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APA Group



Australian Pipeline Ltd
ACN 091 344 704

Australian Pipeline Trust
ARSN 091 678 778

APT Investment Trust
ARSN 115 585 441

ASX RELEASE

26 September 2008

The Manager

Company Announcements Office
Australian Securities Exchange
4th Floor, 20 Bridge Street
Sydney NSW 2000

Electronic Lodgement

Dear Sir or Madam

Company Announcement

I attach the following announcement for release to the market:

- Annual Report 2008
- "In the Pipeline" newsletter September 2008

Yours sincerely

Mark Knapman
Company Secretary

AUSTRALIA'S
LEADING GAS
TRANSPORTATION
BUSINESS

APA Group

ANNUAL REPORT 2008





CONCEIVING PROFITABLE IDEAS

Image above: Mick Mara and Amol Rampure inside Compressor Unit 1 building, Culcairn Compressor Station, New South Wales
Cover image: Case McCaul at APA's gas meter station servicing Incitec Pivot, Gibson Island, Queensland

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ANNUAL MEETING

DATE	30 October 2008
VENUE	City Recital Hall, Angel Place, Sydney
TIME	10:30am Registration commences at 10:00am

APA Group



WE DELIVER

STABLE FINANCIAL
PERFORMANCE
AND GROWTH
OPPORTUNITIES

INTEGRATING ASSETS

ENHANCING GAS INFRASTRUCTURE

CAPTURING VALUE

DEVELOPING UNIQUE SOLUTIONS

LEVERAGING KNOWLEDGE
AND SKILLS



Satya Nand and Mick Mara
servicing the mainline valve which feeds
gas into Origin Energy's power station,
Uranquinty, New South Wales



Peter McSorley
inspecting Ellengrove Gate Station, which
transfers gas from Roma Brisbane Pipeline
into APA Gas Network, Queensland



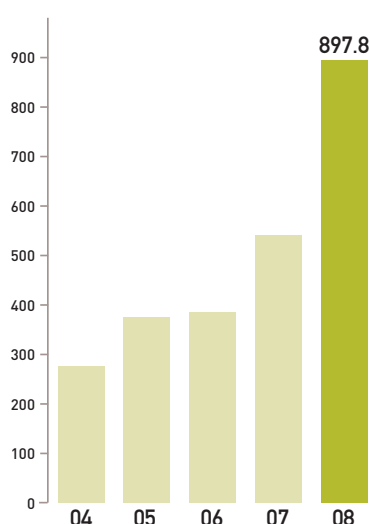
Elizabeth Livingstone (left),
discussing commercial aspects of the gas
metering station at CS Energy's Swanbank
power station

FINANCIAL HIGHLIGHTS

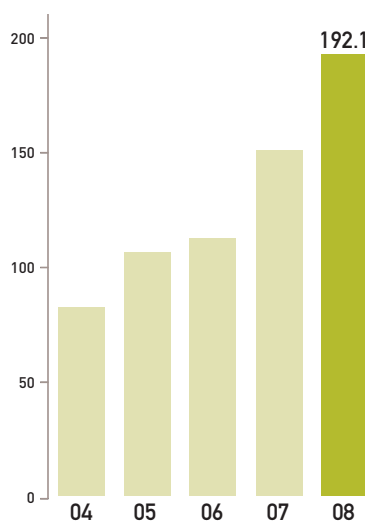
Delivering financial stability and growth

- Revenue up 68.5%
- Earnings before interest, tax, depreciation and amortisation (EBITDA) up 45.0%
- Profit after tax before significant items (NPAT) up 27.4%
- Operating cash flow up 27.6%
- Operating cash flow per security up 7.6%
- Distributions fully funded by operating cash flow
- Achieved target of at least 5% distribution growth
- Raised \$124 million in equity
- Strengthened balance sheet

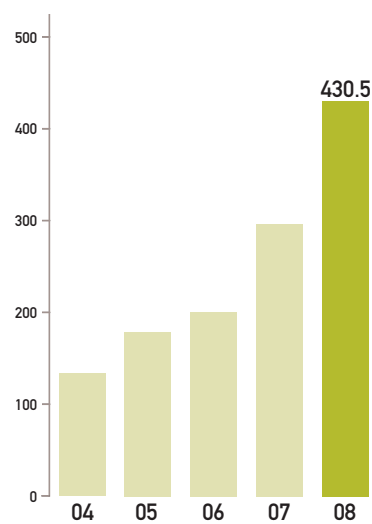
TOTAL REVENUE (\$M)



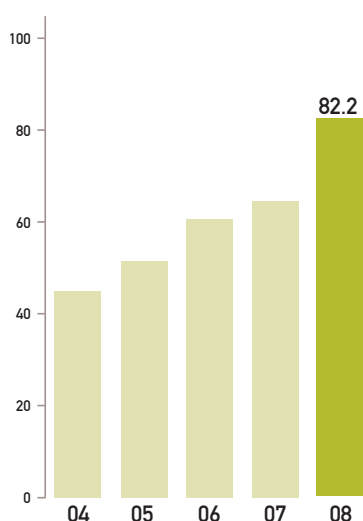
OPERATING CASH FLOW (\$M)



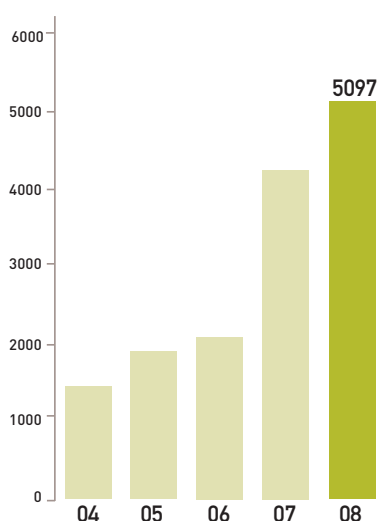
EBITDA (\$M)



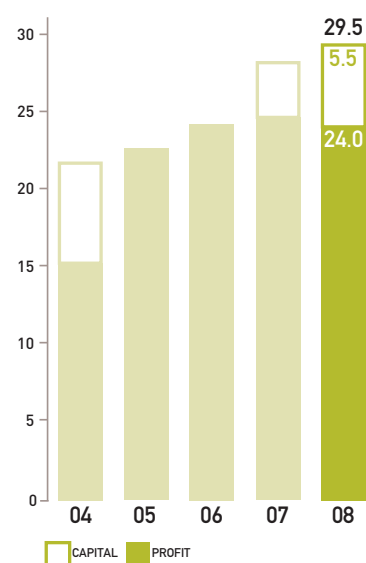
NPAT (\$M)



TOTAL ASSETS (\$M)



DISTRIBUTIONS (CPS)



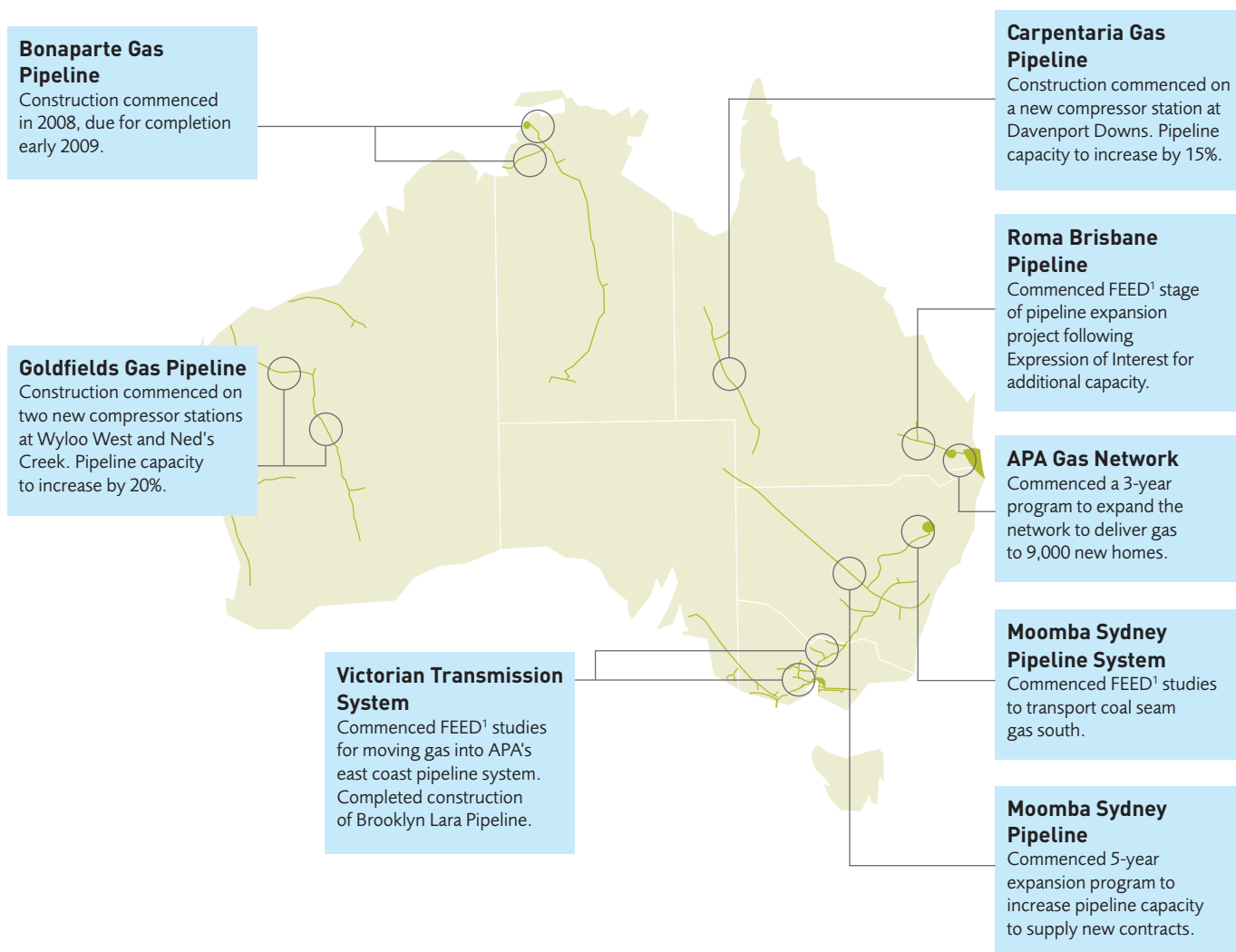
The above refers to underlying results - refer page 26.

OPERATING HIGHLIGHTS

Transporting more than half of Australia's domestic gas used annually

- Completed the transition from infrastructure owner to operating business
- Acquired 33% interest in SEA Gas Pipeline, 17% interest in Envestra, and the personnel and contracts to operate Envestra's assets
- Assumed direct control of operating and maintenance services on APA's foundation pipelines, including personnel, through the termination of third party contracts
- Commenced expansion of the Moomba Sydney Pipeline, Carpentaria Gas Pipeline, Goldfield Gas Pipeline and Victorian Transmission System
- Commenced construction of the Bonaparte Gas Pipeline
- Completed the 30MW X41 Power Station at Mt Isa
- Concluded the Access Arrangement on the Victorian Transmission System, providing revenue certainty to 2012

Enhancing existing gas infrastructure through organic growth



1. FEED – Front-end engineering and design

CHAIRMAN'S REPORT

It is a pleasure for me to present APA Group's annual report for 2008, my first as Chairman. We have delivered another record financial result and have enhanced our portfolio of essential energy infrastructure across Australia. Importantly, we are now a company that has direct management and operational control over its assets with over 1,100 skilled and experienced employees.

Financial performance

APA reported a record financial result for the financial year to June 2008, with underlying EBITDA of \$430.5 million, up 45% on the prior year, and an underlying profit of \$82.2 million, up 27%. The increased performance has come from both our new businesses and from our foundation assets, which continue to grow to meet demand requirements.

APA has had a busy year in growing its portfolio of assets. We invested \$557 million to acquire a one third interest in the SEA Gas Pipeline linking Victoria and South Australia, a 17% stake in Envestra Limited and the long term contract to operate the Envestra Limited assets. Envestra is the owner of natural gas distribution businesses in South Australia, Victoria and Queensland.

In addition to an attractive portfolio of assets, the acquisition also provided APA with the opportunity to significantly expand our internal operating capability through the addition of approximately 490 employees.

We built on this expanded capability by terminating the operating and maintenance function in respect to key APA pipelines previously performed by a third party. The restructure, in respect to which APA paid \$206 million, also saw the transfer to APA of around 260 skilled pipeline operations personnel.

These two major investments have afforded APA direct operation and maintenance control over its gas transmission and distribution assets, the benefit of which is evident in this year's financial results.

On the basis of this strong performance and the continued growth of APA's business, on 26 August 2008 the board declared a final distribution of 15.0 cents per security, taking the full year distribution to 29.5 cents, a 5.4% increase over last year. This year's distributions, as with previous years, were well covered by operating cash flow, with cash remaining to fund further business growth and debt reduction.

Equity base

During the year the number of APA's securityholders more than quadrupled to over 100,000 following the in-specie distribution of Alinta's 35% stake in APA in August 2007. With this change the board decided to pay the annual distribution in two instalments instead of four, providing a considerable cost saving to the company.

The Distribution Reinvestment Plan continued this year at a 2.5% discount, retaining around \$39 million in capital. We also raised approximately \$85 million in capital through the operation of the Security Purchase Plan. As a consequence 36.5 million new securities were issued during the year.

Delivering Australia's energy

Natural gas is an important part of Australia's energy mix and APA is in a strong position to contribute to this nation's future economic growth and its commitment to long term emission reduction targets. Our Australia-wide portfolio of gas transportation infrastructure is currently delivering more than half the natural gas used in Australia, to fuel power stations, industry, businesses and homes. Furthermore, we see APA's infrastructure assisting in the expansion of a competitive gas market in Australia, particularly as it provides access to multiple supply sources and enhances producer on producer competition.



In addition to our acquisitions of new business during the year, we were also active in growing our existing assets. We completed the construction of another compressor on the Moomba Sydney Pipeline at Culcairn and the Brooklyn Lara pipeline in Victoria, and began construction on the Bonaparte Gas Pipeline in the Northern Territory. We also commenced construction of three additional compressor stations on our Queensland and Western Australian pipelines.

The development activities achieved this year, and those planned for the years ahead, demonstrate the strategic nature of APA's gas transmission and distribution assets. These assets are fundamental to Australia's economic development, and APA's board, management and employees recognise the responsibility attached to this custodianship.

Strategy

The pace of change in this industry is constant and during the year the board spent considerable time with management testing and reassessing the company's strategy. Subsequently, the board reaffirmed APA's vision of continuing to grow as Australia's leading gas transportation business, with the objective remaining the continuation of increases in distributions to securityholders and the payment of those distributions from operating cash flow in a sustainable manner.

To achieve the vision, the board has reaffirmed APA's investment strategy and operating strategy.

The investment strategy is to remain focused on gas infrastructure. APA's gas infrastructure assets are positioned to grow and deliver value to you as securityholders. To focus on this growth, we have stated our intention to sell down some of our low growth, annuity-style assets into an unlisted fund, with APA retaining a minority interest and continuing as the operator of the assets. The capital raised will be used to strengthen our balance sheet and provide APA with the flexibility to develop and pursue further growth opportunities.

Our operating strategy is to leverage the tremendous industry skill and

knowledge within APA to extract further value and maintain a competitive advantage. The benefits of internalising commercial and operational activities are evident in APA's strong performance this year, and we envisage APA's 1,100 employees will continue to optimise value for the company.

THE DEVELOPMENT ACTIVITIES ACHIEVED THIS YEAR, AND THOSE PLANNED FOR THE YEARS AHEAD, DEMONSTRATE THE STRATEGIC NATURE OF APA'S GAS TRANSMISSION AND DISTRIBUTION ASSETS

Board and management

This year has seen some changes to the board. After joining the board in August 2007, I was appointed Chairman in October and George Bennett, APA's Chairman from prior to the company's initial listing, retired from the board. George has made an invaluable contribution, overseeing APA over its first seven years. The company has grown and strengthened during this time, and more recently held its ground in the face of aggressive corporate activity. On behalf of the board, I take this opportunity to thank George for his leadership and commitment and to wish him the best for his future endeavours.

The board also thanks Ross Gersbach for his contribution to the board. In February this year, after almost four years' service, Ross retired as a director to take up an executive role within APA as Group Manager Commercial. We also welcome John Fletcher, who joined the board in February this year and will seek nomination for re-election at this year's annual meeting of securityholders. John has extensive experience in the Australian and international energy industry and is a valuable addition to the board.

Outlook

In the coming year, the board will be focused on ensuring APA delivers growth in operating cash flow from all parts of its business, in particular the gas transmission and distribution business. We expect to see the demand for gas transport services continue to grow. This growth is supported by contractual arrangements that underpinned the investment activities during this year and those planned for the coming year.

APA will actively develop and pursue profitable opportunities to enhance its portfolio of gas infrastructure assets and will benefit from the flexibility afforded by the funds expected to be received from the creation of the new unlisted vehicle.

APA's people are key to the ongoing success of the company and we will continue to leverage their skills and experience in operating APA's wholly and partly owned assets, and those of third parties.

Barring unforeseen circumstances, APA directors reaffirm previous guidance that they intend to increase distributions in the 2009 financial year by at least 5%, and that those distributions will be fully covered by operating cash flow.

In conclusion, I would like to thank my fellow directors, Managing Director Mick McCormack and his management team and all APA Group employees for their contribution to our record performance this year and you, our securityholders, for your continued support.



Len Bleasel AM
APA Group Chairman

MANAGING DIRECTOR'S REPORT

This year again has been one of significant change, enhancing our gas infrastructure portfolio as well as completing our transformation into a truly independent operating business. APA is a leader in the industry on both fronts.

APA has had a simple objective since listing eight years ago, that is to grow the business in order to maximise returns to our securityholders. This year's record financial results again demonstrate our success in achieving this objective.

The strong financial performance reflects the growth of our underlying businesses, the solid contributions of the acquisitions made in the last two years and, in particular, internalising the operation and maintenance of our assets.

Internally managed and operated business

This year we completed the transition from infrastructure owner to an operating business principally through two acquisitions. In July 2007 we acquired the asset management business from Origin Energy, which included the long term contract to manage Envestra's assets and the addition of some 490 personnel across the country. This group has brought

additional network operation and management skills into APA. In October 2007, we terminated the long term Alinta operation and maintenance arrangement on APA's foundation pipelines. In addition to removing fees and margins, around 260 highly skilled people were added to our pipeline business through that transaction.

Our new and existing employees now provide all commercial and operational services to the business, delivering first class operating and maintenance services to over \$8 billion worth of assets which APA owns or operates.

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

APA people

I am proud to be leading APA's 1,100 employees, people with tremendous skills and depth in the energy industry. Our workforce originated from six different businesses and we have

built a national focus over the year, bringing our operations together, with teams working across states and across assets, combining the best ideas and thinking into one group. There is now a wider platform for APA employees to apply and further develop their skills and experience.

Safety remains a high priority for APA. I am pleased that we have improved the safety performance of the major new operating businesses acquired during the year, and we will continue to maintain this as a company-wide focus.

Integration

Our company-wide integration program commenced this year with the purchase of Origin Energy's network asset business and followed by the Alinta operation and maintenance contract termination. These businesses have been transitioned and integrated into APA. At the same time, we restructured APA to better deliver on its strategy, moving to a nationally operated business on functional, rather than geographic, management reporting lines.

The restructure has included progressively moving to common processes which have delivered savings and further value to the business. We have implemented common operation and maintenance procedures in the gas pipeline and distribution business, created a project team to deliver on national procurement strategies and centralised our corporate services. These initiatives are starting to deliver reduced operating costs and savings in our capital expenditure. Next year we expect further benefits to be captured from the integration program.

Operational and financial performance

All business segments performed well, contributing to the record financial performance. Our underlying EBITDA of \$430.5 million was up 45% on last year, and reflects the positive impact of a number of items, including the acquisitions outlined above, as well as revenue growth from existing businesses, particularly the gas transmission and distribution business.



The gas transmission and distribution segment contributed 85% of APA's EBITDA for the year. Its underlying EBITDA increased by 33% to \$368 million, with two key standouts being the performance of the Moomba Sydney pipeline and the Victorian Transmission System. Gas demand in New South Wales increased in the winter period and the Moomba Sydney pipeline system provided the capacity required to meet this peak demand. The performance of the Victorian Transmission System was boosted by both record gas throughput and the higher regulated tariffs approved by the Australian Energy Regulator. The tariffs, which apply from 1 January 2008, reflect the current economic environment of higher debt and equity costs.

The balance of EBITDA came from the remaining three business segments – electricity transmission, asset management and complementary assets. All segments contributed positively, with the increase due to the partial or full year contributions of recent acquisitions and developments. The asset management contribution was driven by the earnings from APA's operation and maintenance agreement with Envestra, and the complementary asset segment reflected the contribution of the new 30 megawatt gas fired power station at Mt Isa, commissioned in November 2007.

Our financial position remains strong and sustainable, with operating cash flow increasing by 27.6% to \$192 million. Operating cash flow per security also increased by 7.6% to 42.7 cents per security, providing the basis to increase distributions this year to 29.5 cents per security, an increase of 5.4% on last year.

APA unlisted energy fund

There are numerous growth projects and opportunities available to APA. Our assets are in locations where demand for gas is growing and we have been busy building and developing additional capacity on our pipelines to meet new contracted demand as well as developing competitive alternatives for delivering gas through our pipeline infrastructure across eastern Australia.

The establishment of APA's unlisted energy fund announced in May this year will provide further flexibility to pursue these growth opportunities. We are proposing to sell a number

of assets into the fund and redistribute the capital towards core gas assets with growth potential.

The assets to be transferred have annuity-style incomes, either under long term contractual arrangements or regulatory frameworks, and complement each other on a portfolio basis. These are quality assets that we will continue to be involved in by retaining a minority interest in the fund in conjunction with new third party investors. APA will also remain the manager and operator of the assets under a long term arrangement. The transaction will be financed by non-recourse finance.

We anticipate that proceeds of at least \$500 million will be released from this transaction, which will go towards initially reducing debt, and so subsequently give us the flexibility to develop the greenfield and brownfield opportunities on our gas assets. We have been pleased with the responses of both the debt and equity markets to the proposal and are on target to complete the transaction within the 2008 calendar year.

APA'S BUSINESS MODEL IS A LOW COST, TRANSPARENT AND COMPETITIVE ONE

Natural gas and sustainable energy

Natural gas provides an affordable, clean energy solution that will assist Australia in the transition to a carbon-constrained environment.

The Federal Government's recently announced Carbon Pollution Reduction Scheme, which is scheduled to commence in 2010, will fundamentally affect the investment and operating decisions of Australia's electricity industry. The use of low and zero emissions electricity generation alternatives will be required to meet Australia's emissions targets and any long term emissions reduction program will, by necessity, include the use of natural gas for electricity generation. APA, as Australia's largest transporter of natural gas, should benefit in this environment, as the cost of carbon is factored into coal-fired generation.

APA is committed to the principles of sustainable development and high

standards of environmental performance as a responsible way to protect the environment. As Australia's leading transporter of natural gas, APA minimises environmental impacts, adheres to environmental regulations and protects and regenerates the environment in which we operate.

Outlook

The fundamentals of APA's business remain solid as we continue to operate and enhance our portfolio of gas transportation infrastructure across the country. Our investments this year, and committed projects for 2009, will deliver secure, long term cash flow. We will focus on capturing further profitable growth opportunities provided by our gas infrastructure footprint.

We will pursue completion of the APA unlisted energy fund transaction which will strengthen our balance sheet and provide further flexibility to fund our growth assets.

We will continue our integration program and achieve further cost reduction initiatives to enhance the bottom line for 2009. In addition, we will leverage the skills and experience of our employees to drive further value from the business.

Our guidance for 2009 is a continuation of our objective to grow operating cash flows to support growth of at least 5% per annum in our distributions to securityholders.

APA has delivered a solid financial result for the year and again proved we are a robust, secure and dependable business with real opportunities for organic growth.

I am very proud of what the company has achieved both for securityholders and for our customers this year. And I am confident that with the combination of our national gas infrastructure footprint, our prudent capital management and our dedicated highly skilled employees, we will continue to deliver financial stability and growth into the future.



Mick McCormack
Managing Director APA Group

WE DELIVER
Operations Report

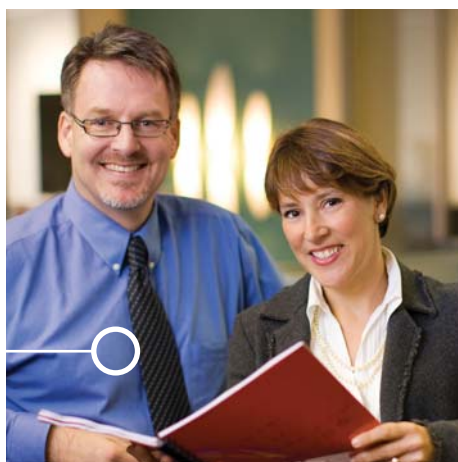


APA OWNS AND OPERATES STRATEGIC ENERGY INFRASTRUCTURE ASSETS ACROSS AUSTRALIA

Gas Transmission and Distribution

Gas transmission and distribution includes all gas transmission pipeline and gas distribution network businesses across the country, comprising the main contribution (85%) to the company's financial performance. This year the segment achieved a 27% increase in revenue (excluding pass-through revenue) to \$499 million due to the increased performance across the majority of pipelines and the full 12 months contributions of businesses acquired in 2007 and 2008. EBITDA increased 33% to \$368 million reflecting both the additional revenue outlined above and reduced operating expenses resulting from synergy benefits and the termination of the Alinta agreement.

In October 2007, the long term operating and maintenance agreement with Alinta, which provided services to APA's foundation gas transmission pipelines in New South Wales, Queensland, Northern Territory and Western Australia, was terminated. This resulted in the elimination of all fees paid to Alinta and the transfer of Alinta personnel involved in the provision of services to APA. APA now manages and operates all its gas transmission and distribution assets and has integrated its internal resources to provide a national operations and capital development program for this business segment.



Left: Tony Spring inspecting the coolers on Compressor Unit 2, Culcairn Compressor Station, New South Wales

Above: Brad Evans and Marie Chretien negotiate and manage the capacity contracts on the Moomba Sydney Pipeline

PIPELINES	OWNERSHIP (%)	STATE	LENGTH (KM)
Carpentaria Gas Pipeline (including Cannington lateral)	100	Qld	944
Roma Brisbane Pipeline (including Peat lateral)	100	Qld	558
Gold Coast Gas Pipeline	100	Qld	93
Moomba Sydney Pipeline System	100	NSW/ACT	2,029
Central West Pipeline	100	NSW	255
Central Ranges Pipeline	100	NSW	294
Victorian Transmission System	100	Vic	1,936
SEA Gas Pipeline	33.3	Vic/SA	688
SESA Pipeline	100	SA	45
Goldfields Gas Pipeline (including Murrin Murrin lateral, owned 100% by APA)	88.2	WA	1,594
Parmelia Gas Pipeline	100	WA	462
Mid West Pipeline	50	WA	353
Telfer Gas Pipeline	100	WA	488
Amadeus Gas Pipeline ¹	96	NT	1,702
Bonaparte Gas Pipeline	100	NT	287
TOTAL			11,728

1. APA forms 96% of the Amadeus Gas Trust which leases the Amadeus Gas Pipeline.

WE DELIVER

Operations Report (continued)

APA commenced expansion of the Moomba Sydney Pipeline, Carpentaria Gas Pipeline, Goldfields Gas Pipeline and the Victorian Transmission System.

Queensland

New transportation agreements for the Carpentaria Gas Pipeline, including an agreement to supply gas transportation for the X41 Power Station, were executed during the year. These contracts underpin the development of a new compressor station at Davenport Downs, which will increase pipeline capacity by 15%. Commissioning of the compressor station is expected in mid 2009.

APA Gas Network in Queensland increased billable connections to 73,960, up from 68,210 in 2007. Throughput was 13.3 PJ for the year, in line with the acquisition case. Demand for natural gas continues to increase, driven in part by the Queensland Government's Climate Smart 2050 Policy. APA systems and policies were implemented, and all transitional services from the vendor (Energen) terminated as scheduled.

APA committed to a three year, \$17 million expansion of the gas distribution network into new housing developments in the fast growing Gold Coast area. The extended network will service over 9,000 new home sites as well as provide the foundation infrastructure to further extend the network.

New South Wales

Revenue from the Moomba Sydney Pipeline (MSP) increased by \$7.0 million, primarily as a result of increased peak gas demand and new contracted services for the winter period.

The MSP southern lateral was expanded to supply gas transportation services to Origin Energy's open cycle peaking power station near Uranquinty in southern central NSW. The expansion included the construction

of a compressor station at Culcairn, which was commissioned in June 2008.

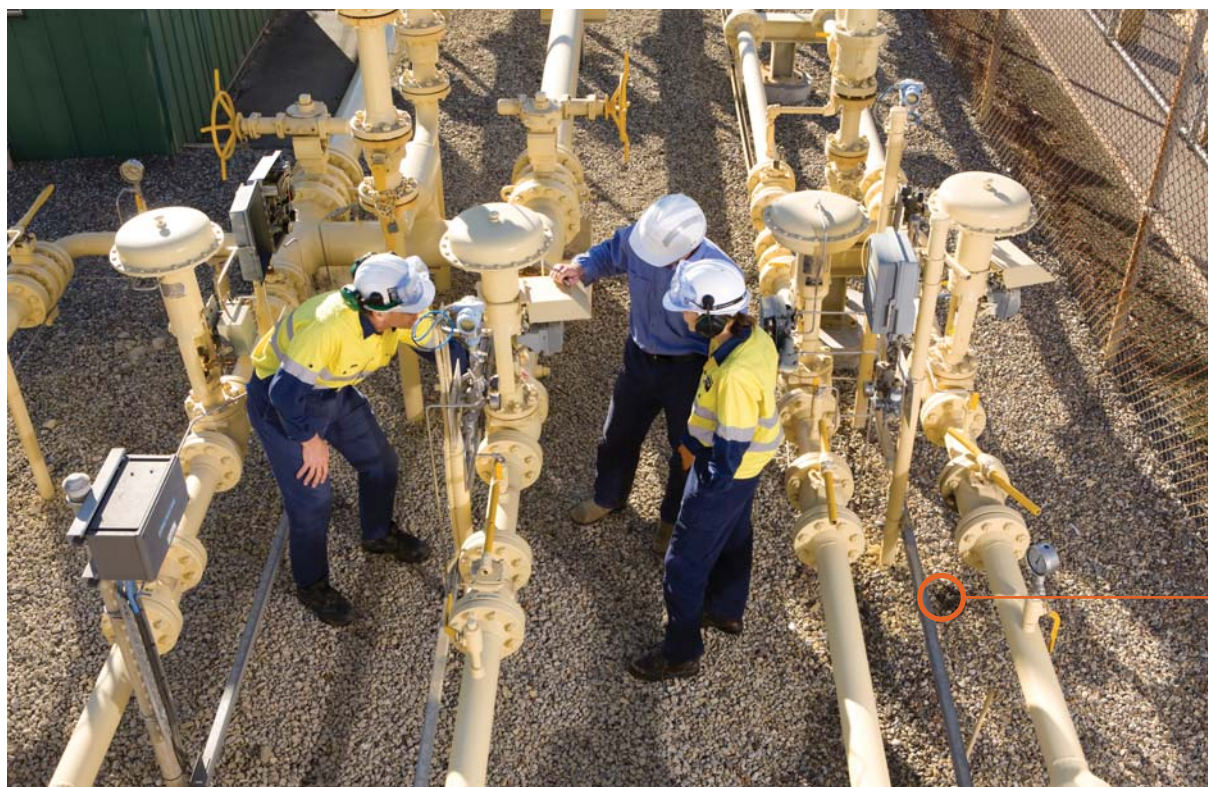
Capacity in the MSP system will be progressively increased over a five year period to meet increasing winter peak requirements. The first tranche of this additional capacity was made available this winter. The \$100 million expansion program is fully underwritten by long term shipper arrangements.

In April 2008 APA acquired a 6% interest in the Mariner Pipeline Income Fund, together with the management rights, for \$12 million. The Fund's sole operating asset is the Moomba Sydney Ethane Pipeline. APA currently operates and maintains the 1,375 km Ethane Pipeline, and the management rights extend to at least 2016.

Victoria

Record volumes of gas were transported on the Victorian Transmission System in the current year, with an annual quantity of 244 PJ (previous record of 236 PJ for 2004 financial year) and peak day delivery of 1,279 TJ (1,220 TJ in 2007).

APA completed the construction of the Brooklyn Lara pipeline, with commissioning during winter 2008.



The \$70 million, 58 km pipeline effectively expanded the capacity of the Victorian Transmission System for gas flows from the Otway Basin in Victoria's southwest to the major demand centre of Melbourne. Upgrades to compressor stations on the Victorian Transmission System during the year totalled \$30 million.

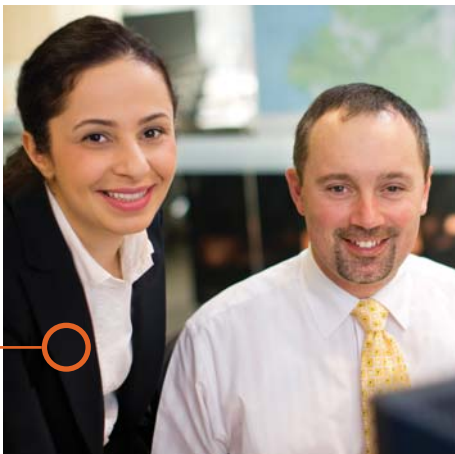
The revised Victorian Transmission System Access Arrangement (2008-2012) was approved in June 2008. The revised higher tariffs apply from 1 January 2008, and substantially increase revenue for the system over the five-year regulatory period. The revised Access Arrangement also approves \$187 million of proposed capital expenditure to 2012.

