86,237)
Actuarial gain/(loss) on defined benefit plans recognised directly to retained earnings after tax (Note 34)	(5,706)	(6,844)	-	-
Balance at end of financial year	9,364	(4,998)	11,263	13,685

**31. Minority interests**

APT Investment Trust	340,758	367,814	-	-
Other minority interest	132	81	-	-
	340,890	367,895	-	-

**APT Investment Trust**

## Issued capital:

Balance at beginning of financial year	358,450	357,556	-	-
Equity values adjustment between stapled entities	(9,868)	-	-	-
Issue of securities under distribution reinvestment plan	15,134	19,458	-	-
Issue of securities under security purchase plan	20,723	8,864	-	-
Distribution - capital return (Note 10(b))	(63,434)	(27,257)	-	-
Issue cost of securities	(74)	(171)	-	-
Balance at end of financial year	320,931	358,450	-	-

## Reserves:

## Available for sale investment revaluation reserve:

Balance at beginning of financial year	(1,446)	(50)	-	-
Valuation loss recognised	1,345	(1,396)	-	-
	(101)	(1,446)	-	-

## Retained earnings:

Balance at beginning of financial year	10,810	6,980	-	-
Net profit attributable to APTIT equityholders	37,774	34,064	-	-
Distributions paid (Note 10(b))	(28,656)	(30,234)	-	-
Balance at end of financial year	19,928	10,810	-	-

**Other minority interest**

Issued capital	4	4	-	-
Reserves	1	1	-	-
Retained earnings	127	76	-	-
	132	81	-	-

## NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 30 JUNE 2010

**32. Leases****(i) Leasing arrangements - receivables**

Finance lease receivables relate to the lease of a metering station and a natural gas vehicle facility.

	Consolidated		Trust	
	2010	2009	2010	2009
	\$000	\$000	\$000	\$000
<b>Finance lease receivables</b>				
Not longer than 1 year	5,416	4,937	-	-
Longer than 1 year and not longer than 5 years	19,535	18,341	-	-
Longer than 5 years	8,889	10,349	-	-
Minimum future lease payments receivable <sup>(a)</sup>	33,840	33,627	-	-
Gross finance lease receivables	33,840	33,627	-	-
Less: unearned finance lease receivables	(9,315)	(9,722)	-	-
Present value of lease receivables	24,525	23,905	-	-
Included in the financial statements as part of:				
Current trade and other receivables (Note 11)	3,181	2,737	-	-
Non-current receivables (Note 14)	21,344	21,168	-	-
Non-current assets classified as held for sale	-	-	-	-
	24,525	23,905	-	-

(a) Minimum future lease payments receivable include the aggregate of all lease payments receivable and any guaranteed residual.

**(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	280	265	-	-
Longer than 1 year and not longer than 5 years	414	556	-	-
Minimum future finance lease payments <sup>(b)</sup>	694	821	-	-
Less: future finance charges	(76)	(101)	-	-
Present value of minimum lease payments	618	720	-	-
Included in the financial statements as part of:				
Current borrowings (Note 22)	238	219	-	-
Non-current borrowings (Note 26)	380	501	-	-
	618	720	-	-

(b) Minimum future lease payments include the aggregate of all lease payments and any guaranteed residual.

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").

## NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 30 JUNE 2010

**32. Leases (continued)****(ii) Leasing arrangements - liabilities (continued)**

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	
	2010	2009	2010	2009
	\$000	\$000	\$000	\$000
<b>Non-cancellable operating leases - transmission pipelines</b>				
Not longer than 1 year	82,620	18,311	-	-
Longer than 1 year and not longer than 5 years	-	97,237	-	-
Longer than 5 years	-	-	-	-
	<b>82,620</b>	<b>115,548</b>	<b>-</b>	<b>-</b>
<b>Non-cancellable operating leases - other</b>				
Not longer than 1 year	6,579	6,721	-	-
Longer than 1 year and not longer than 5 years	12,883	10,392	-	-
Longer than 5 years	1,317	1,010	-	-
	<b>20,779</b>	<b>18,123</b>	<b>-</b>	<b>-</b>

**33. Provisions**

	Consolidated		Total
	Abandonment <sup>(a)</sup>	Other	
	\$000	\$000	\$000
Balance at 30 June 2009	2,830	957	3,787
Additional provisions recognised <sup>(b)</sup>	40	2,960	3,000
Unwinding of discount	170	-	170
Reductions arising from payments/other sacrifices of future economic benefits	-	(457)	(457)
Balance at 30 June 2010	<b>3,040</b>	<b>3,460</b>	<b>6,500</b>
Current (Note 24)	-	3,460	3,460
Non-current (Note 24)	3,040	-	3,040
	<b>3,040</b>	<b>3,460</b>	<b>6,500</b>

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

(b) Costs to complete construction and commissions of the Bonaparte Gas Pipeline and Wickham Point Pipeline.

## NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 30 JUNE 2010

**33. Provisions (continued)**

	Abandonment <sup>(a)</sup>	Consolidated SCC repair <sup>(b)</sup>	Other	Total
	\$000	\$000	\$000	\$000
Balance at 30 June 2008	2,660	431	10,906	13,997
Acquired through business combinations	-	-	-	-
Additional provisions recognised	-	-	457	457
Unwinding of discount	170	-	-	170
Reductions arising from payments/other sacrifices of future economic benefits	-	(431)	(10,406)	(10,837)
Balance at 30 June 2009	2,830	-	957	3,787
Current (Note 24)	-	-	957	957
Non-current (Note 24)	2,830	-	-	2,830
	2,830	-	957	3,787

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

(b) Provision for repair and investigative work on the Moomba Sydney Pipeline due to stress corrosion cracking ("SCC").

**34. Employee superannuation plans**

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 three plans with defined benefit sections (due to the acquisition of businesses) and plans with defined contribution sections. The defined benefit sections provide lump sum benefits upon retirement based on years of service. The defined contribution sections receive fixed contributions from the Consolidated Entity and the Consolidated Entity's legal and constructive obligations are limited to these amounts.

The most recent actuarial valuations of plan assets and the present value of the defined benefit obligation were carried out at 30 June 2010 by Mercer (Australia) Pty Ltd and Russell Investments (2009: Mercer (Australia) Pty Ltd and Russell Investments). The present value of the defined benefit obligation, and the related current service cost and past service cost, were measured using the projected unit credit method.

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

	Consolidated	
	2010	2009
	\$000	\$000
<b>Amounts recognised in the statement of comprehensive income</b>		
Current service cost	2,970	2,804
Interest cost on benefit obligation	4,559	5,326
Expected return on plan assets	(5,653)	(6,015)
Total included in superannuation costs which form part of employee benefit expense	1,876	2,115
Actual return on plan assets	7,140	(6,531)
Actuarial losses incurred during the year and recognised in the statement of comprehensive income	(8,153)	(9,775)

## NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 30 JUNE 2010

34. Employee superannuation plans (continued)

	Consolidated	
	2010	2009
	\$000	\$000
<b>Amounts recognised in the statement of financial position</b>		
Fair value of plan assets	91,346	84,023
Present value of benefit obligation	(109,640)	(98,679)
Net liability - non-current (Note 24)	(18,294)	(14,656)
<b>Movements in liability during the year</b>		
Balance at beginning of year	(14,656)	(6,815)
Expense recognised in statement of comprehensive income	(1,876)	(2,115)
Amount recognised in retained earnings	(8,153)	(9,775)
Contributions from employer	6,391	4,049
Balance at end of year <sup>(a)</sup>	(18,294)	(14,656)

(a) The above balances are recorded within the provisions section of the statement of financial position; refer to Note 24.

Movements in the present value of the defined benefit obligations in the current period were as follows:

Opening defined benefit obligation	98,679	97,042
Current service cost	2,970	2,804
Interest cost	4,559	5,332
Contributions from plan participants	1,650	1,612
Actuarial (gains)/losses	9,640	(2,777)
Benefits paid	(6,718)	(4,535)
Taxes and premiums paid	(1,140)	(799)
<b>Closing defined benefit obligation</b>	<b>109,640</b>	<b>98,679</b>

Movements in the present value of the plan assets in the current period were as follows:

Opening fair value of plan assets	84,023	90,227
Expected return on plan assets	5,653	6,015
Actuarial gains/(losses)	1,487	(12,552)
Contributions from employer	6,391	4,049
Contributions from plan participants	1,650	1,618
Benefits paid	(6,718)	(4,535)
Taxes and premiums paid	(1,140)	(799)
<b>Closing fair value of plan assets</b>	<b>91,346</b>	<b>84,023</b>

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

	Consolidated	
	2010	2009
	%	%
Discount rate (p.a.)	4.7	5.0
Expected return on plan assets (p.a.)	7.0	7.0
Expected salary rate increase (p.a.)	4.5	4.5

The invested defined benefit assets were held in the following classes:

Australian equities	34.3	35.5
International equity	25.3	25.7
Fixed income	12.3	12.4
Property	8.5	10.5
Alternatives	13.3	10.4
Cash	6.3	5.5

## NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 30 JUNE 2010

**34. Employee superannuation plans (continued)**

The history of experience adjustments is as follows:

	2010 \$000	2009 \$000	2008 \$000
Fair value of plan assets	91,346	84,023	90,227
Present value of defined benefit obligation	109,640	98,679	97,042
(Deficit)/surplus	(18,294)	(14,656)	(6,815)
Experience adjustments on plan liabilities	4,739	(6,753)	(1,515)
Experience adjustments on plan assets	(821)	8,450	8,533

The Consolidated Entity expects \$4,130,000 in contributions to be paid to the defined benefit plans during the year ending 30 June 2011.

**35. Earnings per security**

	Consolidated 2010	2009
Basic and diluted earnings per security (cents)	19.4	16.2

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)	100,358	78,772
	No. of securities	
Adjusted weighted average number of ordinary securities used in the calculation of basic and diluted earnings per security (000)	516,243	485,077

**36. Notes to the statement of cash flows****(a) Reconciliation of cash and cash equivalents**

For the purposes of the statement of cash flows, 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 statement of cash flows is reconciled to the related items in the statement of financial position as follows:

	Consolidated		Trust	
	2010 \$000	2009 \$000	2010 \$000	2009 \$000
Cash at bank and on hand <sup>(a)</sup>	76,867	107,861	293	104
Short-term deposits	4,073	954	-	-
	80,940	108,815	293	104

Restricted cash

(a) As at 30 June 2010, Australian Pipeline Limited held \$5.0 million (2009: \$5.0 million) on deposit to meet its financial requirements as the holder of an Australian Financial Services Licence.

## NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 30 JUNE 2010

**36. Notes to the statement of cash flows (continued)****(b) Businesses acquired and disposed of****Consolidated**

During the financial year, the Consolidated Entity acquired the Berwyndale to Wallumbilla Pipeline ("BWP") and a 20.2% interest in EII2 (owner of the Hallett 4 Wind Farm project). The net cash outflow on these acquisitions was \$83,328,000 for the controlled entity and \$327,000 (2009: \$114,000) for the share of the associate. Refer to Note 41 for further details of the BWP acquisition. In addition \$22,379,000 (2009: \$7,212,000) has been reinvested in Envestra through the Dividend Reinvestment Plan. \$114,498,000 has been invested in the purchase of shares in Hastings Diversified Utilities Fund. There were no disposals in the financial year. Refer to Note 40 for disposals made in the prior financial year.

**Trust**

During the financial year, the Trust has reinvested \$22,379,000 (2009: \$7,212,000) in Envestra through the Dividend Reinvestment Plan.

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

	Consolidated		Trust	
	2010	2009	2010	2009
	\$000	\$000	\$000	\$000
Profit for the year	100,508	78,850	40,094	87,170
(Gain)/loss on disposal of investments	1,510	16,167	5,050	(1,955)
Loss on disposal of property, plant and equipment	2,799	1,452	-	-
Discount on business acquisition	(4,586)	-	-	-
Share of net profits of jointly controlled entities accounted for using the equity method	(13,687)	(6,143)	-	-
Dividends/distributions received	35,087	23,746	22,391	14,069
Depreciation and amortisation expense	91,426	95,640	-	-
Finance costs	11,019	11,077	-	-
Changes in assets and liabilities:				
Trade and other receivables	(5,819)	89	36	(7,785)
Inventories	3,460	(2,996)	-	-
Other assets	3,796	(682)	-	-
Trade and other payables	8,568	(27,265)	(22,416)	(13,365)
Provisions	669	1,564	-	-
Other liabilities	(5,661)	255	-	-
Income tax balances	38,672	34,615	5,236	3,197
Net cash provided by operating activities	267,761	226,369	50,391	81,330



## NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 30 JUNE 2010

**36. Notes to the statement of cash flows (continued)****(d) Financing facilities**

	Consolidated		Trust	
	2010	2009	2010	2009
	\$000	\$000	\$000	\$000
<b>Unsecured facilities</b>				
<b>Bank borrowings<sup>(a)</sup></b>				
Amounts used	1,665,324	1,750,000	-	-
Amounts unused	560,000	215,000	-	-
	2,225,324	1,965,000	-	-
<b>Guaranteed Senior Notes<sup>(b)</sup></b>				
Amounts used	1,355,596	1,214,258	-	-
Amounts unused	-	-	-	-
	1,355,596	1,214,258	-	-
<b>Secured facilities</b>				
<b>Bank borrowings</b>				
Amounts used	1,645	1,645	-	-
Amounts unused	-	-	-	-
	1,645	1,645	-	-

(a) APT Pipelines Limited entered into syndicated bank facilities in June 2007 and September 2009, and bilateral bank facilities in July 2008 and August 2009.

(b) APT Pipelines Limited issued notes in the US Private Placement market in September 2003, May 2007 and July 2009. The issues include Australian dollar and US dollar denominated notes. 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 37.

**37. Financial instruments****(a) Capital risk management**

The Consolidated Entity manages its capital structure to ensure that entities in the Group will be able to continue as a going concern while maximising the return to security holders through the optimisation of the debt to equity structure.

The Consolidated Entity's overall strategy remains unchanged from 2009.

The capital structure of the Consolidated Entity consists of debt, which includes borrowings disclosed in Notes 22 and 26, cash and cash equivalents, and equity attributable to equity holders of the parent, comprising issued capital, reserves and retained earnings as disclosed in Notes 28, 29 and 30 respectively.

The Consolidated Entity's operations are conducted primarily through its subsidiaries.

Operating cash flows are used to maintain and expand the Consolidated Entity's assets, as well as to make routine outflows of distributions and to repay maturing debt.

The Consolidated Entity's policy is to borrow from overseas and locally, using a variety of capital markets and bank loan facilities, to meet anticipated funding requirements.

Controlled entities are subject to externally imposed capital requirements. These relate to the Australian Financial Service Licence held by Australian Pipeline Limited, the Responsible Entity of the Consolidated Entity and were adhered to for the entirety of the 2009 and 2010 periods.

**Gearing ratio**

The Consolidated Entity's Board of Directors reviews the capital structure on a monthly basis. As part of the review, the Board considers the cost of capital and the state of the markets. The Consolidated Entity has a target gearing ratio of approximately 70% or less, in line with peers, that is determined as the proportion of net debt to net debt plus equity. Based on recommendations of the Board, the Consolidated Entity balances its overall capital structure through new equity issues, through the issue of new debt or the redemption of existing debt, and through a disciplined distribution payment policy.

## NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 30 JUNE 2010

**37. Financial instruments (continued)****(b) Financial risk management objectives**

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

The Consolidated Entity seeks to minimise the effects of these risks through natural hedges and by using derivative instruments to directly hedge the exposures. The use of financial derivatives is governed by the Consolidated Entity's policy approved by the Board, 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. The Consolidated Entity does not enter into or trade financial instruments, including derivative financial instruments for speculative purposes.

