APA Group

SECURITY AND GROWTH

ANNUAL REPORT 2009

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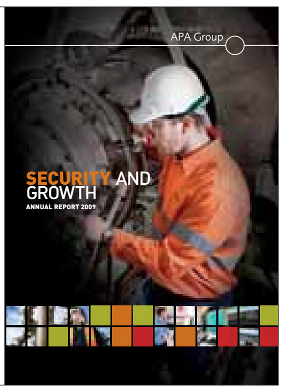
IMAGES: Opposite page (from top) Nick Duivesteyn; Joe Schiavone checking serial numbers on our meters; Matthew Chisholm and Rowland Schreier at Brooklyn city gate, Victoria; Ian Wheeler and Kidman Ho, Dandenong Operations control room.

Annual Meeting

Date 30 October 2009

Venue Amora Hotel
11 Jamison St
Sydney NSW 2000, Australia

Time 10:30am
Registration commences at 10:00am



ON THE COVER

Main Image: Michael Mann maintaining a turbine at Brooklyn compressor station, Victoria.

Inset images: Philip Botha at Brooklyn city gate; Michael Noonan and Keith Jones monitoring the Victorian Transmission System.

You can view the APA Group 2009 Annual Report on our website
www.apa.com.au

AUSTRALIAN PIPELINE LTD ACN 091 344 704 AUSTRALIAN PIPELINE TRUST ARSN 091 678 778 APT INVESTMENT TRUST ARSN 115 585 441

A BRIGHT FUTURE IN UNCERTAIN TIMES

The financial benefits of the growth projects undertaken this year will flow into next year and beyond

APA is Australia's largest natural gas infrastructure business, owning and/or operating more than $8 billion of gas transmission and distribution assets

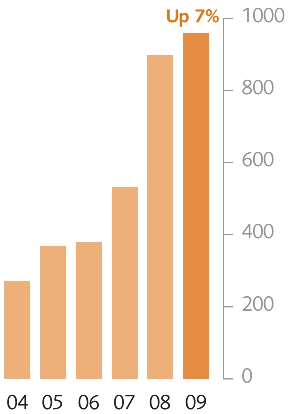
WE HAVE THE POWER TO SUSTAIN, DELIVER AND GROW

PERFORMANCE HIGHLIGHTS

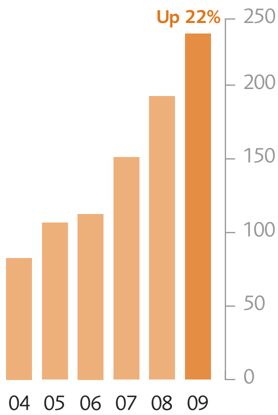
- Achieved 9th consecutive year of record underlying financial performance, reporting increases on all key financial measures
- Increased full-year distributions by 5.1%, achieving guidance
- Completed refinance of $1 billion debt due in 2010
- Affirmed as an investment grade company
  - Standard & Poor's assigned a BBB long term corporate credit rating
- Established Energy Infrastructure Investments
  - APA sold its annuity-style assets, and retained a 19.9% equity interest together with the management and operation of the assets under a long term agreement

	2009	2008	Change
Revenue ($m)	958.8	897.8	6.8%
Revenue excluding pass-through ($m)	687.4	614.9	11.8%
EBITDA ($m)	458.7	430.5	6.5%
Operating cash flow ($m)	233.6	192.1	21.6%
Net profit after tax ($m)	110.1	82.2	34.0%
Reported NPAT ($m)	78.8	67.2	17.2%
Operating cash flow per security (cents)	48.2	42.7	12.8%
Distribution per security (cents)	31.0	29.5	5.1%

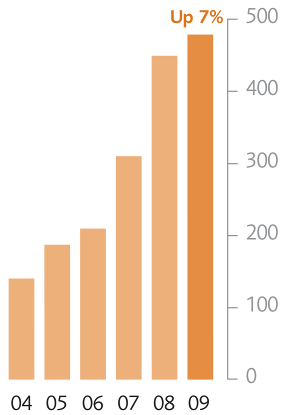
Underlying results before significant items and AIFRS adjustments



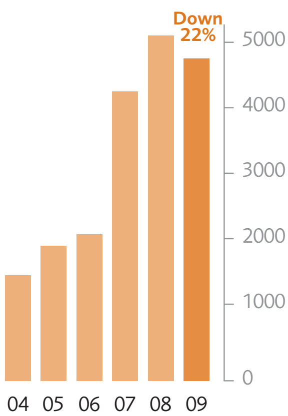
TOTAL REVENUE ($m)



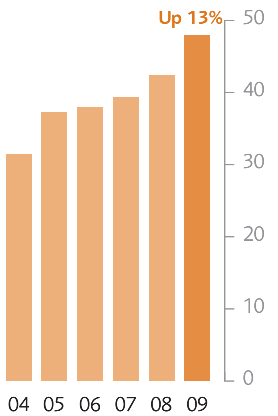
OPERATING CASH FLOW ($m)



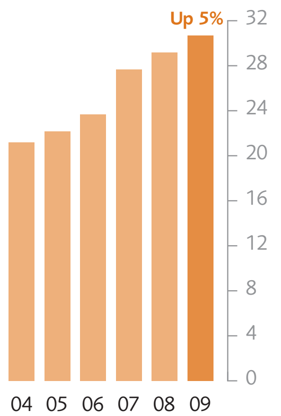
EBITDA ($m)



TOTAL ASSETS[1] ($m)



OPERATING CASH FLOW PER SECURITY (CPS[2])



DISTRIBUTIONS (CPS[2])

(1) Reduction in total assets primarily due to the sale of assets to Energy Infrastructure Investments

(2) Cents per security

APA enhanced its portfolio of natural gas transmission and distribution assets to meet increased demand for gas transportation and storage services

- Constructed two additional compressor stations, Ned's Creek and Wyloo West on the Goldfields Gas Pipeline in Western Australia
- Constructed an additional compressor station, Davenport Downs on the Carpentaria Gas Pipeline in Queensland
- Continued investment in the Moomba Sydney Pipeline to increase winter capacity
- Constructed the Bonaparte Gas Pipeline and Wickham Point Pipeline in the Northern Territory
- Completed construction of the Brooklyn Lara Pipeline in Victoria
- Acquired the Central Ranges Pipeline and Central Ranges Network in northern New South Wales
- Increased equity interest in Envestra to 30.4%

APA GROUP PROFILE

> Unique among its peers, APA has direct management and operational control over its assets and investments.

APA is Australia's largest natural gas infrastructure business, owning and/or operating more than $8 billion of gas transmission and distribution assets. Its pipelines span every state and territory in mainland Australia, delivering more than 50% of the nation's gas usage. Unique among its peers, APA has direct management and operational control over its assets and investments.

Our strengths

- **Unrivalled natural gas infrastructure portfolio**
  - largest transporter of natural gas across Australia
- **Integrated portfolio of natural gas pipeline assets**
  - providing revenue and operating synergies
- **Attractive growth opportunities**
  - enhancing capacity in APA's existing pipelines serving major growth markets across Australia
- **Stable cash flow**
  - regulated and contracted revenue
- **Internally managed and operated business**
  - highly skilled and experienced workforce, extracting greater value from the business and responding to a dynamic energy market

Our strategy

Maximise value for securityholders by

- Focusing on gas infrastructure assets in Australia's growing gas market and further enhancing APA's portfolio of assets
- Capturing revenue and operational synergies from APA's significant asset base
- Pursuing opportunities that leverage APA's knowledge and skills base
- Maintaining a strong balance sheet

Gas Transmission and Distribution

- Australia's largest natural gas pipeline owner
- APA manages and operates all of its major gas transmission and distribution assets
- Gas transmission pipelines:
  - 10,000 km of high pressure natural gas transmission pipelines across mainland Australia
  - Major pipelines include Carpentaria Gas Pipeline, Roma Brisbane Pipeline, Moomba Sydney Pipeline, Victorian Transmission System and Goldfields Gas Pipeline
  - Transporting more than half of the natural gas used in Australia annually
- Gas distribution networks:
  - 2,800 km of distribution network in south east Queensland and in northern New South Wales
  - More than 75,000 gas users
- Gas storage:
  - Pipeline storage services
  - Mondarra gas storage facility, Western Australia
  - Dandenong LNG storage facility, Victoria

Asset Management

- APA provides commercial and operating services and/or asset maintenance services to all its investment enterprises under long term arrangements

Energy Investments

- Envestra Limited (30.4%)
  - Natural gas distribution company; 20,100 km of networks, 1,100 km of pipelines and 1.1 million gas users
- SEA Gas Pipeline (33.3%)
  - 680 km natural gas pipeline
- Energy Infrastructure Investments Pty Limited (19.9%)
  - Infrastructure assets
- Ethane Pipeline Income Fund (6.1%)
  - 1,375 km ethane pipeline

"APA has a highly skilled and experienced workforce, extracting greater value from the business and responding to a dynamic energy market"

You can view the APA Group 2009 Annual Report on our website
www.apa.com.au

CHAIRMAN'S REPORT

"In the midst of a period of global uncertainty, we adhered to our strategy of growing the business sustainably and profitably, and strengthening our balance sheet."

Driven by the strong performance and growth of our gas transportation and distribution business, and a full year's positive impact from internalising our operational and asset management activities, I am pleased to report that APA Group delivered a record underlying financial result for the 12 months to 30 June 2009. This represents our ninth successive year of record performance.

In the midst of a period of global uncertainty, we adhered to our strategy of growing the business sustainably and profitably, and strengthening our balance sheet.

We declared a final distribution for the financial year of 16.0 cents per security ('cps') taking the total distribution for the year to 31.0 cps – a 5.1% increase on the previous year, achieving the guidance provided at the interim results of increasing distributions by at least 5% for the year.

22%

INCREASE IN UNDERLYING OPERATING CASH FLOW

Financial performance

APA achieved a 7% increase in underlying revenue to $959 million and a 7% increase in underlying earnings before interest, tax, depreciation and amortisation (EBITDA) to $459 million.

APA is a strong cash-generating business and the increase in operating cash flow provides the basis for increasing distributions to securityholders. During the year APA reported a 22% increase in underlying operating cash flow to $234 million, and a 13% increase in operating cash flow per security to 48.2 cps.

True to strategy, distributions continued to be well covered by operating cash flow. Cash remaining after distribution payouts was used to fund business growth, as was the $79 million capital raised through the Distribution Reinvestment Plan and the Security Purchase Plan which operated during the year.

"The increase in operating cash flow provides the basis for increasing distributions"

Key achievements

Our strategic focus for the year has been to continue to enhance APA's portfolio of gas assets and strengthen our balance sheet. We delivered on this strategy, with several key achievements.

We established an unlisted investment vehicle, Energy Infrastructure Investments (EII), in December 2008, selling a number of APA's annuity-style assets to EII and attracting international industry experts, Marubeni Corporation and Osaka Gas Company, as co-investors. APA continues to benefit from the assets through retention of a 19.9% minority equity interest in EII, and assuming responsibility for managing Ell's assets under a long term agreement. The $647 million in funds received from the EII transaction were predominantly used to pay down debt.

In a tight credit market we have now successfully refinanced the $1 billion of debt due in the 2010 calendar year, receiving strong support from local and foreign banks, as well as the US private placement market. The Standard & Poor's initial credit rating of BBB assigned to us in June 2009 was additional confirmation of APA's investment grade status.

Our market-leading portfolio of gas transmission and distribution assets was further enhanced by a number of expansion developments and acquisitions during the year.

APA completed the Bonaparte Gas Pipeline and Wickham Point Pipeline in the Northern Territory ahead of schedule and on budget, creating Australia's newest gas pipeline. These assets were included in the EII transaction.

Expansion of the Victorian Transmission System continued, with the commissioning of the Brooklyn Lara Pipeline in the south, and commencement of capacity expansion in the northern section of the system.

We increased the capacity of the Goldfields Gas Pipeline in Western Australia and the Carpentaria Gas Pipeline in Queensland through the addition of three new compressor stations to those pipelines. We also completed the first stage of expansion work on the Moomba Sydney Pipeline, geared towards increasing its capacity for delivering and storing larger volumes of gas.

During the year we undertook a small but strategic acquisition. APA acquired the Central Ranges Pipeline for $23.5 million. The pipeline is connected to APA's Moomba Sydney Pipeline system and provides additional storage capacity as well as delivery of gas to the Central Ranges region. We also increased our interest in Envestra Limited during the year from 18.3% to 30.4% through participation in, and partial underwriting of Envestra's rights issue and participation in Envestra's Distribution Reinvestment Plan.

"Our market-leading portfolio of gas transmission and distribution assets was further enhanced by a number of expansion developments and acquisitions during the year."

Securityholders

In December 2008 APA established a security sale facility for securityholders who held APA securities worth less than $1,000. Through the operation of this facility the number of APA securityholders decreased by 26,565, or 26%, and consequently reduced our register administration costs.

Management team

In June 2009 we appointed Peter Fredricson as the Group's Chief Financial Officer. Since his arrival, Peter has been actively involved in APA's capital management activities as well as overseeing the year end financial reporting process. His strong track record and experience will be of great benefit to APA. The Board thanks Ross Gersbach for standing in as Chief Financial Officer for five months this year, and ensuring APA achieved its refinancing objectives.

Outlook

The Board remains focused on ensuring APA delivers secure and growing operating cash flow from all parts of our business. We expect to see continued and increasing demand for our natural gas transportation, distribution and storage services. The general move to cleaner energy alternatives such as natural gas is supported by government policies and the positive choices of businesses and households.

In the coming year, APA will benefit from the pipeline expansion activities completed this year. APA will continue to enhance capacity and services on our regulated and contracted assets, supported is by a strengthened balance sheet.

Barring unforeseen circumstances, APA directors again affirm their intention to increase distributions in the 2010 financial year by at least 5%, with distributions fully covered by operating cash flow.

In conclusion, I would like to thank my fellow directors, Managing Director Mick McCormack and the 1,100 talented and energetic APA employees for their contributions to our record performance this year. Thank you also to our valued and loyal securityholders, for your continued support.

Len Bleasel AM
Chairman APA Group

MANAGING DIRECTOR'S REPORT

"The financial benefits of the growth projects undertaken this year will flow into next year and beyond."

There are few industries that are resilient in times of economic uncertainty, and at the same time retain significant growth potential – Australia's natural gas infrastructure industry is one of them. This has been, and will continue to be, an industry for the long term, where natural gas pipelines and networks provide essential energy services for two or three generations without significant capital upgrade. In Australia, the gas market is dynamic with unprecedented growth in gas reserves and gas demand, with many opportunities for growth.

Such solid market fundamentals bode extremely well for APA Group as we continue to enhance and grow our extensive gas transportation and storage networks across the country.

As Australia's largest natural gas infrastructure business, APA's performance this year, and the opportunities ahead, demonstrate the resilience as well as the strength of our business.

"The gas market is dynamic with unprecedented growth in gas reserves and gas demand, with many opportunities for growth"

Financial performance

As our Chairman outlined, APA achieved another record performance in 2009, with increased underlying EBITDA across all parts of the business.

Our largest business segment, Gas Transmission and Distribution, recorded an EBITDA increase of 14% to $384 million, mainly due to strong growth in the eastern states. The increased performance of the Victorian Transmission System was due to a combination of tariffs under the revised Access Arrangement, new investments in capacity and increased gas use. Similarly, the Moomba Sydney Pipeline's increased contribution resulted from increased demand for pipeline capacity, as well as revised tariffs.

The EBITDA increase of 7% from our Western Australian pipelines was particularly pleasing as earlier in the year we expected some impact on the resources sector with the downturn of the global economy. However, earnings increased, with mining operations increasing gas throughput and capacity reservations, and this more than offset revenue loss from one mine which was put under care and maintenance.

The EBITDA performance of our Asset Management and Energy Investments segments also increased. These are smaller but strategic divisions of our business. APA's Asset Management business manages and operates in excess of $4 billion of assets in which APA has an equity interest – that is, the Energy Investments segment. All up, APA's operations team is responsible for over $8 billion of assets. Asset Management EBITDA increased by 7% to $30 million, while Energy Investments EBITDA increased by 21% to $22 million.

Enhancing APA's asset portfolio

APA's natural gas pipelines and networks are connected to all of the country's major gas sources and all major markets. This gives us unique access to growth opportunities. This year we expanded the capacity of most of our major pipelines to meet increased demand for gas transportation and storage services. The returns for these investments were secured by either long term contractual or regulatory arrangements.

The financial benefits of the growth projects undertaken during the year will flow into the next year and beyond. These include capacity increases via additional compression on the Goldfields Gas Pipeline at Ned's Creek and Wyloo West, and on the Carpentaria Gas Pipeline at Davenport Downs.

Capacity on our interconnected pipeline systems in New South Wales and Victoria also grew. We increased the storage and gas delivery capacity on the Moomba Sydney Pipeline, which was further enhanced by the acquisition of the Central Ranges Pipeline. Our transmission system in Victoria was expanded with a new pipeline looping the southern part of the state and we've commenced work on expanding the northern section of the system. These projects will facilitate gas flow between the two states and improve supply flexibility for participants as well as enhance competition between gas producers.

In 2008 we began construction of the Bonaparte Gas Pipeline in the Northern Territory, completing it on budget and ahead of schedule in December 2008. We subsequently completed the Wickham Point Pipeline in Darwin in early 2009. Although these pipelines were sold to the Energy Infrastructure Investments vehicle we established in December 2008, our people continue to operate and manage these assets.

I am especially proud of the fact that these projects all utilised the commercial and operational skills of APA's people at every stage. Our people are creating value for the business and for our customers by offering innovative, enduring and cost efficient solutions as well as ensuring the reliable and long term performance of our assets. These are some of the advantages of being a truly independent operating business, and within the Australian gas infrastructure sector, APA is a leader on this front.

Delivering on strategy

We outlined a number of key strategic objectives last year, and it is especially pleasing to note that we achieved each of these in a very challenging market.

We successfully established the unlisted vehicle Energy Infrastructure Investments, redistributing our asset portfolio away from annuity style assets to our higher growth gas transmission and distribution assets. Before transaction costs, we achieved book value on the sale of the assets and the net proceeds of $647 million were applied to reducing debt. APA retains a 19.9% interest in Energy Infrastructure Investments, with Marubeni Corporation and Osaka Gas Company our equity partners in this venture. A further benefit of the transaction was that we continue to leverage our internal skills and knowledge, with our people maintaining an operating role in all our investments. Our ability to gain this operating leverage was one of the reasons behind the success of this transaction.

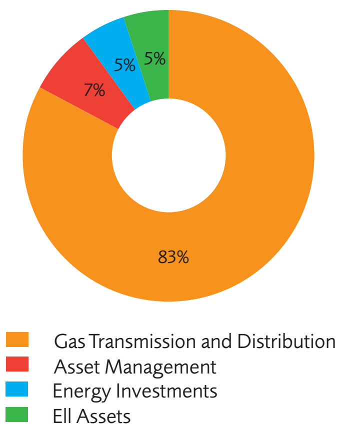
We strengthened our balance sheet and minimised risk by starting early on refinancing the $1 billion of debt due in 2010. We received strong support from banks and credit markets, raising a total of $1.365 billion through a successful US private placement, a new 5-year bilateral facility and a new syndicated facility. This provides us with funds to refinance our 2010 debt and is also expected to finance the next few years of organic growth. These new facilities begin the process of extending the tenure of our debt more in line with the long term nature of our assets.

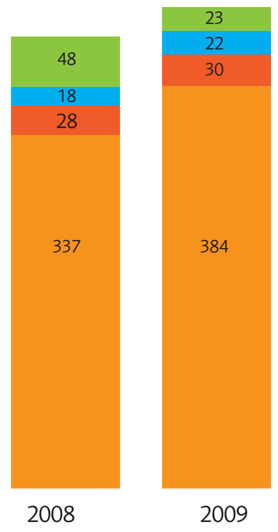
We also obtained an initial credit rating from Standard & Poor's of BBB, affirming APA's investment grade status. A formalised, independent investment grade credit rating affords APA greater access to new global debt capital markets.

Finally, and significantly, we grew underlying operating cash flow per security by 13% and on the strength of this were able to increase distributions for the year by 5.1%.

"The financial benefits of the growth projects undertaken during the year will flow into next year and beyond."

2009 UNDERLYING EBITDA





UNDERLYING EBITDA ($m)

APA's business model

Unique among our peers, APA has a traditional internal operating business model which has this year proven to be transparent, low cost and highly competitive. Our 1,100 skilled and experienced employees managed all aspects of our business – commercial, operational and support activities. Our people are located in 57 offices across the country, managing and operating APA's assets and investments. And our people are engaged, working with a great sense of ownership to deliver greater value to the business.

Safety remains a high priority for APA. We have improved our safety performance during the year, and with particular focus on early recognition and reporting of potential safety risks, we will continue to focus on improving safety across the business.

> "In 2010 we expect the business to generate strong and growing operating cash flow and we will develop opportunities that enhance our asset portfolio and increase value to securityholders."

Delivering Australia's energy

The two key ingredients in APA's success are the abundant supply of natural gas and increasing demand for natural gas.

As I mentioned earlier, the growth of natural gas reserves in the east and west of the country continues, with reserves earmarked for domestic use as well as for LNG export. At the same time, demand for natural gas is increasing as a major fuel in Australia's energy mix. State and federal government policies are encouraging energy users to move to forms of energy that reduce the impact of carbon emissions on the environment, with natural gas being one of the preferred fuels.

Demand for natural gas fired electricity generation, particularly during peak times, is also rising, largely driven by the government's carbon reducing policies. This type of generation is the preferred technology to back-up renewable energy such as wind powered generation. We expect the recent implementation of the Federal Government's 20% Renewable Energy Target to further drive investment in gas fired generation.

While there is still uncertainty around the final form of the Federal Government's proposed Carbon Pollution Reduction Scheme, we expect the investment and operating decisions of Australia's electricity industry will move in favour of low and zero emissions electricity generation alternatives in order to meet Australia's emissions targets. By necessity, this will include the use of natural gas for electricity generation over the long term.

What this means for APA's business is that there will be more opportunities for growth in our business and for our infrastructure to provide the means of storing and delivering this vital fuel.

Looking forward to a year of security and growth

This year's performance has highlighted the strength of APA's business. The regulated and contracted nature of our revenue provides security. The scale and location of our infrastructure assets and investments means that APA is well positioned for growth. In 2010 we expect the business to generate strong and growing operating cash flows and we will continue to develop opportunities that enhance our asset portfolio and increase value for securityholders.