South Australia

As part of the Origin Energy Networks acquisition in June and July 2007, APA acquired the SESA Pipeline in South Australia, a one third interest in the SEA Gas Pipeline, and a 17.2% stake in Envestra Limited. Envestra's assets of gas distribution networks and pipelines are located mainly in South Australia, Victoria and Queensland.

APA participated in two Envestra Distribution Reinvestment Plans (DRP), increasing its interest to 18.3%, with the total value of distributions reinvested of \$14.3 million.

APA COMMENCED CONSTRUCTION OF THE BONAPARTE GAS PIPELINE, WITH COMMISSIONING EXPECTED IN EARLY 2009



Western Australia

Gas transportation revenues in Western Australia increased by \$13.8 million due to increased third party demand, particularly from the mining sector. The gas supply disruption in June 2008, due to the explosion at Apache Energy's Varanus Island gas processing plant, reduced gas flow into the Goldfields Gas Pipeline and Telfer Gas Pipeline. However, this incident had no material financial impact on APA due to a combination of factors including the "take-or-pay" nature of APA's revenue contracts on both pipelines and the ability of shippers to source some alternate gas supplies.

Significant long term agreements for additional capacity on the Goldfields Gas Pipeline were executed with Rio Tinto subsidiary Hamersley Iron's Paraburdoo mine and Minara Resources Murrin Murrin operations. To meet this additional demand, development of two new compressor stations at Wyloo West and Ned's Creek commenced which will increase pipeline capacity by 20%. In addition, two new connections were completed during the year, with gas now being delivered under long term transportation agreements to the Cosmos and Jaguar mine sites.

APA increased capacity of the Mondarra Gas Storage Facility with an additional injection and production well drilled into the Mondarra reservoir. The Mondarra facility is designed to receive and store gas from the Dampier to Bunbury Pipeline and deliver gas to Perth via APA's Parmelia Pipeline. Mondarra gas production peaked during the Varanus Island incident, supplying gas to Perth via the Parmelia Pipeline.

Northern Territory

In March 2008, APA began construction of the Bonaparte Gas Pipeline, and the project is on schedule to deliver gas in early 2009. The 287 km pipeline will transport gas from Wadeye to the Amadeus Gas Pipeline under a 25 year Gas Transportation Agreement with Power Water Corporation.

Far left: Case McCaul (centre) inspecting APA's gas metering facilities at Incitec Pivot, Queensland

Left: Azar Balabandi and Robert McMaster apply engineering and management skills to gas infrastructure projects

REGULATORY MATTERS

Access arrangement for the Victorian Transmission System

On 25 June 2008 the Australian Competition and Consumer Commission (ACCC) approved the 2008-2012 Access Arrangement for APA's Victorian Transmission System.

The ACCC accepted APA's proposals and submissions on a number of key issues, including non-capital costs and the majority of forecast capital expenditure. The weighted average cost of capital applied to the 2008-2012 Access Arrangement reflects the significant changes in market conditions, including debt costs since the previous (2003) approval. The approved Access Arrangement allows APA to keep assumed synergies arising from APA's acquisition of GasNet.

The ACCC did not accept APA's view of capital expenditure required to ensure reliability of gas delivery in some areas of Victoria. However, APA is able to seek approval for such expenditure in the future if further expenditure is required to ensure security of supply.

Moomba Sydney Pipeline High Court decision

In September 2007 the long running proceedings between APA and the ACCC in relation to the Access Arrangement for the Moomba Sydney Pipeline (MSP) were resolved in APA's favour by the High Court of Australia. The decision has no material impact on MSP revenues since the pipeline is substantially unregulated and tariffs are set by negotiation. APA has applied to have the covered part of the MSP declared a "light regulation" pipeline under the new National Gas Law, which will reduce the regulatory cost.

National Gas Law

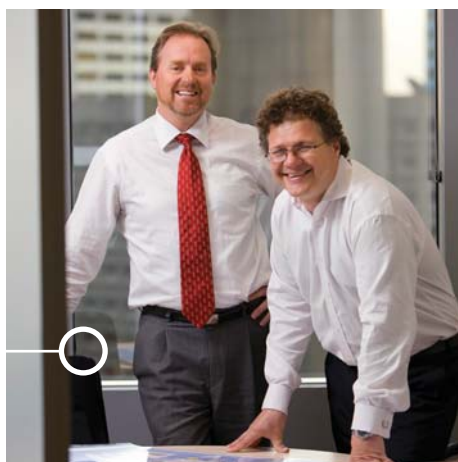
The new National Gas Law and Rules were introduced on 1 July 2008 to replace the previous Gas Pipelines Access Law and Gas Code. The new Law and Rules are broadly similar to the previous regime but contain important changes including the introduction of a light regulation option for some pipelines and the introduction of regulatory holidays for new pipelines.

Under the new Law, the Access Arrangement for the Carpentaria Gas Pipeline expired and has been replaced by the light regulation option.

WE DELIVER
Operations Report (continued)



APA'S 1,100 HIGHLY SKILLED AND EXPERIENCED PERSONNEL MANAGE AND OPERATE OVER \$8 BILLION WORTH OF ENERGY ASSETS ACROSS AUSTRALIA



Left: Elizabeth Livingstone (left) and Alice Tai (2nd from left) explaining aspects of the gas metering station at CS Energy's Swanbank Power Station, Queensland

Above: Bob Paton and Ivan Byak, part of APA's Commercial team

Electricity transmission

APA's two electricity transmission assets, Directlink and Murraylink, have an annuity-style income stream, receiving fixed annual revenue based on the regulated value of the assets. Revenue from these two assets increased by \$8.0 million to \$25.2 million due to a full 12 months contribution from the Directlink business acquired in February 2007. Murraylink and Directlink have similar operating technology, creating operational synergies. Earnings for this segment continued to perform according to expectations.

Asset management

Asset management revenue reflects the first 12 months of revenue (excluding cost recovery revenue) from providing asset management, operating and maintenance services to Envestra and nine months revenue from providing operating and maintenance services

to the Moomba Sydney Ethane Pipeline. The long term Envestra contract was part of the acquisition of the Origin Energy Asset Management group in July 2007, and included the transfer of the long term operations and maintenance of Envestra assets across five states and territories. APA systems were implemented and all transitional services from Origin Energy terminated as scheduled, effective 31 December 2007. The operation and maintenance agreement in relation to the Moomba Sydney Ethane Pipeline was transferred to APA as part of the termination of the Alinta Pipeline Management Agreement.

Complementary assets

Complementary assets' revenue for the year was \$34.9 million, with all assets having performed in line with expectations. Complementary assets are energy assets developed or acquired by APA. The four main assets are located on or near APA's gas transmission pipelines in Queensland, and provide energy services to single customers under lease arrangements. These include two coal seam gas processing plants and two gas fired power stations, including the recently commissioned X41 Power Station at Mt Isa.

In November 2007, APA commissioned the 30 megawatt gas fired low emissions X41 Power Station, which provides additional power to Xstrata's upgraded and expanded minerals processing facilities. The power station receives natural gas via the Carpentaria Gas Pipeline, and will operate under a contract for 15 years.

Complementary assets also include a number of Natural Gas Vehicle (NGV) and cogeneration businesses acquired as part of the Origin Energy Networks acquisition in July 2007.

DELIVERING SUSTAINABLE ENERGY

Climate change is one of the greatest economic, social, and environmental challenges of our time. In addition to taking an active role in reducing its own carbon footprint, APA recognises its broader role in facilitating the delivery of clean energy to those industries and individuals endeavouring to reduce their carbon footprint.

Delivering cleaner energy

Natural gas is a clean energy fuel with a much lower carbon impact than coal. Achieving Australia's emissions targets at least cost is vital to a sustainable economy. Natural gas provides an affordable, clean energy solution that will assist Australia in the transition to a carbon-constrained environment while maintaining economic growth.

A participant in the Carbon Pollution Reduction Scheme

APA supports the introduction of a carbon pollution reduction scheme as a recognition that Australia needs to transition to a lower-emissions future in order to combat climate change. Gas fired power generation is a positive option in a low emissions environment and APA advocates gas as a fuel of choice for future base-load generation.

Delivering sustainable solutions to business

The sustainable benefits of gas are being recognised by those businesses striving to reduce their carbon footprint. For example, the conversion of coal boilers to natural gas high efficiency steam boilers significantly reduces water and energy consumption, and thereby carbon emissions.

BOARD OF DIRECTORS



Leonard Bleasel AM FAICD FAIM
INDEPENDENT CHAIRMAN

Appointed 28 August 2007
Appointed Chairman 30 October 2007

Leonard ("Len") Bleasel is Chairman of ABN AMRO Australia Holdings Pty Limited, Taronga Conservation Society Australia, and a non-executive director of QBE Insurance Group Limited and O'Connell Street Associates Pty Limited. Len is also involved as a member of several charitable institutions.

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

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

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.



Michael McCormack
BSurv GradDipEng MBA FAICD
MANAGING DIRECTOR

Appointed Managing Director
1 July 2006

Michael ("Mick") McCormack has been Chief Executive Officer of APA since 1 July 2005 and was appointed Managing Director on 1 July 2006. Mick has had a long career, including extensive senior management experience, in the energy transmission sector in Australia, with particular focus on gas transmission pipelines, where he has worked on the development of new and existing pipelines across Australia.

Mick is Chairman of NT Gas Pty Ltd and a director of Envestra Limited, the Australian Pipeline Industry Association and the Australian Brandenburg Orchestra.



John Fletcher BSc MBA
INDEPENDENT DIRECTOR

Appointed 27 February 2008

John Fletcher has over 35 years experience in the energy industry, having held a number of executive

positions in AGL prior to his retirement in 2003, including Chief Financial Officer. John has previously been a director of Integral Energy, NGC Limited of New Zealand and Foodlands Associated Limited. He brings a wide commercial and financial practical knowledge to the board.

John was previously an AGL appointed director of Australian Pipeline Limited during 2000 to 2005. He is also a director of Babcock & Brown Power and Sydney Water.

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



Russell Higgins AO BEc FAICD
INDEPENDENT DIRECTOR

Appointed 7 December 2004

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

Russell is the Chairman of the Co-operative Research Centre for Coal in Sustainable Development and Chairman of the CSIRO Energy Transformed Flagship Advisory Committee. He is a director of RiceGrowers Limited (trading as Sunrice). He is a former Chairman of the Snowy Mountains Council, a former Chairman of the Australian Government's Management

Improvement Advisory Committee and a former director of Australian Biodiesel Group Limited, EFIC, CSIRO, Austrade, the Australian Industry and Development Corporation, the Australian Tourist Commission, and the Australian Sports Commission as well as a former member of the Australian Government's Joint Economic Forecasting Group. In 2006-07 he was a member of the Prime Ministerial Task Group on Emissions Trading.

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



Muri Muhammad ^{MSc}
INDEPENDENT DIRECTOR

Appointed 8 March 2000

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

Muri was Petronas' Vice President for Gas Business from 1998 until his retirement. In that role, he was involved in gas development projects in Iran, India, Algeria, Myanmar, Pakistan, Vietnam and China. He has held several directorships including Chairman of the board of Petronas' subsidiaries and associate companies

in Malaysia and abroad. He has been involved in district cooling cogeneration, pipeline gas transmission and distribution, LNG production and marketing, and urea/ammonia production and marketing. He currently sits on the boards of Transportadora de Gas Del Norte of Argentina and Petronas Gas Berhad of Malaysia, both of which are gas pipeline transmission companies. He is also a member of the Malaysian Energy Commission, a Malaysian Government regulatory body.

Muri is a member of the Remuneration Committee and the Health Safety and Environment Committee.



Manharlal Ratilal ^{MBA}
INDEPENDENT DIRECTOR

Appointed 31 July 2007

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

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



Robert Wright ^{BComm FCPA}
INDEPENDENT DIRECTOR

Appointed 11 February 2000

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

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

EXECUTIVE MANAGEMENT



Richard Francis

BComm CA MBA GAICD

CHIEF FINANCIAL OFFICER

Richard ("Rick") is responsible for the financial management of APA. This includes accounting and financial reporting, financial compliance and governance, taxation, treasury and IT functions.

Rick has 26 years accounting experience including over five years as the Group Financial Controller for Origin Energy and he also held a number of divisional senior management positions in Boral Energy and Boral.



Ross Gersbach BBus CPA

GROUP MANAGER COMMERCIAL

Ross has responsibility for all commercial aspects of APA, including sales, strategic development and planning, investment management and corporate development.

Ross has over 20 years experience in senior positions across a range of energy related sectors, covering areas such as infrastructure investments, mergers and acquisitions and strategic developments. In addition he has extensive commercial experience and has managed a portfolio of infrastructure assets in the electricity and natural gas distribution network sector.



Stephen Ohl

BEng GradDipMan MIEAust FAICD

GROUP MANAGER OPERATIONS

Stephen is responsible for the operational performance of all APA assets. This includes primary responsibility for the operation, contract management, project development and technical regulation of all pipeline and related assets.

Stephen has over 30 years experience in the petrochemical, oil and gas and pipeline industries of which 20 years has been spent managing and operating APA assets.



Robyn Smith

BA GradDipBusAdmin

GENERAL MANAGER HUMAN RESOURCES, HEALTH, SAFETY & ENVIRONMENT

Robyn is responsible for the management of human resources, health, safety and environment issues for the APA Group. This includes responsibility for APA's people strategy, ensuring effective health, safety and environmental performance, attraction and retention of talent, remuneration strategy, and the development of management and leadership skills across the business.

Robyn has over 18 years experience in human resource management, the last eight years in the energy industry.



Mark Knapman

BComm LLB GradDipAppCorpGov

COMPANY SECRETARY

In addition to being responsible for the secretariat function, Mark oversees corporate governance and the risk management and compliance functions.

Mark has extensive experience as a Company Secretary having spent over 12 years in the secretariat function for both listed public and proprietary companies. He was Company Secretary and General Counsel of ASX-listed Keycorp Limited prior to joining APA and, before moving into that and other corporate roles, was a partner of Australian law firm Hunt & Hunt.



Sandra Dureau

BA (Asian Studies) LLB GAICD

GENERAL COUNSEL/GENERAL MANAGER REGULATORY

Sandra is responsible for the management of legal and economic regulatory matters affecting APA. This includes responsibility for the outcome of regulatory processes under the National Gas Law. Sandra has extensive legal and regulatory experience in energy infrastructure, having worked in the industry since 1996 in legal, regulatory and commercial roles. Prior to moving in-house, she worked as a solicitor for 10 years.

CORPORATE GOVERNANCE

STATEMENT

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

Australian Pipeline Limited (**APL**) is the Responsible Entity for Australian Pipeline Trust and APT Investment Trust, and is responsible for APA's corporate governance practices.

The ASX Corporate Governance Council issued its revised Corporate Governance Principles and Recommendations in August 2007 (**Principles**). The adoption of the Principles is not compulsory. However, under the Australian Securities Exchange (ASX) Listing Rules, companies are required to provide a statement in their annual report disclosing the extent to which they have followed the Principles in the reporting period and, where companies have not followed all the Principles, they must identify which ones they have not followed and give reasons for not following them.

The first year that listed entities are required to report against the revised Principles is the year ending 30 June 2009. However, APA has elected to report by reference to the Principles this financial year. For transparency, each of the eight Principles has been responded to in turn below.

In this section, various references are made to APA's web site as a source of information on corporate governance practices. The home page for APA's web site is www.apa.com.au, and the link entitled "About APA" leads to the corporate governance material. If you do not have internet access but wish to read that material, please telephone 1800 992312 (or +61 2 82807132, if calling from outside Australia) and we will send you a copy of the relevant material.

PRINCIPLE 1

Lay solid foundations for management and oversight by the board

The 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.

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.

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

The appointment of the General Manager Human Resources in October 2007 and subsequent enhancement of the Human Resources function have improved induction and management development programmes across the business. Further improvements to the induction programme, succession planning and implementation of a leadership development programme are ongoing endeavours.

APA has processes in place to review the performance of senior management. Each senior manager, including the Managing Director, has personal objectives as well as objectives related to the performance of business units and APA as a whole. They are assessed against those objectives on an annual basis, or more frequently if that is indicated. Assessments for senior management personnel took place in June 2008.

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

PRINCIPLE 2

Structure the board to add value

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

CORPORATE GOVERNANCE

STATEMENT (CONTINUED)

At 1 July 2007 there were six directors on the board. Mr Manharlal (George) Ratilal was appointed to the board on 31 July 2007. Mr Leonard Bleasel was appointed on 28 August 2007 as Chairman elect following the announcement of Mr Bennett's intention to retire on 30 October 2007. Mr Ross Gersbach resigned from the board on 31 January 2008 to take up an executive position as APA's Group Manager Commercial. Mr John Fletcher was appointed to the board on 27 February 2008.

The board currently consists of seven directors whose respective terms of office as director, and whose names, experience and membership of board committees, are set out on pages 14 and 15.

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

APL's constitution requires one-third of its directors (excluding the Managing Director, the Petronas-appointed director and any director who is standing for re-election after having been appointed as an additional director or to fill a vacancy) to retire from office at the annual general meeting 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. Mr Wright will retire and offer himself for re-election under this provision of the constitution at the 2008 annual general meeting.

If the board appoints a director to fill a vacancy or as an addition to the board, the new director holds office until the end of the next annual general meeting and is eligible for re-election. Mr Fletcher will stand for election on this basis at the 2008 meeting.

At least 60 days before annual general meetings of APL, securityholders are notified, by announcement to the ASX, that they may nominate a person to fill a vacancy on the board that arises on retirement of either a director under the "rotation" process or a director appointed by the board since the last annual general meeting. If securityholders wish to exercise that right, at least 45 days before the annual general meeting they must send APL a signed nomination form and the nominee's signed consent to act as director. If nominations are received by the required date, APL advises securityholders of all candidates who have been validly nominated and presents its nominations to the annual meeting of securityholders.

The board has assessed the independence of the non-executive directors and considers that Messrs Bleasel, Fletcher, Higgins, Muhammad, Ratilal and Wright are independent.

APA has previously advised that it has received legal advice confirming the independence of the Petronas-appointed director, Mr Muhammad, and Mr Ratilal, who is an employee of Petronas, on the basis that there are no significant day to day business dealings between Petronas and APL and that Petronas does not have any interest in APL.

Mr McCormack, as Managing Director, is not considered to be independent.

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

In considering potential new directors to commend to shareholders of APL and securityholders, the board seeks to identify candidates with appropriate skills and experience to contribute to the effective direction of APA and who can exercise an independent and informed judgement on matters which come to the board.

A formal review process to assess the performance of the board, its committees and individual directors is undertaken each year, the last review having occurred in December 2007.

The review involves completion of a questionnaire by each director. The responses are then collated and the board meets to discuss and consider the results and to determine any actions arising from the review. The Chairman also meets

CORPORATE GOVERNANCE

STATEMENT (CONTINUED)

with each director to discuss the review and the director's own performance, and to seek the director's feedback on the performance of the Chairman.

Matters covered by the performance review include the role of the board and its committees, their composition, how the board operates, how board members interact, the effectiveness of the Chairman in leading the board and board performance generally.

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 at any time.

Each director also has the right to seek independent professional advice at APA's expense. Prior approval of the Chairman is required, but this may not be unreasonably withheld.

Directors and senior management are encouraged to broaden their knowledge of APA's business and to keep abreast of developments in business more generally by attendance at relevant courses, seminars and conferences, both in Australia and where appropriate overseas. APA meets expenses involved in such activities.

PRINCIPLE 3

Promote ethical and responsible decision making

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

APA's code of conduct sets out the behaviour required of directors and employees and recognises the responsibilities of APA and its personnel to securityholders, customers and suppliers, the community and employees. 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 of conduct is published on APA's web site.

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

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

PRINCIPLE 4

Safeguard integrity in financial reporting

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

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

The current members of the committee are Messrs Wright (committee Chairman), Fletcher and Higgins and their qualifications are set out on pages 14 and 15. The Chairman of the board, although not a member of the committee, usually attends committee meetings.

The roles and responsibilities of 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, other senior management personnel, as required, and the external and internal auditors attend committee meetings at the discretion of the committee. The committee also meets with the external and internal auditors without management present.

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

CORPORATE GOVERNANCE

STATEMENT (CONTINUED)

The committee is required by its charter to meet at least four times each year. The number of times it met during the financial year ended 30 June 2008, and the committee members' attendance at those meetings, are set out in the Directors' Report.

The committee monitors the effectiveness and independence of the external and internal auditors and the independence of the external auditor, and makes recommendations to the board on the appointment or replacement (subject to securityholders' approval, if applicable) of the auditor.

APL's costs incurred in acting as Responsible Entity for Australian Pipeline Trust and APT Investment Trust are reimbursed by APA. The actual cost recovery for the year ended 30 June 2008 was \$2.8 million. APL does not make a profit, nor seek performance fees. The constitutions of Australian Pipeline Trust and APT Investment Trust enable APL to charge fees up to 0.5% per annum of the value of gross assets, however, the right to charge this has been waived to the extent it exceeds APL's costs.

PRINCIPLE 5

Make timely and balanced disclosure

APA has a continuous disclosure policy aimed at ensuring that information that a person could reasonably expect to have a material effect on the security price, whether the information is positive or negative, is announced to the market by release to the 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 the ASX.

The continuous disclosure policy is published on APA's web site.

PRINCIPLE 6

Respect the rights of shareholders

APA aims to ensure that 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:

- the interim (half yearly) report, the directors' commentary on that report and the annual report
- APA's web site which has a dedicated Investor Relations section
- announcements to the ASX and media releases, copies of which are posted to APA's web site
- a securityholders' report is sent concurrently with the payment of distributions
- "Open Briefings" are prepared from time to time to provide an update to investors, and are released to the ASX
- analyst briefings which are released to the ASX
- the annual meeting of securityholders, and
- webcasting of half-year and full year accounts presentations, the annual meeting and announcements of major events.

Securityholders are given the opportunity to provide their email addresses to APA to enable them to promptly receive reports and announcements to ASX.

The recent appointment of an Investor Relations Manager and the planned redesign and expansion of APA's web site will assist further the provision of comprehensive and timely information to securityholders.

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

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

CORPORATE GOVERNANCE

STATEMENT (CONTINUED)

PRINCIPLE 7

Recognise and manage risk

The identification and effective management of risk, including calculated risk-taking, is 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 (**ARM Committee**) the charter for which is published on APA's web site. With respect to business risk, the ARM 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 ARM 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 are accountable for risk management within the areas under their control, including devolution of the risk management process to operational managers, and are 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;
- identification of 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 Company Secretary is responsible for:

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

The internal audit function audits the implementation of the risk management framework and policy in selected areas of APA's business based on a plan agreed with management and the ARM Committee, and reports its findings to the ARM Committee.

In respect to specific corporate governance recommendations of the ASX Corporate Governance Council:

- APA's management has reported to the ARM Committee as to its assessment of the effectiveness of management by APA of its material risks; and
- in the course of approving the financial statements for the year ended 30 June 2008, the board considered a written statement from the Chief Executive Officer and the Chief Financial Officer to the effect that, to the best of their knowledge and belief, their declaration pursuant to section 295A of the *Corporations Act 2001* (broadly, that the financial statements give a true and fair view in all material respects of APA's financial position and comply in all material respects with relevant accounting standards) is founded on a sound system of risk management and internal control and that system is operating effectively in all material respects in relation to financial reporting risks, based on the management framework adopted by APA.

CORPORATE GOVERNANCE

STATEMENT (CONTINUED)

PRINCIPLE 8

Remunerate fairly and responsibly

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

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

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

The current members of the committee are Messrs Fletcher (committee Chairman), Higgins and Muhammad. Mr Bennett stood down as committee Chairman on his retirement in October 2007. The Chairman of the board, although not a member of the committee, usually attends committee meetings.

The roles and responsibilities of 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 minutes of each committee meeting are reviewed at the subsequent meeting of the board and the committee Chairman reports on the committee's activities and recommendations to the board.

The committee is required by its charter to meet at least twice each year. The number of times it met during the financial year ended 30 June 2008, and the committee members' attendance at those meetings, are set out in the Directors' Report.

The committee can seek external professional advice on any matter within its terms of reference. Independent remuneration consultants were engaged to review non-executive director and executive compensation during the financial year.

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

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

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

The benefit of former Chairman Mr G H Bennett under the retirement benefit plan was paid on his retirement as Chairman in October 2007 and the amount of that payment is set out in the remuneration report. Mr R J Wright is the only current director entitled to benefit under the plan on his retirement from the board.

CORPORATE GOVERNANCE

STATEMENT (CONTINUED)

CORPORATE GOVERNANCE PRINCIPLES & RECOMMENDATIONS

Issued by ASX Corporate Governance Council
(Revised in August 2007)

		Comply (Yes/No)
Principle 1: Lay solid foundations for management and oversight by the board		
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
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: ■ 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 trading in company securities by directors, senior executives and employees, and disclose the policy or a summary of that policy	Yes
3.3	Companies should provide the information indicated in the Guide to reporting on Principle 3	Yes
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: ■ 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	No (note 2)

CORPORATE GOVERNANCE

STATEMENT (CONTINUED)

		Comply (Yes/No)
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	Companies should clearly distinguish the structure of non-executive directors' remuneration from that of executive directors and senior executives	Yes
8.3	Companies should provide the information indicated in the Guide to reporting on Principle 8	Yes
Notes		
1.	The board has chosen not to have a separate Nomination Committee, as explained in the section of this corporate governance statement entitled "Principle 2: Structure the board to add value".	
2.	APA Group intends to make publicly available information on procedures for the selection and appointment of the external auditor and for the rotation of external audit engagement partners.	

DIRECTORS' REPORT

The directors of Australian Pipeline Limited ("APL" or "Responsible Entity") submit the annual financial report of Australian Pipeline Trust ("APT" or "Trust") and its controlled entities (together "Consolidated Entity" or "APA Group") for the year ended 30 June 2008. This report and the financial statements attached refer to the consolidated results of Australian Pipeline Trust and APT Investment Trust (together "APA").

DIRECTORS

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

Mr L F Bleasel, AM

Independent Chairman. Appointed director 28 August 2007. Appointed Chairman 30 October 2007.

Mr J A Fletcher

Independent Director. Appointed 27 February 2008.

Mr R A Higgins, AO

Independent Director.

Mr M Muhammad

Independent Director.

Mr M Ratilal

Independent Director. Appointed 31 July 2007.

Mr R J Wright

Independent Director.

Mr M J McCormack

Managing Director.

Mr G H Bennett

Independent Chairman. Retired 30 October 2007.

Mr R M Gersbach

Retired 1 February 2008.

Details of directors, their qualifications, experience, special responsibilities and directorships of other listed entities are set out on page 14.

Alternate directors who served during the period are as follows:

Ms W S Saidi

Alternate for Mr M Muhammad.

Mr W Z W Ariffin

Alternate for Mr M Ratilal. Appointed 31 July 2007.

COMPANY SECRETARIES

Mr M T Knapman

Appointed 16 July 2008.

Ms S M Dureau

Appointed 3 April 2008. Resigned 18 July 2008.

Mr A J V James

Resigned 29 April 2008.

PRINCIPAL ACTIVITIES

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

- gas transmission and distribution businesses and investments located across Australia;
- other energy assets, including coal seam gas processing plants, gas fired power stations, and electricity transmission systems; and
- asset management and operations services for third parties, including all Envestra assets.

DIRECTORS' REPORT

(CONTINUED)

SIGNIFICANT CHANGES IN STATE OF AFFAIRS

APA acquired the Origin Energy Networks assets for \$557.0 million. The assets comprise Origin Energy Asset Management, which provides management and operations services to Envestra, a 17.2% stake in Envestra, a one-third interest in the SEA Gas Pipeline, and a number of other smaller businesses. The acquisition of the SEA Gas Pipeline interest was completed on 29 June 2007, while the acquisition of the remaining assets was completed on 2 July 2007.

The arrangements between APA, Alinta and the Babcock & Brown/Singapore Power Consortium to terminate or transfer to APA the operating and maintenance services previously provided by Alinta for many of APA's gas transmission pipelines were completed on 2 October 2007. APA paid \$206.2 million, resulting in the elimination of all fees and margins that were paid to Alinta and the transfer to APA of associated property, plant and equipment and Alinta personnel involved in the provision of services.

In the opinion of the directors, there were no other significant changes in the state of affairs of the Consolidated Entity during the financial year that are not discussed elsewhere in this report or in the financial report.

DISTRIBUTIONS

Distributions paid to securityholders during the financial year were:

	Final FY 2007 distribution paid 28 September 2007 ⁽¹⁾		Interim FY 2008 distribution paid 28 March 2008	
	Cents per security	Total distribution \$000	Cents per security	Total distribution \$000
APT Dividend distribution	2.0	8,634	9.8	44,918
APTIT Tax deferred distribution	2.0	8,634	2.7	12,375
APTIT Interest income	3.0	12,951	2.0	9,167
Total	7.0	30,219	14.5	66,460

(1) Final FY 2007 distribution was a quarterly distribution for the period 1 April 2007 to 30 June 2007.

On 26 August 2008 the directors declared a final distribution for APA for the current financial year of 15.0 cents per security ("cps") payable 10 September 2008, made up of:

	Final FY 2008 distribution payable 10 September 2008	
	Cents per security	Total distribution \$000
APT Dividend distribution	9.0	42,142
APTIT Tax deferred distribution	2.8	13,110
APTIT Interest income	3.2	14,984
Total	15.0	70,236

Total distribution for the financial year is 29.5 cps, an increase of 1.5 cps (5.4%) over the prior year.

FINANCIAL AND OPERATIONAL REVIEW

Underlying results

The underlying results for APA Group exclude one-off significant items (refer Note 7 to the financial statements) and include two adjustments to revenue and earnings arising from their treatment under A-IFRS. Accordingly, the following items have been reclassified to revenue and earnings in the underlying result:

- the capital distributions received from Envestra and the Mariner Income Trust, ie. the capital components of \$10,807,000 of the distributions received have been reclassified to revenue and earnings (2007: \$nil); and
- earnings from a number of complementary assets which are treated as finance leases under A-IFRS, ie. finance lease principal repayments of \$5,256,000, have been reclassified to revenue (2007: \$nil).

The directors are of the view that the underlying results provide a more accurate portrayal of the results of operations of APA Group.

DIRECTORS' REPORT

(CONTINUED)

The table below summarises the underlying results for key financial performance measures for the financial year.

Underlying results Year ended 30 June	2008 \$000	2007 \$000	Changes \$000	%
Total revenue	897,792	532,700	365,092	68.5
EBITDA	430,535	296,842	133,693	45.0
Interest (net)	223,779	136,625	87,154	63.8
Operating profit after tax and minorities	82,219	64,530	17,689	27.4
Operating cash flow ⁽¹⁾	192,117	150,608	41,509	27.6
Operating cash flow per security (cents)	42.7	39.7	3.0	7.6
Earnings per security (cents)	18.3	17.0	1.3	7.6
Distribution per security (cents)	29.5	28.0	1.5	5.4

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

Underlying profit

APA Group reported underlying operating profit after tax and minorities of \$82,219,000 for the financial year, an increase of 27.4% compared with \$64,530,000 reported last year.

The main factors driving the increase in underlying profit include:

- increased gas transmission revenue across the majority of APA's gas pipelines, particularly from Western Australia and New South Wales;
- full 12 month contributions of gas businesses acquired in the previous and current financial years, including the Victorian Transmission System and Telfer Gas Pipeline, APA Gas Network (Allgas), Directlink, and the Origin Energy Network businesses and assets;
- partial and first full 12 month contributions of complementary assets developed and commissioned in the previous and current financial years, including Daandine Power Station, Tipton West Gas Processing Plant, and the X41 Power Station and associated pipelines; and
- operating and maintenance cost savings and capital expenditure savings achieved through direct control of all APA assets, in particular, through the termination in October 2007 of the Alinta Pipeline Management Agreement which provided operational services to APA's foundation gas transmission pipelines.

Revenue

Underlying revenue was \$897,792,000, a 68.5% increase on last year of \$532,700,000. Revenue was \$614,918,000 after removing pass-through revenue totalling \$282,874,000 (2007: \$95,911,000). This is a 40.8% increase on the equivalent revenue from last year.

Earnings per security

Underlying earnings per security calculated on a weighted average basis, for the financial year was 18.3 cps, an increase of 7.6% compared to 17.0 cps last year. The weighted average number of securities on issue during the financial year was 450,262,000, up from 379,551,000 last year due to capital raising activities.

Operating cash flow

Underlying operating cash flow per security grew by 3.0 cps to 42.7 cps, an increase of 7.6% compared to 39.7 cps last year. Cash generation from new and existing businesses grew strongly by 27.6% to \$192,117,000 exceeding the additional costs of debt in the year, and more than covering distributions returned to securityholders. On a per security basis, APA achieved its target of growing operating cash flow by at least 5% per annum.

Distributions

APA Group's distributions for the financial year totalled 29.5 cps, an increase of 5.4%, or 1.5 cps on last year, achieving its distribution growth target of at least 5% for the full year. APA retains its target of continued growth of distributions of at least 5% per annum in the medium term while maintaining a prudent payout ratio. The distribution payout ratio for the financial year was 71.2%, further demonstrating APA's ability to pay fully funded distributions out of operating cash flows each year.

Statutory results

Excluding underlying adjustments and after significant items, reported profit attributable to APA securityholders for the financial year was \$67,192,000, an increase of \$10,432,000 or 18.4% above \$56,760,000 reported last year.