The Corporate Treasury function reports monthly to the Consolidated Entity's Board of Directors, which monitors risks and policies implemented to mitigate risk exposures.

**(c) Market risk management**

The Consolidated Entity's activities exposure is primarily to the financial risk of changes in interest rates and foreign currency exchange rates. The Consolidated Entity enters in to 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 and other international suppliers;
- 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 rates.

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 from the previous period.

The Consolidated Entity is also exposed to price risk from its investments in listed equities. The majority of the shareholdings are in two companies that are publicly traded in the major financial markets.

**(d) Foreign currency risk management**

The Consolidated Entity undertakes certain transactions denominated in foreign currencies and hence exposures to exchange rate fluctuations arise. Exchange rate exposures are managed within approved policy parameters utilising foreign exchange contracts, including forward contracts and cross currency contracts. There was no unmanaged exposure in either 2009 or 2010.

The fair value amount of the Consolidated Entity's foreign currency denominated monetary assets and monetary liabilities at the reporting date is as follows:

	Consolidated			
	Liabilities		Assets	
	2010	2009	2010	2009
	\$000	\$000	\$000	\$000
US dollar borrowings	938,730	810,080	-	-
Cross currency swaps	(938,730)	(810,080)	-	-
	-	-	-	-
Foreign exchange contracts	12,920	10,768	-	-
	12,920	10,768	-	-

The Consolidated Entity is mainly exposed to US dollars (US\$).

## NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 30 JUNE 2010

**37. Financial instruments (continued)****Forward foreign exchange contracts**

It is the policy of the Consolidated Entity to enter into various foreign exchange contracts to cover 100% of all foreign currency exposures in excess of US\$1million that are certain. Basis adjustments are made to the carrying amounts of non-financial hedged items when the anticipated purchase takes place.

The following table details the forward foreign currency contracts outstanding at reporting date:

2010	Average exchange rate	Consolidated		Fair value
		Foreign currency	Contract value	
		2010 US\$000	2010 \$000	2010 \$000
<b>Outstanding contracts</b>				
<b>Buy US dollars</b>				
Less than 3 months	0.8340	3,096	3,712	(54)
3 to 6 months	0.8190	3,318	4,051	(95)
6 to 12 months	0.8236	1,880	2,282	(3)
1 to 2 years	0.8009	2,302	2,874	(5)
		<b>10,596</b>	<b>12,920</b>	<b>(157)</b>
<b>2009</b>				
		2009 US\$000	2009 \$000	2009 \$000
<b>Outstanding contracts</b>				
<b>Buy US dollars</b>				
Less than 3 months	0.6253	6,464	10,336	(2,362)
3 to 6 months	0.6239	269	432	(97)
		<b>6,733</b>	<b>10,768</b>	<b>(2,460)</b>

The Consolidated Entity has entered into contracts to purchase equipment in USD from overseas suppliers. The Consolidated Entity has entered into forward foreign exchange contracts to hedge the exchange rate risk arising from these anticipated future transactions, which are designated as cash flow hedges.

As at reporting date, the aggregate amount of unrealised losses under forward foreign exchange contracts deferred in the hedging reserve relating to these anticipated future transactions is \$157,000 (2009: \$2,460,000). It is anticipated that the capital purchases will take place within the next two financial years at which stage the amount deferred in equity will be included in the carrying amount of the asset being purchased.

**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 2003, 2007 and 2009 US dollar note issues.

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

## NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 30 JUNE 2010

**37. Financial instruments (continued)**

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

	Exchange Rate		Principal Amount	
	2010	2009	2010	2009
	\$	\$	\$000	\$000
<b>2003 Note Issue</b>				
<b>Buy US dollars - interest</b>				
Less than 1 year	0.6573	0.6573	(22,863)	(22,863)
1 year to 2 years	0.6573	0.6573	(22,863)	(22,863)
2 years to 5 years	0.6573	0.6573	(59,014)	(65,397)
5 years and more	0.6573	0.6573	(25,550)	(42,029)
			(130,290)	(153,152)
<b>Buy US dollars - principal</b>				
2 years to 5 years	0.6573	0.6573	(112,582)	(112,582)
5 years and more	0.6573	0.6573	(281,454)	(281,454)
<b>2007 Note Issue</b>				
<b>Buy US dollars - interest</b>				
Less than 1 year	0.8068	0.8068	(29,737)	(29,737)
1 year to 2 years	0.8068	0.8068	(29,737)	(29,737)
2 years to 5 years	0.8068	0.8068	(89,212)	(89,212)
5 years and more	0.8068	0.8068	(124,774)	(154,511)
			(273,460)	(303,197)
<b>Buy US dollars - principal</b>				
5 years and more	0.8068	0.8068	(495,786)	(495,786)
<b>2009 Note Issue</b>				
<b>Buy US dollars - interest</b>				
Less than 1 year	0.7576	0.7576	(15,934)	(7,967)
1 year to 2 years	0.7576	0.7576	(15,934)	(15,934)
2 years to 5 years	0.7576	0.7576	(47,803)	(47,803)
5 years and more	0.7576	0.7576	(50,213)	(66,148)
			(129,885)	(137,852)
<b>Buy US dollars - principal</b>				
5 years and more	0.7576	0.7576	(184,784)	(184,784)

**Foreign currency sensitivity analysis**

The Consolidated Entity is mostly exposed to movements in the US\$ through its fully hedged borrowings via the US Private Placement market and its current obligations to future purchases of capital equipment. The entire US\$ cash flows arising from the 2003, 2007 and 2009 note issues have been swapped; as such, the Consolidated Entity has no currency risk associated with those note issues. Therefore, the sensitivity analysis has only been performed on the forward foreign exchange contracts. The following table details the Consolidated Entity's sensitivity to a 10% decrease and increase in the Australian dollar against the relevant foreign currencies. The sensitivity rate used is 10% and represents management's assessment of the possible change in foreign exchange rates. The sensitivity analysis includes only outstanding foreign currency denominated monetary items and adjusts their translation at the period end for a 10% change in foreign currency rates.

## NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 30 JUNE 2010

37. Financial instruments (continued)

	Consolidated	
	2010	2009
	\$000	\$000
<b>A\$ depreciating by 10%</b>		
Profit	-	-
Other equity <sup>(a)</sup>	(1,377)	(919)
<b>A\$ appreciating by 10%</b>		
Profit	-	-
Other equity <sup>(a)</sup>	1,127	750

(a) This is as a result of the changes to the fair value of forward foreign exchange contracts designated as cash flow hedges. Negative amounts denote a credit to equity.

**(e) Interest rate risk management**

The Consolidated Entity is exposed to interest rate risk as it borrows funds at both fixed and floating interest rates. This risk is managed by the Consolidated Entity by maintaining an appropriate mix between fixed and floating rate borrowings, through 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 policy, ensuring appropriate hedging strategies are applied. Hedging activity is complemented by "natural hedges" from regulatory resets and CPI adjusted revenues.

The Trust and the Consolidated Entity's exposures to interest rate risk on financial liabilities are detailed in the liquidity risk management section of this note. Exposure to financial assets is limited to cash and cash equivalents amounting to \$80.9 million as at 30 June 2010 (2009: \$108.8 million).

**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 cash flow exposures on the issued variable rate debt held. The fair value of interest rate swaps at the reporting date is determined by discounting the future cash flows using the yield curves at reporting date. The average interest rate is based on the outstanding balances at the end of the financial year.

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

	Weighted average interest rate		Notional principal amount		Fair value	
	2010	2009	2010	2009	2010	2009
	% p.a.	% p.a.	\$000	\$000	\$000	\$000
<b>Cash flow hedges</b>						
<b>Pay fixed interest/receive floating interest</b>						
<b>Consolidated</b>						
Less than 1 year	6.03	5.89	250,000	300,000	(2,888)	(6,579)
1 year to 2 years	7.10	6.03	200,000	250,000	(5,783)	(9,479)
2 years to 5 years	6.59	6.75	600,164	500,164	(30,886)	(35,977)
5 years and more	8.08	8.08	1,368,479	1,368,479	(35,715)	(24,783)
			2,418,643	2,418,643	(75,271)	(76,817)
<b>Trust</b>	-	-	-	-	-	-

The Consolidated Entity had no fair value hedges in 2010 or 2009.

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

# NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 30 JUNE 2010

## 37. Financial instruments (continued)

All interest rate swap contracts exchanging floating rate interest amounts for fixed rate interest amounts are designated as cash flow hedges in order to reduce the Consolidated Entity's cash flow exposure resulting from variable interest rates on borrowings.

### **Interest rate sensitivity analysis**

The sensitivity analysis below has been determined based on the exposure to interest rates for both derivative and non-derivative instruments held. A 100 basis point increase or decrease is used and represents management's assessment of the possible change in interest rates. At reporting date, if interest rates had been 100 basis points higher or lower and all other variables were held constant, the Consolidated Entity's:

- net profit would decrease by \$7,153,000 or increase by \$7,153,000 (2009: decrease by \$8,000,000 or increase by \$8,000,000). This is mainly attributable to the Consolidated Entity's exposure to interest rates on its variable rate borrowings; and
- equity reserves would increase by \$14,761,000 or decrease by \$2,819,000 (2009: increase by \$12,232,000 or decrease by \$15,239,000). This is due to the changes in the fair value of derivative interest instruments.

The Consolidated Entity's sensitivity to interest rates has decreased during the current period due to the overall decrease in the amount of the Consolidated Entity's floating rate borrowings. The valuation of the increase/decrease in equity reserves is based on 1.00% p.a. increase/decrease in the yield curve at the reporting date and has increased during the current period mainly due to the increase in the amount of derivative instruments held.

### **(f) Price risk management**

The Consolidated Entity is exposed to equity price risks arising from equity investments. Equity investments are held for strategic rather than trading purposes. The Consolidated Entity does not actively trade these investments.

#### **Equity price sensitivity**

The sensitivity analysis below has been determined based on the exposure to equity price risks at the reporting date. At the reporting date, if the prices of the Consolidated Entity's equity investments had been 5% p.a. higher or lower:

- net profit would have been unaffected as the equity investments are classified as available-for-sale and no investments were disposed of or impaired (2009: \$nil); and
- equity reserves would decrease/increase by \$4,508,228 (2009: \$115,395), due to the changes in the fair value of available-for-sale shares.

The Consolidated Entity's sensitivity to equity prices has increased during the current period due to the acquisition of shares in Hastings Diversified Utilities Fund held as an available-for-sale investment.

### **(g) 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 bank guarantees where appropriate as a means of mitigating any risk of loss. For financial investments or market risk hedging, the Consolidated Entity's policy is to deal with highly rated counterparties. As at the reporting date, all counterparties of this type were A- (Standard & Poor's)/A3 (Moody's) or higher. The Consolidated Entity's exposure to financial instrument and deposit credit risk is closely monitored against counterparty credit limits imposed by the Treasury Policy approved by the Board. These limits are regularly reviewed by the Board.

Trade receivables consist of mainly corporate customers which are diverse and geographically spread. Most significant customers have an investment grade rating from either Standard & Poor's or Moody's. Ongoing credit monitoring of the financial position of customers is maintained.

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.

## NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 30 JUNE 2010

**37. Financial instruments (continued)****Cross guarantee**

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 2010 has been determined to be immaterial and no liability has been recorded (2009: \$nil).

**(h) Liquidity risk management**

The Consolidated Entity has a policy dealing with liquidity risk which requires an appropriate liquidity risk management framework for the management of the Consolidated Entity's short, medium and long-term funding and liquidity management requirements. Liquidity risk is managed by maintaining adequate cash reserves and banking facilities, by monitoring and forecasting cash flow and where possible arranging liabilities with longer maturities to more closely match the underlying assets of the Consolidated Entity. Details of undrawn facilities available to the Consolidated Entity are shown in the table below:

Financing facilities	Consolidated	
	2010 \$000	2009 \$000
Unsecured bank facilities with various maturity dates through to 2013		
- amount used	1,665,324	1,750,000
- amount unused <sup>(a)</sup>	560,000	215,000
	<b>2,225,324</b>	<b>1,965,000</b>
Unsecured long term private placement notes with various maturity dates through to 2022		
- amount used (determined at foreign exchange rates implicit in the associated cross currency hedges)	1,491,472	1,306,688
- amount unused	-	-
	<b>1,491,472</b>	<b>1,306,688</b>
Secured bank facility with maturity date in 2011		
- amount used	1,645	1,645
- amount unused	-	-
	<b>1,645</b>	<b>1,645</b>

(a) \$102 million has been allocated to repay a USPP maturity in September 2010.

Post balance date, the Consolidated Entity entered into a Medium Term Note issue to Australian and international bond investors raising \$300 million. The Medium Term Note issue settled on 22 July 2010 with the agreed maturity term of 10 years. The proceeds of the issue will be used to refinance existing facilities ahead of maturity with a view to extending the average maturity of APA's debt portfolio and reducing debt costs in the longer term.

**Liquidity and interest risk table**

Detailed below are the Consolidated Entity's remaining contractual maturities for its non-derivative financial liabilities. The table has been drawn up based on the undiscounted cash flows of financial liabilities taking account of the earliest date on which the Consolidated Entity can be required to pay. The table includes both interest and principal cash flows.

All US dollar note exposures (both principal and interest) have been fully hedged back into Australian dollars at fixed interest rates for the entire duration of the note exposure. Therefore the table below shows the undiscounted Australian dollar cash flows associated with the US dollar notes, cross currency interest rate swaps and fixed interest rate swaps in aggregate.



## NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 30 JUNE 2010

37. Financial instruments (continued)

		Consolidated		
	Average interest rate % p.a.	Less than 1 year \$000	1 - 5 years \$000	More than 5 years \$000
2010				
Financial liabilities				
Trade and other payables	-	131,839	-	-
Unsecured bank borrowings <sup>(a)</sup>	6.12	104,626	1,794,453	-
Secured bank borrowings <sup>(b)</sup>	-	1,645	-	-
Interest Rate Swaps (Net Settled)	6.16	13,196	11,956	440
Guaranteed Senior Notes:				
Denominated in A\$				
2003 Series A <sup>(c)</sup>	6.66	105,397	-	-
2007 Series A <sup>(d)</sup>	7.33	367	1,466	5,733
2007 Series C <sup>(d)</sup>	7.38	7,318	29,271	113,793
2007 Series E <sup>(e)</sup>	7.40	5,045	20,178	88,349
2007 Series G <sup>(f)</sup>	7.45	6,002	24,008	122,597
2007 Series H <sup>(f)</sup>	7.45	4,617	18,468	94,305
Denominated in US\$ (rates shown are the coupon rate of the US dollar notes)				
2003 Series B <sup>(g)</sup> Payment	5.67	8,485	133,853	-
2003 Series C <sup>(h)</sup> Payment	5.77	14,214	56,894	192,773
2003 Series D <sup>(i)</sup> Payment	6.02	6,930	27,740	120,169
2007 Series B <sup>(d)</sup> Payment	5.89	13,986	55,946	218,851
2007 Series D <sup>(e)</sup> Payment	5.99	11,111	44,442	195,657
2007 Series F <sup>(f)</sup> Payment	6.14	11,354	45,416	233,204
2009 Series A <sup>(j)</sup> Payment	8.35	9,752	38,981	100,375
2009 Series B <sup>(k)</sup> Payment	8.86	11,761	47,011	151,872
Financial lease liabilities	8.01	280	414	
Other:				
Unearned revenue - interest	-	9,260	-	-
Unearned revenue - other	-	1,614	925	-
		478,797	2,351,423	1,638,117

(a) Matures on 1 July 2011 (\$515 million limit), 15 July 2011 (\$145 million), 8 June 2012 (\$900 million), 1 July 2013 (\$515 million limit) and 31 August (\$150 million).