I am very proud to lead APA's 1,100 people, and proud of APA's achievements this year. We remain focused on delivering on our strategy to maximise value for our securityholders. I believe APA is in a strong position to continue delivering security and growth in the coming year.

Mick McCormack
Managing Director APA Group

COMMERCIAL REPORT

"APA grows its revenue through investment in expanding existing pipelines, as well as building and acquiring new pipeline infrastructure."

The substantial part of APA's revenue is generated from assets that carry natural gas, linking natural gas production fields to the major demand centres across mainland Australia.

APA's extensive high pressure pipeline network carries the gas from the natural gas production fields to large customers along the pipeline route as well as delivering gas to the lower pressure distribution systems found in the suburban regions that service the smaller commercial, industrial and residential users.

APA's revenue is secure and predictable, a benefit that has been highlighted in this difficult economic environment. The security of these cash flows reflects the nature of the industry in which APA operates.

APA's assets can be divided into two types - those assets that are price regulated due to their natural monopoly characteristics, and those assets where revenues are set by commercial negotiation between APA and its customers.

For the former, the Australian Energy Regulator or State equivalent determines the level of revenue that is sufficient to provide an appropriate rate of return to APA as owner of the infrastructure. The major assets that fall into this category are APA's high pressure Victorian Transmission System, the south-east Queensland gas distribution network, the Roma Brisbane Pipeline in Queensland and part of the Goldfields Gas Pipeline in Western Australia.

Revenues from APA's other major assets are set by commercial negotiations between APA and its customers. These typically are medium to long term contracts providing cash flow to support APA's

IMAGE: Dandenong LNG facility, Victoria, Tony Verde and Doug Dennis.

IMAGE: Ross Gersbach and Peter Bolding, part of APA's Commercial team.

"APA's assets can be divided into two types – those assets that are regulated by the Australian Energy Regulator and those assets where revenues are set by commercial negotiation between APA and its customers."

investment in the relevant asset. In addition, most of the contracts have minimum payment amounts, so that the customer will continue to pay at least between 80-90% of the total commitment to support the initial investment by APA.

APA is fortunate to earn most of its revenue from large, credit worthy customers, such as AGL Energy, Origin Energy, TruEnergy and Santos. As well, our pipelines that are focused on the mineral provinces in Western Australia and Queensland also benefit from dealing with organisations such as BHP Billiton, Newmont, Xstrata and Rio Tinto. While we also deal with some smaller companies in the mining sector, we are cautious to ensure that we seek appropriate security arrangements for their payment obligations. A highlight of this year was the growth in EBITDA from our Goldfields Gas Pipeline, despite the significant downturn in the mining sector.

APA grows its revenue through continued investment in expanding existing pipeline capacity as well as extending its pipeline footprint through building and acquiring new pipeline infrastructure.

Typically, capacity on a pipeline can be expanded by increasing the pressure of the gas within the pipeline through the addition of new compression facilities. Alternatively, the pipeline can be duplicated, commonly referred to as looping. Pipelines such as the Roma Brisbane Pipeline, have been duplicated to ensure there is sufficient capacity to meet demand.

APA has benefitted from completing the construction of three new compressor facilities – two on the Goldfields Gas Pipeline and one on the Carpentaria Gas Pipeline.

Given the large investment required in expanding a pipeline, APA targets to contract a significant portion of the revenue required to support the investment prior to construction of the expanded capacity. This allows APA to price this new capacity competitively and to minimise the investment risk for our securityholders.

APA is set to benefit from the increased competition amongst gas producers to supply the major market centres, particularly on the east coast. In recent years, major new supplies of gas have been introduced to Australia's supply options. APA's network of assets is well placed to carry these new sources of gas, and to provide major customers with the ability to take a portfolio approach to their gas purchasing commitments. No longer does a major customer need to contract with just one producer group, as the increased interconnectedness of Australia's pipeline grid provides more choice and increases the market's security of supply.

Evidence of this can be seen in the increasing gas flows between APA's Victorian and New South Wales pipeline systems, and the recent completion of the connection to allow Queensland's coal seam gas to be transported to Moomba and into APA's Moomba Sydney Pipeline.

The Moomba Sydney Pipeline system achieved an excellent result this financial year, driven by increased gas throughput, the first tariff increase in a number of years, and the increased use of newer services such as gas storage and parking.

This is an early indicator to the changing nature of the services APA provides in its pipelines. As a result of the shift to gas fired power generation, APA is less influenced by the actual volume of gas flowing through the pipelines but by how much gas can be stored in the system and delivered at any one time. The gas fired generators currently being constructed are designed to run when electricity prices are high and therefore may only run for a limited time. Nevertheless, APA's customers need to ensure there is enough gas stored to be able to run their generators as and when required and are prepared to contract with APA for their storage requirements. Demand for APA's pipeline infrastructure is expected to continue to grow to provide transportation and storage services for the expected construction of new gas fired power generation as a result of the planned Carbon Pollution Reduction Scheme.

APA's infrastructure is well positioned across Australia to deliver this new, incremental demand.

IMAGES: (from top) Goldfields Gas Pipeline scraper station, Western Australia; Michael Mann and Attila Csizmadia at Brooklyn city gate, Victoria

IMAGE: Gas delivery to Uranquinty Power Station, New South Wales.

"APA is set to benefit from the increased competition amongst gas producers to supply the major market centres, particularly on the east coast."

> The combined cash flow stream from our equity investment and our operating services provides APA with attractive and stable returns from this type of investment.

Establishment of Energy Infrastructure Investments

One of the landmark corporate transactions of the year was the establishment of Energy Infrastructure Investments (EII) – APA's unlisted infrastructure investment vehicle created jointly with two of Japan's leading organisations, Marubeni Corporation and Osaka Gas Company.

The $703 million of assets sold to EII included assets APA developed or acquired within the last three years. Given that these assets were relatively recent additions to APA, it was confirmation of our investment strategy that despite very difficult economic conditions, we were able to achieve book value for these assets, prior to transaction costs.

The assets selected for inclusion in the EII sale were not closely linked with our core gas infrastructure pipeline and distribution networks. The cornerstone assets in EII are the Murraylink and Directlink electricity transmission cables, as well as the Telfer/Nifty Gas Pipeline, the Bonaparte Gas Pipeline and the Wickham Point Pipeline, which are remote pipelines in Western Australia and the Northern Territory.

Two small gas fired power generation plants and two gas processing facilities in Queensland were also included in EII.

The key benefits to APA from the establishment of EII are two-fold. Firstly, APA improved its balance sheet flexibility through redirecting the $647m proceeds from the sale of the assets to reduce debt. This was an essential part of our strategy to steer APA through the global financial crisis at that time.

IMAGE: Sam Pearce and Rob Wheals, part of APA's Commercial team.

IMAGES: Some of the assets sold to Energy Infrastructure Investments (from top left) Murraylink, X41 Power Station, Bonaparte Gas Pipeline, Kogan North gas processing facility.

Secondly, the strategic benefit of having a vehicle such as EII is that it provides APA with more flexibility in funding future growth opportunities. EII houses very secure but low growth energy infrastructure assets.

The returns from APA's 19.9% interest in EII are supplemented with a fee for operating the assets under a long term agreement negotiated between APA and EII. The combined cash flow stream from our equity investment and our operating services provides APA with attractive and stable returns.

Given the significant investment funds required in the energy infrastructure sector in future years, APA is well positioned to capture additional opportunities to pursue growth through its involvement with EII, Marubeni Corporation and Osaka Gas Company.

OPERATIONS REPORT

> Our people have been involved in the construction and operation of a significant portion of Australia's natural gas transmission systems, and know these assets well.

Over the past few years, APA has brought together over 700 skilled and experienced employees into the group with technical, operational and engineering capabilities. This team of people, along with our contractors, undertake asset management, design and engineering, construction, field operation and maintenance activities for APA's wholly owned assets and its investments. APA's operations team are responsible for over $8 billion in energy infrastructure assets with the purpose of delivering excellent service for the business and its customers.

APA's operations team has considerable history in the energy infrastructure industry. Our people have been involved in the construction and operation of a significant portion of Australia's natural gas transmission systems, and know these assets well. This valuable experience is being harnessed within APA and used to strengthen our operations performance and efficiency.

Building a national team

Through the year we have continued to consolidate the operations team with a national focus, optimising, streamlining and standardising our activities. We are leveraging our national presence, thinking nationally and acting locally. Some of the initiatives implemented or further developed this year to achieve this include:

- Building a national operations team. This has enhanced the flow of information, with specialist knowledge and skills in each area of the business readily disseminated across the operations team.
- National systems and processes, including 'permit to work' process, asset risk management and asset performance reporting. This has improved productivity and flexibility, with our employees and contractors using familiar work processes across all assets under management.
- Centralising engineering and network design to minimise the duplication of design work that can be applied to similar assets throughout Australia.

IMAGE: Michael Noonan and Keith Jones monitoring the Victorian Transmission System.

IMAGE: Sheila Krishnan and Stephen Ohl, part of APA's Operations team.

National operations

By virtue of the size of our operations, we have captured many unique efficiency opportunities and synergy benefits for APA, both in our day to day operation and maintenance activities and in our construction projects. Some examples of these include:

- National aerial surveillance of assets. Aerial surveillance is a recognised procedural protection measure to guard against third party interference and other naturally occurring threats. The move from a state-based patrol system to a national one has improved the overall quality of service, reduced flight time and lowered cost.
- Optimisation of intelligent pigging program. An intelligent pig is a high technology tool used to inspect the physical structure of a pipeline. APA benefits from the cost and operational efficiencies available from programming this capital intensive work over a number of similarly sized pipelines in succession.
- National procurement and inventory policy. Realising the economies of scale benefits available to APA in purchasing supplies, capital equipment and contracting services.

Construction activities

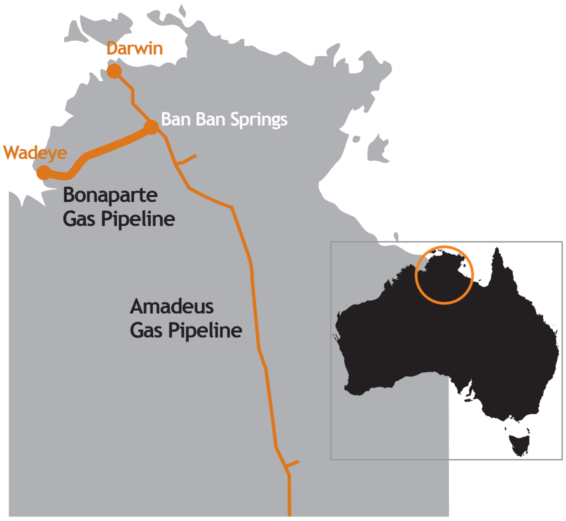
APA has strong pipeline engineering and construction management capability, managing capital projects from the start of the design phase right through until the final asset handover to operations. This capability was applied to the following major projects undertaken through the year, including:

- Bonaparte Gas Pipeline and Wickham Point Pipeline, Northern Territory
- Davenport Downs compressor station on the Carpentaria Gas Pipeline, Queensland
- Wyloo West and Ned's Creek compressor stations on the Goldfields Gas Pipeline, Western Australia
- Brooklyn Lara Pipeline, Victoria
- Moomba Sydney Pipeline expansion, New South Wales
- Network extension in APA Gas Network, Queensland
- Network rehabilitation, Envestra's gas networks, South Australia

"By virtue of the size of our operations, we have captured many unique efficiency opportunities and synergy benefits for APA"

IMAGES: (from top) Moomba Sydney Pipeline mainline valve, New South Wales; Rowland Schreier and Matthew Chisholm, Brooklyn Compressor station, Victoria.

CONSTRUCTION OF BONAPARTE GAS PIPELINE, NORTHERN TERRITORY



The Bonaparte Gas Pipeline project commenced in 2006 with preliminary design, route selection and the work needed to obtain all required land access, environmental and technical approvals. Construction commenced in March 2008 and the pipeline was commissioned and ready to operate in December 2008.

The pipeline is a 323.9 mm diameter high tensile steel pipe and is buried at depths between 750 mm and 6,000mm along its entire 287 kilometre length, with a maximum allowable operating pressure of 15.3 MPa. The pipeline, which will transport natural gas sourced from the offshore Blacktip gas field, runs from Wadeye to Ban Ban Springs where it connects into the existing Amadeus Gas Pipeline.

Despite the remote location and challenging construction environment, the pipeline was completed in one dry season and commissioned ahead of schedule.

You can view the APA Group 2009 Annual Report on our website
www.apa.com.au

APA PEOPLE AND SUSTAINABILITY

"APA's goal is to be a sustainable, ethical and innovative company by doing the right thing for our employees, the communities in which we work and the physical environments in which we operate."

People

Over the last few years APA has evolved from an infrastructure owner with 40 people to a fully integrated and dynamic operating business with over 1,100 skilled and experienced people managing APA's assets and investments. As our business continues to grow, we want our people to grow with it.

We have built a Human Resources program to deliver on our goals and created a unified workforce, having integrated six separate businesses into APA. APA offers a high quality work environment, a culture where the safety of our people is paramount.

A key strength of APA is our unique business model, where we manage all aspects of our business internally. We have a truly national team of people, with tremendous skills and depth in the energy industry, managing and operating over $8 billion of assets from 57 locations across the country.

We recognise that our most important asset is the people who work for us. We have hard-working, roll-up-your-sleeves people who like to achieve results. We provide our employees with a comprehensive benefits program and a wider platform of opportunities to further apply and develop their skills.

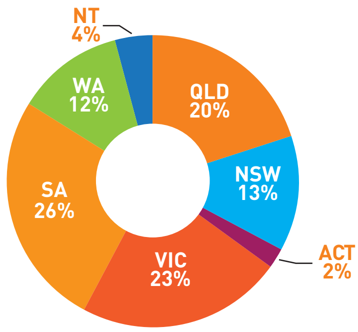
As APA continues to grow and prosper, we encourage our employees to grow with us. We are investing in training and development programs to provide our employees with opportunities and encourage them to accept greater challenges and responsibility along the way.

Key highlights of our employee programs during the year were:

Learning and development

- Creation of a national APA Leadership Development Program: The senior leadership team completed the first module of this innovative program, which will be cascaded to all APA leaders in the 2010 financial year.
- Technical training program: Technical knowledge and skills training for employees to keep up to date with regulatory compliance and industry standards.
- Assisted Education Program: Supporting our people to undertake formal education and development opportunities to enhance their skills and further their careers at APA.

IMAGES: (from left) Ian Wheeler and Kidman Ho, Dandenong Operations control room; Doug Dennis, Dandenong LNG facility, Victoria.



EMPLOYEES BY LOCATION

Workplace initiatives

Flexible Work Practices

- Formally introducing a Flexible Work Practices Policy enabling our people to make workplace arrangements that provide greater work/life balance opportunities. These include permanent part time work, job sharing, working from home, flexible working hours, purchasing leave and career breaks.

The Australian Employers Network on Disability

- Participating as a Silver member of The Australian Employers Network on Disability, enabling us to take a leadership role in advancing the inclusion of people with a disability in our business.

Supporting Women in the Workplace

- Offering a range of programs to support, attract and retain women in our workforce.
- Sponsorship of the Women in Engineering Conference in Sydney in 2008.

Fair treatment

- APA's Fair Treatment Program is designed to ensure everyone at APA understands their obligations and rights to fair and equitable treatment at work.

Employee engagement

- Completed our second employee satisfaction survey, achieving stronger and improved results. The 2009 survey showed overall employee satisfaction of 79% compared with 72% in our 2008 survey.

In addition to these initiatives, APA continued to advance our Employee Assistance Program and offered employees a range of additional benefits including health benefit discounts.

Delivering sustainable energy

Delivering cleaner energy

APA recognises that the need to reduce the world's emissions of greenhouse gases is one of the greatest economic, social, and environmental challenges of our time. APA also recognises that as a major energy infrastructure business we have a role to play in assisting Australia to meet this challenge. Natural gas provides an affordable, clean energy solution that will support Australia's transition to a carbon-constrained environment.

Climate protection not only preserves our environment but is also a business field with enormous growth prospects. The increasing focus on reducing carbon pollution and encouraging the production and consumption of cleaner energy is expected to lead to increased demand for natural gas, resulting in opportunities for gas-fired power generation and gas storage.

Reducing Australia's carbon footprint

Almost all of APA's carbon footprint arises from the transportation of natural gas to consumers who, as a consequence of using gas rather than other fossil fuels, are able to significantly reduce their own carbon footprints. For example, replacing coal boilers with natural gas high efficiency steam boilers significantly reduces both energy and water consumption, and consequently a material reduction in carbon emissions is achieved despite the emissions arising through gas transport.

APA will report its greenhouse emissions in October 2009 in compliance with the National Greenhouse and Energy Reporting Act 2007.

A participant in the Carbon Pollution Reduction Scheme

The Federal Government's proposed Carbon Pollution Reduction Scheme (CPRS) places an economic value on carbon emissions and a cap on the total amount of emissions permissible by the Australian economy. The CPRS is intended to encourage a market response to reduce emissions while at the same time minimising the economic impact.

APA continues to participate in the Federal Government's consultation process to ensure that any additional costs incurred in the process of transporting natural gas flow through to end users, thereby meeting the aims of CPRS by sending the price signal through to the energy consumer.

While there is still uncertainty about how Australia's CPRS will work, the demand for new capacity across many of our gas transmission pipelines has increased over the year, particularly in the eastern states.

Environmentally responsible

APA is taking an active role in reducing its impact on the environment. APA has a national recycling policy and has installed 'smart' technology in many workplaces, reducing energy use. This technology will be systemically installed in the remaining workplaces as they require refurbishment.

APA is committed to the principles of sustainable development and high standards of environmental performance as a responsible way to do business. As Australia's largest natural gas pipeline owner and operator, APA minimises environmental impacts, adheres to environmental regulations and protects and regenerates the environment in which it operates.

Below are some examples of APA's commitment to doing the right thing in minimising environmental impacts when building our infrastructure.

APA engaged the services of Global Directional Drilling in the expansion of its natural gas network to the Pimpana-Coomera region on the Gold Coast. Global Directional Drilling constructed four directional bores using the Kemtron Recycle System which reuses drilling fluids, reducing water usage. To date, three bores totalling 156 metres were completed using 159,737 litres of water, of which only 31,000 litres was consumed, and recycling 128,737 litres. This not only saved water but also minimised the impact on the environment.

In August 2008, APA formed a partnership with Coffey Natural Systems and Greening Australia in an environmental initiative relating to the construction of the Wickham Point Pipeline, Northern Territory. APA discovered that the pipeline corridor was home to the Cycad (one of the Northern Territory's iconic plants and a protected species), and worked with the partnership to salvage as many of the ancient species as possible. The plants were removed, re-potted and placed into irrigated storage areas to be used in revegetation projects. 847 plants were salvaged, with a strong survival rate expected. Greening Australia praised this initiative and hopes it will become standard practice in the Northern Territory.

BOARD OF DIRECTORS

1. Leonard Bleasel AM FAICD FAIM

APA GROUP CHAIRMAN

Appointed 28 August 2007
Appointed Chairman 30 October 2007

Leonard (Len) Bleasel is a non-executive director of QBE Insurance Group Limited and O'Connell Street Associates Pty Limited. He is Chairman of the Taronga Conservation Society Australia and a member of the Advisory Council for RBS Group (Australia) Pty Limited (formerly ABN AMRO Australia Holdings 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 Foodland Associated Limited, ABN Amro Australia Holdings Pty Limited, Solaris Power, the Australian Gas Association, Natural Gas Corporation Holdings Ltd (New Zealand), Elgas Ltd, Auscom Holdings Pty Ltd, Industrial Pipe Systems Pty Ltd and East Australian Pipeline Ltd; a director of St George Bank Limited and Gas Valpo (Chile); and Vice President of the Royal Blind Society.

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

2. John Fletcher BSc MBA FAICD

Appointed 27 February 2008

John Fletcher has over 35 years experience in the energy industry, having held a number of executive positions in AGL prior to his retirement in 2003, including Chief Financial Officer. John has previously been a director of Integral Energy, Natural Gas Corporation Holdings Ltd (New Zealand) and Foodland 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 from 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.

3. Russell Higgins AO BEc FAICD

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 has recently been appointed a director of Telstra Corporation Limited with effect from 15 September 2009. He is Chairman of the Global Carbon Capture and Storage Institute and the CSIRO Energy Transformed Flagship Advisory Committee, and a director of Ricegrowers Limited (trading as SunRice). He is a former Chairman of the Snowy Mountains Council and the Australian Government's Management Improvement Advisory Committee and a former director of Australian Biodiesel Group Limited, EFIC, CSIRO, Austrade, the Australian Industry and Development Corporation, as well as a former member of the Australian Government's Joint Economic Forecasting Group. In 2006-07, he was a member of the Prime Ministerial Task Group on Emissions Trading.

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

4. Muri Muhammad MSc

Appointed 8 March 2000

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

Muri was Petronas' Vice President for Gas Business from 1998 until his retirement and held several directorships, some as Chairman, of a number of Petronas' subsidiaries and associate companies in Malaysia and abroad. He currently sits on the boards of gas transmission companies Transportadora de Gas Del Norte of Argentina, Petronas Gas Berhad of Malaysia, and Papua New Guinea's national petroleum and minerals corporation, Petromin PNG Holdings Limited. He 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.

5. Manharlal Ratilal MBA

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.

6. Robert Wright BComm FCPA

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.

7. Michael McCormack BSurvGradDipEng MBA FAICD

APA GROUP MANAGING DIRECTOR

Appointed Managing Director 1 July 2006

Michael (Mick) McCormack has been Chief Executive Officer of APA since 1 July 2005 and Managing Director since 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.

LEADERSHIP TEAM

1. Peter Fredricson

CHIEF FINANCIAL OFFICER

Peter is responsible for all financial aspects of APA, including accounting and financial reporting, financial compliance and governance, taxation and treasury.

Peter has considerable expertise in the listed energy infrastructure sector including four years as Chief Financial Officer of New Zealand company, Vector Limited. Peter has over 20 years experience in senior financial roles in financial services and investment banking companies in Australia, Asia and the Pacific.

2. Ross Gersbach

GROUP MANAGER COMMERCIAL

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

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.

3. Stephen Ohl

GROUP MANAGER OPERATIONS

Stephen is responsible for the operational performance of all APA assets and investments. This includes primary responsibility for the operation, asset 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 21 years has been spent managing and operating APA assets.

4. Robyn Smith

GROUP MANAGER HUMAN RESOURCES AND HS&E

Robyn is responsible for the management of human resources, health, safety and environment issues for APA. 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 19 years experience in human resource management – the last nine years in the energy industry.

