

more than...

pipelines: redefining our potential

Annual Report 2012



AUSTRALIAN PIPELINE TRUST	
2	Directors' report
23	Corporate governance statement
29	Statement of comprehensive income
30	Statement of financial position
32	Statement of changes in equity
34	Statement of cash flows
35	Notes to the financial statements
88	Declaration by the Directors of Australian Pipeline Limited
89	Auditor's independence declaration
90	Independent Auditor's report

APT INVESTMENT TRUST	
92	Directors' report
94	Statement of comprehensive income
95	Statement of financial position
95	Statement of changes in equity
96	Statement of cash flows
97	Notes to the financial statements
112	Declaration by the Directors of Australian Pipeline Limited
113	Auditor's Independence Declaration
114	Independent Auditor's report

116	Additional information
-----	------------------------

**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 2012. 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
Michael McCormack	Chief Executive Officer and Managing Director
Steven Crane	
John Fletcher	
Russell Higgins AO	
Patricia McKenzie	
Muri Muhammad	
Robert Wright	

Details of the directors, their qualifications, experience, special responsibilities and directorships of other listed entities are set out on pages 10 to 12.

Muri Muhammad gave notice on 25 July 2012 of his resignation from the board of Australian Pipeline Limited with effect from 24 October 2012.

George Ratilal resigned as alternate director for Muri Muhammad on 9 May 2012.

COMPANY SECRETARY

Mark Knapman

Details of the Company Secretary, his qualifications and experience are set out on page 11.

PRINCIPAL ACTIVITIES

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

- Energy infrastructure, primarily gas transmission businesses located across Australia and the Emu Downs wind farm in Western Australia;
- Energy investments in listed and unlisted entities; and
- Asset management and operations services for the majority of APA's energy investments and for third parties.

FINANCIAL AND OPERATIONAL REVIEW

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

YEAR ENDED 30 JUNE	2012 \$000	2011 \$000	CHANGES	
			\$000	%
Operating results including significant items				
Total revenue	1,060,661	1,101,989	(41,328)	(3.8)
Pass-through revenue ⁽¹⁾	302,633	381,733	(79,100)	(20.7)
Total revenue excluding pass-through	758,028	720,256	37,772	5.2
EBITDA	525,825	492,109	33,716	6.9
Depreciation and amortisation expense	(110,409)	(100,350)	(10,059)	10.0
EBIT	415,416	391,759	23,657	6.0
Net interest expense	(234,326)	(247,072)	12,746	(5.2)
Pre-tax profit	181,090	144,687	36,403	25.2
Income tax expense	(50,435)	(35,862)	(14,573)	40.6
Minorities	(5)	(316)	311	(98.5)
Profit after tax and minorities, including significant items	130,650	108,509	22,141	20.4
Significant items after income tax ⁽²⁾	(9,663)	(432)	(9,231)	
Profit after income tax and minorities, excluding significant items	140,313	108,941	31,372	28.8
Operating cash flow ⁽³⁾	335,569	290,029	45,540	15.7
Operating cash flow per security (cents)	52.5	52.6	(0.1)	(0.2)
Earnings per security (cents)	20.4	19.7	0.7	3.6
Distribution per security (cents)	35.0	34.4	0.6	1.7
Distribution payout ratio ⁽⁴⁾	67.0%	65.7%		
Net tangible asset per security	\$1.58	\$1.51	\$0.07	4.6
Weighted average number of securities (000)	639,743	551,222		

(1) Pass-through revenue is revenue on which no margin is earned. Pass-through revenue arises in the asset management operations in respect of costs incurred in, and passed on to Envestra in respect of the operation of the Envestra assets. It also arises in the NT Gas business for FY 2011.

(2) Significant items: FY 2012 - Profit on the sale of APA Gas Network business (Allgas) less transaction costs; FY 2011 - APA's equity accounted share of the Investment Allowance Concession benefit recognised on the commencement of generation of the North Brown Hill Wind Farm. APA has referenced the significant items to more accurately reflect the actual trading results of the Group. The significant items have been audited.

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

(4) Distribution payout ratio = total distributions in relation to the financial year as a percentage of operating cash flow.

DIRECTORS' REPORT

CONTINUED

Operating profit after tax and minorities for the year was \$130.7 million, an increase of 20.4% on last year. APA's profit contained one significant item with an overall net negative impact of \$9.7 million.

Revenue (excluding pass-through) increased by \$37.8 million to \$758.0 million, an increase of 5.2% on last year, while earnings before interest, tax, depreciation and amortisation ("EBITDA") and after significant items increased by \$33.7 million to \$525.8 million, an increase of 6.9%.

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

- the additional earnings from new expansions;
- full year contribution of the Emu Downs wind farm business in Western Australia;
- contribution of the new gas haulage contract on the Amadeus Gas Pipeline; and
- reduced interest costs primarily due to the reduction in drawn debt following the sale of the Allgas business.

The increase has been partially offset by the cessation of contributions from the Allgas gas distribution network following its sale in December 2011.

Operating cash flow increased by 15.7% to \$335.6 million (2011: \$290.0 million), while operating cash flow per security decreased by 0.2% or 0.1 cents to 52.5 cents per security (2011: 52.6 cents per security).

APA's distributions for the financial year total 35.0 cents per security, an increase of 1.7% or 0.6 cents on the prior financial year. APA achieved its guidance of paying distributions in the 2012 financial year at least equal to distributions in the 2011 financial year. The distribution payout ratio for 2012 was 67.0%, further demonstrating APA's ability to fully fund its distributions out of operating cash flows, while retaining significant operating cash flow in the business to fund organic growth.

CAPITAL MANAGEMENT

During the year, APA issued the following two tranches of new securities under its Distribution Reinvestment Plan:

- on 15 September 2011, 5,218,596 securities at \$3.88 per security raising \$20.2 million; and
- on 15 March 2012, 5,150,958 securities at \$4.73 per security raising \$24.4 million.

At 30 June 2012, there were 644,485,583 securities on issue (30 June 2011: 634,116,029) an increase of 1.6%.

APA continues to use the Distribution Reinvestment Plan in providing equity to support its strong ongoing stock of organic growth and investment projects.

During the year APA completed the following debt refinancing programs:

- On 23 August 2011, APA entered into a new \$75 million bilateral bank facility for a term of three years, maturing in August 2014;
- On 12 October 2011, APA entered into a new \$150 million bilateral bank facility for a term of five years, maturing in October 2016;
- On 3 November 2011, APA announced the completion of a \$1.45 billion syndicated bank facility, with equal-sized two, three and four year tranches, to refinance syndicated facilities due to mature in June 2012 and July 2013. APA repaid these loans, with the final payment being made on 9 January 2012;
- On 24 January 2012, APA issued JPY 10 billion (A\$125.9 million) six-year five-month fixed-rate Medium Term Notes utilising documentation in place under its established European MTN program; and
- On 28 June 2012, APA issued CAD 300 million (A\$289.5 million) seven-year one-month fixed rate Medium Term Notes utilising documentation in place under its established European MTN program.

These new facilities were used to repay loans drawn under APA's existing revolving bank facilities, with the additional headroom created being available to support APA's ongoing investment in the growth of its infrastructure assets, including the acquisition of Hastings Diversified Utilities Fund ("HDF") if it proceeds, and for general corporate purposes.

On 9 August 2012, APA lodged a prospectus with the Australian Securities and Investments Commission ("ASIC") for an offer of long-dated, unsecured, subordinated, cumulative notes ("Notes") to raise \$350 million, with the ability to raise more or less. A replacement prospectus was lodged with the ASIC on 17 August 2012 following the closure of the "exposure" period and finalisation of the margin and revised offer size of \$475 million. The Notes provide 50% equity credit from Standard & Poor's and Moody's and are not convertible into stapled securities or any other securities. The Notes will be issued in mid-September 2012 and will begin trading on the ASX under the code "AQHHA" in late September 2012.

At 30 June 2012, APA's debt portfolio has a broad spread of maturities extending out to 2022, with a weighted average maturity of drawn debt of 4.8 years. APA has gearing of 65.0%¹ at 30 June 2012, down from 66.2% at 30 June 2011, primarily due to the reduction in net debt following receipt of funds from the sale of APA's Queensland Gas Network business.

At 30 June 2012, APA had in excess of \$1.1 billion in cash and committed undrawn facilities available to meet the continued capital growth needs of the business and to fund the acquisition of HDF should the transaction proceed.

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 and foreign currency denominated Medium Term Notes have been hedged into fixed rate AUD obligations. APA also enters into interest rate hedges for a proportion of the interest rate exposure on its other floating rate borrowings. At 30 June 2012, 80.9% of interest obligations were either hedged or set at fixed interest rates for varying periods extending out for up to 9.9 years.

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.

BORROWINGS AND FINANCE COSTS

As at 30 June 2012, APA had borrowings of \$3,223.8 million (\$3,239.9 million at 30 June 2011), principally from syndicated bank debt facilities, bilateral debt facilities, US Private Placement notes, European Medium Term Notes and Australian Medium Term Notes. Following the CAD 300 million European Medium Term Note issue in June 2012, significant cash, in the order of \$280 million, was available to repay loans drawn under existing bank facilities and so create additional facility headroom.

Net underlying finance costs decreased by \$12.7 million, or 5.2%, to \$234.3 million (2011: \$247.1 million) over last year primarily as a result of lower drawn debt on average before the CAD bond issue, and lower floating interest rates throughout the year ended 30 June 2012. This was somewhat offset by acceleration of amortisation of borrowing costs related to bank debt facilities being repaid early. The average interest rate (including credit margins) applying to drawn debt was 7.39% for the year (2011: 7.47%). This figure excludes commitment fees and borrowing costs.

APA's interest cover ratio for the year increased to 2.48 times from 2.03 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.

¹ Gearing ratio determined in accordance with covenants in all debt facilities as net debt to net debt plus book equity.

DIRECTORS' REPORT

CONTINUED

CREDIT RATING

APT Pipelines Limited, the borrowing entity of APA, maintained its two investment grade credit ratings during the year:

- BBB long term corporate credit rating (outlook Stable) from Standard and Poor's; and
- Baa2 long term corporate credit rating (outlook Stable) from Moody's Investors Service.

INCOME TAX

The effective income tax rate before significant items for the year 26.4%, up from 24.8% last year. The increase has arisen predominantly as a result of the Federal Government's reversal of previously legislated changes to tax consolidation rules dealing with "rights to future income", together with the prior year impact of investment allowances credits no longer being available.

CAPITAL AND INVESTMENT EXPENDITURE

Capital and investment expenditure for the year totalled \$295.5 million compared with \$516.1 million last year. Of this amount, \$271.1 million was in respect of investment and growth projects, including pipeline capacity expansion in Queensland, New South Wales, Victoria and Western Australia, and the expansion of the Mondarra Gas Storage Facility. The remaining \$24.4 million of capital expenditure related to stay in business or maintenance capital expenditure.

Growth expenditure was generally either fully underwritten through long-term gas transportation agreements or had regulatory approval through a relevant access arrangement.

During the period, APA increased its interest in Hastings Diversified Utilities Fund ("HDF") to 20.7% for \$11.7 million, and increased its interest in Envestra to 33.4% for \$28.8 million through participation in Envestra's Dividend Reinvestment Plan in October 2011 and April 2012.

Capital and investment expenditure for the year is detailed in the table below.

CAPITAL AND INVESTMENT EXPENDITURE ⁽¹⁾	DESCRIPTION OF 2012 MAJOR PROJECTS	2012 \$ million	2011 \$ million
Growth expenditure			
<i>Regulated</i>			
Victorian Transmission System	Euroa compression; Sunbury lateral looping project	35.1	33.4
APA Gas Networks (Qld)	Includes southern network expansion	8.4	16.1
		43.5	49.5
<i>Major projects</i>			
Queensland	Roma Brisbane Pipeline expansion	35.7	19.6
New South Wales	Moomba Sydney Pipeline expansion; Young Marsden compression project	18.9	34.3
Western Australia	Mondarra Gas Storage Facility; Goldfields Gas Pipeline expansions	116.4	39.8
Other	National customer management system; Victorian metering	10.2	12.2
		181.2	105.9
<i>Acquisitions</i>			
Energy Infrastructure	Purchase adjustments for Amadeus Gas Pipeline and Emu Downs wind farm acquisitions in FY 2011	6.0	228.8
Energy Investments	Increased interest in ENV and HDF	40.4	113.9
		46.4	342.7
Total growth capex		271.1	498.1
Stay in business capex		24.4	18.0
Total capex		295.5	516.1

(1) The capital expenditure shown in this table represents actual cash payments as disclosed in the cash flow statement; it excludes accruals brought forward from the prior year and carried forward to next year.

DIRECTORS' REPORT

CONTINUED

DISTRIBUTIONS

Distributions paid to securityholders during the year were:

	FINAL FY 2011 DISTRIBUTION PAID 15 SEPTEMBER 2011		INTERIM FY 2012 DISTRIBUTION PAID 15 MARCH 2012	
	Cents per security	Total distribution \$000	Cents per security	Total distribution \$000
APT profit distribution	3.42	19,054	4.54	29,034
APT capital distribution	8.41	46,761	6.52	41,655
APTIT profit distribution	3.41	18,295	3.88	24,797
APTIT capital distribution	2.66	15,449	2.06	13,201
Total	17.90	99,559	17.00	108,687

On 22 August 2012, the directors declared a final distribution for APA for the year of 18.0 cents per security payable 15 September 2012, made up of:

	FINAL FY 2012 DISTRIBUTION PAYABLE 14 SEPTEMBER 2012	
	Cents per security	Total distribution \$000
APT profit distribution	5.09	32,786
APT capital distribution	7.32	47,182
APTIT profit distribution	3.28	21,160
APTIT capital distribution	2.31	14,879
Total	18.00	116,007

Total distribution for the financial year ended 30 June 2012 is 35.0 cents per security, an increase of 0.6 cents, or 1.7%, on the year ended 30 June 2011.

Distribution information is presented on an accounting classification basis. The APA Group Annual Tax Statement and Annual Tax Return Guide (to be released in September 2012) provide the classification of distribution components for the purposes of preparation of securityholder income tax returns.

SIGNIFICANT CHANGES IN STATE OF AFFAIRS

The following significant changes in the state of affairs of APA occurred during the year:

- In December 2011 APA divested its Queensland Gas Network business (Allgas) into the newly established joint venture, GDI (EII) Pty Limited ("GDI"). APA retains a 20% equity interest in GDI with the remaining interest held by Marubeni Corporation and RREEF, each holding a 40% interest. APA remains as asset manager and operator of the network under a long term agreement. The net proceeds of the transaction totalled \$476 million.
- On 14 December 2011, APA announced an off-market takeover offer for HDF through APT Pipelines Limited for all the HDF securities which APA did not then own. APA currently owns 20.7% per cent of HDF securities. HDF is an Australian Securities Exchange (ASX) listed investment vehicle whose assets include Epic Energy's three natural gas transmission pipeline systems, and is managed by Hastings Funds Management Limited. Further details of this transaction are found on page 8 of this report.

DIRECTORS' REPORT

CONTINUED

BUSINESS SEGMENT PERFORMANCES

APA's operational and financial result reflects the steady growth across all business segments. Statutory reported revenue and EBITDA performance of APA's business segments is set out in the following table:

YEAR ENDED 30 JUNE	2012	2011	CHANGES	
	\$000	\$000	\$000	%
Revenue (continuing business)				
<i>Energy Infrastructure</i>				
Queensland ⁽¹⁾	112,225	107,708	4,517	4.2
New South Wales	138,443	126,657	11,786	9.3
Victoria	161,297	151,209	10,088	6.7
South Australia	2,109	2,049	60	2.9
Western Australia	174,166	143,643	30,523	21.2
Northern Territory	21,734	13,850	7,884	56.9
Energy Infrastructure total	609,974	545,116	64,858	11.9
Asset Management	69,295	68,647	648	0.9
Energy Investments	41,747	27,121	14,626	53.9
Total segment revenue	721,016	640,884	80,132	12.5
Pass-through revenue ⁽⁴⁾	302,633	381,733	(79,100)	(20.7)
Unallocated revenue	6,317	12,932	(6,615)	(51.2)
Divested business - Allgas ⁽²⁾	30,695	56,600		
Significant items ⁽³⁾	-	9,839		
Total revenue	1,060,661	1,101,989	(41,327)	(3.8)
EBITDA (continuing business)				
<i>Energy Infrastructure</i>				
Queensland ⁽¹⁾	79,566	71,685	7,881	11.0
New South Wales	113,098	101,266	11,832	11.7
Victoria	121,549	114,263	7,286	6.4
South Australia	1,521	1,618	(97)	(6.0)
Western Australia	117,397	94,223	23,174	24.6
Northern Territory	8,541	5,578	2,963	53.1
Energy Infrastructure total	441,672	388,633	53,039	13.6
Asset Management	31,910	38,740	(6,830)	(17.6)
Energy Investments	41,751	27,102	14,649	54.1
Total segment EBITDA	515,333	454,475	60,858	13.4
Divested business - Allgas ⁽²⁾	20,155	35,114		
Total EBITDA before significant items	535,488	489,589	45,899	9.4
Significant items ⁽³⁾	(9,663)	2,521		
Total EBITDA	525,825	492,109	33,715	6.9

(1) Excludes the Allgas business contribution in 2011 and 2012.

(2) APA Gas Network Queensland (Allgas) was sold into GDI (EII) Pty Ltd in December 2011.

(3) FY12 - relates to the profit less transaction costs on the sale of Allgas in December 2011. FY11 - relates to APA's equity share of the EII2 Investment Allowance Concession benefit (\$9.8m in revenue & EBITDA), sale of CAMS (\$1.7m) reduced by transaction costs on the Emu Downs wind farm acquisition (\$9.0m).

(4) Pass-through revenue of NT Gas business ceased following acquisition of the Amadeus Gas Pipeline (June 2011).

DIRECTORS' REPORT

CONTINUED

ENERGY INFRASTRUCTURE

The Energy Infrastructure segment includes gas transmission and distribution assets along with the Emu Downs wind farm.

The Energy Infrastructure segment (continuing business) contributed 85% of segment revenue (excluding pass-through revenue) and 86% of segment EBITDA. Revenue (excluding pass-through revenue) was \$610.0 million, an increase of 11.9% on the \$545.1 million reported last year. EBITDA increased by 13.6% to \$441.7 million (2011: \$388.7 million).

The following key factors contributed to this result:

- Queensland revenue and EBITDA increased with new contracts and the recovery of costs in connection with flood damage incurred in FY2011;
- New South Wales increase in revenue and EBITDA is mainly due to new gas haulage contracts;
- Victorian revenue and EBITDA increase reflects the annual increase in tariffs, offset by lower gas volumes through the Victorian Transmission System due to milder weather;
- Western Australia experienced the greatest increase, primarily as a result of the inclusion of the first full year of contribution from the Emu Downs wind farm business; and
- The Northern Territory result reflects the acquisition of the Amadeus Gas Pipeline and the new gas transportation agreement - the pipeline was previously leased and contracted on a cost based system.

APA continues to focus on the operation, development and enhancement of its gas transmission and distribution assets across mainland Australia.

Queensland

- *Roma Brisbane Pipeline*

APA completed the \$50 million expansion of the pipeline in August 2012, increasing capacity by approximately 10%. The project included additional compression, pipeline pressure upgrades and augmentation of the pipeline in the Brisbane metropolitan area. The additional capacity has been substantially contracted under long term transportation agreements with an energy retailer and a major industrial gas user.

The project to repair damage to the pipeline easement caused by the 2011 floods was largely completed, with some work continuing in the Marburg region, west of Brisbane. During the year APA recovered some of the repair cost from its insurance provider and it is expected to recover the remaining amount in FY2013.

- *Carpentaria Gas Pipeline and Diamantina Power Station*

In October 2011 APA announced that it will jointly develop the Diamantina Power Station at Mount Isa with AGL Energy. The 242 MW gas fired power station will be supplied with gas via the Carpentaria Gas Pipeline. The power station is underpinned by 17-year energy supply agreements with Mount Isa Mines Limited, a wholly owned subsidiary of Xstrata, and Ergon Energy, the State owned regional electricity supplier. Under the arrangements, AGL has contracted transportation capacity in the Carpentaria Gas Pipeline for an initial ten year period.

The 242 MW power station is being constructed under a turn-key contract with CTEC Pty Limited and is expected to be fully operational in early 2014.

Once project financing is in place and construction of the power station is completed, APA's investment in the power station of approximately \$100 million is expected to be funded from headroom under existing debt facilities.

New South Wales

- *Moomba Sydney Pipeline*

Work continued on the \$100 million five-year capacity expansion program of the Moomba Sydney Pipeline. Capital expenditure for the year was \$15 million, bringing the total spent thus far to \$71 million. The Young compressor station was completed in the first half of the year.

Victoria

- *Victorian Transmission System*

Total gas volume transported through the Victorian Transmission System was 229.7 PJ, down 6.5% on last year (245.7 PJ) due to milder weather, lower industrial demand and lower gas demand for power generation. Peak day volume of 1,151 TJ was down 3.3% on last year (1,190 TJ).

APA continued work on capital projects which provide both additional capacity and security of supply for the Victorian Gas Transmission System. These projects include installation of additional compression at Euroa, part of the northern augmentation project, and looping of the Sunbury lateral, with funding approved within the system's current (2008-2013) regulatory arrangements.

Western Australia

- *Goldfields Gas Pipeline*

In December 2011 and January 2012, APA announced two new capacity expansions on the pipeline totalling 44 TJ/day, an increase of 28% of the pipeline's capacity. These expansions are underpinned by a new 20-year gas transportation agreement with Rio Tinto and a new 15-year gas transportation agreement with the Mount Newman Joint Venture (85% BHP Billiton) respectively.

Work has commenced on these two expansions, namely design and purchase of long lead time equipment and material. The work primarily involves the upgrade of compression at two existing compressor stations (Yarraloola and Paraburdoo) and the construction of two new compressor stations (Turee Creek and Newman inlet), for a total capital cost of approximately \$150 million. APA is managing the construction project on behalf of the Goldfields Gas Transmission Joint Venture through which APA owns 88.2% of the Goldfields Gas Pipeline. The additional capacity will be available in 2014.

- *Mondarra Gas Storage Facility*

APA is expanding its Mondarra Gas Storage Facility following execution of a 20-year foundation contract for storage capacity with Verve Energy in May 2011. Construction work is continuing on the surface facilities, which includes pipeline interconnects and treatment plants.

Completion of the expanded capacity is scheduled for mid-2013. The facility is continuing to operate its existing contracted storage services during this expansion period.

The expansion will provide APA's customers with supply options and flexibility to better manage their gas supply and demand portfolios.

- *Emu Downs wind farm*

In June 2011, APA acquired the 80 MW Emu Downs wind farm and adjoining development site in Western Australia. The first year of financial and operational performance of the wind farm under APA's ownership has been in line with APA's expectations.

DIRECTORS' REPORT

CONTINUED

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 Limited, Ethane Pipeline Income Fund, SEA Gas Pipeline, Diamantina Power Station joint venture, Energy Infrastructure Investments, GDI and EI2. Asset management and operational services are provided to these customers under long term contracts.

Revenue (excluding pass-through revenue) from such services increased by 0.9% to \$69.3 million (2011: \$68.6 million) and EBITDA decreased by 17.6% to \$31.9 million, (2011: \$38.7 million), mainly due to reduction in Envestra incentive payments partially offset by additional third party work in Western Australia and Northern Territory.

ENERGY INVESTMENTS

APA has an interest in a number of energy investments across Australia, including Envestra Limited, SEA Gas Pipeline, Energy Infrastructure Investments, Ethane Pipeline Income Fund, EI2 (investment in the North Brown Hill wind farm), GDI and Hastings Diversified Utilities Fund (HDF).

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

EBITDA increased by 54.1% to \$41.8 million, up from \$27.1 million last year, mainly due to increases in Envestra's and SEA Gas's profitability.

APA participated in Envestra's Distribution Reinvestment Plan during the year, with the total value of distributions reinvested of \$28.8 million. As at 30 June 2012, APA's interest in Envestra was 33.4%.

SALE OF APA GAS NETWORK BUSINESS AND ESTABLISHMENT OF GDI

On 14 December 2011, APA announced the sale of its Queensland Gas Network business (Allgas) into a minority-owned joint venture, GDI (EI) Pty Limited. APA retains a 20% equity interest in the joint venture, with equity partners Marubeni Corporation and RREEF each holding a 40% interest. APA also remains as asset manager and operator of the network under a 10-year asset management agreement, with two 5-year extension options. Financial close occurred on 16 December 2011.

The net enterprise value (after transaction costs) of the new joint venture is \$526 million, with equity contributions totalling \$247 million and a new three and five-year, non-recourse project debt facility of \$310 million.

The net funds released from the sale of \$475.7 million have been used to reduce APA debt and provide further headroom to support APA's growth strategy. APA recorded a \$12.0 million profit on sale before transaction costs. After taking transaction costs of \$21.7 million (including stamp duty) into account, APA reported a loss of \$9.7 million in respect of the transaction.

TAKEOVER OFFER FOR HASTINGS DIVERSIFIED UTILITIES FUND (HDF)

On 14 December 2011, APA announced an off-market takeover offer for Hastings Diversified Utilities Fund (HDF) through APT Pipelines Limited for all the HDF securities which APA did not then own. APA currently owns 20.7% per cent of HDF securities.

HDF is an ASX listed investment vehicle whose assets include Epic Energy's three natural gas transmission pipeline systems, and is managed by Hastings Funds Management Limited. Each of the Epic Energy pipelines can be interconnected with pipelines owned or managed by APA.

APA lodged its Bidder's Statement on 15 December 2011 and dispatched this document together with a First Supplementary Bidder's Statement on 3 January 2012. APA lodged a Second Supplementary Bidder's Statement in response to HDF's Target's Statement on 31 January 2012, and a Third Supplementary Bidder's Statement on 22 February 2012.

On 19 July 2012, the Australian Competition and Consumer Commission announced that it would not oppose the proposed acquisition by APA of HDF on the basis of the undertaking from APA to divest HDF's Moomba Adelaide Pipeline System once APA changes the responsible entity of HDF.

On 17 August 2012 APA announced a revised offer consideration and will shortly issue a further Supplementary Bidder's Statement. The HDF takeover offer is open until 4 September 2012 unless extended or withdrawn and is currently subject to a number of conditions. APA has reserved the right to waive these conditions.

TOTAL SECURITYHOLDER RETURNS

During the year APA's market capitalisation increased by 37% to \$3.24 billion at 30 June 2012. Distributions declared during the year amounted to \$0.35 per APA security. APA's total securityholder returns, which accounts for the capital appreciation of APA's security price and assumes the reinvestment of distributions at the declared time, was placed in the top 90th percentile of Total Shareholder Returns for ASX listed companies.

REGULATORY MATTERS

Key regulatory matters addressed during the current period included:

Roma Brisbane Pipeline access arrangement

On 12 October 2011, APA submitted a revised access arrangement proposal for the Roma Brisbane Pipeline to the Australian Energy Regulator ("AER"). The AER issued its final decision on 10 August 2012 in which it determined to approve and publish its own access arrangement for the pipeline.

The AER's decision provides for an initial 8.75% increase in the reference tariff followed by annual increases thereafter. This decision has minimal impact on APA's revenue. The majority of APA's Roma Brisbane Pipeline revenue is derived from haulage contracts which have set terms, including pricing for the life of the contract, and therefore is not impacted by the AER's final decision.

Goldfields Gas Pipeline access arrangement

On 5 August 2010 the Economic Regulation Authority of Western Australia ("ERA") released its further final decision and installed its own access arrangement. APA, on behalf of the Goldfields Gas Pipeline owners, pursued a merits review of the ERA's decision. This review was completed during the year. APA was successful in the coverage test for expansion of pipeline capacity and cost allocation methodology.

Victorian Transmission System access arrangement

In April 2012 APA submitted a revised access arrangement proposal for the Victorian Gas Transmission System to the AER. The AER is currently assessing the proposal and its draft decision is expected in September 2012.

Amadeus Gas Pipeline access arrangement

At the conclusion of the access arrangement review process the AER approved and published its own access arrangement and access arrangement information for the Amadeus Gas Pipeline on 27 July 2011. The gas transportation agreement between APA and Power and Water Corporation is not impacted by this access arrangement.