DIRECTORS' REPORT

(CONTINUED)

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

Statutory results Year ended 30 June	2008 \$000	2007 \$000	Changes \$000	%
Operating results before significant items				
Gas transmission and distribution revenue	485,530	394,076	91,454	23.2
Electricity transmission revenue	25,228	17,193	8,035	46.7
Asset management revenue	42,853	6,726	36,127	537.1
Complementary/other revenue	29,657	4,030	25,627	635.9
Other income – interest	15,587	14,764	823	5.6
Total revenue excluding pass-through	598,855	436,789	162,066	37.1
Pass-through revenue ⁽¹⁾	282,874	95,911	186,963	194.9
Total revenue	881,729	532,700	349,029	65.5
EBITDA	414,472	296,842	117,630	39.6
Depreciation and amortisation	(94,459)	(69,783)	(24,676)	35.4
EBIT	320,013	227,059	92,954	40.9
Net interest expense	(223,779)	(136,625)	(87,154)	63.8
Pre-tax profit	96,234	90,434	5,800	6.4
Income tax expense	(24,766)	(25,802)	1,036	(4.0)
Minorities	(56)	(102)	46	(45.1)
Operating profit after tax and minorities, before significant items	71,412	64,530	6,882	10.7
Significant items after income tax	(4,220)	(7,770)	3,550	-
Profit after income tax and minorities	67,192	56,760	10,432	18.4

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

Significant items in the current period amounted to \$6,029,000 (\$4,220,000 after tax) and relate to "one-off" costs associated with the integration of the newly acquired businesses (\$4,350,000), unsuccessful acquisition due diligence costs (\$1,343,000) and a small revaluation loss on interest rate hedges which are deemed ineffective, acquired as part of the GasNet acquisition (\$336,000).

Segment performance

APA's operations and financial performance in the financial year reflect full and part year contributions of acquired businesses (current year and prior year), growth in existing businesses, and benefits achieved through the continued integration of recently acquired businesses into its internal management model.

Underlying revenue and EBITDA performance of APA's business segments is tabled below.

Year ended 30 June	2008 \$000	2007 \$000	Changes \$000	%
Revenue				
Gas transmission and distribution	498,604	394,076	104,528	26.5
<i>Queensland</i>	133,596	108,190	25,406	23.5
<i>New South Wales</i>	82,348	75,380	6,968	9.2
<i>Victoria</i>	102,049	66,628	35,421	53.2
<i>South Australia</i>	19,687	-	19,687	-
<i>Western Australia</i>	142,489	128,725	13,764	10.7
<i>Northern Territory</i>	18,435	15,153	3,282	21.7
Electricity transmission	25,228	17,193	8,035	46.7
Asset management	42,853	6,726	36,127	-
Complementary assets	34,913	4,030	30,883	766.3
Total	601,598	422,025	179,573	42.6
Pass-through revenue	282,874	95,911	186,963	194.9
Unallocated revenue	13,320	14,764	(1,444)	(9.8)
Total underlying revenue	897,792	532,700	365,092	68.5

DIRECTORS' REPORT

[CONTINUED]

Year ended 30 June	2008 \$000	2007 \$000	Changes \$000	%
EBITDA				
Gas transmission and distribution	368,274	275,775	92,499	33.5
<i>Queensland</i>	<i>95,839</i>	<i>73,831</i>	<i>22,008</i>	<i>29.8</i>
<i>New South Wales</i>	<i>66,823</i>	<i>46,530</i>	<i>20,293</i>	<i>43.6</i>
<i>Victoria</i>	<i>75,187</i>	<i>50,325</i>	<i>24,862</i>	<i>49.4</i>
<i>South Australia</i>	<i>19,538</i>	-	<i>19,538</i>	-
<i>Western Australia</i>	<i>107,872</i>	<i>100,689</i>	<i>7,183</i>	<i>7.1</i>
<i>Northern Territory</i>	<i>3,015</i>	<i>4,400</i>	<i>(1,385)</i>	<i>(31.5)</i>
Electricity transmission	18,939	12,842	6,097	47.5
Asset management	25,461	5,715	19,746	-
Complementary assets	17,861	2,510	15,351	611.6
Total underlying EBITDA	430,535	296,842	133,693	45.0

Gas transmission and distribution revenue (excluding pass-through revenue) was \$498,604,000, an increase of 26.5% on \$394,076,000 last year. The increase was principally due to the full 12 month contributions of gas businesses acquired in the previous and current financial years, including the Victorian Transmission System, APA Gas Network (Allgas), the SESA Pipeline, and the investments in the SEA Gas Pipeline and Envestra (\$62,220,000) and increased revenue across the majority of pipelines (\$42,308,000).

Revenue from the Moomba Sydney Pipeline increased by \$6,968,000 due to additional pipeline services, primarily as a result of increased gas demand in July and August 2007 and new contracted services for the 2008 winter period. Gas transportation revenues in Western Australia increased by \$13,764,000 due to increased third party demand, particularly from the mining sector, and despite the gas supply impacts caused by the Varanus Island incident in June 2008.

EBITDA increased by 33.5% to \$368,274,000 reflecting both the additional revenue outlined above and reduced operating expenses resulting from synergy benefits and the removal of third party operating fees since October 2007.

Electricity transmission revenue increased by \$8,035,000 to \$25,228,000 (2007: \$17,193,000) due to a full 12 months contribution from the Directlink business acquired in February 2007.

Asset management revenue reflects the first 12 months of revenue (excluding cost recovery revenue) from providing asset management, operating and maintenance services to Envestra and nine months revenue from providing operating and maintenance services to the Moomba Sydney Ethane Pipeline.

Complementary assets revenue of \$34,913,000 is made up of contributions from the Tipton West Gas Processing Plant and Daandine Power Station, seven month contribution from the X41 Power Station, and 12 month contribution from NGV and cogeneration businesses acquired as part of the Origin Energy Networks acquisition in July 2007.

Operational highlights

Operating highlights are provided in the Managing Director's Report and Operations Report on pages 6 to 13.

Finance and other activities

Capital management

During the current financial year, APA undertook capital raising activities to fund the continuing growth of the business. APA raised \$123,995,000 in equity through offerings as detailed below:

- in September 2007 and March 2008, \$38,968,000 was raised through the operation of the Distribution Reinvestment Plan resulting in the issue of 12.9 million securities; and
- in November 2007, the Security Purchase Plan raised \$85,027,000 from existing securityholders, resulting in the issue of 23.7 million securities.

APA completed the refinancing of a number of its debt facilities in June and July 2007. APA's new syndicated debt facility was oversubscribed and subsequently increased to \$2.0 billion. In July 2008, APA refinanced \$150 million Medium Term Notes ("MTNs") and added another \$15 million to its debt facilities. APA's only refinancing obligation in 2009 is its \$300 million MTNs due in March 2009.

DIRECTORS' REPORT

(CONTINUED)

APA's debt portfolio has a healthy spread of maturities extending out to 2022, and with an average maturity of 5.0 years. APA was geared at 72.0% at 30 June 2008, down slightly on 2007. At 30 June 2008, APA had in excess of \$500 million in cash and committed undrawn facilities available at the contracted margins to meet the capital growth needs of the business.

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 exchange rates on project debt and US Private Placement facilities have been fixed for the life of the respective facilities. APA also enters into interest rate hedges which fix a proportion of the interest rate exposure on the syndicated facility. At 30 June 2008, 66% of all interest rate exposures were either hedged or at fixed interest rates, for varying periods extending out as far as 14 years.

In addition, a level of interest rate protection is provided through CPI indexing in revenue contracts and the regulatory revenue reviews applicable to many of APA's assets.

Borrowings and finance costs

As at 30 June 2008, APA had borrowings of \$3,401 million, principally from syndicated debt facilities, US Private Placement notes and other medium-term notes, compared to \$2,720 million as at 30 June 2007. Borrowings increased due to the funding of the acquisitions of the Origin Energy Network assets and the Alinta operating and maintenance activities, and due to organic capital expenditure projects. Net underlying finance costs increased by \$87,154,000 or 63.8% to \$223,779,000 in the current financial year. The increase is a result of additional borrowings and from recent rises in interest rates impacting on the unhedged portion of the debt portfolio.

APA's debt covenant Interest Cover Ratio for the financial year was 1.86 times, well in excess of its default ratio of 1.1 times.

Income tax

The effective tax rate before significant items has decreased to 25.7% in comparison to the previous year of 28.5%. This is largely due to the operation of APTIT, which is a pass-through entity for tax purposes.

Capital expenditure

Capital expenditure for the year totalled \$227,347,000 with 95% allocated to growth projects, including the Northern Territory Bonaparte Gas Pipeline, Brooklyn Lara Pipeline and compressor station in Victoria, X41 Power Station in Queensland, and the Culcairn compressor on the Moomba Sydney Pipeline System.

Growth capital expenditure is generally either fully underwritten through long-term gas transportation arrangements or has had regulatory approval through the relevant Access Arrangement.

Securityholder base and distributions

On 31 August 2007, Alinta's 35% equity interest in APA was distributed in-specie to Alinta shareholders.

As a result, APA's securityholder base expanded from approximately 28,000 to 130,000. As at 30 June 2008, 106,392 securityholders hold 468,241,154 APA securities.

During the year, the board changed the frequency of distributions from quarterly to semi-annually and maintained the Distribution Reinvestment Plan.

Regulatory matters

Regulatory matters during the year are outlined on page 11.

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 environmental legislation and Australian standards.

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

Environmental management plans satisfying Part A of the Australian Pipeline Industry Association Code of Environmental Practice are prepared and independently audited for construction activities. In accordance with Part 3 of AS 2885, environmental management plans satisfying Part B of the Code are in place for all operating pipelines and are managed in accordance with the terms and conditions of the applicable licences.

DIRECTORS' REPORT

(CONTINUED)

The Safety and Operating plan for APA's distribution network has been audited in accordance with the Queensland and NSW technical regulator requirements.

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

APA's electricity transmission assets are designed, constructed, tested, operated and maintained in accordance with the requirements of its transmission licences complying with relevant Australian and State environmental legislation and Australian standards. Environmental management plans for each asset are in place for all operating activities and are managed in accordance with the terms and conditions of applicable licences.

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

Under the National Greenhouse and Energy Reporting Act 2007, corporations that emit greenhouse gases above certain thresholds are required to register for the Federal emissions reporting scheme by 1 August 2009. Total emissions for financial year 2008/09 are required to be reported in October 2009. APA Group meets the reporting threshold and has therefore been recording, and will report, its greenhouse emissions in compliance with the Act.

OTHER ISSUES

On 3 June 2008, an explosion occurred at Apache Energy's Varanus Island gas processing plant off the coast of Western Australia, disrupting delivery of gas from the plant for up to ten weeks. Gas supplies in WA, including into the Goldfields Gas Pipeline and Telfer Gas Pipeline, were disrupted, although most shippers were able to source alternative gas for all or part of their fuel requirements from the WA North West Shelf Producers.

Partial production resumed at Apache Energy's gas plant in early August, with full production expected to return by December 2008.

This incident has had only a minor financial impact due to a combination of factors including the take or pay nature of APA's revenue contracts on both the Goldfields and Telfer Pipelines and the ability of shippers to source some alternate gas supplies.

SUBSEQUENT EVENTS

Except as disclosed elsewhere in this report, the directors are unaware of any matter or circumstance occurring since the end of the financial year that has significantly affected or may significantly affect the operations of the Consolidated Entity, the results of those operations or the state of affairs of the Consolidated Entity in future financial years.

FUTURE DEVELOPMENTS

Disclosure of information regarding likely developments in the 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.

INFORMATION ON DIRECTORS AND COMPANY SECRETARY

Information relating to the qualifications and experience of the current directors and Company Secretary is set out on pages 14 to 16. Directors who retired during the financial year are set out below:

Mr G H Bennett	Mr George Bennett is a company director with almost 40 years experience at accounting services firm KPMG.
FCA	
Independent Chairman	Mr Bennett's other directorships include Fantastic Holdings Limited, Macquarie Leisure Management Limited and Macquarie Office Management Limited.
	Mr Bennett retired as a director of APL on 30 October 2007.

DIRECTORS' REPORT

(CONTINUED)

Mr R M Gersbach BBus CPA Director	Mr Ross Gersbach has extensive commercial experience across a range of energy related sectors and has managed a portfolio of infrastructure assets in the electricity and natural gas distribution networks sector. Mr Gersbach is a director of Envestra Limited. Mr Gersbach retired as a director of APL on 1 February 2008.
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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 financial year are as follows:

Name	Company	Period of directorship
Mr L F Bleasel	QBE Insurance Group Limited Foodlands Associated Limited St. George Bank Limited	Since January 2001 March 2004 to September 2005 May 1993 to December 2005
Mr J A Fletcher	Foodlands Associated Limited Babcock & Brown Power	September 2004 to November 2005 Since October 2006
Mr R A Higgins	RiceGrowers Limited Australian Biodiesel Group Limited	Since December 2005 May 2006 to November 2007
Mr M Muhammad	-	
Mr M Ratilal	-	
Mr R J Wright	Dexion Limited SAI Global Limited Super Cheap Auto Group Limited Babcock & Brown Residential Land Partners Group	Since March 2005 Since October 2003 Since May 2004 Since May 2006
Mr M J McCormack	Envestra Limited	Since July 2007

OPTIONS GRANTED

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

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

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

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

RESPONSIBLE ENTITY'S HOLDINGS OF SECURITIES

No securities in the Trust are held by the Responsible Entity.

INDEMNIFICATION OF OFFICERS AND EXTERNAL AUDITOR

During the financial year, the Responsible Entity paid a premium in respect of a contract insuring the directors of the Responsible Entity, the Responsible Entity's Company Secretary, and all executive officers of the Responsible Entity and any related body corporate of APA Group 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.

APL, in its capacity as Responsible Entity of Australian Pipeline Trust and of APT Investment Trust, indemnifies each person who is or has been a director or Company Secretary of APL or of any controlled entity 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 the APA Group as the board in each case determines. The indemnity operates to the full extent allowed by law and is on terms the board considers usual for arrangements of this type.

DIRECTORS' REPORT

(CONTINUED)

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

DIRECTORS' MEETINGS

During the financial year, 14 board meetings, four Remuneration Committee meetings, four Audit and Risk Management Committee meetings, two Due Diligence Committee meetings and one Health Safety and Environment Committee meeting 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 Meetings		REM ⁽¹⁾		ARMC ⁽²⁾		DDC ⁽³⁾		HSE ⁽⁴⁾	
	A	B	A	B	A	B	A	B	A	B
L F Bleasel ⁽⁵⁾	11	10	-	-	-	-	-	-	-	-
G H Bennett ⁽⁶⁾	6	6	-	-	-	-	2	1	-	-
J A Fletcher ⁽⁷⁾	5	5	1	1	1	1	-	-	-	-
R M Gersbach ⁽⁸⁾	8	8	3	3	3	2	2	2	-	-
R A Higgins	14	14	4	4	4	4	2	2	1	1
M Muhammad	14	14	4	4	-	-	-	-	1	1
M Ratilal ⁽⁹⁾	13	9	-	-	-	-	-	-	-	-
R J Wright	14	14	-	-	4	4	2	2	1	1
M J McCormack	14	14	-	-	-	-	2	2	-	-
W S Saidi (Alternate Director)	-	4	-	-	-	-	-	-	-	-
W S W Arrifin (Alternate Director)	-	-	-	-	-	-	-	-	-	-

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) Nominations and Remuneration Committee which became the Remuneration Committee in February 2008.

(2) Audit and Risk Management Committee, includes the regular May meeting rescheduled to 1 July 2008.

(3) Due Diligence Committee.

(4) Health Safety and Environment Committee.

(5) Since date of appointment 28 August 2007. The Chairman also attends committee meetings.

(6) Up to date of retirement 30 October 2007.

(7) Since date of appointment 27 February 2008.

(8) Up to date of retirement 1 February 2008.

(9) Since date of appointment 31 July 2007.

DIRECTORS' SECURITYHOLDINGS

The aggregate number of securities held directly, indirectly or beneficially by directors or their director-related entities at the 30 June 2008 is 530,314 (30 June 2007: 262,300).

The following table sets out each director's relevant interests in securities of APA as at 30 June 2008:

Directors	Fully paid securities as at 30 June 2007	Securities acquired during the financial year	Securities disposed of during the financial year	Fully paid securities as at 30 June 2008
L F Bleasel	154,285 ⁽¹⁾	157,304	-	311,589
J A Fletcher	27,977 ⁽¹⁾	7,500	-	35,477
R A Higgins	17,919	18,662	-	36,581
M Muhammad	15,412	11,392	-	26,804
M Ratilal	-	-	-	-
R J Wright	17,171	2,687	-	19,858
M J McCormack	57,513	42,492	-	100,005
W S Saidi (Alternate Director)	-	-	-	-
W S W Arrifin (Alternate Director)	-	-	-	-

(1) These securities were held by the directors at the date of their appointment during the financial year.

DIRECTORS' REPORT

(CONTINUED)

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

REMUNERATION REPORT

This report outlines the remuneration arrangements in place for directors of APL and executives of APA Group.

The board has established a Remuneration Committee ("Committee") to consider and make recommendations to the board on, among other things, remuneration policies and packages applicable to board members and to senior managers of APA. Three non-executive directors, Messrs J A Fletcher (Chairman), R A Higgins and M Muhammad are members of the Committee, which meets at least twice each year.

The purpose of the Committee is to:

- ensure the provision of a robust remuneration and reward system that provides for alignment of employee and investor interests;
- facilitate effective attraction, retention and development of talented employees; and
- ensure compliance with relevant legislation and corporate governance principles on remuneration practices and employment policies.

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

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

Remuneration of Directors

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

Non-executive director remuneration comprises a base board fee, an additional fee for serving on a committee of the board and superannuation guarantee contributions.

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

- Mr L F Bleasel, AM, Chairman – Appointed 28 August 2007 and Chairman 30 October 2007.
- Mr J A Fletcher – Appointed 27 February 2008.
- Mr R A Higgins, AO.
- Mr M Muhammad.
- Mr M Ratilal – Appointed 31 July 2007.
- Mr R J Wright.
- Mr M J McCormack – Managing Director.
- Mr G H Bennett – Retired 30 October 2007.
- Mr R M Gersbach – Retired 1 February 2008.

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

- Mr R F Francis – Chief Financial Officer.
- Mr S P Ohl – Group Manager Operations.
- Mr R M Gersbach – Group Manager Commercial from 1 February 2008.
- Mr M T Knapman – Company Secretary from 16 July 2008.
- Ms S M Dureau – General Counsel and General Manager Regulatory.
- Ms R A Smith – General Manager Human Resources and HS&E from 2 October 2007.
- Mr A J V James – Company Secretary to 29 April 2008.
- Mr P Fox – General Manager Corporate Development to 30 June 2008.

DIRECTORS' REPORT

(CONTINUED)

The table below sets out the remuneration for the directors for the financial year.

	Short term employment benefits				Post-employment				
	Salary/fees	Due Diligence C'ttee fees	Short-term incentive scheme	Non-monetary	Superannuation	Share based payment ⁽¹⁾	Other ⁽²⁾	Total	
2008									
Non-executive Directors									
L F Bleasel	125,315	-	-	-	10,605	-	-	135,920	
J A Fletcher	20,724	-	-	-	20,014	-	-	40,738	
R A Higgins	106,678	5,200	-	2,753	11,219	-	-	125,850	
M Muhammad	97,000	-	-	-	-	-	-	97,000	
W Ratilal	78,333	-	-	-	-	-	-	78,333	
R J Wright	108,817	5,200	-	-	11,158	-	-	125,175	
W S Saidi	-	-	-	-	-	-	-	-	
W Z W Ariffin	-	-	-	-	-	-	-	-	
G H Bennett	55,394	2,600	-	-	4,754	-	98,100	160,847	
R M Gersbach ⁽³⁾	52,500	5,200	-	-	4,725	-	-	62,425	
Executive Director									
M J McCormack	659,205	-	430,000	40,795	50,000	151,894	216,667	1,548,561	
Total	1,303,966	18,200	430,000	43,548	112,475	151,894	314,767	2,374,849	
2007									
Non-executive Directors									
R A Higgins	95,351	18,750	-	-	57,900	-	-	172,001	
M Muhammad	82,839	-	-	-	-	-	-	82,839	
R J Wright	99,766	14,375	-	-	28,811	-	-	142,952	
W S Saidi	-	-	-	-	-	-	-	-	
G H Bennett	163,199	4,000	-	-	12,686	-	-	179,885	
R M Gersbach ⁽³⁾	90,782	9,375	-	-	-	-	-	100,157	
J F McAloon	11,667	-	-	-	-	-	-	11,667	
Executive Director									
M J McCormack	587,247	-	325,000	53,842	35,086	99,487	198,611	1,299,273	
Total	1,130,851	46,500	325,000	53,842	134,483	99,487	198,611	1,988,774	

(1) Cash settled security-based payments.

(2) Includes retention payment and director's retirement benefit.

(3) In addition to directors' fees, Mr R M Gersbach received \$36,000 for consulting services whilst he was a director (2007: \$183,000).

The board fees payable to non-executive directors of APL, including fees for serving on committees of the board, were increased in January 2008 taking into account a benchmark report from remuneration consultants.

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

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 ten years service, the entitlement increased to the equivalent of emoluments received during the most recent three years. No additional entitlement accrued after ten years. For periods between three and ten years, the entitlement was calculated on a pro-rata basis.

The benefit of former Chairman Mr G H Bennett under the retirement benefit plan was paid on his retirement as Chairman in October 2007 and the amount of that payment is set out in the remuneration report. Mr R J Wright is the only current director entitled to benefit under the plan on his retirement from the board.

DIRECTORS' REPORT

(CONTINUED)

Remuneration of key management personnel

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

	Short term employment benefits			Post-employment	LTI Scheme ⁽¹⁾	Termination payment	Total
	Salary/fees	STI scheme	Non-monetary	Super-annuation			
2008							
R F Francis	334,948	167,000	11,922	13,130	48,438	-	575,438
S P Ohl	300,559	167,000	36,311	13,130	45,075	-	562,075
R M Gersbach ⁽²⁾	227,683	108,000	4,968	6,734	28,250	-	375,635
S M Dureau	274,948	135,000	11,922	13,130	39,291	-	474,291
R A Smith ⁽³⁾	179,699	85,000	-	9,847	12,625	-	287,171
A J V James ⁽⁴⁾	214,526	157,500	11,177	29,272	41,986	743,900	1,198,361
P D Fox ⁽⁵⁾	206,618	150,000	13,376	13,130	36,550	318,999	738,673
Total	1,738,981	969,500	89,676	98,373	252,215	1,062,899	4,211,644
2007							
R F Francis	308,863	124,800	7,744	12,686	37,173	-	491,266
S P Ohl	249,640	115,200	27,327	33,686	32,436	-	458,289
S M Dureau	215,863	101,900	1,450	42,686	29,042	-	390,941
A J V James ⁽⁴⁾	242,246	105,600	2,995	29,759	31,884	-	412,484
P D Fox ⁽⁵⁾	210,863	92,000	1,450	12,686	24,124	-	341,123
Total	1,227,475	539,500	40,966	131,503	154,659	-	2,094,103

(1) Cash settled security-based payments.

(2) Group Manager Commercial from 1 February 2008.

(3) General Manager HR & HSE from 2 October 2007.

(4) Company Secretary to 29 April 2008.

(5) General Manager Corporate Development to 30 June 2008.

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

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

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

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

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

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

Short-term incentive plan

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

The maximum STI for the Managing Director is 60% of TFR, and for senior executives 50% of TFR.

DIRECTORS' REPORT

(CONTINUED)

At the beginning of each financial year, the Committee considers the appropriate financial and non-financial performance targets to be met by the senior executives. The board has adopted financial goals which more closely reflect APA's strategic goals, the foundation of which is increasing securityholder distributions annually by at least 5%. Economic Profit (a cash-based measure) has been identified as the most appropriate measure of APA Group management's financial performance.

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

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

STI awards are paid to the participants in cash.

Long-term incentive plan

In 2006, the board introduced a long-term incentive ("LTI") plan to better align the long-term interests of employees with those of securityholders. On the basis that APA Group met its financial targets for the financial year, an allocation under the LTI has been provided for in the financial statements at Note 25. Details of the LTI awarded to key management personnel are set out on page 36.

Because of the complexities of issuing equity to employees of a managed investment fund (including differences in income tax treatment) and the additional costs of setting up an equity-based scheme, the LTI does not offer equity to participants.

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

At the completion of the financial year, the LTI allocation to participants will be in the form of a notional allocation of LTI securities which will be equivalent to the LTI award converted at the 10 day volume weighted average market price of APA securities up to the date of allocation, ie. the value of an LTI security will mirror the value of an APA security. The incentive, which will be delivered in cash once vested, will be determined by the movement in the APA security price over the period of the incentive, aligning employee reward with the interests of securityholders.

Access to the LTI award is restricted for a total period of three years, vesting one-third at the first anniversary, one-third at the second anniversary and one-third at the third anniversary of the date of allocation. The LTI allocations, being subject to and arising from a pre-allocation performance hurdle, are not subject to a further performance test at the vesting dates, though participants must remain employed by the Consolidated Entity to access the vested benefit. Participants will receive a cash payment for vested LTI plan securities equal to the market value of the equivalent number of APA securities at the vesting date.

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

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

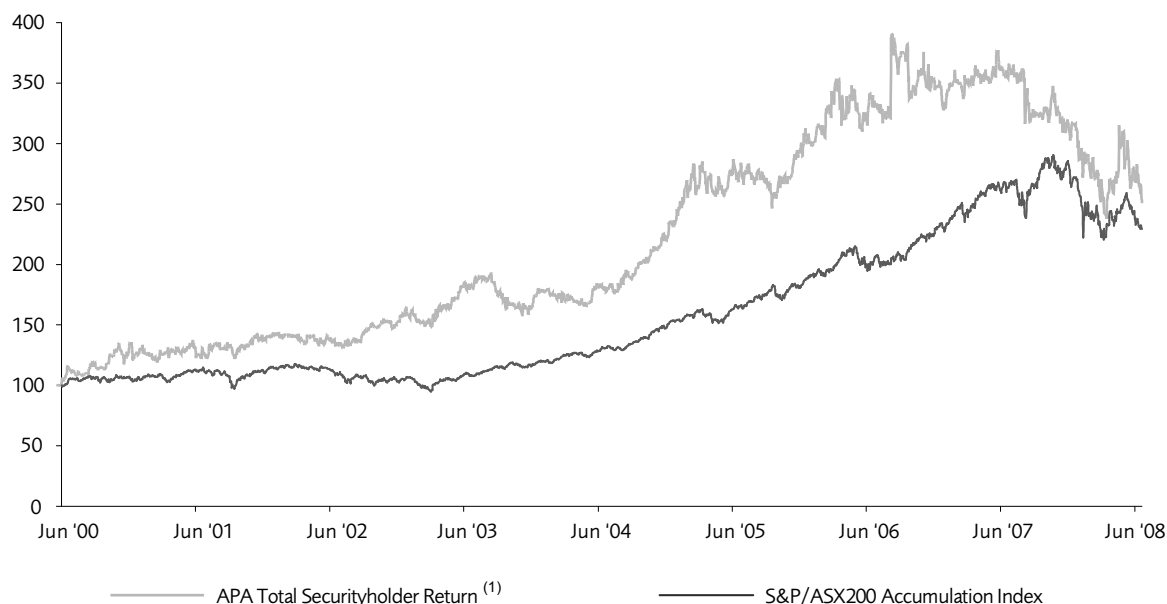
DIRECTORS' REPORT

(CONTINUED)

Performance of APA Group

The graph below shows APA's Total Securityholder Return compared to the S&P/ASX 200 Accumulation Index over the period from initial public offering in June 2000 to 30 June 2008.

APA's Total Securityholder Return over this period is 151% or 12.1% annually compared with the growth of the S&P/ASX 200 Accumulation Index of 129% or 10.9% annually over the same period.



Source: IRESS

(1) Total Securityholder Return based on adjusted prices with distributions re-invested as at ex-distribution date.

Net profit after tax and minorities

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

Financial year ended 30 June	Underlying NPATM ⁽¹⁾ \$'000	NPATM \$'000
2004 ⁽²⁾	44,984	121,292
2005 ⁽³⁾	51,351	109,508
2006	60,661	62,546
2007	64,430	56,760
2008	82,219	67,192

(1) Based on underlying results as defined on page 26.

(2) Figures are based on A-GAAP.

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

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

Financial year ended 30 June	Distribution (cents per security)			Total \$'000
	Profit	Capital	Total	
2004	15.1	6.4	21.5	54,954
2005	22.5	-	22.5	62,656
2006	24.0	-	24.0	66,936
2007	26.5	1.5	28.0	100,163
2008 ⁽¹⁾	24.0	5.5	29.5	136,696

(1) Includes final distribution of 15.0 cents per security declared on 26 August 2008.

DIRECTORS' REPORT

[CONTINUED]

CONTRACTUAL TERMS OF KEY MANAGEMENT PERSONNEL

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

Name and title and commencement date	Term and termination provisions/benefits
M J McCormack	Minimum term of three years from 1 July 2006.
Managing Director since 1 July 2006	On termination with cause or following certain long-term illness, the Company will pay any TFR due and owing at the date of termination and any accrued leave entitlements.
Chief Executive Officer 1 July 2005 to 30 June 2006	On termination without cause, the Company will pay 52 weeks TFR, any bonus earned but not paid and any accrued leave entitlement. The Company will also pay any TFR due and owing at the date of termination.
Commenced 1 March 2000.	Following a review of his entitlements, the board approved in August 2006, a retention award of \$650,000 if Mr McCormack continues to be employed in a full time capacity by the Company or another member of the APA group of entities at 1 August 2009. If Mr McCormack's employment ceases (other than for termination with cause or following certain long-term illness) prior to 1 August 2009, the Company will use its best endeavours (and procure that the APA group of entities uses their best endeavours) in seeking approval of securityholders to ensure the retention award is paid to Mr McCormack in full (or to the greatest degree possible).
R F Francis	No defined term.
Chief Financial Officer	On termination with cause or following certain long-term illness, the Company will pay any TFR due and owing at the date of termination and any accrued leave entitlements.
Commenced 1 August 2005.	On termination without cause, the Company will pay 26 weeks TFR, any bonus earned but not paid and any accrued leave entitlement. The Company will also pay any TFR due and owing at the date of termination. If Mr Francis gives notice to terminate his employment, the Company may (after consulting with the board) at its discretion agree to make a termination payment of an amount up to 26 weeks TFR.
S P Ohi	No defined term.
Group Manager Operations	On termination with cause or following certain long-term illness, the Company will pay any TFR due and owing at the date of termination and any accrued leave entitlements.
Commenced 2 May 2005.	On termination without cause, the Company will pay 26 weeks TFR, any bonus entitlement not yet paid and any accrued leave entitlement. The Company will also pay any TFR due and owing at the date of termination. If Mr Ohi gives notice to terminate his employment, the Company may (after consulting with the board) at its discretion agree to make a termination payment of an amount up to 26 weeks TFR.
R M Gersbach	No defined term.
Group Manager Commercial	On termination with cause or following certain long-term illness, the Company will pay any TFR due and owing at the date of termination and any accrued leave entitlements.
Commenced 1 February 2008.	On termination without cause, the Company will pay 26 weeks TFR, any bonus entitlement not yet paid and any accrued leave entitlement. The Company will also pay any TFR due and owing at the date of termination. If Mr Gersbach gives notice to terminate his employment, the Company may (after consulting with the board) at its discretion agree to make a termination payment of an amount up to 26 weeks TFR.

DIRECTORS' REPORT

(CONTINUED)

Name and title and commencement date	Term and termination provisions/benefits
M T Knapman	No defined term.
Company Secretary	On termination with cause or following certain long-term illness, the Company will pay any TFR due and owing at the date of termination and any accrued leave entitlements.
Commenced 16 July 2008.	On termination without cause, the Company will pay 26 weeks TFR, any bonus entitlement not yet paid and any accrued leave entitlement. The Company will also pay any TFR due and owing at the date of termination. If Mr Knapman gives notice to terminate his employment, the Company may (after consulting with the board) at its discretion agree to make a termination payment of an amount up to 26 weeks TFR.
S M Dureau	No defined term.
General Counsel/General Manager Regulatory	On termination with cause or following certain long-term illness, the Company will pay any TFR due and owing at the date of termination and any accrued leave entitlements.
Commenced 1 August 2004.	On termination without cause, the Company will pay 26 weeks TFR, any bonus earned but not paid and any accrued leave entitlement. The Company will also pay any TFR due and owing at the date of termination. If Ms Dureau gives notice to terminate her employment, the Company may (after consulting with the board) at its discretion agree to make a termination payment of an amount up to 26 weeks TFR.
R A Smith	No defined term.
General Manager Human Resources & HSE	On termination with cause or following certain long-term illness, the Company will pay any TFR due and owing at the date of termination and any accrued leave entitlements.
Commenced 2 October 2007.	On termination without cause, the Company will pay 26 weeks TFR, any bonus entitlement not yet paid and any accrued leave entitlement. The Company will also pay any TFR due and owing at the date of termination. If Ms Smith gives notice to terminate her employment, the Company may (after consulting with the board) at its discretion agree to make a termination payment of an amount up to 26 weeks TFR.

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 Group property during the financial year are disclosed in Note 45 to the financial statements.

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

The value of APA Group's assets as at the end of the financial year is disclosed in the balance sheet in total assets, and the basis of valuation is included in Note 2 to the financial statements.

AUDITOR INDEPENDENCE AND NON-AUDIT SERVICES

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

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

- all non-audit services were subject to the corporate governance procedures adopted by APA and have been reviewed by the Audit and Risk Management Committee to ensure they do not impact the integrity and objectivity of the Auditor; and

DIRECTORS' REPORT

(CONTINUED)

- the non-audit services provided do not undermine the general principles relating to Auditor independence as set out in Accounting Professional and Ethical Standard 110 "Code of Ethics for Professional Accountants", as they did not involve reviewing or auditing the Auditor's own work, acting in a management or decision making capacity for APA, acting as an advocate for APA or jointly sharing risks and rewards.

A copy of the Auditor's independence declaration as required under section 307C of the Corporations Act 2001 is included on page 112.