5. Mark Knapman

COMPANY SECRETARY

In addition to being responsible for the secretariat function, he oversees corporate governance and the legal, risk management, internal audit and compliance functions.

Mark has extensive experience as a Company Secretary 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.

Mark holds degrees in law and commerce and a Graduate Diploma in Applied Corporate Governance. He is a Fellow of the Chartered Institute of Company Secretaries and is admitted to practice as a solicitor.

6. Inge Brown

GROUP MANAGER TRANSFORMATION GROUP

Inge has extensive experience in the financial services industry, with a career spanning over 25 years in the Australian and International markets. Inge has held a number of senior management roles with local and foreign banks, telecommunications and software vendors as a consulting expert in business and technology project and change management delivery and portfolio management.

Inge is responsible for leading the execution of business and technology improvement and transformation project opportunities, and for the group wide delivery of APA's information technology solutions and infrastructure.

CORPORATE GOVERNANCE STATEMENT

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

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

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

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

Various references are made below to APA's web site as a source of information on corporate governance practices and documentation. 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. Securityholders who do not have internet access but wish to read that material should telephone 1800 992 312 (or +61 2 8280 7132, if calling from outside Australia) and ask for a copy of the relevant material to be sent to them.

PRINCIPLE 1:

Lay solid foundations for management and oversight

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

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

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

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

APA has processes in place to review the performance of senior management. Each senior executive, including the Managing Director, has personal objectives as well as objectives related to the performance of business units and APA as a whole. They are reviewed against those objectives at least annually. A review of senior management occurred during the financial year ended 30 June 2009.

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

PRINCIPLE 2:

Structure the board to add value

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

The board has determined that a board of seven directors is appropriate. The names, experience, terms of office and membership of board committees of the seven current directors are set out in the directors' report.

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

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

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

The Responsible Entity's constitution requires one-third of its directors (excluding the Managing Director, the Petronas-appointed director and any director who is standing for re-election after having been appointed as an additional director or to fill a vacancy) to retire from office at the annual general meeting 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. The Chairman, Leonard Bleasel AM, and Russell Higgins AO will retire and offer themselves for re-election under this provision of the constitution at the 2009 annual general meeting, the board (not including those two directors) having determined, under the board rotation and succession policy (published on APA's web site) to support their re-election.

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

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

This past year, the board determined a new policy dealing with independence of directors, and that policy is published on APA's web site. The board has reassessed the independence of the non-executive directors having regard to that policy and considers that Leonard Bleasel, John Fletcher, Russell Higgins and Robert Wright are independent. Muri Muhammad, George Ratilal and the Managing Director, Michael McCormack, are not considered to be independent.

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

In considering potential new directors to commend to shareholders of the Responsible Entity 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 review process to assess the performance of the board, its committees and individual directors is undertaken each year, the review for the 2009 financial year having been completed in July.

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 with each director to discuss the review and the director's own performance.

Matters covered by the review include the role and performance of the board and its committees, directors' understanding of APA's long-term objectives and key risks to the business and achievement of those objectives, succession planning and the effectiveness of the Chairman in leading the board.

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

PRINCIPLE 3:

Promote ethical and responsible decision-making

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

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

APA's securities trading policy, published on its web site, provides that directors and designated management personnel may buy or sell APA securities only during the periods, each of one calendar month, starting on the second business day after each of three events, namely the release to ASX of the half year and full year results and APA's annual meeting, unless exceptional circumstances apply. Directors and employees are precluded from buying or selling securities at any time if they are aware of any price-sensitive information which has not been made public.

PRINCIPLE 4:

Safeguard integrity in financial reporting

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

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

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

The roles and responsibilities 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.

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 2009, and the committee members' attendance at those meetings, are set out in the directors' report.

The committee monitors the effectiveness of the external and internal auditors and the independence of the external auditor, and makes recommendations to the board on the appointment or replacement (subject to securityholders' approval, if applicable) of the external auditor. The external auditor appointment and independence policy (published on APA's web site) documents the process for appointment of the auditor and for monitoring the auditor's independence. Pursuant to that policy, the lead partner and the review or concurring partner of the external auditor must be rotated at least every five years, followed by a two year minimum time-out period during which they may not take part in the audit.

The Responsible Entity's costs incurred in acting as responsible entity of Australian Pipeline Trust and APT Investment Trust are reimbursed by APA. The actual cost recovery in the financial year ended 30 June 2009 was $2.8 million. The Responsible Entity does not make a profit, nor seek performance fees. The constitutions of Australian Pipeline Trust and APT Investment Trust enable the Responsible Entity to charge fees up to 0.5% per annum of the value of gross assets; however, the right to charge such fees has been waived to the extent it exceeds the Responsible Entity's costs.

PRINCIPLE 5:

Make timely and balanced disclosure

APA has a market 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 ASX in accordance with the ASX Listing Rules and the Corporations Act 2001.

The Company Secretary is the nominated continuous disclosure officer.

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

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

PRINCIPLE 6:

Respect the rights of shareholders

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

- the interim (half yearly) report, the directors' commentary on that report and the annual report;
- APA's web site which has a dedicated Investor Centre section;
- announcements to ASX and media releases, copies of which are posted to APA's web site;
- a biannual securityholders' report (securityholders who elect to receive the annual report do not also receive the securityholders report for the full year results);
- "Open Briefings" prepared from time to time to provide an update to investors, and released to ASX;
- analyst briefings released to ASX;
- the annual meeting of securityholders; and
- webcasting of half year and full year accounts presentations, the annual meeting and announcements of major events.

The recent redesign and expansion of APA's web site support the provision of comprehensive and timely information to securityholders.

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

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

The external auditor attends the 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.

PRINCIPLE 7:

Recognise and manage risk

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

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

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

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

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

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

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

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

The Business Risk Manager, who reports to the Company Secretary, is responsible for:

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

The financial 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 Audit and Risk Management Committee, and reports its findings to the committee.

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

In the course of approving the financial statements for the financial year ended 30 June 2009, the board considered a written statement from the Chief Executive Officer and the Chief Financial Officer to the effect that, to the best of their knowledge and belief, their declaration pursuant to section 295A of the Corporations Act 2001 (broadly, that the financial statements give a true and fair view in all material respects of APA's financial position and comply in all material respects with relevant accounting standards) is founded on a sound system of risk management and internal control and that system is operating effectively in all material respects in relation to financial reporting risks, based on the management framework adopted by APA.

PRINCIPLE 8:

Remunerate fairly and responsibly

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

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

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

The current members of the committee are John Fletcher (committee Chairman), Russell Higgins and Muri Muhammad. 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 2009, 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 10 years service, the entitlement increased to the equivalent of emoluments received during the most recent three years. No additional entitlement accrued after 10 years. For periods between three and 10 years, the entitlement was calculated on a pro-rata basis.

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

CORPORATE GOVERNANCE STATEMENT

CORPORATE GOVERNANCE PRINCIPLES AND RECOMMENDATIONS

issued by ASX Corporate Governance Council

		Comply Yes/No
Principle 1: Lay solid foundations for management and oversight		
1.1	Companies should establish the functions reserved to the board and those delegated to senior executives and disclose those functions	Yes
1.2	Companies should disclose the process for evaluating the performance of senior executives	Yes
1.3	Companies should provide the information indicated in the Guide to reporting on Principle 1	Yes
Principle 2: Structure the board to add value		
2.1	A majority of the board should be independent directors	Yes
2.2	The chair should be an independent director	Yes
2.3	The roles of chair and chief executive officer should not be exercised by the same individual	Yes
2.4	The board should establish a nomination committee	No (note 1)
2.5	Companies should disclose the process for evaluating the performance of the board, its committees and individual directors	Yes
2.6	Companies should provide the information indicated in the Guide to reporting on Principle 2	Yes
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	Yes

CORPORATE GOVERNANCE STATEMENT

CORPORATE GOVERNANCE PRINCIPLES AND RECOMMENDATIONS

issued by ASX Corporate Governance Council

		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

Note

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

AUSTRALIAN PIPELINE TRUST
AND ITS CONTROLLED ENTITIES

ARSN 091 678 778

DIRECTORS' REPORT

The directors of Australian Pipeline Limited ("Responsible Entity") submit their report and the annual financial report of Australian Pipeline Trust ("APT") and its controlled entities (together "Consolidated Entity" or "APA") for the financial year ended 30 June 2009. This report and the financial report refer to the consolidated results of APT and APT Investment Trust ("APTIT").

DIRECTORS

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

Leonard Bleasel AM – Chairman

John Fletcher

Russell Higgins AO

Muri Muhammad

Manharlal Ratilal

Robert Wright

Michael McCormack – Managing Director

Details of the directors, their qualifications, experience and special responsibilities are set out on page 18.

Alternate directors who served during the year are as follows:

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

W Z W Ariffin as alternate for Manharlal Ratilal, retired as of 19 August 2009.

COMPANY SECRETARY

Mark Knapman
Details of the Company Secretary, his qualifications and experience are set out on page 20.

PRINCIPAL ACTIVITIES

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

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

SIGNIFICANT CHANGES IN STATE OF AFFAIRS

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

- divestment of a number of assets with annuity-style income into the unlisted vehicle Energy Infrastructure Investments Pty Limited ("EII"). APA established EII in December 2008, and sold to EII its electricity transmission assets, gas-fired power generators, gas processing facilities and three gas pipelines – the Telfer/Nifty Gas Pipeline, the Bonaparte Gas Pipeline and the Wickham Point Pipeline. The new equity partners, Marubeni Corporation and Osaka Gas Company, hold 49.9% and 30.2% equity interests in EII respectively, while APA retains a 19.9% equity interest and continues to operate and maintain the assets. The net impact of the transaction on APA was a reduction in its borrowings of $647 million;
- completion of the Bonaparte Gas Pipeline. Construction began in April 2008 and was completed in December 2008. APA sold the pipeline to EII in December 2008; and
- increased its interest in Envestra Limited during the year from 18.3% to 30.4% through participation in and partial underwriting of Envestra's rights issue, for a total cost of $64.4 million, as well as participation in Envestra's Distribution Reinvestment Plan, reinvesting $7.3 million for the year.

DIRECTORS' REPORT

DISTRIBUTIONS

Distributions paid to securityholders during the year were:

	Final FY 2008 distribution paid 10 September 2008		Interim FY 2009 distribution paid 27 March 2009	
	Cents per security	Total distribution $000	Cents per security	Total distribution $000
APT dividend distribution	9.0	42,142	9.0	44,095
APTIT tax deferred distribution	2.6	12,081	3.1	15,176
APTIT interest income	3.4	16,014	2.9	14,221
Total	**15.0**	**70,236**	**15.0**	**73,491**

On 25 August 2009, the directors declared a final distribution for APA for the year of 16.0 cents per security ("cps") payable 15 September 2009, made up of:

	Final FY 2009 distribution payable 15 September 2009	
	Cents per security	Total distribution $000
APT dividend distribution	2.7443	13,684
APTIT tax deferred income	0.4553	2,271
APTIT capital distribution	11.0882	55,293
APTIT interest income	1.7122	8,538
Total	**16.0**	**79,786**

Total distribution for the year is 31.0 cps, an increase of 1.5 cps or 5.1% on last year.

FINANCIAL AND OPERATIONAL REVIEW

Underlying results

The underlying results for APA 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 the Australian equivalent of International Reporting Standards ("A-IFRS"). Accordingly, the following items have been reclassified to revenue and earnings in the underlying result:

- the capital distributions received from Envestra (prior to 10 February 2009) and the Ethane Pipeline Income Fund (previously Mariner Pipeline Income Fund) i.e. the capital components of the distributions received totalling $10.4 million (2008: $10.8 million); and
- earnings from a number of complementary assets which are treated as finance leases under A-IFRS i.e. finance lease principal repayments of $4.0 million (2008: $5.3 million).

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

DIRECTORS' REPORT

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

Underlying results Year ended 30 June	2009 $000	2008 $000	Changes $000	 %
Total revenue	**958,770**	897,792	60,978	6.8
Total revenue excluding pass-through	**687,383**	614,918	72,465	11.8
EBITDA	**458,728**	430,535	28,193	6.5
Net interest expense	**212,991**	223,779	(10,788)	4.8
Operating profit after tax and minorities	**110,134**	82,218	27,916	34.0
Operating cash flow(1)	**233,565**	192,117	41,448	21.6
Operating cash flow per security (cents)	**48.2**	42.7	5.5	12.8
Earnings per security (cents)	**22.7**	18.3	4.4	24.3
Distribution per security (cents)	**31.0**	29.5	1.5	5.1

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

Underlying profit

APA reported underlying operating profit after tax and minorities of $110.1 million, an increase of 34.0% compared with $82.2 million reported last year.

The main factors driving the increase in underlying profit include:

- full 12 months contribution of tariffs from the recent Access Arrangement on the Victorian Transmission System, which took effect 1 January 2008, combined with an increase in volume transported through the System;
- increase in contracted and spot demand for capacity and storage services on the Moomba Sydney Pipeline;
- increase in capacity and throughput tariffs on the Moomba Sydney Pipeline;
- strong growth from Western Australia's Goldfields Gas Pipeline due to expanded capacity and new revenue contracts;
- full 12 months operation and maintenance savings as a result of the termination in October 2007 of the Alinta Pipeline Management Agreement which provided operational services to APA's foundation gas transmission pipelines; and
- reduction in net interest costs due to the decrease in net debt position.

These improved results were despite the sell down of $703 million of assets to EII in December 2008.

Revenue

Underlying revenue was $958.8 million, a 6.8% increase on last year's revenue of $897.8 million. Excluding pass-through revenue of $271.4 million, revenue was $687.4 million, an 11.8% increase on last year's revenue of $614.9 million.

Earnings per security

Underlying earnings per security calculated on a weighted average basis was 22.7 cps, an increase of 24.3% compared to 18.3 cps last year. The weighted average number of securities on issue during the year was 485,077,000, up from 450,262,000 last year, due to capital raised under the operation of the Distribution Reinvestment Plan and the Security Purchase Plan.

Operating cash flow

Underlying operating cash flow per security grew by 5.5 cps to 48.2 cps, an increase of 12.8% compared to 42.7 cps last year. Cash generation grew strongly by 21.6% to $233.6 million (2008: $192.1 million) more than covering distributions returned to securityholders.

Distributions

APA's distributions for the financial year totalled 31.0 cps, an increase of 5.1%, or 1.5 cps on last year, achieving its distribution growth target of at least 5% for the full year. The distribution payout ratio for the financial year was 65.6%, 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 year was $78.8 million, an increase of $11.6 million or 17.2% above the $67.2 million reported last year.

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

Statutory results Year ended 30 June	2009 $000	2008 $000	Changes $000	 %
Operating results before significant items				
Total revenue	**944,416**	881,729	62,687	7.1
Total revenue excluding pass-through[1]	**673,029**	598,855	74,174	12.4
EBITDA	**444,374**	414,472	29,902	7.2
Depreciation and amortisation	**(95,639)**	(94,459)	(1,180)	(1.3)
EBIT	**348,735**	320,013	28,722	9.0
Net interest expense	**(212,991)**	(223,779)	10,788	4.8
Pre-tax profit	**135,744**	96,234	39,510	41.1
Income tax expense	**(35,922)**	(24,766)	(11,156)	(45.0)
Minorities	**(78)**	(56)	(22)	(39.7)
Operating profit after tax and minorities, before significant items	**99,744**	71,412	28,332	39.3
Significant items after income tax	**(20,972)**	(4,220)	(16,752)	-
Profit after income tax and minorities	**78,772**	67,192	11,580	17.2

Significant items amounted to $21.0 million and relate to "one-off" items, tabled below:

Significant items Year ended 30 June 2009	Pre tax $000	Post tax $000
Costs associated with the creation of EII	(16,167)	(23,126)
Settlement of acquisition related liabilities	(1,475)	(1,475)
Revaluation loss on interest rate hedges deemed ineffective, acquired as part of the GasNet acquisition	(8,733)	(6,113)
Envestra underwriting fee	1,551	1,086
DUOS revenue accrual on APA Gas Network Queensland	3,812	2,668
Overprovision of prior year income tax	-	5,988
Total	**(21,012)**	**(20,972)**

Segment performance

APA's operations and financial performance for the year reflect full and part year contributions of businesses sold into EII, growth in existing businesses, and benefits achieved through the continued integration and consolidation of its business.

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

Segment performance Year ended 30 June	2009 $000	2008 $000	Changes $000	 %
Revenue				
Gas transmission and distribution	**546,221**	490,624	55,597	11.3
Queensland(1)	**144,337**	137,385	6,952	5.1
New South Wales	**107,915**	82,087	25,828	31.5
Victoria	**126,378**	102,049	24,329	23.8
South Australia	**1,943**	1,894	49	2.6
Western Australia(2)	**148,260**	148,774	(514)	(0.3)
Northern Territory	**17,388**	18,435	(1,047)	(5.7)
Electricity transmission(3)	**13,120**	25,227	(12,107)	(48.0)
Asset management(4)	**69,723**	51,980	17,743	34.1
Complementary assets(5)	**12,847**	15,683	(2,836)	(18.1)
Energy Investments(6)	**22,118**	18,084	4,034	22.3
Total	**664,029**	**601,598**	**62,431**	**10.4**
Pass-through revenue	**271,387**	282,874	(11,487)	(4.1)
Unallocated revenue	**23,354**	13,320	10,034	75.3
Total underlying revenue	**958,770**	**897,792**	**60,978**	**6.8**
EBITDA				
Gas transmission and distribution	**391,799**	354,265	37,534	10.6
Queensland(1)	**97,666**	96,777	889	0.9
New South Wales	**83,430**	66,534	16,896	25.4
Victoria	**98,428**	75,187	23,241	30.9
South Australia	**1,720**	1,700	20	1.2
Western Australia(2)	**107,585**	111,052	(3,467)	(3.1)
Northern Territory	**2,970**	3,015	(45)	(1.5)
Electricity transmission(3)	**8,728**	18,939	(10,211)	(53.9)
Asset management(4)	**29,970**	27,913	2,057	7.4
Complementary assets(5)	**6,275**	11,292	(5,017)	(44.4)
Energy Investments(6)	**21,956**	18,126	3,830	21.1
Total underlying EBITDA	**458,728**	**430,535**	**28,193**	**6.6**

(1) Includes APA-owned cogeneration assets (previously included in the complementary assets segment).

(2) Includes the Telfer/Nifty Gas Pipeline in the current year until December 2008, and includes APA-owned natural gas vehicle (NGV) assets (previously included in the complementary assets segment).

(3) Assets sold to EII in December 2008.

(4) Includes third party NGV assets managed and operated by APA (previously included in the complementary assets segment).

(5) Includes the generation and gas processing assets sold to EII In December 2008. The APA-owned cogeneration assets and NGV assets have been included in the gas transmission and distribution segment, under Queensland and Western Australia respectively. The management and operation of third party NGV assets has been included in the asset management segment.

(6) Includes distributions and equity accounted profits of Envestra, SEA Gas, EII and the Ethane Pipeline Income Fund.

Gas transmission and distribution

- Revenue (excluding pass-through revenue) was $546.2 million, an increase of 11.3% on the $490.6 million reported last year. The increase was principally due to the growth in revenue and services on the Victorian Transmission System and the Moomba Sydney Pipeline, partly offset by a decrease in revenue due to the sale of the Telfer/Nifty Gas Pipeline to EII in December 2008.
- The increase in the Victorian Transmission System revenue of $24.3 million was primarily the result of a full 12 month effect of the tariff increase at the last regulatory reset, which took effect 1 January 2008.
- Moomba Sydney Pipeline revenue increased by $25.8 million due to additional pipeline peaking services, new contracted services for the 2008 and 2009 winter periods, and increased tariffs.
- Goldfields Gas Pipeline revenue increased due to increased throughput and reservation capacity and new transportation services, partly offset by the closure of the Cawse plant.
- EBITDA increased by 10.6% to $391.8 million, reflecting the additional revenue outlined above, reduced operating expenses resulting from synergy benefits and the removal of third party operating fees since October 2007, and offset by the margins not received in the second half due to the sale of the Telfer/Nifty Gas Pipeline to EII.

Electricity transmission

- The decrease in revenue and EBITDA is due to the sale of the assets to EII.

Asset management

- Revenue (excluding pass-through revenue) increased by 34.1% to $69.7 million (2008: $52.0 million), primarily due to new work undertaken by APA in Western Australia and the inclusion of APA's NGV (natural gas for vehicles) revenue in this segment.

Complementary assets

- The decrease in revenue and EBITDA is due to the sale of the assets to EII. Cogeneration and NGV assets, previously classified as complementary assets, have been moved to gas transmission and distribution Queensland and asset management segments respectively.

Energy investments

- EBITDA increased by 21.1% to $22.0 million (2008: $18.1 million) due mainly to the increase in the Envestra investment. Envestra distributions are included up to 10 February 2009, and equity accounted since this date.
- This new segment includes APA's investments which were previously in the gas transmission and distribution segment, namely Envestra, SEA Gas Pipeline and the Ethane Pipeline Income Fund. EII is also included in this segment from 12 December 2008.

Operational highlights

Gas transmission and distribution

APA continued to operate and develop its gas transmission and distribution assets across mainland Australia.

Queensland

- Carpentaria Gas Pipeline

  Construction of the new compressor station at Davenport Downs was completed in June 2009, on time and on budget. The compressor station has increased pipeline capacity by 15% to 119 TJ/day, with approximately 98% of the additional capacity fully contracted.

- Roma Brisbane Pipeline

  Negotiations commenced with several parties for capacity that becomes available in 2012. A gas transport agreement for 9 TJ/day was signed with negotiations for the remaining capacity (57 TJ/day) that becomes available in 2012 being at an advanced stage.

- APA Gas Network

  Connections increased to 76,631 from 73,960 at the start of the year. Throughput for the year was 13.6 PJ. Demand for natural gas continues to increase, driven in part by the Queensland Government's ClimateSmart 2050 Policy. Construction of a new gate station and lateral in south western Brisbane was completed, enabling APA to deliver gas to a natural gas bus refuelling depot that commenced supplying the Brisbane City Council bus fleet in April 2009. This lateral will also enable the connection of new residential estates in this area.

Expansion of the gas network into new housing developments in the Gold Coast area continued, having begun in June 2008. Gas mains laid totalled 29 km, reaching approximately 1,800 new home sites. A new high pressure main, completed in October 2008, connects the existing network to the northern end of Coomera and will allow APA to connect approximately 9,000 homes in this suburb over the coming years.