Proposed changes to the National Gas Rules

In October 2011 the AER proposed amendments to the National Gas Rules that would change the process and methodology to determine the allowed rate of return. APA, together with other industry participants is opposing the proposed amendments. The Australian Energy Market Commission is currently undertaking an extensive review of the proposed amendments and a final determination is expected in November 2012.

DIRECTORS' REPORT

CONTINUED

HEALTH, SAFETY AND ENVIRONMENT

Health and safety reporting

The Lost Time Injury Frequency Rate ("LTIFR")² for APA employees was 2.2 for the year, significantly down from 6.2 last year. There were five reportable lost time injuries during the year, compared with 13 last year.

APA remains committed to a 'zero harm' environment and in September 2011 implemented a National APA Group Health Safety & Environment Management System, integrating the various legacy systems and adopting best practice across the Group.

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

Environmental reporting

In the year, APA complied with Australia's National Greenhouse and Energy Reporting obligations. Energy reporting for financial year 2012 will be submitted in October 2012.

APA's performance on two key measures is set out in the following table:

FINANCIAL YEAR	2011	2010	CHANGE	
Scope 1 CO ₂ emissions (tonnes)	297,099	305,076	(7,977)	(2.6)%
Energy consumption (GJ)	3,361,679	3,248,069	113,610	3.5 %

Introduction of carbon legislation

A major element of the Clean Energy Act 2011, passed by the Senate on 8 November 2011, is the introduction of legislation to reduce carbon emissions. The legislation put a price on carbon from 1 July 2012. This carbon price mechanism will eventually act as an incentive for major emitters to switch to less carbon intensive ways of doing business, such as switching from coal-fired generation to gas-fired and renewable generation.

APA's emissions are mainly the result of the combustion of natural gas in compressor stations and from fugitive emissions within our networks. APA assets and investments impacted by the new carbon legislation are the Roma Brisbane Pipeline, Moomba Sydney Pipeline, Goldfields Gas Pipeline, the Victorian Transmission System, Allgas gas distribution network, X41 Power Station and Daandine Power Station.

APA's carbon costs exposure is immaterial. APA expects to recover all carbon related costs from its regulated assets under the access arrangement review process. For non-regulated assets, APA has implemented changes to its contracts with carbon pass-through clauses included in all new contracts. APA has also implemented changes to systems and processes across the business to meet the requirements of the new legislation.

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 regulatory 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.

SUBSEQUENT EVENTS

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

² Lost Time Injury Frequency Rate is work hours lost as a result of injury at work, multiplied by one million, divided by the total hours worked.

DIRECTORS' REPORT

CONTINUED

INFORMATION ON DIRECTORS AND COMPANY SECRETARY

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

<p>Leonard Bleasel AM FAICD FAIM <i>Independent Chairman</i> Appointed 28 August 2007</p> <p><i>Appointed Chairman</i> 30 October 2007</p>	<p>Leonard (Len) Bleasel is a lead non-executive director of QBE Insurance Group Limited and a director of O'Connell Street Associates Pty Limited. He is Chairman of the Taronga Conservation Society Australia and Chairman of the Advisory Council for RBS Group (Australia) Pty Limited.</p> <p>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 Chief Executive Officer from 1990 to 2001.</p> <p>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.</p> <p>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.</p>
<p>Michael McCormack BSurv GradDipEng MBA FAICD <i>Chief Executive Officer and Managing Director</i> Appointed Chief Executive Officer 1 July 2005</p> <p>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.</p> <p>Mick has over 25 years' experience in the gas infrastructure sector in Australia, and his career has encompassed all aspects of the sector, including commercial development, design, construction, operation and management of most of Australia's natural gas pipelines and gas distribution systems.</p> <p>Mick is a director of Envestra Limited and the Australian Pipeline Industry Association.</p>
<p>Steven Crane BComm FAICD SFFin <i>Independent Director</i> Appointed 1 January 2011</p>	<p>Steven Crane has over 30 years' experience in the financial services industry. Steven's background is in investment banking, having previously been Chief Executive Officer of ABN AMRO Australia (now RBS Group Australia) and BZW Australia.</p> <p>He has considerable experience as a non-executive director of listed entities. He is currently Chairman of nib holdings limited, a director of Bank of Queensland Limited, Transfield Services Limited, Taronga Conservation Society Australia, a member of the Advisory Council for RBS Group (Australia) Pty Limited, and was formerly Chairman of Adelaide Managed Funds Limited, Investa Property Group Limited and formerly a director of Adelaide Bank Limited, Foodland Associated Limited and APA Ethane Limited, the responsible entity of Ethane Pipeline Income Fund.</p> <p>Steven is a member of the Audit and Risk Management Committee and the Remuneration Committee.</p>
<p>John Fletcher BSc MBA FAICD <i>Independent Director</i> Appointed 27 February 2008</p>	<p>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.</p> <p>John was previously an AGL appointed director of Australian Pipeline Limited from 2000 to 2005. He is also a director of Sydney Water.</p> <p>John is the Chairman of the Remuneration Committee and a member of the Audit and Risk Management Committee.</p>
<p>Russell Higgins AO BEc FAICD <i>Independent Director</i> Appointed 7 December 2004</p>	<p>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.</p> <p>Russell is a director of Telstra Corporation Limited and Argo Investments Limited. He is the Chairman of the Global Carbon Capture and Storage Institute and the CSIRO Energy Transformed Flagship Advisory Committee, and a director of Ricegrowers Limited (trading as SunRice) and the St James Ethics Foundation. 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, EFIC, CSIRO, Austrade and Australian Industry 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.</p> <p>Russell is Chairman of the Health, Safety and Environment Committee and a member of the Audit and Risk Management Committee.</p>

DIRECTORS' REPORT

CONTINUED

<p>Patricia McKenzie LLB MAICD <i>Independent Director</i> Appointed 1 January 2011</p>	<p>Patricia McKenzie has considerable expertise and experience in energy market regulation and, as a qualified solicitor, extensive corporate legal experience. She was formerly a director of Australian Energy Market Operator Limited (AEMO), the national energy market operator for electricity and gas, and the Chief Executive Officer of Gas Market Company Limited, the market administrator for retail competition in the gas industry in New South Wales and the Australian Capital Territory. Patricia is also Chair of Diabetes Australia Limited and a director of National Health Call Centre Network Limited.</p> <p>Patricia is a member of the Health, Safety and Environment Committee and the Remuneration Committee.</p>
<p>Muri Muhammad 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 Petronas Gas Berhad of Malaysia, Papua New Guinea's national petroleum and minerals corporation and 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>Muri gave notice on 25 July 2012 of his resignation from the board of Australian Pipeline Limited with effect from 24 October 2012.</p>
<p>Robert Wright 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 Retail Group Limited and APA Ethane Limited, the responsible entity of Ethane Pipeline Income Fund and was previously Chairman of Dexion Limited and RCL Group 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>Mark Knapman BComm LLB FCSA FCIS <i>Company Secretary</i> Appointed 16 July 2008</p>	<p>In addition to being responsible for the secretariat function, Mark oversees corporate governance and the legal, internal audit and financial services compliance functions.</p> <p>Mark 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 is a Fellow of Chartered Secretaries Australia and the Institute of Chartered Secretaries and Administrators, and is admitted to practice as a solicitor.</p>

DIRECTORS' REPORT

CONTINUED

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
Leonard Bleasel AM	QBE Insurance Group Limited	Since January 2001
Michael McCormack	Envestra Limited	Since July 2007
Steven Crane	Transfield Services Limited	Since February 2008
	Bank of Queensland Limited	Since December 2008
	NIB Holdings Limited	Since September 2010
	APA Ethane Limited ⁽¹⁾	July 2008 to June 2011
John Fletcher	Alinta Energy Group	October 2006 to April 2010
Russell Higgins AO	Ricegrowers Limited	Since December 2005
	Telstra Corporation Limited	Since September 2009
	Argo Investments Limited	Since September 2011
Patricia McKenzie	-	-
Muri Muhammad	-	-
Robert Wright	SAI Global Limited	Since October 2003
	Super Retail Group Limited	Since May 2004
	APA Ethane Limited ⁽¹⁾	Since July 2008
	Dexion Limited	March 2005 to August 2010
	RCL Group Limited	May 2006 to February 2012

(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 code "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, at its sole discretion, 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 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

CONTINUED

DIRECTORS' MEETINGS

During the year, 18 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
Leonard Bleasel AM ⁽¹⁾	18	18	-	-	-	-	-	-
Michael McCormack	18	18	-	-	-	-	-	-
Steven Crane	18	18	3	3	4	4	-	-
John Fletcher	18	18	3	3	4	4	-	-
Russell Higgins AO	18	17	-	-	4	4	4	4
Patricia McKenzie	18	18	3	3	-	-	4	4
Muri Muhammad	18	16	3	3	-	-	4	3
Robert Wright	18	18	-	-	4	4	4	3

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) The Chairman also attends all committee meetings ex officio.

DIRECTORS' SECURITYHOLDINGS

The aggregate number of APA securities held directly, indirectly or beneficially by directors or their related entities at the 30 June 2012 is 980,057 (2011: 862,442).

The following table sets out directors' relevant interests in APA securities as at 30 June 2012:

DIRECTORS	FULLY PAID SECURITIES AS AT 1 JULY 2011	SECURITIES ACQUIRED	SECURITIES DISPOSED	FULLY PAID SECURITIES AS AT 30 JUNE 2012
Leonard Bleasel AM	375,405	67,688	-	443,093
Michael McCormack	170,619	24,645	-	195,264
Steven Crane	100,000	-	-	100,000
John Fletcher	60,026	3,272	-	63,298
Russell Higgins AO	79,503	6,657	-	86,160
Patricia McKenzie	-	12,500	-	12,500
Muri Muhammad	42,818	-	-	42,818
Robert Wright	34,071	2,853	-	36,924
	862,442	117,615	-	980,057

The directors hold no other rights or 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 that confers a right to call for or deliver APA securities.

The Company Secretary holds 7,000 APA securities.

DIRECTORS' REPORT

CONTINUED

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 2012 remuneration details for the directors of the Responsible Entity and key management personnel of APA.

The people currently in these positions are listed below:

DIRECTORS OF THE RESPONSIBLE ENTITY

Leonard Bleasel AM	Chairman APA Group
Michael McCormack	Chief Executive Officer and Managing Director
Steven Crane	
John Fletcher	Chairman Remuneration Committee
Russell Higgins AO	Chairman Health, Safety and Environment Committee
Patricia McKenzie	
Muri Muhammad	
Robert Wright	Chairman Audit and Risk Management Committee

KEY MANAGEMENT PERSONNEL

Michael McCormack	Chief Executive Officer and Managing Director
Peter Fredricson	Chief Financial Officer
Ross Gersbach	Chief Executive Strategy and Development
Robert Wheals	Group Executive Transmission
John Ferguson	Group Executive Networks
Kevin Lester ⁽¹⁾	Group Executive Infrastructure Development
Stephen Ohl	Group Executive Strategic Projects
Mark Knapman	Company Secretary
Peter Wallace	Group Executive Human Resources

(1) Kevin Lester joined APA as Group Executive Infrastructure Development on 6 August 2012.

Have there been any changes to the executive remuneration structure in respect to 2012?

There have been no changes to the remuneration structure in respect to 2012. 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;
- ensure compliance with relevant legislation and corporate governance principles on remuneration practices and employment policies; and
- promote diversity, on the basis of gender and other factors, in APA Group's workforce and to review the effectiveness of diversity practices and initiatives.

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

- John Fletcher (Chairman);
- Steven Crane;
- Patricia McKenzie; 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 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.

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 contributions.

DIRECTORS' REPORT

CONTINUED

The board determines base board fees and committee fees annually. The board acts on advice from the Remuneration Committee which obtains external professional advice from independent remuneration specialists. Such advice includes market comparisons paid by comparable companies in the ASX 200.

Non-executive directors do not receive incentive payments of any type. One off 'per diems' may be paid in exceptional circumstances. No payments have been

made under this arrangement in this reporting period.

In 2003, the board terminated the non-executive directors' retirement benefit plan so that the benefits to participating directors that had accrued up to that termination date 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 2012.

Base board fees and committee fees are outlined below:

	FEES ⁽¹⁾	CHAIRMAN \$000/PA	MEMBER \$000/PA
Effective 1 January 2012	Board fees	298	110
	Remuneration Committee fees	26	13
	Audit and Risk Management Committee fees	34	17
	Health, Safety and Environment Committee fees	24	12
Effective 1 January 2011 to 31 December 2011	Board fees	280	102
	Remuneration Committee fees	23	11.5
	Audit and Risk Management Committee fees	32	16
	Health, Safety and Environment Committee fees	23	11.5

(1) Excludes superannuation levy.

Actual payments for period

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

NON-EXECUTIVE DIRECTORS ⁽¹⁾	FEES \$	SUPERANNUATION \$	TOTAL PAID 2012 \$	TOTAL PAID 2011 \$
Leonard Bleasel AM	289,000	24,400	313,400	293,250
Steven Crane	134,750	12,128	146,878	63,084
John Fletcher	117,000	43,250	160,250	149,335
Russell Higgins AO	146,000	13,145	159,145	158,452
Patricia McKenzie	130,000	11,675	141,675	61,858
Muri Muhammad	130,000	-	130,000	121,500
Robert Wright	150,750	13,550	164,300	153,965
George Ratilal ⁽²⁾	-	-	-	16,000
Total	1,097,500	118,148	1,215,648	1,017,444

(1) The remuneration for the Chief Executive Officer and Managing Director, Michael McCormack, is included with the actual remuneration disclosures for key management personnel for FY 2012 on page 19.

(2) George Ratilal resigned as a director on 26 August 2010.

DIRECTORS' REPORT

CONTINUED

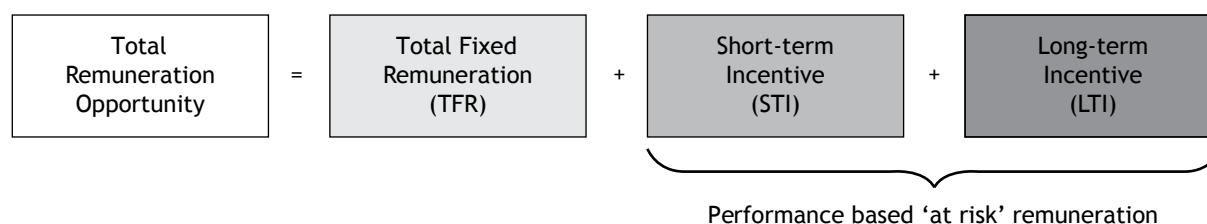
Our approach to executive remuneration

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;
- target at least the market median using external benchmark data;
- 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").

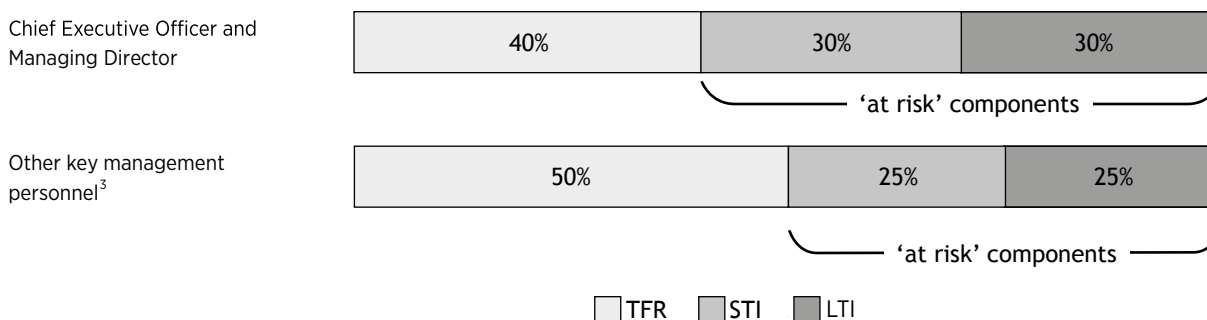


Each individual's TRO is dependent on their level in the organisation and their capacity to influence outcomes.

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 and other key management personnel, the remuneration mix is:



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 levy, vehicles and parking) and incidental benefits paid in monthly instalments.
'AT RISK' COMPONENTS		
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 paid annually after the audited accounts are approved.
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 paid in three equal annual instalments starting one year after the year of allocation.

³ Other than the Company Secretary who has a mix of 58%, 21% and 21%.

DIRECTORS' REPORT

CONTINUED

Total Fixed Remuneration ("TFR")

The total of base salary, including cash, superannuation levy, vehicles and parking and incidental benefits.

TFR is reviewed annually and is determined by reference to independent external 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. Before any STI payments or LTI allocations are made the organisation must achieve at least the board approved performance hurdle. 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 current key performance hurdle for 'at risk' remuneration. This is directly linked to APA's strategic goal of increasing operating cash flows over the medium term, thereby improving total securityholder value.

Using OCFPS as the key performance hurdle ensures the interests of executives and securityholders are aligned. 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 the year, the board, having regard to the longer term strategy and annual budget, established the OCFPS gateway that needs to be achieved before any STI and LTI was triggered. The OCFPS gateway was 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 key performance indicators.

What is the purpose of the STI plan?

The STI plan is designed to put a proportion of executive remuneration 'at risk' against meeting key performance indicators ("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 personnels' 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 Chief Executive Officer. The board also reviews the KPIs the Chief Executive Officer will use to assess the performance of his direct reports.

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 Chief Executive Officer and the Chief Executive Officer'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 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 Chief Executive Officer's STI is capped at 30% of TRO and for his direct reports at 25% of TRO⁴.

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 audit of the annual accounts.

For FY 2012, the STI outcomes are shown in the table below for all key management personnel:

KEY MANAGEMENT PERSONNEL	STI EARNED (\$)	STI EARNED (%)	STI FORFEITED (\$)	STI FORFEITED (%)
Michael McCormack	700,350	92.00	60,900	8.00
Peter Fredricson	292,395	96.50	10,605	3.50
Ross Gersbach	321,563	93.75	21,437	6.25
Robert Wheals ⁽¹⁾	117,369	90.00	13,041	10.00
John Ferguson ⁽¹⁾	119,747	94.00	7,643	6.00
Stephen Ohl	182,125	77.50	52,875	22.50
Mark Knapman	132,922	88.25	17,698	11.75
Peter Wallace	147,345	94.00	9,405	6.00

(1) Appointed to key management positions on 1 April 2012. STI has been prorated.

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

DIRECTORS' REPORT

CONTINUED

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 total securityholder value and aligning the interests of LTI participants with those of securityholders.

What form does the LTI take?

Eligible participants are entitled to an LTI allocation in the form of reference units which exactly mirror the value of APA securities. The reference units allocated under the LTI plan are not actual APA securities, but notional securities with a value equivalent to the LTI allocation.

Each reference unit is valued at the equivalent of the 30 trading 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.

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 allocation is determined at the completion of the financial year and is based on OCFPS performance relative to the achievement of the performance target.

The maximum LTI allocation is capped at 120% of the participant's maximum LTI opportunity.

What is the performance target?

No LTI allocations are made unless APA achieves the target OCFPS and the OCFPS result determines the size of participants' LTI allocations up to their maximum LTI allocation.

How are the LTI allocations delivered?

An LTI allocation vests in three equal instalments over the three financial years following the allocation, with the initial one-third vesting at the end of the first financial year, one-third at the end of the second financial year, and one-third at the end of the third financial year.

As LTI allocations are subject to the achievement of 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 reference units vesting on the vesting date multiplied by the 30 trading day VWAP of APA securities immediately prior to the opening of the APA 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 allocation is made.

What rights are attached to an LTI reference unit?

The LTI is a cash-settled plan and participants are not allocated APA securities. LTI allocations do not entitle participants to vote at securityholders meetings or to be paid distributions.

No options or other equity instruments are issued to APA employees or directors under the LTI plan.

Changes to STI and LTI hurdles for the 2013 reporting period

The board has conducted a review of the Total Package Opportunity Incentive Plan ("TPOI Plan") over the course of the previous year and have decided to implement changes within the plan. These changes have been made to more directly align the interests of plan participants and security holders and secondly to allow the board to reward superior performance.

The STI component will remain linked to OCFPS and executive STI awards, once this hurdle has been met, will remain a factor of individual KPIs as set by the board.

The LTI component will adopt two new hurdles in place of the previous hurdle (being OCFPS). These hurdles, which will be weighted equally, will firstly be Total Securityholder Returns ("TSR") performance against the ASX 100 comparator group and secondly, performance against targets set for Earnings Before Interest, Tax, Depreciation and Amortisation divided by Funds Employed ("EBITDA/FE").

These new LTI measures of TSR and EBITDA/FE are appropriate longer term award hurdles based on the integrity of earnings performance against the funds employed and the experience of APA securityholders compared to the general shareholder market.

The TSR hurdle is linked to APA's ranking relative to the ASX 100. Rewards do not commence until APA achieves a relative position of P50. On achieving P50 then executive awards increase as the APA performance increases relative to the ASX 100.

The EBITDA/FE hurdle has been set to reflect improvement on the previous year. Awards do not commence until this improvement has been achieved. On achieving this improvement then executive awards increase as the EBITDA/FE performance increases.

For both STI and LTI measures, executives can earn from zero (minimum hurdle has not been achieved) to 150% of available award (stretch hurdles have been achieved) with the target reward being approximately 80% of the total possible.

All other aspects of the TPOI Plan structure and design will remain the same. It is felt these changes create an even closer link between the interests of all stakeholders in the Group. Because the remuneration structure must remain flexible to meet ever changing circumstances the board will continue to monitor the TPOI plan to ensure its continued relevance.

Actual remuneration received during FY 2012

Actual remuneration received by the Managing Director and other key management personnel is defined as the 'take home' pay received by them in the relevant year.

Actual LTI payments represent the amount of reference units that vested and were converted to cash payments to the individual during the year, regardless of when the LTI was initially allocated.

What amounts are excluded?

The table below does not show LTI allocations in FY 2012 or previous years that are still subject to performance or employment conditions because those LTI allocations are still at-risk of forfeiture.

The table below sets out **actual cash payments** made to the relevant key management personnel during FY 2012. This table differs from the information disclosed in Note 46 of the financial report for Australian Pipeline Trust that reflects the **total remuneration earned** by key management personnel in FY 2012, but not yet fully paid due to future vesting of LTI earned.

The major differences are in respect of STI entitlements for which the amount paid in FY 2012 represents the amount earned in FY 2011, and LTI allocations for which the amounts paid in FY 2012 relate to allocations made in prior years that have vested in FY 2012.

DIRECTORS' REPORT

CONTINUED

The following table outlines the actual remuneration received by key management personnel during FY 2012:

KEY MANAGEMENT PERSONNEL	TOTAL FIXED REMUNERATION \$	STI \$	LTI \$	TOTAL PAID 2012 \$	TOTAL PAID 2011 \$
Michael McCormack	1,015,000	621,000	755,517	2,391,517	1,980,114
Peter Fredricson	606,000	270,750	107,105	983,855	798,125
Ross Gersbach	686,000	308,750	328,457	1,323,207	1,102,722
Robert Wheals ⁽²⁾	346,980	100,000	90,407	537,387	-
John Ferguson ⁽²⁾	340,723	91,300	101,221	533,244	-
Stephen Ohl	470,000	201,375	248,334	919,709	799,684
Mark Knapman	415,780	130,706	130,897	677,383	589,081
Peter Wallace ⁽¹⁾	304,872	34,356	-	339,228	73,809
Total	4,185,355	1,758,237	1,761,938	7,705,530	5,343,535

(1) Peter Wallace joined APA as Group Manager Human Resources on 4 April 2011. STI and LTI earned for FY 2011 but not paid until future years are disclosed in the financial report.

(2) Robert Wheals and John Ferguson were internal appointments to key management positions on 1 April 2012. Total STI and LTI remuneration relates to the full financial year FY12.

Current LTI reference units outstanding

The following table sets out the number of reference units that have been allocated to key management personnel but have not yet vested or been paid, and the years in which they will vest, based on an estimated VWAP of \$4.79:

KEY MANAGEMENT PERSONNEL	BALANCE OF REFERENCE UNITS ⁽¹⁾	VESTING YEAR			
		2012 ⁽²⁾	2013	2014	2015
Michael McCormack	616,281	220,638	199,171	132,945	63,527
Peter Fredricson	215,717	55,593	80,880	53,958	25,286
Ross Gersbach	285,555	103,598	92,012	61,321	28,624
Robert Wheals ⁽³⁾	99,937	33,810	33,275	21,969	10,883
John Ferguson ⁽³⁾	100,779	36,235	32,488	21,425	10,631
Stephen Ohl	200,675	74,224	64,592	42,248	19,611
Mark Knapman	128,943	47,471	41,762	27,141	12,569
Peter Wallace	50,163	3,640	16,721	16,721	13,081

(1) Includes reference units subject to allocation by the board in August 2012.

(2) Reference units multiplied by 30 trading day VWAP to be paid as cash in September 2012.

(3) Robert Wheals and John Ferguson were appointed to key management positions on 1 April 2012.

DIRECTORS' REPORT

CONTINUED

Executive contracts

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

NAME, TITLE AND COMMENCEMENT DATE	TERM AND TERMINATION PROVISIONS/BENEFITS
Michael McCormack <i>Managing Director</i> since 1 July 2006 <i>Chief Executive Officer</i> 1 July 2005 to 30 June 2006 Commenced 1 March 2000	No defined term. On termination with cause or following long-term illness or incapacity, APA will pay any TFR due and owing at the date of termination and any accrued leave entitlements. On termination without cause, APA will pay 52 weeks TFR, any incentives earned but not paid on their due date and any accrued leave entitlement. APA will also pay any TRO due and owing at the date of termination. Mr McCormack is required to give APA twelve months' notice.
Peter Fredricson <i>Chief Financial Officer</i> Commenced 1 June 2009	No defined term. On termination with cause, APA will pay any TFR due and owing at the date of termination and any accrued leave entitlements. On termination without cause, APA will pay 13 weeks TFR, any notice period not worked, any bonus entitlement not yet paid and any accrued leave entitlement. APA will also pay any TRO due and owing at the date of termination. Mr Fredricson is required to give APA six months' notice. In return for increased notice, non-compete and non-solicitation provisions, and due to the critical nature of the role of Chief Financial Officer over the next three years with regard to the growth, integration and financial challenges facing APA, Mr Fredricson was placed on a loyalty and performance bonus of \$202,000 per year for the three years commencing 1 April 2013.
Ross Gersbach <i>Chief Executive Strategy and Development</i> Commenced 1 February 2008	No defined term. On termination with cause, APA will pay any TFR due and owing at the date of termination and any accrued leave entitlements. On termination without cause, APA will pay 13 weeks TFR, any notice period not worked, any bonus entitlement not yet paid and any accrued leave entitlement. APA will also pay any TRO due and owing at the date of termination. Mr Gersbach is required to give APA six months' notice. In return for increased notice, non-compete and non-solicitation provisions, and due to the critical nature of the role of Chief Executive Strategy and Development over the next three years with regard to the growth, integration and financial challenges facing APA, Mr Gersbach was placed on a loyalty and performance bonus of \$228,667 per year for the three years commencing 1 April 2013.
Robert Wheals <i>Group Executive Transmission</i> Commenced 22 September 2008	No defined term. On termination with cause, APA will pay any TFR due and owing at the date of termination and any accrued leave entitlements. On termination without cause, APA will pay 13 weeks TFR, any notice period not worked, any bonus entitlement not yet paid and any accrued leave entitlement. APA will also pay any TRO due and owing at the date of termination. Mr Wheals is required to give APA six months' notice. In return for increased notice, non-compete and non-solicitation provisions, and due to the critical nature of the role of Group Executive Transmission under the major restructure of the business, Mr Wheals will be paid \$60,000 per year for the two years commencing 1 April 2013.