(b) Residual payment due to financiers on expiration of lease of property 17 June 2011.

(c) Matures on 9 September 2010.

(d) Matures on 15 May 2017.

(e) Matures on 15 May 2019.

(f) Matures on 15 May 2022.

(g) Matures on 9 September 2013.

(h) Matures on 9 September 2015.

(i) Matures on 9 September 2018.

(j) Matures on 1 July 2016.

(k) Matures on 1 July 2019.

## NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 30 JUNE 2010

37. Financial instruments (continued)

	Average interest rate % p.a.	Consolidated Less than 1 year \$000	1 - 5 years \$000	More than 5 years \$000
<b>2009</b>				
<b>Financial liabilities</b>				
Trade and other payables	-	109,882	-	-
Unsecured bank borrowings <sup>(a)</sup>	3.75	1,143,666	720,451	-
Secured bank borrowings <sup>(b)</sup>	-	-	1,645	-
Interest Rate Swaps (Net Settled)	6.26	(27,679)	(40,850)	(7,588)
Guaranteed Senior Notes:				
Denominated in A\$				
2003 Series A <sup>(c)</sup>	6.66	6,793	105,397	-
2007 Series A <sup>(d)</sup>	7.33	367	1,466	6,100
2007 Series C <sup>(d)</sup>	7.38	7,318	29,271	121,111
2007 Series E <sup>(e)</sup>	7.40	5,045	20,178	93,394
2007 Series G <sup>(f)</sup>	7.45	6,002	24,008	128,582
2007 Series H <sup>(f)</sup>	7.45	4,617	18,468	98,909
Denominated in US\$ (rates shown are the coupon rate of the US dollar notes)				
2003 Series B <sup>(g)</sup> Payment	5.67	8,485	142,280	-
2003 Series C <sup>(h)</sup> Payment	5.77	14,214	56,855	206,928
2003 Series D <sup>(i)</sup> Payment	6.02	6,930	27,721	127,033
2007 Series B <sup>(d)</sup> Payment	5.89	13,987	55,946	232,837
2007 Series D <sup>(e)</sup> Payment	5.99	11,111	44,442	206,768
2007 Series F <sup>(f)</sup> Payment	6.14	11,354	45,417	244,527
2009 Series A <sup>(j)</sup> Payment	8.35	4,876	39,008	110,167
2009 Series B <sup>(k)</sup> Payment	8.86	5,881	47,043	163,682
Financial lease liabilities	7.96	265	556	-
Other:				
Unearned revenue - interest	-	8,870	-	-
Unearned revenue - other	-	4,172	3,202	-
		1,346,156	1,342,504	1,732,451

(a) Matures on 8 June 2010 (\$900 million limit) and 8 June 2012 (\$900 million limit).

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

(c) Matures on 9 September 2010.

(d) Matures on 15 May 2017.

(e) Matures on 15 May 2019.

(f) Matures on 15 May 2022.

(g) Matures on 9 September 2013.

(h) Matures on 9 September 2015.

(i) Matures on 9 September 2018.

(j) Matures on 1 July 2016.

(k) Matures on 1 July 2019.

## NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 30 JUNE 2010

**37. Financial instruments (continued)****(i) Fair value of financial instruments (continued)****Fair value of financial instruments carried at amortised cost**

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 using prices from observable current markets;
- 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; and
- the fair value of financial guarantee contracts is determined using option pricing models where the main assumptions are the probability of default by the specified counterparty extrapolated from market-based credit information and the amount of loss, given the default.

**Fair value measurements recognised in the statement of financial position**

The following table provides an analysis of financial instruments that are measured subsequent to initial recognition at fair value, grouped into Levels 1 to 3 based on the degree to which the fair value is observable.

- Level 1 fair value measurements are those derived from quoted prices (unadjusted) in active markets for identical assets or liabilities.
- Level 2 fair value measurements are those derived from inputs other than quoted prices included within Level 1 that are observable for the asset or liability, either directly (i.e. as prices) or indirectly (i.e. derived from prices).
- Level 3 fair value measurements are those derived from valuation techniques that include inputs for the asset or liability that are not based on observable market data (unobservable inputs).

	2010			
	Level 1	Level 2	Level 3	Total
Consolidated	\$000	\$000	\$000	\$000
<b>Financial assets measured at fair value</b>				
Available-for-sale listed equity securities				
Hastings Diversified Utilities Fund	111,321	-	-	111,321
Ethane Pipeline Income Fund	5,751	-	-	5,751
Other	4	-	-	4
<b>Total</b>	<b>117,076</b>	<b>-</b>	<b>-</b>	<b>117,076</b>
<b>Financial liabilities measured at fair value</b>				
Interest rate swaps used for hedging	-	47,701	-	47,701
Cross Currency Interest Rate Swaps used for hedging	-	27,570	-	27,570
Forward foreign exchange contracts used for hedging	-	157	-	157
<b>Total</b>	<b>-</b>	<b>75,428</b>	<b>-</b>	<b>75,428</b>
<b>Trust</b>				
<b>Financial assets measured at fair value</b>				
Available-for-sale listed equity securities:				
Ethane Pipeline Income Fund	2,738	-	-	2,738
<b>Total</b>	<b>2,738</b>	<b>-</b>	<b>-</b>	<b>2,738</b>

## NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 30 JUNE 2010

**37. Financial instruments (continued)****Derivatives**

Foreign currency forward contracts are measured using quoted forward exchange rates and yield curves derived from quoted interest rates matching maturities of the contracts.

Interest rate swaps are measured at the present value of future cash flows estimated and discounted based on the applicable yield curves derived from quoted interest rates.

The carrying value of financial assets and liabilities recorded at amortised cost in the financial statements approximate their fair value having regard to the specific terms of the agreements underlying those assets and liabilities.

**38. Jointly controlled operations and assets**

The Consolidated Entity is a venturer in the following jointly controlled operations and assets:

Name of venture	Principal activity	Output interest	
		2010 %	2009 %
Goldfields Gas Transmission	Gas pipeline operation - Western Australia	88.2 <sup>(a)</sup>	88.2 <sup>(a)</sup>
Mid West Pipeline	Gas pipeline operation - Western Australia	50.0 <sup>(b)</sup>	50.0 <sup>(b)</sup>

(a) On 17 August 2004, APA acquired a direct interest in the Goldfields Gas Transmission jointly controlled operations as 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 venturer, 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	
	2010 \$000	2009 \$000
<b>Current assets</b>		
Cash and cash equivalents	2,598	185
Trade and other receivables	280	7,907
Inventories	2,354	1,579
Other	1,049	942
<b>Total current assets</b>	<b>6,281</b>	<b>10,613</b>
<b>Non-current assets</b>		
Property, plant and equipment	526,320	521,928
Other	2,212	794
<b>Total non-current assets</b>	<b>528,532</b>	<b>522,722</b>
<b>Total assets</b>	<b>534,813</b>	<b>533,335</b>

**Contingent liabilities and capital commitments**

Contingent liabilities and capital commitments arising from the Consolidated Entity's interest in jointly controlled operations are disclosed in Notes 47 and 42 respectively.

# NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 30 JUNE 2010

## 39. Subsidiaries

Name of entity	Country of registration/ incorporation	Ownership interest	
		2010 %	2009 %
Parent entity			
Australian Pipeline Trust <sup>(a)</sup>			
Subsidiaries			
APT Pipelines Limited <sup>(b),(c)</sup>	Australia	100	100
Agex Pty Ltd <sup>(b),(c)</sup>	Australia	100	100
Amadeus Gas Trust	Australia	96	96
APT Goldfields Pty Ltd <sup>(b),(c)</sup>	Australia	100	100
APT Management Services Pty Limited <sup>(b),(c)</sup>	Australia	100	100
APT Parmelia Gas Pty Ltd <sup>(b),(c)</sup>	Australia	100	100
APT Parmelia Holdings Pty Ltd <sup>(b),(c)</sup>	Australia	100	100
APT Parmelia Pty Ltd <sup>(b),(c)</sup>	Australia	100	100
APT Parmelia Trust <sup>(b)</sup>	Cayman Islands	100	100
APT Petroleum Pipelines Holdings Pty Limited <sup>(b),(c)</sup>	Australia	100	100
APT Petroleum Pipelines Pty Limited <sup>(b),(c)</sup>	Australia	100	100
APT Pipelines (NSW) Pty Limited <sup>(b),(c)</sup>	Australia	100	100
APT Pipelines (NT) Pty Limited <sup>(b),(c)</sup>	Australia	100	100
APT Pipelines (Qld) Pty Limited <sup>(b),(c)</sup>	Australia	100	100
APT Pipelines (WA) Pty Limited <sup>(b),(c)</sup>	Australia	100	100
APT Pipelines Investments (NSW) Pty Ltd <sup>(b),(c)</sup>	Australia	100	100
APT Pipelines Investments (WA) Pty Ltd <sup>(b),(c)</sup>	Australia	100	100
East Australian Pipeline Pty Limited <sup>(b),(c)</sup>	Australia	100	100
Gasinvest Australia Pty Limited <sup>(b),(c)</sup>	Australia	100	100
Goldfields Gas Transmission Pty Ltd <sup>(b)</sup>	Australia	100	100
NT Gas Distribution Pty Limited	Australia	96	96
NT Gas Easements Pty Limited <sup>(b),(c)</sup>	Australia	100	100
NT Gas Pty Limited	Australia	96	96
Roverton Pty Ltd <sup>(b),(c)</sup>	Australia	100	100
SCP Investments (No 1) Pty Limited <sup>(b),(c)</sup>	Australia	100	100
SCP Investments (No 2) Pty Limited <sup>(b),(c)</sup>	Australia	100	100
SCP Investments (No 3) Pty Limited <sup>(b),(c)</sup>	Australia	100	100
Sopic Pty Ltd <sup>(b),(c)</sup>	Australia	100	100
Southern Cross Pipelines (NPL) Australia Pty Ltd <sup>(b),(c)</sup>	Australia	100	100
Southern Cross Pipelines Australia Pty Limited <sup>(b),(c)</sup>	Australia	100	100
Trans Australia Pipeline Pty Limited <sup>(b),(c)</sup>	Australia	100	100
Western Australia Gas Transmission Company 1 <sup>(b),(c)</sup>	Australia	100	100
GasNet Australia Trust <sup>(b)</sup>	Australia	100	100
APA GasNet Australia (Holdings) Pty Ltd <sup>(b),(c)</sup>	Australia	100	100
APA GasNet Australia (Operations) Pty Ltd <sup>(b),(c)</sup>	Australia	100	100
APA GasNet A Pty Ltd <sup>(b),(c)</sup>	Australia	100	100
GasNet A Trust <sup>(b)</sup>	Australia	100	100
APA GasNet Australia (NSW) Pty Ltd <sup>(b),(c)</sup>	Australia	100	100
APA GasNet B Pty Ltd <sup>(b),(c)</sup>	Australia	100	100
APA GasNet Australia Pty Limited <sup>(b),(c)</sup>	Australia	100	100
GasNet B Trust <sup>(b)</sup>	Australia	100	100
GasNet Australia Investments Trust <sup>(b)</sup>	Australia	100	100

# NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 30 JUNE 2010

## 39. Subsidiaries (continued)

Name of entity	Country of registration/ incorporation	Ownership interest	
		2010 %	2009 %
APT Allgas Energy Pty Limited <sup>(b),(c)</sup>	Australia	100	100
APT Allgas Pipelines Operations Pty Limited <sup>(b),(c)</sup>	Australia	100	100
APT Allgas Toowoomba Pty Limited <sup>(b),(c)</sup>	Australia	100	100
APT Operations Pty Limited <sup>(b),(c)</sup>	Australia	100	100
APT AM Holdings Pty Limited <sup>(b),(c)</sup>	Australia	100	100
APT O&M Holdings Pty Ltd <sup>(b),(c)</sup>	Australia	100	100
APT O&M Services Pty Ltd <sup>(b),(c)</sup>	Australia	100	100
APT O&M Services (QLD) Pty Ltd <sup>(b),(c)</sup>	Australia	100	100
APT Water Management Pty Ltd <sup>(b),(c)</sup>	Australia	100	100
APT Water Management Holdings Pty Ltd <sup>(b),(c)</sup>	Australia	100	100
APT AM Stratus Pty Ltd <sup>(b),(c)</sup>	Australia	100	100
APT Facility Management Pty Ltd <sup>(b),(c)</sup>	Australia	100	100
APT AM Employment Pty Ltd <sup>(b),(c)</sup>	Australia	100	100
APT SEAGas (Holdings) Pty Limited <sup>(b),(c)</sup>	Australia	100	100
APT SPV2 Pty Ltd <sup>(b),(c)</sup>	Australia	100	100
APT SPV3 Pty Ltd <sup>(b),(c)</sup>	Australia	100	100
APT Pipelines (SA) Pty Ltd <sup>(b),(c)</sup>	Australia	100	100
APT (MIT) Services Pty Limited <sup>(b)</sup>	Australia	100	100
APA Operations (EII) Pty Limited <sup>(b),(c)</sup>	Australia	100	100
APA Pipelines (QNSW) Pty Limited <sup>(b),(c)</sup>	Australia	100	100
Central Ranges Pipeline Pty Ltd <sup>(b),(c)</sup>	Australia	100	100
Country Pipelines Pty Ltd <sup>(b),(c)</sup>	Australia	100	100
North Western Natural Gas Company Pty Limited <sup>(b),(c)</sup>	Australia	100	100
APA Facilities Management Pty Limited <sup>(b),(c)</sup>	Australia	100	-
APA (NBH) Pty Limited <sup>(b),(c)</sup>	Australia	100	-
APA Pipelines Investments (BWP) Pty Limited <sup>(b),(c)</sup>	Australia	100	-

(a) Australian Pipeline Trust is the head entity within the tax-consolidated group.

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

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

## NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 30 JUNE 2010

**40. Disposal of businesses**

In the prior year, APA disposed of a number of annuity-style income assets into the unlisted vehicle Energy Infrastructure Investments (EII) Pty Limited. APA established EII in December 2008, selling its electricity transmission assets, gas-fired power generators, gas processing facilities and two pipelines - the Telfer/Nifty Gas Pipeline and the Bonaparte Gas Pipeline (including the Wickham Point Pipeline). APA retained a 19.9% interest in EII and remains operator of the assets.

There were no disposals in the current financial year. Included in the current year is the receipt of the EII working capital adjustment.