New South Wales

- Moomba Sydney Pipeline

  Work was completed on increasing the capacity of the Moomba Sydney Pipeline, with the additional capacity being made available by winter 2009. The increased capacity of the pipeline is fully contracted. Expansion costs for the year were $36.6 million, with the total completed expansion cost of approximately $100 million, being fully underwritten by long-term shipper arrangements, which commenced 1 January 2009.

- Central Ranges Pipeline

  In August 2008, APA acquired the Central Ranges Pipeline and associated distribution network in Tamworth for $23.5 million. The 294 km Central Ranges Pipeline is connected to APA's Central West Pipeline at Dubbo, and is capable of providing additional storage capacity in the Moomba Sydney Pipeline system as well as delivering gas to the Central Ranges region.

  In July 2008, APA entered into a Heads of Agreement with gas producer, Eastern Star Gas, to investigate transport of its Gunnedah Basin coal seam gas to south east Australian gas markets.

Victoria and South Australia

- Victorian Transmission System

  Total gas volume transported through the System for the year was 244.6 PJ, surpassing last year's record volume of 244.1 PJ. Gas demand for power generation was 20.5 PJ for the year, 6.6 PJ lower than last year. Peak day delivery was 1,255 TJ/day, (2008: 1,279 TJ/day).

  Flows of up to 66 TJ/day between Victoria and New South Wales were achieved. Interstate flow for the year was 7.1 PJ and continues to grow.

  The Brooklyn Lara Pipeline was commissioned in July 2008 and allowed the System to meet extreme winter demand in August 2008, including four successive days of greater than 1,200 TJ/day.

  Engineering work on the northern expansion project on the System commenced in October 2008. This project will see the installation of two new compressors added to enhance the capacity of the northern section of the System as well as flows between Victoria and New South Wales.

Western Australia

- Goldfields Gas Pipeline

  Two compressor stations were under construction during the year, with Wyloo West completed in May 2009 and Ned's Creek completed in August 2009. Pipeline capacity has increased by 20%, and agreements with a number of mining operations underpin this additional pipeline capacity.

  Goldfields Gas Transmission, the APA-owned service provider to the Goldfields Gas Pipeline owners, submitted its revised Access Arrangement for the pipeline. A final decision is expected in October 2009 and is due to take effect from 1 January 2010.

  In June 2008, gas supplies in Western Australia, including into the Goldfields Gas Pipeline and Telfer Gas Pipeline, were disrupted due to an explosion at the Apache Energy operated Varanus Island gas processing plant off the coast of Western Australia. Partial production resumed at the gas plant in early August 2008, with a further increase in production in December 2008 and full production expected to return in the second half of 2009. This incident has 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 the Goldfields Gas Pipeline and the Telfer/Nifty Gas Pipeline, the ability of shippers to source some alternate gas supplies, and the retrieval of some revenue shortfall through business interruption insurance.

- Parmelia Gas Pipeline and Mondarra Gas Storage Facility

  The Parmelia Gas Pipeline and the Mondarra Gas Storage Facility increased operations during the initial interruption caused by the Varanus Island incident, significantly contributing to the emergency response in the months following the interruption.

- Telfer/Nifty Gas Pipeline

  The Telfer/Nifty Gas Pipeline was sold to EII in December 2008. APA continues to operate and maintain the pipeline for EII.

Northern Territory

- Bonaparte Gas Pipeline and Wickham Point Pipeline

  In December 2008, APA completed construction of the Bonaparte Gas Pipeline, a 287 km pipeline that will transport gas from Wadeye to the Amadeus Gas Pipeline under a 25 year Gas Transportation Agreement with Northern Territory's Power and Water Corporation. The pipeline will deliver gas once the Eni Blacktip gas processing plant is completed.

  APA entered into a Memorandum of Understanding with Power and Water Corporation in August 2008 to build, own and operate the Wickham Point Pipeline, with construction completed in June 2009. The 12 km pipeline runs from the LNG Plant at Wickham Point near Darwin to the existing Amadeus Gas Pipeline, and will be used to supplement gas supply in peak periods or emergency supply situations. Power and Water Corporation is the long-term customer for the pipeline gas transportation and storage services.

  The Bonaparte Gas Pipeline and the Wickham Point Pipeline were sold to EII in December 2008. APA continues to operate and maintain these pipelines for EII.

Asset management

APA provides asset management and operational services to a number of third parties with the main customers being Envestra, the Ethane Pipeline Income Fund and EII (since December 2008). These services are provided under long-term contracts.

Energy investments

APA has an interest in a number of energy investments, including Envestra Limited, SEA Gas Pipeline and EII.

Envestra

APA participated in Envestra's Distribution Reinvestment Plan, increasing its interest in Envestra from 18.3% to 19.1%. The total value of distributions reinvested was $7.3 million for the year.

In February 2009, APA increased its interest in Envestra Limited to 30.6% through participation in and partly underwriting Envestra's rights issue, for a total cost of $64.4 million.

Energy Infrastructure Investments

APA established the unlisted vehicle EII in December 2008, retaining a minority equity interest of 19.9% and providing the management and operation of EII assets under a long-term agreement.

Electricity transmission

APA's two electricity transmission assets, Directlink and Murraylink, were sold to EII in December 2008. APA continues to operate both these assets for EII.

Complementary assets

The four energy assets included in this segment – the Daandine and X41 power stations, and the Kogan North and Tipton West gas processing plants – were developed by APA, and were sold to EII in December 2008. APA continues to operate these assets for EII.

For segment reporting purposes, the cogeneration and NGV (natural gas for vehicles) assets previously included in this segment have been reclassified. The APA-owned cogeneration and NGV assets have been reclassified under gas transmission and distribution, and the management and operation of third party NGV assets has been reclassified under the asset management segment.

Business consolidation

APA has continued to realise synergy and integration opportunities presented by its growth in recent years. A project office has been established to realise further productivity improvements and take advantage of synergy opportunities across the business. The focus of this work has been to identify and realise benefits through economies of scale, to achieve efficiencies through scalable and consistent processes, and to ensure the business has access to the intelligence required to drive strategic thinking and that its technology system environment is operating cost effectively.

Establishment of Energy Infrastructure Investments

In December 2008, APA established an unlisted investment vehicle Energy Infrastructure Investments Pty Limited (EII). APA achieved proceeds above the book value for the sale of a number of its assets with annuity-style income into EII. However, costs related to the establishment of EII, including debt costs, stamp duty and advisers' fees, resulted in a net loss after tax of $23.1 million. The funds released from the transaction reduced APA's borrowings by $647 million, with gearing (as calculated under APA's debt covenants) falling to 69.7% at that time.

APA retains a minority equity interest of 19.9% in EII, with equity partners Marubeni Corporation and Osaka Gas Company, both of Japan, holding interests of 49.9% and 30.2% respectively. APA manages and operates the assets under a long-term agreement with a market-based fee structure.

The assets sold to EII are subject to either long-term contractual arrangements or regulatory frameworks, and comprise:

- Electricity interconnectors – Directlink and Murraylink;
- Gas power generation – Daandine and X41 power stations;
- Coal seam gas processing plants – Kogan North and Tipton West; and
- Gas pipelines – Telfer/Nifty Gas Pipeline, Bonaparte Gas Pipeline and Wickham Point Pipeline.

The enterprise value of EII is $703 million, with equity contribution of $165 million and new five year, non-recourse project debt facility of $538 million.

Finance and other activities

Capital management

During the current financial year, APA undertook capital raising activities to fund the continuing growth of its business. APA's issued capital increased by $50.2 million to $894.4 million (2008: $844.2 million) due to the following equity movements (net of costs):

- On 8 December 2008, APA issued 11,704,821 securities through a Security Purchase Plan, raising $30.4 million. The issue price was $2.5935 per security; and
- APA issued two tranches of securities under its Distribution Reinvestment Plan:
  - On 10 September 2008, 9,995,267 securities at $2.65 per security, raising $26.5 million; and
  - On 26 March 2008, 8,722,354 securities at $2.54 per security raising $22.2 million.

In July 2008, APA executed three bilateral debt facility agreements totalling $165 million, each with terms running until July 2011. These supplemented APA's debt facilities following the maturity of $150 million of Medium Term Notes in August 2008. Also, upon their maturity in March 2009, APA repaid the balance of its Medium Term Notes, being $300 million.

In addition to reducing gearing using proceeds of the EII transaction, there have been several other key initiatives to strengthen APA's balance sheet, including long term debt raisings and a bank syndication process aimed at refinancing all of APA's debt maturities in 2010.

On 1 July 2009, APA issued A$185 million equivalent of US Private Placement notes with 7-year and 10-year tenures.

In the second half, APA commenced the early refinancing of a $900 million syndicated facility tranche which is due to mature in June 2010. A bank syndication was launched in July 2009. Interest from banks has been strong and commitments totalling $1.03 billion have been received for two new equal-sized forward-start facilities maturing in July 2011 and July 2013. Documentation of these new facilities is well advanced with execution expected to occur around the end of August 2009.

Finally, a new $150 million bilateral debt facility with a term of five years has also just been executed.

The term structure of these new debt facilities is consistent with APA's strategy to further extend the maturity of the debt portfolio to more reflect the long term nature of the asset profile.

APA's debt portfolio has a healthy spread of maturities extending out to 2022, with an average maturity of 5 years. APA was geared at 70.3% at 30 June 2009, which is down from 72.0% at 30 June 2008.

DIRECTORS' REPORT

At 30 June 2009, APA had available $324 million in cash and committed undrawn facilities to meet the continued 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 foreign currency exposures on US Private Placement Notes have been hedged. APA also enters into interest rate hedges for a proportion of the interest rate exposure on its other floating rate borrowings. Following the issue of new US Private Placement notes on 1 July 2009 and the hedging associated with that issue, 79.9% of interest obligations were either hedged or at fixed interest rates, for varying periods extending out more than 12 years.

A level of interest rate protection is also provided through CPI indexing in revenue contracts and the regulatory revenue setting process operating on many of APA's assets.

Borrowings and finance costs

As at 30 June 2009, APA had borrowings of $3,056.7 million, principally from syndicated debt facilities, US Private Placement notes and bilateral debt facilities, compared to $3,401.1 million as at 30 June 2008.

The decrease in borrowings was principally due to debt reduction using part of the proceeds from the EII transaction, and partly offset by increased borrowings to fund organic capital expenditure projects, the acquisition of the Central Ranges Pipeline and the increase in investment in Envestra.

Net underlying finance costs decreased by $10.8 million or 4.8% to $213.0 million (2008: $223.8 million). The average interest rate (including credit margins) applying to drawn debt was 6.81% for the year.

APA's Interest Cover Ratio for the year increased to 2.13 times from 1.86 times last year, well in excess of its debt covenant default ratio of 1.1 times.

Credit rating

On 25 June 2009, Standard & Poor's Rating Services assigned a 'BBB' long-term corporate credit rating (outlook Stable) to APT Pipelines Limited, the borrowing entity of APA. This is APA's initial credit rating. The rating supports APA's refinancing activities and will assist APA to access other debt capital markets for future funding requirements.

Income tax

The effective income tax rate before significant items is 26.5%, consistent with 25.7% last year.

Capital expenditure

Capital expenditure for the year totalled $298 million with 94% allocated to growth projects, including the Northern Territory Bonaparte Gas Pipeline and compressor stations in Western Australia, Queensland and New South Wales.

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

During the year, the board maintained the Distribution Reinvestment Plan.

At the Annual Meeting held on 30 October 2008, APA securityholders passed a special resolution approving amendments to the constitutions of Australian Pipeline Trust and APT Investment Trust to allow the Responsible Entity to require the sale of parcels of APA securities worth less than $500. In December 2008, APA opened a facility for the sale of those small parcels of APA securities, and another facility for the sale of parcels of APA securities with a value between $500 and $1,000. Subsequently, 2.6 million securities were sold under these facilities, reducing the number of securityholders on APA's register by 26,565 to 75,620.

As at 30 June 2009, there were 498,663,596 APA securities on issue (2008: 468,241,154).

REGULATORY MATTERS

Key regulatory matters addressed during the year included:

National Gas Law

The new National Gas Law and Rules were introduced on 1 July 2008, in all states except Western Australia, to replace the previous Gas Pipelines Access Law and Gas Code. This new regulation applies to APA regulated gas assets in eastern states from 1 July 2008 onwards and is expected to apply in Western Australia in late 2009.

The new regulation is broadly similar to the previous regime but contains some changes, including the introduction of a light regulation option for some pipelines and networks in some circumstances and formalisation of the mechanism for regulatory holidays for new pipelines.

Where a pipeline is subject to light regulation, the pipeline owner does not have to submit a full access arrangement for regulatory approval, meaning that the regulator has no role in determining tariffs for the pipeline other than in the event of an access dispute with a user. Following the introduction of the new regulation, both the Carpentaria Gas Pipeline and the regulated section of the Moomba Sydney Pipeline are now subject to light regulation. There is potential for other APA pipelines to be subject to light regulation in the future.

National Greenhouse and Energy Reporting Act 2007

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 31 August 2009. Total emissions for the year ended 30 June 2009 are required to be reported by 31 October 2009. APA meets the reporting threshold and has therefore been recording, and will report, its greenhouse emissions in compliance with the Act.

The Australian Energy Market Operator and the short-term trading market in gas

The Australian Energy Market Operator ("AEMO") commenced operations from 1 July 2009, replacing various organisations which previously administered gas and electricity markets in eastern Australia. The establishment of the AEMO is designed to facilitate consistency in the governance of the energy markets across Australia.

The AEMO will have responsibility for implementing and operating a short-term trading market ("STTM") in natural gas in New South Wales and South Australia by mid 2010. The STTM will facilitate the trading of natural gas at defined hubs and will have an impact on pipelines, such as the Moomba Sydney Pipeline, which deliver gas to markets where the STTM will operate.

Existing pipeline transportation contracts are preserved from the operation of the STTM, and the STTM will not directly affect the opportunity to negotiate long-term contracts to support the development or expansion of pipelines. The STTM is expected to provide an opportunity for new pipeline services to be sold in the market.

ENVIRONMENTAL REGULATIONS

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

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

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

The Safety and Operating Plan for APA's distribution networks have been audited in accordance with the Queensland and New South Wales technical regulator requirements.

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

DIRECTORS' REPORT

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

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

SUBSEQUENT EVENTS

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

FUTURE DEVELOPMENTS

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

DIRECTORSHIPS OF OTHER LISTED COMPANIES

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

Name	Company	Period of directorship
L F Bleasel AM	QBE Insurance Group Limited	Since January 2001
J A Fletcher	Babcock & Brown Power	Since October 2006
R A Higgins AO	RiceGrowers Limited	Since December 2005
	Australian Biodiesel Group Limited	May 2006 to November 2007
M Muhammad	-	-
M Ratilal	-	-
R J Wright	Dexion Limited	Since March 2005
	SAI Global Limited	Since October 2003
	Super Cheap Auto Group Limited	Since May 2004
	Babcock & Brown Residential Land Partners Group	Since May 2006
	APA Ethane Limited(1)	Since 10 July 2008
M J McCormack	Envestra Limited	Since July 2007

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

OPTIONS GRANTED

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

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

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

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

INDEMNIFICATION OF OFFICERS AND EXTERNAL AUDITOR

During the year, the Responsible Entity paid a premium in respect of a contract insuring the directors of the Responsible Entity, the Responsible Entity's Company Secretary, and all executive officers of the Responsible Entity and any related body corporate of APA against any liability incurred in performing those roles to the extent permitted by the Corporations Act 2001. The contract of insurance prohibits disclosure of the nature of the liability and the amount of the premium.

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

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

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

DIRECTORS' MEETINGS

During the year, 17 board meetings, four Remuneration Committee meetings, five Audit and Risk Management Committee meetings, and three Health Safety and Environment Committee meetings were held. The following table sets out the number of meetings attended by each director while they were a director or a committee member:

	Board		REM(1)		ARM(2)		HSE(3)	
Directors	**A**	**B**	**A**	**B**	**A**	**B**	**A**	**B**
L F Bleasel AM(4)	17	17	-	-	-	-	-	-
J A Fletcher	17	17	4	4	5	5	-	-
R A Higgins AO	17	17	4	4	5	5	3	3
M Muhammad	17	15	4	4	-	-	3	3
M Ratilal	17	12	-	-	-	-	-	-
R J Wright	17	17	-	-	5	5	3	2
M J McCormack	17	17	-	-	-	-	-	-
W S Saidi(5)	-	1	-	-	-	-	-	-
W Z W Ariffin(6)	-	-	-	-	-	-	-	-

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) Remuneration Committee.
(2) Audit and Risk Management Committee.
(3) Health Safety and Environment Committee.
(4) The Chairman is entitled to attend all committee meetings.
(5) W S Saidi as alternate director for M Muhammad. Retired as of 14 August 2009.
(6) W Z W Ariffin as alternate director for M Ratilal. Retired as of 19 August 2009.

DIRECTORS’ REPORT

DIRECTORS’ SECURITYHOLDINGS

The aggregate number of APA securities held directly, indirectly or beneficially by directors or their director related entities at the 30 June 2009 is 614,172 (2008: 530,314).

The following table sets out directors’ relevant interests in APA securities as at 30 June 2009:

Directors	Fully paid securities as at 30 June 2008	Securities acquired during the year	Securities disposed of during the year	Fully paid securities as at 30 June 2009
L F Bleasel AM	311,589	23,564	-	**335,153**
J A Fletcher	35,477	9,440	-	**44,917**
R A Higgins AO	36,581	15,440	-	**52,021**
M Muhammad	26,804	16,014	-	**42,818**
M Ratilal	-	-	-	**-**
R J Wright	19,858	4,405	-	**24,263**
M J McCormack	100,005	14,995	-	**115,000**
Total	530,314	83,858	-	**614,172**

The directors hold no other rights, nor options, over APA securities. There are no contracts to which a director is a party or under which the director is entitled to a benefit and that confer a right to call for or deliver APA securities.

The Company Secretary holds 3,000 APA securities.

REMUNERATION REPORT

This report outlines the remuneration arrangements in place for directors of the Responsible Entity and executives of APA.

Section 1: Remuneration Committee

Governance and the oversight of executive remuneration are key focus areas for the Remuneration Committee.

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, John Fletcher (Chairman), Russell Higgins and Muri Muhammad are members of the Committee, which met four times this 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 securityholder 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.

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

Section 2: Remuneration of directors

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

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

- Leonard Bleasel AM – Chairman
- John Fletcher
- Russell Higgins AO
- Muri Muhammad
- Manharlal Ratilal
- Robert Wright
- Michael McCormack – Managing Director

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 independently obtains data on the 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, as follows:

Fees(1)	Chairman $000	Member $000
Board fees	245	90
Remuneration Committee fees	16	8
Audit and Risk Management Committee fees	27	12
Health, Safety and Environment Committee fees	20	10

(1) Excludes Superannuation Guarantee Levy.

Remuneration of directors

The table below sets out the remuneration of the directors for the financial year:

	Short Term Employment Benefits							
Directors	Salary/ fees $	Due Diligence C'ttee fees $	Short-term incentive scheme $	Non-monetary $	Post-employment Super-annuation $	Share-based payment(1) $	Other(2) $	Total $
2009								
Non-Executive Directors								
L F Bleasel AM(3)	236,477	-	-	-	54,108	-	-	290,585
J A Fletcher	49,000	-	-	-	79,620	-	-	128,620
R A Higgins AO	101,200	-	-	-	41,808	-	-	143,008
M Muhammad	108,000	-	-	-	-	-	-	108,000
W Ratilal	89,167	-	-	-	-	-	-	89,167
R J Wright	128,200	-	-	-	11,538	-	-	139,738
W S Saidi	-	-	-	-	-	-	-	-
W Z W Ariffin	-	-	-	-	-	-	-	-
Executive Director								
M J McCormack	711,928	-	523,125	13,072	50,000	285,663	216,667	1,800,455
Total	**1,423,972**	**-**	**523,125**	**13,072**	**237,074**	**285,663**	**216,667**	**2,699,573**
2008								
Non-Executive Directors								
L F Bleasel AM	125,315	-	-	-	10,605	-	-	135,920
J A Fletcher	20,724	-	-	-	20,014	-	-	40,738
R A Higgins AO	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	160,848
R M Gersbach	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**	**2,374,850**

(1) Cash settled security-based payments.
(2) Includes retention payment and director's retirement benefit.
(3) Includes prior year remuneration adjustment of $48,727.

The board fees payable to non-executive directors of the Responsible Entity, including fees for serving on committees of the board, were reviewed in January 2009 taking into account a remuneration benchmarking report from remuneration consultants. At the time of the non-executive fee review in January 2009, the board decided not to increase the fees for non-executive directors in this calendar year. The next fee review will be in January 2010.

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

Section 3: Remuneration of key management personnel

The purpose of our remuneration strategy is to create long-term value for our securityholders and energise our executives to reach these goals.

Key management personnel during and since the end of the financial year were:

Ross Gersbach	Group Manager Commercial
	Acting Chief Financial Officer from 1 January 2009 to 31 May 2009
Peter Fredricson	Chief Financial Officer from 1 June 2009
Stephen Ohl	Group Manager Operations
Mark Knapman	Company Secretary from 16 July 2008
Robyn Smith	Group Manager Human Resources and HS&E
Richard Francis	Chief Financial Officer to 31 December 2008.

The board recognises that APA operates in a highly competitive national environment, and has policies and processes which:

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

All key management personnel receive a combination of fixed and variable (at-risk) remuneration, as described in the table below:

Total Remuneration Opportunity ("TRO")	TRO = TFR + STI + LTI	
Total Fixed Remuneration ("TFR")	The total of base salary (which includes cash, vehicles and parking) and other incidental benefits. TFR is determined by reference to appropriate remuneration benchmarking information, taking into account an individual's responsibilities, performance, qualifications and experience.	
Short-Term Incentive ("STI")	Cash-based incentive based on a mix of financial and non-financial measures.	Maximum payable is 100% of STI target.
Long-Term Incentive ("LTI")	Cash-settled incentive based on achievement of key financial measures.	Maximum payable is 120% of LTI target.

DIRECTORS' REPORT

The proportion of fixed versus variable remuneration varies at different levels within APA, reflecting the varying capacity of employees to influence APA's operational performance and returns to securityholders. For key management personnel, the relative proportions of FY 2009 remuneration that were fixed and performance based or "at risk" are set out in the following table. These proportions are based on 100% target performance levels.

	% of Total Remuneration Opportunity		
	Total Fixed Remuneration	"At risk" - performance-based	
		STI(1)	LTI(1)
Managing Director/CEO	40%	30%	30%
Other key management personnel	50%	25%	25%

(1) These amounts are based on 100% target performance levels being achieved.