DIRECTORS' REPORT

CONTINUED

NAME, TITLE AND COMMENCEMENT DATE	TERM AND TERMINATION PROVISIONS/BENEFITS
<p>John Ferguson <i>Group Executive Networks</i> Commenced 29 September 2008</p>	<p>No defined term.</p> <p>On termination with cause, APA will pay any TFR due and owing at the date of termination and any accrued leave entitlements.</p> <p>On termination without cause, APA will pay 13 weeks TFR, any notice period not worked, any bonus entitlement not yet paid and any accrued leave entitlement. APA will also pay any TRO due and owing at the date of termination.</p> <p>Mr Ferguson is required to give APA six months' notice.</p> <p>In return for increased notice, non-compete and non-solicitation provisions, and due to the critical nature of the role of Group Executive Networks under the major restructure of the business, Mr Ferguson will be paid \$60,000 per year for the two years commencing 1 April 2013.</p>
<p>Kevin Lester <i>Group Executive Infrastructure Development</i> Commenced 6 August 2012</p>	<p>No defined term.</p> <p>On termination with cause, APA will pay any TFR due and owing at the date of termination and any accrued leave entitlements.</p> <p>On termination without cause, APA will pay 13 weeks TFR, any notice period not worked, any bonus entitlement not yet paid and any accrued leave entitlement. APA will also pay any TRO due and owing at the date of termination.</p> <p>Mr Lester is required to give APA six months' notice.</p>
<p>Stephen Ohl <i>Group Executive Strategic Projects</i> Commenced 2 May 2005</p>	<p>No defined term.</p> <p>On termination with cause, APA will pay any TFR due and owing at the date of termination and any accrued leave entitlements.</p> <p>On termination without cause, APA will pay 26 weeks TFR, any incentives earned but not paid on their due date and any accrued leave entitlement. APA will also pay any TRO due and owing at the date of termination.</p> <p>Mr Ohl is required to give APA six months' notice.</p>
<p>Mark Knapman <i>Company Secretary</i> Commenced 16 July 2008</p>	<p>No defined term.</p> <p>On termination with cause or following long-term illness or incapacity, APA will pay any TFR due and owing at the date of termination and any accrued leave entitlements.</p> <p>On termination without cause, APA will pay 26 weeks TFR, any incentives earned but not paid on their due date and any accrued leave entitlement. APA will also pay any TRO due and owing at the date of termination.</p> <p>Mr Knapman is required to give APA three months' notice.</p>
<p>Peter Wallace <i>Group Executive Human Resources</i> Commenced 4 April 2011</p>	<p>No defined term.</p> <p>On termination with cause, APA will pay any TFR due and owing at the date of termination and any accrued leave entitlements.</p> <p>On termination without cause, APA will pay 13 weeks TFR, any notice period not worked, any bonus entitlement not yet paid and any accrued leave entitlement. APA will also pay any TRO due and owing at the date of termination.</p> <p>Mr Wallace is required to give APA six months' notice.</p>

DIRECTORS' REPORT

CONTINUED

Remuneration advisers

During FY 2012, the following remuneration information was sought:

- Egan & Associates were appointed by the Chairman of the Remuneration Committee to provide remuneration benchmarking information for all directors; and
- Ernst & Young were appointed by the Chairman of the Remuneration Committee to provide benchmarking information for the Chief Executive Officer and Managing Director and key management personnel.

Both those advisers were engaged directly on instruction by the committee, reported directly to the committee and were independent and free from influence by key management personnel.

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 47 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 29 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 89.

ROUNDING OF AMOUNTS

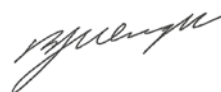
APA is an entity of the kind referred to in ASIC Class Order 98/0100 dated 10 July 1998 and, in accordance with that Class Order, amounts in the directors' report and the financial report are rounded to the nearest thousand dollars, unless otherwise indicated.

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

On behalf of the directors



Leonard Bleasel AM
Chairman



Robert Wright
Director

SYDNEY, 22 August 2012

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’s Corporate Governance Principles and Recommendations articulate 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 Listing Rules of ASX Limited (“ASX”) 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 in this statement and the table at the rear of this statement provides a checklist of APA’s adoption of the ASX Corporate Governance Council’s recommendations. Explanations for departures from the recommendations are set out in this statement.

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 website is 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.

In this statement the term “Reporting Period” means the period of 12 months to 30 June 2012.

PRINCIPLE 1: LAY SOLID FOUNDATIONS FOR MANAGEMENT AND OVERSIGHT

Board and its committees

The board of directors of the Responsible Entity (“board”) 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 normally meets 11 times each year, with additional meetings being held as required. The number of times it met during the Reporting Period and directors’ attendance at those meetings are set out in the directors’ report for that period.

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 2012.

The board delegates responsibility for implementing the strategic direction and managing the day-to-day operations of APA to the Managing Director. The Managing Director consults with the Chairman, in the first instance, on matters that are sensitive, extraordinary or of a strategic nature. The board has approved specific limits of authority for management with respect to approval of expenditure, contracts and other matters, and regularly reviews those limits.

Non-executive directors’ letter of appointment

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.

Management: service contracts, induction and performance evaluations

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 performance review of senior management has been conducted during the Reporting Period in accordance with that process.

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

Board membership

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 names of the current directors and their experience, terms of office and membership of board committees are set out in the directors’ report for the Reporting Period.

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 was entitled to appoint one director of the Responsible Entity while the Petronas Group held not less than 10% of the issued securities in APA but, with the Petronas Group having sold its APA securities in May 2012, Petronas Group has ceased to have that right.

The Responsible Entity’s constitution requires one-third of its directors (excluding the Managing 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.

CORPORATE GOVERNANCE STATEMENT

CONTINUED

The Responsible Entity's constitution also provides that if the board appoints a director to fill a vacancy or as an addition to the board, the new director will hold office until the end of the next annual general meeting of the Responsible Entity and is eligible for re-election.

Securityholders' right to nominate a director and to vote on nominees

The Deed Poll initially executed by the Responsible Entity in 2004 and amended with APA securityholders' approval in 2011 (a copy of which is available on APA's web site) affords APA securityholders certain rights in respect to nominees for the position of director on the board.

At least 75 days before annual general meetings of the Responsible Entity, securityholders are notified by an 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 60 days before the annual general meeting they must send the Responsible Entity a signed nomination form and the nominee's signed consent to act as a director.

The Responsible Entity advises securityholders of all candidates who have been validly nominated and presents its nominations to the annual meeting of securityholders.

Independence of directors

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 website).

The directors' report for the Reporting Period identifies which directors are considered to be independent at the date of the report. A majority of the current directors are independent.

Selection and appointment of directors

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.

The board considers that a diverse range of skills, experience and backgrounds is required on the board to effectively govern the business. It determines and reviews from time to time the mix of skills and diversity that it looks to achieve in its membership. Having regard to the nature of APA's business, that mix includes financial, strategic, operational, legal, regulatory and general commercial expertise.

When looking to appoint a new director, the board predefines the skills and experience required of candidates for the role to ensure that the required mix of skills and experience will be represented on the board and, based on that work, seeks a list of potential candidates believed to satisfy those requirements.

If the board is not satisfied with the quality or diversity of the candidates identified in that process, it may consider it appropriate to instruct a search firm to identify additional suitable candidates. The board recognises that an experienced search firm with a clear brief from the board as to the required characteristics of candidates can assist in identifying potentially suitable candidates from diverse backgrounds.

The Chairman conducts an initial interview of the short-listed candidates and, subject to them being available for and interested in the position, they are then interviewed by the board. The board assesses potential candidates against the predefined requirements and also considers their qualifications, backgrounds and personal qualities before the new director is appointed.

In the interest of gender diversity, the board has determined that the short-listed candidates for an available board position must include at least one qualified female candidate and, where a search firm is engaged, the board will instruct them accordingly.

Annual review of performance of the board, its committees and directors

A review process to assess the performance of the board, its committees and individual directors is undertaken each year. The last review was conducted in October 2011 and the review for the Reporting Period will be completed in October 2012.

Each director completes a questionnaire, the responses are collated and the board then meets to discuss and consider the results of that process and to determine any actions arising from the review. The Chairman also meets 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.

Directors' access to records and information, management and professional advice

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 **Code of conduct and policies**

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.

A number of APA's policies aim to foster a culture of compliance and ethical and responsible decision-making. APA's whistleblower 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 its reputation or interests, 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 subject to some exceptions directors and designated management personnel must not buy or sell APA securities during either of the following "closed periods":

CORPORATE GOVERNANCE STATEMENT

CONTINUED

- in the period starting 1 January and ending on the second business day after the release of APA's half yearly results to the ASX, or
- in the period starting 1 July and ending on the second business day after the release of APA's annual results to the ASX,

unless exceptional circumstances apply, and they may only buy or sell APA securities outside those closed periods if they obtain clearance to do so in accordance with the process described in the policy. 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.

Diversity

APA values diversity and recognises that to continue to be a relevant and innovative organisation, it must leverage the full potential of its people. Embracing individual diversity encourages diversity of thought, which is conducive to better decision making and opportunity for innovation. It is also about taking advantage of all available talent for the benefit of the organisation. APA also recognises that creating sustainable shareholder wealth depends on its ability to attract and retain an engaged, highly skilled and motivated workforce. Therefore, diversity makes good business sense. APA has developed a diversity policy that is available on its website.

Workforce gender profile (2012)

Currently within APA, women represent 27% of the total workforce (a 2% increase from the previous year), 14% of leadership roles (the top three levels of management) and 4% of technical roles, while 12.5% of directors on the board are female.

Diversity objectives (2013)

While the APA workforce gender profile is consistent with organisations within APA's industry and similar male dominated sectors, APA is committed to increasing the participation of women in the workforce in order to broaden the talent pool from which leaders can be drawn and to strengthen the diversity of APA.

A working party was established to analyse APA's current diversity status and to determine trends and developments in addressing the diversity challenge. As a result, the following objectives and initiatives have been agreed by the board:

- Attraction – focus on attracting new talent into APA:
 - wherever possible, include at least one woman on the shortlist of applicants for all management roles;
 - include at least one woman in the selection panel for all senior management roles; and
 - expand recruitment training materials to include diversity awareness and the value of a diverse workforce.
- Retention – focus on retaining talent in APA:
 - continue to offer flexible work arrangements through part-time hours, job sharing, flexible start and finish times and purchase of additional annual leave; and
 - maintain breastfeeding accreditation in relevant APA offices.
- Opportunities – provide both career and development opportunities for women:
 - implement an APA Women in Leadership seminar at least annually;
 - maintain or improve women's participation rates in leadership and management development programs; and
 - all nominees in the talent pool, both male and female, to have a completed development plan.

APA will report on the progress in achieving these objectives in its 2013 annual report.

Diversity aspirations

In addition to the above objectives and consistent with its diversity policy, APA will also be exploring its profile and opportunities for improvement with regard to the age profile and workforce demographics, equity of pay and benefits, and

broader community demographics. These will be analysed and, where specific initiatives are undertaken, included in subsequent reporting periods.

PRINCIPLE 4: SAFEGUARD INTEGRITY IN FINANCIAL REPORTING

Audit and Risk Management Committee

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 directors' report for the Reporting Period identifies the current members of the committee and their qualifications and experience. 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 regularly meet with the committee, without management present, at committee meetings.

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 Reporting Period and the committee members' attendance at those meetings are set out in the directors' report for that period.

Audit functions and independence of external auditor

Apart from reviewing the integrity of APA's financial reporting, the committee receives reports from the external and internal auditors, monitors their effectiveness 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.

Reimbursement of Responsible Entity's costs

The Responsible Entity's costs incurred in acting as responsible entity of Australian Pipeline Trust and APT Investment Trust are reimbursed by APA. The

CORPORATE GOVERNANCE STATEMENT

CONTINUED

actual cost recovery in the Reporting Period was \$2,545,000. 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.

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

Communications with securityholders

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, directors' report and audit report) sent to securityholders who have elected to receive the report;
- an annual review 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.

Annual meeting of securityholders

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 the 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 2012 annual meeting of securityholders will be held in Sydney on 25 October 2012. 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.

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 Chief Financial Officer 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

CORPORATE GOVERNANCE STATEMENT

CONTINUED

- 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 Reporting Period, 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.

PRINCIPLE 8: REMUNERATE FAIRLY AND RESPONSIBLY

Remuneration Committee

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 directors' report for the Reporting Period identifies the current members of the committee and their qualifications and experience. 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 Reporting Period and the committee members' attendance at those meetings are set out in the directors' report for that period.

External advice

The committee can seek external professional advice on any matter within its terms of reference. As stated in APA's remuneration report referred to below, independent remuneration consultants were engaged by the Chairman of the Remuneration Committee to provide comparative market data with respect to non-executive director and executive remuneration during the Reporting Period.

Remuneration report

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 for the Reporting Period and prior periods.

The remuneration report distinguishes the structure of non-executive directors' remuneration from that of the Managing Director and other senior executives, and sets out details of the components of remuneration and total remuneration paid to those individuals over the Reporting Period.

Unvested benefits under APA's long term incentive plan

The remuneration report also describes the APA long term incentive (LTI) plan under which the benefits to executives who participate in the plan are related to the price of APA securities and vest over three years. An aim of the LTI plan is to align the interests of the LTI participants with the interests of APA securityholders. APA recognises that the use of arrangements such as hedging or derivative financial products that operate to limit for LTI participants the economic risk of their unvested LTI benefits are likely to reduce the intended alignment of those interests. Consequently, it is APA policy that LTI participants must not use, nor allow to be used, any such arrangements in relation to their unvested LTI benefits.

Retirement benefits

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 retirement from the board.

CORPORATE GOVERNANCE PRINCIPLES AND RECOMMENDATIONS ISSUED BY ASX CORPORATE GOVERNANCE COUNCIL

		COMPLY YES/NO
PRINCIPLE 1: LAY SOLID FOUNDATIONS FOR MANAGEMENT AND OVERSIGHT		
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
PRINCIPLE 2: STRUCTURE THE BOARD TO ADD VALUE		
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

Note

- The board has chosen not to have a separate nomination committee, as explained in the section of this statement entitled "Principle 2: Structure the board to add value" under the heading "Selection and appointment of directors".

CORPORATE GOVERNANCE STATEMENT

CONTINUED

	COMPLY YES/NO	
PRINCIPLE 3: PROMOTE ETHICAL AND RESPONSIBLE DECISION-MAKING		
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"> – the practices necessary to maintain confidence in the company's integrity – the practices necessary to take into account their legal obligations and the reasonable expectations of their stakeholders – the responsibility and accountability of individuals for reporting and investigating reports of unethical practices 	Yes
3.2	Companies should establish a policy concerning diversity and disclose the policy or a summary of that policy. The policy should include requirements for the board to establish measurable objectives for achieving gender diversity for the board to assess annually both the objectives and progress in achieving them	Yes
3.3	Companies should disclose in each annual report the measurable objectives for achieving gender diversity set by the board in accordance with the diversity policy and progress towards achieving them	Yes
3.4	Companies should disclose in each annual report the proportion of women employees in the whole organisation, women in senior management positions and women on the board.	Yes
3.5	Companies should provide the information indicated in the Guide to reporting on Principle 3	Yes
PRINCIPLE 4: SAFEGUARD INTEGRITY IN FINANCIAL REPORTING		
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"> – consists only of non-executive directors – consists of a majority of independent directors – is chaired by an independent chair, who is not chair of the board – has at least three members 	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
PRINCIPLE 5: MAKE TIMELY AND BALANCED DISCLOSURE		
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
PRINCIPLE 6: RESPECT THE RIGHTS OF SHAREHOLDERS		
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
PRINCIPLE 7: RECOGNISE AND MANAGE RISK		
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
PRINCIPLE 8: REMUNERATE FAIRLY AND RESPONSIBLY		
8.1	The board should establish a remuneration committee	Yes
8.2	The remuneration committee should be structured so that it: <ul style="list-style-type: none"> – consists of a majority of independent directors – is chaired by an independent director – has at least three members 	Yes
8.3	Companies should clearly distinguish the structure of non-executive directors' remuneration from that of executive directors and senior executives	Yes
8.4	Companies should provide the information indicated in the Guide to reporting on Principle 8	Yes

STATEMENT OF COMPREHENSIVE INCOME

For the financial year ended 30 June 2012

	Note	CONSOLIDATED		TRUST	
		2012 \$000	2011 \$000	2012 \$000	2011 \$000
CONTINUING OPERATIONS					
Revenue	6	1,032,398	1,078,113	58,386	63,019
Share of net profits of associates and jointly controlled entities accounted for using the equity method	6	28,263	23,876	-	-
		1,060,661	1,101,989	58,386	63,019
Asset operation and management expenses		(75,995)	(82,190)	-	-
Depreciation and amortisation expense	7	(110,409)	(100,350)	-	-
Other operating costs - pass-through	7	(302,633)	(381,733)	-	-
Finance costs	7	(240,643)	(260,004)	-	(45)
Employee benefit expense	7	(132,913)	(114,923)	-	-
Other expenses	7	(16,978)	(18,102)	(506)	(31)
Profit before tax		181,090	144,687	57,880	62,943
Income tax expense	9	(50,435)	(35,862)	(8,517)	(3,555)
Profit for the year		130,655	108,825	49,363	59,388
Other comprehensive income					
Gain on available-for-sale investments taken to equity		93,189	29,643	2,261	880
Transfer of (loss)/gain on cash flow hedges to profit or loss		(29,867)	192,900	-	-
Loss on cash flow hedges		(37,774)	(228,392)	-	-
Loss on associate hedges taken to equity		(22,666)	(2,100)	-	-
Actuarial (loss)/gain on defined benefit plan		(32,677)	3,072	-	-
Income tax relating to other comprehensive income components		9,265	2,606	(678)	(263)
Other comprehensive income/(expense) in the year (net of tax)		(20,530)	(2,271)	1,583	617
Total comprehensive income for the year		110,125	106,554	50,946	60,005
Profit attributable to:					
Equityholders of the parent		84,693	69,585	49,363	59,388
Minority interest - APT Investment Trust equityholders		45,957	38,924	-	-
APA stapled securityholders		130,650	108,509	49,363	59,388
Minority interest - other		5	316	-	-
		130,655	108,825	49,363	59,388
Total comprehensive income attributable to:					
Equityholders of the parent		63,073	66,679	50,946	60,005
Minority interest - APT Investment Trust equityholders		47,047	39,559	-	-
APA stapled securityholders		110,120	106,238	50,946	60,005
Minority interest - other		5	316	-	-
		110,125	106,554	50,946	60,005
EARNINGS PER SECURITY					
Basic and diluted (cents per security)	36	20.4	19.7		

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

The profit for the year includes a significant item which has been audited.

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

STATEMENT OF FINANCIAL POSITION

As at 30 June 2012

	Note	CONSOLIDATED		TRUST	
		2012 \$000	2011 \$000	2012 \$000	2011 \$000
CURRENT ASSETS					
Cash and cash equivalents	37	329,934	95,368	110	49
Trade and other receivables	11	238,519	145,698	402,273	486,830
Other financial assets	12	420	-	-	-
Inventories	13	11,504	11,076	-	-
Other	14	4,134	3,357	-	-
Total current assets		584,511	255,499	402,383	486,879
NON-CURRENT ASSETS					
Receivables	15	22,244	25,860	-	-
Other financial assets	16	299,070	182,282	696,523	665,507
Investments accounted for using the equity method	17	512,948	479,409	-	-
Property, plant and equipment	18	3,472,198	3,768,342	-	-
Goodwill	19	411,883	515,344	-	-
Other intangible assets	20	183,659	192,903	-	-
Deferred tax assets	9	-	-	149,760	148,242
Other	21	9,541	7,966	192	192
Total non-current assets		4,911,543	5,172,106	846,475	813,942
Total assets		5,496,054	5,427,605	1,248,858	1,300,822
CURRENT LIABILITIES					
Trade and other payables	22	175,028	135,651	98,427	98,675
Borrowings	23	-	900,000	-	-
Other financial liabilities	24	59,307	44,986	-	-
Provisions	25	65,883	54,731	-	-
Other	26	761	2,347	-	-
Total current liabilities		300,979	1,137,715	98,427	98,675
NON-CURRENT LIABILITIES					
Borrowings	27	2,905,946	1,990,446	-	-
Other financial liabilities	28	286,592	263,786	-	-
Deferred tax liabilities	9	319,282	336,171	-	-
Provisions	25	65,135	30,840	-	-
Other	26	4,078	802	-	-
Total non-current liabilities		3,581,033	2,622,045	-	-
Total liabilities		3,882,012	3,759,760	98,427	98,675
Net assets		1,614,042	1,667,845	1,150,431	1,202,147

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

STATEMENT OF FINANCIAL POSITION

CONTINUED

As at 30 June 2012

	Note	CONSOLIDATED		TRUST	
		2012 \$000	2011 \$000	2012 \$000	2011 \$000
EQUITY					
Australian Pipeline Trust equity:					
Issued capital	29	1,138,205	1,192,779	1,138,205	1,192,779
Reserves	30	56,153	54,899	2,345	762
Retained earnings	31	32,785	19,054	9,881	8,606
Equity attributable to securityholders of the parent		1,227,143	1,266,732	1,150,431	1,202,147
Minority interests:					
APT Investment Trust:					
Issued capital	32	364,066	382,001	-	-
Reserves	32	1,624	534	-	-
Retained earnings	32	21,160	18,295	-	-
Equity attributable to securityholders of APT Investment Trust		386,850	400,830	-	-
Other minority interest	32	49	283	-	-
Total minority interests		386,899	401,113	-	-
Total equity		1,614,042	1,667,845	1,150,431	1,202,147

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 2012

CONSOLIDATED

	AUSTRALIAN PIPELINE TRUST					APT INVESTMENT TRUST					OTHER MINORITY INTEREST					
	ISSUED CAPITAL \$000	ASSET REVALUATION RESERVE \$000	AVAILABLE-FOR-SALE INVESTMENT REVALUATION RESERVE \$000	HEDGING RESERVE \$000	RETAINED EARNINGS \$000	ATTRIBUTABLE TO OWNER OF THE PARENT \$000	ISSUED CAPITAL \$000	AVAILABLE-FOR-SALE INVESTMENT REVALUATION RESERVE \$000	RETAINED EARNINGS \$000	APT INVESTMENT TRUST \$000	ISSUED CAPITAL \$000	AVAILABLE-FOR-SALE INVESTMENT REVALUATION RESERVE \$000	RETAINED EARNINGS \$000	OTHER \$000	RETAINED EARNINGS \$000	OTHER MINORITY INTEREST \$000
Balance at 1 July 2010	984,936	8,669	(3,032)	54,318	9,364	1,054,255	320,931	(101)	19,928	340,758	4	1	127	132	1,395,145	
Profit for the year	-	-	-	-	69,585	69,585	-	-	38,924	38,924	-	-	316	316	108,825	
Other comprehensive income	-	-	21,259	(26,315)	2,150	(2,906)	-	635	-	635	-	-	-	-	(2,271)	
Total comprehensive income for the year	-	-	21,259	(26,315)	71,735	66,679	-	635	38,924	39,559	-	-	316	316	106,554	
Payment of distributions	-	-	-	-	(62,045)	(62,045)	-	-	(40,557)	(40,557)	-	-	(165)	(165)	(102,767)	
Issued under distribution reinvestment plan	39,782	-	-	-	-	39,782	12,590	-	-	12,590	-	-	-	-	52,372	
Institutional Placement	230,128	-	-	-	-	230,128	69,872	-	-	69,872	-	-	-	-	300,000	
Issue cost of securities	(2,746)	-	-	-	-	(2,746)	(915)	-	-	(915)	-	-	-	-	(3,661)	
Tax relating to security issue costs	824	-	-	-	-	824	-	-	-	-	-	-	-	-	824	
Capital return to securityholders	(60,145)	-	-	-	-	(60,145)	(20,477)	-	-	(20,477)	-	-	-	-	(80,622)	
Balance at 30 June 2011	1,192,779	8,669	18,227	28,003	19,054	1,266,732	382,001	534	18,295	400,830	4	1	278	283	1,667,845	
Balance at 1 July 2011	1,192,779	8,669	18,227	28,003	19,054	1,266,732	382,001	534	18,295	400,830	4	1	278	283	1,667,845	
Profit for the year	-	-	-	-	84,693	84,693	-	-	45,957	45,957	-	-	5	5	130,655	
Other comprehensive income	-	-	64,469	(63,215)	(22,874)	(21,620)	-	1,090	-	1,090	-	-	-	-	(20,530)	
Total comprehensive income for the year	-	-	64,469	(63,215)	61,819	63,073	-	1,090	45,957	47,047	-	-	5	5	110,125	
Payment of distributions	-	-	-	-	(48,088)	(48,088)	-	-	(43,092)	(43,092)	-	-	(239)	(239)	(91,419)	
Issued under distribution reinvestment plan	33,879	-	-	-	-	33,879	10,733	-	-	10,733	-	-	-	-	44,612	
Issue cost of securities	(53)	-	-	-	-	(53)	(18)	-	-	(18)	-	-	-	-	(71)	
Tax relating to security issue costs	16	-	-	-	-	16	-	-	-	-	-	-	-	-	16	
Capital return to securityholders	(88,416)	-	-	-	-	(88,416)	(28,650)	-	-	(28,650)	-	-	-	-	(117,066)	
Balance at 30 June 2012	1,138,205	8,669	82,696	(35,212)	32,785	1,227,143	364,066	1,624	21,160	386,850	4	1	44	49	1,614,042	

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

STATEMENT OF CHANGES IN EQUITY

CONTINUED

For the financial year ended 30 June 2012

	TRUST			
	ISSUED CAPITAL \$000	AVAILABLE-FOR-SALE INVESTMENT REVALUATION RESERVE \$000	RETAINED EARNINGS \$000	ATTRIBUTABLE TO OWNER OF THE PARENT \$000
Balance at 1 July 2010	984,936	145	11,263	996,344
Profit for the year	-	-	59,388	59,388
Other comprehensive income	-	617	-	617
Total comprehensive income for the year	-	617	59,388	60,005
Payment of distributions	-	-	(62,045)	(62,045)
Issued under distribution reinvestment plan	39,782	-	-	39,782
Institutional Placement	230,128	-	-	230,128
Issue cost of securities	(2,746)	-	-	(2,746)
Tax relating to security issue costs	824	-	-	824
Capital return to securityholders	(60,145)	-	-	(60,145)
Balance at 30 June 2011	1,192,779	762	8,606	1,202,147
Balance at 1 July 2011	1,192,779	762	8,606	1,202,147
Profit for the year	-	-	49,363	49,363
Other comprehensive income	-	1,583	-	1,583
Total comprehensive income for the year	-	1,583	49,363	50,946
Payment of distributions	-	-	(48,088)	(48,088)
Issued under distribution reinvestment plan	33,879	-	-	33,879
Issue cost of securities	(53)	-	-	(53)
Tax relating to security issue costs	16	-	-	16
Capital return to securityholders	(88,416)	-	-	(88,416)
Balance at 30 June 2012	1,138,205	2,345	9,881	1,150,431

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 2012

	Note	CONSOLIDATED		TRUST	
		2012 \$000	2011 \$000	2012 \$000	2011 \$000
CASH FLOWS FROM OPERATING ACTIVITIES					
Receipts from customers		1,104,107	1,165,338	-	217
Payments to suppliers and employees		(604,786)	(704,597)	(272)	-
Dividends received		51,294	45,890	58,322	62,842
Proceeds from repayment of finance leases		3,131	6,748	-	-
Interest received		7,198	6,162	64	177
Interest and other costs of finance paid		(225,375)	(229,954)	-	(45)
Income tax paid		-	442	-	-
Net cash provided by operating activities	37(c)	335,569	290,029	58,114	63,191
CASH FLOWS FROM INVESTING ACTIVITIES					
Payments for property, plant and equipment		(249,112)	(231,051)	-	-
Proceeds from sale of property, plant and equipment		522	265	-	-
Payments for available-for-sale investments	37(b)	(11,665)	(22,481)	-	-
Payments for equity accounted investments	37(b)	(28,548)	(91,392)	(28,755)	(24,812)
Payments for controlled entities net of cash acquired	41	(5,714)	(171,077)	-	-
Payments for intangible assets		(443)	(8,000)	-	-
Proceeds from sale of businesses	42	475,523	3,145	-	-
Proceeds from sale of equity accounted investments		-	4,500	-	-
Net cash (used in)/provided by investing activities		180,563	(516,091)	(28,755)	(24,812)
CASH FLOWS FROM FINANCING ACTIVITIES					
Proceeds from borrowings		1,999,697	700,100	73,380	-
Repayments of borrowings		(2,103,500)	(620,633)	-	(183,598)
Proceeds from issue of securities		44,612	352,372	33,879	269,910
Payment of debt issue costs		(13,819)	(4,300)	-	-
Payments of security issue costs		(72)	(3,661)	(53)	(2,746)
Distributions paid to:					
Securityholders of APT		(136,504)	(122,189)	(136,504)	(122,189)
Securityholders of minority interests - APTIT		(71,741)	(61,034)	-	-
Other minority interest		(239)	(165)	-	-
Net cash provided by/(used in) by financing activities		(281,566)	240,490	(29,298)	(38,623)
Net (decrease)/increase in cash and cash equivalents		234,566	14,428	61	(244)
Cash and cash equivalents at beginning of financial year		95,368	80,940	49	293
Cash and cash equivalents at end of financial year	37(a)	329,934	95,368	110	49

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 2012

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 code '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 is 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:

- Energy Infrastructure businesses located across Australia;
- Energy investments, including Envestra Limited ("Envestra"), SEA Gas Pipeline, Ethane Pipeline Income Fund ("EPX"), Energy Infrastructure Investments Pty Limited ("EII"), Energy Infrastructure Investments 2 Pty Limited ("EII2"), GDI (EII) Pty Ltd ("GDI"), Diamantina Power Station Pty Ltd ("DPS"); and
- Asset management and operations services for the majority of 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
- Amendments to AASB 7 'Financial Instruments: Disclosures'.	The amendments (part of AASB 2010-4 'Further Amendments to Australian Accounting Standards arising from the Annual Improvements Project') clarify the required level of disclosures about credit risk and collateral held and provide relief from disclosures previously required regarding renegotiated loans.
- Amendments to AASB 101 'Presentation of Financial Statements'.	The amendments (part of AASB 2010-4 'Further Amendments to Australian Accounting Standards arising from the Annual Improvements Project') clarify that an entity may choose to present the required analysis of items of other comprehensive income either in the statement of changes in equity or in the notes to the financial statements.
- AASB 1054 'Australian Additional Disclosures'	AASB 1054 sets out the Australian-specific disclosures for entities that have adopted Australian Accounting Standards. This standard contains disclosure requirements that are in addition to IFRS in areas such as compliance with Australian Accounting Standards, the nature of financial statements, audit fees, imputation (franking) credits and the reconciliation of net operating cash flow to profit.