12 December 2008

Total

\$000

**Net assets disposed****Current assets**

Trade and other receivables	11,116
Other	40

**Non-current assets**

Receivables	94,823
Property, plant and equipment	575,972

<b>Total assets</b>	<b>681,951</b>
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**Current liabilities**

Trade and other payables	28,637
Borrowings	5,053
Other financial liabilities	4,113
Other	998

**Non-current liabilities**

Borrowings	69,294
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<b>Total liabilities</b>	<b>108,095</b>
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<b>Net assets</b>	<b>573,856</b>
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Less: loss on sale of business	(16,167)
working capital	(7,883)
receivables - sale of business	(3,901)

<b>Net cash inflow on disposal</b>	<b>545,905</b>
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## NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 30 JUNE 2010

## 41. Acquisition of businesses

Names of business acquired	Principal activity	Date of acquisition	Proportion acquired %	Cost of acquisition \$000
<b>During the financial year ended 30 June 2010</b>				
Berwyndale to Wallumbilla Pipeline	Gas transmission	22 April 2010	100	82,600
<b>During the financial year ended 30 June 2009</b>				
Central Ranges Pipeline <sup>(a)</sup>	Gas transmission	22 August 2008	100	23,472

(a) Includes transaction costs

	Berwyndale to Wallumbilla Pipeline			Central Ranges Pipeline
	Book value \$000	Fair value adjustment \$000	Fair value on acquisition \$000	Fair value on acquisition \$000
<b>Net assets acquired</b>				
<b>Current assets</b>				
Trade and other receivables	-	-	-	328
Inventories	98	-	98	197
Prepayments	-	-	-	254
<b>Non-current assets</b>				
Property, plant and equipment	79,571	7,557	87,128	22,908
Deferred tax assets	2,255	(2,255)	-	1,076
Intangible assets	-	15,800	15,800	-
<b>Current liabilities</b>				
Trade and other payables	-	-	-	(630)
<b>Non-current liabilities</b>				
Provisions - abandonment	-	(40)	(40)	(204)
Provisions on acquisition	-	(15,800)	(15,800)	(457)
<b>Fair value of net assets acquired</b>	<b>81,924</b>	<b>5,262</b>	<b>87,187</b>	<b>23,472</b>
Discount on acquisition			(4,587)	-
<b>Cost of acquisition</b>			<b>82,600</b>	<b>23,472</b>
Transaction costs - paid			728	-
Prior year transaction costs paid			-	(856)
<b>Net cash outflow on acquisition</b>			<b>83,328</b>	<b>22,616</b>

A discount on acquisition has been recorded in the financial statements in relation to the Berwyndale to Wallumbilla Pipeline to reflect the excess of acquisition-date fair values of the identifiable net assets acquired over the consideration transferred to the former owners. The fair value of the net assets acquired was determined using a discounted cash flow model. Actual acquisition-related costs have been accounted for as expenses in the period incurred in accordance with the requirements of AASB 3.

In April 2010, APA Group acquired the Berwyndale to Wallumbilla Pipeline for \$87,187,000. This 112 km pipeline extends from the Berwyndale coal-seam gas fields to the Wallumbilla hub in Central Queensland. The purpose of this acquisition is to connect three major pipelines including the Roma to Brisbane Pipeline.

The accounting for the acquisition of the Berwyndale to Wallumbilla Pipeline acquired during the year has been provisionally determined at reporting date.

## NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 30 JUNE 2010

**41. Acquisition of businesses (continued)**

The initial cost of the acquisition comprises cash for all the acquisition.

Included in the consolidated net profit for the year (excluding significant items) is revenue of \$616,000 and earnings before interest, tax and depreciation of \$465,000 attributable to the Berwyndale to Wallumbilla Pipeline.

Acquisition-related costs amounting to \$4,587,000 have been excluded from the consideration transferred and have been recognised as an expense in the period, within the other expenses line item in the statement of comprehensive income.

Had this business combination been effected at 1 July 2009, the revenue of the Consolidated Entity would have been \$3,120,000 and earnings before interest, tax and depreciation of \$2,483,000. The acquisition was underpinned by a long-term gas transportation agreement with AGL Energy. Revenues will increase each year due to an incremental increase in rates and increases in volume through the pipeline based on a financial model. The directors consider expected revenue of \$3,157,000 and earnings before interest, tax and depreciation of \$2,514,000 to represent an approximate measure of the performance of the pipeline as to provide a reference point for comparison for the next financial year.

**42. Commitments for expenditure****Capital expenditure commitments**

	Consolidated		Trust	
	2010	2009	2010	2009
	\$000	\$000	\$000	\$000
<b>Plant and equipment</b>				
Not longer than 1 year	62,062	7,968	-	-
Longer than 1 year and not longer than 5 years	12,960	-	-	-
Longer than 5 years	-	-	-	-
	<b>75,022</b>	<b>7,968</b>	<b>-</b>	<b>-</b>

**Consolidated Entity's share of jointly controlled operation's commitments**

Not longer than 1 year	41	17,785	-	-
Longer than 1 year and not longer than 5 years	-	-	-	-
Longer than 5 years	-	-	-	-
	<b>41</b>	<b>17,785</b>	<b>-</b>	<b>-</b>

**43. Remuneration of external auditor**

Amounts received or due and receivable by Deloitte

Touche Tohmatsu for:	\$	\$	\$	\$
Auditing the financial report	516,260	706,247	5,000	5,000
Compliance plan audit	19,375	19,735	-	-
Tax compliance and advice <sup>(a)</sup>	17,500	22,250	-	-
Other accounting and assurance services <sup>(a)</sup>	30,000	46,460	-	-
Other advisory services <sup>(a)</sup>	-	105,000	-	-
	<b>583,135</b>	<b>899,692</b>	<b>5,000</b>	<b>5,000</b>

(a) Services provided were in accordance with the external auditor independence policy.

NOTES TO THE **FINANCIAL STATEMENTS**

FOR THE FINANCIAL YEAR ENDED 30 JUNE 2010

**44. Director compensation****(a) Details of directors**

The Directors of the APA group of entities during the financial year were:

**L F Bleasel AM** (Independent, Non-Executive Chairman)

**J A Fletcher** (Independent Non-Executive Director)

**R A Higgins AO** (Independent Non-Executive Director)

**M Muhammad** (Non-Executive Director)

**M Ratilal** (Non-Executive Director)

**R J Wright** (Independent Non-Executive Director)

**M J McCormack** (Managing Director/Chief Executive Officer)

**W S Saidi** (Alternate Non-Executive Director, retired on 14 August 2009)

**W Z W Ariffin** (Alternate Non-Executive Director, retired on 19 August 2009)

**(b) Director compensation**

The aggregate compensation made to directors of the Consolidated Entity and the Trust is set out below:

	Consolidated and Trust	
	2010	2009
	\$	\$
Short-term employment benefits	2,174,099	1,947,097
Post-employment benefits	91,963	250,146
Cash settled share-based payments	574,166	285,663
Retention award	18,056	216,667
	<b>2,858,284</b>	<b>2,699,573</b>

## NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 30 JUNE 2010

**44. Director compensation (continued)**

The compensation of each director of the Consolidated Entity is set out below.

	Short-term employment benefits		Post-employment	Long-term incentive plans		
	Salary/fees	Short-term incentive scheme	Non-monetary	Super-annuation	Share-based payments <sup>(a)</sup>	Other <sup>(b)</sup>
	\$	\$	\$	\$	\$	\$
<b>Non-Executive Directors</b>						
L F Bleasel AM <sup>(c)</sup>						
2010	254,319	-	-	16,981	-	-
2009	236,477	-	-	54,108	-	-
J A Fletcher						
2010	110,150	-	-	25,787	-	-
2009	49,000	-	-	79,620	-	-
R A Higgins AO						
2010	137,000	-	-	12,320	-	-
2009	101,200	-	-	41,808	-	-
M Muhammad						
2010	113,000	-	-	-	-	-
2009	108,000	-	-	-	-	-
M Ratilal <sup>(d)</sup>						
2010	93,000	-	-	-	-	-
2009	89,167	-	-	-	-	-
R J Wright						
2010	132,000	-	-	11,875	-	-
2009	128,200	-	-	11,538	-	-
W S Saidi <sup>(e)</sup>						
2010	-	-	-	-	-	-
2009	-	-	-	-	-	-
W Z W Ariffin <sup>(f)</sup>						
2010	-	-	-	-	-	-
2009	-	-	-	-	-	-
<b>Total remuneration: Non-Executive Directors</b>						
2010	839,469	-	-	66,963	-	-
2009	712,044	-	-	187,074	-	-
<b>Executive Directors</b>						
M J McCormack						
2010	796,500	538,130	-	25,000	574,166	18,056
2009	711,928	523,125	13,072	50,000	285,663	216,667
<b>Total remuneration: Directors</b>						
2010	1,635,969	538,130	-	91,963	574,166	18,056
2009	1,423,972	523,125	13,072	237,074	285,663	216,667

(a) Cash settled share-based payments.

(b) Includes retention payment and director's retiring allowance.

(c) The prior year balance includes a prior year remuneration adjustment of \$48,727.

(d) Directors fees paid to Petronas Australia Pty Ltd.

(e) Retired on 14 August 2009.

(f) Retired on 19 August 2009.

## NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 30 JUNE 2010

**45. Key management personnel compensation****(a) Details of key management personnel**

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

**M J McCormack** (Managing Director/Chief Executive Officer)

**R M Gersbach** (Group Manager Commercial)

**P J Fredricson** (Chief Financial Officer)

**S P Ohi** (Group Manager Operations)

**M T Knapman** (Company Secretary)

**R A Smith** (Group Manager Human Resources and HS&E, resigned with effect from 31 August 2010)

**(b) Key management personnel compensation**

The aggregate compensation made to key management personnel of the Consolidated Entity and the Trust is set out below:

	Consolidated and Trust	
	2010	2009
	\$	\$
Short-term employment benefits	4,249,881	2,331,733
Post-employment benefits	133,669	810,627
Cash settled share-based payments	1,265,317	1,522,887
Retention award	18,056	216,667
Termination payments	-	487,237
	<b>5,666,923</b>	<b>5,369,151</b>

The executive remuneration strategy is to:

- attract and retain key executives who will create long-term sustainable value for securityholders;
- 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.

APA's remuneration mix is structured as a mix of base pay and 'at risk' short and long-term incentive components.

Total fixed remuneration is reviewed annually and is determined by reference to appropriate remuneration benchmarking information, taking into account an individual's responsibilities, performance, qualifications and experience.

Operating cash flow per security has been chosen by the board as the key performance measure for 'at risk' remuneration. This is directly linked to the strategic goal of increasing operating cash flows over the medium term, thereby improving returns to securityholders.

## NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 30 JUNE 2010

## 45. Key management personnel compensation (continued)

The compensation of each member of the key management personnel of the Consolidated Entity is set out below.

	Short-term employment benefits		Post-employment	Long-term incentive plans			
	Salary/fees	Short-term incentive scheme	Non-monetary	Super-annuation	Share-based payments <sup>(a)</sup>	Other payments	Total
	\$	\$	\$	\$	\$	\$	\$
<b>Key management personnel</b>							
<b>M J McCormack <sup>(b)</sup></b>							
2010	796,500	538,130	-	25,000	574,166	18,056	1,951,852
2009	711,928	523,125	13,072	50,000	285,663	216,667	1,800,455
<b>R M Gersbach <sup>(c)</sup></b>							
2010	543,617	260,062	11,922	14,461	229,323	-	1,059,385
2009	524,333	320,000	11,922	13,745	105,857	-	975,857
<b>P J Fredricson</b>							
2010	485,539	228,125	-	14,461	75,000	-	803,125
2009	38,226	-	-	3,440	-	-	41,666
<b>S P Ohl</b>							
2010	372,214	181,562	28,732	14,461	187,754	-	784,723
2009	336,523	184,000	28,732	34,745	92,095	-	676,095
<b>M T Knapman</b>							
2010	319,176	121,180	-	50,825	91,421	-	582,602
2009	294,950	119,600	-	33,964	37,504	-	486,018
<b>R A Smith <sup>(d)</sup></b>							
2010	251,747	111,375	-	14,461	107,653	-	485,236
2009	245,480	115,700	775	13,745	49,438	-	425,138
<b>R F Francis <sup>(e)</sup></b>							
2010	-	-	-	-	-	-	-
2009	180,293	200,000	5,961	6,874	83,557	487,237	963,922
<b>Total Remuneration</b>							
2010	2,768,793	1,440,434	40,654	133,669	1,265,317	18,056	5,666,923
2009	2,331,733	1,462,425	60,462	156,513	654,114	703,904	5,369,151

(a) Cash settled share-based payments.

(b) Chief Executive Officer has also been included in Note 44 as the Managing Director.

(c) Includes one-off ex-gratia component for undertaking Chief Financial Officer position from 1 January 2009 to 31 May 2009.

(d) Group Manager Human Resources and HS&E, resigned with effect from 31 August 2010

(e) Chief Financial Officer, resigned on 31 December 2008. Includes termination payment of \$487,237.

## NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 30 JUNE 2010

**46. Related party transactions****(a) Equity interest in related parties**

Details of the percentage of ordinary securities held in subsidiaries are disclosed in Note 39 and the details of the percentage held in jointly controlled operations are disclosed in Note 38. Details of interests in jointly controlled entities are disclosed in Note 16.

**(b) Responsible Entity - Australian Pipeline Limited**

The Responsible Entity is wholly owned by APT Pipelines Limited.

**(c) Transactions with key management personnel**

Details of directors and key management personnel compensation are disclosed in Note 44 and 45 respectively.

**(i) Loans to key management personnel**

No loans have been made to key management personnel.

**(ii) Key management personnel equity holdings**

	Fully paid securities opening balance	Securities acquired during the financial year	Securities disposed during the financial year	Fully paid securities closing balance
<b>2010</b>				
L F Bleasel AM	335,153	24,618	-	359,771
J A Fletcher	44,917	11,890	-	56,807
R A Higgins AO	52,021	20,933	-	72,954
M Muhammad	42,818	-	-	42,818
M Ratilal	-	-	-	-
R J Wright	24,263	7,002	-	31,265
M J McCormack	115,000	32,005	-	147,005
W S Saidi (retired on 14 August 2009)	-	-	-	-
W Z W Ariffin (retired on 19 August 2009)	-	-	-	-
R M Gersbach	22,232	2,337	-	24,569
P J Fredricson	-	3,000	-	3,000
S P Ohl	11,928	2,968	-	14,896
M T Knapman	3,000	1,484	-	4,484
R A Smith (resigned with effect from 31 August 2010)	16,028	4,452	-	20,480

## NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 30 JUNE 2010

**46. Related party transactions (continued)**

	Fully paid securities opening balance	Securities acquired during the financial year	Securities disposed during the financial year	Fully paid securities closing balance
<b>2009</b>				
L F Bleasel AM	311,589	23,564	-	335,153
J A Fletcher	35,477	9,440	-	44,917
R A Higgins AO	36,581	15,440	-	52,021
M Muhammad	26,804	16,014	-	42,818
M Ratilal	-	-	-	-
R J Wright	19,858	4,405	-	24,263
M J McCormack	100,005	14,995	-	115,000
W S Saidi (retired on 14 August 2009)	-	-	-	-
W Z W Ariffin (retired on 19 August 2009)	-	-	-	-
R M Gersbach	18,043	4,189	-	22,232
P J Fredricson	-	-	-	-
S P Ohl	10,000	1,928	-	11,928
M T Knapman	-	3,000	-	3,000
R A Smith (resigned with effect from 31 August 2010)	8,000	8,028	-	16,028

**(iii) Other transactions with key management personnel of the Group and the Responsible Entity**

Other than directors compensation (Note 44) and key management personnel compensation (Note 45) and equity holdings (Note 46(b)(ii)), there are no other transactions with key management personnel of the Group and the Responsible Entity.

**(d) Transactions with related parties within APA Group**

Transactions between the entities that comprise APA Group during the financial year consisted of:

- dividends;
- system lease rentals;
- loans advanced and payments received on long-term inter-entity loans;
- management fees;
- operational services provided between entities;
- payments of distributions;
- payments 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 Group have been eliminated on consolidation.

Refer to Note 39 for details of the entities that comprise APA Group.

**Australian Pipeline Limited**

Management fees of \$2,546,000 (2009: \$2,796,000) 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 the Trust, has guaranteed the payment of principal, interest and other amounts as provided in the Note and Guarantee Agreement relating to the issue of Guaranteed Senior Notes.



## NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 30 JUNE 2010

**46. Related party transactions (continued)****(e) Transactions with other related parties****Transactions with associates**

The following transactions occurred with the APA Group's associates on normal market terms and conditions:

	Sales to related parties	Purchases from related parties	Amount owed by related parties	Amount owed to related parties
2010	\$	\$	\$	\$
SEA Gas	2,131,780	-	151,122	-
Energy Infrastructure Investments Pty Limited	20,447,004	84,919	6,654,819	-
EII 2 Pty Limited	296,176	-	31,198	-
CAMS	422,696	-	61,397	-
Envestra Limited	192,577,749	105,526	25,892,376	-
	215,875,404	190,445	32,790,912	-

At the year end, APA had receivables with related parties of \$4,185,343.

**2009**

SEA Gas	87,250	-	3,000,000	-
Energy Infrastructure Investments Pty Limited	13,093,130	-	14,592,205	6,000
CAMS	468,167	-	84,877	551
Envestra Limited	200,810,833	-	20,314,341	-
	214,459,380	-	37,991,423	6,551

Transactions with all related parties have taken place at arm's length and in the ordinary course of business.

**Transactions between the Trust and its related parties**

During the financial year ended 30 June 2010, the following transactions occurred between the Trust and its other related parties:

- The Trust received dividends from its wholly-owned controlled entities (see Note 6).

The following balances arising from transactions between the Trust and its other related parties are outstanding at reporting date:

- Net receivables of \$481,974 (2009: \$481,974) are owing from associates; and
- Total payables of \$136,823,000 are repayable to subsidiaries (2009: \$150,401,000) for deferred tax losses transferred up to the Trust, as head of the tax-consolidated group.

No guarantees have been given or received. No expense has been recognised in the period for bad or doubtful debts in respect of the amounts owed by related parties.

Transactions and balances between the Trust and its subsidiaries were eliminated in the preparation of the consolidated financial statements of the APA Group.

## NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 30 JUNE 2010

47. Contingencies

	Consolidated		Trust	
	2010	2009	2010	2009
	\$000	\$000	\$000	\$000
<b>Contingent liabilities</b>				
Bank guarantees	28,586	6,259	-	-
<b>Contingent assets</b>	-	-	-	-

APA issued a letter of credit to the financiers of EII2 in respect of the \$19.7 million equity contribution to be made by APA to EII2. The letter of credit has been included in contingent liabilities.

48. Events occurring after reporting date

On 22 July 2010, APA issued \$300 million of 10 year fixed-rate Medium Term Notes to Australian and international institutional investors. The proceeds of the issue will be used to refinance existing facilities ahead of maturity with a view to extending the average maturity of APA's debt portfolio and reducing debt costs in the longer term.

On 25 August 2010, the Directors declared a final distribution of 17.0 cents per security (\$92.194 million) for the APA Group (comprising a distribution of 10.31 cents per security from APT and a distribution of 6.69 cents per security from APTIT), made up of 5.40 cents per security profit distribution (unfranked) and 11.60 cents per security capital distribution. The distribution will be paid on 15 September 2010.

# DECLARATION BY THE DIRECTORS

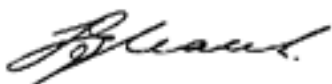
FOR THE FINANCIAL YEAR ENDED 30 JUNE 2010

The Directors declare that:

- (a) in the Directors' opinion, there are reasonable grounds to believe that Australian Pipeline Trust will be able to pay its debts as and when they become due and payable;
- (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 Australian Pipeline Trust and the Consolidated Entity;
- (c) in the Directors' opinion, the financial statements and notes thereto are in accordance with International Financial Reporting Standards as stated in Note 3 to the financial statements; and
- (d) 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 295(5) of the Corporations Act 2001.

On behalf of the Directors



L F Bleasel AM  
Chairman



R J Wright  
Director

SYDNEY, 25 August 2010

# AUDITOR'S INDEPENDENCE DECLARATION

FOR THE FINANCIAL YEAR ENDED 30 JUNE 2010



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

Grosvenor Place  
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The Directors  
Australian Pipeline Limited as responsible entity for  
Australian Pipeline Trust  
HSBC Building  
Level 19, 580 George Street  
Sydney NSW 2000

25 August 2010

Dear Directors

## **Auditors Independence Declaration to Australian Pipeline Limited as responsible entity for Australian Pipeline Trust**

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

As lead audit partner for the audit of the financial statements of Australian Pipeline Trust for the financial year ended 30 June 2010, 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 faithfully

DELOITTE TOUCHE TOHMATSU

G Couttas  
Partner

Member of  
Deloitte Touche Tohmatsu

Liability limited by a scheme approved under Professional Standards Legislation.

# INDEPENDENT AUDITOR'S REPORT

FOR THE FINANCIAL YEAR ENDED 30 JUNE 2010



Deloitte Touche Tohmatsu  
ABN 74 490 121 060

Grosvenor Place  
225 George Street  
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## 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 statement of financial position as at 30 June 2010, and the statement of comprehensive income, statement of cash flows 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 35 to 107.

### *Directors' Responsibility for the Financial 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. In Note 3, 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 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.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial report. The procedures selected depend on the auditor's judgement, including the assessment of the risks of material misstatement of the financial 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 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.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Member of  
Deloitte Touche Tohmatsu

Liability limited by a scheme approved under Professional Standards Legislation.

# INDEPENDENT AUDITOR'S REPORT

FOR THE FINANCIAL YEAR ENDED 30 JUNE 2010

## Deloitte.

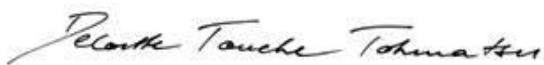
### *Auditor's Independence Declaration*

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 2010 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 3.



DELOITTE TOUCHE TOHMATSU



G Couttas  
Partner  
Chartered Accountants  
Sydney, 25 August 2010

# APT INVESTMENT TRUST AND ITS CONTROLLED ENTITIES

ARSN 115 585 441

# DIRECTORS' REPORT

The directors of Australian Pipeline Limited ("Responsible Entity" or "APL") submit the annual financial report of APT Investment Trust ("APTIT") and its controlled entities (together "Consolidated Entity") for the year ended 30 June 2010. This report and the financial statements attached refer to the consolidated results of APTIT, one of the two stapled entities of APA Group, with the other stapled entity being Australian Pipeline Trust (together "APA").

## DIRECTORS

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

**Leonard Bleasel AM** Chairman

**John Fletcher**

**Russell Higgins AO**

**Muri Muhammad**

**George Ratilal**

**Robert Wright**

**Michael McCormack** Managing Director.

George Ratilal resigned as a director, and was appointed as an alternate director for Muri Muhammad, on 26 August 2010.

Details of the directors, their qualifications, experience, special responsibilities and directorships of other listed entities are set out on pages 13 to 15.

Alternate directors who served during the year are as follows:

**W S Saidi** as alternate for Muri Muhammad, retired on 14 August 2009.

**W Z W Ariffin** as alternate for George Ratilal, retired on 19 August 2009.

## COMPANY SECRETARY

**Mark Knapman**

Details of the Company Secretary, his qualifications and experience are set out on page 14.

## PRINCIPAL ACTIVITIES

APTIT operates as an investment and financing entity within the Australian Pipeline Trust stapled group.

## 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.

## REVIEW AND RESULTS OF OPERATIONS

APTIT reported net profit after tax of \$37.8 million (2009: \$34.1 million) for the year ended 30 June 2010 on total revenue of \$37.8 million (2009: \$34.1 million).

## DISTRIBUTIONS

Distributions paid to securityholders during the financial year were:

	Final FY 2009 distribution paid 15 September 2009		Semi-annual FY 2010 distribution paid 17 March 2010	
	Cents per security	Total distribution \$000	Cents per security	Total distribution \$000
APTIT profit distribution	2.2	10,809	3.5	17,847
APTIT capital distribution	11.1	55,293	1.6	8,141
<b>Total</b>	<b>13.3</b>	<b>66,102</b>	<b>5.1</b>	<b>25,988</b>



# DIRECTORS' REPORT

On 25 August 2010, the directors declared a final distribution for APTIT for the current financial year of 6.7 cents per security payable 15 September 2010, made up of:

Final FY 2010 distribution payable 15 September 2010		
	Cents per security	Total distribution \$000
APTIT profit distribution	3.7	19,928
APTIT capital distribution	3.0	16,350
<b>Total</b>	<b>6.7</b>	<b>36,278</b>

Distribution information is presented on an accounting classification basis. The APA Group Annual Tax Statement and Annual Tax Return Guide (released in September) provide the classification of distribution components for the purposes of preparation of securityholder income tax returns.

As at 30 June 2010, 542,318,629 securities were on issue (2009: 498,663,596).

## SUBSEQUENT EVENTS

Except as disclosed elsewhere in this report, the directors are unaware of any matter or circumstance occurring 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 operations of the Consolidated Entity in future financial years and the expected results of those operations, other than information disclosed elsewhere in this report, is likely to result in unreasonable prejudice to the Consolidated Entity. Accordingly, this information has not been disclosed in this report.

## OTHER INFORMATION

Details of directors and the Company Secretary are on pages 13 and 14. Further information on directorships, attendance at meetings, securityholdings, remuneration, options granted and indemnification of officers and external auditors are found in the APT directors' report, pages 2 to 25.

## 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 scheme property during the year are disclosed in Note 20 to the financial statements.

Except as disclosed in this report, neither the Responsible Entity nor any of its associates holds any APA securities.

The number of APA securities issued during the year, and the number of APA securities at the end of the year, are disclosed in Note 10 to the financial statements.

The value of APA's assets as at the end of the year is disclosed in the statement of financial position in total assets, and the basis of valuation is included in Note 2 to the financial statements.

## AUDITOR'S INDEPENDENCE DECLARATION

A copy of the Auditor's independence declaration as required under section 307C of the Corporations Act 2001 is included on page 141.

# DIRECTORS' REPORT

## ROUNDING OFF OF AMOUNTS

APA Group is an entity of the kind referred to in ASIC Class Order 98/0100 dated 10 July 1998, and in accordance with that Class Order, amounts in the Directors' report and the 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



L F Bleasel AM

**Chairman**



R J Wright

**Director**

SYDNEY, 25 August 2010

## STATEMENT OF COMPREHENSIVE INCOME

FOR THE FINANCIAL YEAR ENDED 30 JUNE 2010

		Consolidated		Trust	
	Note	2010 \$000	2009 \$000	2010 \$000	2009 \$000
<b>Continuing operations</b>					
Revenue	4	37,784	34,081	37,784	34,081
Expenses	4	(10)	(17)	(10)	(17)
Profit before tax		37,774	34,064	37,774	34,064
Income tax expense		-	-	-	-
<b>Profit for the year</b>		<b>37,774</b>	<b>34,064</b>	<b>37,774</b>	<b>34,064</b>
<b>Other comprehensive income</b>					
Gain/(loss) on available-for-sale investments taken to equity		1,345	(1,396)	1,345	(1,396)
Other comprehensive income for the year (net of tax)		1,345	(1,396)	1,345	(1,396)
<b>Total comprehensive income for the year</b>		<b>39,119</b>	<b>32,668</b>	<b>39,119</b>	<b>32,668</b>
<b>Profit Attributable to:</b>					
Equityholders of the parent		37,774	34,064	37,774	34,064
		37,774	34,064	37,774	34,064
<b>Total comprehensive income attributable to:</b>					
Equityholders of the parent		39,119	32,668	39,119	32,668
<b>Earnings per security</b>					
Basic and diluted earnings per security (cents)	12	7.3	7.0		

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

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

## STATEMENT OF FINANCIAL POSITION

AS AT 30 JUNE 2010

		Consolidated		Trust	
	Note	2010 \$000	2009 \$000	2010 \$000	2009 \$000
<b>Current assets</b>					
Receivables	6	714	633	714	633
<b>Non-current assets</b>					
Receivables	7	13,001	13,528	13,001	13,528
Other financial assets	8	327,054	353,664	327,054	353,664
<b>Total non-current assets</b>		<b>340,055</b>	<b>367,192</b>	<b>340,055</b>	<b>367,192</b>
<b>Total assets</b>		<b>340,769</b>	<b>367,825</b>	<b>340,769</b>	<b>367,825</b>
<b>Current liabilities</b>					
Trade and other payables	9	11	11	11	11
<b>Total liabilities</b>		<b>11</b>	<b>11</b>	<b>11</b>	<b>11</b>
<b>Net assets</b>		<b>340,758</b>	<b>367,814</b>	<b>340,758</b>	<b>367,814</b>
<b>Equity</b>					
Issued capital	10	320,931	358,450	320,931	358,450
Reserves	11	(101)	(1,446)	(101)	(1,446)
Retained earnings		19,928	10,810	19,928	10,810
<b>Total equity</b>		<b>340,758</b>	<b>367,814</b>	<b>340,758</b>	<b>367,814</b>

The above statement of financial position should be read in conjunction with the accompanying notes.

## STATEMENT OF CHANGES IN EQUITY

FOR THE FINANCIAL YEAR ENDED 30 JUNE 2010

	Note	Consolidated and Trust			Total \$000
		Issued capital \$000	Reserves \$000	Retained earnings \$000	
Balance at 1 July 2008		357,556	(50)	6,980	364,486
Profit for the year		-	-	34,064	34,064
Valuation gain recognised	11	-	(1,396)	-	(1,396)
Total comprehensive income for the year		-	(1,396)	34,064	32,668
Issue of capital	10	28,151	-	-	28,151
Distributions to securityholders	5	(27,257)	-	(30,234)	(57,491)
Balance at 30 June 2009		358,450	(1,446)	10,810	367,814
Balance at 1 July 2009		358,450	(1,446)	10,810	367,814
Profit for the year		-	-	37,774	37,774
Valuation gain recognised	11	-	1,345	-	1,345
Total comprehensive income for the year		-	1,345	37,774	39,119
Issue of capital (net of issue costs)	10	35,782	-	-	35,782
Equity values adjustment between stapled entities	10	(9,868)	-	-	(9,868)
Distributions to securityholders	5	(63,433)	-	(28,656)	(92,089)
Balance at 30 June 2010		320,931	(101)	19,928	340,758

The above statement of changes in equity should be read in conjunction with the accompanying notes.

## STATEMENT OF CASH FLOWS

FOR THE FINANCIAL YEAR ENDED 30 JUNE 2010

	Consolidated		Trust	
	2010	2009	2010	2009
	\$000	\$000	\$000	\$000
<b>Cash flows from operating activities</b>				
Trust distribution - related party	27,613	24,361	-	-
Trust distribution - subsidiary	-	-	27,613	24,361
Capital distribution received - related party	-	15,486	-	-
Capital distribution received - subsidiary	-	-	-	15,486
Capital distribution received - external	482	9,938	482	9,938
Dividends received	107	157	107	157
Interest received - related parties	9,798	9,064	9,798	9,064
Finance lease receivable repayments	1,167	1,167	1,167	1,167
Receipts from customers	66	92	66	92
Payments to suppliers	(21)	(16)	(21)	(16)
Interest paid	-	(292)	-	(292)
<b>Net cash provided by operating activities</b>	<b>39,213</b>	<b>59,956</b>	<b>39,213</b>	<b>59,956</b>
<b>Cash flows from investing activities</b>				
Payments for available-for-sale investments	-	(1,338)	-	(1,338)
Payment for financial asset	-	(34,415)	-	(34,415)
Repayment received from/(advances to) related parties	26,962	5,137	26,962	5,137
<b>Net cash provided by/(used in) investing activities</b>	<b>26,962</b>	<b>(30,616)</b>	<b>26,962</b>	<b>(30,616)</b>
<b>Cash flows from financing activities</b>				
Proceeds from issue of securities	35,782	28,151	35,782	28,151
Equity values adjustment between stapled entities	(9,868)	-	(9,868)	-
Distributions to securityholders	(92,089)	(57,491)	(92,089)	(57,491)
<b>Net cash used in financing activities</b>	<b>(66,175)</b>	<b>(29,340)</b>	<b>(66,175)</b>	<b>(29,340)</b>
<b>Net increase in cash and cash equivalents</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>
Cash and cash equivalents at beginning of financial year	-	-	-	-
<b>Cash and cash equivalents at end of financial year</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>

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

# NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 30 JUNE 2010

## 1. General information

APT Investment Trust ("APTIT" or "Trust") is one of the two stapled entities of APA Group ("APA"), the other stapled entity being Australian Pipeline Trust ("APT"), listed on the Australian Securities Exchange (trading under the symbol 'APA'), registered in Australia and operating in Australia.