The following sections provide further detail on the STI and LTI plans.

Short-term incentive plan

Our STI plan focuses our senior executives on the achievement of specific business objectives and rewards them for strong performance against these goals.

Key details of the STI plan

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

At the beginning of each financial year, the Committee considers the appropriate financial and non-financial performance targets to be met for the senior executives. 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% over the cycle. Operating Cash Flow Per Unit ("OCFPU") (a cash-based measure) has been identified as the most appropriate measure of APA management's financial performance. All STI payments are made in cash following the completion of annual accounts.

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

STIs are paid from a pool which is funded from cash over and above the budgeted OCFPU for the financial year. Executives participating in the STI will not receive any incentive payments unless at least the budgeted OCFPU for the financial year is reached and unless individual exceptional performance has been achieved.

FY 2009 STI outcomes are shown in the table below for all key management personnel:

Executive	STI awarded (%)	STI forfeited (%)
M J McCormack	90%	10%
R M Gersbach	90%	10%
S P Ohl	92%	8%
M T Knapman	92%	8%
R A Smith	89%	11%

Long-term incentive plan

We believe that an LTI plan best aligns the long-term interests of employees with those of securityholders.

The LTI plan is designed to incentivise eligible participants and align their interests with the interests of securityholders. Under the plan, participants can receive notional securities which mirror the value of APA securities. These notional securities are cash-based – not equity-based – due to complexities in 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. APA's LTI plan is unaffected by the Federal Government's proposals with respect to incentive plan schemes.

On the basis that APA met its financial targets for the financial year, an LTI allocation was made to key management personnel. These allocations are set out on page 47 and the total of all LTI allocations has been provided for in the financial statements at Note 24.

Key details of the LTI plan

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

Where APA exceeds its OCFPU budget, an LTI pool is funded and distributed to eligible participants. The OCFPU result determines the pool size and in turn, the size of participants' LTI allocations up to their maximum LTI opportunity.

LTI awards are allocated to participants in the form of notional LTI securities. Each notional LTI security is valued at the equivalent of the 10-day volume weighted average market price of an APA security up to the date of allocation.

The LTI vests over four years. One third of the LTI vests at the first anniversary of the date of allocation, one third at the second anniversary, and one third at the third anniversary. As the LTI allocations are subject to, and arise from, a pre-allocation performance hurdle, they are not subject to further performance tests at the vesting dates. However, participants must remain employed by the Consolidated Entity to access the vested benefit.

Upon vesting, the LTI is delivered in cash. The cash payment is equal to the 10-day volume weighted average market price of the equivalent number of APA securities at the vesting date. APA makes a cash provision for the obligations of the LTI.

As the LTI is a cash-settled plan and does not allocate APA securities to participants at any stage, participants are not entitled to vote or participate in distributions.

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

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			
Key management personnel	Salary/fees $	STI scheme $	Non-monetary $	Super-annuation $	LTI scheme(1) $	Termination payments $	Total $
2009							
R M Gersbach(2)	524,333	320,000	11,922	13,745	105,857	-	975,857
P J Fredricson(3)	38,226	-	-	3,440	-	-	41,666
S P Ohl	336,523	184,000	28,732	34,745	92,095	-	676,095
M T Knapman(4)	294,950	119,600	-	33,964	37,504	-	486,018
R A Smith	245,480	115,700	775	13,745	49,438	-	425,138
R F Francis(5)	180,293	200,000	5,961	6,874	83,557	487,237	963,922
Total	**1,619,805**	**939,300**	**47,390**	**106,513**	**368,451**	**487,237**	**3,568,696**
2008							
R M Gersbach	227,683	108,000	4,968	6,734	28,250	-	375,635
S P Ohl	300,559	167,000	36,311	13,130	45,075	-	562,075
S M Dureau(6)	274,948	135,000	11,922	13,130	39,291	-	474,291
R A Smith(7)	179,699	85,000	-	9,847	12,625	-	287,171
R F Francis	334,948	167,000	11,922	13,130	48,438	-	575,438
A J V James(8)	214,526	157,500	11,177	29,272	41,986	743,900	1,198,361
P D Fox(9)	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**

(1) Cash settled security-based payments.

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

(3) Chief Financial Officer from 1 June 2009.

(4) Company Secretary from 16 July 2008.

(5) Chief Financial Officer to 31 December 2008.

(6) General Counsel and General Manager Regulatory, ceased as key management personnel.

(7) Group Manager Human Resources and HS&E from 2 October 2007.

(8) Company Secretary to 29 April 2008.

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

Section 4: Contractual terms of key management personnel

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

Name, title and commencement date	Term and termination provisions/benefits
M J McCormack Managing Director since 1 July 2006 Chief Executive Officer 1 July 2005 to 30 June 2006 Commenced 1 March 2000	No defined term. On termination with cause or following certain long-term illness, the Company will pay any TFR due and owing at the date of termination and any accrued leave entitlements. On termination without cause, the Company will pay 52 weeks TFR, any incentives earned but not paid on their due date and any accrued leave entitlement. The Company will also pay any TFR due and owing at the date of termination. Following, a review of his entitlements, the board approved in August 2006, a retention award of $650,000 if Mr McCormack continued to be employed in a full time capacity by the Company or another member of the APA Group of entities at 1 August 2009. This award was paid in August 2009.
R M Gersbach Group Manager Commercial Commenced 1 February 2008	No defined term. On termination with cause or following certain long-term illness, the Company will pay any TFR due and owing at the date of termination and any accrued leave entitlements. On termination without cause, the Company will pay 26 weeks TFR, any incentives earned but not paid on their due date and any accrued leave entitlement. The Company will also pay any TFR due and owing at the date of termination. 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.
P J Fredricson Chief Financial Officer Commenced 1 June 2009	No defined term. On termination with cause or following certain long-term illness, the Company will pay any TFR due and owing at the date of termination and any accrued leave entitlements. On termination without cause, the Company will pay 26 weeks TFR, any incentives earned but not paid on their due date and any accrued leave entitlement. The Company will also pay any TFR due and owing at the date of termination.
S P Ohl Group Manager Operations Commenced 2 May 2005	No defined term. On termination with cause or following certain long-term illness, the Company will pay any TFR due and owing at the date of termination and any accrued leave entitlements. On termination without cause, the Company will pay 26 weeks TFR, any incentives earned but not paid on their due date and any accrued leave entitlement. The Company will also pay any TFR due and owing at the date of termination. If Mr Ohl gives notice to terminate his employment, the Company may (after consulting with the board) at its discretion agree to make a termination payment of an amount up to 26 weeks TFR.

DIRECTORS' REPORT

M T Knapman Company Secretary Commenced 16 July 2008	No defined term. On termination with cause or following certain long-term illness, the Company will pay any TFR due and owing at the date of termination and any accrued leave entitlements. On termination without cause, the Company will pay 26 weeks TFR, any incentives earned but not paid on their due date and any accrued leave entitlement. The Company will also pay any TFR due and owing at the date of termination.
R A Smith Group Manager Human Resources and HS&E Commenced 2 October 2007	No defined term. On termination with cause or following certain long-term illness, the Company will pay any TFR due and owing at the date of termination and any accrued leave entitlements. On termination without cause, the Company will pay 26 weeks TFR, any incentives earned but not paid on their due date and any accrued leave entitlement. The Company will also pay any TFR due and owing at the date of termination. If Ms Smith gives notice to terminate her employment, the Company may (after consulting with the board) at its discretion agree to make a termination payment of an amount up to 26 weeks TFR.

INFORMATION REQUIRED FOR REGISTERED SCHEMES

Fees paid to the Responsible Entity and its associates (including directors and secretaries of the Responsible Entity, related bodies corporate and directors and secretaries of related bodies corporate) out of APA scheme property during the year are disclosed in Note 45 to the financial statements.

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

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

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

AUDITOR'S INDEPENDENCE DECLARATION

A copy of the Auditor's independence declaration as required under section 307C of the Corporations Act 2001 is included on page 119.

ROUNDING OFF OF AMOUNTS

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

Sydney, 25 August 2009

INCOME STATEMENT

FOR THE FINANCIAL YEAR ENDED 30 JUNE 2009

	Note	Consolidated 2009 $000	Consolidated 2008 $000	Trust 2009 $000	Trust 2008 $000
Continuing operations					
Revenue	5	**943,636**	878,094	**88,462**	65,927
Share of net profits of jointly controlled entities accounted for using the equity method	5	**6,143**	3,635	**-**	-
		949,779	881,729	**88,462**	65,927
Asset operation and management expenses		**(111,182)**	(99,025)	**-**	-
Depreciation and amortisation expense	6	**(95,640)**	(94,459)	**-**	-
Other operating costs - pass-through	6	**(271,387)**	(282,874)	**-**	-
Finance costs	6	**(245,078)**	(237,434)	**-**	(30)
Employee benefit expense	6	**(90,811)**	(59,812)	**-**	-
Other expenses		**(20,949)**	(17,920)	**1,905**	(38)
Profit before tax		**114,732**	90,205	**90,367**	65,859
Income tax expense	8	**(35,882)**	(22,958)	**(3,197)**	(476)
Profit for the year		**78,850**	67,247	**87,170**	65,383
Attributable to:					
Equityholders of the parent		**44,708**	38,094	**87,170**	65,383
Minority interest - APT Investment Trust equityholders		**34,064**	29,098	**-**	-
APA stapled securityholders		**78,772**	67,192	**87,170**	65,383
Minority interest - other		**78**	55	**-**	-
		78,850	67,247	**87,170**	65,383
Earnings per security					
Basic and diluted (cents per security)	35	**16.2**	14.9		

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 2009

	Note	Consolidated 2009 $000	Consolidated 2008 $000	Trust 2009 $000	Trust 2008 $000
Current assets					
Cash and cash equivalents		**108,815**	105,455	**104**	12
Trade and other receivables	10	**142,498**	130,202	**7,785**	-
Inventories	11	**14,156**	10,962	**-**	-
Other	12	**4,182**	2,883	**-**	-
		269,651	249,502	**7,889**	12
Non-current assets classified as held for sale	13	**-**	601,731	**-**	-
Total current assets		**269,651**	851,233	**7,889**	12
Non-current assets					
Receivables	14	**21,168**	21,426	**-**	-
Other financial assets	15	**14,259**	153,144	**1,547,758**	927,316
Investments accounted for using the equity method	16	**388,416**	136,314	**-**	-
Property, plant and equipment	17	**3,362,445**	3,236,723	**-**	-
Goodwill	18	**520,779**	520,774	**-**	-
Other intangible assets	19	**168,521**	171,643	**-**	-
Deferred tax assets	8	**-**	-	**150,401**	135,676
Other	20	**2,088**	5,735	**-**	-
Total non-current assets		**4,477,676**	4,245,759	**1,698,159**	1,062,992
Total assets		**4,747,327**	5,096,992	**1,706,048**	1,063,004
Current liabilities					
Trade and other payables	21	**109,882**	151,558	**150,426**	136,202
Borrowings	22	**900,219**	450,150	**-**	-
Other financial liabilities	23	**7,648**	5,187	**-**	-
Provisions	24	**39,434**	38,752	**-**	-
Other	25	**13,042**	12,109	**-**	-
		1,070,225	657,756	**150,426**	136,202
Liabilities directly associated with non-current assets classified as held for sale	13	**-**	99,678	**-**	-
Total current liabilities		**1,070,225**	757,434	**150,426**	136,202
Non-current liabilities					
Borrowings	26	**2,057,875**	2,660,973	**-**	-
Other financial liabilities	27	**71,628**	160,195	**648,738**	145,286
Deferred tax liabilities	8	**242,485**	246,995	**-**	-
Provisions	24	**23,457**	19,007	**-**	-
Other	25	**3,202**	2,180	**-**	-
Total non-current liabilities		**2,398,647**	3,089,350	**648,738**	145,286
Total liabilities		**3,468,872**	3,846,784	**799,165**	281,488
Net assets		**1,278,455**	1,250,208	**906,883**	781,516

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

BALANCE SHEET (CONTINUED)

AS AT 30 JUNE 2009

		Consolidated		Trust	
	Note	**2009 $000**	2008 $000	**2009 $000**	2008 $000
Equity					
Australian Pipeline Trust equity:					
Issued capital	28	**894,435**	844,150	**894,435**	844,150
Reserves	29	**19,675**	(1,945)	**(1,237)**	(75,386)
Retained earnings	30	**(4,998)**	43,375	**13,685**	12,752
Equity attributable to securityholders of the parent		**909,112**	885,580	**906,883**	781,516
Minority interests:					
APT Investment Trust	31	**369,262**	364,539	**-**	-
Other minority interest	31	**81**	89	**-**	-
Total minority interests		**369,343**	364,628	**-**	-
Total equity		**1,278,455**	1,250,208	**906,883**	781,516

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 2009

	Consolidated		Trust	
	2009	2008	**2009**	2008
	$000	$000	**$000**	$000
Loss on available-for-sale investments taken to equity	**(2,497)**	(75,435)	**(1,101)**	(75,386)
Gain on cash flow hedges taken to equity	**48,526**	17,880	**-**	-
Actuarial loss on defined benefit plans	**(9,775)**	(8,244)	**-**	-
Income tax on items taken directly to equity	**(11,625)**	(2,891)	**-**	-
Net income and expense recognised directly in equity	**24,629**	(68,690)	**(1,101)**	(75,386)
Profit for the year	**78,850**	67,247	**87,170**	65,383
Transfer of (loss)/gain on cash flow hedges to profit or loss (net of related tax)	**(80,919)**	63,889	**-**	-
Total recognised income and expense for the year	**22,560**	62,446	**86,069**	(10,003)
Attributable to:				
Equityholders of the parent	**(11,582)**	33,343	**86,069**	(10,003)
Minority interest - APT Investment Trust equityholders	**34,064**	29,048	**-**	-
Minority interest - other	**78**	55	**-**	-
	22,560	62,446	**86,069**	(10,003)

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 2009

		Consolidated		Trust	
	Note	2009 $000	2008 $000	2009 $000	2008 $000
Cash flows from operating activities					
Receipts from customers		**1,005,478**	910,744	**2,194**	-
Payments to suppliers and employees		**(593,821)**	(557,669)	**(7,296)**	(33)
Dividends received		**24,273**	23,294	**86,315**	65,636
Proceeds from repayment of finance leases		**3,964**	5,256	**-**	-
Interest received		**30,684**	26,099	**117**	291
Interest and other costs of finance paid		**(244,031)**	(221,867)	**-**	(30)
Income tax (paid)/refunded		**(178)**	566	**-**	-
Net cash provided by operating activities	36(c)	**226,369**	186,423	**81,330**	65,864
Cash flows from investing activities					
Payments for property, plant and equipment		**(301,729)**	(193,808)	**-**	-
Proceeds from sale of property, plant and equipment		**5**	1	**-**	-
Payments for available-for-sale investments	36(b)	**-**	(196,880)	**-**	(173,913)
Payments for equity accounted investments	36(b)	**(96,114)**	(4,862)	**(71,735)**	-
Payments for controlled entities	36(b)	**(22,616)**	(453,869)	**(473,287)**	(60,637)
Payments for intangible assets		**(2,000)**	-	**-**	-
Payments for financial assets		**(10,083)**	-	**-**	-
Proceeds from sale of businesses	40	**545,905**	-	**-**	-
Net cash provided by/(used in) investing activities		**113,368**	(849,418)	**(545,022)**	(234,550)
Cash flows from financing activities					
Proceeds from borrowings		**560,000**	796,000	**499,736**	179,153
Repayments of borrowings		**(831,000)**	(114,326)	**-**	-
Proceeds from issue of securities		**78,998**	123,995	**50,678**	43,356
Payments of security issue costs		**(555)**	(586)	**(393)**	(261)
Distributions paid to:					
Securityholders of APT		**(86,237)**	(53,552)	**(86,237)**	(53,552)
Securityholders of minority interests - APTIT		**(57,492)**	(43,127)	**-**	-
Other minority interest		**(91)**	(32)	**-**	-
Net cash (used in)/provided by financing activities		**(336,377)**	708,372	**463,784**	168,696
Net increase in cash and cash equivalents		**3,360**	45,377	**92**	10
Cash and cash equivalents at beginning of financial year		**105,455**	60,078	**12**	2
Cash and cash equivalents at end of financial year	36(a)	**108,815**	105,455	**104**	12

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

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 Securities (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, together "APA".

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

Registered office and principal place of business
Level 19
HSBC Building
580 George Street
SYDNEY NSW 2000
Tel: (02) 9693 0000.

The principal activities of the Consolidated Entity during the course of the financial year were the ownership of gas transmission pipelines located throughout Australia, and gas distribution networks in south east Queensland and northern New South Wales. The Consolidated Entity has interests in over 12,000 km of natural gas pipeline infrastructure across the mainland and owns 2,800km of gas distribution networks in Queensland and New South Wales, transporting more than half of the natural gas used in Australia.

APA has direct management and operational control over its assets and also provides management and operation services to its investments, including gas distribution and transmission company Envestra Limited "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 25 August 2009.

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.

2. Significant accounting policies (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 ("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 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 financial 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.

2. Significant accounting policies (continued)

(b) Financial assets and liabilities

Available-for-sale financial assets

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

Loans and receivables

Trade receivables, loans, and other receivables that have fixed or determinable payments that are not quoted in an active market are classified as 'loans and receivables'. Trade and other receivables are stated at their amortised cost less impairment.

Trade and other payables

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

Impairment of financial assets

Financial assets, other than those at fair value through profit or loss, are assessed for indicators of impairment at 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.

(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.

2. Significant accounting policies (continued)

(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) Property, plant and equipment

Land and buildings held for use are carried in the balance sheet at cost, less any subsequent accumulated depreciation and impairment losses.

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

(h) Depreciation

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

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

(i) 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.

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 or 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.

2. Significant accounting policies (continued)

(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) 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 37.

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

The fair value of hedging derivatives is classified as a non-current asset or a non-current liability if the remaining maturity of the hedge relationship is more than 12 months and as a current asset or a current liability if the remaining maturity of the hedge relationship is less than 12 months. Derivatives not designated into an effective hedge relationship are classified as a current asset or a current liability.

Embedded derivatives

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

Hedge accounting

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

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

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.

2. Significant accounting policies (continued)

(k) Derivative financial instruments (continued)

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

Fair value hedges
Changes in the fair value of derivatives that are designated and qualify as fair value hedges are recorded in profit or loss immediately, together with any changes in the fair value of the hedged item that is attributable to the hedged risk. Hedge accounting is discontinued when the Consolidated Entity revokes the hedging relationship or the hedging instrument expires or is sold, terminated, or exercised, or no longer qualifies for hedge accounting. The adjustment to the carrying amount of the hedged item arising from the hedged risk is amortised to profit or loss from that date.

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

Amounts deferred in equity are recycled in profit or loss in the periods when the hedged item is recognised in profit or loss in the same line of the 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.

(l) Financial instruments issued by the Consolidated Entity

Debt and equity instruments

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

Financial guarantee contract liabilities

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

Transaction costs arising on the issue of equity instruments

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

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.

(m) 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.

2. Significant accounting policies (continued)

(n) 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.

(o) 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 in 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(p).

(p) Impairment of assets

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

(q) Distributions

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

(r) 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. Current tax for current and prior periods is recognised as a liability (or asset) to the extent that it is unpaid (or refundable).

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

2. Significant accounting policies (continued)

(r) Income tax (continued)

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.

(s) 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.

(t) 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.

(u) 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.

2. Significant accounting policies (continued)

(v) Investments in associates

An associate is an entity over which the Consolidated Entity has significant influence and that is neither a subsidiary nor a joint venture. The results and assets and liabilities of associates are accounted for using the equity method of accounting. Under the equity method, investments in associates are carried in the consolidated balance sheet at cost as adjusted for post-acquisition changes in the Consolidated Entity's share of the net assets of the associate, less any impairment in the value of individual investments.

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

(w) 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.

(x) 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.

2. Significant accounting policies (continued)

(y) 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

Prior to obtaining significant influence, loan note interest revenue was recognised when the right to receive a distribution has been established.

(z) 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.

(aa) 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.

(ab) 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.

2. Significant accounting policies (continued)

(ac) 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 financial report of the Consolidated Entity and the Trust:

Standard	Effective for annual reporting periods beginning on or after	Expected to be initially applied in the financial year ending
• AASB 101 'Presentation of Financial Statements' - revised standard (revised September 2007), AASB 2007-8 'Amendments to Australian Accounting Standards arising from AASB 101', AASB 2007-10 'Further Amendments to Australian Accounting Standards arising from AASB 101'	1 January 2009	30 June 2010
• AASB 8 'Operating Segments'	1 January 2009	30 June 2010
• AASB 2009-2 'Amendments to Australian Accounting Standards - Improving Disclosures about Financial Instruments'	1 January 2009	30 June 2010

Initial application of the following Standards and Interpretations which are potentially applicable to the Consolidated Entity and Trust's financial report is not expected to have any material impact on the financial report of the Consolidated Entity and the Trust:

Standard/Interpretation	Effective for annual reporting periods beginning on or after	Expected to be initially applied in the financial year ending
• AASB 123 'Borrowing Costs' (revised), AASB 2007-6 Amendments to Australian Accounting Standards arising from AASB 123'	1 January 2009	30 June 2010
• AASB 127 'Separate and Consolidated Financial Statements' (revised)	1 January 2009	30 June 2010
• AASB 2008-1 'Amendments to Australian Accounting Standard - Share-based Payments: Vesting Conditions and Cancellations'	1 January 2009	30 June 2010
• AASB 2008-2 'Amendments to Australian Accounting Standards - Puttable Financial Instruments and Obligations arising on Liquidation'	1 January 2009	30 June 2010
• AASB 2008-5 'Amendments to Australian Accounting Standards arising from the Annual Improvements Project'	1 January 2009	30 June 2010
• AASB 2008-6 'Further Amendments to Australian Accounting Standards arising from the Annual Improvements Project'	1 July 2009	30 June 2010
• AASB 2008-7 'Amendments to Australian Accounting Standards - Cost of an Investment in a Subsidiary, Jointly Controlled Entity or Associate'	1 January 2009	30 June 2010
• AASB 2008-8 'Amendments to Australian Accounting Standards – Eligible Hedged Items'	1 July 2009	30 June 2010
• AASB Interpretation 17 'Distributions of Non-cash Assets to Owners', AASB 2008-13 'Amendments to Australian Accounting Standards arising from AASB Interpretation 17 – Distributions of Non-cash Assets to Owners'	1 July 2009	30 June 2010

2. Significant accounting policies (continued)

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

The initial application of the expected issue of an Australian equivalent accounting Standard/Interpretation to the following Standard/Interpretation is not expected to have a material impact on the financial report of the Consolidated Entity and Trust:

Standard/Interpretation	Effective for annual reporting periods beginning on or after	Expected to be initially applied in the financial year ending
• Improvements to IFRSs (2008)	1 July 2009	30 June 2010
• AASB Interpretation 18 'Transfers of Assets from Customers'	1 July 2009	30 June 2010

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

- AASB 3 'Business Combinations' (revised), AASB 127 'Consolidated and Separate Financial Statements' (revised) and AASB 2008-3 'Amendments to Australian Accounting Standards arising from AASB 3 and AASB 127'

  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.