(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
- AASB 124 'Related Party Disclosures' (revised December 2009)	AASB 124 (revised December 2009) has been revised on the following two aspects: (a) has changed the definition of a related party and (b) includes an explicit requirement to disclose commitments involving related parties.
- AASB 2009-14 'Amendments to Australian Interpretation - Prepayments of Minimum Funding Requirement'.	Interpretation 114 addresses when refunds or reductions in future contributions should be regarded as available in accordance with paragraph 58 of AASB 119, the impact on future contributions and when it might give rise to a liability. The amendments now allow recognition of an asset in the form of prepaid minimum funding contributions.
- AASB 2009-12 'Amendments to Australian Accounting Standards'.	The application of AASB 2009-12 makes amendments to AASB 8 'Operating Segments' as a result of the issuance of AASB 124 'Related Party Disclosures' (2009). The Standard makes numerous editorial amendments to a range of Australian Accounting Standards and Interpretations.

NOTES TO THE FINANCIAL STATEMENTS

CONTINUED

For the financial year ended 30 June 2012

2. ADOPTION OF NEW AND REVISED ACCOUNTING STANDARDS (CONTINUED)

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

STANDARD	IMPACT
- AASB 2010-5 'Amendments to Australian Accounting Standards'	The Standard makes numerous editorial amendments to a range of Australian Accounting Standards and Interpretations.
- AASB 2010-6 'Amendments to Australian Accounting Standards - Disclosures on Transfers of Financial Assets'	The application of AASB 2010-6 makes amendments to AASB 7 'Financial Instruments - Disclosures' to introduce additional disclosure requirements for transactions involving transfer of financial assets. These amendments are intended to provide greater transparency around risk exposures when a financial asset is transferred and derecognised but the transferor retains some level of continuing exposure in the asset.

(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 9 'Financial Instruments', AASB 2009-11 'Amendments to Australian Accounting Standards arising from AASB 9' and AASB 2010-7 'Amendments to Australian Accounting Standards arising from AASB 9 (December 2010)' (effective date deferred by IASB to 1 January 2015)	1 January 2013	30 June 2014
- AASB 10 'Consolidated Financial Statements'	1 January 2013	30 June 2014
- AASB 11 'Joint Arrangements'	1 January 2013	30 June 2014
- AASB 12 'Disclosure of Interests in Other Entities'	1 January 2013	30 June 2014
- AASB 127 'Separate Financial Statements' (2011)	1 January 2013	30 June 2014
- AASB 128 'Investments in Associates and Joint Ventures' (2011)	1 January 2013	30 June 2014
- AASB 13 Fair Value Measurement and AASB 2010-8 'Amendments to Australian Accounting Standards arising from AASB 13'	1 January 2013	30 June 2014
- AASB 119 'Employee Benefits' (2011) and AASB 2011-8 Amendments to Australian Accounting Standards arising from AASB 119 (2011)	1 January 2013	30 June 2014
- AASB 2010-8 'Amendments to Australian Accounting Standards - Deferred Tax: Recovery of Underlying Assets'	1 January 2012	30 June 2013
- AASB 2011-4 'Amendments to Australian Accounting Standards to Remove Individual Key Management Personnel Disclosure Requirements'	1 July 2013	30 June 2014
- AASB 2011-7 'Amendments to Australian Accounting Standards arising from the Consolidation and Joint Arrangements standards'	1 January 2013	30 June 2014
- AASB 2011-9 'Amendments to Australian Accounting Standards - Presentation of items of Other Comprehensive Income'	1 July 2012	30 June 2013
- Amendments to IFRS 10, 11 and 12 Transitional Guidance	1 January 2013	30 June 2014

APA has yet to determine any change in accounting for existing arrangements under AASB 10, 11 and 12. In addition, should any arrangements take place which change existing interests and create new interests in controlled entities, the accounting for such transactions may be different to that applied to transactions in the past.

Implementation of AASB 119 is expected to result in changes to the accounting treatment for APA's defined benefit superannuation plan and provisions for employee benefits which will impact amounts reported in profit or loss and net assets.

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

NOTES TO THE FINANCIAL STATEMENTS

CONTINUED

For the financial year ended 30 June 2012

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 22 August 2012.

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) 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.

(b) 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 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.

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.

(c) 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.

(d) 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.

NOTES TO THE FINANCIAL STATEMENTS

CONTINUED

For the financial year ended 30 June 2012

3. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

(d) Investments in associates (continued)

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.

(e) 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.

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.

(f) 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.

(g) 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.

(h) 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.

(i) 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.

(j) 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.

(k) 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	10 - 50 years;
- gas transportation systems	10 - 80 years;
- meters	20 - 30 years; and
- other plant and equipment	3 - 20 years.

(l) Employee benefits

Provision is made for benefits accruing to employees in respect of wages and salaries, incentives, annual leave, long service leave and sick leave when it is probable that settlement will be required and they are capable of being measured reliably. Provisions made in respect of employee benefits expected to be settled within 12 months, are measured at their nominal values using the remuneration rates expected to apply at the time of settlement. Provisions made in respect of employee benefits which are not expected to be settled

NOTES TO THE FINANCIAL STATEMENTS

CONTINUED

For the financial year ended 30 June 2012

3. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

(l) Employee benefits (continued)

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.

(m) 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.

(n) 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 38.

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

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

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

Fair value hedges

Changes in the fair value of derivatives that are designated and qualify as fair value hedges are recorded in profit or loss immediately, together with any changes in the fair value of the hedged item that is attributable to the hedged risk. Hedge accounting is discontinued when the Consolidated Entity revokes the hedging relationship 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.

(o) 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.

NOTES TO THE FINANCIAL STATEMENTS

CONTINUED

For the financial year ended 30 June 2012

3. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

(o) Financial instruments issued by the Consolidated Entity (continued)

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.

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.

(p) 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.

(q) 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.

(r) 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.

(s) 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.

(t) Distributions

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

(u) 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.

(v) Security-based payments

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

(w) 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.

NOTES TO THE FINANCIAL STATEMENTS

CONTINUED

For the financial year ended 30 June 2012

3. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

(w) Income tax (continued)

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.

(x) 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.

(y) 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.

(z) 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.

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 a non-current asset is included as income at the date control of an asset 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.

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.

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

CONTINUED

For the financial year ended 30 June 2012

5. SEGMENT INFORMATION

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

(a) Description of reportable segments

The Consolidated Entity comprises the following reportable segments:

- energy infrastructure;
- asset management; and
- energy investments.

(b) Reportable segments

	ENERGY INFRASTRUCTURE ^(a) \$000	ASSET MANAGEMENT \$000	ENERGY INVESTMENTS \$000	CONSOLIDATED \$000
2012				
SEGMENT REVENUE ^(b)				
External sales revenue	637,851	69,296	-	707,147
Equity accounted net profits	-	-	28,263	28,263
Pass-through revenue	6,626	296,007	-	302,633
Finance lease and investment interest income	2,817	-	2,331	5,148
Distributions - other entities	-	-	11,153	11,153
Total segment revenue	647,294	365,303	41,747	1,054,344
Other interest income				6,317
Consolidated revenue				1,060,661
SEGMENT RESULT				
Earnings before interest, tax, depreciation and amortisation ("EBITDA")	449,347	31,910	11,157	492,414
Share of net profits of associates and jointly controlled entities accounted for using the equity method	-	-	28,263	28,263
Finance lease and investment interest income	2,817	-	2,331	5,148
Total EBITDA	452,164	31,910	41,751	525,825
Depreciation and amortisation	(105,620)	(4,789)	-	(110,409)
Earnings before interest and tax ("EBIT")	346,544	27,121	41,751	415,416
Net finance costs ^(c)				(234,326)
Profit before tax				181,090
Income tax expense				(50,435)
Profit for the year				130,655
SEGMENT ASSETS AND LIABILITIES				
Segment assets	4,016,910	244,106	391,737	4,652,753
Carrying value of investments accounted for using the equity method	-	-	512,948	512,948
Unallocated assets ^(d)				330,353
Total assets				5,496,054
Segment liabilities	229,613	81,272	-	310,885
Unallocated liabilities ^(e)				3,571,127
Total liabilities				3,882,012

(a) Revenue of \$30.7 million (2011: \$56.6 million), expenses of \$10.5 million (2011: \$21.5 million), profit before income tax of \$14.2 million (2011: \$22.4 million), profit after income tax of \$10.0 million (2011: \$15.7 million) are attributable to the Allgas business which was divested into the APA minority owned unlisted investment vehicle GDI (EII) Pty Ltd in December 2011. Within Asset operation and management expenses a significant item of \$9.7 million results from transaction costs incurred on the divestment of the APA Gas Networks business of \$21.7 million offsetting a gain on sale of \$12.0 million.

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

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

(d) Unallocated assets consist of cash and cash equivalents, current tax assets, fair value of interest rate swaps and foreign exchange contracts.

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

NOTES TO THE FINANCIAL STATEMENTS

CONTINUED

For the financial year ended 30 June 2012

5. SEGMENT INFORMATION (CONTINUED)

(b) Reportable segments (continued)

	ENERGY INFRASTRUCTURE \$000	ASSET MANAGEMENT \$000	ENERGY INVESTMENTS \$000	CONSOLIDATED \$000
2011				
SEGMENT REVENUE ^(a)				
External sales revenue	599,085	68,647	549	668,281
Equity accounted net profits	-	-	23,876	23,876
Pass-through revenue	170,024	211,709	-	381,733
Finance lease and investment interest income	2,630	-	1,520	4,150
Distributions - other entities	-	-	11,017	11,017
Total segment revenue	771,739	280,356	36,962	1,089,057
Other interest income				12,932
Consolidated revenue				1,101,989
SEGMENT RESULT				
Earnings before interest, tax, depreciation and amortisation ("EBITDA")	412,146	38,740	13,197	464,083
Share of net profits of associates and jointly controlled entities accounted for using the equity method	-	-	23,876	23,876
Finance lease and investment interest income	2,630	-	1,520	4,150
Total EBITDA	414,776	38,740	38,593	492,109
Depreciation and amortisation	(95,779)	(4,571)	-	(100,350)
Earnings before interest and tax ("EBIT")	318,997	34,169	38,593	391,759
Net finance costs ^(b)				(247,072)
Profit before tax				144,687
Income tax expense				(35,862)
Profit for the year				108,825
SEGMENT ASSETS AND LIABILITIES				
Segment assets	4,430,652	235,219	186,957	4,852,828
Carrying value of investments accounted for using the equity method	-	-	479,409	479,409
Unallocated assets ^(c)				95,368
Total assets				5,427,605
Acquisition of segment assets	186,781	-	-	186,781
Segment liabilities	172,194	52,101	75	224,370
Unallocated liabilities ^(d)				3,535,390
Total liabilities				3,759,760

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

(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, fair value of interest rate swaps and foreign exchange contracts.

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

(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 energy infrastructure of \$637.9 million (2011: \$599.1 million) are revenues of approximately \$266.6 million (2011: \$250.9 million) which arose from sales to the Consolidated Entity's top three customers.

NOTES TO THE FINANCIAL STATEMENTS

CONTINUED

For the financial year ended 30 June 2012

6. REVENUE

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

Continuing operations

	CONSOLIDATED		TRUST	
	2012 \$000	2011 \$000	2012 \$000	2011 \$000
OPERATING REVENUE				
Energy infrastructure revenue:				
- energy infrastructure revenue	637,316	598,562	-	-
- pass-through revenue	6,626	170,024	-	-
	643,942	768,586	-	-
Asset management revenue:				
- asset management revenue	69,296	68,647	-	-
- pass-through revenue	296,007	211,709	-	-
	365,303	280,356	-	-
Energy investments	-	549	-	-
	1,009,245	1,049,491	-	-
Share of net profits of associates and jointly controlled entities accounted for using the equity method				
	28,263	23,876	-	-
FINANCE INCOME				
Interest	6,317	12,932	64	177
Redeemable ordinary shares (EII) and redeemable preference shares (GDI)				
interest income	2,331	1,520	-	-
Finance lease income	2,817	2,630	-	-
	11,465	17,082	64	177
DIVIDENDS				
Wholly-owned controlled entities	-	-	29,567	37,752
Other entities	11,153	11,017	28,755	25,090
	11,153	11,017	58,322	62,842
OTHER INCOME				
Rental income	535	523	-	-
	535	523	-	-
	1,060,661	1,101,989	58,386	63,019

NOTES TO THE FINANCIAL STATEMENTS

CONTINUED

For the financial year ended 30 June 2012

7. EXPENSES

Profit before tax includes the following expenses:

	CONSOLIDATED		TRUST	
	2012 \$000	2011 \$000	2012 \$000	2011 \$000
DEPRECIATION AND AMORTISATION EXPENSE				
Depreciation of non-current assets	104,459	94,458	-	-
Amortisation of non-current assets	5,950	5,892	-	-
	110,409	100,350	-	-
OTHER OPERATING COSTS - PASS-THROUGH				
Operating lease rental expenses	-	24,678	-	-
Gas pipeline costs	6,626	145,346	-	-
	6,626	170,024	-	-
Management, operating and maintenance costs ^(a)	296,007	211,709	-	-
	302,633	381,733	-	-
FINANCE COSTS				
Interest on bank overdrafts and borrowings	225,517	241,619	-	45
Amortisation of deferred borrowing costs	16,013	11,883	-	-
Finance lease charges	-	70	-	-
Other finance costs	9,568	10,023	-	-
	251,098	263,595	-	45
Less: amounts included in the cost of qualifying assets	(11,136)	(5,842)	-	-
	239,962	257,753	-	45
Loss on fair value of other derivatives	-	-	-	-
Unwinding of discount on non-current liabilities	681	2,251	-	-
	240,643	260,004	-	45
The average interest rate on funds borrowed is 8.14% p.a. (2011: 8.11% p.a.) including amortisation of borrowing costs and other finance costs.				
EMPLOYEE BENEFIT EXPENSE				
Post-employment benefits:				
Defined contribution plans	6,863	5,994	-	-
Defined benefit plans	1,145	1,622	-	-
	8,008	7,616	-	-
Termination benefits	1,384	738	-	-
Cash settled share-based payments	17,843	18,434	-	-
Other employee benefits	105,678	88,135	-	-
	132,913	114,923	-	-
OTHER EXPENSES				
Goodwill write-off	-	5,435	-	-
Loss on disposal of property, plant and equipment	278	1,068	-	-
Other	16,700	11,599	506	31
	16,978	18,102	506	31

(a) The management, operating and maintenance costs for FY12 included Amadeus Gas Pipelines, NT Gas & Emu Downs Wind Farm which were included in gas pipeline costs in FY11.

NOTES TO THE FINANCIAL STATEMENTS

CONTINUED

For the financial year ended 30 June 2012

8. SIGNIFICANT ITEMS

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

	CONSOLIDATED		TRUST	
	2012 \$000	2011 \$000	2012 \$000	2011 \$000
SIGNIFICANT (EXPENSE)/INCOME ITEMS				
Profit on sale of Allgas Distribution Network before transaction costs	12,032	-	-	-
Less: Transaction costs	(21,695)	-	-	-
Loss on sale of Allgas Distribution Network after transaction costs	(9,663)	-	-	-
Equity accounted share of EI12 investment allowance benefit	-	9,839	-	-
Profit on sale of investment in CAMS	-	1,652	-	-
Transaction costs on acquisition of Emu Downs Windfarm	-	(8,970)	-	-
(Loss)/profit from significant items before related income tax	(9,663)	2,521	-	-
Income tax related to significant items above	-	(2,953)	-	-
Loss from significant items after related income tax	(9,663)	(432)	-	-

9. INCOME TAX

Income tax recognised in profit or loss

TAX EXPENSE/(INCOME) COMPRISES:

Current tax expense/(income) in respect of the current year	(1,418)	6,354	63	3,143
Adjustments recognised in the current year in relation to current tax of prior years	482	(6,995)	(63)	(3,336)
	(936)	(641)	-	(193)
Deferred tax expense relating to the origination and reversal of temporary differences	51,371	36,503	8,517	3,748
Total tax expense	50,435	35,862	8,517	3,555

ATTRIBUTABLE TO:

Profit from continuing operations	50,435	35,862	8,517	3,555
-----------------------------------	--------	--------	-------	-------

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

Profit before tax	181,090	144,687	57,880	62,943
Income tax expense calculated at 30%	54,327	43,406	17,364	18,883
Non deductible interest	-	2,777	-	-
Non-assessable trust distribution	(13,787)	(11,677)	-	-
Transactions within the tax-consolidated group that are exempt from taxation	-	-	(8,784)	(11,326)
Non deductible expenses	7,185	7,198	-	6
Non assessable income	(6,400)	(4,781)	-	-
Unfranked dividends from associates	8,626	7,615	-	-
Investment allowance	-	(1,009)	-	-
Other	2	(672)	-	(672)
	49,953	42,857	8,580	6,891
Adjustment recognised in the current year in relation to the current tax of prior years	482	(6,995)	(63)	(3,336)
	50,435	35,862	8,517	3,555

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

NOTES TO THE FINANCIAL STATEMENTS

CONTINUED

For the financial year ended 30 June 2012

9. INCOME TAX (CONTINUED)

Income tax recognised directly in equity

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

	CONSOLIDATED		TRUST	
	2012 \$000	2011 \$000	2012 \$000	2011 \$000
DEFERRED INCOME TAX				
Revaluation of financial instruments treated as cash flow hedges	(27,091)	(11,278)	-	-
Actuarial movements on defined benefit plans	(9,803)	922	-	-
Revaluation of available-for-sale financial assets	27,631	7,750	678	264
Security issue costs	(16)	(824)	(16)	(824)
Income tax (benefit)/expense reported in equity	(9,279)	(3,430)	662	(560)
DEFERRED TAX BALANCES				
Deferred tax liabilities				
Temporary differences	(512,520)	(515,582)	(1,005)	(471)
	(512,520)	(515,582)	(1,005)	(471)
Deferred tax assets				
Temporary differences	43,004	31,357	531	659
Tax losses	150,234	148,054	150,234	148,054
	193,238	179,411	150,765	148,713
	(319,282)	(336,171)	149,760	148,242

Deferred tax balances

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

	CONSOLIDATED				
	OPENING BALANCE \$000	CHARGED TO INCOME \$000	CHARGED TO EQUITY \$000	ACQUISITIONS/ DISPOSALS \$000	CLOSING BALANCE \$000
2012					
GROSS DEFERRED TAX LIABILITIES					
Intangible assets	(4,740)	142	-	-	(4,598)
Property, plant and equipment	(442,189)	(34,840)	-	58,790	(418,239)
Deferred revenue	(892)	381	-	-	(511)
Deferred expenses	(41,243)	(18,079)	-	190	(59,132)
Cash flow hedges	(7,875)	(449)	20,734	-	12,410
Investments equity accounted	(6,533)	(264)	6,357	-	(440)
Available-for-sale investments	(7,812)	-	(27,631)	-	(35,443)
Other	(4,298)	(2,269)	-	-	(6,567)
	(515,582)	(55,378)	(540)	58,980	(512,520)
GROSS DEFERRED TAX ASSETS					
Provisions	26,928	3,156	-	-	30,084
Defined benefit obligation	3,770	(1,185)	9,804	-	12,389
Security issue costs	659	(144)	16	-	531
Tax losses	148,054	2,180	-	-	150,234
	179,411	4,007	9,820	-	193,238
	(336,171)	(51,371)	9,280	58,980	(319,282)

NOTES TO THE FINANCIAL STATEMENTS

CONTINUED

For the financial year ended 30 June 2012

9. INCOME TAX (CONTINUED)

Deferred tax balances (continued)

	CONSOLIDATED	
	2012 \$000	2011 \$000
Presented in the statement of financial position as follows:		
Deferred tax liabilities attributable to:		
Continuing operations	(319,282)	(336,171)
	(319,282)	(336,171)
Deferred tax assets attributable to:		
Continuing operations	-	-
	(319,282)	(336,171)

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

	CONSOLIDATED				
	OPENING BALANCE \$000	CHARGED TO INCOME \$000	CHARGED TO EQUITY \$000	ACQUISITIONS/ DISPOSALS \$000	CLOSING BALANCE \$000
2011					
GROSS DEFERRED TAX LIABILITIES					
Intangible assets	(5,056)	316	-	-	(4,740)
Property, plant and equipment	(408,180)	(28,486)	-	(5,523)	(442,189)
Deferred revenue	5,511	(6,396)	-	(7)	(892)
Deferred expenses	(30,688)	(10,555)	-	-	(41,243)
Cash flow hedges	(18,034)	(1)	10,160	-	(7,875)
Investments equity accounted	(4,725)	(2,926)	1,118	-	(6,533)
Available for sale investments	(62)	-	(7,750)	-	(7,812)
Other	(1,059)	(3,239)	-	-	(4,298)
	(462,293)	(51,287)	3,528	(5,530)	(515,582)
GROSS DEFERRED TAX ASSETS					
Provisions	21,668	5,020	-	240	26,928
Defined benefit obligation	5,488	(796)	(922)	-	3,770
Security issue costs	-	(165)	824	-	659
Tax losses	137,329	10,725	-	-	148,054
	164,485	14,784	(98)	240	179,411
	(297,808)	(36,503)	3,430	(5,290)	(336,171)

NOTES TO THE FINANCIAL STATEMENTS

CONTINUED

For the financial year ended 30 June 2012

9. INCOME TAX (CONTINUED)

Deferred tax balances (continued)

	OPENING BALANCE \$000	CHARGED TO INCOME \$000	TRUST		CLOSING BALANCE \$000
			CHARGED TO EQUITY \$000	TRANSFERS \$000	
2012					
GROSS DEFERRED TAX LIABILITIES					
Available for sale investments	(326)	-	(679)	-	(1,005)
Other	(145)	145	-	-	-
	(471)	145	(679)	-	(1,005)
GROSS DEFERRED TAX ASSETS					
Security issue costs	659	(144)	16	-	531
Tax losses	148,054	(8,518)	-	10,698	150,234
	148,713	(8,662)	16	10,698	150,765
	148,242	(8,517)	(663)	10,698	149,760
2011					
GROSS DEFERRED TAX LIABILITIES					
Available for sale investments	(62)	-	(264)	-	(326)
Other	(145)	-	-	-	(145)
	(207)	-	(264)	-	(471)
GROSS DEFERRED TAX ASSETS					
Investments equity accounted	-	(165)	824	-	659
Tax losses	137,030	(3,583)	-	14,607	148,054
	137,030	(3,748)	824	14,607	148,713
	136,823	(3,748)	560	14,607	148,242

Unrecognised deferred tax assets

	CONSOLIDATED		TRUST	
	2012 \$000	2011 \$000	2012 \$000	2011 \$000
The following deferred tax assets have not been brought to account as assets:				
Tax losses - capital	16,875	10,863	16,875	10,863

Tax consolidation

Relevance of tax consolidation to the Group

The Trust and its wholly-owned Australian resident entities 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 40.

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.

NOTES TO THE FINANCIAL STATEMENTS

CONTINUED

For the financial year ended 30 June 2012

10. DISTRIBUTIONS

	TRUST			
	2012 CENTS PER SECURITY	2012 TOTAL \$000	2011 CENTS PER SECURITY	2011 TOTAL \$000
RECOGNISED AMOUNTS				
Final distribution paid on 15 September 2011				
(2011: 15 September 2010)				
Profit distribution ^(a)	3.42	19,054	1.73	9,364
Capital distribution	8.41	46,761	8.58	46,552
Semi-annual distribution paid on 15 March 2012				
(2011: 17 March 2011)				
Profit distribution ^(a)	4.54	29,034	9.55	52,681
Capital distribution	6.52	41,655	2.46	13,592
	22.89	136,504	22.32	122,189
UNRECOGNISED AMOUNTS				
Final distribution payable on 14 September 2012				
(2011: 15 September 2011)				
Profit distribution ^(a)	5.09	32,786	3.42	19,054
Capital distribution	7.32	47,182	8.41	46,761
	12.41	79,968	11.83	65,815

	APT AND APTIT			
	2012 CENTS PER SECURITY	2012 TOTAL \$000	2011 CENTS PER SECURITY	2011 TOTAL \$000
RECOGNISED AMOUNTS				
Final distribution paid on 15 September 2011				
(2011: 15 September 2010)				
Profit distribution - APT ^(a)	3.42	19,054	1.73	9,364
Profit distribution - APTIT ^(a) (Note 32)	3.41	18,295	3.67	19,928
Capital distribution - APT (Note 29)	8.41	46,761	8.58	46,552
Capital distribution - APTIT (Note 32)	2.66	15,449	3.01	16,350
Semi-annual distribution paid on 15 March 2012				
(2011: 17 March 2011)				
Profit distribution - APT ^(a)	4.54	29,034	9.55	52,681
Profit distribution - APTIT ^(a) (Note 32)	3.88	24,797	3.74	20,629
Capital distribution - APT (Note 29)	6.52	41,655	2.46	13,592
Capital distribution - APTIT (Note 32)	2.06	13,201	0.75	4,127
	34.90	208,246	33.50	183,223

(a) Profit distributions were unfranked (2011: unfranked).

NOTES TO THE FINANCIAL STATEMENTS

CONTINUED

For the financial year ended 30 June 2012

10. DISTRIBUTIONS (CONTINUED)

	APT AND APTIT			
	2012 CENTS PER SECURITY	2012 TOTAL \$000	2011 CENTS PER SECURITY	2011 TOTAL \$000
UNRECOGNISED AMOUNTS				
Final distribution payable on 14 September 2012				
(2011: 15 September 2011)				
Profit distribution - APT ^(a)	5.09	32,786	3.42	19,054
Profit distribution - APTIT ^(a)	3.28	21,160	3.41	18,295
Capital distribution - APT	7.32	47,182	8.41	46,761
Capital distribution - APTIT	2.31	14,879	2.66	15,449
	18.00	116,007	17.90	99,559

(a) Profit distributions were unfranked (2011: 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 confirmed prior to the end of the financial year.