Deloitte received, or is due to receive, the following amounts for the provision of non-audit services during the financial year:

Tax compliance and advice	\$77,563
Other accounting and assurance services	\$43,625
Other advisory services	\$160,500
Total	\$281,688

ROUNDING OFF OF AMOUNTS

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

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

On behalf of the directors



L F Bleasel AM
Chairman



R J Wright
Director

Sydney, 26 August 2008

INCOME STATEMENT

FOR THE FINANCIAL YEAR ENDED 30 JUNE 2008

		Consolidated		Trust	
	Note	2008 \$000	2007 \$000	2008 \$000	2007 \$000
Continuing operations					
Revenue	5	878,094	532,700	65,927	88,022
Share of net profits of joint venture entities accounted for using the equity method	5	3,635	-	-	-
		881,729	532,700	65,927	88,022
Asset operation and management expenses		(99,025)	(102,527)	-	-
Depreciation and amortisation expense	6	(94,459)	(69,783)	-	-
Other pipeline costs - pass-through	6	(282,874)	(95,911)	-	-
Finance costs	6	(237,434)	(150,224)	(30)	(15)
Employee benefit expense	6	(59,812)	(20,323)	-	-
Other expenses		(17,920)	(14,600)	(38)	23
Profit before tax		90,205	79,332	65,859	88,030
Income tax expense	8	(22,958)	(22,470)	(476)	(214)
Profit for the year		67,247	56,862	65,383	87,816
Attributable to:					
Equity holders of the parent		38,094	50,333	65,383	87,816
Minority interest - APT Investment Trust equityholders		29,098	6,427	-	-
APA stapled securityholders		67,192	56,760	65,383	87,816
Minority interest - other		55	102	-	-
		67,247	56,862	65,383	87,816
Earnings per security					
Basic (cents per security)	36	14.9	15.0		

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

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

BALANCE SHEET

AS AT 30 JUNE 2008

		Consolidated		Trust	
	Note	2008 \$000	2007 \$000	2008 \$000	2007 \$000
Current assets					
Cash and cash equivalents		105,455	60,078	12	2
Trade and other receivables	10	130,202	67,464	-	-
Other financial assets	11	-	6,389	-	-
Inventories	12	10,962	6,588	-	-
Other	13	2,883	2,942	-	-
		249,502	143,461	12	2
Non-current assets classified as held for sale	14	601,731	-	-	-
Total current assets		851,233	143,461	12	2
Non-current assets					
Receivables	15	21,426	69,503	-	-
Other financial assets	16	153,144	10	927,316	808,507
Investments accounted for using the equity method	17	136,314	135,578	-	-
Property, plant and equipment	18	3,236,723	3,570,223	-	-
Goodwill	19	520,774	297,745	-	-
Other intangible assets	20	171,643	3,153	-	-
Deferred tax assets	8	-	-	135,676	119,163
Other	21	5,735	18,261	-	-
Total non-current assets		4,245,759	4,094,473	1,062,992	927,670
Total assets		5,096,992	4,237,934	1,063,004	927,672
Current liabilities					
Trade and other payables	22	151,558	108,325	136,202	125,696
Borrowings	23	450,150	4,494	-	-
Other financial liabilities	24	5,187	4,841	-	-
Provisions	25	38,752	20,074	-	-
Other	26	12,109	15,717	-	-
		657,756	153,451	136,202	125,696
Liabilities directly associated with non-current assets classified as held for sale	14	99,678	-	-	-
Total current liabilities		757,434	153,451	136,202	125,696
Non-current liabilities					
Borrowings	27	2,660,973	2,593,158	-	-
Other financial liabilities	28	160,195	131,161	145,286	-
Deferred tax liabilities	8	246,995	192,107	-	-
Provisions	25	19,007	5,598	-	-
Other	26	2,180	1,692	-	-
Total non-current liabilities		3,089,350	2,923,716	145,286	-
Total liabilities		3,846,784	3,077,167	281,488	125,696
Net assets		1,250,208	1,160,767	781,516	801,976

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

BALANCE SHEET (CONTINUED)

AS AT 30 JUNE 2008

		Consolidated		Trust	
	Note	2008 \$000	2007 \$000	2008 \$000	2007 \$000
Equity					
Australian Pipeline Trust equity:					
Issued capital	29	844,150	801,055	844,150	801,055
Reserves	30	(1,945)	(3,210)	(75,386)	-
Retained earnings	31	43,375	64,604	12,752	921
Equity attributable to securityholders of the parent		885,580	862,449	781,516	801,976
Minority interests:					
APT Investment Trust	32	364,539	298,253	-	-
Other minority interest	32	89	65	-	-
Total minority interests		364,628	298,318	-	-
Total equity		1,250,208	1,160,767	781,516	801,976

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

STATEMENT OF RECOGNISED INCOME AND EXPENSE

FOR THE FINANCIAL YEAR ENDED 30 JUNE 2008

	Consolidated		Trust	
	2008 \$000	2007 \$000	2008 \$000	2007 \$000
Loss on available-for-sale investments taken to equity	(75,435)	(687)	(75,386)	-
Gain/(loss) on cash flow hedges taken to equity	17,880	(51,896)	-	-
Actuarial gain/(loss) on defined benefit plans	(8,244)	1,554	-	-
Income tax on items taken directly to equity	(2,891)	15,309	-	-
Net expense recognised directly in equity	(68,690)	(35,721)	(75,386)	-
Profit for the year	67,247	56,862	65,383	87,816
Transfer of gain on cash flow hedges to profit or loss (net of related tax)	63,889	48,130	-	-
Total recognised income and expense for the year	62,446	69,271	(10,003)	87,816
Attributable to:				
Equity holders of the parent	33,343	62,742	(10,003)	87,816
Minority interest - APT Investment Trust	29,048	6,427	-	-
Minority interest - other	55	102	-	-
	62,446	69,271	(10,003)	87,816

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

CASH FLOW STATEMENT

FOR THE FINANCIAL YEAR ENDED 30 JUNE 2008

		Consolidated		Trust	
	Note	2008 \$000	2007 \$000	2008 \$000	2007 \$000
Cash flows from operating activities					
Receipts from customers		910,744	526,277	-	1,060
Payments to suppliers and employees		(557,669)	(263,082)	(33)	(907)
Dividends received		23,294	450	65,636	87,307
Proceeds from repayment of finance leases		5,256	-	-	-
Interest received		26,099	18,000	291	715
Interest and other costs of finance paid		(221,867)	(145,100)	(30)	(10)
Income tax refunded		566	163	-	-
Net cash provided by operating activities	37(c)	186,423	136,708	65,864	88,165
Cash flows from investing activities					
Payments for property, plant and equipment		(193,808)	(130,279)	-	-
Proceeds from sale of property, plant and equipment		1	99	-	-
Payments for available-for-sale investments	37(b)	(196,880)	-	(173,913)	-
Payments for equity accounted investments	37(b)	(4,862)	(133,347)	-	-
Payments for controlled entities	37(b)	(453,869)	(1,114,430)	(60,637)	(396,689)
Settlement of acquisition related liabilities		-	(7,958)	-	(7,958)
Net cash used in investing activities		(849,418)	(1,385,915)	(234,550)	(404,647)
Cash flows from financing activities					
Proceeds from borrowings		796,000	2,262,957	179,153	107,910
Repayments of borrowings		(114,327)	(1,457,769)	-	-
Payments of debt issue costs		-	(8,585)	-	-
Proceeds from issue of securities		123,995	610,985	43,356	608,222
Payments of security issue costs		(586)	(10,630)	(261)	(10,547)
Distributions paid to:					
Securityholders of APT		(53,552)	(87,308)	(53,552)	(87,308)
Securityholders of minority interests - APTIT		(43,127)	(12,855)	-	-
Capital return to securityholders of APT		-	-	-	(302,000)
Other minority interest		(32)	(138)	-	-
Net cash provided by financing activities		708,371	1,296,657	168,696	316,277
Net increase/(decrease) in cash and cash equivalents		45,376	47,450	10	(205)
Cash and cash equivalents at beginning of financial year		60,078	12,628	2	207
Cash and cash equivalents at end of financial year	37(a)	105,454	60,078	12	2

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

NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 30 JUNE 2008

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 Stock Exchange (trading under the symbol 'APA'), registered in Australia and operating in Australia.

The financial report represents the consolidated financial results of the two stapled entities Australian Pipeline Trust and APT Investment Trust.

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

Registered office and principal place of business

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

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

The Consolidated Entity is also a major national gas infrastructure service provider, managing the operation and maintenance of its assets, as well as the gas transmission and distribution assets of Envestra Ltd ("Envestra"). The Consolidated Entity owns a shareholding in Envestra.

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 Group.

Accounting Standards include Australian equivalents to International Financial Reporting Standards ("A-IFRS"). Compliance with A-IFRS ensures that the financial statements and notes of the Trust and the Consolidated Entity comply with International Financial Reporting Standards ("IFRS").

The financial statements were authorised for issue by the Directors on 26 August 2008.

Basis of preparation

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

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

NOTES TO THE FINANCIAL STATEMENTS

(CONTINUED)

FOR THE FINANCIAL YEAR ENDED 30 JUNE 2008

2. Significant accounting policies (continued)

Basis of preparation (continued)

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

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. 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 (the 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. The Consolidated Entity has also adopted the following Standards as listed below which only impacted on the Consolidated Entity's financial statements with respect to disclosure.

- AASB 7 'Financial Instruments: Disclosures'; and
- AASB 101 'Presentation of Financial Statements' (revised October 2006).

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

(a) Basis of consolidation

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

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

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

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

NOTES TO THE FINANCIAL STATEMENTS

(CONTINUED)

FOR THE FINANCIAL YEAR ENDED 30 JUNE 2008

2. Significant accounting policies (continued)

(b) Financial assets

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 investments 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 investments revaluation reserve is included in profit or loss for the period. Dividends on available-for-sale equity instruments are recognised in profit and 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 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 the initial recognition of the financial asset the estimated future cash flows of the investment 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 directly in equity.

(c) Cash and cash equivalents

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

NOTES TO THE FINANCIAL STATEMENTS

(CONTINUED)

FOR THE FINANCIAL YEAR ENDED 30 JUNE 2008

2. Significant accounting policies (continued)

(d) Acquisition of assets

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

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

(e) Borrowings

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

(f) Borrowing costs

Borrowing costs directly attributable to the acquisition, construction or production of qualifying assets, which are assets that necessarily take a substantial period of time to get ready for their intended use or sale, are added to the cost of those assets, until such time as the assets are substantially ready for their intended use or sale.

Investment income earned on the temporary investment of specific borrowings pending their expenditure on qualifying assets is deducted from the borrowing costs eligible for capitalisation.

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

(g) Depreciation

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

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

(h) Business combinations

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

NOTES TO THE FINANCIAL STATEMENTS

(CONTINUED)

FOR THE FINANCIAL YEAR ENDED 30 JUNE 2008

2. Significant accounting policies (continued)

(h) Business combinations (continued)

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

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

(i) Derivative financial instruments

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

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

Hedge accounting

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

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

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

Note 38 contains details of the fair values of the derivatives instruments used for hedging purposes. Movement 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.

NOTES TO THE FINANCIAL STATEMENTS

(CONTINUED)

FOR THE FINANCIAL YEAR ENDED 30 JUNE 2008

2. Significant accounting policies (continued)

(i) Derivative financial instruments (continued)

Cash flow hedges

The effective portion of changes in the fair value of derivatives that are designated and qualify as cash flow hedges 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 and loss in the same line of the income statement 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.

(j) Employee benefits

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

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

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

Defined contribution plans

Contributions to defined contribution 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 balance sheet 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.

(k) 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 2008

2. Significant accounting policies (continued)

(k) 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 on the issue of equity instruments

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

Interest and distributions

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

(l) Foreign currency transactions

Both the functional and presentation currency of the Consolidated Entity and the Trust is Australian dollars (A\$). All foreign currency transactions during the financial year are brought to account using the exchange rate in effect at the date of the transaction. Foreign currency monetary items at reporting date are translated at the exchange rate existing at that date and resulting exchange differences are recognised in profit or loss in the period in which they arise.

(m) Goods and services tax

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

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

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

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

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

(n) Goodwill

Goodwill acquired in a business combination is initially measured at its cost, being the excess of the cost of the business combination over the acquirer's interest in the net fair value of the identifiable assets, liabilities and contingent liabilities recognised. Goodwill is tested for impairment annually and whenever there is an indication that the goodwill may be impaired. Any impairment is recognised immediately to the profit or loss. For the purpose of impairment testing, goodwill is allocated to each of the Consolidated Entity's cash-generating units, or groups of cash-generating units, expected to benefit from the synergies of the business combination. Refer also Note 2(o).

NOTES TO THE FINANCIAL STATEMENTS

(CONTINUED)

FOR THE FINANCIAL YEAR ENDED 30 JUNE 2008

2. Significant accounting policies (continued)

(o) Impairment of assets

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

(p) Income tax

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

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

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

The amount of deferred tax provided is based on the expected manner of realisation or settlement of the carrying amount of assets and liabilities, using the tax rates enacted or substantively enacted at the balance sheet date.

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

Tax consolidation

The Trust and its wholly-owned Australian tax resident entities are part of a tax-consolidated group under Australian taxation law. The head entity within the tax-consolidated group is 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 statements of the members of the tax-consolidated group using the 'separate taxpayer within group' approach, by reference to the carrying amounts in the separate financial statements of each entity and the tax values applying under tax consolidation.

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

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

(q) Inventories

Inventories are stated at the lower of cost and net realisable value. Costs, including an appropriate portion of fixed and variable overhead expenses, are assigned to inventories 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.

NOTES TO THE FINANCIAL STATEMENTS

(CONTINUED)

FOR THE FINANCIAL YEAR ENDED 30 JUNE 2008

2. Significant accounting policies (continued)

(r) Investments in debt and equity securities

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

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

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

(s) Joint venture arrangements

Jointly controlled operations

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

Jointly controlled entities

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

(t) Leased assets

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

Group as lessor

Amounts due from a lessee under 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 balance sheet as a finance lease obligation.

Lease payments are allocated between finance charges and reduction of the lease obligation so as to achieve a constant rate 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 pattern in which economic benefits from the leased asset are consumed.

NOTES TO THE FINANCIAL STATEMENTS

(CONTINUED)

FOR THE FINANCIAL YEAR ENDED 30 JUNE 2008

2. Significant accounting policies (continued)

(u) Provisions

A provision is recognised when there is a legal, equitable or constructive obligation as a result of a past event, it is probable that a future sacrifice of economic benefits will be required to settle the obligation and the amount of the provision can be measured reliably.

The amount recognised as a provision is the best estimate of the consideration required to settle the present obligation at the end of the financial year, taking into account the risks and uncertainties surrounding the obligation. Where a provision is measured using the cash flows estimated to settle the present obligation, its carrying amount is the present value of those cash flows.

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

(v) Distributions

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

(w) 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 non-current assets is included as income at the date control of the assets passes to the buyer. This is usually when an unconditional contract of sale is signed. The gain or loss on disposal is calculated as the difference between the carrying amount of the asset at the time of disposal and the net proceeds on disposal (including incidental costs).

Dividend revenue

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

Finance lease income

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

Interest revenue - Envestra loan notes

Loan note interest revenue is recognised when the right to receive a distribution has been established.

NOTES TO THE FINANCIAL STATEMENTS

(CONTINUED)

FOR THE FINANCIAL YEAR ENDED 30 JUNE 2008

2. Significant accounting policies (continued)

(x) Non-current assets held for sale

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

(y) Intangible assets

Intangible assets acquired in a business combination

Intangible assets acquired in a business combination are identified and recognised separately from goodwill where they satisfy the definition of an intangible asset and their fair values can be measured reliably. 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.

(z) Share-based payments

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

(aa) Standards and Interpretations issued not yet effective

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

Initial application of the following Standards will not affect any of the amounts recognised in the financial report, but will change the disclosures presently made in relation to the Consolidated Entity and the Trust's financial report:

- **AASB 101 'Presentation of Financial Statements' - revised standard (revised September 2007)**
Effective for annual periods beginning on or after 1 January 2009.
- **AASB 8 'Operating Segments'**
Effective for annual periods beginning on or after 1 January 2009.

Initial application of the following Standards and Interpretations is not expected to have any material impact on the financial report of the Consolidated Entity and the Trust:

- **AASB Interpretation 12 'Services Concession Arrangements'**
Effective for annual periods beginning on or after 1 January 2008.
- **AASB Interpretation 14 'AASB 119 - The Limit on a Defined Benefit Asset, Minimum Funding Requirements and their Interaction'**
Effective for annual periods beginning on or after 1 January 2008.
- **AASB Interpretation 13 'Customer Loyalty Programmes'**
Effective for annual periods beginning on or after 1 July 2008.
- **AASB 123 'Borrowing Costs' (revised)**
Effective for annual periods beginning on or after 1 January 2009.
- **AASB 127 'Separate and Consolidated Financial Statements'**
Effective for annual periods beginning on or after 1 July 2009.

NOTES TO THE FINANCIAL STATEMENTS

(CONTINUED)

FOR THE FINANCIAL YEAR ENDED 30 JUNE 2008

2. Significant accounting policies (continued)

(aa) Standards and Interpretations issued not yet effective (continued)

- **AASB 2008-2 'Amendments to Australian Accounting Standards - Puttable Financial Instruments and Obligations arising on Liquidation'**
Effective for annual periods beginning on or after 1 January 2009.
- **AASB 2008-1 'Amendments to Australian Accounting Standard - Share-based Payments: Vesting Conditions and Cancellations'**
Effective for annual periods beginning on or after 1 July 2009.

Initial application of the expected issue of an Australian equivalent accounting standard to the following Standards is not expected to have a material impact on the financial report of the Consolidated Entity and the Trust:

- **Improvements to IFRSs (2008)**
Effective for annual periods beginning on or after 1 January 2009.
- **Amendments to IFRS 1 'First-time Adoption of International Financial Reporting Standards' and IAS 27 Consolidated and Separate Financial Statements - Cost of an Investment in a Subsidiary, Jointly Controlled Entity or Associate'**
Effective for annual periods beginning on or after 1 January 2009.
- **IFRIC 15 'Agreements for the Construction of Real Estate'**
Effective for annual periods beginning on or after 1 January 2009.
- **IFRIC 16 'Hedges of a Net Investment in a Foreign Operation'**
Effective for annual periods beginning on or after 1 October 2008.

The potential impact of the initial application of the following Standard has not yet been determined as it is dependent upon whether any significant business combinations occur after the effective date:

- **AASB 3 'Business Combinations'**
Effective for annual periods beginning on or after 1 July 2009.

3. Critical accounting judgements and key sources of estimation uncertainty

Critical judgements in applying the entity's accounting policies

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

Accounting for acquisitions

Assets acquired are recorded at the cost of acquisition, being the purchase consideration determined as at the date of acquisition plus costs incidental to the acquisition. Cost is allocated to individual identifiable assets and liabilities. Management makes a number of judgements in allocating cost, particularly in relation to the valuation of identifiable intangible assets such as contractual arrangements, including assumptions relating to potential contract renewals and associated useful life.

Key sources of estimation uncertainty

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

NOTES TO THE FINANCIAL STATEMENTS

(CONTINUED)

FOR THE FINANCIAL YEAR ENDED 30 JUNE 2008

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

Impairment of assets

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

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 income statement.

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 effect the depreciation or amortisation expense.

4. Business and geographical segments

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

(a) Description of business segments

The Consolidated Entity comprises the following main business segments:

- gas transportation infrastructure (ie gas transmission and distribution infrastructure);
- electricity transmission infrastructure;
- asset management; and
- complementary/other assets.

NOTES TO THE FINANCIAL STATEMENTS

(CONTINUED)

FOR THE FINANCIAL YEAR ENDED 30 JUNE 2008

4. Business and geographical segments (continued)

(b) Primary reporting format - business segment

2008	Gas transportation \$'000	Electricity transmission \$'000	Asset management \$'000	Complementary / other assets \$'000	Consolidated \$'000
Segment revenue					
External sales revenue	480,481	25,228	42,853	19,512	568,074
Equity profits	3,635	-	-	-	3,635
Passthrough revenue	95,939	-	186,935	-	282,874
Finance lease and investment interest income	2,267	-	-	10,145	12,412
Distribution - other entities	1,414	-	-	-	1,414
Total segment revenue	583,736	25,228	229,788	29,657	868,409
Other interest income					13,320
Consolidated revenue					881,729
Segment result					
Earnings before interest, tax, depreciation and amortisation ("EBITDA") (excluding significant items)	351,565	18,939	25,461	2,460	398,425
Share of net profits of joint venture entities accounted for using the equity method	3,635	-	-	-	3,635
Finance lease and investment interest income	2,267	-	-	10,145	12,412
Total EBITDA (excluding significant items)	357,467	18,939	25,461	12,605	414,472
Depreciation and amortisation	(76,737)	(9,471)	(7,910)	(341)	(94,459)
Earnings before interest and tax ("EBIT") (excluding significant items)	280,730	9,468	17,551	12,264	320,013
Net finance cost ^(a)					(223,779)
Profit before tax (excluding significant items)					96,234
Income tax expense					(24,767)
Profit for the year (excluding significant items)					71,467
Significant items after tax					(4,220)
Profit for the year					67,247
Segment assets and liabilities					
Segment assets	3,975,953	298,863	362,618	158,471	4,795,905
Carrying value of investments accounted for using the equity method	131,679	-	4,635	-	136,314
Unallocated assets ^(b)					151,726
Total assets					5,083,945
Acquisition of segment assets (Note 41)					
	213,977	-	206,072	29,506	449,555
Segment liabilities	169,292	875	73,138	3,385	246,690
Unallocated liabilities ^(c)					3,587,048
Total liabilities					3,833,738

(a) Excluding finance lease income, Envestra loan note interest and any gains or losses on revaluation of derivatives which have been included as part of EBIT for segment reporting purposes.

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

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

NOTES TO THE FINANCIAL STATEMENTS

(CONTINUED)

FOR THE FINANCIAL YEAR ENDED 30 JUNE 2008

4. Business and geographical segments (continued)

(b) Primary reporting format - business segment (continued)

2007	Gas transportation \$'000	Electricity transmission \$'000	Asset management \$'000	Complementary / other assets \$'000	Consolidated \$'000
Segment revenue					
External sales revenue	393,626	17,193	6,726	1,209	418,754
Passthrough revenue	95,911	-	-	-	95,911
Finance lease income	-	-	-	2,821	2,821
Distribution - other entities	450	-	-	-	450
Total segment revenue	489,987	17,193	6,726	4,030	517,936
Other interest income					14,764
Consolidated revenue					532,700
Segment result					
Earnings before interest, tax, depreciation and amortisation ("EBITDA") (excluding significant items)	275,775	12,842	5,715	(311)	294,021
Finance lease and investment interest income	-	-	-	2,821	2,821
Total EBITDA (excluding significant items)	275,775	12,842	5,715	2,510	296,842
Depreciation and amortisation	(62,598)	(6,078)	(1,107)	-	(69,783)
Earnings before interest and tax ("EBIT") (excluding significant items)	213,177	6,764	4,608	2,510	227,059
Net finance cost ^(a)					(136,625)
Profit before tax (excluding significant items)					90,434
Income tax expense					(25,802)
Profit for the year (excluding significant items)					64,632
Significant items after tax					(7,770)
Profit for the year					56,862
Segment assets and liabilities					
Segment assets	3,735,409	310,221	30,239	95,598	4,171,467
Unallocated assets ^(b)					66,467
Total assets					4,237,934
Acquisition of segment assets					
Acquisition of segment assets	1,496,328	176,586	-	-	1,672,914
Segment liabilities	146,923	1,220	-	3,264	151,407
Unallocated liabilities ^(c)					2,925,760
Total liabilities					3,077,167

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

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

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

NOTES TO THE FINANCIAL STATEMENTS

(CONTINUED)

FOR THE FINANCIAL YEAR ENDED 30 JUNE 2008

5. Revenue

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

Continuing operations

	Consolidated		Trust	
	2008	2007	2008	2007
	\$000	\$000	\$000	\$000
Operating revenue				
Gas transportation revenue:				
• gas transportation revenue	478,420	386,405	-	-
• passthrough revenue	95,939	95,911	-	-
	574,359	482,316	-	-
Electricity transmission revenue	25,228	17,193	-	-
Asset management revenue:				
• asset management revenue	42,853	6,726	-	-
• passthrough revenue	186,935	-	-	-
	229,788	6,726	-	-
Complementary/other revenue	19,512	1,209	-	-
	848,888	507,444	-	-
Share of net profits of joint venture entities accounted for using the equity method	3,635	-	-	-
Finance income				
Interest	15,587	14,764	291	715
Finance lease income	10,145	2,821	-	-
	25,732	17,585	291	715
Dividends				
Wholly-owned controlled entities	-	-	64,272	87,307
Other entities	1,414	450	1,364	-
	1,414	450	65,636	87,307
Other income				
Gain on disposal of property, plant and equipment	60	-	-	-
Rental income	681	181	-	-
Other revenue	1,319	7,040	-	-
	2,060	7,221	-	-
	881,729	532,700	65,927	88,022

NOTES TO THE FINANCIAL STATEMENTS

(CONTINUED)

FOR THE FINANCIAL YEAR ENDED 30 JUNE 2008

6. Expenses

Profit before tax includes the following expenses:

	Consolidated		Trust	
	2008	2007	2008	2007
	\$000	\$000	\$000	\$000
Depreciation and amortisation expense				
Depreciation of non-current assets	89,874	69,083	-	-
Amortisation of non-current assets	4,585	700	-	-
	94,459	69,783	-	-
Other operating costs - pass-through				
Operating lease - rental expenses	18,782	18,542	-	-
Gas pipeline costs	77,157	77,369	-	-
	95,939	95,911	-	-
Envestra - management, operating and maintenance costs	186,935	-	-	-
	282,874	95,911	-	-
Finance costs				
Interest	240,408	149,318	30	10
Amortisation of deferred borrowing costs	2,522	2,414	-	-
Finance lease charges	42	39	-	-
Other finance costs	1,475	454	-	5
	244,447	152,225	30	15
Less: amounts included in the cost of qualifying assets	(6,547)	(881)	-	-
	237,900	151,344	30	15
Gain arising on derivatives in a designated fair value hedge accounting relationship	-	(53)	-	-
Gain on fair value of other derivatives	(636)	(1,238)	-	-
Unwinding of discount on non-current provisions	170	171	-	-
	237,434	150,224	30	15
The average capitalisation rate on funds borrowed generally is 7.26% p.a. (2007: 7.06% p.a.).				
Employee benefit expense				
Post-employment benefits:				
Defined contribution plans	1,353	1,039	-	-
Defined benefit plans	1,245	(85)	-	-
	2,597	954	-	-
Termination benefits	1,515	97	-	-
Other employee benefits	55,700	19,272	-	-
	59,812	20,323	-	-
Other expenses				
Loss on disposal of property, plant and equipment	-	511	-	-

NOTES TO THE FINANCIAL STATEMENTS

(CONTINUED)

FOR THE FINANCIAL YEAR ENDED 30 JUNE 2008

7. Significant items

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

	Consolidated		Trust	
	2008	2007	2008	2007
	\$000	\$000	\$000	\$000
Revaluation of interest rates swaps - deemed 'ineffective' under AASB 139	(336)	1,165	-	-
Integration costs associated with acquisitions	(4,350)	-	-	-
Unsuccessful acquisition due diligence costs	(1,343)	-	-	-
Corporate legal and advisor costs	-	(7,000)	-	-
Stress corrosion cracking repair and investigative work	-	(5,265)	-	-
Loss from significant items before related income tax	(6,029)	(11,100)	-	-
Income tax related to significant items above	1,809	3,330	-	-
Loss from significant items after related income tax	(4,220)	(7,770)	-	-

8. Income tax

Income tax recognised in profit or loss

Tax expense/(income) comprises:

Current tax expense/(income) in respect of the current year	(1,702)	1,515	476	214
Adjustments recognised in the current year in relation to current tax of prior years	-	2,000	-	-
	(1,702)	3,515	476	214
Deferred tax expense relating to the origination and reversal of temporary differences	24,660	18,955	-	-
Total tax expense	22,958	22,470	476	214

Attributable to:

Profit from continuing operations	22,958	22,470	476	214
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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	90,205	79,332	65,859	88,030
Income tax expense calculated at 30%	27,062	23,800	19,758	26,409
Effect of interest expense not deductible in determining taxable profit	2,447	2,338	-	-
Effect of non-assessable trust distribution	(8,729)	(1,922)	-	-
Effect of transactions within the tax-consolidated group that are exempt from taxation	-	-	(19,282)	(26,192)
Effect of expenses that are not deductible in determining taxable profit	2,298	254	-	(3)
Effect of expenses that are not deductible in determining accounting profit	(63)	-	-	-
Effect of income that is exempt from taxation	(57)	-	-	-
	22,958	24,470	476	214
Adjustment recognised in the current year in relation to the current tax of prior years	-	(2,000)	-	-
	22,958	22,470	476	214

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 2008

8. Income tax (continued)

Income tax recognised directly in equity

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

	Consolidated		Trust	
	2008	2007	2008	2007
	\$000	\$000	\$000	\$000
Deferred income tax				
Revaluation of financial instruments treated as cash flow hedges	32,482	5,080	-	-
Actuarial movements on defined benefit plans	(2,473)	466	-	-
Income tax (benefit)/expense reported in equity	30,009	5,546	-	-
Deferred tax balances				
Deferred tax liabilities:				
Temporary differences	(391,485)	(336,618)	2	(46)
	(391,485)	(336,618)	2	(46)
Deferred tax assets:				
Temporary differences	21,703	25,302	-	-
Tax losses ^(a)	135,674	119,209	135,674	119,209
	157,377	144,511	135,674	119,209
	(234,108)	(192,107)	135,676	119,163

Trust

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

Deferred tax balances

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

	Opening balance	Charged to income	Charged to equity	Consolidated Finalisation of purchase price accounting	Acquisitions/disposals	Closing balance
2008	\$000	\$000	\$000	\$000	\$000	\$000
Gross deferred tax liabilities						
Intangible assets	(947)	211	-	-	-	(736)
Property, plant and equipment	(336,852)	(23,431)	-	4,895	-	(355,388)
Deferred expenses	2,850	(11,554)	-	-	-	(8,704)
Cash flow hedges	3,213	2,612	(32,482)	-	-	(26,657)
	(331,736)	(32,162)	(32,482)	4,895	-	(391,485)
Gross deferred tax assets						
Provisions	7,763	(811)	-	1,207	5,880	14,039
Property, plant and equipment	4,035	-	-	(4,035)	-	-
Deferred revenue	4,896	243	-	-	-	5,139
Defined benefit obligation	(983)	(306)	2,473	-	860	2,044
Other	4,709	(4,521)	-	-	293	481
Tax losses	119,209	12,897	-	3,568	-	135,674
	139,629	7,502	2,473	740	7,033	157,377
	(192,107)	(24,660)	(30,009)	5,635	7,033	(234,108)

NOTES TO THE FINANCIAL STATEMENTS

(CONTINUED)

FOR THE FINANCIAL YEAR ENDED 30 JUNE 2008

8. Income tax (continued)

Deferred tax balances (continued)

	Consolidated 2008 \$000
Presented in the balance sheet as follows:	
Deferred tax liabilities attributable to:	
Continuing operations	(246,995)
Directly associated with assets held for sale (Note 14)	12,888
	(234,108)
Deferred tax assets attributable to:	
Continuing operations	-
Directly associated with assets held for sale (Note 14)	-
	-
	(234,108)

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

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

NOTES TO THE FINANCIAL STATEMENTS

(CONTINUED)

FOR THE FINANCIAL YEAR ENDED 30 JUNE 2008

8. Income tax (continued)

Deferred tax balances (continued)

	Opening balance \$000	Charged to income \$000	Trust Charged to equity \$000	Transfers \$000	Acquisitions/ disposals \$000	Closing balance \$000
2008						
Gross deferred tax liabilities						
Other	(46)	48	-	-	-	2
	(46)	48	-	-	-	2
Gross deferred tax assets						
Tax losses	119,209	(524)	-	16,989	-	135,674
	119,209	(524)	-	16,989	-	135,674
	119,163	(476)	-	16,989	-	135,676
2007						
Gross deferred tax liabilities						
Other	-	(46)	-	-	-	(46)
	-	(46)	-	-	-	(46)
Gross deferred tax assets						
Tax losses	-	(168)	-	119,377	-	119,209
	-	(168)	-	119,377	-	119,209
	-	(214)	-	119,377	-	119,163

Unrecognised deferred tax assets

	Consolidated		Trust	
	2008 \$000	2007 \$000	2008 \$000	2007 \$000
The following deferred tax assets have not been brought to account as assets:				
Tax losses - capital	6,527	4,635	-	-
	6,527	4,635	-	-

Tax consolidation

Relevance of tax consolidation to the Group

The Trust and its wholly-owned Australian resident entities have formed a tax-consolidated group with effect from 1 July 2003 and are therefore taxed as a single entity from that date. The head entity within the tax-consolidated group is Australian Pipeline Trust. The members of the tax-consolidated group are identified at Note 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 2008

(a) Recognised amounts

	2008 cents per security	Trust 2008 Total \$000	2007 cents per security	2007 Total \$000
Final distribution paid on 28 September 2007				
(2007: 29 September 2006)				
Profit distribution ^(a)	2.0	8,634	6.0	16,811
First distribution 2008: nil				
(2007: 18 December 2006)				
Profit distribution ^{(a),(b)}	-	-	7.0	23,249
Second distribution paid on 28 March 2008				
(2007: 30 March 2007)				
Profit distribution ^(a)	9.8	44,918	4.0	17,141
Third distribution 2008: nil				
(2007: 29 June 2007)				
Profit distribution ^{(a),(b)}	-	-	7.0	30,107
	11.8	53,552	24.0	87,308

Unrecognised amounts

Final distribution payable on 10 September 2008				
(2007: 28 September 2007)				
Profit distribution ^(a)	9.0	42,142	2.0	8,634
	9.0	42,142	2.0	8,634

(a) Profit distributions were unfranked (2007: unfranked).

(b) As previously advised, the APA Group changed the frequency of distributions from quarterly to semi-annually, commencing December 2007.