Impairment of assets

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

Estimates and assumptions used are reviewed on an ongoing basis.

Determining whether available-for-sale investments are impaired requires an assessment as to whether declines in value are significant or prolonged. Management has taken into account a number of qualitative and quantitative factors in making this assessment. Any assessment of whether a decline in value represents an impairment would result in the transfer of the decrement from reserves to the 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 affect 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 transmission and distribution;
- asset management;
- energy investments;
- electricity transmission; and
- complementary assets.

4. Business and geographical segments (continued)

(b) Primary reporting format - business segments

2009 [a]	Gas transmission & distribution $000	Asset management $000	Energy investments $000	Electricity transmission [e] $000	Complementary assets $000	Consolidated $000
Segment revenue						
External sales revenue	**541,403**	**69,723**	**573**	**13,120**	**7,407**	**632,226**
Equity accounted net profits	**-**	**-**	**6,143**	**-**	**-**	**6,143**
Pass-through revenue	**88,457**	**182,930**	**-**	**-**	**-**	**271,387**
Finance lease and investment interest income	**2,438**	**-**	**1,477**	**-**	**3,855**	**7,770**
Distribution - other entities	**-**	**-**	**3,536**	**-**	**-**	**3,536**
Total segment revenue	**632,298**	**252,653**	**11,729**	**13,120**	**11,262**	**921,062**
Significant items						**5,363**
Other interest income						**23,354**
Consolidated revenue						**949,779**
Segment result						
Earnings before interest, tax, depreciation and amortisation ("EBITDA")	**386,981**	**29,970**	**3,947**	**8,728**	**836**	**430,462**
Share of net profits of jointly controlled entities accounted for using the equity method	**-**	**-**	**6,143**	**-**	**-**	**6,143**
Finance lease and investment interest income	**2,438**	**-**	**1,477**	**-**	**3,855**	**7,770**
Total EBITDA (excluding significant items)	**389,419**	**29,970**	**11,567**	**8,728**	**4,691**	**444,375**
Depreciation and amortisation	**(82,856)**	**(8,497)**	**(57)**	**(4,230)**	**-**	**(95,640)**
Earnings before interest and tax ("EBIT") (excluding significant items)	**306,563**	**21,473**	**11,510**	**4,498**	**4,691**	**348,735**
Net finance costs [b]						**(212,991)**
Profit before tax (excluding significant items)						**135,744**
Income tax expense						**(35,922)**
Profit for the year (excluding significant items)						**99,822**
Significant items after tax						**(20,972)**
Profit for the year						**78,850**
Segment assets and liabilities						
Segment assets	**3,945,592**	**246,753**	**21,919**	**-**	**21,571**	**4,235,835**
Carrying value of investments accounted for using the equity method	**-**	**-**	**388,416**	**-**	**-**	**388,416**
Unallocated assets [c]						**123,076**
Total assets						**4,747,327**
Acquisition of segment assets	**24,763**	**-**	**-**	**-**	**-**	**24,763**
Segment liabilities	**121,291**	**56,001**	**499**	**-**	**11,225**	**189,016**
Unallocated liabilities [d]						**3,279,856**
Total liabilities						**3,468,872**

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

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

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

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

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

4. Business and geographical segments (continued)

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

2008 (restated) [a]	Gas transmission & distribution $000	Asset management $000	Energy investments $000	Electricity transmission $000	Complementary assets $000	Consolidated $000
Segment revenue						
External sales revenue	490,482	42,853	-	25,228	9,511	568,074
Equity accounted net profits	-	-	3,635	-	-	3,635
Pass-through revenue	95,939	186,935	-	-	-	282,874
Finance lease and investment interest income	4,245	-	-	-	8,167	12,412
Distribution - other entities	-	-	1,414	-	-	1,414
Total segment revenue	590,666	229,788	5,049	25,228	17,678	868,409
Other interest income						13,320
Consolidated revenue						881,729
Segment result						
Earnings before interest, tax, depreciation and amortisation ("EBITDA")	351,280	25,461	1,414	18,939	1,331	398,425
Share of net profits of jointly controlled entities accounted for using the equity method	-	-	3,635	-	-	3,635
Finance lease and investment interest income	4,245	-	-	-	8,167	12,412
Total EBITDA (excluding significant items)	355,525	25,461	5,049	18,939	9,498	414,472
Depreciation and amortisation	(76,983)	(7,910)	-	(9,471)	(95)	(94,459)
Earnings before interest and tax ("EBIT") (excluding significant items)	278,542	17,551	5,049	9,468	9,403	320,013
Net finance costs [b]						(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	4,027,817	362,618	-	298,863	106,607	4,795,905
Carrying value of investments accounted for using the equity method	-	4,635	131,679	-	-	136,314
Unallocated assets [c]						164,773
Total assets						5,096,992
Acquisition of segment assets	215,652	206,072	-	-	27,831	449,555
Segment liabilities	169,292	73,138	-	875	3,385	246,690
Unallocated liabilities [d]						3,600,094
Total liabilities						3,846,784

(a) All equity accounted investments have been reclassified from Gas transmission & distribution to Energy investments.
(b) 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.
(c) Unallocated assets consist of cash and cash equivalents, current tax assets and fair value of interest rate swaps.
(d) Unallocated liabilities consist of current and non-current borrowings, deferred tax liabilities and fair value of interest rate swaps.

5. Revenue

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

Continuing operations

	Consolidated		Trust	
	2009 $000	2008 $000	**2009 $000**	2008 $000
Operating revenue				
Gas transmission and distribution revenue:				
• gas transmission and distribution revenue	**544,864**	478,420	**-**	-
• pass-through revenue	**88,457**	95,939	**-**	-
	633,321	574,359	**-**	-
Asset management revenue:				
• asset management revenue	**69,129**	42,853	**-**	-
• pass-through revenue	**182,930**	186,936	**-**	-
	252,059	229,789	**-**	-
Energy investments	**2,124**	-	**-**	-
Electricity transmission revenue	**13,120**	25,228	**-**	-
Complementary assets revenue	**7,407**	19,512	**-**	-
	908,031	848,888	**-**	-
Share of net profits of jointly controlled entities accounted for using the equity method	**6,143**	3,635	**-**	-
Finance income				
Interest	**23,354**	15,587	**119**	291
Redeemable ordinary shares (EII) interest income	**676**	-	**-**	-
Envestra loan note interest income	**801**	-	**-**	-
Finance lease income	**6,293**	10,145	**-**	-
	31,124	25,732	**119**	291
Dividends				
Wholly-owned controlled entities	**-**	-	**78,815**	64,272
Other entities	**3,536**	1,414	**7,500**	1,364
	3,536	1,414	**86,315**	65,636
Other income				
Gain on disposal of property, plant and equipment	**-**	60	**-**	-
Rental income	**945**	681	**-**	-
Other revenue	**-**	1,319	**2,028**	-
	945	2,060	**2,028**	-
	949,779	881,729	**88,462**	65,927

6. Expenses

Profit before tax includes the following expenses:

	Consolidated		Trust	
	2009	2008	**2009**	2008
	$000	$000	**$000**	$000
Depreciation and amortisation expense				
Depreciation of non-current assets	**90,518**	89,874	**-**	-
Amortisation of non-current assets	**5,122**	4,585	**-**	-
	95,640	94,459	**-**	-
Other operating costs - pass-through				
Operating lease rental expenses	**18,240**	18,782	**-**	-
Gas pipeline costs	**70,217**	77,157	**-**	-
	88,457	95,939	**-**	-
Management, operating and maintenance costs	**182,930**	186,935	**-**	-
	271,387	282,874	**-**	-
Finance costs				
Interest on bank overdrafts and borrowings	**235,305**	240,408	**-**	30
Amortisation of deferred borrowing costs	**2,453**	2,522	**-**	-
Finance lease charges	**49**	42	**-**	-
Other finance costs	**1,159**	1,475	**-**	-
	238,966	244,447	**-**	30
Less: amounts included in the cost of qualifying assets	**(2,791)**	(6,547)	**-**	-
	236,175	237,900	**-**	30
Loss/(gain) on fair value of other derivatives	**8,733**	(636)	**-**	-
Unwinding of discount on non-current provisions	**170**	170	**-**	-
	245,078	237,434	**-**	30

The average capitalisation rate on funds borrowed generally is 6.93% p.a. (2008: 7.26% p.a.).

Employee benefit expense				
Post-employment benefits:				
Defined contribution plans	**5,911**	1,352	**-**	-
Defined benefit plans	**2,115**	1,245	**-**	-
	8,026	2,597	**-**	-
Termination benefits	**1,812**	1,515	**-**	-
Cash settled share-based payments	**7,422**	5,876	**-**	-
Other employee benefits	**73,551**	49,824	**-**	-
	90,811	59,812	**-**	-
Other expenses				
Impairment of trade receivables	**2,414**	20	**-**	-
Loss on disposal of property, plant and equipment	**1,452**	-	**-**	-

7. Significant items

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

	Consolidated		Trust	
	2009	2008	**2009**	2008
	$000	$000	**$000**	$000
Significant (expense)/income items				
Revaluation of interest rates swaps - deemed ineffective under AASB 139 'Financial Instrumets: Recognition and Measurement'	**(8,733)**	(336)	**-**	-
Integration costs associated with acquisitions	**-**	(4,350)	**-**	-
Unsuccessful acquisition due diligence costs	**-**	(1,343)	**-**	-
Loss on sale of business	**(16,167)**	-	**(1,955)**	-
Telfer litigation	**(1,475)**	-	**-**	-
Envestra underwriting fee	**1,551**	-	**1,509**	-
DUOS revenue accrual on APA Gas Network Queensland	**3,812**	-	**-**	-
Loss from significant items before related income tax	**(21,012)**	(6,029)	**(446)**	-
Income tax related to significant items above	**(5,948)**	1,809	**134**	-
Overprovision prior year income tax	**5,988**	-	**-**	-
Loss from significant items after related income tax	**(20,972)**	(4,220)	**(312)**	-

8. Income tax

Income tax recognised in profit or loss

	Consolidated		Trust	
	2009 $000	2008 $000	**2009 $000**	2008 $000
Tax expense/(income) comprises:				
Current tax expense/(income) in respect of the current year	**8,900**	(1,702)	**-**	-
Adjustments recognised in the current year in relation to current tax of prior years	**(9,723)**	-	**411**	-
	(823)	(1,702)	**411**	-
Deferred tax expense relating to the origination and reversal of temporary differences	**36,705**	24,660	**2,786**	476
Total tax expense	**35,882**	22,958	**3,197**	476
Attributable to:				
Profit from continuing operations	**35,882**	22,958	**3,197**	476

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

	Consolidated 2009 $000	Consolidated 2008 $000	Trust 2009 $000	Trust 2008 $000
Profit before tax	**114,732**	90,205	**90,367**	65,859
Income tax expense calculated at 30%	**34,420**	27,062	**27,110**	19,758
Effect of interest expense not deductible in determining taxable profit	**2,548**	2,447	**-**	-
Effect of non-assessable trust distribution	**(10,219)**	(8,729)	**-**	-
Effect of transactions within the tax-consolidated group that are exempt from taxation	**-**	-	**(23,645)**	(19,282)
Effect of expenses that are not deductible in determining taxable profit	**18,551**	2,298	**-**	-
Effect of expenses that are not deductible in determining accounting profit	**(519)**	(63)	**-**	-
Effect of income that is not assessable in determining taxable profit	**-**	-	**(679)**	-
Effect of income that is not assessable in determining accounting profit	**824**	-	**-**	-
Effect of income that is exempt from taxation	**-**	(57)	**-**	-
	45,605	22,958	**2,786**	476
Adjustment recognised in the current year in relation to the current tax of prior years	**(9,723)**	-	**411**	-
	35,882	22,958	**3,197**	476

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.

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	
	2009	2008	**2009**	2008
	$000	$000	**$000**	$000
Deferred income tax				
Revaluation of financial instruments treated as cash flow hedges	**(23,180)**	32,482	**-**	-
Actuarial movements on defined benefit plans	**(2,933)**	(2,473)	**-**	-
Income tax (benefit)/expense reported in equity	**(26,113)**	30,009	**-**	-
Deferred tax balances				
Deferred tax liabilities				
Temporary differences	**(416,854)**	(391,485)	**(156)**	2
	(416,854)	(391,485)	**(156)**	2
Deferred tax assets				
Temporary differences	**23,812**	21,703	**-**	-
Tax losses[(a)]	**150,557**	135,674	**150,557**	135,674
	174,369	157,377	**150,557**	135,674
	(242,485)	(234,108)	**150,401**	135,676

Trust

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

8. Income tax (continued)

Deferred tax balances

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

	Consolidated					
2009	Opening balance $000	Charged to income $000	Charged to equity $000	Finalisation of purchase price accounting $000	Acquisitions/ disposals $000	Closing balance $000
Gross deferred tax liabilities						
Intangible assets	**(736)**	**210**	**-**	**-**	**-**	**(526)**
Property, plant and equipment	**(355,388)**	**(39,993)**	**-**	**-**	**2,749**	**(392,632)**
Deferred expenses	**(8,704)**	**(11,520)**	**-**	**-**	**82**	**(20,142)**
Cash flow hedges	**(26,657)**	**989**	**23,180**	**-**	**(1,017)**	**(3,505)**
Other	**-**	**(49)**	**-**	**-**	**-**	**(49)**
	(391,485)	**(50,363)**	**23,180**	**-**	**1,814**	**(416,854)**
Gross deferred tax assets						
Provisions	**14,039**	**317**	**-**	**-**	**137**	**14,493**
Deferred revenue	**5,139**	**(682)**	**-**	**-**	**264**	**4,721**
Defined benefit obligation	**2,044**	**(580)**	**2,933**	**-**	**-**	**4,397**
Investments equity accounted	**-**	**201**	**-**	**-**	**-**	**201**
Other	**481**	**(481)**	**-**	**-**	**-**	**-**
Tax losses	**135,674**	**14,883**	**-**	**-**	**-**	**150,557**
	157,377	**13,658**	**2,933**	**-**	**401**	**174,369**
	(234,108)	**(36,705)**	**26,113**	**-**	**2,215**	**(242,485)**

	Consolidated	
	2009 $000	2008 $000
Presented in the balance sheet as follows:		
Deferred tax liabilities attributable to:		
Continuing operations	**(242,485)**	(246,996)
Directly associated with assets held for sale (Note 13)	**-**	12,888
	(242,485)	(234,108)
Deferred tax assets attributable to:		
Continuing operations	**-**	-
	-	-
	(242,485)	(234,108)

8. Income tax (continued)

Deferred tax balances (continued)

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

	Consolidated					
2008	Opening balance $000	Charged to income $000	Charged to equity $000	Finalisation of purchase price accounting $000	Acquisitions/ disposals $000	Closing balance $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)

	Trust					
2009	Opening balance $000	Charged to income $000	Charged to equity $000	Transfers $000	Acquisitions/ disposals $000	Closing balance $000
Gross deferred tax liabilities						
Other	**2**	**(158)**	**-**	**-**	**-**	**(156)**
	2	**(158)**	**-**	**-**	**-**	**(156)**
Gross deferred tax assets						
Investments equity accounted	**-**	**-**	**-**	**-**	**-**	**-**
Tax losses	**135,674**	**(2,628)**	**-**	**17,511**	**-**	**150,557**
	135,674	**(2,628)**	**-**	**17,511**	**-**	**150,557**
	135,676	**(2,786)**	**-**	**17,511**	**-**	**150,401**
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

8. Income tax (continued)

Unrecognised deferred tax assets

	Consolidated		Trust	
	2009 $000	2008 $000	**2009 $000**	2008 $000
The following deferred tax assets have not been brought to account as assets:				
Tax losses - capital	**6,527**	6,527	**6,527**	6,527

Tax consolidation

Relevance of tax consolidation to the Group

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

Nature of tax funding arrangement and tax sharing agreement

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

The tax sharing agreement entered into between members of the tax-consolidated group provides for the determination of the allocation of income tax liabilities between the entities should the head entity default on its tax payment obligations or if an entity should leave the tax-consolidated group. The effect of the tax sharing agreement is that each member's liability for the tax payable by the tax-consolidated group is limited to the amount payable to the head entity under the tax funding arrangement.

9. Distributions

(a) Recognised amounts

	Trust			
	2009 cents per security	**2009 Total $000**	2008 cents per security	2008 Total $000
Final distribution paid on 10 September 2008 (2008: 28 September 2007)[a]				
Profit distribution[b]	**9.0**	**42,142**	2.0	8,634
Semi-annual distribution paid on 27 March 2009 (2008: 28 March 2008)				
Profit distribution[b]	**9.0**	**44,095**	9.8	44,918
	18.0	**86,237**	11.8	53,552

Unrecognised amounts

Final distribution payable on 15 September 2009 (2008: 10 September 2008)				
Profit distribution [b]	**2.7**	**13,684**	9.0	42,142
	2.7	**13,684**	9.0	42,142

9. Distributions (continued)

(b) Recognised amounts

	APT and APTIT			
	2009 cents per security	**2009 Total $000**	2008 cents per security	2008 Total $000
Final distribution paid on 10 September 2008				
(2008: 28 September 2007)[a]				
Profit distribution - APT[b]	**9.0**	**42,142**	2.0	8,634
Profit distribution - APTIT[b](Note 31)	**3.4**	**16,014**	3.0	12,951
Capital distribution - APTIT (Note 31)	**2.6**	**12,081**	2.0	8,634
Semi-annual distribution paid on 27 March 2009				
(2008: 28 March 2008)				
Profit distribution - APT[b]	**9.0**	**44,095**	9.8	44,918
Profit distribution - APTIT[b](Note 31)	**2.9**	**14,221**	2.0	9,167
Capital distribution - APTIT (Note 31)	**3.1**	**15,176**	2.7	12,375
	30.0	**143,729**	21.5	96,680

Unrecognised amounts

Final distribution payable on 15 September 2009				
(2008: 10 September 2008)				
Profit distribution - APT[b]	**2.7**	**13,684**	9.0	42,142
Profit distribution - APTIT[b]	**2.2**	**10,809**	3.4	16,014
Capital distribution - APTIT	**11.1**	**55,293**	2.6	12,081
	16.0	**79,786**	15.0	70,237

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

(b) Profit distributions were unfranked (2008: unfranked).

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

	Consolidated		Trust	
	2009 $000	2008 $000	**2009 $000**	2008 $000
Adjusted franking account balance (tax paid basis)	**193**	(192)	**193**	(192)

10. Trade and other receivables

	Consolidated		Trust	
	2009 $000	2008 $000	**2009 $000**	2008 $000
Trade receivables	**104,033**	123,569	**37**	-
Allowance for doubtful debts	**(2,414)**	(20)	**-**	-
	101,619	123,549	**37**	-
Receivables from associates	**37,991**	-	**482**	-
Finance lease receivables (Note 32)	**2,737**	5,697	**-**	-
Interest receivable	**123**	78	**1**	-
Other debtors	**28**	878	**7,265**	-
	142,498	130,202	**7,785**	-

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

Ageing of past due but not impaired				
30 - 60 days	**2,856**	3,052	**-**	-
60 - 90 days	**284**	454	**-**	-
90 - 120 days	**3,076**	2,781	**-**	-
Total	**6,216**	6,287	**-**	-

Movement in the allowance for doubtful debts				
Balance at beginning of year	**20**	-	**-**	-
Charged to income statement	**2,394**	20	**-**	-
Balance at end of year	**2,414**	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.

Included in the allowance for doubtful debts is an individual trade receivable with a balance of $2.390 million (2008: $nil) which has been placed into receivership. The Consolidated Entity does not expect to receive any liquidation proceeds.

Ageing of impaired receivables				
90 - 120 days	**2,394**	20	**-**	-
Total	**2,394**	20	**-**	-

11. Inventories

Spare parts - at cost	**10,371**	7,747	**-**	-
Gas stock	**3,785**	3,215	**-**	-
	14,156	10,962	**-**	-

12. Other current assets

Prepayments	**4,182**	2,883	**-**	-

13. Non-current assets classified as held for sale

	Consolidated		Trust	
	2009 $000	2008 $000	**2009 $000**	2008 $000
Non-current assets classified as held for sale				
Property, plant and equipment	**-**	478,608	**-**	-
Trade and other receivables	**-**	104,300	**-**	-
Other financial assets	**-**	5,455	**-**	-
Other	**-**	320	**-**	-
Other financial liabilities	**-**	160	**-**	-
Deferred tax assets	**-**	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	**-**	144	**-**	-
	-	99,678	**-**	-

In the prior year, 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 was finalised by 12 December 2008.

14. Non-current receivables

Finance lease receivables (Note 32)	**21,168**	21,426	**-**	-

15. Other non-current financial assets

Investments carried at cost:				
Investments in controlled entities	**-**	-	**1,303,316**	828,758
Envestra	**-**	-	**242,807**	-
Energy Infrastructure Investment	**-**	-	**329**	-
Available-for-sale investments carried at fair value:				
Envestra	**-**	104,192	**-**	96,151
Ethane Pipeline Income Fund (formerly Mariner Pipeline Income Fund)	**3,497**	6,446	**1,306**	2,407
Other	**4**	5	**-**	-
Financial assets carried at amortised cost:				
Redeemable ordinary shares	**10,758**	-	**-**	-
Derivatives - at fair value:				
Interest rate swaps - cash flow hedges	**-**	42,501	**-**	-
	14,259	153,144	**1,547,758**	927,316

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

Financial assets carried at amortised cost relate to APA Group's 19.9% investment in Energy Infrastructure Investments Pty Ltd where APL, as responsible entity for APTIT, acquired the redeemable ordinary shares, which include a debt component.