	CONSOLIDATED		TRUST	
	2012 \$000	2011 \$000	2012 \$000	2011 \$000
Adjusted franking account balance (tax paid basis)	3,522	3,522	3,522	3,522

11. TRADE AND OTHER RECEIVABLES

Trade receivables	92,607	103,520	-	-
Allowance for doubtful debts	-	-	-	-
	92,607	103,520	-	-
Receivables from associates and related parties	142,062	38,429	402,270	486,827
Finance lease receivables (Note 33)	3,590	3,252	-	-
Interest receivable	239	262	3	3
Other debtors	21	235	-	-
	238,519	145,698	402,273	486,830

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

Ageing of past due but not impaired

30 - 60 days	4,367	5,304	-	-
60 - 90 days	139	194	-	-
90 - 120 days	2,266	2,648	-	-
Total	6,772	8,146	-	-

Movement in the allowance for doubtful debts

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

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.

Ageing of impaired receivables

90 - 120 days	-	-	-	-
Total	-	-	-	-

NOTES TO THE FINANCIAL STATEMENTS

CONTINUED

For the financial year ended 30 June 2012

12. OTHER CURRENT FINANCIAL ASSETS

	CONSOLIDATED		TRUST	
	2012 \$000	2011 \$000	2012 \$000	2011 \$000
Derivatives at fair value:				
Interest rate swaps	135	-	-	-
Financial assets carried at amortised cost:				
Redeemable preference share interest	285	-	-	-
	420	-	-	-

13. INVENTORIES

Spare parts - at cost	10,759	10,605	-	-
Gas stock	745	471	-	-
	11,504	11,076	-	-

14. OTHER CURRENT ASSETS

Prepayments	4,134	3,357	-	-
	4,134	3,357	-	-

15. NON-CURRENT RECEIVABLES

Finance lease receivables (Note 33)	22,244	25,860	-	-
	22,244	25,860	-	-

16. OTHER NON-CURRENT FINANCIAL ASSETS

Investments carried at cost:				
Investments in controlled entities	-	-	371,551	371,551
Envestra	-	-	318,764	290,009
Energy Infrastructure Investment	-	-	329	329
Available-for-sale investments carried at fair value:				
Ethane Pipeline Income Fund	9,564	6,720	5,879	3,618
Hastings Diversified Utilities Fund	263,441	161,929	-	-
Other	-	5	-	-
Financial assets carried at amortised cost:				
Redeemable ordinary shares	15,339	13,628	-	-
Redeemable preference shares	10,400	-	-	-
Derivatives - at fair value:				
Interest rate swaps - cash flow hedges	326	-	-	-
	299,070	182,282	696,523	665,507

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.

Redeemable ordinary shares 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.

Redeemable preference shares relate to APA Group's 20% interest in GDI (EII) Pty Ltd. In December 2011, APA sold 80% of its gas distribution network in South East Queensland (Allgas) into an unlisted investment vehicle, GDI (EII) Pty Ltd. At that date GDI issued 52 million Redeemable Preference Shares (RPS) to its owners. The shares attracts periodic interest payments and have a redemption date 10 years from issue.

NOTES TO THE FINANCIAL STATEMENTS

CONTINUED

For the financial year ended 30 June 2012

17. INVESTMENTS ACCOUNTED FOR USING THE EQUITY METHOD

NAME OF ENTITY	PRINCIPAL ACTIVITY	COUNTRY OF INCORPORATION	OWNERSHIP INTEREST %	
			2012	2011
Jointly Controlled entities:				
SEA Gas	Gas transmission	Australia	50.00	50.00
GDI (EII) ^(a)	Unlisted energy vehicle	Australia	20.00	-
Diamantina Power Station ^(b)	Power Generation	Australia	50.00	-
Energy Infrastructure Investments	Unlisted energy vehicle	Australia	19.90	19.90
EII 2	Unlisted energy vehicle	Australia	20.20	20.20
Associates:				
Envestra Limited ^(c)	Gas transmission	Australia	33.44	33.01

	CONSOLIDATED		TRUST	
	2012 \$000	2011 \$000	2012 \$000	2011 \$000
Investments in jointly controlled entities and associates	512,948	479,409	-	-

Reconciliation of movements in investments accounted for using the equity method:

Balance at 1 July	479,409	403,528	-	-
Acquisitions during the year	67,768	91,191	-	-
Share of net profit for the year	28,263	23,876	-	-
Disposal	-	(2,848)	-	-
Movement in reserves	(22,666)	(2,099)	-	-
	552,774	513,648	-	-
Dividends	(39,826)	(34,239)	-	-
Balance at 30 June	512,948	479,409	-	-

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

	CONSOLIDATED	
	2012 \$000	2011 \$000
FINANCIAL POSITION		
Total assets	5,415,250	4,532,327
Total liabilities	4,558,821	3,792,793
Net assets	856,429	739,534
Consolidated Entity's share of jointly controlled entities and associates net assets	257,824	215,770
FINANCIAL PERFORMANCE		
Total revenue	501,023	475,880
Total profit for the year	102,732	104,262
Consolidated Entity's share of jointly controlled entities and associates profit	28,263	23,876

(a) APA sold 80% of its gas distribution network in South East Queensland (Allgas) into an unlisted investment vehicle, GDI (EII) Pty Ltd. APA retained a 20% interest in GDI.

(b) APA acquired a 50% interest in Diamantina Power station during the year.

(c) APA participated in Envestra's Distribution Reinvestment Plan under Envestra's October and April Distribution, increasing its interest in Envestra from 33.01% to 33.44%.

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 48 and 43 respectively.

NOTES TO THE FINANCIAL STATEMENTS

CONTINUED

For the financial year ended 30 June 2012

18. PROPERTY, PLANT AND EQUIPMENT

	CONSOLIDATED				TOTAL \$000
	FREEHOLD LAND AND BUILDINGS - AT COST \$000	LEASEHOLD IMPROVEMENTS - AT COST \$000	PLANT AND EQUIPMENT - AT COST \$000	WORK IN PROGRESS - AT COST \$000	
GROSS CARRYING AMOUNT					
Balance at 1 July 2010	113,516	2,905	3,670,120	125,136	3,911,677
Additions	-	-	57,838	171,269	229,107
Disposals	(173)	(59)	(4,911)	-	(5,143)
Acquisitions through business combinations	1,556	-	156,460	4,934	162,950
Transfer to assets classified as finance leases	-	-	-	(10,878)	(10,878)
Transfers	4,352	(415)	160,053	(164,629)	(639)
Balance at 1 July 2011	119,251	2,431	4,039,560	125,832	4,287,074
Additions	-	-	6,877	273,198	280,075
Disposals	(9)	(15)	(15,876)	-	(15,900)
Derecognised on disposal of subsidiary (Note 42)	(4,363)	(227)	(520,891)	(1,868)	(527,349)
Transfers	2,716	33	69,363	(72,113)	(1)
Balance at 30 June 2012	117,595	2,222	3,579,033	325,049	4,023,899
ACCUMULATED DEPRECIATION					
Balance at 1 July 2010	(12,359)	(1,572)	(414,418)	-	(428,349)
Disposals	13	59	4,003	-	4,075
Depreciation expense	(3,191)	(327)	(90,940)	-	(94,458)
Balance at 1 July 2011	(15,537)	(1,840)	(501,355)	-	(518,732)
Disposals	1	15	15,131	-	15,147
Derecognised on disposal of subsidiary (Note 42)	270	206	55,867	-	56,343
Depreciation expense	(2,126)	(308)	(102,025)	-	(104,459)
Balance at 30 June 2012	(17,392)	(1,927)	(532,382)	-	(551,701)
NET BOOK VALUE					
As at 30 June 2011	103,714	591	3,538,205	125,832	3,768,342
As at 30 June 2012	100,203	295	3,046,651	325,049	3,472,198

All property, plant & equipment is held by companies within the Group. The Trust has no property, plant and equipment, in either the current or comparative years.

NOTES TO THE FINANCIAL STATEMENTS

CONTINUED

For the financial year ended 30 June 2012

19. GOODWILL

	CONSOLIDATED		TRUST	
	2012 \$000	2011 \$000	2012 \$000	2011 \$000
GROSS CARRYING AMOUNT				
Balance at beginning of financial year	515,344	520,779	-	-
Acquisitions	802	-	-	-
Disposals (Note 42)	(104,263)	-	-	-
Goodwill write-off	-	(5,435)	-	-
Balance at end of financial year	411,883	515,344	-	-

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	
	2012 \$000	2011 \$000
Asset management business	33,328	33,328
Energy infrastructure in New South Wales, Queensland and Western Australia	273,494	272,692
Victorian transmission system	105,061	105,061
APA Gas Networks	-	104,263
	411,883	515,344

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 a resulting average annual growth rate of 1.7% 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 8.5% p.a. (2011: 9.25% p.a.) for energy infrastructure assets and 8.5% p.a. (2011: 9.25% 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

CONTINUED

For the financial year ended 30 June 2012

20. OTHER INTANGIBLE ASSETS

	CONSOLIDATED		TRUST	
	2012 \$000	2011 \$000	2012 \$000	2011 \$000
Right to receive pipeline tariff ^(a)	-	-	-	-
Contract and other intangibles ^(b)	183,659	192,903	-	-
	183,659	192,903	-	-

(a) RIGHT TO RECEIVE PIPELINE TARIFF

Gross carrying amount

Balance at beginning of financial year	15,677	15,677	-	-
Balance at end of financial year	15,677	15,677	-	-

Accumulated amortisation and impairment

Balance at beginning of financial year	(15,677)	(14,624)	-	-
Amortisation expense	-	(1,053)	-	-
Balance at end of financial year	(15,677)	(15,677)	-	-

Net book value	-	-	-	-
-----------------------	---	---	---	---

(b) CONTRACT AND OTHER INTANGIBLES

Gross carrying amount

Balance at beginning of financial year	210,389	190,875	-	-
Reclassified from other non current assets	-	2,805	-	-
Adjustments to amounts recognised from business combinations	(2,632)	-	-	-
Acquisitions	443	16,709	-	-
Impairment	(473)	-	-	-
Disposals (Note 42)	(697)	-	-	-
Balance at end of financial year	207,031	210,389	-	-

Accumulated amortisation and impairment

Balance at beginning of financial year	(17,486)	(12,646)	-	-
Amortisation expense	(5,950)	(4,840)	-	-
Disposals (Note 42)	64	-	-	-
Balance at end of financial year	(23,372)	(17,486)	-	-

Net book value	183,659	192,903	-	-
-----------------------	---------	---------	---	---

The Consolidated Entity holds various third party operating and maintenance contracts. The combined gross carrying amount of \$207.031 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.

21. OTHER NON-CURRENT ASSETS

Line pack gas	4,356	4,356	-	-
Gas held in storage	4,993	2,229	-	-
Other assets	192	1,381	192	192
	9,541	7,966	192	192

NOTES TO THE FINANCIAL STATEMENTS

CONTINUED

For the financial year ended 30 June 2012

22. TRADE AND OTHER PAYABLES

	CONSOLIDATED		TRUST	
	2012 \$000	2011 \$000	2012 \$000	2011 \$000
Trade payables ^(a)	14,347	15,270	-	-
Other payables ^(b)	160,681	120,381	-	248
Non-trade payables to:				
Wholly-owned controlled entities ^(c)	-	-	98,427	98,427
	175,028	135,651	98,427	98,675

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

(b) Predominantly consists of 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).

23. CURRENT BORROWINGS

UNSECURED - AT AMORTISED COST

Bank borrowings ^(a)	-	900,000	-	-
Guaranteed Senior Notes	-	-	-	-

SECURED - AT AMORTISED COST

Bank Borrowings	-	-	-	-
	-	-	-	-
	-	900,000	-	-

(a) Relates to the current portion of long-term borrowings. (Refer to Note 38 for details of interest rates).

24. OTHER CURRENT FINANCIAL LIABILITIES

Derivatives

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

Forward foreign exchange contracts	365	1,172	-	-
Interest rate swaps - cash flow hedges	21,832	11,899	-	-
Foreign exchange hedges - cash flow hedges	37,110	31,915	-	-
	59,307	44,986	-	-

NOTES TO THE FINANCIAL STATEMENTS

CONTINUED

For the financial year ended 30 June 2012

25. PROVISIONS

	CONSOLIDATED		TRUST	
	2012 \$000	2011 \$000	2012 \$000	2011 \$000
CURRENT				
Employee benefits ^(a)	55,117	48,279	-	-
Other (Note 34)	10,766	6,452	-	-
	65,883	54,731	-	-
NON-CURRENT				
Employee benefits ^(a)	59,667	26,825	-	-
Other (Note 34)	5,468	4,015	-	-
	65,135	30,840	-	-

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

CURRENT				
Incentives	13,430	11,441	-	-
Cash settled security-based payments	6,263	3,976	-	-
Leave balances	35,424	32,862	-	-
	55,117	48,279	-	-
NON-CURRENT				
Cash settled security-based payments	12,875	10,498	-	-
Retirement benefit obligation (Note 35)	41,295	12,567	-	-
Leave balances	5,497	3,760	-	-
	59,667	26,825	-	-

26. OTHER LIABILITIES

CURRENT				
Unearned revenue - other	761	2,347	-	-
	761	2,347	-	-
NON-CURRENT				
Unearned revenue - other	4,078	802	-	-
	4,078	802	-	-

NOTES TO THE FINANCIAL STATEMENTS

CONTINUED

For the financial year ended 30 June 2012

27. NON-CURRENT BORROWINGS

	CONSOLIDATED		TRUST	
	2012 \$000	2011 \$000	2012 \$000	2011 \$000
UNSECURED - AT AMORTISED COST				
Bank borrowings ^(a)	1,123,667	655,500	-	-
Guaranteed Senior Notes ^(b)	1,095,597	1,059,681	-	-
Medium Term Notes ^(c)	705,578	294,947	-	-
Less: amortised borrowing costs	(18,896)	(19,682)	-	-
	2,905,946	1,990,446	-	-

(a) Relates to the non-current portion of long-term borrowings. (Refer to Note 38 for details of interest rates).

(b) Represents US denominated notes of US\$799 million (2011: US\$799 million) measured at the exchange rate at reporting date, and A\$314.9 million of A\$ denominated notes (2011: A\$314.9 million).

(c) Represents notes issued under the Australian and European Medium Term Notes programs ranging from 6.5 years to 10 years. The notes were issued to institutional investors.

28. OTHER NON-CURRENT FINANCIAL LIABILITIES

Derivatives - at fair value:

Interest rate swaps - cash flow hedges	44,081	16,902	-	-
Foreign exchange hedges - cash flow hedges	242,511	246,884	-	-
	286,592	263,786	-	-

29. ISSUED CAPITAL

Securities

644,485,583 securities, fully paid (2011: 634,116,029 securities, fully paid) ^(a)	1,138,205	1,192,779	1,138,205	1,192,779
--	-----------	-----------	-----------	-----------

	CONSOLIDATED AND TRUST			
	2012 NO. OF SECURITIES 000	2012 \$000	2011 NO. OF SECURITIES 000	2011 \$000
Movements				
Balance at beginning of financial year	634,116	1,192,779	542,319	984,936
Issue of securities under Distribution Reinvestment Plan	10,370	33,879	13,875	39,782
Capital return to securityholders (Note 10)	-	(88,416)	-	(60,145)
Institutional placement of units	-	-	77,922	230,128
Issue cost of securities	-	(53)	-	(2,746)
Tax relating to security issue costs	-	16	-	824
Balance at end of financial year	644,486	1,138,205	634,116	1,192,779

(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

CONTINUED

For the financial year ended 30 June 2012

30. RESERVES

	CONSOLIDATED		TRUST	
	2012 \$000	2011 \$000	2012 \$000	2011 \$000
Hedging	(35,212)	28,003	-	-
Asset revaluation	8,669	8,669	-	-
Available-for-sale investment revaluation	82,696	18,227	2,345	762
	56,153	54,899	2,345	762

HEDGING RESERVE

Balance at beginning of financial year	28,003	54,318	-	-
Gain/(loss) recognised:				
Interest rate swaps/currency swaps	(37,774)	(228,392)	-	-
Deferred tax related to gains/losses recognised	11,332	68,517	-	-
Transferred to profit or loss:				
Interest rate swaps/currency swaps	(29,867)	192,900	-	-
Deferred tax related to amounts transferred to profit or loss	8,960	(57,870)	-	-
Share of hedge reserve of associate	(22,666)	(2,100)	-	-
Deferred tax related to share of hedge reserve	6,800	630	-	-
Balance at end of financial year	(35,212)	28,003	-	-

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, the portion of the asset revaluation reserve which relates to that asset is effectively realised and 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	18,227	(3,032)	762	145
Revaluation gain/(loss) recognised	92,099	29,008	2,261	880
Deferred tax related to gains/losses recognised	(27,630)	(7,749)	(678)	(263)
Balance at end of financial year	82,696	18,227	2,345	762

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

CONTINUED

For the financial year ended 30 June 2012

31. RETAINED EARNINGS

	CONSOLIDATED		TRUST	
	2012 \$000	2011 \$000	2012 \$000	2011 \$000
Balance at beginning of financial year	19,054	9,364	8,606	11,263
Net profit attributable to securityholders	84,693	69,585	49,363	59,388
Distributions paid (Note 10)	(48,088)	(62,045)	(48,088)	(62,045)
Actuarial gain/(loss) on defined benefit plans recognised directly to retained earnings after tax (Note 35)	(22,874)	2,150	-	-
	32,785	19,054	9,881	8,606

32. MINORITY INTERESTS

APT Investment Trust	386,850	400,830	-	-
Other minority interest	49	283	-	-
	386,899	401,113	-	-

APT INVESTMENT TRUST

Issued capital:

Balance at beginning of financial year	382,001	320,931	-	-
Issue of securities under distribution reinvestment plan	10,733	12,590	-	-
Institutional placement of units	-	69,872	-	-
Distribution - capital return (Note 10)	(28,650)	(20,477)	-	-
Issue cost of securities	(18)	(915)	-	-
Balance at end of financial year	364,066	382,001	-	-

Reserves:

Available for sale investment revaluation reserve:

Balance at beginning of financial year	534	(101)	-	-
Valuation gain recognised	1,090	635	-	-
	1,624	534	-	-

Retained earnings:

Balance at beginning of financial year	18,295	19,928	-	-
Net profit attributable to APTIT equityholders	45,957	38,924	-	-
Distributions paid (Note 10)	(43,092)	(40,557)	-	-
Balance at end of financial year	21,160	18,295	-	-

OTHER MINORITY INTEREST

Issued capital	4	4	-	-
Reserves	1	1	-	-
Retained earnings	44	278	-	-
	49	283	-	-

NOTES TO THE FINANCIAL STATEMENTS

CONTINUED

For the financial year ended 30 June 2012

33. LEASES

Leasing arrangements - receivables

Finance lease receivables relate to the lease of a metering station, a natural gas vehicle facility and X41 expansion.

	CONSOLIDATED		TRUST	
	2012 \$000	2011 \$000	2012 \$000	2011 \$000
FINANCE LEASE RECEIVABLES				
Not longer than 1 year	6,071	5,957	-	-
Longer than 1 year and not longer than 5 years	19,946	22,649	-	-
Longer than 5 years	10,767	14,278	-	-
Minimum future lease payments receivable ^(a)	36,784	42,884	-	-
Gross finance lease receivables	36,784	42,884	-	-
Less: unearned finance lease receivables	(10,950)	(13,772)	-	-
Present value of lease receivables	25,834	29,112	-	-
Included in the financial statements as part of:				
Current trade and other receivables (Note 11)	3,590	3,252	-	-
Non-current receivables (Note 15)	22,244	25,860	-	-
	25,834	29,112	-	-

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

NON-CANCELLABLE OPERATING LEASES - OTHER

Not longer than 1 year	7,435	5,938	-	-
Longer than 1 year and not longer than 5 years	20,238	8,832	-	-
Longer than 5 years	11,285	1,159	-	-
	38,958	15,929	-	-

NOTES TO THE FINANCIAL STATEMENTS

CONTINUED

For the financial year ended 30 June 2012

34. PROVISIONS

	CONSOLIDATED		
	ABANDONMENT ^(a) \$000	OTHER \$000	TOTAL \$000
Balance at 30 June 2011	4,015	6,452	10,467
Additional provisions recognised ^(b)	57	6,084	6,141
Unwinding of discount	282	-	282
Reductions arising from payments/other sacrifices of future economic benefits	-	(656)	(656)
Balance at 30 June 2012	4,354	11,880	16,234
Current (Note 25)	-	10,766	10,766
Non-current (Note 25)	4,354	1,114	5,468
	4,354	11,880	16,234

(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) Includes rectification works due to Queensland floods and lease incentives.

Balance at 30 June 2010	3,040	3,460	6,500
Additional provisions recognised ^(b)	801	3,568	4,369
Unwinding of discount	174	-	174
Reductions arising from payments/other sacrifices of future economic benefits	-	(576)	(576)
Balance at 30 June 2011	4,015	6,452	10,467
Current (Note 25)	-	6,452	6,452
Non-current (Note 25)	4,015	-	4,015
	4,015	6,452	10,467

(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) Includes rectification works due to Queensland floods.

NOTES TO THE FINANCIAL STATEMENTS

CONTINUED

For the financial year ended 30 June 2012

35. 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 a number of other 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 2012 by Mercer (Australia) Pty Ltd and Russell Investments (2011: 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	
	2012 \$000	2011 \$000
AMOUNTS RECOGNISED IN THE STATEMENT OF COMPREHENSIVE INCOME		
Current service cost	2,980	3,133
Interest cost on benefit obligation	4,889	4,601
Expected return on plan assets	(6,724)	(6,112)
Total included in superannuation costs which form part of employee benefit expense	1,145	1,622
Actual return on plan assets	1	9,823
Actuarial (losses)/gains incurred during the year and recognised in the statement of comprehensive income	(32,677)	3,071
AMOUNTS RECOGNISED IN THE STATEMENT OF FINANCIAL POSITION		
Fair value of plan assets	100,658	98,758
Present value of benefit obligation	(141,953)	(111,325)
Net liability - non-current (Note 25)	(41,295)	(12,567)
MOVEMENTS IN LIABILITY DURING THE YEAR		
Balance at beginning of year	(12,567)	(18,294)
Expense recognised in statement of comprehensive income	(1,145)	(1,622)
Amount recognised in retained earnings (prior to tax effect)	(32,677)	3,071
Contributions from employer	5,094	4,278
Balance at end of year ^(a)	(41,295)	(12,567)
Movements in the present value of the defined benefit obligations in the current period were as follows:		
Opening defined benefit obligation	111,325	109,640
Current service cost	2,980	3,133
Interest cost	4,889	4,601
Contributions from plan participants	1,563	1,419
Actuarial losses	25,955	640
Benefits paid	(4,046)	(7,315)
Taxes and premiums paid	(713)	(793)
Closing defined benefit obligation	141,953	111,325

(a) The above balances are recorded within the provisions section of the statement of financial position; refer to Note 25.

NOTES TO THE FINANCIAL STATEMENTS

CONTINUED

For the financial year ended 30 June 2012

35. EMPLOYEE SUPERANNUATION PLANS (CONTINUED)

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

	CONSOLIDATED	
	2012 \$000	2011 \$000
Opening fair value of plan assets	98,758	91,346
Expected return on plan assets	6,724	6,112
Actuarial (losses)/gains	(6,722)	3,711
Contributions from employer	5,094	4,278
Contributions from plan participants	1,563	1,419
Benefits paid	(4,046)	(7,315)
Taxes and premiums paid	(713)	(793)
Closing fair value of plan assets	100,658	98,758

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	
	2012 %	2011 %
Discount rate (p.a.)	2.6	4.6
Expected return on plan assets (p.a.)	6.8	7.0
Expected salary rate increase (p.a.)	4.0	4.5

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

Australian equities	33.7	33.7
International equities	27.2	27.2
Fixed income	11.8	11.8
Property	8.2	8.5
Alternatives	13.1	13.8
Cash	6.0	5.0

The history of experience adjustments is as follows:

	2012 \$000	2011 \$000	2010 \$000	2009 \$000	2008 \$000
Fair value of plan assets	100,658	98,758	91,346	84,023	90,227
Present value of defined benefit obligation	141,953	111,325	109,640	98,679	97,042
(Deficit)/surplus	(41,295)	(12,567)	(18,294)	(14,656)	(6,815)
Experience adjustments on plan liabilities	2,313	3,090	4,739	(6,753)	(1,515)
Experience adjustments on plan assets	4,766	(3,167)	(821)	8,450	8,533

The Consolidated Entity expects \$4,940,000 in contributions to be paid to the defined benefit plans during the year ending 30 June 2013.

NOTES TO THE FINANCIAL STATEMENTS

CONTINUED

For the financial year ended 30 June 2012

36. EARNINGS PER SECURITY

	CONSOLIDATED	
	2012	2011
Basic and diluted earnings per security (cents)	20.4	19.7

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)	130,650	108,509
---	---------	---------

Adjusted weighted average number of ordinary securities used in the calculation of basic and diluted earnings per security ('000)	639,743	551,222
---	---------	---------

37. 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	
	2012 \$'000	2011 \$'000	2012 \$'000	2011 \$'000
Cash at bank and on hand ^(a)	88,944	90,706	110	49
Short-term deposits	240,990	4,662	-	-
	329,934	95,368	110	49

Restricted cash

(a) As at 30 June 2012, Australian Pipeline Limited held \$5.0 million (2011: \$5.0 million) on deposit to meet its financial requirements as the holder of an Australian Financial Services Licence.

(b) Businesses acquired and disposed of

Consolidated

During the financial year, the consolidated entity divested its gas distribution network in South East Queensland (Allgas) into the APA minority owned unlisted investment vehicle GDI (EII) Pty Ltd. Net cash inflow on this divestment was \$475,678,000. Refer to Note 42 for further details of this Allgas divestment.

\$28,755,000 (2011: \$24,812,000) has been reinvested in Envestra through the Dividend Reinvestment Plan. \$5,000 was invested in Diamantina and \$211,800 was recovered from the finalisation of fees recoverable from REST following the SEA Gas transaction in the prior year. \$11,669,000 (2011: \$22,481,000) has been invested in the purchase of shares in Hastings Diversified Utilities Fund. As per the cash flow note, \$4,000 related to a separate transaction.

During the prior year, the Consolidated Entity acquired the Emu Downs Wind Farm ("EDWF"). Net cash outflow on this acquisition was \$167,219,000. In addition a further 16.7% interest was acquired in the SEA Gas Pipeline for \$46,904,000 increasing APA's overall interest to 50% and the \$19,676,000 equity contribution payable upon construction completion was made to EII2 (owner of the Hallett 4 Wind Farm project).

Trust

During the financial year, the Trust has reinvested \$28,755,000 (2011: \$24,812,000) in Envestra through the Dividend Reinvestment Plan.

NOTES TO THE FINANCIAL STATEMENTS

CONTINUED

For the financial year ended 30 June 2012

37. NOTES TO THE STATEMENT OF CASH FLOWS (CONTINUED)

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

	CONSOLIDATED		TRUST	
	2012 \$000	2011 \$000	2012 \$000	2011 \$000
Profit for the year	130,655	108,825	49,363	59,388
Loss on disposal of business	9,663	-	-	-
Impairment of intangible	473	-	-	-
Loss on disposal of property, plant and equipment	278	1,068	-	-
Gain from sale of equity accounted investments	-	(1,652)	-	-
Impairment of goodwill	-	5,435	-	-
Share of net profits of jointly controlled entities accounted for using the equity method	(28,263)	(23,876)	-	-
Dividends/distributions received	39,826	34,239	28,755	24,812
Depreciation and amortisation expense	110,409	100,350	-	-
Finance costs	16,919	12,895	-	-
Changes in assets and liabilities:				
Trade and other receivables	(19,669)	(5,158)	482	-
Inventories	(428)	(2,381)	-	-
Other assets	25,168	7,458	-	-
Trade and other payables	8,078	1,205	(20,486)	(20,147)
Provisions	12,416	12,351	-	-
Other liabilities	(23,038)	(2,331)	-	-
Income tax balances	53,082	41,601	-	(862)
Net cash provided by operating activities	335,569	290,029	58,114	63,191

(d) Financing facilities

UNSECURED FACILITIES

Bank borrowings ^(a)

Amounts used	1,123,667	1,555,500	-	-
Amounts unused	776,333	234,500	-	-
	1,900,000	1,790,000	-	-

Guaranteed Senior Notes ^(b)

Amounts used	1,095,597	1,059,681	-	-
Amounts unused	-	-	-	-
Medium Term Notes ^(c)	705,578	294,947	-	-
	1,801,175	1,354,628	-	-

SECURED FACILITIES

Bank borrowings

Amounts used	-	-	-	-
Amounts unused	-	-	-	-
	-	-	-	-

(a) Relates to long-term borrowings. (Refer to Note 38 for details of interest rates).