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

NOTES TO THE FINANCIAL STATEMENTS

(CONTINUED)

FOR THE FINANCIAL YEAR ENDED 30 JUNE 2008

9. Distributions (continued)

(b) Recognised amounts

	2008 cents per security	APT and APTIT 2008 Total \$000	2007 cents per security	2007 Total \$000
Final distribution paid on 28 September 2007				
(2007: 29 September 2006)				
Profit distribution - APT ^(a)	2.0	8,634	6.0	16,811
Profit distribution - APTIT ^(a) (Note 32)	3.0	12,951	-	-
Capital distribution - APTIT (Note 32)	2.0	8,634	-	-
First distribution 2008: nil				
(2007: 18 December 2006)				
Profit distribution - APT ^{(a),(b)}	-	-	7.0	23,249
Second distribution paid on 28 March 2008				
(2007: 30 March 2007)				
Profit distribution - APT ^(a)	9.8	44,918	4.0	17,141
Profit distribution - APTIT ^(a) (Note 32)	2.0	9,167	1.5	6,427
Capital distribution - APTIT (Note 32)	2.7	12,375	1.5	6,427
Third distribution 2008: nil				
(2007: 29 June 2007)				
Profit distribution - APT ^(b)	-	-	7.0	30,107
	21.5	96,679	27.0	100,163

Unrecognised amounts

Final distribution payable on 10 September 2008

(2007: 28 September 2007)				
Profit distribution - APT ^(a)	9.0	42,142	2.0	8,634
Profit distribution - APTIT ^(a)	3.2	14,984	3.0	12,951
Capital distribution - APTIT	2.8	13,111	2.0	8,634
	15.0	70,236	7.0	30,219

(a) Profit distributions were unfranked (2007: unfranked).

(b) As previously advised, the APA Group changed the frequency of distributions from quarterly to semi-annually, commencing December 2007.

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

	Consolidated		Trust	
	2008 \$000	2007 \$000	2008 \$000	2007 \$000
Adjusted franking account balance (tax paid basis)	(192)	145	(192)	145

NOTES TO THE FINANCIAL STATEMENTS

(CONTINUED)

FOR THE FINANCIAL YEAR ENDED 30 JUNE 2008

10. Trade and other receivables

	Consolidated		Trust	
	2008	2007	2008	2007
	\$000	\$000	\$000	\$000
Trade receivables	123,569	64,444	-	-
Allowance for doubtful debts	(20)	-	-	-
	123,549	64,444	-	-
Finance lease receivable (Note 33)	5,697	2,213	-	-
Interest receivable	78	111	-	-
Other debtors	878	696	-	-
	130,202	67,464	-	-

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

Ageing of past due but not impaired

30 - 60 days	3,052	1,445	-	-
60 - 90 days	454	36	-	-
90 - 120 days	2,781	832	-	-
Total	6,287	2,313	-	-

Movement in the allowance for doubtful debts

Balance at beginning of year	-	-	-	-
Charged to income statement	20	-	-	-
Balance at end of year	20	-	-	-

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. Accordingly, the directors believe that there is no further credit provisions required in excess of the allowance for doubtful debts.

11. Other current financial assets

Derivatives - at fair value:

Interest rate swaps - cash flow hedges	-	6,389	-	-
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12. Inventories

Spare parts - at cost	7,747	3,132	-	-
Gas stock	3,215	3,456	-	-
	10,962	6,588	-	-

13. Other current assets

Prepayments	2,883	2,632	-	-
Other	-	310	-	-
	2,883	2,942	-	-

NOTES TO THE FINANCIAL STATEMENTS

(CONTINUED)

FOR THE FINANCIAL YEAR ENDED 30 JUNE 2008

14. Non-current assets classified as held for sale

	Consolidated		Trust	
	2008	2007	2008	2007
	\$000	\$000	\$000	\$000
Assets classified as held for sale				
Property, plant and equipment (Note 18)	478,608	-	-	-
Trade and other receivables	104,300	-	-	-
Other financial assets	5,455	-	-	-
Other	321	-	-	-
Other financial liabilities	160	-	-	-
Deferred tax assets (Note 8)	12,888	-	-	-
	601,731	-	-	-
Liabilities directly associated with non-current assets classified as held for sale				
Trade and other payables	22,940	-	-	-
Borrowings	76,594	-	-	-
Other	145	-	-	-
	99,678	-	-	-

On 2 May 2008, the Consolidated Entity announced its intentions to establish an unlisted vehicle to hold a number of its existing assets in which APA would retain a minority interest investment. Completion of the transaction is expected by 31 December 2008. As at 30 June 2008, these assets have been classified as a disposal group held for sale.

15. Non-current receivables

Finance lease receivables (Note 33)	21,426	69,503	-	-
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16. Other non-current financial assets

Investments carried at cost:				
Investments in controlled entities	-	-	828,759	774,638
Available-for-sale investments carried at fair value:				
Envestra	104,192	-	96,151	-
Mariner Pipeline Income Fund	6,446	-	2,407	-
Other	5	10	-	-
Loans carried at amortised cost:				
Loans to controlled entities	-	-	-	33,869
Derivatives - at fair value:				
Interest rate swaps - cash flow hedges	42,501	-	-	-
	153,144	10	927,316	808,507

For terms and conditions relating to related party receivables, refer to Note 45.

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.

NOTES TO THE FINANCIAL STATEMENTS

(CONTINUED)

FOR THE FINANCIAL YEAR ENDED 30 JUNE 2008

17. Investment accounted for using the equity method

	Consolidated		Trust	
	2008	2007	2008	2007
	\$000	\$000	\$000	\$000
Investments in jointly controlled entities	136,314	135,578	-	-
Reconciliation of movements in investments accounted for using the equity method				
Balance at 1 July	135,578	-	-	-
Acquisitions during the year	4,862	135,578	-	-
Share of profit for the year	3,635	-	-	-
Movement in reserves	3,539	-	-	-
	147,614	135,578	-	-
Dividends	(11,300)	-	-	-
Balance at 30 June	136,314	135,578	-	-

Name of entity	Principal activity	Country of incorporation	Ownership interest %	
			2008	2007
SEA Gas	Gas transmission	Australia	33.33	33.33
CAMS	Water management	Australia	50.00	-

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

	Consolidated	
	2008	2007
	\$000	\$000
Financial position		
Total assets	827,220	844,453
Total liabilities	422,914	437,718
Net assets	404,306	406,735
Consolidated Entity's share of jointly controlled entity's net assets	136,314	135,578
Financial performance		
Total revenue	89,476	66,088
Total profit for the year	22,386	19,708
Consolidated Entity's share of joint venture entity's profit ^(a)	3,635	-

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

Contingent liabilities and capital commitments

The Consolidated Entity's share of the contingent liabilities, capital commitments and other expenditure commitments of joint venture entities is disclosed in Notes 46 and 42 respectively.

NOTES TO THE FINANCIAL STATEMENTS

(CONTINUED)

FOR THE FINANCIAL YEAR ENDED 30 JUNE 2008

18. Property, plant and equipment

	Freehold land and buildings at cost \$000	Leasehold improvements at cost \$000	Consolidated Plant and equipment at cost \$000	Work in progress at cost \$000	Total \$000
Gross carrying amount					
Balance at 1 July 2006	35,635	458	2,054,586	21,296	2,111,975
Additions	625	-	8,165	129,504	138,294
Disposals - finance leases	-	-	-	(60,093)	(60,093)
Disposals - other	-	(453)	(1,527)	-	(1,980)
Acquisitions through business combinations	71,590	-	1,499,445	34,642	1,605,677
Transfers	4,184	-	(3,934)	-	250
Balance at 1 July 2007	112,034	5	3,556,735	125,349	3,794,123
Additions	1,104	987	9,971	222,541	234,603
Disposals - finance leases	-	-	-	(33,321)	(33,321)
Disposals - other	(6)	-	(490)	-	(496)
Acquisitions through business combinations	-	-	36,010	-	36,010
Transfer to assets classified as held for sale	-	-	(447,550)	(78,666)	(526,216)
Finalisation of provisional purchase price accounting	-	-	(1,881)	-	(1,881)
Transfers	(1,150)	673	169,508	(169,514)	(483)
Balance at 30 June 2008	111,982	1,665	3,322,303	66,389	3,502,339
Accumulated depreciation					
Balance at 1 July 2006	(4,074)	(445)	(151,419)	-	(155,938)
Disposals	-	447	924	-	1,371
Depreciation expense	(2,356)	(6)	(66,721)	-	(69,083)
Transfers	(216)	-	(34)	-	(250)
Balance at 1 July 2007	(6,646)	(4)	(217,250)	-	(223,900)
Disposals	1	-	392	-	393
Depreciation expense	(2,385)	(663)	(86,826)	-	(89,874)
Transfer to assets classified as held for sale	-	-	47,608	-	47,608
Transfers	-	-	157	-	157
Balance at 30 June 2008	(9,030)	(667)	(255,919)	-	(265,616)
Net book value					
As at 30 June 2007	105,388	1	3,339,485	125,349	3,570,223
As at 30 June 2008	102,952	998	3,066,384	66,389	3,236,723

The Trust has no property, plant and equipment.

NOTES TO THE FINANCIAL STATEMENTS

(CONTINUED)

FOR THE FINANCIAL YEAR ENDED 30 JUNE 2008

19. Goodwill

	Consolidated		Trust	
	2008	2007	2008	2007
	\$000	\$000	\$000	\$000
Gross carrying amount				
Balance at 1 July 2007	297,745	935	-	-
Additional amounts recognised from business combinations occurring during the period (Note 41)	227,917	296,810	-	-
Finalisation of provisional purchase price accounting	(4,888)	-	-	-
Impairment losses for the year	-	-	-	-
Balance at 30 June 2008	520,774	297,745	-	-

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 NSW, QLD and WA;
- 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	
	2008	2007
	\$000	\$000
Asset management business	37,823	-
Gas Transmission Pipelines in NSW, QLD and WA ^(a)	272,692	-
Victorian Transmission System	105,061	148,296
APA Gas Networks	104,263	148,514
Other	935	935
	520,774	297,745

(a) Reported accounting fair value of the Alinta Contract Termination is provisional at reporting date.

The recoverable amounts of cash-generating units are determined based on value-in-use calculations. These calculations use cash flow projections based on current and expected regulatory outcomes for gas assets and market outcomes for non-regulated assets. Cash flow projections are estimated for a period of up to 20 years, with a terminal value, recognising the long nature of the assets. The pre-tax discount rates used are 8.5% p.a. (2007: 7.5% p.a.) for gas transmission assets and 9.5% p.a. for asset management.

NOTES TO THE FINANCIAL STATEMENTS

(CONTINUED)

FOR THE FINANCIAL YEAR ENDED 30 JUNE 2008

20. Other intangible assets

	Consolidated		Trust	
	2008 \$000	2007 \$000	2008 \$000	2007 \$000
Right to receive pipeline tariff	2,453	3,153	-	-
Contract intangibles	169,190	-	-	-
	171,643	3,153	-	-
Right to receive pipeline tariff				
Gross carrying amount				
Balance at 1 July 2007	15,677	15,677	-	-
Balance at 30 June 2008	15,677	15,677	-	-
Accumulated amortisation and impairment				
Balance at 1 July 2007	(12,524)	(11,824)	-	-
Amortisation expense	(700)	(700)	-	-
Balance at 30 June 2008	(13,224)	(12,524)	-	-
Net book value	2,453	3,153	-	-
Contract intangibles				
Gross carrying amount				
Balance at 1 July 2007	-	-	-	-
Acquisitions	173,075	-	-	-
Balance at 30 June 2008	173,075	-	-	-
Accumulated amortisation and impairment				
Balance at 1 July 2007	-	-	-	-
Amortisation expense	(3,885)	-	-	-
Balance at 30 June 2008	(3,885)	-	-	-
Net book value	169,190	-	-	-

The Consolidated Entity holds various third party operating and maintenance contracts. The combined carrying amount of \$173.075 million amortises over terms ranging from one to 60 years. Useful life is amortised based on the underlying contractual terms plus estimations of renewal of up to two terms where considered probable by management.

The Trust did not hold any intangible assets during the current or comparative reporting period.

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

21. Other non-current assets

Line pack gas	1,129	1,129	-	-
Retirement benefit obligations (Note 35)	-	3,274	-	-
Other project costs	4,448	13,858	-	-
Other assets	158	-	-	-
	5,735	18,261	-	-

NOTES TO THE FINANCIAL STATEMENTS

(CONTINUED)

FOR THE FINANCIAL YEAR ENDED 30 JUNE 2008

22. Trade and other payables

	Consolidated		Trust	
	2008	2007	2008	2007
	\$000	\$000	\$000	\$000
Trade payables	54,599	23,955	-	-
Other payables ⁽ⁱ⁾	96,959	84,370	6	6,487
Non-trade payables to:				
Wholly-owned controlled entities ⁽ⁱⁱ⁾	-	-	136,196	119,209
	151,558	108,325	136,202	125,696

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

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

(ii) Includes amounts arising from APA's tax sharing agreement between APA and each of the entities in the tax-consolidated group (Note 8).

23. Current borrowings

Secured - at amortised cost

Bank borrowings	434	-	-	-
Medium Term Notes ^(a)	450,000	-	-	-
Project Finance Facilities ^(b)	-	4,360	-	-
Less: amortised borrowing costs	(434)	(85)	-	-
Finance lease liabilities ^(c) (Note 33)	150	219	-	-
	450,150	4,494	-	-

(a) Medium Term Notes consists of \$150 million that bears interest at a fixed rate maturing on 15 August 2008, \$100 million that bears interest at a fixed rate maturing on 20 March 2009 and \$200 million that bears interest at floating rates and matures on 20 March 2009. The notes are secured over the assets of GasNet Australia Trust and its controlled entities

(b) Secured over the Telfer Pipeline.

(c) Secured by the assets leased, the current weighted average effective interest rate on the finance lease liabilities is 7.67% p.a. (2007: 7.69% p.a.).

(d) On 16 July 2008, APA Group announced that it has executed new debt facility agreements totalling \$165 million to refinance the first tranche of APA GasNet Medium Term Notes of \$150 million maturing in August 2008, and the remainder to supplement APA's existing debt facilities. The terms of these facilities are for three years, through to July 2011. The new facilities have been agreed on a bilateral basis with three banks and are on terms and conditions largely the same as the Syndicated Facility executed in June 2007.

24. Other current financial liabilities

Derivatives

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

Interest rate swaps	5,187	4,841	-	-
	5,187	4,841	-	-

NOTES TO THE FINANCIAL STATEMENTS

(CONTINUED)

FOR THE FINANCIAL YEAR ENDED 30 JUNE 2008

25. Provisions

	Consolidated		Trust	
	2008	2007	2008	2007
	\$000	\$000	\$000	\$000
Current				
Employee benefits ^(a)	27,415	4,309	-	-
Other (Note 34)	11,337	15,765	-	-
	38,752	20,074	-	-
Non-current				
Employee benefits ^(a)	16,347	3,108	-	-
Other (Note 34)	2,660	2,490	-	-
	19,007	5,598	-	-

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

Current				
Incentives	6,121	1,366	-	-
Cash settled share-based payments	286	286	-	-
Leave balances	21,008	2,657	-	-
	27,415	4,309	-	-
Non-current				
Cash settled share-based payments	1,856	1,040	-	-
Retention award	415	198	-	-
Retirement benefit obligation (Note 35)	6,815	-	-	-
Leave balances	7,261	1,870	-	-
	16,347	3,108	-	-

26. Other liabilities

Current				
Unearned revenue - interest	8,496	8,161	-	-
Unearned revenue - other	3,613	7,556	-	-
	12,109	15,717	-	-
Non-current				
Unearned revenue - other	2,180	1,692	-	-
	2,180	1,692	-	-

NOTES TO THE FINANCIAL STATEMENTS

(CONTINUED)

FOR THE FINANCIAL YEAR ENDED 30 JUNE 2008

27. Non-current borrowings

	Consolidated		Trust	
	2008	2007	2008	2007
	\$000	\$000	\$000	\$000
Unsecured - at amortised cost				
Bank borrowings ^(a)	1,566,000	880,000	-	-
Guaranteed Senior Notes ^(b)	1,100,866	1,192,388	-	-
Less: amortised borrowing costs	(7,978)	(9,638)	-	-
	2,658,888	2,062,750	-	-
Secured - at amortised cost				
Bank borrowings ^(c)	1,645	1,645	-	-
Medium Term Notes	-	452,000	-	-
Project Finance Facilities ^(d)	-	78,040	-	-
Less: amortised borrowing costs	-	(1,695)	-	-
Finance lease liabilities ^(e) (Note 33)	440	418	-	-
	2,085	530,408	-	-
	2,660,973	2,593,158	-	-

(a) Relates to the non-current portion of long-term borrowings.

(b) Represents notes of US\$659 million (2007: US\$659 million) measured at the exchange rate at reporting date, and A\$416.9 million (2007: A\$416.9 million).

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

(d) Secured over the Telfer and Nifty Pipelines. Balance included in liabilities directly associated with assets held for sale in current period (refer Note 14).

(e) Secured by the assets leased, the current weighted average effective interest rate on the finance lease liabilities is 7.67% p.a. (2007: 7.69% p.a.).

28. Other non-current financial liabilities

Derivatives at fair value:

Interest rate swaps - cash flow hedges	-	16,862	-	-
Foreign exchange hedges - cash flow hedges	160,195	114,299	-	-
Loans carried at amortised cost:				
Loans from controlled entities	-	-	145,286	-
	160,195	131,161	145,286	-

NOTES TO THE FINANCIAL STATEMENTS

(CONTINUED)

FOR THE FINANCIAL YEAR ENDED 30 JUNE 2008

29. Issued capital

	Consolidated		Trust	
	2008	2007	2008	2007
	\$000	\$000	\$000	\$000
Securities				
468,241,154 securities, fully paid (2007: 431,701,196 securities, fully paid) ^(a)	844,150	801,055	844,150	801,055

	Consolidated and Trust			
	2008	2008	2007	2007
	No. of securities		No. of securities	
	000	\$000	000	\$000
Movements:				
Balance at beginning of financial year	431,701	801,055	280,181	505,379
Issue of securities under Distribution Reinvestment Plan	12,881	22,099	5,865	21,899
Institutional placements of units	-	-	41,800	190,190
Issue of securities under Security Purchase Plan	23,659	21,257	8,950	40,242
Renounceable rights issue	-	-	94,905	355,892
Issue cost of securities	-	(261)	-	(10,547)
Capital return to securityholders ^(b)	-	-	-	(302,000)
Balance at end of financial year	468,241	844,150	431,701	801,055

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.

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

(b) In 2007, APA returned capital of \$302 million to its securityholders. The return of capital was used in turn to subscribe for the issue of securities in APTIT, which were subsequently stapled to APA securities to form a single economic group.

30. Reserves

	Consolidated		Trust	
	2008	2007	2008	2007
	\$000	\$000	\$000	\$000
Hedging	64,821	(11,879)	-	-
Asset revaluation	8,669	8,669	-	-
Available-for-sale investment revaluation	(75,435)	-	(75,386)	-
	(1,945)	(3,210)	(75,386)	-

Hedging reserve

Balance at beginning of financial year	(11,879)	(23,660)	-	-
Gain/(loss) recognised:				
Interest rate swaps/currency swaps	17,880	(51,896)	-	-
Transferred to profit or loss:				
Interest rate swaps/currency swaps	91,270	68,757	-	-
Deferred tax arising on hedges	(32,482)	(5,080)	-	-
Other	34	-	-	-
Balance at end of financial year	64,821	(11,879)	-	-

NOTES TO THE FINANCIAL STATEMENTS

(CONTINUED)

FOR THE FINANCIAL YEAR ENDED 30 JUNE 2008

30. Reserves (continued)

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.

	Consolidated		Trust	
	2008	2007	2008	2007
	\$000	\$000	\$000	\$000
Asset revaluation reserve				
Balance at beginning of financial year	8,669	8,669	-	-
Balance at end of financial year	8,669	8,669	-	-

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

Available-for-sale investment revaluation reserve

Balance at beginning of financial year	-	481	-	-
Reversed on acquisition of controlling interest	-	(481)	-	-
Valuation loss recognised	(75,435)	-	(75,386)	-
Deferred tax arising on valuation	-	-	-	-
Balance at end of financial year	(75,435)	-	(75,386)	-

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

31. Retained earnings

Balance at beginning of financial year	64,604	100,490	921	414
Net profit attributable to securityholders	38,094	50,333	65,383	87,816
Distributions paid (Note 9(a))	(53,552)	(87,308)	(53,552)	(87,308)
Actuarial gain/(loss) on defined benefit plans recognised directly to retained earnings after tax (Note 35)	(5,771)	1,089	-	-
Balance at end of financial year	43,375	64,604	12,752	921

NOTES TO THE FINANCIAL STATEMENTS

(CONTINUED)

FOR THE FINANCIAL YEAR ENDED 30 JUNE 2008

32. Minority interests

	Consolidated		Trust	
	2008 \$000	2007 \$000	2008 \$000	2007 \$000
APT Investment Trust	364,539	298,253	-	-
Other minority interest	89	65	-	-
	364,628	298,318	-	-
APT Investment Trust				
Issued capital:				
Balance at beginning of financial year	298,253	-	-	-
Issue of securities	-	302,000	-	-
Issue of securities under Distribution Reinvestment Plan	16,869	2,763	-	-
Issue of securities under Security Purchase Plan	63,770	-	-	-
Distribution - capital return (Note 9(b))	(21,009)	(6,427)	-	-
Issue cost of securities	(324)	(83)	-	-
Balance at end of financial year	357,559	298,253	-	-
Retained earnings:				
Balance at beginning of financial year	-	-	-	-
Net profit attributable to APTIT	29,098	6,427	-	-
Distributions paid (Note 9(b))	(22,118)	(6,427)	-	-
Balance at end of financial year	6,980	-	-	-
Other minority interest				
Issued capital	4	4	-	-
Reserves	1	1	-	-
Retained earnings	84	60	-	-
	89	65	-	-

33. Leases

(i) Leasing arrangements - receivables

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

Finance lease receivables

Not longer than 1 year	16,450	7,984	-	-
Longer than 1 year and not longer than 5 years	64,931	31,934	-	-
Longer than 5 years	119,607	77,317	-	-
Minimum future lease payments receivable ^(a)	200,988	117,235	-	-
Gross finance lease receivables	200,988	117,235	-	-
Less: unearned finance lease receivables	(85,005)	(52,966)	-	-
Less: guaranteed residual	7,560	7,447	-	-
Present value of lease receivables	123,543	71,716	-	-
Included in the financial statements as part of:				
Current trade and other receivables (Note 10)	5,697	2,213	-	-
Non-current receivables (Note 15)	21,426	69,503	-	-
Non-current assets classified as held for sale	96,420	-	-	-
	123,543	71,716	-	-

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

NOTES TO THE FINANCIAL STATEMENTS

(CONTINUED)

FOR THE FINANCIAL YEAR ENDED 30 JUNE 2008

33. Leases (continued)

	Consolidated		Trust	
	2008	2007	2008	2007
	\$000	\$000	\$000	\$000
(ii) Leasing arrangements - liabilities				
Finance lease liabilities relate to leases of general property, plant and equipment. There are no contingent rental payments due or payable. There are no renewal or purchase options and escalation clauses or restrictions imposed by the lease arrangements concerning distributions, additional debt and further leasing.				
Finance lease liabilities				
Not longer than 1 year	193	234	-	-
Longer than 1 year and not longer than 5 years	486	513	-	-
Minimum future finance lease payments ^(b)	679	747	-	-
Less: future finance charges	(89)	(110)	-	-
Present value of minimum lease payments	590	637	-	-
Included in the financial statements as part of:				
Current borrowings (Note 23)	150	219	-	-
Non-current borrowings (Note 27)	440	418	-	-
	590	637	-	-

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

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

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

Non-cancellable operating leases - transmission pipelines

Not longer than 1 year	18,860	18,887	-	-
Longer than 1 year and not longer than 5 years	121,241	120,478	-	-
Longer than 5 years	-	-	-	-
	140,101	139,365	-	-

Non-cancellable operating leases - other

Not longer than 1 year	2,330	1,437	-	-
Longer than 1 year and not longer than 5 years	5,968	3,739	-	-
Longer than 5 years	594	543	-	-
	8,892	5,719	-	-

NOTES TO THE FINANCIAL STATEMENTS

(CONTINUED)

FOR THE FINANCIAL YEAR ENDED 30 JUNE 2008

34. Provisions

	Consolidated				
	Abandonment	Force majeure claims	SCC repair	Other	Total
	(a) \$000	(b) \$000	(c) \$000	\$000	\$000
Balance at 30 June 2007	2,490	353	8,070	7,342	18,255
Acquired through business combinations	-	-	-	1,478	1,478
Additional provisions recognised	-	-	-	4,964	4,964
Unwinding of discount	170	-	-	-	170
Reductions arising from payments/other sacrifices of future economic benefits	-	(353)	(7,639)	(2,878)	(10,870)
Balance at 30 June 2008	2,660	-	431	10,906	13,997
Current (Note 25)	-	-	431	10,906	11,337
Non-current (Note 25)	2,660	-	-	-	2,660
	2,660	-	431	10,906	13,997

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

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

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 plans with defined contribution sections. The defined benefit sections provides lump sum benefits based on service. The defined contribution sections receive fixed contributions from the Consolidated Entity and the Consolidated Entity's legal and constructive obligations is 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 2008 by Mercer (Australia) Pty Ltd and Russell Investments (2007: Mercer (Australia) Pty Ltd). 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.

NOTES TO THE FINANCIAL STATEMENTS

(CONTINUED)

FOR THE FINANCIAL YEAR ENDED 30 JUNE 2008

35. Employee superannuation plans (continued)

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

	Consolidated	
	2008	2007
	\$000	\$000
Amounts recognised in the income statement		
Current service cost	2,912	353
Interest cost on benefit obligation	4,892	509
Expected return on plan assets	(6,559)	(832)
Total included in superannuation costs which form part of employee benefit expense	1,245	30
Actual return on plan assets	(6,168)	1,928
Actuarial (losses)/gains incurred during the year and recognised in the statement of recognised income and expense	(8,244)	1,554
Amounts recognised in the balance sheet		
Fair value of plan assets	90,227	18,098
Present value of benefit obligation	(97,042)	(14,824)
Net (liability)/asset - non-current	(6,815)	3,274
Movements in (liability)/asset during the year:		
Balance at beginning of year	3,274	-
Acquisitions through business combinations	(2,869)	1,415
Expense recognised in income statement	(1,245)	(30)
Amount recognised in retained earnings	(8,244)	1,554
Contributions	2,269	335
Balance at end of year ^(a)	(6,815)	3,274

(a) The above balances are recorded within the provisions/assets sections of the balance sheet, refer to Notes 25 and 21.

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

	Consolidated	
	2008	2007
	%	%
Discount rate (p.a.)	5.9	5.3
Expected return on plan assets (p.a.)	7.1	7.0
Expected salary rate increase (p.a.)	4.5	4.0
The invested defined benefit assets were held in the following classes:		
Australian equities	34.7	38.0
International equity	24.8	23.0
Fixed income	12.3	14.0
Property	13.2	13.0
Alternatives	8.6	4.0
Cash	6.4	8.0

NOTES TO THE FINANCIAL STATEMENTS

(CONTINUED)

FOR THE FINANCIAL YEAR ENDED 30 JUNE 2008

36. Earnings per security

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

	Consolidated	
	2008	2007
	\$000	\$000
Net profit attributable to securityholders for calculating basic and diluted earnings per security	67,192	56,760
	No. of securities	
Adjusted weighted average number of ordinary securities used in the calculation of basic and diluted earnings per security ^(a)	450,262,000	379,551,000

(a) Weighted average number of ordinary securities on issue in 2007 have been adjusted to reflect the impact of the rights issue.

37. Notes to the cash flow statement

(a) Reconciliation of cash and cash equivalents

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

	Consolidated		Trust	
	2008	2007	2008	2007
	\$000	\$000	\$000	\$000
Cash at bank and on hand ⁽ⁱ⁾	100,343	40,896	12	2
Short-term deposits ⁽ⁱⁱ⁾	5,112	19,182	-	-
	105,455	60,078	12	2

Restricted cash

(i) As at 30 June 2008, Australian Pipeline Limited held \$5.0 million (2007: \$5.0 million) on deposit to meet its financial requirements as the holder of an Australian Financial Services Licence.

(ii) Short-term deposits include insurance proceeds totalling \$2.9 million (2007: \$2.9 million) which require the consent of the project financiers before being released.

(b) Businesses acquired

During the financial year, the Consolidated Entity acquired three businesses. The net cash outflow on acquisition was \$175,811,000 for available-for-sale investments, \$4,862,000 for equity accounted investments and \$453,869,000 for controlled entities totalling \$634,542,000. Refer to Note 41 for further details of these acquisitions. In addition \$6,808,000 has been invested in the Mariner Pipeline Income Fund and \$14,261,000 has been reinvested in Envestra.

NOTES TO THE FINANCIAL STATEMENTS

(CONTINUED)

FOR THE FINANCIAL YEAR ENDED 30 JUNE 2008

37. Notes to the cash flow statement (continued)

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

	Consolidated		Trust	
	2008	2007	2008	2007
	\$000	\$000	\$000	\$000
Profit for the year	67,247	56,862	65,383	87,816
Share of net profits of joint venture entities accounted for using the equity method	(3,635)	-	-	-
(Gain)/loss from the disposal of property, plant and equipment	(60)	511	-	-
Dividends received	21,929	-	-	-
Depreciation and amortisation expense	94,459	69,783	-	-
Finance costs	1,774	2,414	-	-
Changes in assets and liabilities:				
Trade and other receivables	(39,723)	(12,637)	-	22
Inventories	(1,556)	(593)	-	-
Other assets	7,385	(5,775)	-	-
Trade and other payables	24,057	7,667	5	113
Provisions	(42)	-	-	-
Other liabilities	(8,936)	(4,735)	-	-
Income tax balances	23,524	22,636	476	214
Reserves	-	576	-	-
Net cash provided by operating activities	186,423	136,708	65,864	88,165

NOTES TO THE FINANCIAL STATEMENTS

(CONTINUED)

FOR THE FINANCIAL YEAR ENDED 30 JUNE 2008

37. Notes to the cash flow statement (continued)

(d) Financing facilities

	Consolidated		Trust	
	2008	2007	2008	2007
	\$000	\$000	\$000	\$000
Unsecured facilities:				
Bank borrowings⁽ⁱ⁾				
Amounts used	1,566,000	880,000	-	-
Amounts unused	434,000	920,000	-	-
	2,000,000	1,800,000	-	-
Guaranteed Senior Notes⁽ⁱⁱ⁾				
Amounts used	1,100,866	1,192,388	-	-
Amounts unused	-	-	-	-
	1,100,866	1,192,388	-	-
Secured facilities:				
Bank borrowings				
Amounts used	1,645	84,045	-	-
Amounts unused	-	-	-	-
	1,645	84,045	-	-
Medium Term Notes⁽ⁱⁱⁱ⁾				
Amounts used	450,000	452,000	-	-
Amounts unused	-	-	-	-
	450,000	452,000	-	-

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

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

(iii) Medium Term Notes consists of \$150 million that bears interest at a fixed rate maturing on 15 August 2008, \$100 million that bears interest at a fixed rate maturing on 20 March 2009 and \$200 million that bears interest at floating rates and matures on 20 March 2009. The notes are secured over the assets of GasNet Australia Trust and its controlled entities. On 16 July 2008, APA announced that it has executed new debt facility agreements totalling \$165 million to refinance the first tranche of APA GasNet Medium Term Notes of \$150 million maturing in August 2008, and the remainder to supplement APA's existing debt facilities. The terms of these facilities are for three years, through to July 2011. The new facilities have been agreed on a bilateral basis with three banks and are on terms and conditions largely the same as the Syndicated Facility executed in June 2007.

(e) Non-cash items

During the current financial year, APA Group disposed of property, plant and equipment with an aggregate fair value of \$33.3 million under finance lease arrangements. The asset disposals and subsequent recognition of finance lease receivables are not reflected in the cash flow statement.

NOTES TO THE FINANCIAL STATEMENTS

(CONTINUED)

FOR THE FINANCIAL YEAR ENDED 30 JUNE 2008

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 securityholders through the optimisation of the debt to equity structure.

The Consolidated Entity's overall strategy remains unchanged from 2007.

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 equityholders 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 routine outflows of distributions and to repay maturing debt.

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

Controlled entities are subject to externally imposed capital requirements. These relate to the Australian Financial Service Licence held by Australian Pipeline Limited, the Responsible Entity of the Consolidated Entity and were adhered to for the entire 2007 and 2008 period.

Gearing ratio

The Consolidated Entity's Audit and Risk Management Committee reviews the capital structure on a six monthly basis. As part of the review, the Committee considers the cost of capital and the state of the markets. The Consolidated Entity has a target gearing ratio of approximately 70%, in line with peers, that is determined as the proportion of net debt to net debt plus equity. Based on recommendations of the Committee, 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 policy approved by the Board, which provides written principles on foreign exchange risk, interest rate risk, credit risk, the use of financial derivatives and non-derivative financial instruments, and the investment of excess liquidity. The Consolidated Entity does not enter into or trade financial instruments, including derivative financial instruments for speculative purposes.

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

NOTES TO THE FINANCIAL STATEMENTS

(CONTINUED)

FOR THE FINANCIAL YEAR ENDED 30 JUNE 2008

38. Financial instruments (continued)

(c) Market risk management

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

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

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

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

(d) Foreign currency risk management

The Consolidated Entity undertakes certain transactions denominated in foreign currencies and hence exposures to exchange rate fluctuations arise. Exchange rate exposures are managed within approved policy parameters utilising foreign exchange contracts, including forward contracts and cross currency contracts. There is nil exposure in the Trust for both 2007 and 2008.