16. Investment accounted for using the equity method

	Consolidated		Trust	
	2009	2008	**2009**	2008
	$000	$000	**$000**	$000
Investments in jointly controlled entities	**388,416**	136,314	**-**	-
Reconciliation of movements in investments accounted for using the equity method				
Balance at 1 July	**136,314**	135,578	**-**	-
Transfer at fair value from available-for-sale investments	**207,996**	-	**-**	-
Acquisitions during the year	**67,561**	4,862	**-**	-
Share of net profit for the year	**6,143**	3,635	**-**	-
Movement in reserves	**(6,409)**	3,539	**-**	-
	411,605	147,614	**-**	-
Dividends	**(23,189)**	(11,300)	**-**	-
Balance at 30 June	**388,416**	136,314	**-**	-

			Ownership interest %	
Name of entity	Principal activity	Country of incorporation	**2009**	2008
SEA Gas	Gas transmission	Australia	**33.33**	33.33
CAMS	Water management	Australia	**50.00**	50.00
Envestra Limited [(a)]	Gas transmission	Australia	**30.36**	-
Energy Infrastructure Investments [(b)]	Unlisted energy vehicle	Australia	**19.90**	-

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

	Consolidated	
	2009	2008
	$000	$000
Financial position		
Total assets	**4,148,903**	827,220
Total liabilities	**3,218,022**	422,914
Net assets	**930,881**	404,306
Consolidated Entity's share of jointly controlled entities net assets	**284,421**	136,314
Financial performance		
Total revenue	**493,519**	89,476
Total profit for the year	**47,560**	22,386
Consolidated Entity's share of jointly controlled entities profit	**6,143**	3,635

(a) In February 2009, APA Group increased its interest in Envestra Limited by 11.5% through participation in and partly underwriting Envestra's rights issue, for a total cost of $64.4 million. Following this increase in interest the investment changed from an investment to an investment accounted for available-for-sale using the equity method.

(b) In December 2008, APA established an unlisted investment vehicle Energy Infrastructure Investments Pty Limited (EII). APA retains a minority interest of 19.9% in EII, with equity partners Marubeni Corporation and Osaka Gas of Japan holding interests of 49.9% and 30.2% respectively. APA manages and operates the assets under a long term agreement. APA has joint control of EII given that key strategic and operational decisions of EII require the unanimous consent of all securityholders. APA therefore accounts for the investment using the equity method.

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.

17. Property, plant and equipment

	Consolidated				
	Freehold land and buildings - at cost $000	Leasehold improvements - at cost $000	Plant and equipment - at cost $000	Work in progress - at cost $000	Total $000
Gross carrying amount					
Balance at 1 July 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 1 July 2008	111,982	1,665	3,322,303	66,389	3,502,339
Additions	**-**	**649**	**3,105**	**297,264**	**301,018**
Disposals - other	**(3,854)**	**(179)**	**(5,344)**	**(105,686)**	**(115,063)**
Acquisitions through business combinations	**-**	**86**	**22,822**	**-**	**22,908**
Transfer to assets classified as finance leases	**-**	**-**	**-**	**(2,635)**	**(2,635)**
Transfers	**153**	**(8)**	**100,889**	**(101,034)**	**-**
Balance at 30 June 2009	**108,281**	**2,213**	**3,443,775**	**154,298**	**3,708,567**
Accumulated depreciation					
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 1 July 2008	(9,030)	(667)	(255,919)	-	(265,616)
Disposals	**571**	**122**	**9,319**	**-**	**10,012**
Depreciation expense	**(2,243)**	**(657)**	**(87,618)**	**-**	**(90,518)**
Transfers	**-**	**100**	**(100)**	**-**	**-**
Balance at 30 June 2009	**(10,702)**	**(1,102)**	**(334,318)**	**-**	**(346,122)**
Net book value					
As at 30 June 2008	102,952	998	3,066,384	66,389	3,236,723
As at 30 June 2009	**97,579**	**1,111**	**3,109,457**	**154,298**	**3,362,445**

The Trust has no property, plant and equipment.

18. Goodwill

	Consolidated		Trust	
	2009	2008	**2009**	2008
	$000	$000	**$000**	$000
Gross carrying amount				
Balance at beginning of financial year	**520,774**	297,745	**-**	-
Additional amounts recognised from business combinations occurring during the year (Note 41)	**-**	227,917	**-**	-
Finalisation of provisional purchase price accounting	**5**	(4,888)	**-**	-
Balance at end of financial year	**520,779**	520,774	**-**	-

Allocation of goodwill to cash-generating units

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

Individual cash-generating units

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

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

	Consolidated	
	2009	2008
	$000	$000
Asset management business	**37,828**	37,823
Gas transmission pipelines in New South Wales, Queensland and Western Australia;	**272,692**	272,692
Victorian transmission system	**105,061**	105,061
APA Gas Networks	**104,263**	104,263
Other	**935**	935
	520,779	520,774

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

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

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

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

Cash flow projections are estimated for a period of up to 20 years, with a terminal value, recognising the long term nature of the assets. The pre-tax discount rates used are 9.0% p.a. (2008: 8.5% p.a.) for gas transmission assets and 9.0% p.a. (2008: 9.5% p.a.) for asset management.

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

19. Other intangible assets

	Consolidated		Trust	
	2009	2008	**2009**	2008
	$000	$000	**$000**	$000
Right to receive pipeline tariff	**1,753**	2,453	**-**	-
Contract intangibles	**166,768**	169,190	**-**	-
	168,521	171,643	**-**	-
Right to receive pipeline tariff				
Gross carrying amount				
Balance at 1 July 2008	**15,677**	15,677	**-**	-
Balance at 30 June 2009	**15,677**	15,677	**-**	-
Accumulated amortisation and impairment				
Balance at 1 July 2008	**(13,224)**	(12,524)	**-**	-
Amortisation expense	**(700)**	(700)	**-**	-
Balance at 30 June 2009	**(13,924)**	(13,224)	**-**	-
Net book value	**1,753**	2,453	**-**	-
Contract intangibles				
Gross carrying amount				
Balance at 1 July 2008	**173,075**	-	**-**	-
Acquisitions	**2,000**	173,075	**-**	-
Balance at 30 June 2009	**175,075**	173,075	**-**	-
Accumulated amortisation and impairment				
Balance at 1 July 2008	**(3,885)**	-	**-**	-
Amortisation expense	**(4,422)**	(3,885)	**-**	-
Balance at 30 June 2009	**(8,307)**	(3,885)	**-**	-
Net book value	**166,768**	169,190	**-**	-

The Consolidated Entity holds various third party operating and maintenance contracts. The combined gross carrying amount of $175.075 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. Amortisation expense is included in the line item of depreciation and amortisation expense in the income statement.

20. Other non-current assets

Line pack gas	**1,160**	1,129	**-**	-
Other project costs	**-**	4,448	**-**	-
Other assets	**928**	158	**-**	-
	2,088	5,735	**-**	-

21. Trade and other payables

	Consolidated		Trust	
	2009	2008	**2009**	2008
	$000	$000	**$000**	$000
Trade payables [(a)]	**19,481**	54,599	**-**	-
Other payables [(b)]	**90,394**	96,959	**25**	6
Payables from associates	**7**	-	**-**	-
Non-trade payables to:				
Wholly-owned controlled entities [(c)]	**-**	-	**150,401**	136,196
	109,882	151,558	**150,426**	136,202

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

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

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

22. Current borrowings

Unsecured - at amortised cost				
Bank borrowings[(a)]	**900,000**	434	**-**	-
Secured - at amortised cost				
Medium Term Notes[(b)]	**-**	450,000	**-**	-
Less: amortised borrowing costs	**-**	(434)	**-**	-
Finance lease liabilities[(c)](Note 32)	**219**	150	**-**	-
	219	449,716	**-**	-
	900,219	450,150	**-**	-

(a) The $900m syndicated bank facility matures on 8 June 2010. APA is currently undertaking the refinance of Tranche A of its 2007 syndicated debt facility amounting to $900 million. To date, a long term raising of US Private Placement notes of A$185 million with 7-year and 10-year tenures has been completed, a $150 million 5 year bi-lateral facility has been executed and APA has obtained more than $1 billion of commitments from a bank syndication process to refinance its 2010 debt maturity obligations.
Documentation is expected to be executed near the end of August 2009.

(b) Medium Term Notes of $150 million with interest at a fixed rate matured on 15 August 2008, $100 million with interest at a fixed rate matured on 20 March 2009 and $200 million with interest at floating rates matured on 20 March 2009. The notes were secured over the assets of GasNet Australia Trust and its controlled entities. (Refer to Note 37 for details of interest rates).

(c) Secured by the assets leased; the current weighted average effective interest rate on the finance lease liabilities is 7.96% p.a. (2008: 7.67% p.a.).

23. Other current financial liabilities

Derivatives

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

Interest rate swaps	**7,648**	5,187	**-**	-

24. Provisions

	Consolidated		Trust	
	2009	2008	**2009**	2008
	$000	$000	**$000**	$000
Current				
Employee benefits[(a)]	**38,477**	27,415	**-**	-
Other (Note 33)	**957**	11,337	**-**	-
	39,434	38,752	**-**	-
Non-current				
Employee benefits[(a)]	**20,627**	16,347	**-**	-
Other (Note 33)	**2,830**	2,660	**-**	-
	23,457	19,007	**-**	-

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

	Consolidated		Trust	
Current				
Incentives	**6,902**	6,121	**-**	-
Cash settled share-based payments	**452**	286	**-**	-
Retention award	**632**	-	**-**	-
Restructuring costs	**1,093**	-	**-**	-
Leave balances	**29,398**	21,008	**-**	-
	38,477	27,415	**-**	-
Non-current				
Cash settled share-based payments	**3,479**	1,856	**-**	-
Retention award	**-**	415	**-**	-
Retirement benefit obligation (Note 34)	**14,656**	6,815	**-**	-
Leave balances	**2,492**	7,261	**-**	-
	20,627	16,347	**-**	-

25. Other liabilities

	Consolidated		Trust	
Current				
Unearned revenue - interest	**8,870**	8,496	**-**	-
Unearned revenue - other	**4,172**	3,613	**-**	-
	13,042	12,109	**-**	-
Non-current				
Unearned revenue - other	**3,202**	2,180	**-**	-
	3,202	2,180	**-**	-

26. Non-current borrowings

	Consolidated		Trust	
	2009 $000	2008 $000	**2009 $000**	2008 $000
Unsecured - at amortised cost				
Bank borrowings[(a)]	**850,000**	1,566,000	**-**	-
Guaranteed Senior Notes[(b)]	**1,214,258**	1,100,866	**-**	-
Less: amortised borrowing costs	**(8,529)**	(7,978)	**-**	-
	2,055,729	2,658,888	**-**	-
Secured - at amortised cost				
Bank borrowings[(c)]	**1,645**	1,645	**-**	-
Finance lease liabilities[(d)](Note 32)	**501**	440	**-**	-
	2,146	2,085	-	-
	2,057,875	2,660,973	**-**	-

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

(b) Represents notes of US$659 million (2008: US$659 million) measured at the exchange rate at reporting date, and A$416.9 million (2008: A$416.9 million).

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

(d) Secured by the assets leased, the current weighted average effective interest rate on the finance lease liabilities is 7.96% p.a. (2008: 7.67% p.a.).

27. Other non-current financial liabilities

Derivatives - at fair value:				
Interest rate swaps - cash flow hedges	**49,414**	-	**-**	-
Foreign exchange hedges - cash flow hedges	**22,214**	160,195	**-**	-
Loans carried at amortised cost:				
Loans from controlled entities	**-**	-	**648,738**	145,286
	71,628	160,195	**648,738**	145,286

28. Issued capital

Securities				
498,663,596 securities, fully paid (2008: 468,241,154 securities, fully paid)[(a)]	**894,435**	844,150	**894,435**	844,150

	Consolidated and Trust			
	2009 No. of securities 000	**2009 $000**	2008 No. of securities 000	2008 $000
Movements				
Balance at beginning of financial year	**468,241**	**844,150**	431,701	801,055
Issue of securities under Distribution Reinvestment Plan	**18,718**	**29,185**	12,881	22,099
Issue of securities under Security Purchase Plan	**11,705**	**21,493**	23,659	21,257
Issue cost of securities	**-**	**(393)**	-	(261)
Balance at end of financial year	**498,664**	**894,435**	468,241	844,150

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

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

29. Reserves

	Consolidated 2009 $000	Consolidated 2008 $000	Trust 2009 $000	Trust 2008 $000
Hedging	**13,688**	64,821	**-**	-
Asset revaluation	**8,669**	8,669	**-**	-
Available-for-sale investment revaluation	**(2,682)**	(75,435)	**(1,237)**	(75,386)
	19,675	(1,945)	**(1,237)**	(75,386)

Hedging reserve

	Consolidated 2009 $000	Consolidated 2008 $000	Trust 2009 $000	Trust 2008 $000
Balance at beginning of financial year	**64,821**	(11,879)	**-**	-
Gain/(loss) recognised:				
Interest rate swaps/currency swaps	**48,526**	17,880	**-**	-
Transferred to profit or loss:				
Interest rate swaps/currency swaps	**(115,599)**	91,270	**-**	-
Deferred tax arising on hedges	**23,180**	(32,482)	**-**	-
Share of hedge reserve of associate	**(6,409)**	-	**-**	-
Other	**(831)**	32	**-**	-
Balance at end of financial year	**13,688**	64,821	**-**	-

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

Asset revaluation reserve

	Consolidated 2009 $000	Consolidated 2008 $000	Trust 2009 $000	Trust 2008 $000
Balance at beginning of financial year	**8,669**	8,669	**-**	-
Balance at end of financial year	**8,669**	8,669	**-**	-

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

Available-for-sale investment revaluation reserve

	Consolidated 2009 $000	Consolidated 2008 $000	Trust 2009 $000	Trust 2008 $000
Balance at beginning of financial year	**(75,435)**	-	**(75,386)**	-
Reversed on acquisition of significant interest	**75,250**	-	**75,250**	-
Revaluation gain/(loss) recognised	**(2,497)**	(75,435)	**(1,101)**	(75,386)
Balance at end of financial year	**(2,682)**	(75,435)	**(1,237)**	(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.

30. Retained earnings

	Consolidated 2009 $000	Consolidated 2008 $000	Trust 2009 $000	Trust 2008 $000
Balance at beginning of financial year	**43,375**	64,604	**12,752**	921
Net profit attributable to securityholders	**44,708**	38,094	**87,170**	65,383
Distributions paid (Note 9(a))	**(86,237)**	(53,552)	**(86,237)**	(53,552)
Actuarial gain/(loss) on defined benefit plans recognised directly to retained earnings after tax (Note 34)	**(6,844)**	(5,771)	**-**	-
Balance at end of financial year	**(4,998)**	43,375	**13,685**	12,752

NOTES TO THE FINANCIAL STATEMENTS

31. Minority interests

	Consolidated		Trust	
	2009 $000	2008 $000	**2009 $000**	2008 $000
APT Investment Trust	**369,262**	364,539	**-**	-
Other minority interest	**81**	89	**-**	-
	369,343	364,628	**-**	-
APT Investment Trust				
Issued capital:				
Balance at beginning of financial year	**357,559**	298,253	**-**	-
Issue of securities under Distribution Reinvestment Plan	**19,458**	16,869	**-**	-
Issue of securities under Security Purchase Plan	**8,864**	63,770	**-**	-
Distribution - capital return (Note 9(b))	**(27,257)**	(21,009)	**-**	-
Issue cost of securities	**(171)**	(324)	**-**	-
Balance at end of financial year	**358,453**	357,559	**-**	-
Retained earnings:				
Balance at beginning of financial year	**6,980**	-	**-**	-
Net profit attributable to APTIT equityholders	**34,064**	29,098	**-**	-
Distributions paid (Note 9(b))	**(30,235)**	(22,118)	**-**	-
Balance at end of financial year	**10,809**	6,980	**-**	-
Other minority interest				
Issued capital	**4**	4	**-**	-
Reserves	**1**	1	**-**	-
Retained earnings	**76**	84	**-**	-
	81	89	**-**	-

32. 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. During the year, the majority of these leases were sold/novated to the unlisted vehicle Energy Infrastructure Investments (EII), refer to Note 40.

Finance lease receivables				
Not longer than 1 year	**4,937**	16,450	**-**	-
Longer than 1 year and not longer than 5 years	**18,341**	64,931	**-**	-
Longer than 5 years	**10,349**	119,607	**-**	-
Minimum future lease payments receivable[(a)]	**33,627**	200,988	**-**	-
Gross finance lease receivables	**33,627**	200,988	**-**	-
Less: unearned finance lease receivables	**(9,722)**	(85,005)	**-**	-
Less: guaranteed residual value	**-**	7,560	**-**	-
Present value of lease receivables	**23,905**	123,543	**-**	-
Included in the financial statements as part of:				
Current trade and other receivables (Note 10)	**2,737**	5,697	**-**	-
Non-current receivables (Note 14)	**21,168**	21,426	**-**	-
Non-current assets classified as held for sale	**-**	96,420	**-**	-
	23,905	123,543	**-**	-

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

32. Leases (continued)

(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.

	Consolidated		Trust	
	2009	2008	**2009**	2008
	$000	$000	**$000**	$000
Finance lease liabilities				
Not longer than 1 year	**265**	193	**-**	-
Longer than 1 year and not longer than 5 years	**556**	486	**-**	-
Minimum future finance lease payments[(b)]	**821**	679	**-**	-
Less: future finance charges	**(101)**	(89)	**-**	-
Present value of minimum lease payments	**720**	590	**-**	-
Included in the financial statements as part of:				
Current borrowings (Note 22)	**219**	150	**-**	-
Non-current borrowings (Note 26)	**501**	440	**-**	-
	720	590	**-**	-

(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:

	Consolidated 2009 $000	Consolidated 2008 $000	Trust 2009 $000	Trust 2008 $000
Non-cancellable operating leases - transmission pipelines				
Not longer than 1 year	**18,311**	18,860	**-**	-
Longer than 1 year and not longer than 5 years	**97,237**	121,241	**-**	-
Longer than 5 years	**-**	-	**-**	-
	115,548	140,101	**-**	-
Non-cancellable operating leases - other				
Not longer than 1 year	**6,721**	2,330	**-**	-
Longer than 1 year and not longer than 5 years	**10,392**	5,968	**-**	-
Longer than 5 years	**1,010**	594	**-**	-
	18,123	8,892	**-**	-

33. Provisions

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

	Consolidated				
	Force majeure claims [(c)]	Abandonment	SCC repair	Other	Total
	$000	$000	$000	$000	$000
Balance at 30 June 2007	353	2,490	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 24)	-	-	431	10,906	11,337
Non-current (Note 24)	-	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) Provision for repair and investigative work on the Moomba Sydney Pipeline due to stress corrosion cracking ("SCC").

(c) 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.

34. Employee superannuation plans

All employees of the Consolidated Entity are entitled to benefits on retirement, disability or death from an industry sponsored fund, or an alternative fund of their choice. The Consolidated Entity has three plans with defined benefit sections (due to the acquisition of businesses) and plans with defined contribution sections. The defined benefit sections provide lump sum benefits upon retirement based on years of service. The defined contribution sections receive fixed contributions from the Consolidated Entity and the Consolidated Entity's legal and constructive obligations are limited to these amounts.

The most recent actuarial valuations of plan assets and the present value of the defined benefit obligation were carried out at 30 June 2009 by Mercer (Australia) Pty Ltd and Russell Investments (2008: Mercer (Australia) Pty Ltd and Russell Investments). The present value of the defined benefit obligation, and the related current service cost and past service cost, were measured using the projected unit credit method.

34. Employee superannuation plans (continued)

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

	Consolidated	
	2009	2008
	$000	$000
Amounts recognised in the income statement		
Current service cost	**2,804**	2,912
Interest cost on benefit obligation	**5,326**	4,892
Expected return on plan assets	**(6,015)**	(6,559)
Total included in superannuation costs which form part of employee benefit expense	**2,115**	1,245
Actual return on plan assets	**(6,531)**	(6,168)
Actuarial losses incurred during the year and recognised in the statement of recognised income and expense	**(9,775)**	(8,244)
Amounts recognised in the balance sheet		
Fair value of plan assets	**84,023**	90,227
Present value of benefit obligation	**(98,679)**	(97,042)
Net liability - non-current	**(14,656)**	(6,815)
Movements in (liability)/asset during the year		
Balance at beginning of year	**(6,815)**	3,274
Acquisitions through business combinations	**-**	(2,869)
Expense recognised in income statement	**(2,115)**	(1,245)
Amount recognised in retained earnings	**(9,775)**	(8,244)
Contributions	**4,049**	2,269
Balance at end of year[(a)]	**(14,656)**	(6,815)

(a) The above balances are recorded within the provisions section of the balance sheet; refer to Note 24.

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

Opening defined benefit obligation	**97,042**	99,542
Current service cost	**2,804**	2,912
Interest cost	**5,332**	4,892
Contributions from plan participants	**1,612**	1,315
Actuarial (gains)/losses	**(2,777)**	(4,484)
Benefits paid	**(4,535)**	(6,738)
Taxes and premiums paid	**(799)**	(397)
Closing defined benefit obligation	**98,679**	97,042

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

Opening fair value of plan assets	**90,227**	99,947
Expected return on plan assets	**6,015**	6,559
Actuarial gains/(losses)	**(12,552)**	(12,727)
Contributions from employer	**4,049**	2,268
Contributions from plan participants	**1,618**	1,315
Benefits paid	**(4,535)**	(6,738)
Taxes and premiums paid	**(799)**	(397)
Closing fair value of plan assets	**84,023**	90,227

34. Employee superannuation plans (continued)

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

	Consolidated	
	2009	2008
	%	%
Discount rate (p.a.)	**5.0**	5.9
Expected return on plan assets (p.a.)	**7.0**	7.1
Expected salary rate increase (p.a.)	**4.5**	4.5
The invested defined benefit assets were held in the following classes:		
Australian equities	**35.5**	34.7
International equity	**25.7**	24.8
Fixed income	**12.4**	12.3
Property	**10.5**	13.2
Alternatives	**10.4**	8.6
Cash	**5.5**	6.4

The history of experience adjustments is as follows:

	2009	2008
	$000	$000
Fair value of plan assets	**84,023**	90,227
Present value of defined benefit obligation	**98,679**	97,042
Deficit/surplus	**(14,656)**	(6,815)
Experience adjustments on plan liabilities	**(6,753)**	(1,515)
Experience adjustments on plan assets	**8,450**	8,533

The Consolidated Entity expects $6,295,000 in contributions to be paid to the defined benefit plans during the year ending 30 June 2010.