(b) Represents US denominated notes of US\$799 million (2011: US\$799 million) measured at the exchange rate at reporting date, and A\$314.9 million of A\$ denominated notes (2011: A\$314.9 million).

(c) Represents notes issued under the Australian and European Medium Term Notes programs, including JPY and CAD bonds, ranging from 6.5 years to 10 years. The notes were issued to institutional investors.

NOTES TO THE FINANCIAL STATEMENTS**CONTINUED**

For the financial year ended 30 June 2012

38. 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 capital management strategy is to continue to target strong BBB/Baa2 investment grade ratings through maintaining sufficient flexibility to fund organic growth and investment from internally generated and retained cash flows, equity and, where appropriate, additional debt funding.

The capital structure of the Consolidated Entity consists of debt, which includes borrowings disclosed in Notes 23 and 27, cash and cash equivalents, and equity attributable to equity holders of the parent, comprising issued capital, reserves and retained earnings as disclosed in Notes 29, 30 and 31 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 distributions to security holders 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 Services Licence held by Australian Pipeline Limited, the Responsible Entity of the Consolidated Entity and were adhered to for the entirety of the 2011 and 2012 periods.

Gearing ratio

The Consolidated Entity's Board of Directors reviews the capital structure on a regular basis. As part of the review, the board considers the cost of capital and the state of the markets. The Consolidated Entity targets gearing in a range of 65% to 70%. Gearing 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.

(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 Board approved Treasury Policy, 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 into 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 a range of 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 arising from its investments in and forward purchase contracts over listed equities. The majority of this exposure arises from the Consolidated Entity's investment in two entities (Hastings Diversified Utilities Fund and Ethane Pipeline Income Fund) both of which are publicly traded on the Australian Securities Exchange (ASX).

(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 2011 or 2012.

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

NOTES TO THE FINANCIAL STATEMENTS

CONTINUED

For the financial year ended 30 June 2012

38. FINANCIAL INSTRUMENTS (CONTINUED)

(d) Foreign currency risk management (continued)

	CONSOLIDATED			
	LIABILITIES		ASSETS	
	2012 \$000	2011 \$000	2012 \$000	2011 \$000
US dollar borrowings	780,731	744,815	-	-
Cross currency swaps	(780,731)	(744,815)	-	-
Japanese yen borrowings	122,256	-	-	-
Cross currency swaps	(122,256)	-	-	-
Canadian dollar borrowings	287,986	-	-	-
Cross currency swaps	(287,986)	-	-	-
	-	-	-	-
Foreign exchange contracts	365	1,172	126	-
	365	1,172	126	-

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\$1 million 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:

OUTSTANDING CONTRACTS	AVERAGE EXCHANGE RATE	CONSOLIDATED		
		FOREIGN CURRENCY US\$000	CONTRACT VALUE \$000	FAIR VALUE \$000
2012				
Buy US dollars				
Less than 3 months	0.9480	4,675	4,931	(350)
3 to 6 months	1.0297	3,660	3,555	75
6 to 12 months	1.0257	1,485	1,448	36
		9,821	9,934	(239)
2011				
Buy US dollars				
Less than 3 months	0.9583	4,179	4,361	(441)
3 to 6 months	0.9694	3,672	3,789	(308)
6 to 12 months	0.9721	6,343	6,525	(423)
		14,195	14,675	(1,172)

The Consolidated Entity has entered into contracts to purchase equipment in foreign currencies 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 \$390,000 (2011: \$1,172,000). It is anticipated that the capital purchases will take place within the next financial year at which stage unrealised mark to market amounts in equity will be included in the carrying amount of the asset being purchased.

NOTES TO THE FINANCIAL STATEMENTS

CONTINUED

For the financial year ended 30 June 2012

38. FINANCIAL INSTRUMENTS (CONTINUED)

(d) Foreign currency risk management (continued)

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 and the 2012 Japanese yen and Canadian dollar medium term 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. Under the medium term notes issued in 2012 the Consolidated Entity receives fixed amounts in JPY and CAD based on agreed interest rate swap rates.

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

	EXCHANGE RATE		AMOUNT	
	2012 \$	2011 \$	2012 \$000	2011 \$000
2003 NOTE ISSUE				
Buy US dollars - interest				
Less than 1 year	0.6573	0.6573	(22,863)	(22,863)
1 year to 2 years	0.6573	0.6573	(19,671)	(22,863)
2 years to 5 years	0.6573	0.6573	(33,374)	(47,276)
5 years and more	0.6573	0.6573	(8,655)	(14,425)
			(84,564)	(107,427)
Buy US dollars - principal				
1 year to 2 years	0.6573	-	(112,582)	-
2 years to 5 years	0.6573	0.6573	(185,608)	(298,190)
5 years and more	0.6573	0.6573	(95,847)	(95,847)
			(394,037)	(394,037)
2007 NOTE ISSUE				
Buy US dollars - interest				
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	(29,737)	(89,212)
5 years and more	0.8068	0.8068	(124,774)	(95,037)
			(213,986)	(243,723)
Buy US dollars - principal				
2 years to 5 years	0.8068	-	(190,878)	-
5 years and more	0.8068	0.8068	(304,908)	(495,786)
			(495,786)	(495,786)
2009 NOTE ISSUE				
Buy US dollars - interest				
Less than 1 year	0.7576	0.7576	(15,934)	(15,934)
1 year to 2 years	0.7576	0.7576	(15,934)	(15,934)
2 years to 5 years	0.7576	0.7576	(44,221)	(47,803)
5 years and more	0.7576	0.7576	(21,927)	(34,279)
			(98,016)	(113,951)
Buy US dollars - principal				
2 years to 5 years	0.7576	-	(85,787)	-
5 years and more	0.7576	0.7576	(98,997)	(184,784)
			(184,784)	(184,784)

NOTES TO THE FINANCIAL STATEMENTS

CONTINUED

For the financial year ended 30 June 2012

38. FINANCIAL INSTRUMENTS (CONTINUED)

(d) Foreign currency risk management (continued)

	EXCHANGE RATE		AMOUNT	
	2012 \$	2011 \$	2012 \$000	2011 \$000
2012 JPY MTN ISSUE				
Buy Japanese yen - interest				
Less than 1 year	79,4502	-	(1,543)	-
1 year to 2 years	79,4502	-	(1,543)	-
2 years to 5 years	79,4502	-	(4,629)	-
5 years and more	79,4502	-	(1,543)	-
			(9,259)	-
Buy Japanese yen - principal				
5 years and more	79,4502	-	(125,865)	-
2012 CAD MTN ISSUE				
Buy Canadian dollars - interest				
Less than 1 year	1,0363	-	(12,289)	-
1 year to 2 years	1,0363	-	(12,289)	-
2 years to 5 years	1,0363	-	(36,867)	-
5 years and more	1,0363	-	(30,723)	-
			(92,168)	-
Buy Canadian dollars - principal				
5 years and more	1,0363	-	(289,494)	-

Foreign currency sensitivity analysis

The Consolidated Entity is exposed to movements in the US\$, JPY and CAD through its fully hedged borrowings via Global Debt Capital markets and its current obligations to future purchases of capital equipment. The entire foreign currency cash flows arising from the USPP and MTN 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 greatest 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.

	CONSOLIDATED	
	2012 \$000	2011 \$000
A\$ depreciating by 10%		
Profit	-	-
Other equity ^(a)	(871)	(1,201)
A\$ appreciating by 10%		
Profit	-	-
Other equity ^(a)	1,065	1,468

(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.

NOTES TO THE FINANCIAL STATEMENTS

CONTINUED

For the financial year ended 30 June 2012

38. FINANCIAL INSTRUMENTS (CONTINUED)

(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 \$329.9 million as at 30 June 2012 (2011: \$95.4 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	
	2012 % p.a.	2011 % p.a.	2012 \$000	2011 \$000	2012 \$000	2011 \$000
CASH FLOW HEDGES						
Pay fixed AUD interest - receive floating AUD or fixed/floating foreign currency						
Consolidated						
Less than 1 year	5.39	7.10	200,000	200,000	(2,760)	(31,474)
1 year to 2 years	7.03	5.39	187,582	200,000	(45,620)	(37,637)
2 years to 5 years	7.52	6.88	687,272	598,190	(151,358)	(147,510)
5 years and more	7.57	8.36	915,111	776,416	(133,806)	(78,640)
			1,989,965	1,774,606	(333,543)	(295,261)
Trust	-	-	-	-	-	-

The Consolidated Entity had no fair value hedges in 2012 or 2011.

The interest rate swaps settle on a quarterly 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.

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 greatest 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 \$6,237,000 or increase by \$6,237,000 (2011: decrease by \$7,555,000 or increase by \$7,555,000). This is mainly attributable to the Consolidated Entity's exposure to interest rates on its variable rate borrowings; and
- equity reserves would increase by \$17,387,000 or decrease by \$17,960,000 (2011: increase by \$23,873,000 or decrease by \$24,909,000). This is due to the changes in the fair value of derivative interest instruments.

The Consolidated Entity's profit sensitivity to interest rates has decreased during the current period due to the overall decrease in the level of the Consolidated Entity's unhedged 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. The decrease in sensitivity in equity is due to a decrease in the notional value of interest rate swaps held from 2011.

(f) Price risk management

The Consolidated Entity is exposed to price risk arising from its investments in and forward purchase contracts over listed equities. The investments and forward purchase contracts are held to meet strategic or hedging objectives rather than for trading purposes. The Consolidated Entity does not actively trade any of these holdings.

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, there is also nil effect from the forwards as the corresponding exposure will offset in full (2011: \$nil); and
- equity reserves would decrease/increase by \$5,947,547 (2011: \$6,601,144), due to the changes in the fair value of available-for-sale shares.

NOTES TO THE FINANCIAL STATEMENTS

CONTINUED

For the financial year ended 30 June 2012

38. FINANCIAL INSTRUMENTS (CONTINUED)

(f) Price risk management (continued)

The Consolidated Entity's analysis of its exposure to equity prices has established that, overall, its sensitivity declined during the current period compared to the prior period. This outcome is largely a result of a relative convergence to the market benchmark of equity beta observations for Hastings Diversified Utilities Fund which is the most substantial shareholding held by the Consolidated Entity as available-for-sale.

(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.

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 2012 has been determined to be immaterial and no liability has been recorded (2011: \$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:

	CONSOLIDATED	
	2012 \$000	2011 \$000
FINANCING FACILITIES		
Unsecured bank facilities with various maturity dates through to 2013		
– amount used	1,123,667	1,555,500
– amount unused	776,333	234,500
	1,900,000	1,790,000
Unsecured long term private placement notes with various maturity dates through to 2022		
– amount used	1,389,472	1,389,472
– amount unused	-	-
	1,389,472	1,389,472
Unsecured Australian Dollar medium term note with maturity in 2020		
– amount used	300,000	300,000
– amount unused	-	-
	300,000	300,000
Unsecured Japanese Yen medium term note with maturity in 2018		
– amount used	125,865	-
– amount unused	-	-
	125,865	-
Unsecured Canadian Dollar medium term notes with maturity in 2019		
– amount used	289,494	-
– amount unused	-	-
	289,494	-

NOTES TO THE FINANCIAL STATEMENTS

CONTINUED

For the financial year ended 30 June 2012

38. FINANCIAL INSTRUMENTS (CONTINUED)

(h) Liquidity risk management (continued)

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 foreign currency 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 foreign currency notes, cross currency interest rate swaps and fixed interest rate swaps in aggregate.

	CONSOLIDATED			
	AVERAGE INTEREST RATE % p.a.	LESS THAN 1 YEAR \$000	1 - 5 YEARS \$000	MORE THAN 5 YEARS \$000
2012				
FINANCIAL LIABILITIES				
Trade and other payables	-	175,028	-	-
Unsecured bank borrowings ^(a)	5.24	55,246	1,179,453	-
Interest Rate Swaps (Net Settled)	-	11,624	17,123	-
Guaranteed Senior Notes:				
Denominated in A\$				
2007 Series A ^(b)	7.33	367	6,466	-
2007 Series C ^(b)	7.38	7,318	128,428	-
2007 Series E ^(c)	7.40	5,045	20,178	78,260
2007 Series G ^(d)	7.45	6,002	24,008	110,592
2007 Series H ^(d)	7.45	4,617	18,468	85,071
2010 AUD Medium Term Note ⁽ⁱ⁾	7.75	23,250	93,000	381,375
Denominated in US\$ (rates shown are the coupon rate of the US dollar notes)				
2003 Series B ^(e)	5.67	8,532	116,813	-
2003 Series C ^(f)	5.77	14,292	221,123	-
2003 Series D ^(g)	6.02	6,968	27,702	106,290
2007 Series B ^(b)	5.89	13,986	246,824	-
2007 Series D ^(c)	5.99	11,111	44,442	173,436
2007 Series F ^(d)	6.14	11,354	45,416	210,496
2009 Series A ^(h)	8.35	9,752	119,879	-
2009 Series B ⁽ⁱ⁾	8.86	11,761	47,108	128,286
2012 JPY Medium Term Note ^(k)	1.23	8,606	34,212	134,424
2010 CAD Medium Term Note ^(l)	4.25	11,248	78,171	338,237
Financial lease liabilities	-	-	-	-
Other:				
Unearned revenue - interest	-	-	-	-
Unearned revenue - other	-	761	4,078	-
		396,867	2,472,892	1,746,466

(a) Facilities mature on 2 November 2013 (\$483 million limit), 15 July 2014 (\$225 million limit), 24 August 2014 (\$75 million limit), 2 November 2014 (\$483 million limit), 2 November 2015 (\$483 million limit, undrawn at year end) and 12 October 2016 (\$150 million limit, undrawn at year end).

(b) Matures on 15 May 2017.

(c) Matures on 15 May 2019.

(d) Matures on 15 May 2022.

(e) Matures on 9 September 2013.

(f) Matures on 9 September 2015.

(g) Matures on 9 September 2018.

(h) Matures on 1 July 2016.

(i) Matures on 1 July 2019.

(j) Matures on 22 July 2020.

(k) Matures on 22 Jun 2018.

(l) Matures on 24 July 2019.

NOTES TO THE FINANCIAL STATEMENTS

CONTINUED

For the financial year ended 30 June 2012

38. FINANCIAL INSTRUMENTS (CONTINUED)

(h) Liquidity risk management (continued)

	AVERAGE INTEREST RATE % p.a.	CONSOLIDATED		
		LESS THAN 1 YEAR \$000	1 - 5 YEARS \$000	MORE THAN 5 YEARS \$000
2011				
FINANCIAL LIABILITIES				
Trade and other payables	-	135,651	-	-
Unsecured bank borrowings ^(a)	6.59	1,111,875	167,721	-
Interest Rate Swaps (Net Settled)	6.20	12,173	18,686	184
Guaranteed Senior Notes:				
Denominated in A\$				
2007 Series A ^(b)	7.33	367	1,466	5,367
2007 Series C ^(b)	7.38	7,318	29,271	106,475
2007 Series E ^(c)	7.40	5,045	20,178	83,304
2007 Series G ^(d)	7.45	6,002	24,008	116,595
2007 Series H ^(d)	7.45	4,617	18,468	89,688
2010 Medium Term Note ^(j)	7.75	23,250	93,000	404,625
Denominated in US\$ (rates shown are the coupon rate of the US dollar notes)				
2003 Series B ^(e)	5.67	8,508	125,344	-
2003 Series C ^(f)	5.77	14,253	235,414	-
2003 Series D ^(g)	6.02	6,949	27,740	113,220
2007 Series B ^(b)	5.89	13,986	55,946	204,864
2007 Series D ^(c)	5.99	11,111	44,442	184,546
2007 Series F ^(d)	6.14	11,354	45,416	221,850
2009 Series A ^(h)	8.35	9,725	39,061	90,569
2009 Series B ⁽ⁱ⁾	8.86	11,729	47,108	140,047
Financial lease liabilities	-	-	-	-
Other:				
Unearned revenue - interest	-	-	-	-
Unearned revenue - other	-	2,347	802	-
		1,396,259	994,073	1,761,334

(a) Matures on 1 July 2011 (\$103 million limit, undrawn at year end), 8 June 2012 (\$900 million limit), 1 July 2013 (\$515 million limit), 15 July 2014 (\$225 million limit) and 24 August 2014 (\$150 million limit).

(b) Matures on 15 May 2017.

(c) Matures on 15 May 2019.

(d) Matures on 15 May 2022.

(e) Matures on 9 September 2013.

(f) Matures on 9 September 2015.

(g) Matures on 9 September 2018.

(h) Matures on 1 July 2016.

(i) Matures on 1 July 2019.

(j) Matures on 22 July 2020.

NOTES TO THE FINANCIAL STATEMENTS

CONTINUED

For the financial year ended 30 June 2012

38. FINANCIAL INSTRUMENTS (CONTINUED)

(i) Fair value of financial instruments

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).

	CONSOLIDATED			
	LEVEL 1 \$000	LEVEL 2 \$000	LEVEL 3 \$000	TOTAL \$000
2012				
Financial assets measured at fair value				
Available-for-sale listed equity securities				
Hastings Diversified Utilities Fund	263,442	-	-	263,442
Ethane Pipeline Income Fund	9,564	-	-	9,564
Equity forwards designated as fair value through profit and loss	-	259	-	259
Forward foreign exchange contracts used for hedging	-	126	-	126
Total	273,005	385	-	273,390
Financial liabilities measured at fair value				
Interest rate swaps used for hedging	-	62,699	-	62,699
Cross Currency Interest Rate Swaps used for hedging	-	270,844	-	270,844
Forward foreign exchange contracts used for hedging	-	365	-	365
Total	-	333,909	-	333,909

2011

Financial assets measured at fair value

Available-for-sale listed equity securities

Hastings Diversified Utilities Fund	161,929	-	-	161,929
Ethane Pipeline Income Fund	6,720	-	-	6,720
Other	5	-	-	5
Total	168,654	-	-	168,654

Financial liabilities measured at fair value

Interest rate swaps used for hedging	-	10,168	-	10,168
Cross Currency Interest Rate Swaps used for hedging	-	285,093	-	285,093
Forward foreign exchange contracts used for hedging	-	1,172	-	1,172
Total	-	296,433	-	296,433

NOTES TO THE FINANCIAL STATEMENTS

CONTINUED

For the financial year ended 30 June 2012

38. FINANCIAL INSTRUMENTS (CONTINUED)

(i) Fair value of financial instruments (continued)

Derivatives

Equity forward contracts are measured by reference to quoted equity prices and discounted using yield curves with tenors matching maturities of the contracts.

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.

Fair value measurements of financial instruments measured at amortised cost

Except as detailed in the following table, the directors consider that the carrying amounts of financial assets and financial liabilities recognised at amortised cost in the financial statements approximate their fair values.

	CARRYING AMOUNT		FAIR VALUE	
	2012 \$000	2011 \$000	2012 \$000	2011 \$000
FINANCIAL LIABILITIES				
Unsecured long term private placement notes	1,389,472	1,389,472	1,389,909	1,266,551
Unsecured Australian Dollar medium term notes	300,000	300,000	382,457	340,582
Unsecured Japanese Yen medium term note	125,865	-	127,752	-
Unsecured Canadian Dollar medium term notes	289,494	-	334,037	-
Total	2,104,831	1,689,472	2,234,155	1,607,133

The financial liabilities included in the table above are fixed rate borrowings. The unsecured bank debt held by the Consolidated Entity is at a floating rate and therefore its amortised cost approximates its fair value.

39. 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	
		2012 %	2011 %
Goldfields Gas Transmission	Gas pipeline operation - Western Australia	88.2 ^(a)	88.2 ^(a)
Mid West Pipeline	Gas pipeline operation - Western Australia	50.0 ^(b)	50.0 ^(b)

(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	
	2012 \$000	2011 \$000
CURRENT ASSETS		
Cash and cash equivalents	6,510	3,397
Trade and other receivables	1,397	204
Inventories	2,391	2,389
Other	143	1,106
Total current assets	10,441	7,096
NON-CURRENT ASSETS		
Property, plant and equipment	543,214	525,541
Other	765	1,783
Total non-current assets	543,979	527,324
Total assets	554,420	534,420

NOTES TO THE FINANCIAL STATEMENTS

CONTINUED

For the financial year ended 30 June 2012

39. JOINTLY CONTROLLED OPERATIONS AND ASSETS (CONTINUED)

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 48 and 43 respectively.

40. SUBSIDIARIES

NAME OF ENTITY	COUNTRY OF REGISTRATION/ INCORPORATION	OWNERSHIP INTEREST	
		2012 %	2011 %
PARENT ENTITY			
Australian Pipeline Trust ^(a)			
SUBSIDIARIES			
APT Pipelines Limited ^{(b),(c)}	Australia	100	100
Agex Pty Ltd ^{(b),(c)}	Australia	100	100
Amadeus Gas Trust	Australia	96	96
APT Goldfields Pty Ltd ^{(b),(c)}	Australia	100	100
APT Management Services Pty Limited ^{(b),(c)}	Australia	100	100
APT Parmelia Gas Pty Ltd ^{(b),(c)}	Australia	100	100
APT Parmelia Holdings Pty Ltd ^{(b),(c)}	Australia	100	100
APT Parmelia Pty Ltd ^{(b),(c)}	Australia	100	100
APT Parmelia Trust ^(b)	Australia	100	100
APT Petroleum Pipelines Holdings Pty Limited ^{(b),(c)}	Australia	100	100
APT Petroleum Pipelines Pty Limited ^{(b),(c)}	Australia	100	100
APT Pipelines (NSW) Pty Limited ^{(b),(c)}	Australia	100	100
APT Pipelines (NT) Pty Limited ^{(b),(c)}	Australia	100	100
APT Pipelines (QLD) Pty Limited ^{(b),(c)}	Australia	100	100
APT Pipelines (WA) Pty Limited ^{(b),(c)}	Australia	100	100
APT Pipelines Investments (NSW) Pty Ltd ^{(b),(c)}	Australia	100	100
APT Pipelines Investments (WA) Pty Ltd ^{(b),(c)}	Australia	100	100
East Australian Pipeline Pty Limited ^{(b),(c)}	Australia	100	100
Gasinvest Australia Pty Limited ^{(b),(c)}	Australia	100	100
Goldfields Gas Transmission Pty Ltd ^(b)	Australia	100	100
NT Gas Distribution Pty Limited ^{(b),(c)}	Australia	100	100
NT Gas Easements Pty Limited ^{(b),(c)}	Australia	100	100
NT Gas Pty Limited	Australia	96	96
Roverton Pty Ltd ^{(b),(c)}	Australia	100	100
SCP Investments (No 1) Pty Limited ^{(b),(c)}	Australia	100	100
SCP Investments (No 2) Pty Limited ^{(b),(c)}	Australia	100	100
SCP Investments (No 3) Pty Limited ^{(b),(c)}	Australia	100	100
Sopic Pty Ltd ^{(b),(c)}	Australia	100	100
Southern Cross Pipelines (NPL) Australia Pty Ltd ^{(b),(c)}	Australia	100	100
Southern Cross Pipelines Australia Pty Limited ^{(b),(c)}	Australia	100	100
Trans Australia Pipeline Pty Limited ^{(b),(c)}	Australia	100	100
Western Australia Gas Transmission Company 1 Pty Ltd ^{(b),(c)}	Australia	100	100
GasNet Australia Trust ^(b)	Australia	100	100
APA GasNet Australia (Holdings) Pty Ltd ^{(b),(c)}	Australia	100	100
APA GasNet Australia (Operations) Pty Ltd ^{(b),(c)}	Australia	100	100

NOTES TO THE FINANCIAL STATEMENTS

CONTINUED

For the financial year ended 30 June 2012

40. SUBSIDIARIES (CONTINUED)

NAME OF ENTITY	COUNTRY OF REGISTRATION/ INCORPORATION	OWNERSHIP INTEREST	
		2012 %	2011 %
APA GasNet A Pty Ltd ^{(b),(c)}	Australia	100	100
GasNet A Trust	Australia	100	100
APA GasNet Australia (NSW) Pty Ltd ^{(b),(c)}	Australia	100	100
APA GasNet B Pty Ltd ^{(b),(c)}	Australia	100	100
APA GasNet Australia Pty Limited ^{(b),(c)}	Australia	100	100
GasNet B Trust ^(b)	Australia	100	100
GasNet Australia Investments Trust	Australia	100	100
Allgas Energy Pty Limited ^(d)	Australia	-	100
APT Allgas Pipelines Operations Pty Limited ^{(b),(c)}	Australia	100	100
Allgas Toowoomba Pty Limited ^(d)	Australia	-	100
APA Operations Pty Limited ^{(b),(c)}	Australia	100	100
APT AM Holdings Pty Limited ^{(b),(c)}	Australia	100	100
APT O&M Holdings Pty Ltd ^{(b),(c)}	Australia	100	100
APT O&M Services Pty Ltd ^{(b),(c)}	Australia	100	100
APT O&M Services (QLD) Pty Ltd ^{(b),(c)}	Australia	100	100
APT Water Management Pty Ltd ^{(b),(c)}	Australia	100	100
APT Water Management Holdings Pty Ltd ^{(b),(c)}	Australia	100	100
APT AM Stratus Pty Ltd ^{(b),(c)}	Australia	100	100
APT Facility Management Pty Ltd ^{(b),(c)}	Australia	100	100
APT AM Employment Pty Ltd ^{(b),(c)}	Australia	100	100
APT Sea Gas Holdings Pty Limited ^{(b),(c)}	Australia	100	100
APT SPV2 Pty Ltd ^(b)	Australia	100	100
APT SPV3 Pty Ltd ^(b)	Australia	100	100
APT Pipelines (SA) Pty Ltd ^{(b),(c)}	Australia	100	100
APT (MIT) Services Pty Limited ^{(b),(c)}	Australia	100	100
APA Operations (EII) Pty Limited ^{(b),(c)}	Australia	100	100
APA Pipelines (QNSW) Pty Limited ^{(b),(c)}	Australia	100	100
Central Ranges Pipeline Pty Ltd ^{(b),(c)}	Australia	100	100
APA Country Pipelines Pty Ltd ^{(b),(c)}	Australia	100	100
North Western Natural Gas Company Pty Limited ^{(b),(c)}	Australia	100	100
APA Facilities Management Pty Limited ^{(b),(c)}	Australia	100	100
APA (NBH) Pty Limited ^{(b),(c)}	Australia	100	100
APA Pipelines Investments (BWP) Pty Limited ^{(b),(c)}	Australia	100	100
APA Power Holdings Pty Ltd ^{(b),(c)}	Australia	100	100
Diamantina Holdings Company Pty Ltd (formerly APA Power Pty Ltd) ^(e)	Australia	-	100
Diamantina Power Station Pty Ltd (formerly APA DPS Pty Ltd) ^(e)	Australia	-	100
APA (EDWF HOLDCO) PTY LTD ^{(b),(c)}	Australia	100	100
APA (BWF HOLDCO) PTY LTD ^{(b),(c)}	Australia	100	100
EDWF Holdings 1 Pty Ltd ^{(b),(c)}	Australia	100	100
EDWF Holdings 2 Pty Ltd ^{(b),(c)}	Australia	100	100
EDWF Manager Pty Ltd ^{(b),(c)}	Australia	100	100
Wind Portfolio Pty Ltd ^{(b),(c)}	Australia	100	100
Griffin Windfarm 2 Pty Ltd ^(b)	Australia	100	100
APA AM (Allgas) Pty Limited ^{(b),(c)}	Australia	100	-

NOTES TO THE FINANCIAL STATEMENTS

CONTINUED

For the financial year ended 30 June 2012

40. SUBSIDIARIES (CONTINUED)

NAME OF ENTITY	COUNTRY OF REGISTRATION/ INCORPORATION	OWNERSHIP INTEREST	
		2012 %	2011 %
APA DPS Holdings Pty Limited ^{(b),(c)}	Australia	100	-
APA Power PF Pty Limited ^{(b),(c)}	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.