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

	2008 \$000	Consolidated		Assets 2007 \$000
		Liabilities 2007 \$000	2008 \$000	
US dollar borrowings	684,000	775,522	-	-
Cross currency swaps	(684,000)	(775,522)	-	-
	-	-	-	-
Foreign exchange contracts	6,662	-	-	-
	6,662	-	-	-

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

NOTES TO THE FINANCIAL STATEMENTS

(CONTINUED)

FOR THE FINANCIAL YEAR ENDED 30 JUNE 2008

38. Financial instruments (continued)

(d) Foreign currency risk management (continued)

Forward foreign exchange contracts

It is the policy of the Consolidated Entity to enter into various foreign exchange contracts to cover specific foreign currency payments with 90% to 100% of the exposure covered. These exposures are usually over a period of less than 12 months. 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 (nil outstanding in 2007):

	Average exchange rate	Consolidated		Fair value 2008 \$000
		Foreign currency 2008 US\$000	Contract value 2008 \$000	
Outstanding contracts				
Buy US dollars				
Less than 3 months	0.9204	5,315	5,775	5,995
3 to 6 months	0.8943	568	635	666
		5,883	6,409	6,662

The Consolidated Entity has entered into contracts to purchase equipment from suppliers in the United States. The Consolidated Entity has entered into forward foreign exchange contracts (for terms not exceeding 12 months) 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 \$253,000 (2007: \$nil). It is anticipated that the capital purchases will take place within the first six months of the subsequent financial year at which stage the amount deferred in equity will be included in the carrying amount of the asset.

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 and 2007 note issues as shown overleaf.

NOTES TO THE FINANCIAL STATEMENTS

(CONTINUED)

FOR THE FINANCIAL YEAR ENDED 30 JUNE 2008

38. Financial instruments (continued)

(d) Foreign currency risk management (continued)

The Consolidated Entity receives fixed amounts in US\$ and pays both variable interest rates (based on BBSW) and fixed interest rates 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		Principal Amount	
	2008	2007	2008	2007
	\$	\$	\$000	\$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	(22,863)	(22,863)
2 years to 5 years	0.6573	0.6573	(68,589)	(68,589)
5 years and more	0.6573	0.6573	(61,700)	(84,563)
			(176,015)	(198,878)
Buy US dollars - principal				
5 years and more	0.6573	0.6573	(394,036)	(394,036)
	Exchange Rate		Principal Amount	
	2008	2007	2008	2007
	\$	\$	\$000	\$000
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	(89,211)	(89,211)
5 years and more	0.8068	0.8068	(184,614)	(214,351)
			(333,299)	(363,036)
Buy US dollars - principal				
5 years and more	0.8068	0.8068	(495,786)	(495,786)

NOTES TO THE FINANCIAL STATEMENTS

(CONTINUED)

FOR THE FINANCIAL YEAR ENDED 30 JUNE 2008

38. Financial instruments (continued)

(d) Foreign currency risk management (continued)

Foreign currency sensitivity analysis

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

The Consolidated Entity's sensitivity to movements in exchange rates has increased in the current period as it has increased its purchases of capital equipment from the United States and other countries. These transactions are based in US\$.

	Consolidated	
	2008	2007
	\$000	\$000
A\$ depreciating by 10%		
Profit	-	-
Other equity ⁽ⁱ⁾	(676)	-
A\$ appreciating by 10%		
Profit	-	-
Other equity ⁽ⁱ⁾	553	-

(i) This is as a result of the changes to the fair value of derivative instruments designated as cash flow hedges.

NOTES TO THE FINANCIAL STATEMENTS

(CONTINUED)

FOR THE FINANCIAL YEAR ENDED 30 JUNE 2008

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. The risk is managed by the Consolidated Entity by maintaining an appropriate mix between fixed and floating rate borrowings, by the use of interest rate swap contracts and forward interest rate contracts. Hedging activities are evaluated regularly to align with interest rate views and defined risk appetite; ensuring optimal hedging strategies are applied. 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 assets and financial liabilities are detailed in the liquidity risk management section of this note.

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 interest rate swap contracts outstanding as at the end of the financial year:

	Weighted average interest rate		Notional principal amount		Fair value	
	2008	2007	2008	2007	2008	2007
	% pa	% pa	\$000	\$000	\$000	\$000
Cash flow hedges						
Pay fixed interest/receive floating interest						
Consolidated						
Less than 1 year	-	5.92	-	440,000	-	443,245
1 year to 2 years	6.36	-	200,000	-	206,128	-
2 years to 5 years	7.36	5.99	150,000	150,000	151,980	154,946
5 years and more	7.18	7.12	1,164,398	1,168,978	1,038,971	1,034,005
			1,514,398	1,758,978	1,397,079	1,632,196
Trust						
	-	-	-	-	-	-
Fair value hedges						
Pay floating interest/receive fixed interest						
Consolidated						
Less than 1 year	-	-	-	-	-	-
1 year to 2 years	-	6.79	-	(140,000)	-	(140,528)
2 years to 5 years	-	-	-	-	-	-
5 years and more	-	-	-	-	-	-
			-	(140,000)	-	(140,528)
Trust						
	-	-	-	-	-	-

NOTES TO THE FINANCIAL STATEMENTS

(CONTINUED)

FOR THE FINANCIAL YEAR ENDED 30 JUNE 2008

38. Financial instruments (continued)

(e) Interest rate risk management (continued)

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

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 swap contracts entered into by GasNet are effective at the subsidiary level as cash flow hedges or fair value hedges; however, on consolidation these hedges have been designated as ineffective. The GasNet swap contracts exchange floating rate for fixed rate interest amounts.

Interest rate sensitivity analysis

The sensitivity analysis below has been determined based on the exposure to interest rates for both derivatives and non-derivatives instruments held. A 50 basis point increase or decrease is used and represents management's assessment of the possible change in interest rates. At reporting date, if interest rates had been 50 basis points higher or lower and all other variables were held constant, the Consolidated Entity's:

- net profit would decrease by \$6,080,000 and increase by \$6,080,000 (2007: decrease by \$2,150,000 and increase by \$2,150,000). This is mainly attributable to the Consolidated Entity's exposure to interest rates on its variable rate borrowings; and
- equity reserves would increase by \$37,670,000 and decrease by \$39,215,000 (2007: increase by \$42,009,000 and decrease by \$43,928,000). This is due to the changes in the fair value of derivative interest instruments.

The Consolidated Entity's sensitivity to interest rates has increased during the current period mainly due to the overall increase in the Consolidated Entity's borrowings and the higher proportion of floating rate debt. The valuation of the increase/decrease in equity reserves is based on 0.50% p.a. increase/decrease in the yield curve at the reporting date.

(f) Price risk management

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

Equity price sensitivity

The sensitivity analysis below has been determined based on the exposure to equity price risks at the reporting date. At the reporting date, if the equity prices 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 (2007: \$nil); and
- equity reserves would decrease/increase by \$3,091,000 (2007: \$nil), 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 2008

38. Financial instruments (continued)

(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 the 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 AA- (Standard & Poor's)/AA3 (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 2008 has been determined to be immaterial and no liability has been recorded (2007: \$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. Included in Note 37 are details of undrawn facilities available to the Consolidated Entity.

Post balance date, the Consolidated Entity entered into additional bilateral facilities totalling \$165 million to increase available undrawn facilities, primarily to assist with the repayment of \$150 million of Medium Term Notes which matured in August 2008.

Liquidity and interest risk tables

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 based on the earliest date on which the Consolidated Entity can be required to pay. The table includes both interest and principal cash flows.

All US\$ 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. The "Associated Derivative" in the table below represents the undiscounted cash flows associated with the cross currency interest rate swaps and fixed interest rate swaps on those US\$ notes.

All other interest rate swaps have been excluded from the table below as they are settled on a net basis and are currently in-the-money, or are deemed to be an "other financial asset."

NOTES TO THE FINANCIAL STATEMENTS

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FOR THE FINANCIAL YEAR ENDED 30 JUNE 2008

38. Financial instruments (continued)

(h) Liquidity risk management (continued)

		Average interest rate % pa	Consolidated		
			Less than 1 year \$000	1 - 5 years \$000	More than 5 years \$000
2008					
Financial liabilities					
Trade and other payables		-	151,558	-	-
Unsecured bank borrowings ⁽ⁱ⁾		8.39	142,278	1,784,537	-
Secured bank borrowings ^(a)		-	-	1,645	-
Guaranteed Senior Notes:					
Denominated in A\$					
Series A ^(b)		6.66	6,793	112,190	-
Series A ^(f)		7.33	367	1,466	6,466
Series C ^(f)		7.38	7,318	29,271	128,428
Series E ^(g)		7.40	5,045	20,178	98,438
Series G ^(h)		7.45	6,002	24,008	134,584
Series H ^(h)		7.45	4,617	18,468	103,526
Denominated in US\$					
Series B ^(c)	Payment	5.67	12,840	51,361	197,074
	Associated derivative	-	(4,355)	(17,420)	(78,985)
Series C ^(d)	Payment	5.77	21,520	86,081	368,121
	Associated derivative	-	(7,306)	(29,226)	(144,894)
Series D ^(e)	Payment	6.02	10,867	43,467	222,080
	Associated derivative	-	(3,936)	(15,746)	(87,041)
Series B ^(f)	Payment	5.89	23,401	93,605	444,325
	Associated derivative	-	(9,415)	(37,659)	(197,501)
Series D ^(g)	Payment	5.99	18,714	74,857	390,128
	Associated derivative	-	(7,585)	(30,340)	(172,138)
Series F ^(h)	Payment	6.14	19,257	77,026	455,707
	Associated derivative	-	(7,902)	(31,610)	(199,826)
Financial lease liabilities		7.67	193	486	-
Other:					
Unearned revenue - interest		-	8,496	-	-
Unearned revenue - other		-	3,613	2,180	-
Medium Term Notes		7.33	474,508	-	-
Project Finance Facilities		9.24	12,524	88,662	-
			889,410	2,347,488	1,668,492

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

(b) Matures on 9 September 2010.

(c) Matures on 9 September 2013.

(d) Matures on 9 September 2015.

(e) Matures on 9 September 2018.

(f) Matures on 15 May 2017.

(g) Matures on 15 May 2019.

(h) Matures on 15 May 2022.

(i) Matures on 8 June 2012.

NOTES TO THE FINANCIAL STATEMENTS

(CONTINUED)

FOR THE FINANCIAL YEAR ENDED 30 JUNE 2008

38. Financial instruments (continued)

(h) Liquidity risk management (continued)

		Average interest rate % pa	Consolidated		
			Less than 1 year \$000	1 - 5 years \$000	More than 5 years \$000
2007					
Financial liabilities					
Trade and other payables		-	108,325	-	-
Unsecured bank borrowings		6.81	97,843	1,120,180	-
Secured bank borrowings ^(a)		-	-	1,645	-
Guaranteed Senior Notes:					
Denominated in A\$					
Series A ^(b)		6.66	6,793	118,983	-
Series A ^(f)		7.33	367	1,466	6,833
Series C ^(f)		7.38	7,318	29,271	135,746
Series E ^(g)		7.40	5,045	20,178	103,483
Series G ^(h)		7.45	6,002	24,008	140,586
Series H ^(h)		7.45	4,617	18,468	108,143
Denominated in US\$					
Series B ^(c)	Payment	5.67	18,822	51,361	209,914
	Associated derivative	-	(9,889)	(17,420)	(83,340)
Series C ^(d)	Payment	5.77	30,882	86,081	389,641
	Associated derivative	-	(16,591)	(29,226)	(152,201)
Series D ^(e)	Payment	6.02	15,907	43,467	232,947
	Associated derivative	-	(8,938)	(15,746)	(90,977)
Series B ^(f)	Payment	5.89	23,057	93,605	467,726
	Associated derivative	-	(9,071)	(37,659)	(206,916)
Series D ^(g)	Payment	5.99	18,418	74,857	408,842
	Associated derivative	-	(7,308)	(30,340)	(179,723)
Series F ^(h)	Payment	6.14	18,968	77,026	474,963
	Associated derivative	-	(7,614)	(31,610)	(207,728)
Financial lease liabilities		7.69	234	513	-
Other:					
Unearned revenue - interest		-	8,161	-	-
Unearned revenue - other		-	9,248	-	-
Medium Term Notes		6.70	31,547	474,508	-
Project Finance Facilities		7.91	11,393	101,186	-
			363,537	2,174,802	1,757,939

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

(b) Matures on 9 September 2010.

(c) Matures on 9 September 2013.

(d) Matures on 9 September 2015.

(e) Matures on 9 September 2018.

(f) Matures on 15 May 2017.

(g) Matures on 15 May 2019.

(h) Matures on 15 May 2022.

NOTES TO THE FINANCIAL STATEMENTS

(CONTINUED)

FOR THE FINANCIAL YEAR ENDED 30 JUNE 2008

38. Financial instruments (continued)

(i) Fair value of financial instruments

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.

Derivatives

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

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

The carrying amounts of financial assets and liabilities recorded at amortised cost in the financial statements approximate their fair value.

NOTES TO THE FINANCIAL STATEMENTS

(CONTINUED)

FOR THE FINANCIAL YEAR ENDED 30 JUNE 2008

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	
		2008	2007
		%	%
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 GGT 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	
	2008	2007
	\$000	\$000
Current assets		
Cash and cash equivalents	102	3,262
Trade and other receivables	6,087	1,505
Inventories	1,507	1,585
Other	900	858
Total current assets	8,596	7,210
Non-current assets		
Property, plant and equipment	472,717	465,464
Total non-current assets	472,717	465,464
Total assets	481,313	472,674

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 46 and 42 respectively.

NOTES TO THE FINANCIAL STATEMENTS

(CONTINUED)

FOR THE FINANCIAL YEAR ENDED 30 JUNE 2008

40. Subsidiaries

Name of entity	Country of Registration/ incorporation	Ownership interest	
		2008 (%)	2007 (%)
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)	Cayman Islands	100	100
APT Petroleum Pipelines Holdings Pty Limited ^{(b),(c)}	Australia	100	100
APT Petroleum Pipelines Pty Limited ^{(b),(c)}	Australia	100	100
APT Pipelines (NSW) Pty Limited ^{(b),(c)}	Australia	100	100
APT Pipelines (NT) Pty Limited ^{(b),(c)}	Australia	100	100
APT Pipelines (Qld) Pty Limited ^{(b),(c)}	Australia	100	100
APT Pipelines (WA) Pty Limited ^{(a),(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	Australia	96	96
NT Gas Easements Pty Limited ^{(b),(c)}	Australia	100	100
NT Gas Pty Limited	Australia	96	96
Roverton Pty Ltd ^{(b),(c)}	Australia	100	100
SCP Investments (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 ^{(b),(c)}	Australia	100	100
APT Bonaparte Pty Limited ^{(b),(c)}	Australia	100	100
APT Energy Pty Ltd ^{(b),(c)}	Australia	100	100
BGP Asset Pty Limited	Australia	100	100
Murraylink (No.1) Pty Limited ^{(b),(c)}	Australia	100	100
Murraylink (No.2) Pty Limited ^{(b),(c)}	Australia	100	100
Murraylink Transmission Company Pty Ltd ^{(b),(c)}	Australia	100	100
GasNet Australia Trust ^(b)	Australia	100	100
GasNet Australia (Holdings) Pty Ltd ^(b)	Australia	100	100

NOTES TO THE FINANCIAL STATEMENTS

(CONTINUED)

FOR THE FINANCIAL YEAR ENDED 30 JUNE 2008

40. Subsidiaries (continued)

	Country of Registration/ incorporation	Ownership interest	
		2008 (%)	2007 (%)
GasNet Australia (Operations) Pty Ltd ^(b)	Australia	100	100
GasNet A Pty Ltd	Australia	100	100
GasNet A Trust	Australia	100	100
GasNet Australia (NSW) Pty Ltd ^(b)	Australia	100	100
GasNet B Pty Ltd ^(b)	Australia	100	100
GasNet B Trust ^(b)	Australia	100	100
GasNet Australia Investments Pty Limited ^(b)	Australia	100	100
Gas Investments Australia (Holdings) Pty Ltd ^(b)	Australia	100	100
Gas Transmission Services WA (Holdings) Pty Ltd ^(b)	Australia	100	100
Gas Transmission Services WA (Operations) Pty Ltd ^(b)	Australia	100	100
GasNet Australia Investments Trust	Australia	100	100
APT Allgas Energy Pty Limited ^{(b),(c)}	Australia	100	100
APT Allgas Pipelines Operations Pty Limited ^{(b),(c)}	Australia	100	100
APT Allgas Toowoomba Pty Limited ^{(b),(c)}	Australia	100	100
APT Directlink Holdings Pty Limited ^{(b),(c)}	Australia	100	100
Directlink (No 1) Pty Limited ^{(b),(c)}	Australia	100	100
Directlink (No 2) Pty Limited ^{(b),(c)}	Australia	100	100
Directlink (No 3) Pty Limited ^{(b),(c)}	Australia	100	100
APT Rights (Holdings) Pty Limited ^{(b),(c)}	Australia	100	100
APT AM Holdings Pty Limited ^{(b),(c)}	Australia	100	-
APT O&M Holdings Pty Ltd ^{(b),(c)}	Australia	100	-
APT O&M Services Pty Ltd ^{(b),(c)}	Australia	100	-
APT O&M Services (QLD) Pty Ltd ^{(b),(c)}	Australia	100	-
APT Water Management Pty Ltd ^{(b),(c)}	Australia	100	-
APT Water Management Holdings Pty Ltd ^{(b),(c)}	Australia	100	-
APT AM Stratus Pty Ltd ^{(b),(c)}	Australia	100	-
APT Facility Management Pty Ltd ^{(b),(c)}	Australia	100	-
APT AM Employment Pty Ltd ^{(b),(c)}	Australia	100	-
APT SEAGas (Holdings) Pty Limited ^{(b),(c)}	Australia	100	-
APT SPV2 Pty Ltd ^{(b),(c)}	Australia	100	-
APT SPV3 Pty Ltd ^{(b),(c)}	Australia	100	-
APT Pipelines (SA) Pty Ltd ^{(b),(c)}	Australia	100	-
APT (MIT) Services Limited ^(b)	Australia	100	-

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

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

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

NOTES TO THE FINANCIAL STATEMENTS

(CONTINUED)

FOR THE FINANCIAL YEAR ENDED 30 JUNE 2008

41. Acquisition of businesses

Names of business acquired:	Principal activity	Date of acquisition	Proportion acquired %	Cost of acquisition ^(a) \$000
During the financial year ended 30 June 2008				
Origin Energy Networks (Asset Management business and investment in Envestra Limited)	Gas transmission	2-Jul-07	100	421,385
Alinta Contract Termination and Contract Novation (of Pipeline Management Agreement)	Operating maintenance services	2-Oct-07	100	206,226
APT (MIT) Services Limited (formerly Mariner Infrastructure Management Services Limited)	Management services	6-Apr-08	100	3,000
				630,611
During the financial year ended 30 June 2007				
GasNet	Gas transmission	1-Oct-06	93.8	429,776
Allgas	Gas distribution	1-Nov-06	100	538,431
Directlink	Electricity transmission	28-Feb-07	100	172,888
				1,141,095

(a) Includes transaction costs.

	MIT Management Rights \$000	Origin Energy Networks \$000	Alinta Contract Termination and Contract Novation \$000	Total \$000
Net assets acquired				
Current assets				
Trade and other receivables	-	25,928	-	25,928
Inventories	-	2,821	-	2,821
Finance lease receivable	-	2,364	-	2,364
Non-current assets				
Finance lease receivable	-	21,099	-	21,099
Property, plant and equipment	-	31,445	4,565	36,010
Other financial assets	-	175,811	-	175,811
Investments accounted for using the equity method	-	4,832	-	4,832
Deferred tax assets	-	5,328	1,705	7,033
Intangible assets	3,000	154,531	15,544	173,075
Other	-	-	582	582
Current liabilities				
Trade and other payables	-	(21,917)	-	(21,917)
Provisions	-	(1,484)	(5,671)	(7,155)
Other	-	(915)	-	(915)
Non-current liabilities				
Provisions	-	(16,281)	(593)	(16,874)
	3,000	383,562	16,132	402,694
Goodwill on acquisition	-	37,823	190,094	227,917
Cost of acquisitions	3,000	421,385	206,226	630,611
Prior year transaction costs paid				3,070
Working capital not yet settled				861
Net cash outflow on acquisition				634,542

NOTES TO THE FINANCIAL STATEMENTS

(CONTINUED)

FOR THE FINANCIAL YEAR ENDED 30 JUNE 2008

41. Acquisition of businesses (continued)

The initial accounting for the acquisition of the Alinta Contract Termination and Contract Novation and MIT management rights acquired during the year has only been provisionally determined at reporting date.

The Origin Energy Networks entities became wholly owned on acquisition and have joined the Trust's tax-consolidated group.

The initial cost of the acquisitions comprises cash for all the acquisitions. For the Origin Energy Networks assets and termination of the operating and maintenance services previously provided by Alinta, the Consolidated Entity has paid a premium for the acquiree as it believes the acquisitions will create synergistic benefits to its existing operations.

Goodwill arose in the business combinations because the cost of the combinations included a control premium paid to acquire each group. In addition, the consideration paid for the combination effectively included amounts in relation to the benefit of expected synergies, revenue growth, future market development and the assembled workforce of the groups. These benefits are not recognised separately from goodwill as the future economic benefits arising from them cannot be reliably measured.

Included in the consolidated net profit for the year (excluding significant items) is revenue of \$232,473,000 and earnings before interest, tax and depreciation of \$28,116,000 attributable to the Origin Energy Networks assets.

As these assets were acquired on 2 July 2007, there is no difference to the reported revenue and EBITDA of the Consolidated Entity.

42. Commitments for expenditure

(a) Capital expenditure commitments

	Consolidated		Trust	
	2008	2007	2008	2007
	\$000	\$000	\$000	\$000
Plant and equipment				
Not longer than 1 year	211,038	212,707	-	-
Longer than 1 year and not longer than 5 years	62,735	87,345	-	-
Longer than 5 years	-	-	-	-
	273,773	300,052	-	-

Included in the above are commitments of \$142,733,000 relating to assets held for sale.

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

Not longer than 1 year	18,939	12,409	-	-
Longer than 1 year and not longer than 5 years	-	9,323	-	-
Longer than 5 years	-	-	-	-
	18,939	21,732	-	-

(b) Acquisition purchase price

Other - Origin Energy Networks acquisition

Not longer than 1 year	-	450,811	-	-
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NOTES TO THE FINANCIAL STATEMENTS

(CONTINUED)

FOR THE FINANCIAL YEAR ENDED 30 JUNE 2008

43. Remuneration of external auditor

	Consolidated		Trust	
	2008	2007	2008	2007
	\$	\$	\$	\$
Amounts received or due and receivable by Deloitte				
Touche Tohmatsu for:				
Auditing the financial report	741,631	441,600	5,000	5,000
Compliance plan audit	18,795	17,900	-	-
Rights Issue services ^(a)	-	251,576	-	-
Tax compliance and advice ^(a)	77,563	325,035	-	-
Other accounting and assurance services ^(a)	43,625	20,125	-	-
Other advisory services ^(a)	160,500	32,500	-	-
	1,042,114	1,088,736	5,000	5,000

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

44. Key management personnel compensation

(a) Details of key management personnel

The Directors and other members of key management personnel of the APA group of entities during the year were:

Mr L F Bleasel AM (Chairman)

(appointed Independent Non-Executive Director on 28 August 2007, appointed Chairman on 30 October 2007)

Mr J A Fletcher (Independent Non-Executive Director, appointed 27 February 2008)**Mr R A Higgins AO** (Independent Non-Executive Director)**Mr M Muhammad** (Independent Non-Executive Director)**Mr M Ratilal** (Independent Non-Executive Director, appointed 31 July 2007)**Mr R J Wright** (Independent Non-Executive Director)**Mr M J McCormack** (Managing Director)**Mr G H Bennett** (Chairman, retired as of 30 October 2007)**Mr R M Gersbach** (Independent Non-Executive Director, retired as of 1 February 2008)**Ms Wan Shamilah Saidi** (Alternate Non-Executive Director)**Mr Wan Zulkiflee** (Alternate Non-Executive Director, appointed 31 July 2007)**Mr R F Francis** (Chief Financial Officer)**Mr S P Ohi** (Group Manager Operations)**Mr R M Gersbach** (Group Manager Commercial, appointed 1 February 2008)**Mr M T Knapman** (Company Secretary, appointed 16 July 2008)**Ms S M Dureau** (General Counsel & General Manager Regulatory)**Ms R A Smith** (General Manager Human Resources & HSE, appointed 2 October 2007)**Mr A J V James** (Company Secretary, resigned as of 29 April 2008)**Mr P D Fox** (General Manager Corporate Development, resigned as of 30 June 2008).

NOTES TO THE FINANCIAL STATEMENTS

(CONTINUED)

FOR THE FINANCIAL YEAR ENDED 30 JUNE 2008

44. Key management personnel compensation (continued)

(b) Key management personnel compensation

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

	Consolidated and Trust	
	2008	2007
	\$	\$
Short-term employment benefits	4,593,870	3,364,134
Post-employment benefits	308,948	265,986
Cash settled share-based payments	404,109	254,146
Retention award	216,667	198,611
Termination payments	1,062,899	-
	6,586,493	4,082,877

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

	Short-term employment benefits				Post-employment	Long-term incentive plans	Other ⁽ⁱ⁾	Total
	Salary/fees	Due Diligence Committee fees	Short-term incentive scheme	Non-monetary	Super-annuation	Share-based payments ^(h)		
	\$	\$	\$	\$	\$	\$	\$	\$
L F Bleasel ^(a)								
2008	125,315	-	-	-	10,605	-	-	135,920
2007	-	-	-	-	-	-	-	-
J A Fletcher ^(b)								
2008	20,724	-	-	-	20,014	-	-	40,738
2007	-	-	-	-	-	-	-	-
R A Higgins								
2008	106,678	5,200	-	2,753	11,219	-	-	125,850
2007	95,351	18,750	-	-	57,900	-	-	172,001
M Muhammad								
2008	97,000	-	-	-	-	-	-	97,000
2007	82,839	-	-	-	-	-	-	82,839
M Ratilal ^(c)								
2008	78,333	-	-	-	-	-	-	78,333
2007	-	-	-	-	-	-	-	-
R J Wright								
2008	108,817	5,200	-	-	11,158	-	-	125,175
2007	99,766	14,375	-	-	28,811	-	-	142,952
W Shamilah Saidi								
2008	-	-	-	-	-	-	-	-
2007	-	-	-	-	-	-	-	-
W Zulkiflee ^(d)								
2008	-	-	-	-	-	-	-	-
2007	-	-	-	-	-	-	-	-
G H Bennett ^(e)								
2008	55,394	2,600	-	-	4,754	-	98,100	160,847
2007	163,199	4,000	-	-	12,686	-	-	179,885
R M Gersbach ^(f)								
2008	52,500	5,200	-	-	4,725	-	-	62,425
2007	90,782	9,375	-	-	-	-	-	100,157

NOTES TO THE FINANCIAL STATEMENTS

(CONTINUED)

FOR THE FINANCIAL YEAR ENDED 30 JUNE 2008

44. Key management personnel compensation (continued)

(b) Key management personnel compensation (continued)

	Short-term employment benefits				Post-employment	Long-term incentive plans	Other ⁽ⁱ⁾	Total
	Salary/fees	Due Diligence Committee fees	Short-term incentive scheme	Non-monetary	Super-annuation	Share-based payments ^(h)		
	\$	\$	\$	\$	\$	\$	\$	\$
J F McAloon ^(g)								
2008	-	-	-	-	-	-	-	-
2007	11,667	-	-	-	-	-	-	11,667
Executive Director								
M J McCormack								
2008	659,205	-	430,000	40,795	50,000	151,894	216,667	1,548,561
2007	587,247	-	325,000	53,842	35,086	99,487	198,611	1,299,273
Total Remuneration: Directors								
2008	1,303,966	18,200	430,000	43,548	112,475	151,894	314,767	2,374,849
2007	1,130,851	46,500	325,000	53,842	134,483	99,487	198,611	1,988,774

(a) Appointed Independent Non-Executive Director on 28 August 2007, appointed Chairman on 30 October 2007.

(b) Appointed Independent Non-Executive Director on 27 February 2008.

(c) Appointed Independent Non-Executive Director on 31 July 2007.

(d) Appointed Alternate Non-Executive Director on 31 July 2007.

(e) Retired as Chairman as of 30 October 2007.

(f) Retired as an Independent Non-Executive Director as of 1 February 2008. In addition to Director's fees, Mr R M Gersbach received \$36,000 for consulting services (2007: \$183,000). On 1 February 2008, Mr R M Gersbach was appointed Group Manager Commercial. Details of the remuneration received for this position are provided on the following page.

(g) Retired as an Independent Non-Executive Director as of 28 August 2006.

(h) Cash settled share-based payments.

(i) Other includes director's retiring allowance and retention payments.

NOTES TO THE FINANCIAL STATEMENTS

(CONTINUED)

FOR THE FINANCIAL YEAR ENDED 30 JUNE 2008

44. Key management personnel compensation (continued)

(b) Key management personnel compensation (continued)

	Short-term employment benefits			Post-employment	Long-term incentive plans	Other ^(f)	Total
	Salary/fees	Short-term incentive scheme	Non-monetary	Super-annuation	Share-based payments ^(e)		
	\$	\$	\$	\$	\$	\$	\$
Executives							
R F Francis							
2008	334,948	167,000	11,922	13,130	48,438	-	575,438
2007	308,863	124,800	7,744	12,686	37,173	-	491,266
S P Ohl							
2008	300,559	167,000	36,311	13,130	45,075	-	562,075
2007	249,640	115,200	27,327	33,686	32,436	-	458,289
R M Gersbach ^(a)							
2008	227,683	108,000	4,968	6,734	28,250	-	375,635
2007	-	-	-	-	-	-	-
S M Dureau							
2008	274,948	135,000	11,922	13,130	39,291	-	474,291
2007	215,863	101,900	1,450	42,686	29,042	-	390,941
R A Smith ^(b)							
2008	179,699	85,000	-	9,847	12,625	-	287,171
2007	-	-	-	-	-	-	-
A J V James ^(c)							
2008	214,526	157,500	11,177	29,272	41,986	743,900	1,198,361
2007	242,246	105,600	2,995	29,759	31,884	-	412,484
P D Fox ^(d)							
2008	206,618	150,000	13,376	13,130	36,550	318,999	738,673
2007	210,863	92,000	1,450	12,686	24,124	-	341,123
Total Remuneration: Executives							
2008	1,738,981	969,500	89,676	98,373	252,215	1,062,899	4,211,644
2007	1,227,475	539,500	40,966	131,503	154,659	-	2,094,103

(a) Group Manager Commercial, appointed 1 February 2008.

(b) General Manager Human Resources & HSE, appointed 2 October 2007.

(c) Company Secretary, resigned as of 29 April 2008.

(d) General Manager Corporate Development, resigned as of 30 June 2008.

(e) Cash settled share-based payments.

(f) Termination payments.

NOTES TO THE FINANCIAL STATEMENTS

(CONTINUED)

FOR THE FINANCIAL YEAR ENDED 30 JUNE 2008

45. 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.

(b) Responsible Entity - Australian Pipeline Limited

The Responsible Entity is wholly owned by APT Pipelines Limited (2007: 99.9% owned by APT Pipelines Limited and 0.1% by unrelated parties).

(c) Transactions with key management personnel

Details of key management personnel compensation are disclosed in Note 44. During the financial year, Mr R M Gersbach, a Non-Executive Director of APL until 1 February 2008, received \$36,000 (2007: \$183,000) for consulting services.

(i) Loans to key management personnel

No loans have been made to key management personnel.

(ii) Key management personnel equity holdings

	Fully paid securities opening balance	Securities acquired during the financial year	Securities disposed during the financial year	Fully paid securities closing balance
2008				
Mr L F Bleasel (appointed 28 August 2007)	154,285 ⁽¹⁾	157,304	-	311,589
Mr J A Fletcher (appointed 27 February 2008)	27,977 ⁽¹⁾	7,500	-	35,477
Mr R A Higgins	17,919	18,662	-	36,581
Mr M Muhammad	15,412	11,392	-	26,804
Mr M Ratilal (appointed 31 July 2007)	-	-	-	-
Mr R J Wright	17,171	2,687	-	19,858
Ms Wan Shamilah Saidi	-	-	-	-
Mr Wan Zulkiflee (appointed 31 July 2007)	-	-	-	-
Mr M J McCormack	57,513	42,492	-	100,005
Mr G H Bennett (retired as of 30 October 2007)	25,009	481	-	25,490
Mr R F Francis	2,885	3,382	-	6,267
Mr S P Ohl	4,000	6,000	-	10,000
Mr R M Gersbach (appointed 1 February 2008)	5,665	12,378	-	18,043
Mr M T Knapman (appointed 16 July 2008)	-	-	-	-
Ms S M Dureau	6,671	4,689	-	11,360
Ms R A Smith (appointed 2 October 2007)	-	8,000	-	8,000
Mr A J V James (resigned as of 29 April 2008)	5,654	5,626	-	11,280
Mr P D Fox (resigned as of 30 June 2008)	7,154	11,159	-	18,313

(1) These securities were held by the directors at the date of their appointment during the financial year.

NOTES TO THE FINANCIAL STATEMENTS

(CONTINUED)

FOR THE FINANCIAL YEAR ENDED 30 JUNE 2008

45. Related party transactions (continued)

	Fully paid securities opening balance	Securities acquired during the financial year	Securities disposed during the financial year	Fully paid securities closing balance
2007				
Mr L F Bleasel (appointed 28 August 2007)	n/a	-	-	154,285
Mr R A Higgins	6,706	11,213	-	17,919
Mr M Muhammad	10,875	4,537	-	15,412
Mr M Ratilal (appointed 31 July 2007)	-	-	-	-
Mr R J Wright	11,480	5,691	-	17,171
Ms Wan Shamilah Saidi	-	-	-	-
Mr Wan Zulkiflee (appointed 31 July 2007)	-	-	-	-
Mr M J McCormack	30,441	27,072	-	57,513
Mr G H Bennett	17,221	7,788	-	25,009
Mr R F Francis	1,015	1,870	-	2,885
Mr S P Ohl	2,000	2,000	-	4,000
Mr R M Gersbach	-	5,665	-	5,665
Ms S M Dureau	3,044	3,627	-	6,671
Mr A J V James	3,044	2,610	-	5,654
Mr P D Fox	3,044	4,110	-	7,154

(d) Transactions with related parties within APA Group

Transactions between the entities that comprise the APA Group during the financial year ended 30 June 2008 consisted of:

- (i) Dividends;
- (ii) System lease rentals;
- (iii) Loans advanced and payments received on long-term inter-entity loans ;
- (iv) Management fees;
- (v) Operational services provided between entities;
- (vi) Payment of distributions;
- (vii) Payment of capital distributions (returns of capital); and
- (viii) 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 the APA Group have been eliminated on consolidation.