APTIT's registered office and its principal place of business are as follows:

### **Registered office and principal place of business**

Level 19  
HSBC Building  
580 George Street  
SYDNEY NSW 2000  
Tel: (02) 9693 0000.

APTIT operates as an investment and financing entity within the APA stapled group.

## 2. Significant accounting policies

### **Statement of compliance**

The financial report is a general purpose financial report which has been prepared in accordance with 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 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 Trust and the Consolidated Entity comply with International Financial Reporting Standards ("IFRS").

The financial statements were authorised for issue by the directors on 25 August 2010.

### **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 APTIT under ASIC Class Order 98/0100. APTIT is an entity to which the class order applies.

### **Critical accounting judgements and key sources of estimation uncertainty**

In the application of the Consolidated Entity's accounting policies, management is required to make judgements, estimates and assumptions about the carrying values of assets and liabilities that are not readily apparent from other sources.

The estimates and associated assumptions are based on historical experience and other factors that are considered to be relevant. 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. Refer to Note 3 for a discussion of critical judgements in applying the entity's accounting policies, and key sources of estimation uncertainty.

# NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 30 JUNE 2010

## 2. Significant accounting policies (continued)

### Adoption of new and revised Accounting Standards

In the current year, the Consolidated Entity has adopted all of the new and revised Standards and Interpretations issued by the Australian Accounting Standards Board ("AASB") that are relevant to its operations and effective for the current annual reporting period. Details of the impact of the adoption of these new accounting standards are set out in the individual accounting policy notes set out below:

#### (i) Standards and Interpretations affecting amounts reported in the current period (and/or prior periods)

The following new and revised Standards and Interpretations have been adopted in the current period and have affected the amounts reported in these financial statements. Details of other Standards and Interpretations adopted in these financial statements but that have had no effect on the amounts reported are set out in part (ii).

#### Standards affecting presentation disclosure

Standard	Impact
<ul style="list-style-type: none"> <li>AASB 101 'Presentation of Financial Statements' (as revised in September 2007), AASB 2007-8 'Amendments to Australian Accounting Standards arising from AASB 101' and AASB 2007-10 'Further Amendments to Australian Accounting Standards arising from AASB 101'</li> </ul>	AASB 101 (September 2007) has introduced terminology changes and changes in the format and content of the financial statements.
<ul style="list-style-type: none"> <li>AASB 2009-2 'Amendments to Australian Accounting Standards - Improving Disclosures about Financial Instruments'</li> </ul>	The amendments to AASB 7 expand the disclosures required in respect of fair value measurements and liquidity risk. The Consolidated Entity has elected not to provide comparative information for these expanded disclosures in the current year in accordance with the transitional reliefs offered in these amendments.



## NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 30 JUNE 2010

2. Significant accounting policies (continued)**(ii) Standards and Interpretations adopted with no effect on financial statements**

The following new and revised Standards have also been adopted in these financial statements. Their adoption has not had any significant impact on the amounts reported in these financial statements but may affect the accounting for future transactions and arrangements.

Standard	Impact
<ul style="list-style-type: none"> <li>AASB 3 'Business Combinations (as revised in 2008)'</li> </ul>	AASB 3 (2008) has been applied prospectively to business combinations for which the acquisitions date is on or after 1 July 2009. The impact of the adoption has been to require that acquisition related costs be accounted for separately from the business combination generally leading to those costs being recognised as an expense in profit or loss as incurred, whereas previously they were accounted for as part of the costs of the acquisition.
<ul style="list-style-type: none"> <li>AASB 8 'Operating Segments'</li> </ul>	The Consolidated Entity has adopted AASB 8 Operating Segments and AASB 2008-3 Amendments to Australian Accounting Standards arising from AASB 8 with effect from 1 July 2009. There is no significant change to the reportable segments following the adoption of AASB 8 as the Consolidated Entity previously reported in this manner.
<ul style="list-style-type: none"> <li>AASB 2008-7 'Amendments to Australian Accounting Standards - Cost of an Investment In a Subsidiary, Jointly Controlled Entity or Associate'</li> </ul>	The amendments cover the measurement of the costs of investments in subsidiaries, jointly controlled entities and associates when adopting A-IFRS for the first time and the recognition of dividend income in a parent's separate financial statements.
<ul style="list-style-type: none"> <li>AASB 2008-1 'Amendments to Australian Accounting Standards - Share-based payments: Vesting Conditions and Cancellations'</li> </ul>	The amendments clarify the definition of vesting conditions for the purposes of AASB 2, introduce the concept of 'non-vesting' conditions, and clarify the accounting treatment of cancellations.
<ul style="list-style-type: none"> <li>AASB 123 'Borrowing Costs (as revised in 2007)' and AASB 2007-6 'Amendments to Australian Accounting Standards arising from AASB 123'.</li> </ul>	AASB 123 has eliminated the option to expense all borrowing costs when incurred. The change has had no impact on these financial statements because it has always been the Consolidated Entity's accounting policy to capitalise borrowing costs incurred on qualifying assets.
<ul style="list-style-type: none"> <li>AASB 2008-8 'Amendments to Australian Accounting Standards - Eligible Hedged Items'.</li> </ul>	The amendments provide clarification on two aspects of hedge accounting: identifying inflation as a hedged risk or portion, and hedging with options.

## NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 30 JUNE 2010

**2. Significant accounting policies (continued)****(iii) Standards and Interpretations issued not yet adopted**

At the date of authorisation of the financial report, the Standards and Interpretations listed below were in issue but not yet effective.

Standard/Interpretation	Effective for annual reporting periods beginning on or after	Expected to be initially applied in the financial year ending
• AASB 2009-5 'Further Amendments to Australian Accounting Standards arising from the Annual Improvements Project'	1 January 2010	30 June 2011
• AASB 2009-8 'Amendments to Australian Accounting Standards Group Cash-Settled Share-based Payment Transactions'	1 January 2010	30 June 2011
• AASB 2009-10 'Amendments to Australian Accounting Standards Classification of Rights Issues'	1 February 2010	30 June 2011
• AASB 124 'Related Party Disclosures' (revised December 2009) AASB 2009-12 'Amendments to Australian Accounting Standards'	1 January 2011	30 June 2012
• AASB 9 'Financial Instruments' AASB 2009-11 'Amendments to Australian Accounting Standards arising from AASB 9'	1 January 2013	30 June 2014
• Interpretation 19 'Extinguishing Financial Liabilities with Equity Instruments'	1 July 2010	30 June 2011

The potential impact of the initial application of the above Standards and Interpretations has not yet been determined.

**(a) Basis of consolidation**

The consolidated financial statements incorporate the financial statements of the Trust and 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 financial year are included in the statement of comprehensive income from the effective date of acquisition. Where necessary, adjustments are made to financial statements of subsidiaries to bring their accounting policies into line with those used by other members of the Consolidated Entity. 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 differs 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) 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.

**(c) 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.

## NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 30 JUNE 2010

**2. Significant accounting policies (continued)****(d) Acquisition of assets**

Assets acquired are recorded at the cost of acquisition, being the purchase consideration determined as at the date of acquisition. Cost includes expenditure that is directly attributable to the acquisition or construction of the asset.

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 acquisition method. The consideration for each acquisition 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. Acquisition costs directly attributable to the business combination are recognised in profit or loss as incurred.

Where applicable, the consideration for the acquisition includes any asset or liability resulting from a contingent consideration arrangement, measured at its acquisition-date fair value. Subsequent changes in fair values are adjusted against the cost of acquisition where they qualify as measurement period adjustments. All other subsequent changes in the fair value of contingent consideration classified as an asset or liability are accounted for in accordance with relevant standards. Changes in the fair value of contingent consideration classified as equity are not recognised.

Where a business combination is achieved in stages, the consolidated entity's previously held interests in the acquired entity are remeasured to fair value at the acquisition date and the resulting gains or losses, if any, are recognised in profit or loss. Amounts arising from interests in the acquiree prior to the acquisition date that have previously been recognised in other comprehensive income are reclassified to profit or loss, where such treatment would be appropriate if that interest were disposed of.

The acquiree's identifiable assets, liabilities and contingent liabilities that meet the conditions for recognition under AASB 3 (2008) are recognised at their fair value at the acquisition date, except that:

- deferred tax assets or liabilities and liabilities or assets related to employee benefit arrangements are recognised in accordance with AASB 112 'Income Taxes' and AASB '119 Employee Benefits' respectively;
- liabilities or equity instruments related to the replacement by the Consolidated Entity of an acquiree's share-based payment awards are measured in accordance with AASB 2 'Share-based payments'; and
- 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' are measured in accordance with that standard.

If the initial accounting for a business combination is incomplete by the end of the reporting period in which the combination occurs, the Consolidated Entity reports provisional amounts for the items for which the accounting is incomplete. Those provisional amounts are adjusted for during the measurement period, or additional assets or liabilities are recognised, to reflect new information obtained about facts and circumstances that existed as of the acquisition date, that, if known, would have affected the amounts recognised as at that date.

The measurement period is the period from the date of acquisition to the date the Consolidated Entity obtains complete information about facts and circumstances that existed as of the acquisition date - and is subject to a maximum of one year.

# NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 30 JUNE 2010

## 2. Significant accounting policies (continued)

### **(f) Financial instruments issued by the Consolidated Entity**

#### **Debt and equity instruments**

Debt and equity instruments are classified as either liabilities or equity in accordance with the substance of the contractual arrangement. An equity instrument is any contract that evidences a residual interest in the assets of an entity after deducting all of its liabilities. Equity instruments issued by the Consolidated Entity are recorded at the proceeds received, net of direct issue costs.

#### **Transaction costs arising 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 statement of financial position 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 expenses 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 statement of cash flows on a gross basis. The GST component of cash flows arising from investing and financing activities which is recoverable from, or payable to, the taxation authority is classified within operating cash flows.

### **(h) Impairment of assets**

Assets are reviewed for impairment at least annually or 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 purpose of assessing impairment, assets are grouped at the lowest levels for which there are separately identifiable cash inflows which are largely independent of the cash inflows from other assets or groups of asset: (cash-generating units). Assets other than goodwill that have previously suffered an impairment are reviewed for possible reversal of the impairment at the end of 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 realised taxable income (including any assessable realised capital gains) is fully distributed to its securityholders each year.

## NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 30 JUNE 2010

**2. Significant accounting policies (continued)****(j) Financial assets and liabilities**

Investments in subsidiaries are measured at cost. Other financial assets are classified into the following specified categories: financial assets 'held-to-maturity investments', 'available-for-sale' financial assets, and 'loans and receivables'. The classification depends on the nature and purpose of the financial assets and is determined at the time of initial recognition.

**Effective interest method**

The effective interest method is a method of calculating the amortised cost of a financial asset and of allocating interest income over the relevant period. The effective interest rate is the rate that exactly discounts estimated future cash receipts through the expected life of the financial asset, or where appropriate, a shorter period.

**Fair value through profit or loss**

Financial assets at fair value through profit or loss are stated at fair value, with any resultant gain or loss recognised in profit or loss. The net gain or loss recognised in profit or loss incorporates any dividend or interest earned on the financial asset.

**Available-for-sale financial assets**

Financial assets classified as being available-for-sale are stated at fair value. Gains and losses arising from changes in fair value are recognised directly in the available-for-sale investment revaluation reserve.

**Receivables and loans**

Trade receivables, loans, and other receivables that have fixed or determinable payments that are not quoted in an active market are classified as 'loans and receivables'. Trade and other receivables are stated at their amortised cost less impairment.

**Impairment of financial assets**

Financial assets are assessed for indicators of impairment at each balance sheet date. Financial assets are impaired where there is objective evidence that as a result of one or more events that occurred after initial recognition of the financial asset, the estimated future cash flows of the investment have been impacted.

**(k) 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 method, agreed between the parties at the end of each month and is determined by reference to market rates.

**Distribution revenue**

Distribution revenue is recognised when the right to receive a distribution has been established.

**Dividend revenue**

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

**Finance lease income**

Finance lease income is recognised when receivable.

# NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 30 JUNE 2010

## 2. Significant accounting policies (continued)

### **(l) 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.

#### **Consolidated Entity 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 any 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.

### **(m) Segment information**

APTIT operates in one geographical segment being Australia and one business segment.

APTIT is an investing and financing entity within the APA stapled group. As the Trust only operates in one segment, it has not disclosed segment information separately.

## 3. Critical accounting judgements and key sources of estimation uncertainty

### **Critical judgements in applying the entity's accounting policies**

The following are the critical judgements (apart from those involving estimations, which are dealt with below) that management has made in the process of applying the Consolidated Entity's accounting policies and that have the most significant effect on the amounts recognised in the financial statements:

#### **Accounting for acquisitions**

Assets acquired are recorded at the cost of acquisition, being the purchase consideration determined as at the date of acquisition. Cost is allocated to individual identifiable assets and liabilities.

Management makes a number of judgements in allocating cost, particularly in relation to the valuation of identifiable intangible assets such as contractual arrangements, including assumptions relating to potential contract renewals and associated useful life.

#### **Key sources of estimation uncertainty**

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.

#### **Impairment of assets**

Determining whether property, plant and equipment, identifiable intangible assets and goodwill is impaired requires an estimation of the value-in-use or fair value of the cash-generating units. The calculations require 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.

Estimates and assumptions used are reviewed on an ongoing basis.

Determining whether available-for-sale investments are impaired requires an assessment as to whether declines in value are significant or prolonged. Management has taken into account a number of qualitative and quantitative factors in making this assessment. Any assessment of whether a decline in value represents an impairment would result in the transfer of the decrement from reserves to the Statement of Comprehensive Income.

#### **Useful lives of non-current assets**

The Consolidated Entity reviews the estimated useful lives of property, plant and equipment at the end of each annual reporting period. Any reassessment of useful lives in a particular year will affect the depreciation or amortisation expense.

## NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 30 JUNE 2010

**4. Profit from operations**

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

	Consolidated		Trust	
	2010	2009	2010	2009
	\$000	\$000	\$000	\$000
<b>Revenue</b>				
<b>Distributions</b>				
Trust distribution - related party	27,613	24,361	-	-
Trust distribution - subsidiary	-	-	27,613	24,361
Other entities	121	167	121	167
	<b>27,734</b>	<b>24,528</b>	<b>27,734</b>	<b>24,528</b>
<b>Finance income</b>				
Interest - related parties	8,631	9,064	8,631	9,064
Gain/(loss) on financial asset held at fair value through profit and loss	687	(292)	687	(292)
Finance lease income - related party	732	739	732	739
	<b>10,050</b>	<b>9,511</b>	<b>10,050</b>	<b>9,511</b>
<b>Other revenue</b>				
Other	-	42	-	42
<b>Total revenue</b>	<b>37,784</b>	<b>34,081</b>	<b>37,784</b>	<b>34,081</b>
<b>Expenses</b>				
Audit fees	10	11	10	11
Legal fees	-	6	-	6
<b>Total expenses</b>	<b>10</b>	<b>17</b>	<b>10</b>	<b>17</b>

## NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 30 JUNE 2010

**5. Distributions**

	Consolidated		Trust	
	2010	2009	2010	2009
	\$000	\$000	\$000	\$000
<b>Recognised amounts:</b>				
<b>Final distribution paid on 15 September 2009</b>				
(2009: 10 September 2008)				
Profit distribution <sup>(a)</sup>	10,809	16,014	10,809	16,014
Capital distribution	55,293	12,081	55,293	12,081
	<b>66,102</b>	<b>28,095</b>	<b>66,102</b>	<b>28,095</b>
<b>Semi-annual distribution paid on 17 March 2010</b>				
(2009: 27 March 2009)				
Profit distribution <sup>(a)</sup>	17,847	14,220	17,847	14,220
Capital distribution	8,140	15,176	8,140	15,176
	<b>25,987</b>	<b>29,396</b>	<b>25,987</b>	<b>29,396</b>
<b>Unrecognised amounts:</b>				
<b>Final distribution payable on 15 September 2010 <sup>(b)</sup></b>				
(2009: 15 September 2009)				
Profit distribution <sup>(a)</sup>	19,928	10,809	19,928	10,809
Capital distribution	16,350	55,293	16,350	55,293
	<b>36,278</b>	<b>66,102</b>	<b>36,278</b>	<b>66,102</b>

(a) Profit distributions unfranked (2009: unfranked).

(b) Record date 30 June 2010.

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. Current receivables**

Other debtors	187	131	187	131
Finance lease receivable - related party (Note 14)	527	502	527	502
	<b>714</b>	<b>633</b>	<b>714</b>	<b>633</b>

In determining the recoverability of a receivable, the Consolidated Entity considers any change in the credit quality of the receivable from the date the credit was initially granted up to the reporting date. The directors believe that there is no credit provision required.

None of the above receivables is past due.



## NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 30 JUNE 2010

7. Non-current receivables

	Consolidated		Trust	
	2010	2009	2010	2009
	\$000	\$000	\$000	\$000
Finance lease receivable - related party (Note 14)	13,001	13,528	13,001	13,528

8. Non-current other financial assets

Receivable from subsidiary	-	-	65,258	79,453
Advance to related party	182,725	209,677	75,659	88,416
Investments carried at cost:				
Investment in subsidiary	-	-	149,188	149,188
Investment in related party <sup>(a)</sup>	107,380	107,380	-	-
	290,105	317,057	290,105	317,057
Financial assets carried at fair value:				
Redeemable ordinary shares <sup>(b)</sup>	33,936	34,415	33,936	34,415
Available-for-sale investments carried at fair value <sup>(c)</sup>	3,013	2,192	3,013	2,192
	327,054	353,664	327,054	353,664

(a) The investment in related party reflects GasNet Australia Investments Trust's ("GAIT") investment in 100% of the B Class units in GasNet A Trust.

The B Class units give GAIT rights to the income and capital of 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 units in GasNet A Trust and, accordingly, GasNet A Trust is included in the consolidation of the APA entities.

(b) Financial assets carried at fair value relate to APA Group's 19.9% investment in Energy Infrastructure Investments Pty Ltd where APL, as Responsible Entity for APTIT, acquired the redeemable ordinary shares.

(c) Available-for-sale investments reflect a 6% unitholding in Ethane Pipeline Income Fund. Ethane Pipeline Income Fund paid capital distributions of \$423,000 during the year and declared a \$112,000 capital distribution as part of its June 2010 quarter distribution.

9. Trade and other payables

Other payables	11	11	11	11
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## NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 30 JUNE 2010

**10. Issued capital**

	Consolidated		Trust	
	2010	2009	2010	2009
	\$000	\$000	\$000	\$000
542,318,629 securities, fully paid (2009: 498,663,596 securities, fully paid) <sup>(a)</sup>	320,931	358,450	320,931	358,450

	Consolidated and Trust			
	2010	2010	2009	2009
	No. of units	No. of units	No. of units	No. of units
	000	\$000	000	\$000
<b>Movements</b>				
Balance at beginning of financial year	498,664	358,450	468,241	357,556
Issue of securities under Distribution Reinvestment Plan	18,377	15,134	18,718	19,458
Issue of securities under Security Purchase Plan	25,278	20,723	11,705	8,864
Equity values adjustment between stapled entities	-	(9,868)	-	-
Issue cost of securities	-	(75)	-	(171)
Capital distributions paid (Note 5)	-	(63,433)	-	(27,257)
Balance at end of financial year	542,319	320,931	498,664	358,450

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

Changes to the then Corporations Law abolished the authorised capital and par value concept in relation to issued capital from 1 July 1998. Therefore, the Trust does not have a limited amount of authorised capital and issued securities do not have a par value.

**11. Reserves**

	Consolidated		Trust	
	2010	2009	2010	2009
	\$000	\$000	\$000	\$000
<b>Available-for-sale investment revaluation reserve</b>				
Balance at beginning of financial year	(1,446)	(50)	(1,446)	(50)
Valuation gain/(loss) recognised	1,345	(1,396)	1,345	(1,396)
Balance at end of financial year	(101)	(1,446)	(101)	(1,446)

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.

## NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 30 JUNE 2010

**12. Earnings per security**

	Consolidated	
	2010	2009
Basic and diluted earnings per security (cents)	7.3	7.0

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)	37,774	34,064
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	No. of securities	
	2010	2009
Weighted average number of ordinary securities on issue used in the calculation (000)	516,243	485,077

**13. Remuneration of external auditor**

	Consolidated		Trust	
	2010	2009	2010	2009
	\$	\$	\$	\$
Amounts received or due and receivable by Deloitte Touche Tohmatsu for:				
Auditing the financial report	10,125	11,025	10,125	11,025

**14. Leases**

	Consolidated		Trust	
	2010	2009	2010	2009
	\$000	\$000	\$000	\$000
<b>Finance leases</b>				
<b>Leasing arrangements - receivables</b>				
Finance lease receivables relate to the lease of a pipeline lateral.				
There are no contingent rental payments due.				
<b>Finance lease receivables</b>				
Not longer than 1 year	1,167	1,167	1,167	1,167
Longer than 1 year and not longer than 5 years	4,669	4,669	4,669	4,669
Longer than 5 years	14,007	15,175	14,007	15,175
Minimum future lease payments receivable <sup>(a)</sup>	19,843	21,011	19,843	21,011
Gross finance lease receivables	19,843	21,011	19,843	21,011
Less: unearned finance lease receivables	(6,315)	(6,981)	(6,315)	(6,981)
Present value of lease receivables	13,528	14,030	13,528	14,030
Included in the financial statements as part of:				
Current receivables (Note 6)	527	502	527	502
Non-current receivables (Note 7)	13,001	13,528	13,001	13,528
	13,528	14,030	13,528	14,030

(a) Minimum future lease payments receivable include the aggregate of all lease payments receivable and any guaranteed residual.

# NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 30 JUNE 2010

## 15. 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, and monitors and manages the financial risks relating to the operations of the Consolidated Entity. These risks include liquidity risk, credit risk and market risk (including currency risk, price risk and interest rate risk).

The Consolidated Entity seeks to minimise the effects of these risks through natural hedges and by using derivative instruments to directly hedge the exposures. The use of financial derivatives is governed by APA Group's Treasury 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 enter into or trade financial instruments, including derivative financial instruments for speculative purposes.

The Corporate Treasury function reports at least six monthly to APA Group's Audit and Risk Management Committee, an independent body that monitors risks and policies implemented to mitigate risk exposures.

### (b) Liquidity risk management

The Consolidated Entity has a policy dealing with liquidity risk which requires an appropriate liquidity risk management framework for the management of the Consolidated Entity's short, medium and long-term funding and liquidity management requirements. Liquidity risk is managed by maintaining adequate cash reserves and banking facilities, by monitoring and forecasting cash flow and where possible arranging liabilities with longer maturities to more closely match the underlying assets and revenue streams of the Consolidated Entity.

### (c) 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 bank guarantees where appropriate as a means of mitigating the risk of any loss. The carrying amount of financial assets recorded in the statement of financial position, net of any allowances, represents the Consolidated Entity's maximum exposure to credit risk in relation to those assets.

### (d) Market risk management

The Consolidated Entity's activities exposure is primarily to the financial risk of changes in interest rates. There has been no change to the Consolidated Entity's exposure to market risk or the manner in which it manages and measures the risk from the previous period. The Consolidated Entity is also exposed to price risk from its investments in listed equities. The majority of the shareholdings rest with one company that is publicly traded in the major financial markets.

### (e) Fair values of financial instruments

#### Fair value measurements recognised in the statement of financial position

The following table provides an analysis of financial instruments that are measured subsequent to initial recognition at fair value, grouped into Levels 1 to 3 based on the degree to which the fair value is observable.

- Level 1 fair value measurements are those derived from quoted prices (unadjusted) in active markets for identical assets or liabilities.
- Level 2 fair value measurements are those derived from inputs other than quoted prices included within Level 1 that are observable for the asset or liability, either directly (i.e. as prices) or indirectly (i.e. derived from prices).
- Level 3 fair value measurements are those derived from valuation techniques that include inputs for the asset or that are not based on observable market data (unobservable inputs).

## NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 30 JUNE 2010

**15. Financial instruments (continued)****(e) Fair values of financial instruments (continued)**

Parent	2010			Total \$000
	Level 1 \$000	Level 2 \$000	Level 3 \$000	
Financial assets measured at fair value				
Available-for-sale listed equity securities				
Ethane Pipeline Income Fund	3,013	-	-	3,013
Unlisted Redeemable Ordinary Shares				
Energy Infrastructure Investments Pty Limited	-	-	33,936	33,936
Total	3,013	-	33,936	36,949

**Reconciliation of Level 3 fair value measurements of financial assets**

	2010		Total \$000
	Fair value through Profit or Loss \$000	Available- for-sale \$000	
Opening balance	34,415	-	34,415
Total gains or losses:			
- in profit or loss: Interest - related parties	3,875	-	3,875
- in profit or loss: Gain on financial asset held at fair value through profit and loss	687	-	687
Distributions	(5,042)	-	(5,042)
<b>Closing balance</b>	<b>33,936</b>	<b>-</b>	<b>33,936</b>

**Significant assumptions used in determining fair value of financial assets and liabilities****Redeemable ordinary shares**

The financial statements include redeemable ordinary shares ("ROS") held in an unlisted entity which are measured at fair value (Note 8). The fair market value of the ROS is derived from a binomial tree model, which includes some assumptions that are not able to be supported by observable market prices or rates. The model maps different possible valuation paths of three distinct components:

- value of the debt component;
- value of the ROS discretionary dividends; and
- value of the option to convert to ordinary shares.

In determining the fair value, the following assumptions were used:

- the risk adjusted rate for the ROS is estimated as the required rate of return based on projected cash flows to equity at issuance assuming the ROS price at issuance (\$0.99) and the ordinary price at issuance (\$0.01) are at their fair value
- the risk free rate of return is 5.33% per annum and is based upon an interpolation of the five and ten year Government bond rates at the valuation date; and
- the volatility of the ordinary shares (beta) is estimated from obtaining the average industry beta of peers and then imputing the volatility relative to market.

**(f) Interest rate sensitivity analysis**

The sensitivity analysis below has been determined based on the exposure to interest rates on loans with related parties. A 10% increase or decrease is used and represents management's assessment of the possible change in interest rates. At reporting date, if interest rates had been 10% higher or lower and all other variables were held constant, the Consolidated Entity's net profit would decrease by \$466,000 or increase by \$466,000 (2009: \$626,000). This is mainly attributable to the Consolidated Entity's exposure to interest rates on its variable rate inter-entity balances.

## NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 30 JUNE 2010

**16. Subsidiaries**

Name of entity	Country of registration	Ownership interest	
		2010 %	2009 %
<b>Parent entity</b>			
APT Investment Trust			
<b>Controlled entity</b>			
GasNet Australia Investments Trust	Australia	100	100

**17. Acquisition of assets/businesses**

2010	Principal activity	Date of acquisition	Proportion acquired	Cost of acquisition
Assets acquired			%	\$000
Nil				

Fair value of assets acquired is equal to cost of acquisition.

2009	Principal activity	Date of acquisition	Proportion acquired	Cost of acquisition
Assets acquired			%	\$000
Envestra limited loan notes	Financing	10 February 2009	11.5	1,781

**18. Director compensation****(a) Details of directors**

The Directors of the APA group of entities during the financial year were:

**L F Bleasel AM** (Independent, Non-Executive Chairman)

**J A Fletcher** (Independent Non-Executive Director)

**R A Higgins AO** (Independent Non-Executive Director)

**M Muhammad** (Non-Executive Director)

**M Ratilal** (Non-Executive Director)

**R J Wright** (Independent Non-Executive Director)

**M J McCormack** (Managing Director/Chief Executive Officer)

**W S Saidi** (Alternate Non-Executive Director, retired on 14 August 2009)

**W Z W Ariffin** (Alternate Non-Executive Director, retired on 19 August 2009)

**(b) Director compensation**

The aggregate compensation made to directors of the Consolidated Entity and the Trust is set out below:

	Consolidated and Trust	
	2010 \$	2009 \$
Short-term employment benefits	2,174,099	1,947,097
Post-employment benefits	91,963	250,146
Cash settled share-based payments	574,166	285,663
Retention award	18,056	216,667
	<b>2,858,284</b>	<b>2,699,573</b>

## NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 30 JUNE 2010

**18. Director compensation (continued)**

The compensation of each director of the Consolidated Entity is set out below.

	Short-term employment benefits		Post-employment	Long-term incentive plans			
	Salary/fees	Short-term incentive scheme	Non-monetary	Super-annuation	Share-based payments <sup>(a)</sup>	Other <sup>(b)</sup>	Total
	\$	\$	\$	\$	\$	\$	\$
<b>Non-Executive Directors</b>							
L F Bleasel AM <sup>(c)</sup>							
2010	254,319	-	-	16,981	-	-	271,300
2009	236,477	-	-	54,108	-	-	290,585
J A Fletcher							
2010	110,150	-	-	25,787	-	-	135,937
2009	49,000	-	-	79,620	-	-	128,620
R A Higgins AO							
2010	137,000	-	-	12,320	-	-	149,320
2009	101,200	-	-	41,808	-	-	143,008
M Muhammad							
2010	113,000	-	-	-	-	-	113,000
2009	108,000	-	-	-	-	-	108,000
M Ratilal <sup>(d)</sup>							
2010	93,000	-	-	-	-	-	93,000
2009	89,167	-	-	-	-	-	89,167
R J Wright							
2010	132,000	-	-	11,875	-	-	143,875
2009	128,200	-	-	11,538	-	-	139,738
W S Saidi <sup>(e)</sup>							
2010	-	-	-	-	-	-	-
2009	-	-	-	-	-	-	-
W Z W Ariffin <sup>(f)</sup>							
2010	-	-	-	-	-	-	-
2009	-	-	-	-	-	-	-
<b>Total remuneration: Non-Executive Directors</b>							
2010	839,469	-	-	66,963	-	-	906,432
2009	712,044	-	-	187,074	-	-	899,118
<b>Executive Director</b>							
M J McCormack							
2010	796,500	538,130	-	25,000	574,166	18,056	1,951,852
2009	711,928	523,125	13,072	50,000	285,663	216,667	1,800,455
<b>Total remuneration: Directors</b>							
2010	1,635,969	538,130	-	91,963	574,166	18,056	2,858,284
2009	1,423,972	523,125	13,072	237,074	285,663	216,667	2,699,573

(a) Cash settled share-based payments.

(b) Includes retention payment and director's retiring allowance.