(d) These entities were disposed of during the year.

(e) These entities changed to be an associate during the year.

41. ACQUISITION OF BUSINESSES

NAMES OF BUSINESS ACQUIRED	PRINCIPAL ACTIVITY	DATE OF ACQUISITION	PROPORTION ACQUIRED %	COST OF ACQUISITION \$000
During the financial year ended 30 June 2011				
Emu Downs Windfarm	Power Generation	30 June 2011	100	179,332

EMU DOWNS WINDFARM	FAIR VALUE ON ACQUISITION \$000
NET ASSETS ACQUIRED	
Current assets	
Cash and cash equivalents	7,416
Trade and other receivables	5,759
Other	197
Non-current assets	
Receivables	1,189
Property, plant and equipment	165,715
Intangible assets	6,077
Goodwill	802
Current liabilities	
Trade and other payables	(801)
Non-current liabilities	
Deferred tax liabilities	(6,222)
Provisions	(800)
Fair value of net assets acquired	179,332
Discount on acquisition	-
Cost of acquisition	179,332
Cash balances acquired	(7,416)
Consideration not yet paid	(5,533)
Transaction costs - paid	836
Net cash outflow on acquisition - prior year	167,219
Net cash outflow on acquisition - current year	5,714
Total cash outflow on acquisition	172,933

NOTES TO THE FINANCIAL STATEMENTS

CONTINUED

For the financial year ended 30 June 2012

42. DISPOSAL OF BUSINESSES

During the financial year APA divested its gas distribution network in South East Queensland (Allgas) into the APA minority owned unlisted investment vehicle GDI (EII) Pty Ltd. APA established GDI in December 2011. APA retains a 20.0% interest in GDI and remains operator of the assets. The net proceeds received from the new equity partners, Marubeni Corporation and RREEF totalled \$475.7 million after transaction costs.

	16/12/2011 \$000
NET ASSETS DISPOSED	
Current assets	
Trade and other receivables	13,770
Non-current assets	
Property, plant and equipment	471,006
Goodwill	104,263
Intangibles	633
Total assets	589,672
Current liabilities	
Trade and other payables	(1,266)
Other	(1,086)
Non-current liabilities	
Deferred tax liabilities	(58,979)
Total liabilities	(61,331)
Net assets	528,341
Profit on sale of Allgas Distribution Network before transaction costs	12,032
Transactions costs	(21,695)
Loss on disposal (after transaction costs)	(9,663)
Less: Redeemable preference shares acquired	(10,400)
Fair value of equity accounted interest retained	(39,020)
Payables - sale of business	6,420
Net cash inflow on disposal of Allgas	475,678

43. COMMITMENTS FOR EXPENDITURE

Capital expenditure commitments

	CONSOLIDATED		TRUST	
	2012 \$000	2011 \$000	2012 \$000	2011 \$000
PLANT AND EQUIPMENT				
Not longer than 1 year	55,087	41,101	-	-
Longer than 1 year and not longer than 5 years	-	-	-	-
Longer than 5 years	-	-	-	-
	55,087	41,101	-	-
CONSOLIDATED ENTITY'S SHARE OF JOINTLY CONTROLLED OPERATION'S COMMITMENTS				
Not longer than 1 year	79,806	-	-	-
Longer than 1 year and not longer than 5 years	49,655	-	-	-
Longer than 5 years	-	-	-	-
	129,461	-	-	-

NOTES TO THE FINANCIAL STATEMENTS

CONTINUED

For the financial year ended 30 June 2012

44. REMUNERATION OF EXTERNAL AUDITOR

	CONSOLIDATED		TRUST	
	2012 \$	2011 \$	2012 \$	2011 \$
Amounts received or due and receivable by Deloitte Touche Tohmatsu for:				
Auditing the financial report	570,300	578,500	5,500	5,500
Compliance plan audit	20,700	20,000	-	-
Tax compliance and advice ^(a)	5,500	19,700	-	-
Other assurance services ^(a)	646,400	87,015	-	-
	1,242,900	705,215	5,500	5,500

(a) Services provided were in accordance with the external auditor independence policy. Other assurance services comprise financial due diligence, preparation of investigating accountants reports and assurance services in relation to debt raisings and a takeover offer.

45. 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)

M J McCormack (Managing Director/Chief Executive Officer)

S Crane (Independent Non-Executive Director)

J A Fletcher (Independent Non-Executive Director)

R A Higgins AO (Independent Non-Executive Director)

P M McKenzie (Independent Non-Executive Director)

M Muhammad (Non-Executive Director)

R J Wright (Independent Non-Executive Director)

(b) Director compensation

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

	CONSOLIDATED AND TRUST	
	2012 \$	2011 \$
Short-term employment benefits	2,762,850	2,409,250
Post-employment benefits	168,148	149,194
Cash settled share-based payments	1,021,548	773,281
	3,952,546	3,331,725

NOTES TO THE FINANCIAL STATEMENTS

CONTINUED

For the financial year ended 30 June 2012

45. DIRECTOR COMPENSATION (CONTINUED)

(b) 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	TOTAL \$
	SALARY/FEES \$	SHORT-TERM INCENTIVE SCHEME \$	SUPER- ANNUATION \$	SHARE-BASED PAYMENTS ^(a) \$	
NON-EXECUTIVE DIRECTORS					
L F Bleasel AM					
2012	289,000	-	24,400	-	313,400
2011	272,500	-	20,750	-	293,250
S Crane					
2012	134,750	-	12,128	-	146,878
2011	57,875	-	5,209	-	63,084
J A Fletcher					
2012	117,000	-	43,250	-	160,250
2011	107,000	-	42,335	-	149,335
R A Higgins AO					
2012	146,000	-	13,145	-	159,145
2011	145,375	-	13,077	-	158,452
P M McKenzie					
2012	130,000	-	11,675	-	141,675
2011	56,750	-	5,108	-	61,858
M Muhammad					
2012	130,000	-	-	-	130,000
2011	121,500	-	-	-	121,500
M (George) Ratilal ^(b)					
2012	-	-	-	-	-
2011	16,000	-	-	-	16,000
R J Wright					
2012	150,750	-	13,550	-	164,300
2011	141,250	-	12,715	-	153,965
TOTAL REMUNERATION: NON-EXECUTIVE DIRECTORS					
2012	1,097,500	-	118,148	-	1,215,648
2011	918,250	-	99,194	-	1,017,444
EXECUTIVE DIRECTORS					
M J McCormack					
2012	965,000	700,350	50,000	1,021,548	2,736,898
2011	870,000	621,000	50,000	773,281	2,314,281
TOTAL REMUNERATION: DIRECTORS					
2012	2,062,500	700,350	168,148	1,021,548	3,952,546
2011	1,788,250	621,000	149,194	773,281	3,331,725

(a) Cash settled share-based payments.

(b) Directors fees paid to Petronas Australia Pty Ltd, retired 26 August 2010.

NOTES TO THE FINANCIAL STATEMENTS

CONTINUED

For the financial year ended 30 June 2012

46. 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)

P J Fredricson (Chief Financial Officer)

R M Gersbach (Chief Executive Strategy & Development)

S P Ohi (Group Executive Strategic Projects)

M T Knapman (Company Secretary)

P J Wallace (Group Executive Human Resources)

R A Wheals (Group Executive Transmission, appointed 1 May 2012)

J L Ferguson (Group Executive Networks, appointed 1 May 2012)

K Lester (Group Executive Infrastructure Development, appointed 6 August 2012)

(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	
	2012 \$	2011 \$
Short-term employment benefits	5,922,156	4,449,055
Post-employment benefits	298,160	181,691
Cash settled share-based payments	2,638,476	1,688,799
	8,858,792	6,319,545

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.

Refer to the Remuneration Report for further details of APA's executive remuneration policy.

NOTES TO THE FINANCIAL STATEMENTS

CONTINUED

For the financial year ended 30 June 2012

46. KEY MANAGEMENT PERSONNEL COMPENSATION (CONTINUED)

(b) 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	TOTAL
	SALARY/FEES \$	SHORT-TERM INCENTIVE SCHEME \$	NON-MONETARY \$	SUPER-ANNUATION \$	SHARE-BASED PAYMENTS ^(a) \$	
KEY MANAGEMENT PERSONNEL						
M J McCormack						
2012	965,000	700,350	-	50,000	1,021,548	2,736,898
2011	870,000	621,000	-	50,000	773,281	2,314,281
P J Fredricson						
2012	590,225	292,395	-	15,775	290,755	1,189,150
2011	554,801	270,750	-	15,199	165,780	1,006,530
R M Gersbach						
2012	658,303	321,563	11,922	15,775	475,330	1,482,893
2011	622,879	308,750	11,922	15,199	343,688	1,302,438
S P Ohl						
2012	415,377	182,125	4,848	49,775	337,336	989,461
2011	376,069	201,375	28,732	45,199	253,636	905,011
M T Knapman						
2012	366,000	132,922	-	50,000	215,843	764,765
2011	350,000	130,706	-	50,000	141,560	672,266
P J Wallace						
2012	272,243	147,345	-	41,257	60,110	520,955
2011	67,715	34,356	-	6,094	10,854	119,019
R A Wheals ^(b)						
2012	329,000	117,369	-	25,000	119,753	591,122
2011	-	-	-	-	-	-
J L Ferguson ^(b)						
2012	295,422	119,747	-	50,578	117,801	583,548
2011	-	-	-	-	-	-
TOTAL REMUNERATION						
2012	3,891,570	2,013,816	16,770	298,160	2,638,476	8,858,792
2011	2,841,464	1,566,937	40,654	181,691	1,688,799	6,319,545

(a) Cash settled share-based payments.

(b) R A Wheals and J L Ferguson were appointed to KMP positions on 1 April 2012. Remuneration disclosed is for the full financial year.

47. RELATED PARTY TRANSACTIONS

(a) Equity interest in related parties

Details of the percentage of ordinary securities held in subsidiaries are disclosed in Note 40 and the details of the percentage held in jointly controlled operations are disclosed in Note 39. Details of interests in jointly controlled entities and associates are disclosed in Note 17.

(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 45 and 46 respectively.

(i) Loans to key management personnel

No loans have been made to key management personnel.

NOTES TO THE FINANCIAL STATEMENTS

CONTINUED

For the financial year ended 30 June 2012

47. RELATED PARTY TRANSACTIONS (CONTINUED)

(c) Transactions with key management personnel (continued)

(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
2012				
L F Bleasel AM	375,405	67,688	-	443,093
S Crane	100,000	-	-	100,000
J A Fletcher	60,026	3,272	-	63,298
R A Higgins AO	79,503	6,657	-	86,160
P M McKenzie	-	12,500	-	12,500
M Muhammad	42,818	-	-	42,818
R J Wright	34,071	2,853	-	36,924
M J McCormack	170,619	24,645	-	195,264
P J Fredricson	3,269	2,947	-	6,216
R M Gersbach	9,796	454	9,796	454
S P Ohl	14,896	-	-	14,896
M T Knapman	4,484	2,516	-	7,000
P J Wallace	-	-	-	-
R A Wheals	1,500	-	-	1,500
J L Ferguson	1,967	-	-	1,967

2011

L F Bleasel AM	359,771	15,634	-	375,405
S Crane	-	100,000	-	100,000
J A Fletcher	56,807	3,219	-	60,026
R A Higgins AO	72,954	6,549	-	79,503
P M McKenzie	-	-	-	-
M Muhammad	42,818	-	-	42,818
M (George) Ratilal	-	-	-	-
R J Wright	31,265	2,806	-	34,071
M J McCormack	147,005	23,614	-	170,619
P J Fredricson	3,000	269	-	3,269
R M Gersbach	24,569	1,525	16,298	9,796
S P Ohl	14,896	-	-	14,896
M T Knapman	4,484	-	-	4,484
P J Wallace	-	-	-	-

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

Other than directors compensation (Note 45) and key management personnel compensation (Note 46) and equity holdings in Note 47(c)(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 40 for details of the entities that comprise APA Group.

NOTES TO THE FINANCIAL STATEMENTS

CONTINUED

For the financial year ended 30 June 2012

47. RELATED PARTY TRANSACTIONS (CONTINUED)

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

Australian Pipeline Limited

Management fees of \$2,760,079 (2011: \$2,238,000) 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 45(b).

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.

(e) Transactions with other related parties

Transactions with associates and jointly controlled entities

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 \$
2012				
SEA Gas	2,602,524	-	78,326	-
Energy Infrastructure Investments	28,509,775	-	2,730,398	-
EII 2	637,376	-	-	-
APA Ethane Ltd	200,000	-	-	-
Diamantina Power Station	5,385,943	-	89,749,008	-
GDI (EII)	21,050,337	-	3,907,990	-
Envestra Limited	296,428,404	566,250	38,311,409	-
	354,814,359	566,250	134,777,131	-

At the year end, APA had receivables with related parties of \$7,284,791.

2011

SEA Gas	3,752,891	539	256,438	-
Energy Infrastructure Investments	23,002,158	-	4,528,545	-
EII 2	3,428,097	-	55,783	-
APA Ethane Ltd	200,000	-	-	-
CAMS ^(a)	348,881	-	66,712	-
Envestra Limited	228,323,940	187,980	29,244,768	-
	259,055,967	188,519	34,152,246	-

(a) APA disposed of its 50% interest in CAMS on 30 June 2011.

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 2012, 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:

- Receivables of nil (2011: \$481,974) are owing from associates; and
- Receivables of \$402,269,587 (2011: \$486,345,026) are owing from subsidiaries; and
- Total payables of \$98,427,045 are repayable to subsidiaries (2011: \$98,427,045).

No guarantees have been given or received and 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

CONTINUED

For the financial year ended 30 June 2012

48. CONTINGENCIES

	CONSOLIDATED		TRUST	
	2012 \$000	2011 \$000	2012 \$000	2011 \$000
CONTINGENT LIABILITIES				
Bank guarantees	31,632	8,051	-	-
CONTINGENT ASSETS				
	-	-	-	-

49. EVENTS OCCURRING AFTER REPORTING DATE

On 9 August 2012, APA lodged a prospectus with the Australian Securities and Investments Commission (ASIC) for an offer of long-dated, unsecured, subordinated, cumulative notes (Notes) to raise \$350 million, with the ability to raise more or less. A replacement prospectus was lodged with the ASIC on 17 August 2012 following the closure of the "exposure" period and finalisation of the margin and revised offer size of \$475 million.

On 17 August 2012 APA announced an increased offer to acquire HDF and a Fourth Supplementary Bidder's Statement is expected to be issued on 27 August 2012. These developments followed an announcement from the ACCC on 19 July 2012 that they would not oppose any bid for HDF by APA, subject to certain undertakings from APA.

On 22 August 2012, the Directors declared a final distribution of 18.0 cents per security (\$116.0 million) for the APA Group (comprising a distribution of 12.41 cents per security from APT and a distribution of 5.59 cents per security from APTIT), made up of 8.37 cents per security profit distribution (unfranked) and 9.63 cents per security capital distribution. The distribution will be paid on 14 September 2012.

Other than the events disclosed above, there have not been any events or transactions that have occurred subsequent subsequent to year end that would require adjustment to or disclosure in the accounts.

DECLARATION BY THE DIRECTORS

For the financial year ended 30 June 2012

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



Leonard Bleasel AM
Chairman



Robert Wright
Director

SYDNEY, 22 August 2012

AUDITOR'S INDEPENDENCE DECLARATION

For the financial year ended 30 June 2012

Deloitte.

Deloitte Touche Tohmatsu
ABN 74 490 121 060

Grosvenor Place
225 George Street
Sydney NSW 2000
PO Box N250 Grosvenor Place
Sydney NSW 1220 Australia

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

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

22 August 2012

Dear Directors

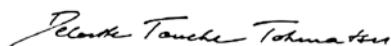
Auditors Independence Declaration to Australian Pipeline Limited as responsible entity for Australian Pipeline Trust

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 2012, I declare that to the best of my knowledge and belief, there have been no contraventions of:

- (i) the auditor independence requirements of the *Corporations Act 2001* in relation to the audit; and
- (ii) any applicable code of professional conduct in relation to the audit.

Yours sincerely



DELOITTE TOUCHE TOHMATSU



G Couttas
Partner
Chartered Accountants

Liability limited by a scheme approved under Professional Standards Legislation

Member of Deloitte Touche Tohmatsu Limited

INDEPENDENT AUDITOR'S REPORT

For the financial year ended 30 June 2012



Deloitte Touche Tohmatsu
ABN 74 490 121 060

Grosvenor Place
225 George Street
Sydney NSW 2000
PO Box N250 Grosvenor Place
Sydney NSW 1220 Australia

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

Independent Auditor's Report to the Unitholders of Australian Pipeline Trust

We have audited the accompanying financial report of Australian Pipeline Trust, which comprises the statement of financial position as at 30 June 2012, the statement of comprehensive income, the statement of cash flows and the statement of changes in equity for the year ended on that date, notes comprising a summary of significant accounting policies and other explanatory information, and the directors' declaration of the consolidated entity, comprising the Trust and the entities it controlled at the year's end or from time to time during the financial year as set out on pages 29 to 88.

Directors' Responsibility for the Financial Report

The directors of Australian Pipeline Limited are responsible for the preparation of the financial report that gives a true and fair view in accordance with Australian Accounting Standards and the *Corporations Act 2001* and for such internal control as the directors determine is necessary to enable the preparation of the financial report that gives a true and fair view and is free from material misstatement, whether due to fraud or error. In Note 3, the directors also state, in accordance with Accounting Standard AASB 101 Presentation of Financial Statements, that the financial statements comply 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. Those 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 of the financial report that gives a true and fair view, 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.

INDEPENDENT AUDITOR'S REPORT

CONTINUED

For the financial year ended 30 June 2012

Deloitte.

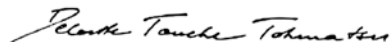
Auditor's Independence Declaration

In conducting our audit, we have complied with the independence requirements of the *Corporations Act 2001*. We confirm that the independence declaration required by the *Corporations Act 2001*, which has been given to the directors of Australian Pipeline Limited as responsible entity for Australian Pipeline Trust would be in the same terms if given to the directors as at the time of this auditor's report.

Opinion

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 2012 and of their performance for the year ended on that date; and
 - (ii) complying with Australian Accounting Standards and the *Corporations Regulations 2001*; and
- (b) the financial statements also comply with International Financial Reporting Standards as disclosed in Note 3.



DELOITTE TOUCHE TOHMATSU



G Couttas
Partner
Chartered Accountants
Sydney, 22 August 2012

APT INVESTMENT TRUST AND ITS CONTROLLED ENTITIES

ARSN 115 585 441

APT INVESTMENT TRUST AND ITS CONTROLLED ENTITIES

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 2012. 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
Michael McCormack	Managing Director and Chief Executive Officer
Steven Crane	
John Fletcher	
Russell Higgins AO	
Patricia McKenzie	
Muri Muhammad	
Robert Wright	

DISTRIBUTIONS

Distributions paid to securityholders during the financial year were:

	FINAL FY 2011 DISTRIBUTION PAID 15 SEPTEMBER 2011		INTERIM FY 2012 DISTRIBUTION PAID 15 MARCH 2012	
	Cents per security	Total distribution \$000	Cents per security	Total distribution \$000
APTIT profit distribution	3.41	18,295	3.88	24,797
APTIT capital distribution	2.66	15,449	2.06	13,201
Total	6.07	33,744	5.94	37,998

On 22 August 2012, the directors declared a final distribution for APTIT for the current financial year of 5.59 cents per security payable 14 September 2012, made up of:

	FINAL FY 2012 DISTRIBUTION PAYABLE 14 SEPTEMBER 2012	
	Cents per security	Total distribution \$000
APTIT profit distribution	3.28	21,160
APTIT capital distribution	2.31	14,879
Total	5.59	36,039

Distribution information is presented on an accounting classification basis. The APA Group Annual Tax Statement and Annual Tax Return Guide (released in September 2012) provide the classification of distribution components for the purposes of preparation of securityholder income tax returns.

As at 30 June 2012, 644,485,583 securities were on issue (2011: 634,116,029).

Details of the directors, their qualifications, experience, special responsibilities and directorships of other listed entities are set out on pages 10 to 12.

Muri Muhammad gave notice on 25 July 2012 of his resignation from the board of Australian Pipeline Limited with effect from 24 October 2012.

George Ratalil resigned as alternate director for Muri Muhammad on 9 May 2012.

COMPANY SECRETARY

Mark Knapman

Details of the Company Secretary, his qualifications and experience are set out on page 11.

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 \$46.0 million (2011: \$38.9 million) for the year ended 30 June 2012 on total revenue of \$46.0 million (2011: \$38.9 million).

DIRECTORS' REPORT

CONTINUED

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 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 10 to 11. Further information on directorships, attendance at meetings, security holdings, remuneration, options granted and indemnification of officers and external auditor are found in the APT directors' report, pages 12 to 22.

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 19 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 balance sheet 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 113.

ROUNDING OFF OF AMOUNTS

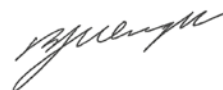
APA Group is an entity of the kind referred to in ASIC Class Order 98/0100 dated 10 July 1998, and in accordance with that Class Order, amounts in the Directors' report and the financial report are rounded off to the nearest thousand dollars, unless otherwise indicated.

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



Leonard Bleasel AM
Chairman



Robert Wright
Director

SYDNEY, 22 August 2012

STATEMENT OF COMPREHENSIVE INCOME

For the financial year ended 30 June 2012

	Note	CONSOLIDATED		TRUST	
		2012 \$000	2011 \$000	2012 \$000	2011 \$000
CONTINUING OPERATIONS					
Revenue	4	45,969	38,936	45,969	38,936
Expenses	4	(12)	(12)	(12)	(12)
Profit before tax		45,957	38,924	45,957	38,924
Income tax expense		-	-	-	-
Profit for the year		45,957	38,924	45,957	38,924
Other comprehensive income					
Gain on available-for-sale investments taken to equity		1,090	635	1,090	635
Other comprehensive income for the year (net of tax)		1,090	635	1,090	635
Total comprehensive income for the year		47,047	39,559	47,047	39,559
Profit Attributable to:					
Equityholders of the parent		45,957	38,924	45,957	38,924
		45,957	38,924	45,957	38,924
Total comprehensive income attributable to:					
Equityholders of the parent		47,047	39,559	47,047	39,559
EARNINGS PER SECURITY					
Basic and diluted earnings per security (cents)	12	7.2	7.1		

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 2012

	Note	CONSOLIDATED		TRUST	
		2012 \$000	2011 \$000	2012 \$000	2011 \$000
CURRENT ASSETS					
Receivables	6	755	720	755	720
NON-CURRENT ASSETS					
Receivables	7	11,869	12,448	11,869	12,448
Other financial assets	8	374,236	387,671	374,236	387,671
Total non-current assets		386,105	400,119	386,105	400,119
Total assets		386,860	400,839	386,860	400,839
CURRENT LIABILITIES					
Trade and other payables	9	10	9	10	9
Total liabilities		10	9	10	9
Net assets		386,850	400,830	386,850	400,830
EQUITY					
Issued capital	10	364,066	382,001	364,066	382,001
Reserves	11	1,624	534	1,624	534
Retained earnings		21,160	18,295	21,160	18,295
Total equity		386,850	400,830	386,850	400,830

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 2012

	Note	CONSOLIDATED AND TRUST			TOTAL \$000
		ISSUED CAPITAL \$000	RESERVES \$000	RETAINED EARNINGS \$000	
Balance at 1 July 2010		320,931	(101)	19,928	340,758
Profit for the year		-	-	38,924	38,924
Valuation gain recognised	11	-	635	-	635
Total comprehensive income for the year		-	635	38,924	39,559
Issue of capital (net of issue costs)	10	81,547	-	-	81,547
Distributions to securityholders	5	(20,477)	-	(40,557)	(61,034)
Balance at 30 June 2011		382,001	534	18,295	400,830
Balance at 1 July 2011		382,001	534	18,295	400,830
Profit for the year		-	-	45,957	45,957
Valuation gain recognised	11	-	1,090	-	1,090
Total comprehensive income for the year		-	1,090	45,957	47,047
Issue of capital (net of issue costs)	10	10,715	-	-	10,715
Distributions to securityholders	5	(28,650)	-	(43,092)	(71,742)
Balance at 30 June 2012		364,066	1,624	21,160	386,850

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 2012

	CONSOLIDATED		TRUST	
	2012 \$000	2011 \$000	2012 \$000	2011 \$000
CASH FLOWS FROM OPERATING ACTIVITIES				
Trust distribution - related party	31,270	32,641	-	-
Trust distribution - subsidiary	-	-	31,270	32,641
Capital distribution received - external	521	518	521	518
Dividends received	152	161	152	161
Interest received - related parties	9,906	6,615	9,906	6,615
Finance lease receivable repayments	1,167	1,167	1,167	1,167
Receipts from customers	150	110	150	110
Payments to suppliers	(12)	(12)	(12)	(12)
Net cash provided by operating activities	43,154	41,200	43,154	41,200
CASH FLOWS FROM INVESTING ACTIVITIES				
Repayment received from/(advances to) related parties	17,873	(61,714)	17,873	(61,714)
Net cash provided by/(used in) investing activities	17,873	(61,714)	17,873	(61,714)
CASH FLOWS FROM FINANCING ACTIVITIES				
Proceeds from issue of securities	10,715	81,548	10,715	81,548
Distributions to securityholders	(71,742)	(61,034)	(71,742)	(61,034)
Net cash (used in)/provided by financing activities	(61,027)	20,514	(61,027)	20,514
Net increase in cash and cash equivalents	-	-	-	-
Cash and cash equivalents at beginning of financial year	-	-	-	-
Cash and cash equivalents at end of financial year	-	-	-	-

The above 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 2012

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 Australian Pipeline Trust 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 22 August 2012.

(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 b.

Standards affecting presentation disclosure

STANDARD	IMPACT
– Amendments to AASB 7 'Financial Instruments: Disclosure'.	The amendments (part of AASB 2010-4 'Further Amendments to Australian Accounting Standards arising from the Annual Improvements Project') clarify the required level of disclosures about credit risk and collateral held and provide relief from disclosures previously required regarding renegotiated loans.
– Amendments to AASB 101 'Presentation of Financial Statements'.	The amendments (part of AASB 2010-4 'Further Amendments to Australian Accounting Standards arising from the Annual Improvements Project') clarify that an entity may choose to present the required analysis of items of other comprehensive income either in the statement of changes in equity or in the notes to the financial statements.
– AASB 1054 'Australian Additional Disclosures'	AASB 1054 sets out the Australian-specific disclosures for entities that have adopted Australian Accounting Standards. This standard contains disclosure requirements that are in addition to IFRS in areas such as compliance with Australian Accounting Standards, the nature of financial statements, audit fees, imputation (franking) credits and the reconciliation of net operating cash flow to profit.

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.

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:

NOTES TO THE FINANCIAL STATEMENTS

CONTINUED

For the financial year ended 30 June 2012

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
– AASB 124 'Related Party Disclosures' (revised December 2009)	AASB 124 (revised December 2009) has been revised on the following two aspects: (a) has changed the definition of a related party and (b) includes an explicit requirement to disclose commitments involving related parties.
– AASB 2009-14 'Amendments to Australian Interpretation - Prepayments of Minimum Funding Requirement'	Interpretation 114 addresses when refunds or reductions in future contributions should be regarded as available in accordance with paragraph 58 of AASB 119; the impact on future contributions and when it might give rise to a liability. The amendments now allow recognition of an asset in the form of prepaid minimum funding contributions.
– AASB 2009-12 'Amendments to Australian Accounting Standards'	The application of AASB 2009-12 makes amendments to AASB 8 'Operating Segments' as a result of the issuance of AASB 124 'Related Party Disclosure' (2009). The Standard makes numerous editorial amendments to a range of Australian Accounting Standards and Interpretations.
– AASB 2010-5 'Amendments to Australian Accounting Standards'	The Standard makes numerous editorial amendments to a range of Australian Accounting Standards and Interpretations.
– AASB 2010-6 'Amendments to Australian Accounting Standards - Disclosures on Transfers of Financial Assets'	The application of AASB 2010-6 makes amendments to AASB 7 'Financial Instruments - Disclosures' to introduce additional disclosure requirements for transactions involving transfer of financial assets. These amendments are intended to provide greater transparency around risk exposures when a financial asset is transferred and derecognised but the transferor retains some level of continuing exposure in the asset.