Refer to Note 40 for details of the entities that comprise the APA Group.

Australian Pipeline Limited

Management fees of \$2,801,000 (2007: \$1,533,000) 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(e).

Australian Pipeline Limited, in its capacity as trustee and Responsible Entity of the Trust, has guaranteed the payment of principal, interest and other amounts as provided in the Note and Guarantee Agreement relating to the issue of Guaranteed Senior Notes.

(e) Transactions with other related parties

Transactions with related parties have taken place at arm's length and in the ordinary course of business.

NOTES TO THE FINANCIAL STATEMENTS

(CONTINUED)

FOR THE FINANCIAL YEAR ENDED 30 JUNE 2008

46. Contingencies

	Consolidated		Trust	
	2008	2007	2008	2007
	\$000	\$000	\$000	\$000
Contingent liabilities				
Bank guarantees	10,619	22,149	-	-
Contingent assets	-	-	-	-

47. Events occurring after reporting date

On 16 July 2008, APA announced that it has executed new debt facility agreements totalling \$165 million to refinance the first tranche of APA GasNet Medium Term Notes of \$150 million maturing in August 2008, and the remainder to supplement APA's existing debt facilities. The terms of these facilities are for three years, through to July 2011. The new facilities have been agreed on a bilateral basis with three banks and are on terms and conditions largely the same as the Syndicated Facility executed in June 2007.

On 11 August 2008, APA entered into an agreement to acquire the Central Ranges Pipeline and the associated distribution network through the purchase of 100% of the shares in Country Pipelines Pty Limited for \$23,500,000.

On 21 August 2008, APA announced that it has entered into a Memorandum of Understanding with Northern Territory's PowerWater Corporation to build, own and operate the Wickham Point Pipeline, a 12 km pipeline which will run from the existing Amadeus Gas Pipeline to the LNG Plant at Wickham Point near Darwin.

On 26 August 2008, the Directors declared a final distribution of 15.0 cents per security (\$70,236,000) for the APA Group (comprising a distribution of 9.0 cents per security from Australian Pipeline Trust and a distribution of 6.0 cps from APT Investment Trust), made up of 12.2 cents per security income distribution (unfranked) and 2.8 cents per security tax deferred distribution. The distribution will be paid on 10 September 2008.

DECLARATION BY THE DIRECTORS

FOR THE FINANCIAL YEAR ENDED 30 JUNE 2008

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; and
- (c) the Directors have been given the declarations by the Managing Director and Chief Financial Officer required by section 295A of the Corporations Act 2001.

Signed in accordance with a resolution of the Directors of the Responsible Entity made pursuant to section 295(5) of the Corporations Act 2001.

On behalf of the Directors



L F Bleasel AM

Chairman



R J Wright

Director

SYDNEY, 26 August 2008

AUDITOR'S INDEPENDENCE DECLARATION

FOR THE FINANCIAL YEAR ENDED 30 JUNE 2008



Deloitte Touche Tohmatsu
A.B.N. 74 490 121 060

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

26 August 2008

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 2008, I declare that to the best of my knowledge and belief, there have been no contraventions of:

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

Yours faithfully

A stylized, handwritten signature of Deloitte Touche Tohmatsu in dark ink.

DELOITTE TOUCHE TOHMATSU

A handwritten signature of Samantha Lewis in dark ink.

Samantha Lewis
Partner

Member of
Deloitte Touche Tohmatsu

Liability limited by a scheme approved under Professional Standards Legislation.

INDEPENDENT AUDITOR REPORT

FOR THE FINANCIAL YEAR ENDED 30 JUNE 2008



Deloitte Touche Tohmatsu
ABN 74 490 121 060

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

We have audited the accompanying financial report of Australian Pipeline Trust, which comprises the balance sheet as at 30 June 2008, and the income statement, cash flow statement and statement of recognised income and expense for the year ended on that date, a summary of significant accounting policies, other explanatory notes and the directors' declaration of the consolidated entity comprising the Trust and the entities it controlled at the year's end or from time to time during the financial year as set out on pages 42 to 111.

Directors' Responsibility for the Financial Report

The directors of Australian Pipeline Limited are responsible for the preparation and fair presentation of the financial report in accordance with Australian Accounting Standards (including the Australian Accounting Interpretations) and the *Corporations Act 2001*. This responsibility includes establishing and maintaining internal control relevant to the preparation and fair presentation of the financial report that is free from material misstatement, whether due to fraud or error; selecting and applying appropriate accounting policies; and making accounting estimates that are reasonable in the circumstances. In Note 2, the directors also state, in accordance with Accounting Standard AASB 101 Presentation of Financial Statements, that compliance with the Australian equivalents to International Financial Reporting Standards ensures that the financial report, comprising the consolidated financial statements and notes, complies with International Financial Reporting Standards.

Auditor's Responsibility

Our responsibility is to express an opinion on the financial report based on our audit. We conducted our audit in accordance with Australian Auditing Standards. These Auditing Standards require that we comply with relevant ethical requirements relating to audit engagements and plan and perform the audit to obtain reasonable assurance whether the financial report is free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial report. The procedures selected depend on the auditor's judgement, including the assessment of the risks of material misstatement of the financial report, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial report in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by the directors, as well as evaluating the overall presentation of the financial report.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Member of
Deloitte Touche Tohmatsu

Liability limited by a scheme approved under Professional Standards Legislation.

INDEPENDENT AUDITOR REPORT

FOR THE FINANCIAL YEAR ENDED 30 JUNE 2008



Auditor's Independence Declaration

In conducting our audit, we have complied with the independence requirements of the Corporations Act 2001.

Auditor's Opinion

In our opinion:

- (a) the financial report of 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 2008 and of their performance for the year ended on that date; and
 - (ii) complying with Australian Accounting Standards (including the Australian Accounting Interpretations) and the Corporations Regulations 2001; and
- (b) the consolidated financial statements and notes also comply with International Financial Reporting Standards as disclosed in Note 2.

A handwritten signature in cursive script that reads "Deloitte Touche Tohmatsu".

DELOITTE TOUCHE TOHMATSU

A handwritten signature in cursive script that reads "Samantha Lewis".

Samantha Lewis
Partner
Chartered Accountants
Sydney, 26 August 2008

DIRECTORS' REPORT

The Directors of Australian Pipeline Limited ("APL" or "Responsible Entity") submit the annual financial report of APT Investment Trust ("APTIT" or "Trust") and its controlled entities (together "Consolidated Entity") for the year ended 30 June 2008. 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 and since the end of the financial year are:

Mr L F Bleasel, AM

Independent Chairman. Appointed director 28 August 2007. Appointed Chairman 30 October 2007.

Mr J A Fletcher

Independent Director. Appointed 27 February 2008.

Mr R A Higgins, AO

Independent Director.

Mr M Muhammad

Independent Director.

Mr M Ratilal

Independent Director. Appointed 31 July 2007.

Mr R J Wright

Independent Director.

Mr M J McCormack

Managing Director.

Mr G H Bennett

Independent Chairman. Retired 30 October 2007.

Mr R M Gersbach

Retired 1 February 2008.

Details of directors, their qualifications, experience, special responsibilities and directorships of other listed entities are set out on page 14.

Alternate directors who served during the period are as follows:

Ms W S Saidi

Alternate for Mr M Muhammad.

Mr W Z W Ariffin

Alternate for Mr M Ratilal. Appointed 31 July 2007.

COMPANY SECRETARIES

Mr M T Knapman

Appointed 16 July 2008.

Ms S M Dureau

Appointed 3 April 2008. Resigned 18 July 2008.

Mr A J V James

Resigned 29 April 2008.

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.

DIRECTORS' REPORT

(CONTINUED)

REVIEW AND RESULTS OF OPERATIONS

APTIT reported net profit after tax of \$29,098,000 (2007: \$6,427,000) for the year ended 30 June 2008 on total revenue of \$29,112,000 (2007: \$6,427,000).

As part of APA Group's acquisition of the Origin Energy Network Assets, APL as responsible entity for APTIT acquired an investment in Envestra loan notes, the Murrin Murrin lateral in Western Australia and a 6% interest in Mariner Pipeline Income Financing Trust for a total of \$36,835,000. APTIT has entered into an agreement to lease the Murrin Murrin lateral to a subsidiary of Australian Pipeline Trust.

DISTRIBUTIONS

Distributions paid to securityholders during the financial year were:

	Final FY 2007 distribution paid 28 September 2007 ⁽¹⁾		Interim FY 2008 distribution paid 28 March 2008	
	Cents per security	Total distribution \$'000	Cents per security	Total distribution \$'000
APTIT Tax deferred distribution	2.0	8,634	2.7	12,375
APTIT Interest income	3.0	12,951	2.0	9,167
Total	5.0	21,585	4.7	21,542

(1) Final FY 2007 distribution was a quarterly distribution for the period 1 April 2007 to 30 June 2007.

On 26 August 2008 the Directors declared a final distribution for APTIT for the current financial year of 6.0 cents per security ("cps") payable 10 September 2008, made up of:

	Final FY 2008 distribution payable 10 September 2008	
	Cents per security	Total distribution \$'000
APTIT Tax deferred distribution	2.8	13,110
APTIT Interest income	3.2	14,984
Total	6.0	28,094

As at 30 June 2008, 468,241,000 securities were on issue (2007: 431,701,000).

SUBSEQUENT EVENTS

Except as disclosed elsewhere in this report, the directors are unaware of any matter or circumstance occurring since the end of the financial year that has significantly affected or may significantly affect the operations of the Consolidated Entity, the results of those operations or the state of affairs of the Consolidated Entity in future financial years.

FUTURE DEVELOPMENTS

Disclosure of information regarding likely developments in the 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

Information on directors and Company Secretary are on pages 14 to 16. Further Information on directorships, attendance at meetings, securityholdings, remuneration, options granted and indemnification of officers and external auditor are found in the APT Directors Report, pages 32 to 40.

DIRECTORS' REPORT

(CONTINUED)

INFORMATION REQUIRED FOR REGISTERED SCHEMES

Fees paid to the Responsible Entity and its associates (including directors and secretaries of the Responsible Entity, related bodies corporate and directors and secretaries of related bodies corporate) out of APA Group property during the financial year are disclosed in Note 19 to the financial statements.

The Responsible Entity does not hold any securities in APA Group. The number of APA securities issued during the financial year, and the number of APA securities at the end of the financial year, are disclosed in Note 10 to the financial statements.

The value of APTIT's assets as at the end of the financial year is disclosed in the balance sheet in total assets, and the basis of valuation is included in Note 2 to the financial statements.

AUDITOR INDEPENDENCE AND NON-AUDIT SERVICES

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

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

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

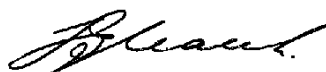
A copy of the Auditor's independence declaration as required under section 307C of the Corporations Act 2001 is included on page 142.

ROUNDING OFF OF AMOUNTS

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

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

On behalf of the directors



L F Bleasel AM
Chairman



R J Wright
Director

Sydney, 26 August 2008

INCOME STATEMENT

FOR THE FINANCIAL YEAR ENDED 30 JUNE 2008

		Consolidated		Trust	
	Note	2008 \$000	2007 \$000	2008 \$000	2007 \$000
<u>Continuing operations</u>					
Revenue	4	29,112	6,427	29,112	6,427
Expenses	4	(14)	-	(14)	-
Profit before tax		29,098	6,427	29,098	6,427
Income tax expense		-	-	-	-
Profit for the year		29,098	6,427	29,098	6,427
Attributable to:					
Equity holders of the parent		29,098	6,427	29,098	6,427
Minority interest		-	-	-	-
		29,098	6,427	29,098	6,427
Earnings per security					
Basic and diluted earnings per security (cents)	12	6.5	1.8		

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

BALANCE SHEET

AS AT 30 JUNE 2008

		Consolidated		Trust	
	Note	2008 \$000	2007 \$000	2008 \$000	2007 \$000
Current assets					
Receivables	6	705	-	705	-
Non-current assets					
Receivables	7	14,030	-	14,030	-
Other financial assets	8	349,761	298,255	349,761	298,255
Total non-current assets		363,791	298,255	363,791	298,255
Total assets		364,496	298,255	364,496	298,255
Current liabilities					
Trade and other payables	9	10	4	10	4
Total liabilities		10	4	10	4
Net assets		364,486	298,251	364,486	298,251
Equity					
Issued capital	10	357,556	298,251	357,556	298,251
Reserves	11	(50)	-	(50)	-
Retained earnings		6,980	-	6,980	-
Total equity		364,486	298,251	364,486	298,251

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

STATEMENT OF CHANGES IN EQUITY

FOR THE FINANCIAL YEAR ENDED 30 JUNE 2008

Consolidated and Trust					
	Note	Issued capital \$000	Reserves \$000	Retained earnings \$000	Total \$000
2008					
Balance at 1 July 2007		298,251	-	-	298,251
Profit for the year		-	-	29,098	29,098
Issue of capital	10	80,314	-	-	80,314
Valuation loss recognised	11	-	(50)	-	(50)
Distribution	5	(21,009)	-	(22,118)	(43,127)
Balance at 30 June 2008		357,556	(50)	6,980	364,486
2007					
Balance at 1 July 2006		3	-	-	3
Profit for the year		-	-	6,427	6,427
Cancellation of nominee securities	10	(3)	-	-	(3)
Issue of securities	10	304,679	-	-	304,679
Distribution	5	(6,428)	-	(6,427)	(12,855)
Balance at 30 June 2007		298,251	-	-	298,251

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

CASH FLOW STATEMENT

FOR THE FINANCIAL YEAR ENDED 30 JUNE 2008

	Consolidated		Trust	
	2008	2007	2008	2007
	\$000	\$000	\$000	\$000
Cash flows from operating activities				
Trust distribution - related party	17,801	6,427	-	-
Trust distribution - subsidiary	-	-	17,801	6,427
Capital distribution received - related party	15,509	6,428	-	-
Capital distribution received - subsidiary	-	-	15,509	6,428
Capital distribution received - external	10,630	-	10,630	-
Interest received - related parties	10,550	-	10,550	-
Finance lease receivable repayments	1,167	-	1,167	-
Payments to suppliers	(4)	-	(4)	-
Interest paid	(4)	-	(4)	-
Net cash provided by operating activities	55,649	12,855	55,649	12,855
Cash flows from investing activities				
Acquisition of finance lease receivable	(14,965)	-	(14,965)	-
Payments for available-for-sale investments	(22,937)	-	(22,937)	-
Acquisition of subsidiary, net of cash acquired	271	(186,882)	271	(186,882)
Advances to related parties	(55,205)	(117,797)	(55,205)	(117,797)
Net cash used in investing activities	(92,835)	(304,679)	(92,835)	(304,679)
Cash flows from financing activities				
Proceeds from issue of securities	80,314	304,679	80,314	304,679
Distributions to securityholders	(43,127)	(12,855)	(43,127)	(12,855)
Net cash provided by financing activities	37,186	291,824	37,186	291,824
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 cash flow statement should be read in conjunction with the accompanying notes.

NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 30 JUNE 2008

1. General information

APT Investment Trust ("APTIT") is one of the two stapled entities of APA Group ("APA"), the other stapled entity being Australian Pipeline Trust ("APT"), listed on the Australian Stock 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	Principal place of business
Level 19	Level 19
HSBC Building	HSBC Building
580 George Street	580 George Street
SYDNEY NSW 2000	SYDNEY NSW 2000
Tel: (02) 9693 0000	Tel: (02) 9693 0000.

APTIT operates as an investment and financing entity within the APA stapled group.

2. Significant accounting policies

Statement of compliance

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

The financial report includes the separate financial statements of the Trust and the consolidated financial statements of the Consolidated Entity. Accounting Standards include Australian equivalents to International Financial Reporting Standards ("A-IFRS"). Compliance with A-IFRS ensures that the financial statements and notes of the Trust and the Consolidated Entity comply with International Financial Reporting Standards ("IFRS").

The financial statements were authorised for issue by the Directors on 26 August 2008.

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 98/100. APTIT is an entity to which the class order applies.

Critical accounting judgements and key sources of estimation uncertainty

In the application of the Consolidated Entity's accounting policies, management is required to make judgements, estimates and assumptions about the carrying values of assets and liabilities that are not readily apparent from other sources.

The estimates and associated assumptions are based on historical experience and other factors that are considered to be relevant. Actual results may differ from these estimates.

The estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to accounting estimates are recognised in the period in which the estimate is revised if the revision affects only that period, or in the period of the revision and future periods if the revision affects both current and future periods. Refer to Note 3 for a discussion of critical judgements in applying the entity's accounting policies, and key sources of estimation uncertainty.

NOTES TO THE FINANCIAL STATEMENTS

(CONTINUED)

FOR THE FINANCIAL YEAR ENDED 30 JUNE 2008

2. Significant accounting policies (continued)

Adoption of new and revised Accounting Standards

In the current year, the Consolidated Entity has adopted all of the new and revised Standards and Interpretations issued by the Australian Accounting Standards Board that are relevant to its operations and effective for the current annual reporting period. Details of the impact of the adoption of these new Standards are set out in the individual accounting policy notes below. The Consolidated Entity has also adopted the following Standards which impacted on the Consolidated Entity's financial statements with respect to disclosure:

- AASB 7 'Financial Instruments: Disclosures'; and
- AASB 101 'Presentation of Financial Statements' (revised October 2006).

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

(a) Basis of consolidation

The consolidated financial statements incorporate the financial statements of the Trust and entities controlled by the Trust (its subsidiaries) (referred to as the Consolidated Entity in these financial statements). Control is achieved where the Trust has the power to govern the financial and operating policies of an entity so as to obtain benefits from its activities. The results of subsidiaries acquired during the year are included in the consolidated income statement from the effective date of acquisition. Where necessary, adjustments are made to 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) Trade and other payables

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

(c) Acquisition of assets

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

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

NOTES TO THE FINANCIAL STATEMENTS

(CONTINUED)

FOR THE FINANCIAL YEAR ENDED 30 JUNE 2008

2. Significant accounting policies (continued)

(d) Business combinations

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

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

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

(e) 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 on the issue of equity instruments

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

Interest and distributions

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

(f) Goods and services tax

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

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

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

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

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

NOTES TO THE FINANCIAL STATEMENTS

(CONTINUED)

FOR THE FINANCIAL YEAR ENDED 30 JUNE 2008

2. Significant accounting policies (continued)

(g) Impairment of assets

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 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 suffered an impairment are reviewed for possible reversal of the impairment at each reporting period.

(h) 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.

(i) Financial assets

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.

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 investments revaluation reserve.

Loans and receivables

Loans, trade receivables, and other receivables that have fixed or determinable payments that are not quoted in an active market are classified as 'loans and receivables'. Loans and receivables are measured at amortised cost using the effective interest method.

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.

(j) 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.

NOTES TO THE FINANCIAL STATEMENTS

(CONTINUED)

FOR THE FINANCIAL YEAR ENDED 30 JUNE 2008

2. Significant accounting policies (continued)

(j) Revenue recognition (continued)

Finance lease income

Finance lease income is recognised when receivable.

Interest revenue - Envestra Limited ("Envestra") loan notes

Loan note interest revenue is recognised when the right to receive a distribution has been established.

(k) 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 an unguaranteed residual value expected to accrue at the end of the lease term. Finance lease receipts are allocated between interest revenue and reduction of the lease receivable over the term of the lease in order to reflect a constant periodic rate of return on the net investment outstanding in respect of the lease.

(l) Standards and interpretations issued not yet effective

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

Initial application of the following Standards will not affect any of the amounts recognised in the financial report, but will change the disclosures presently made in relation to the Consolidated Entity and the Trust's financial report:

- **AASB 101 'Presentation of Financial Statements' - revised standard (revised September 2007)**
Effective for annual periods beginning on or after 1 January 2009.
- **AASB 8 'Operating Segments'**
Effective for annual periods beginning on or after 1 January 2009.

Initial application of the following Standards and Interpretations is not expected to have any material impact on the financial report of the Consolidated Entity and the Trust:

- **AASB Interpretation 12 'Services Concession Arrangements'**
Effective for annual periods beginning on or after 1 January 2008.
- **AASB Interpretation 14 'AASB 119 - The Limit on a Defined Benefit Asset, Minimum Funding Requirements and their Interaction'**
Effective for annual periods beginning on or after 1 January 2008.
- **AASB Interpretation 13 'Customer Loyalty Programmes'**
Effective for annual periods beginning on or after 1 July 2008.
- **AASB 123 'Borrowing Costs' (revised)**
Effective for annual periods beginning on or after 1 January 2009.
- **AASB 127 'Separate and Consolidated Financial Statements'**
Effective for annual periods beginning on or after 1 July 2009.
- **AASB 2008-2 'Amendments to Australian Accounting Standards - Puttable Financial Instruments and Obligations arising on Liquidation'**
Effective for annual periods beginning on or after 1 January 2009.
- **AASB 2008-1 'Amendments to Australian Accounting Standard - Share-based Payments: Vesting Conditions and Cancellations'**
Effective for annual periods beginning on or after 1 July 2009.

NOTES TO THE FINANCIAL STATEMENTS

(CONTINUED)

FOR THE FINANCIAL YEAR ENDED 30 JUNE 2008

2. Significant accounting policies (continued)

(l) Standards and interpretations issued not yet effective (continued)

Initial application of the expected issue of an Australian equivalent accounting standard to the following Standards is not expected to have a material impact on the financial report of the Consolidated Entity and the Trust:

- **Improvements to IFRSs (2008)**
Effective for annual periods beginning on or after 1 January 2009.
- **Amendments to IFRS 1 'First-time Adoption of International Financial Reporting Standards' and IAS 27 Consolidated and Separate Financial Statements - Cost of an Investment in a Subsidiary, Jointly Controlled Entity or Associate'**
Effective for annual periods beginning on or after 1 January 2009.
- **IFRIC 15 'Agreements for the Construction of Real Estate'**
Effective for annual periods beginning on or after 1 January 2009.
- **IFRIC 16 'Hedges of a Net Investment in a Foreign Operation'**
Effective for annual periods beginning on or after 1 October 2008.

The potential impact of the initial application of the following Standard has not yet been determined as it is dependent upon whether any significant business combinations occur after the effective date:

- **AASB 3 'Business Combinations'**
Effective for annual periods beginning on or after 1 July 2009.

(m) Segment information

APTIT operates in one geographical segment being Australia and one business segment.

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

3. Key sources of estimation uncertainty

Key sources of estimation uncertainty

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

Impairment of assets

Determining whether non-current assets are impaired requires an estimation of the value-in-use or fair value of the assets. The value-in-use calculation requires the Consolidated Entity to estimate the future cash flows expected to arise from cash-generating units and suitable discount rates in order to calculate the present value of cash-generating units. Fair value requires an estimation of what the asset could be exchanged for between a willing buyer/willing seller in an arm's length transaction.

NOTES TO THE FINANCIAL STATEMENTS

(CONTINUED)

FOR THE FINANCIAL YEAR ENDED 30 JUNE 2008

4. Profit from operations

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

	Consolidated		Trust	
	2008	2007	2008	2007
	\$000	\$000	\$000	\$000
Revenue				
Distributions				
Trust distribution - related party	17,801	6,427	-	-
Trust distribution - subsidiary	-	-	17,801	6,427
Other entities	50	-	50	-
	17,851	6,427	17,851	6,427
Finance income				
Interest - related parties	10,550	-	10,550	-
Finance lease income - related party	711	-	711	-
	11,261	-	11,261	-
Total revenue	29,112	6,427	29,112	6,427
Expenses				
Audit fees	11	-	11	-
Finance costs	3	-	3	-
Total expenses	14	-	14	-

5. Distributions

Recognised amounts:

Final distribution paid on 28 September 2007

(2007: nil)

Profit distribution ^(a)	12,951	-	12,951	-
Capital distribution	8,634	-	8,634	-
	21,585	-	21,585	-

Interim distribution paid on 28 March 2008

(2007: 30 March 2007)

Profit distribution ^(a)	9,167	6,427	9,167	6,427
Capital distribution	12,375	6,428	12,375	6,428
	21,542	12,855	21,542	12,855

Unrecognised amounts:

Final distribution payable on 10 September 2008^(b)

(2007: 28 September 2007)

Profit distribution ^(a)	14,984	12,951	14,984	12,951
Capital distribution	13,110	8,635	13,110	8,635
	28,094	21,586	28,094	21,586

(a) Profit distributions unfranked (2007: unfranked).

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

(b) Record date 30 June 2008.

NOTES TO THE FINANCIAL STATEMENTS

(CONTINUED)

FOR THE FINANCIAL YEAR ENDED 30 JUNE 2008

6. Current receivables

	Consolidated		Trust	
	2008	2007	2008	2007
	\$000	\$000	\$000	\$000
Other debtors	226	-	226	-
Finance lease receivable - related party (Note 14)	479	-	479	-
	705	-	705	-

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 credit risk relates to two debtors. The directors believe that there is no credit provision required.

None of the above receivables are past due.

7. Non-current receivables

Finance lease receivable - related party (Note 14)	14,030	-	14,030	-
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8. Other non-current financial assets

Receivable from related party	41,808	41,808	46,166	-
Advance to related party	173,006	117,801	126,841	117,801
Investments carried at cost:				
Investment in subsidiary	-	-	164,673	180,454
Investment in related party ^(a)	122,866	138,646	-	-
	337,680	298,255	337,680	298,255
Available-for-sale investments carried at fair value ^(b)	12,081	-	12,081	-
	349,761	298,255	349,761	298,255

(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) Available-for-sale investments reflect an investment in loan notes issued by Envestra and a 6% unitholding in Mariner Pipeline Income Fund. During the period, Envestra repaid \$10,630,000 of the loan notes as part of its final 2007 and interim 2008 distributions. APTIT, in turn, reinvested \$1,067,000 into Envestra's loan notes under its Distribution Reinvestment Plan. Mariner Pipeline Income Fund declared a capital distribution of \$176,000 as part of its June 2008 quarter distribution.

9. Trade and other payables

Other payables	10	4	10	4
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NOTES TO THE FINANCIAL STATEMENTS

(CONTINUED)

FOR THE FINANCIAL YEAR ENDED 30 JUNE 2008

	Consolidated		Trust	
	2008	2007	2008	2007
	\$000	\$000	\$000	\$000
468,241,154 securities, fully paid (2007: 431,701,196 securities, fully paid) ^(a)	357,556	298,251	357,556	298,251

	2008	Consolidated and Trust		2007
	No. of units	2008	2007	2007
	000	\$000	No. of units	000
				\$000
Movements				
Balance at beginning of financial year	431,701	298,251	278,895	3
Cancellation of nominee securities	-	-	(278,895)	(3)
Issue of securities ^(b)	-	-	428,514	302,000
Issue of securities under Security Purchase Plan	23,659	63,770	-	-
Issue of securities under Distribution Reinvestment Plan	12,881	16,869	3,187	2,679
Issue cost of securities	-	(325)	-	-
Capital distributions paid (Note 5)	-	(21,009)	-	(6,428)
Balance at end of financial year	468,241	357,556	431,701	298,251

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.

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

(b) During December 2006, APA was restructured. As part of this restructure, APA made a return of capital of \$302,000,000 to its securityholders, who then simultaneously used this cash to subscribe for the securities issued by APTIT.

11. Reserves

	Consolidated		Trust	
	2008	2007	2008	2007
	\$000	\$000	\$000	\$000
Available-for-sale investment revaluation reserve				
Balance at beginning of financial year	-	-	-	-
Valuation loss recognised	(50)	-	(50)	-
Deferred tax arising on valuation	-	-	-	-
Balance at end of financial year	(50)	-	(50)	-

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

NOTES TO THE FINANCIAL STATEMENTS

(CONTINUED)

FOR THE FINANCIAL YEAR ENDED 30 JUNE 2008

12. Earnings per security

	Consolidated	
	2008	2007
Basic and diluted earnings per security (cents)	6.5	1.8

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

Net profit attributable to securityholders for calculating basic and

diluted earnings per security (\$000)	29,098	6,427
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	No. of securities	
	2008	2007
Weighted average number of ordinary securities on issue used in the calculation (000)	450,262	359,675

13. Remuneration of external auditor

	Consolidated		Trust	
	2008	2007	2008	2007
	\$	\$	\$	\$
Amounts received or due and receivable by Deloitte Touche Tohmatsu for:				
Auditing the financial report	10,495	4,000	10,495	4,000

14. Leases

	Consolidated		Trust	
	2008	2007	2008	2007
	\$000	\$000	\$000	\$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	-
Longer than 1 year and not longer than 5 years	4,669	-	4,669	-
Longer than 5 years	16,342	-	16,342	-
Minimum future lease payments receivable ^(a)	22,178	-	22,178	-
Gross finance lease receivables	22,178	-	22,178	-
Less: unearned finance lease receivables	(7,669)	-	(7,669)	-
Less: guaranteed residual	-	-	-	-
Present value of lease receivables	14,509	-	14,509	-
Included in the financial statements as part of:				
Current receivables (Note 6)	479	-	479	-
Non-current receivables (Note 7)	14,030	-	14,030	-
	14,509	-	14,509	-

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

NOTES TO THE FINANCIAL STATEMENTS

(CONTINUED)

FOR THE FINANCIAL YEAR ENDED 30 JUNE 2008

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, price risk and interest rate 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 APA Group's policy approved by the Board of Directors, which provide written principles on foreign exchange risk, interest rate risk, credit risk, the use of financial derivatives and non-derivative financial instruments, and the investment of excess liquidity. APTIT does not enter into or trade financial instruments, including derivative financial instruments for speculative purposes.

The Corporate Treasury function reports six monthly to the 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 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 balance sheet, net of any allowances, represents the Consolidated Entity's maximum exposure to credit risk in relation to those assets.

(d) Market risk

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 risks or the manner to which it manages and measures the risk from the previous period. The Consolidated Entity is also exposed to price risk from its investments in listed equities. The majority of the shareholdings rest with two companies that were publicly traded in the major financial markets.

(e) Fair value of financial instruments

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 markets are determined with reference to quoted market prices; and
- 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.

Interest rate sensitivity analysis

The sensitivity analysis below has been determined based on the exposure to interest rates on loans with related parties. A 10% increase or decrease is used and represents management's assessment of the possible change in interest rates. At reporting date, if interest rates had been 10% higher or lower and all other variables were held constant the Consolidated Entity's net profit would decrease by \$854,000 and increase by \$854,000 (2007: \$nil). This is mainly attributable to the Consolidated Entity's exposure to interest rates on its variable rate borrowings.

NOTES TO THE FINANCIAL STATEMENTS

(CONTINUED)

FOR THE FINANCIAL YEAR ENDED 30 JUNE 2008

16. Subsidiaries

Name of entity	Country of registration	Ownership interest	
		2008 %	2007 %
Parent entity			
APT Investment Trust			
Controlled entity			
GasNet Australia Investments Trust	Australia	100	100

17. Acquisition of assets/businesses

2008		Date of acquisition	Proportion acquired %	Cost of acquisition \$000
Assets acquired	Principal activity			
Envestra loan notes	Financing	2 July 2007	17.2	17,605
Murrin Murrin Lateral finance lease	Gas transmission	2 July 2007	n/a	14,965
Mariner Pipeline Income Financing Trust	Financing	6 April 2008	6.0	4,265
				36,835

Fair value of assets acquired is equal to cost of acquisition.

2007		Date of acquisition	Proportion acquired %	Cost of acquisition \$000
Name of business acquired	Principal activity			
GasNet Australia Investments Trust	Financing	1 October 2006	100	186,882

NOTES TO THE FINANCIAL STATEMENTS

(CONTINUED)

FOR THE FINANCIAL YEAR ENDED 30 JUNE 2008

18. Key management personnel compensation

(a) Details of key management personnel

The Directors and other members of key management personnel of the APA group of entities during the year were:

Mr L F Bleasel AM (Chairman)

(appointed Independent Non-Executive Director on 28 August 2007, appointed Chairman on 30 October 2007)

Mr J A Fletcher (Independent Non-Executive Director, appointed 27 February 2008)

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

Mr M Muhammad (Independent Non-Executive Director)

Mr M Ratilal (Independent Non-Executive Director, appointed 31 July 2007)

Mr R J Wright (Independent Non-Executive Director)

Mr M J McCormack (Managing Director)

Mr G H Bennett (Chairman, retired as of 30 October 2007)

Mr R M Gersbach (Independent Non-Executive Director, retired as of 1 February 2008)

Ms Wan Shamilah Saidi (Alternate Non-Executive Director)

Mr Wan Zulkiflee (Alternate Non-Executive Director, appointed 31 July 2007)

Mr R F Francis (Chief Financial Officer)

Mr S P Ohi (Group Manager Operations)

Mr R M Gersbach (Group Manager Commercial, appointed 1 February 2008)

Mr M T Knapman (Company Secretary, appointed 16 July 2008)

Ms S M Dureau (General Counsel & General Manager Regulatory)

Ms R A Smith (General Manager Human Resources & HSE, appointed 2 October 2007)

Mr A J V James (Company Secretary, resigned as of 29 April 2008)

Mr P D Fox (General Manager Corporate Development, resigned as of 30 June 2008).