(c) The prior year balance includes a prior year remuneration adjustment of \$48,727.

(d) Directors fees paid to Petronas Australia Pty Ltd.

(e) Retired on 14 August 2009.

(f) Retired on 19 August 2009.

## NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 30 JUNE 2010

**19. Key management personnel compensation****(a) Details of key management personnel**

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

**M J McCormack** (Managing Director/Chief Executive Officer)

**R M Gersbach** (Group Manager Commercial)

**P J Fredricson** (Chief Financial Officer)

**S P Ohl** (Group Manager Operations)

**M T Knapman** (Company Secretary)

**R A Smith** (Group Manager Human Resources and HS&E, resigned with effect from 31 August 2010)

**(b) Key management personnel compensation**

The aggregate compensation made to key management personnel of the Consolidated Entity and the Trust is set out below:

	Consolidated and Trust	
	2010	2009
	\$	\$
Short-term employment benefits	4,249,881	2,331,733
Post-employment benefits	133,669	810,627
Cash settled share-based payments	1,265,317	1,522,887
Retention award	18,056	216,667
Termination payments	-	487,237
	<b>5,666,923</b>	<b>5,369,151</b>

The executive remuneration strategy is to:

- attract and retain key executives who will create long-term sustainable value for securityholders;
- 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.



## NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 30 JUNE 2010

**19. Key management personnel compensation (continued)****(b) Key management personnel compensation (continued)**

APA's remuneration mix is structured as a mix of base pay and 'at risk' short and long-term incentive components.

Total fixed remuneration is reviewed annually and is determined by reference to appropriate remuneration benchmarking information, taking into account an individual's responsibilities, performance, qualifications and experience.

Operating cash flow per security has been chosen by the board as the key performance measure for 'at risk' remuneration. This is directly linked to the strategic goal of increasing operating cash flows over the medium term thereby improving returns to securityholders.

The compensation of each member of the key management personnel of the Consolidated Entity is set out below.

	Short-term employment benefits		Post-employment	Long-term incentive plans			
	Salary/fees	Short-term incentive scheme	Non-monetary	Super-annuation	Share-based payments <sup>(a)</sup>	Other payments	Total
	\$	\$	\$	\$	\$	\$	\$
<b>Key management personnel</b>							
<b>M J McCormack<sup>(b)</sup></b>							
<b>2010</b>	<b>796,500</b>	<b>538,130</b>	<b>-</b>	<b>25,000</b>	<b>574,166</b>	<b>18,056</b>	<b>1,951,852</b>
2009	711,928	523,125	13,072	50,000	285,663	216,667	1,800,455
<b>R M Gersbach<sup>(c)</sup></b>							
<b>2010</b>	<b>543,617</b>	<b>260,062</b>	<b>11,922</b>	<b>14,461</b>	<b>229,323</b>	<b>-</b>	<b>1,059,385</b>
2009	524,333	320,000	11,922	13,745	105,857	-	975,857
<b>P J Fredricson</b>							
<b>2010</b>	<b>485,539</b>	<b>228,125</b>	<b>-</b>	<b>14,461</b>	<b>75,000</b>	<b>-</b>	<b>803,125</b>
2009	38,226	-	-	3,440	-	-	41,666
<b>S P Ohl</b>							
<b>2010</b>	<b>372,214</b>	<b>181,562</b>	<b>28,732</b>	<b>14,461</b>	<b>187,754</b>	<b>-</b>	<b>784,723</b>
2009	336,523	184,000	28,732	34,745	92,095	-	676,095
<b>M T Knapman</b>							
<b>2010</b>	<b>319,176</b>	<b>121,180</b>	<b>-</b>	<b>50,825</b>	<b>91,421</b>	<b>-</b>	<b>582,602</b>
2009	294,950	119,600	-	33,964	37,504	-	486,018
<b>R A Smith<sup>(d)</sup></b>							
<b>2010</b>	<b>251,747</b>	<b>111,375</b>	<b>-</b>	<b>14,461</b>	<b>107,653</b>	<b>-</b>	<b>485,236</b>
2009	245,480	115,700	775	13,745	49,438	-	425,138
<b>R F Francis<sup>(e)</sup></b>							
<b>2010</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>
2009	180,293	200,000	5,961	6,874	83,557	487,237	963,922
<b>Total Remuneration</b>							
<b>2010</b>	<b>2,768,793</b>	<b>1,440,434</b>	<b>40,654</b>	<b>133,669</b>	<b>1,265,317</b>	<b>18,056</b>	<b>5,666,923</b>
2009	2,331,733	1,462,425	60,462	156,513	654,114	703,904	5,369,151

(a) Cash settled share-based payments.

(b) Chief Executive Officer has also been included in Note 18 as the Managing Director.

(c) Includes one-off ex-gratia component for undertaking Chief Financial Officer position from 1 January 2009 to 31 May 2009.

(d) Group Manager Human Resources and HS&E, resigned with effect from 31 August 2010

(e) Chief Financial Officer, resigned on 31 December 2008. Includes termination payment of \$487,237.

## NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 30 JUNE 2010

**20. Related party transactions****(a) Responsible Entity - Australian Pipeline Limited**

The Responsible Entity is wholly owned by APT Pipelines Limited (2009: 100% owned by APT Pipelines Limited).

**(b) Equity interest in related parties**

Details of the percentage of ordinary securities held in subsidiaries are disclosed in Note 16.

**(c) Transactions with key management personnel**

Details of directors and key management personnel compensation are disclosed in Note 18 and 19 respectively.

**(i) Loans to key management personnel**

No loans have been made to key management personnel.

**(ii) Key management personnel equity holdings in APTIT**

	Fully paid securities opening balance	Securities acquired during the financial year	Securities disposed during the financial year	Fully paid securities closing balance
<b>2010</b>				
L F Bleasel AM	335,153	24,618	-	<b>359,771</b>
J A Fletcher	44,917	11,890	-	<b>56,807</b>
R A Higgins AO	52,021	20,933	-	<b>72,954</b>
M Muhammad	42,818	-	-	<b>42,818</b>
M Ratilal	-	-	-	-
R J Wright	24,263	7,002	-	<b>31,265</b>
M J McCormack	115,000	32,005	-	<b>147,005</b>
W S Saidi (retired on 14 August 2009)	-	-	-	-
W Z W Ariffin (retired on 19 August 2009)	-	-	-	-
R M Gersbach	22,232	2,337	-	<b>24,569</b>
P J Fredricson	-	3,000	-	<b>3,000</b>
S P Ohl	11,928	2,968	-	<b>14,896</b>
M T Knapman	3,000	1,484	-	<b>4,484</b>
R A Smith (resigned with effect from 31 August 2010)	16,028	4,452	-	<b>20,480</b>
<b>2009</b>				
L F Bleasel AM	311,589	23,564	-	335,153
J A Fletcher	35,477	9,440	-	44,917
R A Higgins AO	36,581	15,440	-	52,021
M Muhammad	26,804	16,014	-	42,818
M Ratilal	-	-	-	-
R J Wright	19,858	4,405	-	24,263
M J McCormack	100,005	14,995	-	115,000
W S Saidi (retired on 14 August 2009)	-	-	-	-
W Z W Ariffin (retired on 19 August 2009)	-	-	-	-
R M Gersbach	18,043	4,189	-	22,232
P J Fredricson	-	-	-	-
S P Ohl	10,000	1,928	-	11,928
M T Knapman	-	3,000	-	3,000
R A Smith (resigned with effect from 31 August 2010)	8,000	8,028	-	16,028

## NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 30 JUNE 2010

**20. Related party transactions (continued)****(d) Transaction with related parties within the Consolidated Entity**

During the financial year, the following transactions occurred between the Trust and its other related parties:

- loans advanced and payments received on long-term inter-entity loans; and
- payments of distributions.

All transactions between the entities that comprise the Consolidated Entity have been eliminated on consolidation. Refer to Note 16 for details of the entities that comprise the Consolidated Entity.

**(e) Transactions with other related parties**

APTIT and its controlled entity have a number of loan receivable balances with other entities in APA. These loans have various terms; however, they can be repayable on agreement of the parties. Interest is recognised by applying the effective interest method, agreed between the parties at the end of each month and is determined by reference to market rates.

The following balances arising from transactions between the Trust and its other related parties are outstanding at reporting date:

- current receivables totalling \$526,869 are owing from a subsidiary of APT for amounts due under a finance lease arrangement (2009: \$502,130); and
- non-current receivables totalling \$13,001,830 are owing from a subsidiary of APT for amounts due under a finance lease arrangement (2009: \$13,528,033).

**Australian Pipeline Limited**

Management fees of \$642,332 (2009: \$844,345) were paid to the Responsible Entity as reimbursement of costs incurred on behalf of APTIT. No amounts were paid directly by APTIT to the Directors of the Responsible Entity.

**Australian Pipeline Trust**

Management fees of \$642,332 (2009: \$844,345) were reimbursed by APT.

**21. Contingent liabilities and contingent assets**

At 30 June 2010, there are no material contingent liabilities or contingent assets (2009: \$nil).

**22. Subsequent events**

On 25 August 2010, the Directors declared a final distribution for the 2010 financial year, of 6.7 cents per security (\$36.3 million). The distribution represents a 3.7 cents per security unfranked profit distribution and 3.0 cents per security capital distribution. The distribution will be paid on 15 September 2010.

# DECLARATION BY THE DIRECTORS

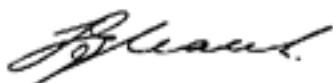
FOR THE FINANCIAL YEAR ENDED 30 JUNE 2010

The Directors declare that:

- (a) in the Directors' opinion, there are reasonable grounds to believe that APT Investment Trust will be able to pay its debts as and when they become due and payable;
- (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 APT Investment Trust and the Consolidated Entity;
- (c) in the Directors' opinion, the financial statements and notes thereto are in accordance with International Financial Reporting Standards as stated in Note 2 to the financial statements; and
- (d) 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 295(5) of the Corporations Act 2001.

On behalf of the Directors



L F Bleasel AM  
Chairman



R J Wright  
Director

SYDNEY, 25 August 2010

# AUDITOR'S INDEPENDENCE DECLARATION

FOR THE FINANCIAL YEAR ENDED 30 JUNE 2010



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

Grosvenor Place  
225 George Street  
Sydney NSW 2000  
PO Box N250 Grosvenor Place  
Sydney NSW 1220 Australia

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[www.deloitte.com.au](http://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

25 August 2010

Dear Directors

## **Auditors Independence Declaration to Australian Pipeline Limited as responsible entity for APT Investment Trust**

In accordance with section 307C of the Corporations Act 2001, I am pleased to provide the following declaration of independence to the directors of Australian Pipeline Limited as responsible entity for APT Investment Trust.

As lead audit partner for the audit of the financial statements of APT Investment Trust for the financial year ended 30 June 2010, 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 faithfully

DELOITTE TOUCHE TOHMATSU

G Couttas  
Partner

Member of  
Deloitte Touche Tohmatsu

Liability limited by a scheme approved under Professional Standards Legislation.

# INDEPENDENT AUDITOR'S REPORT

FOR THE FINANCIAL YEAR ENDED 30 JUNE 2010



Deloitte Touche Tohmatsu  
ABN 74 490 121 060

Grosvenor Place  
225 George Street  
Sydney NSW 2000  
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## 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 statement of financial position as at 30 June 2010, and the statement of comprehensive income, statement of cash flows 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 115 to 140.

### *Directors' Responsibility for the Financial 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. In Note 2, 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 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.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial report. The procedures selected depend on the auditor's judgement, including the assessment of the risks of material misstatement of the financial 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 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.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Member of  
Deloitte Touche Tohmatsu

Liability limited by a scheme approved under Professional Standards Legislation.

# INDEPENDENT AUDITOR'S REPORT

FOR THE FINANCIAL YEAR ENDED 30 JUNE 2010

## Deloitte.

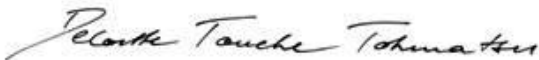
### *Auditor's Independence Declaration*

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

### *Auditor's Opinion*

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 2010 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 2.



DELOITTE TOUCHE TOHMATSU



G Couttas  
Partner  
Chartered Accountants  
Sydney, 25 August 2010

# ADDITIONAL INFORMATION

Additional information required by the Listing Rules of Australian Securities Exchange Limited and not provided elsewhere in this report (the information is applicable as at 1 September 2010).

## TWENTY LARGEST HOLDERS

	No. of Securities	%
Petronas Australia Pty Ltd	93,317,200	17.21
HSBC Custody Nominees (Australia) Limited	23,807,421	4.39
National Nominees Limited	22,392,322	4.13
J P Morgan Nominees Australia Limited	16,553,406	3.05
Citicorp Nominees Pty Limited	12,086,473	2.23
RBC Dexia Investor Services Australia Nominees Pty Limited	11,987,861	2.21
Custodial Services Limited	10,468,598	1.93
Argo Investments Limited	4,100,000	0.76
ANZ Nominees Limited	2,786,908	0.51
Queensland Investment Corporation	2,661,144	0.49
Questor Financial Services Limited	2,035,043	0.38
AMP Life Limited	1,946,663	0.36
Sandhurst Trustees Ltd	1,651,967	0.30
Citicorp Nominees Pty Limited	1,644,681	0.30
Marich Nominees No 2 Pty Ltd	1,371,550	0.25
M F Custodians Ltd	1,369,000	0.25
Cogent Nominees Pty Limited	1,313,877	0.24
RBC Dexia Investor Services Australia Nominees Pty Limited	1,300,102	0.24
UBS Wealth Management Australia Nominees Pty Ltd	1,139,754	0.21
UBS Nominees Pty Ltd	1,122,351	0.21
<b>Total For Top 20</b>	<b>215,056,321</b>	<b>39.65</b>

## DISTRIBUTION OF HOLDERS

Ranges	No. of Holders	%	No. of Securities	%
1-1,000	30,302	40.32	11,000,517	2.03
1,001-5,000	26,425	35.16	69,020,609	12.73
5,001-10,000	10,592	14.10	76,451,535	14.10
10,001-100,000	7,691	10.23	145,679,942	26.86
100,001 and over	136	0.18	240,166,026	44.29
<b>Total</b>	<b>75,146</b>	<b>100.00</b>	<b>542,318,629</b>	<b>100.00</b>

2,843 holders hold less than a marketable parcel of securities (market value less than \$500 or 133 securities based on a market price on 1 September 2010 of \$3.77).

## SUBSTANTIAL HOLDERS

By notice dated 22 August 2007, Petronas Australia Pty Limited advised that it had an interest in 72,102,351 ordinary securities.

## VOTING RIGHTS

On a show of hands, each holder has one vote.

On a poll, each holder has one vote for each dollar of the value of the total interests they have in the scheme.

## ON-MARKET BUY-BACK

There is no current on-market buy-back.

## RESPONSIBLE ENTITY AND REGISTERED OFFICE

Australian Pipeline Limited ACN 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.apa.com.au](http://www.apa.com.au)

## APA GROUP REGISTRY

Link Market Services Limited  
 Level 12, 680 George Street, Sydney NSW 2000  
 Locked Bag A14, Sydney South NSW 1235 Australia  
 Toll Free: 1800 992 312  
 Telephone: +61 2 8280 7132  
 Facsimile: +61 2 9287 0303  
[www.linkmarketservices.com.au](http://www.linkmarketservices.com.au)





Inside back cover: Culcairn  
compressor station and New South  
Wales to Victoria interconnect

## **Online Annual Review and Annual Report**

This document and further  
information about APA's  
financial performance,  
including details contained  
in the Annual Report, are  
available at [www.apa.com.au](http://www.apa.com.au)