(iii) 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 9 'Financial Instruments', AASB 2009-11 'Amendments to Australian Accounting Standards arising from AASB 9 and AASB2010-7 'Amendments to Australian Accounting Standards arising from AASB 9 (December 2010)' (effective date deferred by IASB to 1 January 2015)	1 January 2013	30 June 2014
– AASB 10 'Consolidated Financial statements'	1 January 2013	30 June 2014
– AASB 11 'Joint Arrangements'	1 January 2013	30 June 2014
– AASB 12 'Disclosure of Interest in Other Entities'	1 January 2013	30 June 2014
– AASB 127 'Separate Financial statements' (2011)	1 January 2013	30 June 2014
– AASB 128 'Investments in Associates and Joint Ventures' (2011)	1 January 2013	30 June 2014
– AASB 13 Fair Value measurement and AASB 2010-8 'Amendments to Australian Accounting Standards arising from AASB 13'	1 January 2013	30 June 2014
– AASB 119 'Employee Benefits' (2011) and AASB 2011-8 'Amendments to Australian Accounting Standards arising from AASB 119' (2011)	1 January 2013	30 June 2014
– AASB 2010-8 'Amendments to Australian Accounting Standards - Deferred Tax: Recovery of Underlying Assets'	1 January 2012	30 June 2013
– AASB 2011-4 'Amendments to Australian Accounting Standards to Remove Individual Key Management Personnel Disclosure Requirements'	1 July 2013	30 June 2014
– AASB 2011-7 'Amendments to Australian Accounting Standards arising from the Consolidation and Joint Arrangements standards'	1 January 2013	30 June 2014
– AASB 2011-9 'Amendments to Australian Accounting Standards - Presentation of items of Other Comprehensive Income'	1 July 2012	30 June 2013
– Amendments to IFRS 10, 11 and 12 Transitional Guidance	1 January 2013	30 June 2014

APA has yet to determine any change in accounting for existing arrangements under AASB 10, 11 and 12. In addition, should any arrangements take place which changes existing interest and creates new interests in controlled entities, the accounting for such transactions, may be different to that applied to transactions in the past.

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

NOTES TO THE FINANCIAL STATEMENTS

CONTINUED

For the financial year ended 30 June 2012

2. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

(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.

(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 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.

(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:

NOTES TO THE FINANCIAL STATEMENTS

CONTINUED

For the financial year ended 30 June 2012

2. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

(g) Goods and services tax (continued)

- 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 assets: (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.

(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.

(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 has one reportable segment being energy infrastructure investment and operation.

APTIT is an investing and financing entity within the Australian Pipeline Trust stapled group. As the Trust only operates in one segment, it has not disclosed segment information separately.

NOTES TO THE FINANCIAL STATEMENTS

CONTINUED

For the financial year ended 30 June 2012

3. 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.

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.

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.

4. PROFIT FROM OPERATIONS

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

	CONSOLIDATED		TRUST	
	2012 \$000	2011 \$000	2012 \$000	2011 \$000
REVENUE				
Distributions				
Trust distribution - related party	31,270	32,641	-	-
Trust distribution - subsidiary	-	-	31,270	32,641
Other entities	177	113	177	113
	31,447	32,754	31,447	32,754
FINANCE INCOME				
Interest - related parties	9,758	6,838	9,758	6,838
Gain/(loss) on financial asset held at fair value through profit and loss	4,000	(1,398)	4,000	(1,398)
Finance lease income - related party	614	640	614	640
	14,372	6,080	14,372	6,080
OTHER REVENUE				
Other	150	102	150	102
Total revenue	45,969	38,936	45,969	38,936
EXPENSES				
Audit fees	(12)	(12)	(12)	(12)
Total expenses	(12)	(12)	(12)	(12)

NOTES TO THE FINANCIAL STATEMENTS

CONTINUED

For the financial year ended 30 June 2012

5. DISTRIBUTIONS

	CONSOLIDATED		TRUST	
	2012 \$000	2011 \$000	2012 \$000	2011 \$000
RECOGNISED AMOUNTS:				
Final distribution paid on 15 September 2011 (2011: 15 September 2010)				
Profit distribution ^(a)	18,295	19,928	18,295	19,928
Capital distribution	15,449	16,350	15,449	16,350
	33,744	36,278	33,744	36,278
Semi-annual distribution paid on 15 March 2012 (2011: 17 March 2011)				
Profit distribution ^(a)	24,797	20,629	24,797	20,629
Capital distribution	13,201	4,127	13,201	4,127
	37,998	24,756	37,998	24,756
UNRECOGNISED AMOUNTS:				
Final distribution payable on 14 September 2012 ^(b) (2011: 15 September 2011)				
Profit distribution ^(a)	21,160	18,295	21,160	18,295
Capital distribution	14,879	15,449	14,879	15,449
	36,039	33,744	36,039	33,744

(a) Profit distributions unfranked (2011: unfranked).

(b) Record date 29 June 2012

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 confirmed prior to the end of the financial year.

6. CURRENT RECEIVABLES

Other debtors	175	167	175	167
Finance lease receivable - related party (Note 14)	580	553	580	553
	755	720	755	720

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.

7. NON-CURRENT RECEIVABLES

Finance lease receivable - related party (Note 14)	11,869	12,448	11,869	12,448
--	--------	--------	--------	--------

NOTES TO THE FINANCIAL STATEMENTS

CONTINUED

For the financial year ended 30 June 2012

8. NON-CURRENT OTHER FINANCIAL ASSETS

	CONSOLIDATED		TRUST	
	2012 \$000	2011 \$000	2012 \$000	2011 \$000
Receivable from subsidiary	-	-	112,810	81,541
Advance to related party	226,556	244,429	71,937	121,079
Investments carried at cost:				
Investment in subsidiary	-	-	149,188	149,188
Investment in related party ^(a)	107,379	107,379	-	-
	333,935	351,808	333,935	351,808
Financial assets carried at fair value:				
Redeemable ordinary shares ^(b)	36,614	32,761	36,614	32,761
Available-for-sale investments carried at fair value ^(c)	3,687	3,102	3,687	3,102
	374,236	387,671	374,236	387,671

(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 \$380,860 during the year and declared a \$123,021 capital distribution as part of its June 2012 quarter distribution. Also included is a small shareholding in HDUF with a fair value of \$2,400.

9. TRADE AND OTHER PAYABLES

Other payables	10	9	10	9
----------------	----	---	----	---

10. ISSUED CAPITAL

644,485,583 securities, fully paid (2011: 634,116,029 securities, fully paid) ^(a)

	364,066	382,001	364,066	382,001
--	---------	---------	---------	---------

	CONSOLIDATED AND TRUST			
	2012 NO. OF UNITS 000	2012 \$000	2011 NO. OF UNITS 000	2011 \$000
Movements				
Balance at beginning of financial year	634,116	382,001	542,319	320,931
Issue of securities under Distribution Reinvestment Plan	10,370	10,733	13,875	12,590
Issue of securities under Institutional Placement	-	-	77,922	69,872
Issue cost of securities	-	(18)	-	(915)
Capital distributions paid (Note 5)	-	(28,650)	-	(20,477)
Balance at end of financial year	644,486	364,066	634,116	382,001

(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

CONTINUED

For the financial year ended 30 June 2012

11. RESERVES

	CONSOLIDATED		TRUST	
	2012 \$000	2011 \$000	2012 \$000	2011 \$000
Available-for-sale investment revaluation reserve				
Balance at beginning of financial year	534	(101)	534	(101)
Valuation gain recognised	1,090	635	1,090	635
Balance at end of financial year	1,624	534	1,624	534

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

12. EARNINGS PER SECURITY

	CONSOLIDATED	
	2012	2011
Basic and diluted earnings per security (cents)	7.2	7.1

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)	45,957	38,924
Weighted average number of ordinary securities on issue used in the calculation (000)	639,743	551,222

13. REMUNERATION OF EXTERNAL AUDITOR

	CONSOLIDATED		TRUST	
	2012 \$	2011 \$	2012 \$	2011 \$
Amounts received or due and receivable by Deloitte Touche Tohmatsu for:				
Auditing the financial report	11,958	11,555	11,958	11,555

NOTES TO THE FINANCIAL STATEMENTS

CONTINUED

For the financial year ended 30 June 2012

14. LEASES

	CONSOLIDATED		TRUST	
	2012 \$000	2011 \$000	2012 \$000	2011 \$000
FINANCE LEASES				
Leasing arrangements - receivables				
Finance lease receivables relate to the lease of a pipeline lateral.				
There are no contingent rental payments due.				
Finance lease receivables				
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	11,673	12,840	11,673	12,840
Minimum future lease payments receivable ^(a)	17,509	18,676	17,509	18,676
Gross finance lease receivables	17,509	18,676	17,509	18,676
Less: unearned finance lease receivables	(5,060)	(5,675)	(5,060)	(5,675)
Present value of lease receivables	12,449	13,001	12,449	13,001
Included in the financial statements as part of:				
Current receivables (Note 6)	580	553	580	553
Non-current receivables (Note 7)	11,869	12,448	11,869	12,448
	12,449	13,001	12,449	13,001

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

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 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 Board approved Treasury Policy, 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, via the CFO, reports on an ad hoc basis 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

CONTINUED

For the financial year ended 30 June 2012

15. FINANCIAL INSTRUMENTS (CONTINUED)**(e) Fair values of financial instruments (continued)**

	CONSOLIDATED AND TRUST			
	Level 1 \$000	Level 2 \$000	Level 3 \$000	Total \$000
2012				
Financial assets measured at fair value				
Available-for-sale listed equity securities				
Ethane Pipeline Income Fund	3,685	-	-	3,685
Hastings Diversified Utilities Fund	2	-	-	2
Unlisted Redeemable Ordinary Shares				
Energy Infrastructure Investments Pty Limited	-	-	36,614	36,614
Total	3,687	-	36,614	40,301
2011				
Financial assets measured at fair value				
Available-for-sale listed equity securities				
Ethane Pipeline Income Fund	3,102	-	-	3,102
Unlisted Redeemable Ordinary Shares				
Energy Infrastructure Investments Pty Limited	-	-	32,761	32,761
Total	3,102	-	32,761	35,863

Reconciliation of Level 3 fair value measurements of financial assets

	FAIR VALUE THROUGH PROFIT OR LOSS	
	2012 \$000	2011 \$000
Opening balance	32,761	33,936
Total gains or losses:		
- in profit or loss: Interest - related parties	3,894	3,500
- in profit or loss: Gain/(Loss) on financial asset held at fair value through profit and loss	4,000	(1,398)
Distributions	(4,041)	(3,277)
Closing balance	36,614	32,761

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 2.72% 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 greatest possible change in interest rates. At reporting date, if interest rates had been 10% higher or lower and all other variables were constant, the Consolidated Entity's net profit would decrease by \$608,000 or increase by \$608,000 (2011: \$345,000). 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

CONTINUED

For the financial year ended 30 June 2012

16. SUBSIDIARIES

NAME OF ENTITY	COUNTRY OF REGISTRATION	OWNERSHIP INTEREST	
		2012 %	2011 %
Parent entity			
APT Investment Trust			
Controlled entity			
GasNet Australia Investments Trust	Australia	100	100

17. 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)

M J McCormack (Managing Director/Chief Executive Officer)

S Crane (Independent Non-Executive Director)

J A Fletcher (Independent Non-Executive Director)

R A Higgins AO (Independent Non-Executive Director)

P M McKenzie (Independent Non-Executive Director)

M Muhammad (Non-Executive Director)

R J Wright (Independent Non-Executive Director)

(b) Director compensation

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

	CONSOLIDATED AND TRUST	
	2012 \$	2011 \$
Short-term employment benefits	2,762,850	2,409,250
Post-employment benefits	168,148	149,194
Cash settled share-based payments	1,021,548	773,281
	3,952,546	3,331,725

NOTES TO THE FINANCIAL STATEMENTS

CONTINUED

For the financial year ended 30 June 2012

17. DIRECTOR COMPENSATION (CONTINUED)**(b) 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	TOTAL \$
	SALARY/FEEES \$	SHORT-TERM INCENTIVE SCHEME \$	SUPERANNUATION \$	SHARE-BASED PAYMENTS ^(a) \$	
NON-EXECUTIVE DIRECTORS					
L F Bleasel AM					
2012	289,000	-	24,400	-	313,400
2011	272,500	-	20,750	-	293,250
S Crane					
2012	134,750	-	12,128	-	146,878
2011	57,875	-	5,209	-	63,084
J A Fletcher					
2012	117,000	-	43,250	-	160,250
2011	107,000	-	42,335	-	149,335
R A Higgins AO					
2012	146,000	-	13,145	-	159,145
2011	145,375	-	13,077	-	158,452
P M McKenzie					
2012	130,000	-	11,675	-	141,675
2011	56,750	-	5,108	-	61,858
M Muhammad					
2012	130,000	-	-	-	130,000
2011	121,500	-	-	-	121,500
M (George) Ratilal ^(b)					
2012	-	-	-	-	-
2011	16,000	-	-	-	16,000
R J Wright					
2012	150,750	-	13,550	-	164,300
2011	141,250	-	12,715	-	153,965
TOTAL REMUNERATION: NON-EXECUTIVE DIRECTORS					
2012	1,097,500	-	118,148	-	1,215,648
2011	918,250	-	99,194	-	1,017,444
EXECUTIVE DIRECTOR					
M J McCormack					
2012	965,000	700,350	50,000	1,021,548	2,736,898
2011	870,000	621,000	50,000	773,281	2,314,281
TOTAL REMUNERATION: DIRECTORS					
2012	2,062,500	700,350	168,148	1,021,548	3,952,546
2011	1,788,250	621,000	149,194	773,281	3,331,725

(a) Cash settled share-based payments.

(b) Directors fees paid to Petronas Australia Pty Ltd, retired 26 August 2010.

NOTES TO THE FINANCIAL STATEMENTS

CONTINUED

For the financial year ended 30 June 2012

18. 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)

P J Fredricson (Chief Financial Officer)

R M Gersbach (Chief Executive Strategy & Development)

S P Ohl (Group Executive Strategic Projects)

M T Knapman (Company Secretary)

P J Wallace (Group Executive Human Resources)

R A Wheals (Group Executive Transmission, appointed 1 May 2012)

J L Ferguson (Group Executive Networks, appointed 1 May 2012)

K Lester (Group Executive Infrastructure Development, appointed 6 August 2012)

(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	
	2012 \$	2011 \$
Short-term employment benefits	5,922,156	4,449,055
Post-employment benefits	298,160	181,691
Cash settled share-based payments	2,638,476	1,688,799
	8,858,792	6,319,545

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.

Compensation for each member of the key management personnel of the Consolidated Entity is set out below.

NOTES TO THE FINANCIAL STATEMENTS

CONTINUED

For the financial year ended 30 June 2012

18. KEY MANAGEMENT PERSONNEL COMPENSATION (CONTINUED)**(b) Key management personnel compensation (continued)**

	SHORT-TERM EMPLOYMENT BENEFITS			POST-EMPLOYMENT	LONG-TERM INCENTIVE PLANS	TOTAL
	SALARY/FEES \$	SHORT-TERM INCENTIVE SCHEME \$	NON-MONETARY \$	SUPERANNUATION \$	SHARE-BASED PAYMENTS ^(a) \$	
KEY MANAGEMENT PERSONNEL						
M J McCormack						
2012	965,000	700,350	-	50,000	1,021,548	2,736,898
2011	870,000	621,000	-	50,000	773,281	2,314,281
P J Fredricson						
2012	590,225	292,395	-	15,775	290,755	1,189,150
2011	554,801	270,750	-	15,199	165,780	1,006,530
R M Gersbach						
2012	658,303	321,563	11,922	15,775	475,330	1,482,893
2011	622,879	308,750	11,922	15,199	343,688	1,302,438
S P Ohi						
2012	415,377	182,125	4,848	49,775	337,336	989,461
2011	376,069	201,375	28,732	45,199	253,636	905,011
M T Knapman						
2012	366,000	132,922	-	50,000	215,843	764,765
2011	350,000	130,706	-	50,000	141,560	672,266
P J Wallace						
2012	272,243	147,345	-	41,257	60,110	520,955
2011	67,715	34,356	-	6,094	10,854	119,019
R A Wheals						
2012	329,000	117,369	-	25,000	119,753	591,122
2011	-	-	-	-	-	-
J L Ferguson						
2012	295,422	119,747	-	50,578	117,801	583,548
2011	-	-	-	-	-	-
TOTAL REMUNERATION						
2012	3,891,570	2,013,816	16,770	298,160	2,638,476	8,858,792
2011	2,841,464	1,566,937	40,654	181,691	1,688,799	6,319,545

(a) Cash settled share-based payments.

NOTES TO THE FINANCIAL STATEMENTS

CONTINUED

For the financial year ended 30 June 2012

19. RELATED PARTY TRANSACTIONS**(a) Responsible Entity – Australian Pipeline Limited**

The Responsible Entity is wholly owned by APT Pipelines Limited (2011: 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 17 and 18 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
2012				
L F Bleasel AM	375,405	67,688	-	443,093
M J McCormack	170,619	24,645	-	195,264
S Crane	100,000	-	-	100,000
J A Fletcher	60,026	3,272	-	63,298
R A Higgins AO	79,503	6,657	-	86,160
P M McKenzie	-	12,500	-	12,500
M Muhammad	42,818	-	-	42,818
R J Wright	34,071	2,853	-	36,924
P J Fredricson	3,269	2,947	-	6,216
R M Gersbach	9,796	454	9,796	454
R A Wheals	1,500	-	-	1,500
J L Ferguson	1,967	-	-	1,967
S P Ohl	14,896	-	-	14,896
M T Knapman	4,484	2,516	-	7,000
2011				
L F Bleasel AM	359,771	15,634	-	375,405
M J McCormack	147,005	23,614	-	170,619
S Crane	100,000	-	-	100,000
J A Fletcher	56,807	3,219	-	60,026
R A Higgins AO	72,954	6,549	-	79,503
P M McKenzie	-	-	-	-
M Muhammad	42,818	-	-	42,818
R J Wright	31,265	2,806	-	34,071
P J Fredricson	3,000	269	-	3,269
R M Gersbach	24,569	1,525	16,298	9,796
S P Ohl	14,896	-	-	14,896
M T Knapman	4,484	-	-	4,484

NOTES TO THE FINANCIAL STATEMENTS

CONTINUED

For the financial year ended 30 June 2012

19. 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 \$580,065 are owing from a subsidiary of APT for amounts due under a finance lease arrangement (2011: \$552,828);
- non-current receivables totalling \$11,868,272 are owing from a subsidiary of APT for amounts due under a finance lease arrangement (2011: \$12,448,336); and
- non-current receivables totalling \$226,556,406 (2011: \$244,428,764) are owing from a subsidiary of APT.

Australian Pipeline Limited

Management fees of \$630,345 (2011: \$536,021) 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 \$630,345 (2011: \$536,021) were reimbursed by APT.

APT INVESTMENT TRUST AND ITS CONTROLLED ENTITIES

DECLARATION BY THE DIRECTORS

For the financial year ended 30 June 2012

The Directors declare that:

- 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;
- 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;
- 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
- 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



Leonard Bleasel AM
Chairman



Robert Wright
Director

SYDNEY, 22 August 2012

AUDITOR'S INDEPENDENCE DECLARATION

For the financial year ended 30 June 2012

Deloitte.

Deloitte Touche Tohmatsu
ABN 74 490 121 060

Grosvenor Place
225 George Street
Sydney NSW 2000
PO Box N250 Grosvenor Place
Sydney NSW 1220 Australia

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

The Directors
Australian Pipeline Limited as responsible entity for
APT Investment Trust
HSBC Building
Level 19, 580 George Street
Sydney NSW 2000

22 August 2012

Dear Directors

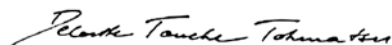
Auditors Independence Declaration to Australian Pipeline Limited as responsible entity for APT Investment Trust

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 2012, I declare that to the best of my knowledge and belief, there have been no contraventions of:

- (i) the auditor independence requirements of the *Corporations Act 2001* in relation to the audit; and
- (ii) any applicable code of professional conduct in relation to the audit.

Yours sincerely



DELOITTE TOUCHE TOHMATSU



G Coultas
Partner
Chartered Accountants

Liability limited by a scheme approved under Professional Standards Legislation

Member of Deloitte Touche Tohmatsu Limited

INDEPENDENT AUDITOR'S REPORT

For the financial year ended 30 June 2012

Deloitte.

Deloitte Touche Tohmatsu
ABN 74 490 121 060

Grosvenor Place
225 George Street
Sydney NSW 2000
PO Box N250 Grosvenor Place
Sydney NSW 1220 Australia

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

Independent Auditor's Report to the Unitholders of APT Investment Trust

We have audited the accompanying financial report of APT Investment Trust, which comprises the statement of financial position as at 30 June 2012, the statement of comprehensive income, the statement of cash flows and the statement of changes in equity for the year ended on that date, notes comprising a summary of significant accounting policies and other explanatory information, 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 94 to 112.

Directors' Responsibility for the Financial Report

The directors of Australian Pipeline Limited are responsible for the preparation of the financial report that gives a true and fair view in accordance with Australian Accounting Standards and the *Corporations Act 2001* and for such internal control as the directors determine is necessary to enable the preparation of the financial report that gives a true and fair view and is free from material misstatement, whether due to fraud or error. In Note 2, the directors also state, in accordance with Accounting Standard AASB 101 Presentation of Financial Statements, that the financial statements comply 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. Those 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 of the financial report that gives a true and fair view, 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.

Liability limited by a scheme approved under Professional Standards Legislation

Member of Deloitte Touche Tohmatsu Limited

INDEPENDENT AUDITOR'S REPORT

CONTINUED

For the financial year ended 30 June 2012

Deloitte.

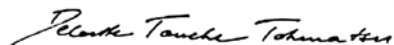
Auditor's Independence Declaration

In conducting our audit, we have complied with the independence requirements of the *Corporations Act 2001*. We confirm that the independence declaration required by the *Corporations Act 2001*, which has been given to the directors of Australian Pipeline Limited, would be in the same terms if given to the directors as at the time of this auditor's report.

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 2012 and of their performance for the year ended on that date; and
 - (ii) complying with Australian Accounting Standards and the *Corporations Regulations 2001*; and
- (b) the financial statements also comply with International Financial Reporting Standards as disclosed in Note 2.



DELOITTE TOUCHE TOHMATSU



G Couttas
Partner
Chartered Accountants
Sydney, 22 August 2012

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 31 August 2012).

TWENTY LARGEST HOLDERS	NO. OF SECURITIES	%
National Nominees Limited	87,392,069	13.56
HSBC Custody Nominees (Australia) Limited	74,342,098	11.54
JP Morgan Nominees Australia Limited	56,685,257	8.80
Citicorp Nominees Pty Limited	20,779,526	3.22
Custodial Services Limited	14,716,133	2.28
Cogent Nominees Pty Limited	9,070,630	1.41
AMP Life Limited	6,749,919	1.05
Argo Investments Limited	6,138,230	0.95
UBS Nominees Pty Ltd	4,716,273	0.73
QIC Limited	4,454,680	0.69
Bond Street Custodians Limited	3,759,790	0.58
RBC Dexia Investor Services Australia Nominees Pty Limited	3,165,444	0.49
Questor Financial Services Limited	2,120,057	0.33
Marich Nominees No 2 Pty Ltd	1,804,316	0.28
Merrill Lynch (Australia) Nominees	1,662,683	0.26
Invia Custodian Pty Limited	1,598,357	0.25
M F Custodians Ltd	1,574,552	0.24
BT Portfolio Services Limited	1,543,952	0.24
Aust Executor Trustees SA Ltd	1,444,480	0.22
Navigator Australia Limited	1,392,401	0.22
Total for top 20	305,110,847	47.34

DISTRIBUTION OF HOLDERS

RANGES	NO. OF HOLDERS	%	NO. OF SECURITIES	%
1 – 1,000	28,241	37.95	10,547,580	1.64
1,001 – 5,000	27,241	36.60	72,717,887	11.28
5,001 – 10,000	10,837	14.56	78,345,049	12.16
10,001 – 100,000	7,948	10.68	152,955,993	23.73
100,001 and over	157	0.21	329,919,074	51.19
Total	74,424	100	644,485,583	100.00

2,759 holders hold less than a marketable parcel of securities (market value less than \$500 or 104 securities based on a market price on 31 August 2012 of \$4.82).

SUBSTANTIAL HOLDERS

By notice dated 7 June 2012, BlackRock Group advised that it had an interest in 32,242,480 ordinary stapled securities;

By notice dated 28 August 2012, National Australia Bank Limited advised that it had an interest in 42,159,164 ordinary stapled 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.

ADDITIONAL INFORMATION

CONTINUED

CALENDAR OF EVENTS

Final distribution FY2012 record date	29 June 2012
Final distribution FY2012 payment date	14 September 2012
Annual meeting	25 October 2012
Interim result announcement	20 February 2013*
Interim distribution FY2013 record date	31 December 2012*
Interim distribution FY2013 payment date	13 March 2013*

*Subject to change

ANNUAL MEETING DETAILS

Date: 25 October 2012

Venue: City Recital Hall

Angel Place, Sydney NSW

Time: 10.30am

Registration commences at 10.00am

ASX LISTING

An APA Group security comprises a unit in Australian Pipeline Trust and a unit in APT Investment Trust. These units are stapled together to form an APA Group stapled security which is listed on the ASX (ASX Code: APA). Australian Pipeline Limited is the Responsible Entity of those trusts.

APA GROUP 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

SECURITYHOLDER DETAILS

It is important that securityholders notify the registry immediately if there is a change to their address or banking arrangements. Securityholders with enquiries should also contact the APA Group registry.

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

DISTRIBUTION PAYMENTS

Distributions will be paid semi-annually in March and September. Securityholders will receive annual tax statements with the final distribution in September.

Direct payment can be made to an Australian bank, building society or credit union account. If you would like to arrange direct payment, please contact the APA Group registry.

ONLINE ANNUAL REPORT, ANNUAL REVIEW AND SUSTAINABILITY REPORT

APA Group's 2012 Annual Report, Annual Review and Sustainability Report are available at www.apa.com.au.

ONLINE INFORMATION

Further information on APA is available at www.apa.com.au, including:

- Company history, results, market releases and news
- Asset and business information
- Corporate responsibility and sustainability reporting
- Securityholder information such as the current APA security price, distribution and tax information.

ELECTRONIC COMMUNICATION

Securityholders can elect to receive communication from APA electronically by registering their email address with the APA Group registry.

Electing to receive the report electronically will reduce the adverse impact we have on the environment.

DISCLAIMER Australian Pipeline Limited (ACN 091 344 704) is the responsible entity of Australian Pipeline Trust (ARSN 091 678 778) and APT Investment Trust (ARSN 115 585 441) (APA Group). Please note that Australian Pipeline Limited is not licensed to provide financial product advice in relation to securities in the APA Group. This publication does not constitute financial product advice and has been prepared without taking into account your objectives, financial situation or particular needs. Before relying on any statements contained in this publication, you should consider the appropriateness of the information, having regard to your own objectives, financial situations and needs and consult an investment adviser if necessary.

Whilst due care and attention have been used in preparing this publication, certain forward looking statements (including forecasts or projections) are made in this publication which are not based on historical fact and necessarily involve assumptions as to future events and analysis, which may or may not be correct. These forward looking statements should not be relied upon as an indication or guarantee of future performance.

APA.COM.AU