(b) Key management personnel compensation

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

	Consolidated and Trust	
	2008	2007
	\$	\$
Short-term employment benefits	4,593,870	3,364,134
Post-employment benefits	308,948	265,986
Cash settled share-based payments	404,109	254,146
Retention award	216,667	198,611
Termination payments	1,062,899	-
	6,586,493	4,082,877

NOTES TO THE FINANCIAL STATEMENTS

(CONTINUED)

FOR THE FINANCIAL YEAR ENDED 30 JUNE 2008

18. Key management personnel compensation (continued)

(b) Key management personnel compensation (continued)

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

	Short-term employment benefits				Post-employment	Long-term incentive plans	Other ⁽ⁱ⁾	Total
	Salary/fees	Due Diligence Committee fees	Short-term incentive scheme	Non-monetary	Super-annuation	Share-based payments ^(h)		
	\$	\$	\$	\$	\$	\$	\$	\$
Non-Executive Directors								
L F Bleasel ^(a)								
2008	125,315	-	-	-	10,605	-	-	135,920
2007	-	-	-	-	-	-	-	-
J A Fletcher ^(b)								
2008	20,724	-	-	-	20,014	-	-	40,738
2007	-	-	-	-	-	-	-	-
R A Higgins								
2008	106,678	5,200	-	2,753	11,219	-	-	125,850
2007	95,351	18,750	-	-	57,900	-	-	172,001
M Muhammad								
2008	97,000	-	-	-	-	-	-	97,000
2007	82,839	-	-	-	-	-	-	82,839
M Ratilal ^(c)								
2008	78,333	-	-	-	-	-	-	78,333
2007	-	-	-	-	-	-	-	-
R J Wright								
2008	108,817	5,200	-	-	11,158	-	-	125,175
2007	99,766	14,375	-	-	28,811	-	-	142,952
W Shamilah Saidi								
2008	-	-	-	-	-	-	-	-
2007	-	-	-	-	-	-	-	-
W Zulkiflee ^(d)								
2008	-	-	-	-	-	-	-	-
2007	-	-	-	-	-	-	-	-
G H Bennett ^(e)								
2008	55,394	2,600	-	-	4,754	-	98,100	160,847
2007	163,199	4,000	-	-	12,686	-	-	179,885
R M Gersbach ^(f)								
2008	52,500	5,200	-	-	4,725	-	-	62,425
2007	90,782	9,375	-	-	-	-	-	100,157

NOTES TO THE FINANCIAL STATEMENTS

(CONTINUED)

FOR THE FINANCIAL YEAR ENDED 30 JUNE 2008

18. Key management personnel compensation (continued)

(b) Key management personnel compensation (continued)

	Short-term employment benefits				Post-employment	Long-term incentive plans		Other ⁽ⁱ⁾	Total
	Salary/fees	Due Diligence Committee fees	Short-term incentive scheme	Non-monetary	Super-annuation	Share-based payments ^(h)			
	\$	\$	\$	\$	\$	\$		\$	\$
J F McAloon ^(g)									
2008	-	-	-	-	-	-	-	-	-
2007	11,667	-	-	-	-	-	-	-	11,667
Executive Director									
M J McCormack									
2008	659,205	-	430,000	40,795	50,000	151,894	216,667	1,548,561	
2007	587,247	-	325,000	53,842	35,086	99,487	198,611	1,299,273	
Total Remuneration: Directors									
2008	1,303,966	18,200	430,000	43,548	112,475	151,894	314,767	2,374,849	
2007	1,130,851	46,500	325,000	53,842	134,483	99,487	198,611	1,988,774	

(a) Appointed Independent Non-Executive Director on 28 August 2007, appointed Chairman on 30 October 2007.

(b) Appointed Independent Non-Executive Director on 27 February 2008.

(c) Appointed Independent Non-Executive Director on 31 July 2007.

(d) Appointed Alternate Non-Executive Director on 31 July 2007.

(e) Retired as Chairman as of 30 October 2007.

(f) Retired as an Independent Non-Executive Director as of 1 February 2008. In addition to Director's fees, Mr R M Gersbach received \$36,000 for consulting services (2007: \$183,000). On 1 February 2008, Mr R M Gersbach was appointed Group Manager Commercial. Details of the remuneration received for this position are provided on the following page.

(g) Retired as an Independent Non-Executive Director as of 28 August 2006.

(h) Cash settled share-based payments.

(i) Other includes director's retiring allowance and retention payments.

NOTES TO THE FINANCIAL STATEMENTS

(CONTINUED)

FOR THE FINANCIAL YEAR ENDED 30 JUNE 2008

18. Key management personnel compensation (continued)

(b) Key management personnel compensation (continued)

	Short-term employment benefits			Post-employment	Long-term incentive plans	Other ^(f)	Total
	Salary/fees	Short-term incentive scheme	Non-monetary	Super-annuation	Share-based payments ^(e)		
	\$	\$	\$	\$	\$	\$	\$
Executives							
R F Francis							
2008	334,948	167,000	11,922	13,130	48,438	-	575,438
2007	308,863	124,800	7,744	12,686	37,173	-	491,266
S P Ohi							
2008	300,559	167,000	36,311	13,130	45,075	-	562,075
2007	249,640	115,200	27,327	33,686	32,436	-	458,289
R M Gersbach ^(a)							
2008	227,683	108,000	4,968	6,734	28,250	-	375,635
2007	-	-	-	-	-	-	-
S M Dureau							
2008	274,948	135,000	11,922	13,130	39,291	-	474,291
2007	215,863	101,900	1,450	42,686	29,042	-	390,941
R A Smith ^(b)							
2008	179,699	85,000	-	9,847	12,625	-	287,171
2007	-	-	-	-	-	-	-
A J V James ^(c)							
2008	214,526	157,500	11,177	29,272	41,986	743,900	1,198,361
2007	242,246	105,600	2,995	29,759	31,884	-	412,484
P D Fox ^(d)							
2008	206,618	150,000	13,376	13,130	36,550	318,999	738,673
2007	210,863	92,000	1,450	12,686	24,124	-	341,123
Total Remuneration: Executives							
2008	1,738,981	969,500	89,676	98,373	252,215	1,062,899	4,211,644
2007	1,227,475	539,500	40,966	131,503	154,659	-	2,094,103

(a) Group Manager Commercial, appointed 1 February 2008.

(b) General Manager Human Resources & HSE, appointed 2 October 2007.

(c) Company Secretary, resigned as of 29 April 2008.

(d) General Manager Corporate Development, resigned as of 30 June 2008.

(e) Cash settled share-based payments.

(f) Termination payments.

NOTES TO THE FINANCIAL STATEMENTS

(CONTINUED)

FOR THE FINANCIAL YEAR ENDED 30 JUNE 2008

19. Related party transactions

(a) Responsible Entity - Australian Pipeline Limited

The Responsible Entity is wholly owned by APT Pipelines Limited (2007: 99.9% owned by APT Pipelines Limited and 0.1% by unrelated parties).

(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 key management personnel compensation are disclosed in Note 18. During the financial year, Mr R M Gersbach, a Non-Executive Director of APL until 1 February 2008, received \$36,000 (2007: \$183,000) for consulting services.

(i) Loans to key management personnel

No loans have been made to key management personnel.

(ii) Key management personnel equity holdings in APTIT

2008	Fully paid securities opening balance	Securities acquired during the financial year	Securities disposed of during the financial year	Fully paid securities closing balance
Mr L F Bleasel (appointed 28 August 2007)	154,285 ⁽¹⁾	157,304	-	311,589
Mr J A Fletcher (appointed 27 February 2008)	27,977 ⁽¹⁾	7,500	-	35,477
Mr R A Higgins	17,919	18,662	-	36,581
Mr M Muhammad	15,412	11,392	-	26,804
Mr M Ratilal (appointed 31 July 2007)	-	-	-	-
Mr R J Wright	17,171	2,687	-	19,858
Ms Wan Shamilah Saidi	-	-	-	-
Mr Wan Zulkiflee (appointed 31 July 2007)	-	-	-	-
Mr M J McCormack	57,513	42,492	-	100,005
Mr G H Bennett (retired as of 30 October 2007)	25,009	481	-	25,490
Mr R F Francis	2,885	3,382	-	6,267
Mr S P Ohl	4,000	6,000	-	10,000
Mr R M Gersbach (appointed 1 February 2008)	5,665	12,378	-	18,043
Mr M T Knapman (appointed 16 July 2008)	-	-	-	-
Ms S M Dureau	6,671	4,689	-	11,360
Ms R A Smith (appointed 2 October 2007)	-	8,000	-	8,000
Mr A J V James (resigned as of 29 April 2008)	5,654	5,626	-	11,280
Mr P D Fox (resigned as of 30 June 2008)	7,154	11,159	-	18,313

⁽¹⁾ These securities were held by the directors at the date of their appointment during the financial year.

NOTES TO THE FINANCIAL STATEMENTS

(CONTINUED)

FOR THE FINANCIAL YEAR ENDED 30 JUNE 2008

19. Related party transactions (continued)

(c) Transactions with key management personnel (continued)

2007	Fully paid securities opening balance	Securities acquired during the financial year (a)	Securities disposed of during the financial year	Fully paid securities closing balance
Mr L F Bleasel (appointed 28 August 2007)	-	154,285	-	154,285
Mr R A Higgins	-	17,919	-	17,919
Mr M Muhammad	-	15,412	-	15,412
Mr M Ratilal (appointed 31 July 2007)	-	-	-	-
Mr R J Wright	-	17,171	-	17,171
Ms Wan Shamilah Saidi	-	-	-	-
Mr Wan Zulkiflee (appointed 31 July 2007)	-	-	-	-
Mr M J McCormack	-	57,513	-	57,513
Mr G H Bennett	-	25,009	-	25,009
Mr R F Francis	-	2,885	-	2,885
Mr S P Ohi	-	4,000	-	4,000
Mr R M Gersbach	-	5,665	-	5,665
Ms S M Dureau	-	6,671	-	6,671
Mr A J V James	-	5,654	-	5,654
Mr P D Fox	-	7,154	-	7,154

(a) During December 2006, APA was restructured. As part of this restructure, APA made a return of capital of \$302,000,000 to its securityholders, who then simultaneously used this cash to subscribe for the securities issued by APTIT.

(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:

- (i) Loans advanced and payments received on long-term inter-entity loans;
- (ii) Payment of distributions;
- (iii) Payment of capital distributions (returns of capital); and
- (iv) Equity issues.

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 the APA group. These loans have various terms, however, they can be repayable on agreement of the parties.

Interest is recognised by applying the effective interest rate 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 \$478,552 are owing from a subsidiary of APT for amounts due under a finance lease arrangement (2007: \$nil); and
- non-current receivables totalling \$14,030,163 are owing from a subsidiary of APT for amounts due under a finance lease arrangement (2007: \$nil).

NOTES TO THE FINANCIAL STATEMENTS

(CONTINUED)

FOR THE FINANCIAL YEAR ENDED 30 JUNE 2008

19. Related party transactions (continued)

(e) Transactions with other related parties (continued)

Australian Pipeline Limited

Management fees of \$890,615 (2007: \$141,377) 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 \$890,615 (2007: \$141,377) were reimbursed by Australian Pipeline Trust.

20. Contingent liabilities and contingent assets

At 30 June 2008, there are no material contingent liabilities or contingent assets (2007: \$nil).

21. Subsequent events

On 26 August 2008, the Directors declared a final distribution for the 2008 financial year, of 6.0 cents per security (\$28,094,000). The distribution represents a 3.2 cents per security unfranked income distribution and a 2.8 cps capital distribution. The distribution will be paid on 10 September 2008.

DECLARATION BY THE DIRECTORS

FOR THE FINANCIAL YEAR ENDED 30 JUNE 2008

The Directors declare that:

- (a) in the Directors' opinion, there are reasonable grounds to believe that APT Investment Trust will be able to pay its debts as and when they become due and payable;
- (b) in the Directors' opinion, the attached financial statements and notes thereto are in accordance with the Corporations Act 2001, including compliance with Accounting Standards and giving a true and fair view of the financial position and performance of APT Investment Trust and the Consolidated Entity; and
- (c) the Directors have been given the declarations by the Managing Director and Chief Financial Officer required by section 295A of the Corporations Act 2001.

Signed in accordance with a resolution of the Directors of the Responsible Entity made pursuant to section 295(5) of the Corporations Act 2001.

On behalf of the Directors



L F Bleasel AM

Chairman



R J Wright

Director

SYDNEY, 26 August 2008

AUDITOR'S INDEPENDENCE DECLARATION

FOR THE FINANCIAL YEAR ENDED 30 JUNE 2008

Deloitte.

Deloitte Touche Tohmatsu
A.B.N. 74 490 121 060

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

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

26 August 2008

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 2008, I declare that to the best of my knowledge and belief, there have been no contraventions of:

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

Yours faithfully



DELOITTE TOUCHE TOHMATSU



Samantha Lewis
Partner

Member of
Deloitte Touche Tohmatsu

Liability limited by a scheme approved under Professional Standards Legislation.

INDEPENDENT AUDITOR'S REPORT

FOR THE FINANCIAL YEAR ENDED 30 JUNE 2008



Deloitte Touche Tohmatsu
ABN 74 490 121 060

Grosvenor Place
225 George Street
Sydney NSW 2000
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Sydney NSW 1219 Australia

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

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

We have audited the accompanying financial report of APT Investment Trust, which comprises the balance sheet as at 30 June 2008, and the income statement, cash flow statement and statement of changes in equity for the year ended on that date, a summary of significant accounting policies, other explanatory notes and the directors' declaration of the consolidated entity comprising the Trust and the entities it controlled at the year's end or from time to time during the financial year as set out on pages 118 to 141.

Directors' Responsibility for the Financial Report

The directors of Australian Pipeline Limited are responsible for the preparation and fair presentation of the financial report in accordance with Australian Accounting Standards (including the Australian Accounting Interpretations) and the *Corporations Act 2001*. This responsibility includes establishing and maintaining internal control relevant to the preparation and fair presentation of the financial report that is free from material misstatement, whether due to fraud or error; selecting and applying appropriate accounting policies; and making accounting estimates that are reasonable in the circumstances. In Note 2, the directors also state, in accordance with Accounting Standard AASB 101 Presentation of Financial Statements, that compliance with the Australian equivalents to International Financial Reporting Standards ensures that the financial report, comprising the consolidated financial statements and notes, complies with International Financial Reporting Standards.

Auditor's Responsibility

Our responsibility is to express an opinion on the financial report based on our audit. We conducted our audit in accordance with Australian Auditing Standards. These Auditing Standards require that we comply with relevant ethical requirements relating to audit engagements and plan and perform the audit to obtain reasonable assurance whether the financial report is free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial report. The procedures selected depend on the auditor's judgement, including the assessment of the risks of material misstatement of the financial report, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial report in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by the directors, as well as evaluating the overall presentation of the financial report.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Liability limited by a scheme approved under Professional Standards Legislation.

Member of
Deloitte Touche Tohmatsu

INDEPENDENT AUDITOR'S REPORT

(CONTINUED)

FOR THE FINANCIAL YEAR ENDED 30 JUNE 2008



Auditor's Independence Declaration

In conducting our audit, we have complied with the independence requirements of the Corporations Act 2001.

Auditor's Opinion

In our opinion:

- (a) the financial report of APT Investment Trust is in accordance with the Corporations Act 2001, including:
 - (i) giving a true and fair view of the Trust's and consolidated entity's financial position as at 30 June 2008 and of their performance for the year ended on that date; and
 - (ii) complying with Australian Accounting Standards (including the Australian Accounting Interpretations) and the Corporations Regulations 2001; and
- (b) the consolidated financial statements and notes also comply with International Financial Reporting Standards as disclosed in Note 2.

A stylized, handwritten signature of Deloitte Touche Tohmatsu.

DELOITTE TOUCHE TOHMATSU

A handwritten signature of Samantha Lewis.

Samantha Lewis
Partner
Chartered Accountants
Sydney, 26 August 2008

ADDITIONAL INFORMATION

Additional information required by the Listing Rules of Australian Securities Exchange Limited and not provided elsewhere in this report (the information is applicable as at 1 September 2008).

TWENTY LARGEST HOLDERS

	No. of Securities	%
Petronas Australia Pty Ltd	62,661,109	13.38
HSBC Custody Nominees (Australia) Limited	30,100,066	6.43
RBC Dexia Investor Services Australia Nominees Pty Limited	24,373,948	5.21
National Nominees Limited	22,402,282	4.78
East Australian Pipeline Marketing Pty Ltd	15,830,592	3.38
Citicorp Nominees Pty Limited	13,532,127	2.89
JP Morgan Nominees Australia Limited	11,851,888	2.53
Custodial Services Limited	6,973,734	1.49
Invia Custodian Pty Limited	4,229,204	0.90
ANZ Nominees Limited	3,003,083	0.64
Queensland Investment Corporation	2,992,926	0.64
Argo Investments Limited	2,956,713	0.63
Cogent Nominees Pty Limited	2,900,236	0.62
Questor Financial Services Limited	2,508,812	0.54
Bond Street Custodians Limited	2,259,204	0.48
Sandhurst Trustees Limited	1,875,950	0.40
Fleet Nominees Pty Limited	1,211,827	0.26
AMP Life Limited	1,144,114	0.24
Milton Corporation Limited	764,709	0.16
Huntley Investment Company Limited	707,977	0.15
Total for top 20	214,280,501	45.76

DISTRIBUTION OF HOLDERS

Ranges	No. of Holders	%	No. of Securities	%
1 – 1,000	62,953	60.18	15,417,827	3.29
1,001 – 5,000	27,401	26.19	66,952,013	14.30
5,001 – 10,000	8,879	8.49	63,217,423	13.50
10,001 – 100,000	5,280	5.05	99,602,749	21.27
100,001 and over	93	0.09	223,051,142	47.64
Total	104,606	100.00	468,241,154	100.00

23,857 holders hold less than a marketable parcel of securities (market value less than \$500 or 139 securities based on a market price on 1 September 2008 of \$3.61).

SUBSTANTIAL HOLDERS

By notice dated 19 August 2008, Lazard Asset Management Pacific Co advised that it had an interest in 28,936,761 ordinary securities.

By notice dated 4 October 2007, Investors Mutual Limited advised that it had an interest in 22,024,197 ordinary securities.

By notice dated 22 August 2007, Petronas Australia Pty Limited advised that it had an interest in 72,102,331 ordinary securities.

ON-MARKET BUY-BACK

There is no current on-market buy-back.

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.

RESPONSIBLE ENTITY AND REGISTERED OFFICE

Australian Pipeline Limited ABN 99 091 344 704
HSBC Building
Level 19, 580 George Street
Sydney NSW 2000
PO Box R41, Royal Exchange NSW 1225
Telephone: +61 2 9693 0000
Facsimile: +61 2 9693 0093
www.apa.com.au

APA GROUP REGISTRY

Link Market Services Limited
Level 12, 680 George Street
Sydney NSW 2000
Locked Bag A14, Sydney South NSW 1235
Toll Free: 1800 992 312
Telephone: +61 2 8280 7132
Facsimile: +61 2 9287 0303
www.linkmarketservices.com.au

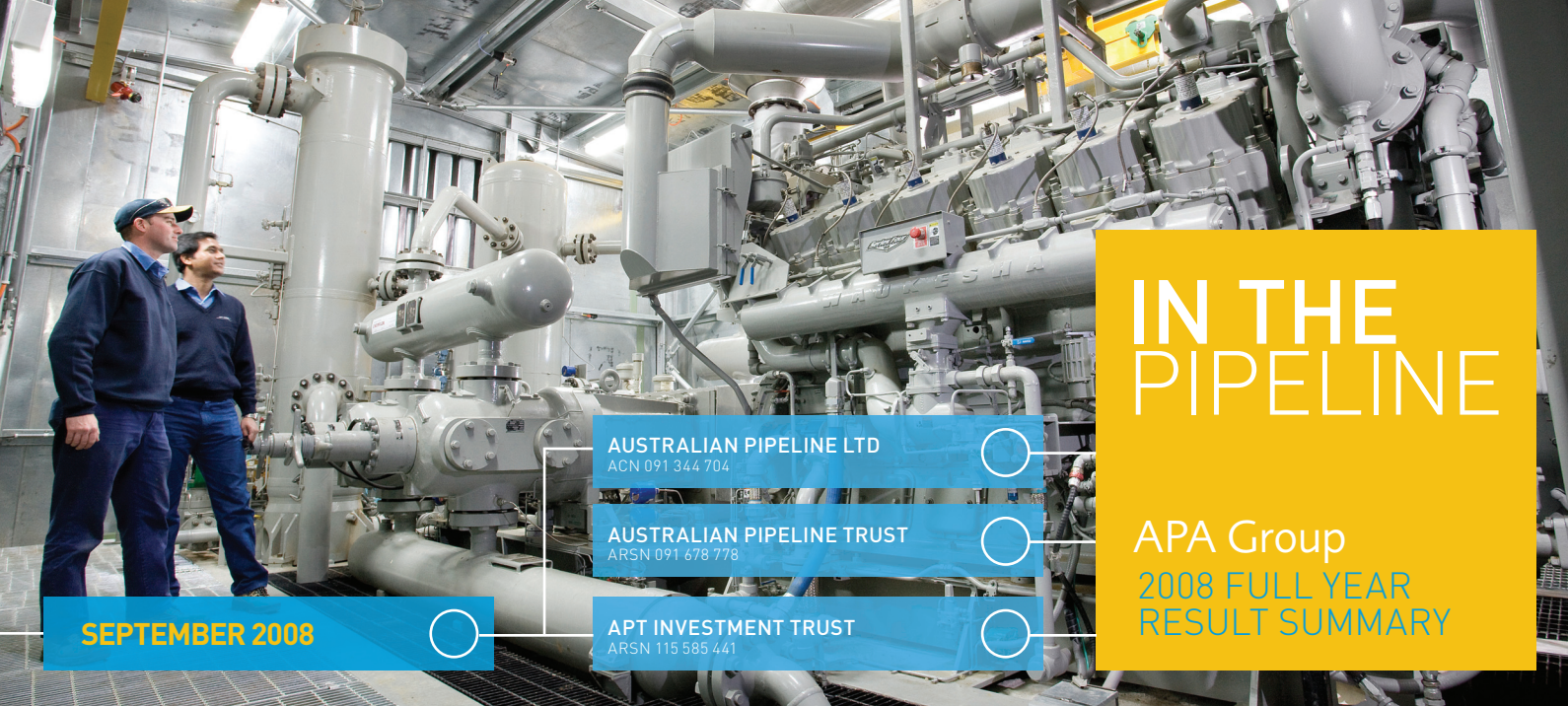
APA Group Annual Report 2008
is available on our website

www.apa.com.au

an alternate way to access the Annual
Report and help the environment.

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IN THE PIPELINE

APA Group
2008 FULL YEAR
RESULT SUMMARY

AUSTRALIAN PIPELINE LTD
ACN 091 344 704

AUSTRALIAN PIPELINE TRUST
ARSN 091 678 778

APT INVESTMENT TRUST
ARSN 115 585 441

SEPTEMBER 2008

APA Group (APA) has delivered another record financial result. We have enhanced our portfolio of essential gas infrastructure across Australia, and have transformed into a truly independent operating business with over 1,100 skilled and experienced employees.

Dear Securityholders

On 26 August 2008 we announced underlying earnings before interest, tax, depreciation and amortisation (EBITDA) of \$430.5 million, a 45% increase on last year, and underlying net profit of \$82.2 million, an increase of 27%.

The strong financial result reflects the growth of our underlying businesses, the solid contributions of the acquisitions made in the last two years and the benefits of internalising the operation and maintenance of our assets.

The gas transmission and distribution business segment, contributed \$368 million, or 85%, of EBITDA for the year. The balance of EBITDA came from the remaining three business segments electricity transmission, asset management and complementary assets, which all contributed positively.

Operating cash flow increased by 28% to \$192 million and operating cash flow per security increased by 8% to 42.7 cents, providing the basis to increase distributions this year.

DISTRIBUTIONS

On 26 August 2008 the board declared a final distribution for the year of 15.0 cents per security, taking the full year distribution to 29.5 cents, a 5.4% increase on last year. This year's distributions, as with previous years, were well covered by operating cash flow, with cash remaining to fund further business growth and debt reduction.

DELIVERING AUSTRALIA'S ENERGY

We have enhanced our Australia-wide portfolio of gas transportation infrastructure during the year through expansion and acquisition. We expanded the Victorian Transmission System and the Moolamba Sydney Pipeline system and acquired Origin Energy's gas pipeline and network assets, which included a 33% interest in the SEA Gas Pipeline and 17% stake in Envestra Limited. We also began construction of the Bonaparte Gas Pipeline in the Northern Territory and development work for additional compressor stations on our Queensland and Western Australian pipelines. APA's gas infrastructure assets are positioned to grow as demand for natural gas increases.

INTERNALLY MANAGED AND OPERATED BUSINESS

This year we completed the transition from infrastructure owner to an operating business, principally through the acquisition of the asset management business servicing Envestra's assets and termination of the long term operation and maintenance arrangement on APA's foundation pipelines. In total, 750 highly skilled personnel were transferred to APA, expanding and enhancing our operating capability. We now deliver first class operating and maintenance services to over \$8 billion worth of assets which APA owns or operates.

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

Safety remains a high priority for APA and I am pleased that we have improved the safety performance of the major new operating businesses acquired during the year.

APA UNLISTED ENERGY FUND

The establishment of the unlisted energy fund announced in May this year will provide APA with further flexibility to pursue many profitable growth opportunities. We are proposing to sell a number of APA's assets with annuity-style incomes into the fund, and redistribute the capital towards core gas assets with growth potential.

APA will retain a minority interest in the fund in conjunction with new third party investors, and will remain the manager and operator of the assets under a long term arrangement. The transaction will be financed by non-recourse finance and we anticipate that proceeds of at least \$500 million will be released from this transaction. We have been pleased with the responses of both the debt and equity markets to the proposal, and are on target to complete the transaction within the 2008 calendar year.

OUTLOOK

The fundamentals of APA's business remain solid and we have again proved we are a robust, secure and dependable business with real opportunities for organic growth. Our investments this year, and committed projects for 2009, will deliver secure, long term cash flow.

We will actively develop and pursue further profitable growth opportunities and will benefit from the flexibility afforded by the funds received from the creation of the new unlisted vehicle.

We will continue our integration program and achieve further cost reduction initiatives to enhance the bottom line for 2009. In addition, we will leverage the skills and experience of our employees to drive further value from the business.

Barring unforeseen circumstances, we reaffirm previous guidance to increase distributions in the 2009 financial year by at least 5%, and that distributions will be fully covered by operating cash flow.

I am very proud of what the company has achieved both for securityholders and for our customers this year, and I am confident we will continue to deliver financial stability and growth into the future.

Mick McCormack
Managing Director
APA Group

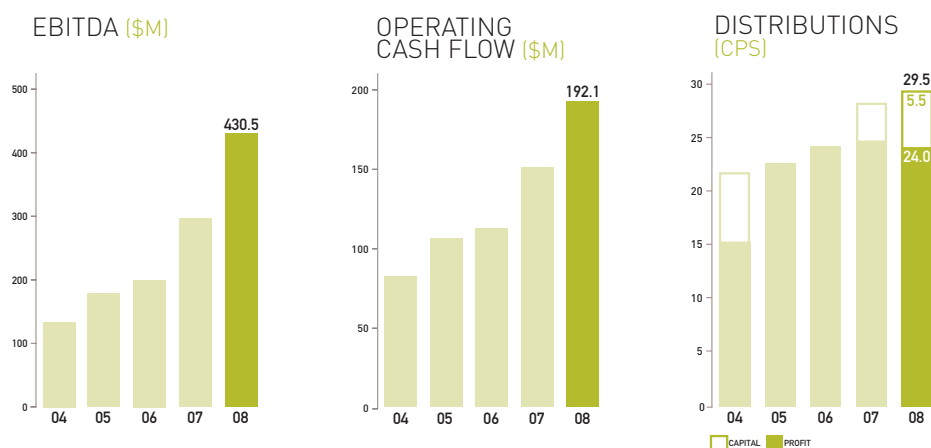
FINANCIAL HIGHLIGHTS

Delivering financial stability and growth

UNDERLYING RESULTS ¹ (YEAR ENDED 30 JUNE)	2008 (\$M)	2007 (\$M)	CHANGE [%]
Total revenue	897.8	532.7	▲ 69
EBITDA	430.5	296.8	▲ 45
Interest (net)	223.8	136.6	▲ 64
Operating profit after tax and minorities	82.2	64.5	▲ 27
Operating cash flow ²	192.1	150.6	▲ 28
Operating cash flow per security (cents)	42.7	39.7	▲ 7.6
Earnings per security (cents)	18.3	17.0	▲ 7.6
Distribution per security (cents)	29.5	28.0	▲ 5.4

1 Underlying results exclude one-off significant items and include two adjustments to revenue and earnings relating to capital distributions and lease principal repayments arising from their treatment under A-IFRS.

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



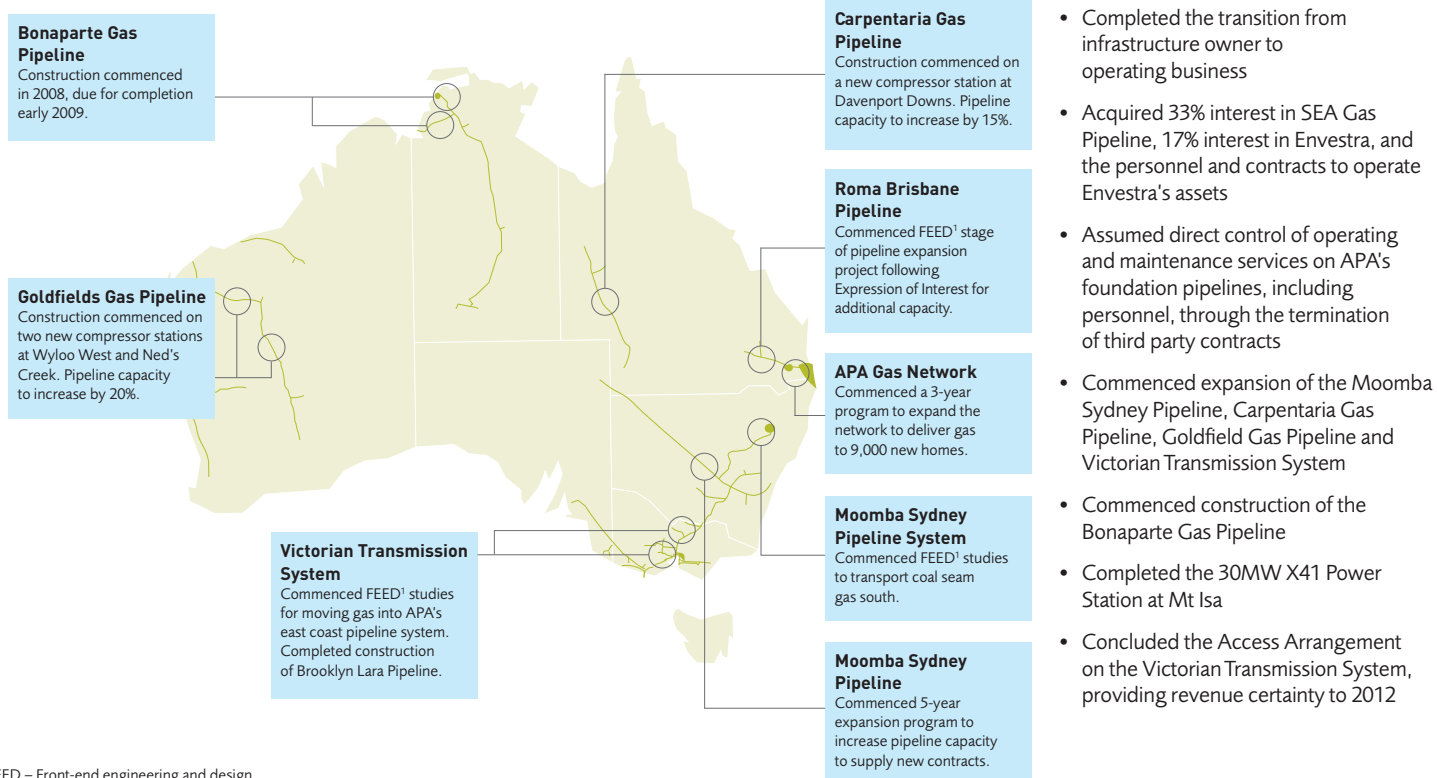
FINAL DISTRIBUTION FOR 2008
15.0 cents per security

TOTAL DISTRIBUTIONS FOR 2008
29.5 cents per security

Underlying results, in APA's view, provide a more accurate portrayal of the results of the business. For a detailed description of APA's full year financial results, including statutory results, please refer to APA Group Annual Report 2008 available on our website, www.apa.com.au.

OPERATING HIGHLIGHTS

Transporting more than half of Australia's domestic gas used annually



1. FEED – Front-end engineering and design

HSBC Building
Level 19
580 George Street
Sydney NSW 2000
PO Box R41
Royal Exchange NSW 1225

Phone 61 2 9693 0000
Fax 61 2 9693 0093
www.pipelinetrust.com.au

APA Group



Australian Pipeline Ltd
ACN 091 344 704

Australian Pipeline Trust
ARSN 091 678 778

APT Investment Trust
ARSN 115 585 441

ASX RELEASE

For further information please contact:

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About APA Group (APA)

APA Group, comprised of Australian Pipeline Trust and APT Investment Trust, is the major ASX-listed energy transmission company in Australia with interests in almost 12,000 km of natural gas pipeline infrastructure, over 2,300 km of gas distribution networks in south east Queensland, Coal Seam Gas processing plants, gas fired power stations, gas storage facilities and two high voltage direct current interconnector systems.

APA manages and operates all its assets and also provides management and operation services to gas distribution and transmission company Envestra (which owns 19,100 km of natural gas distribution networks and 1,029 km of natural gas transmission pipelines). It also holds an 18 percent stake in Envestra and a one-third interest in the SEAGas pipeline. APA Group has a varied and quality customer base including AGL Energy, Cooper Eromanga Basin Producers, Xstrata, Newmont, CS Energy, BHP Billiton, Zinifex, Incitec Pivot, Origin, RioTinto, Newcrest, Nickel West, Synergy and Verve Energy.