35. Earnings per security

	Consolidated	
	2009	2008
Basic and diluted earnings per security (cents)	**16.2**	14.9

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)	**78,772**	67,192
	No. of securities	
Adjusted weighted average number of ordinary securities used in the calculation of basic and diluted earnings per security (000)	**485,077**	450,262

36. 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	
	2009 $000	2008 $000	**2009 $000**	2008 $000
Cash at bank and on hand [(a)]	**107,861**	100,343	**104**	12
Short-term deposits	**954**	5,112	**-**	-
	108,815	105,455	**104**	12

Restricted cash

(a) As at 30 June 2009, Australian Pipeline Limited held $5.0 million (2008: $5.0 million) on deposit to meet its financial requirements as the holder of an Australian Financial Services Licence.

(b) Businesses acquired and disposed of

Consolidated

During the financial year, the Consolidated Entity acquired the Central Ranges Pipeline. The net cash outflow on acquisition was $22,616,000 for controlled entities. Refer to Note 41 for further details of this acquisition. In addition $7,326,000 has been reinvested in Envestra through the Dividend Reinvestment Plan, $21,227,000 through participation in the rights issue and a further $44,749,000 from underwriting Envestra's rights issue. $22,812,000 has been invested in the redeemable ordinary shares of Energy Infrastructure Investments Pty Ltd.

Trust

During the financial year, the Trust has reinvested $7,212,000 in Envestra through the Dividend Reinvestment Plan, $20,654,000 through participation in the rights issue and a further $43,541,000 from underwriting Envestra's rights issue. $329,000 has been invested in the redeemable ordinary shares of Energy Infrastructure Investments Pty Ltd. The Trust contributed funds by way of equity to facilitate the repayment of the Medium Term Notes within the GasNet Group.

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

Profit for the year	**78,850**	67,247	**87,170**	65,383
Loss/(gain) on disposal of investments	**16,167**	-	**(1,955)**	-
Loss/(gain) from the disposal of property, plant and equipment	**1,452**	(60)	**-**	-
Share of net profits of jointly controlled entities accounted for using the equity method	**(6,143)**	(3,635)	**-**	-
Dividends/distributions received	**23,746**	21,929	**14,069**	-
Depreciation and amortisation expense	**95,640**	94,459	**-**	-
Finance costs	**11,077**	1,774	**-**	-
Changes in assets and liabilities:				
Trade and other receivables	**89**	(39,723)	**(7,785)**	-
Inventories	**(2,996)**	(1,556)	**-**	-
Other assets	**(682)**	7,385		-
Trade and other payables	**(27,265)**	24,057	**(13,365)**	5
Provisions	**1,564**	(42)	**-**	-
Other liabilities	**255**	(8,936)	**-**	-
Income tax balances	**34,615**	23,524	**3,197**	476
Net cash provided by operating activities	**226,369**	186,423	**81,330**	65,864

36. Notes to the cash flow statement (continued)

(d) Financing facilities

	Consolidated		Trust	
	2009	2008	**2009**	2008
	$000	$000	**$000**	$000
Unsecured facilities				
Bank borrowings[(a)]				
Amounts used	**1,750,000**	1,566,000	**-**	-
Amounts unused	**250,000**	434,000	**-**	-
	2,000,000	2,000,000	**-**	-
Guaranteed Senior Notes[(b)]				
Amounts used	**1,214,258**	1,100,866	**-**	-
Amounts unused	**-**	-	**-**	-
	1,214,258	1,100,866	**-**	-
Secured facilities				
Bank borrowings				
Amounts used	**1,645**	1,645	**-**	-
Amounts unused	**-**	-	**-**	-
	1,645	1,645	**-**	-
Medium Term Notes[(c)]				
Amounts used	**-**	450,000	**-**	-
Amounts unused	**-**	-	**-**	-
	-	450,000	**-**	-

(a) 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.

(b) APT Pipelines Limited issued notes in the US Private Placement market in September 2003 and May 2007. The issue was in dual currencies involving the Australian dollar and the US dollar. The disclosed amount represents the Australian dollar equivalent of notes issued as measured at the reporting date. The maturity date and interest rates payable are disclosed in Note 37.

(c) Medium Term Notes of $150 million with interest at a fixed rate matured on 15 August 2008, $100 million with interest at a fixed rate matured on 20 March 2009 and $200 million with interest at floating rates matured on 20 March 2009. The notes were secured over the assets of GasNet Australia Trust and its controlled entities. On 16 July 2008, APA announced that it had executed new debt facility agreements totalling $165 million to refinance the first tranche of APA GasNet Medium Term Notes of $150 million which matured in August 2008, and the remainder to supplement APA's existing debt facilities. The terms of those facilities are for three years, through to July 2011. The facilities were 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.

37. Financial instruments

(a) Capital risk management

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

The Consolidated Entity's overall strategy remains unchanged from 2008.

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

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

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

37. Financial instruments (continued)

(a) Capital risk management (continued)

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

Controlled entities are subject to externally imposed capital requirements. These relate to the Australian Financial Service Licence held by Australian Pipeline Limited, the Responsible Entity of the Consolidated Entity and were adhered to for the entirety of the 2008 and 2009 periods.

Gearing ratio

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

(b) Financial risk management objectives

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

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

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

(c) Market risk management

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

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

There has been no change to the Consolidated Entity's exposure to market risks or the manner to which it manages and measures the risk from the previous period.
The Consolidated Entity is also exposed to price risk from its investments in listed equities. The majority of the shareholdings are in two companies that are publicly traded in the major financial markets.

37. Financial instruments (continued)

(d) Foreign currency risk management (continued)

The Consolidated Entity undertakes certain transactions denominated in foreign currencies and hence exposures to exchange rate fluctuations arise. Exchange rate exposures are managed within approved policy parameters utilising foreign exchange contracts, including forward contracts and cross currency contracts. There was nil exposure in APA in either 2008 or 2009.

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

	Consolidated			
	Liabilities		Assets	
	2009 $000	2008 $000	**2009 $000**	2008 $000
US dollar borrowings	**810,080**	684,000	**-**	-
Cross currency swaps	**(810,080)**	(684,000)	**-**	-
	-	-	**-**	-
Foreign exchange contracts	**10,768**	6,662	**-**	-
	10,768	6,662	**-**	-

The above table excludes US dollar borrowings which were entered into on 1 July 2009 and corresponding cross currency swaps entered into in May 2009 with a forward starting date of 1 July 2009 associated with those borrowings.

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

Forward foreign exchange contracts

It is the policy of the Consolidated Entity to enter into various foreign exchange contracts to cover 100% of all foreign currency exposures in excess of US$1million that are certain. These exposures exist usually for 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:

	Consolidated			
	Average exchange rate	Foreign currency	Contract value	Fair value
		2009	**2009**	**2009**
Outstanding contracts		**US$000**	**$000**	**$000**
Buy US dollars				
Less than 3 months	**0.6253**	**6,464**	**10,336**	**(2,362)**
3 to 6 months	**0.6239**	**269**	**432**	**(97)**
		6,733	**10,768**	**(2,460)**

	Consolidated			
	Average exchange rate	Foreign currency	Contract value	Fair value
		2008	2008	2008
Outstanding contracts		US$000	$000	$000
Buy US dollars				
Less than 3 months	**0.9204**	5,315	5,775	(221)
3 to 6 months	**0.8943**	568	635	(32)
		5,883	6,410	(253)

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.

37. Financial instruments (continued)

(d) Foreign currency risk management (continued)

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 $2,460,000 (2008: $253,000). 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 being purchased.

Cross currency swap contracts

Under cross currency swap contracts, the Consolidated Entity agrees to exchange specified principal and interest foreign currency amounts at agreed future dates at a specified exchange rate. Such contracts enable the Consolidated Entity to mitigate the risk of adverse movements in foreign exchange rates in relation to principal and interest payments arising under the 2003, 2007 and 2009 note issues - see at note 37(d).

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	
	2009	2008	**2009**	2008
2003 Note Issue	**$**	$	**$000**	$000
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	**(65,397)**	(68,589)
5 years and more	**0.6573**	0.6573	**(42,029)**	(61,700)
			(153,152)	(176,015)
Buy US dollars - principal				
2 years to 5 years	**0.6573**	0.6573	**(112,582)**	-
5 years and more	**0.6573**	0.6573	**(281,454)**	(394,036)
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	**(89,212)**	(89,211)
5 years and more	**0.8068**	0.8068	**(154,511)**	(184,614)
			(303,197)	(333,299)
Buy US dollars - principal				
5 years and more	**0.8068**	0.8068	**(495,786)**	(495,786)
2009 Note Issue[(a)]				
Buy US dollars - interest				
Less than 1 year	**0.7576**	-	**(7,967)**	-
1 year to 2 years	**0.7576**	-	**(15,934)**	-
2 years to 5 years	**0.7576**	-	**(47,803)**	-
5 years and more	**0.7576**	-	**(66,148)**	-
			(137,852)	-
Buy US dollars - principal				
5 years and more	**0.7576**	-	**(184,784)**	-

(a) This Note issue was drawndown on 1 July 2009 however swap contracts were entered into in advance of the issue.

37. 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 equipment. The entire US$ cash flows arising from the 2003, 2007 and 2009[(a)] Note issues have been swapped; as such, the Consolidated Entity has no currency risk associated with those Note issues. Therefore, the sensitivity analysis has only been performed on the forward foreign exchange contracts. The following table details the Consolidated Entity's sensitivity to a 10% decrease and increase in the Australian dollar against the relevant foreign currencies. The sensitivity rate used is 10% and represents management's assessment of the possible change in foreign exchange rates. The sensitivity analysis includes only outstanding foreign currency denominated monetary items and adjusts their translation at the period end for a 10% change in foreign currency rates.

	Consolidated	
	2009	2008
	$000	$000
A$ depreciating by 10%		
Profit	**-**	-
Other equity[(b)]	**(919)**	(676)
A$ appreciating by 10%		
Profit	**-**	-
Other equity[(b)]	**752**	553

(a) This Note issue was drawndown on 1 July 2009 however swap contracts were entered into in advance of the issue.

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

(e) Interest rate risk management

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

The Trust and the Consolidated Entity's exposures to interest rate risk on financial liabilities is detailed in the liquidity risk management section of this note. Exposure to financial asets is limited to cash and cash equivalents amounting to $108.8 million as at 30 June 2009 (2008: $105.5 million).

Interest rate swap contracts

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

37. Financial instruments (continued)

(e) Interest rate risk management (continued)

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

	Weighted average interest rate		Notional principal amount		Fair value	
	2009	2008	**2009**	2008	**2009**	2008
	% p.a.	% p.a.	**$000**	$000	**$000**	$000
Cash flow hedges						
Pay fixed interest/receive floating interest						
Consolidated						
Less than 1 year	**5.89**	-	**300,000**	-	**(6,579)**	-
1 year to 2 years	**6.03**	6.36	**250,000**	200,000	**(9,479)**	6,128
2 years to 5 years	**6.75**	7.36	**500,164**	150,000	**(35,977)**	1,980
5 years and more	**8.08**	7.18	**1,368,479**	1,164,398	**(24,783)**	(125,427)
			2,418,643	1,514,398	**(76,817)**	(117,319)
Trust	**-**	-	**-**	-	**-**	-

The Consolidated Entity had no fair value hedges in 2009 or 2008.

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

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

Interest rate sensitivity analysis

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

- net profit would decrease by $8,000,000 or increase by $8,000,000 (2008: decrease by $12,160,000 or increase by $12,160,000). This is mainly attributable to the Consolidated Entity's exposure to interest rates on its variable rate borrowings; and
- equity reserves would increase by $93,086,000 or decrease by $100,403,000 (2007: increase by $70,517,000 or decrease by $76,516,000). This is due to the changes in the fair value of derivative interest instruments.

The Consolidated Entity's sensitivity to interest rates has decreased during the current period due to the overall decrease in the amount of the Consolidated Entity's floating rate borrowings. The valuation of the increase/decrease in equity reserves is based on 1.00% p.a. increase/decrease in the yield curve at the reporting date and has increased during the current period mainly due to the increase in the amount of derivative instruments held. The additional derivatives relate to new US Private Placement Notes which were issued on 1 July 2009 and also additional interest rate swaps associated with bank borrowings.

37. Financial instruments (continued)

(f) Price risk management

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

Equity price sensitivity

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

- net profit would have been unaffected as the equity investments are classified as available-for-sale and no investments were disposed of or impaired (2008: $nil); and
- equity reserves would decrease/increase by $115,395 (2008: $3,091,000), due to the changes in the fair value of available-for-sale shares.

(g) Credit risk management

Credit risk refers to the risk that a counterparty will default on its contractual obligations resulting in financial loss to the Consolidated Entity. The Consolidated Entity has adopted the policy of only dealing with creditworthy counterparties and obtaining sufficient collateral or bank guarantees where appropriate as a means of mitigating any risk of loss. For financial investments or market risk hedging, the Consolidated Entity's policy is to deal with highly rated counterparties. As at the reporting date, all counterparties of this type were 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 2009 has been determined to be immaterial and no liability has been recorded (2008: $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 36 are details of undrawn facilities available to the Consolidated Entity.

Post balance date, the Consolidated Entity entered into two US Private Placement issues (7 and 10 years) raising approximately $185million equivalent and also an additional bilateral bank facility totalling $150million has been executed. In addition, APA has obtained more than $1 billion of commitments from a bank syndication process to refinance its 2010 debt maturity obligations. Documentation is expected to be executed near the end of August 2009.

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

37. Financial instruments (continued)

(h) Liquidity risk management (continued)

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."

		Consolidated			
		Average interest rate % p.a.	Less than 1 year $000	1 - 5 years $000	More than 5 years $000
2009					
Financial liabilities					
Trade and other payables		-	109,882	-	-
Unsecured bank borrowings[(a)]		3.75	1,143,666	720,451	-
Secured bank borrowings[(b)]		-	-	1,645	-
Guaranteed Senior Notes:					
Denominated in A$					
2003 Series A[(c)]		6.66	6,793	105,397	-
2007 Series A[(d)]		7.33	367	1,466	6,100
2007 Series C[(d)]		7.38	7,318	29,271	121,111
2007 Series E[(e)]		7.40	5,045	20,178	93,394
2007 Series G[(f)]		7.45	6,002	24,008	128,582
2007 Series H[(f)]		7.45	4,617	18,468	98,909
Denominated in US$					
2003 Series B[(g)]	Payment	5.67	13,643	251,297	-
	Associated derivative	-	(5,158)	(109,017)	-
2003 Series C[(h)]	Payment	5.77	22,867	91,468	369,877
	Associated derivative	-	(8,653)	(34,613)	(162,949)
2003 Series D[(i)]	Payment	6.02	11,592	46,369	225,455
	Associated derivative	-	(4,662)	(18,648)	(98,422)
2007 Series B[(d)]	Payment	5.89	25,137	100,546	455,593
	Associated derivative	-	(11,150)	(44,600)	(222,756)
2007 Series D[(e)]	Payment	5.99	20,094	80,375	401,653
	Associated derivative	-	(8,983)	(35,933)	(194,885)
2007 Series F[(f)]	Payment	6.14	20,713	82,853	471,827
	Associated derivative	-	(9,359)	(37,436)	(227,300)
2009 Series A[(j)]	Payment	11.37	8,212	65,695	206,748
	Associated derivative	-	(3,336)	(26,687)	(96,581)
2009 Series B[(k)]	Payment	11.88	9,965	79,717	300,802
	Associated derivative	-	(4,084)	(32,674)	(137,120)
Financial lease liabilities		7.96	265	556	-
Other:					
Unearned revenue - interest		-	8,870	-	-
Unearned revenue - other		-	4,172	3,202	-
			1,373,835	**1,383,354**	**1,740,038**

(a) Matures on 8 June 2010 ($900million limit) and 8 June 2012 ($900million limit).
(b) Residual payment due to financiers on expiration of lease of property.
(c) Matures on 9 September 2010.
(d) Matures on 15 May 2017.
(e) Matures on 15 May 2019.
(f) Matures on 15 May 2022.
(g) Matures on 9 September 2013.
(h) Matures on 9 September 2015.
(i) Matures on 9 September 2018.
(j) Matures on 1 July 2016.
(k) Matures on 1 July 2019.

37. Financial instruments (continued)

(h) Liquidity risk management (continued)

		Consolidated			
		Average interest rate % p.a.	Less than 1 year $000	1 - 5 years $000	More than 5 years $000
2008					
Financial liabilities					
Trade and other payables		-	151,558	-	-
Unsecured bank borrowings[(a)]		8.39	142,278	1,784,537	-
Secured bank borrowings[(b)]		-	-	1,645	-
Guaranteed Senior Notes:					
Denominated in A$					
2003 Series A[(c)]		6.66	6,793	112,190	-
2007 Series A[(d)]		7.33	367	1,466	6,466
2007 Series C[(d)]		7.38	7,318	29,271	128,428
2007 Series E[(e)]		7.40	5,045	20,178	98,438
2007 Series G[(f)]		7.45	6,002	24,008	134,584
2007 Series H[(f)]		7.45	4,617	18,468	103,526
Denominated in US$					
2003 Series B[(g)]	Payment	5.67	12,840	51,361	197,074
	Associated derivative	-	(4,355)	(17,420)	(78,985)
2003 Series C[(h)]	Payment	5.77	21,520	86,081	368,121
	Associated derivative	-	(7,306)	(29,226)	(144,894)
2003 Series D[(i)]	Payment	6.02	10,867	43,467	222,080
	Associated derivative	-	(3,936)	(15,746)	(87,041)
2007 Series B[(d)]	Payment	5.89	23,401	93,605	444,325
	Associated derivative	-	(9,415)	(37,659)	(197,501)
2007 Series D[(e)]	Payment	5.99	18,714	74,857	390,128
	Associated derivative	-	(7,585)	(30,340)	(172,138)
2007 Series F[(f)]	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	-
			889,412	2,347,487	1,668,492

(a) Matures on 8 June 2010 ($900million limit) and 8 June 2012 ($900million limit).
(b) Residual payment due to financiers on expiration of lease of property.
(c) Matures on 9 September 2010.
(d) Matures on 15 May 2017.
(e) Matures on 15 May 2019.
(f) Matures on 15 May 2022.
(g) Matures on 9 September 2013.
(h) Matures on 9 September 2015.
(i) Matures on 9 September 2018.

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

38. Jointly controlled operations and assets

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

		Output interest	
		2009	2008
Name of venture	**Principal activity**	**%**	**%**
Goldfields Gas Transmission	Gas pipeline operation - Western Australia	**88.2** [(a)]	88.2 [(a)]
Mid West Pipeline	Gas pipeline operation - Western Australia	**50.0** [(b)]	50.0 [(b)]

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

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

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

	Consolidated	
	2009	2008
	$000	$000
Current assets		
Cash and cash equivalents	**185**	102
Trade and other receivables	**7,907**	6,087
Inventories	**1,579**	1,507
Other	**942**	900
Total current assets	**10,613**	8,596
Non-current assets		
Property, plant and equipment	**521,928**	472,717
Other	**794**	-
Total non-current assets	**522,722**	472,717
Total assets	**533,335**	481,313

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.

39. Subsidiaries

Name of entity	Country of registration/ incorporation	Ownership interest 2009 (%)	2008 (%)
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[(b),(c)]	Australia	**100**	100
APT Pipelines Investments (NSW) Pty Ltd[(b),(c)]	Australia	**100**	100
APT Pipelines Investments (WA) Pty Ltd[(b),(c)]	Australia	**100**	100
East Australian Pipeline Pty Limited[(b),(c)]	Australia	**100**	100
Gasinvest Australia Pty Limited[(b),(c)]	Australia	**100**	100
Goldfields Gas Transmission Pty Ltd[(b)]	Australia	**100**	100
NT Gas Distribution Pty Limited	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
GasNet Australia Trust[(b)]	Australia	**100**	100
APA GasNet Australia (Holdings) Pty Ltd[(b)]	Australia	**100**	100
APA GasNet Australia (Operations) Pty Ltd[(b)]	Australia	**100**	100
APA GasNet A Pty Ltd [(b)]	Australia	**100**	100
GasNet A Trust [(b)]	Australia	**100**	100
APA GasNet Australia (NSW) Pty Ltd[(b)]	Australia	**100**	100
APA GasNet B Pty Ltd[(b)]	Australia	**100**	100
APA GasNet Australia Pty Limited [(b)]	Australia	**100**	100
GasNet B Trust[(b)]	Australia	**100**	100
GasNet Australia Investments Trust [(b)]	Australia	**100**	100
APT Allgas Energy Pty Limited[(b),(c)]	Australia	**100**	100
APT Allgas Pipelines Operations Pty Limited[(b),(c)]	Australia	**100**	100

39. Subsidiaries (continued)

Name of entity	Country of registration/ incorporation	Ownership interest 2009 (%)	2008 (%)
Subsidiaries			
APT Allgas Toowoomba Pty Limited[(b),(c)]	Australia	**100**	100
APT Operations Pty Limited[(b),(c)]	Australia	**100**	100
APT AM Holdings Pty Limited[(b),(c)]	Australia	**100**	100
APT O&M Holdings Pty Ltd[(b),(c)]	Australia	**100**	100
APT O&M Services Pty Ltd[(b),(c)]	Australia	**100**	100
APT O&M Services (QLD) Pty Ltd[(b),(c)]	Australia	**100**	100
APT Water Management Pty Ltd[(b),(c)]	Australia	**100**	100
APT Water Management Holdings Pty Ltd[(b),(c)]	Australia	**100**	100
APT AM Stratus Pty Ltd[(b),(c)]	Australia	**100**	100
APT Facility Management Pty Ltd[(b),(c)]	Australia	**100**	100
APT AM Employment Pty Ltd[(b),(c)]	Australia	**100**	100
APT SEAGas (Holdings) Pty Limited[(b),(c)]	Australia	**100**	100
APT SPV2 Pty Ltd[(b),(c)]	Australia	**100**	100
APT SPV3 Pty Ltd[(b),(c)]	Australia	**100**	100
APT Pipelines (SA) Pty Ltd[(b),(c)]	Australia	**100**	100
APT (MIT) Services Pty Limited[(b)]	Australia	**100**	100
APA Operations (EII) Pty Limited[(b),(c)]	Australia	**100**	-
APA Pipelines (QNSW) Pty Limited[(b),(c)]	Australia	**100**	-
Central Ranges Pipeline Pty Ltd[(b),(c)]	Australia	**100**	-
Country Pipelines Pty Ltd[(b),(c)]	Australia	**100**	-
North Western Natural Gas Company Pty Limited[(b),(c)]	Australia	**100**	-
Murraylink (No.1) Pty Limited[(b),(c),(d)]	Australia	**-**	100
Murraylink (No.2) Pty Limited[(b),(c),(d)]	Australia	**-**	100
Murraylink Transmission Company Pty Ltd[(b),(c),(d)]	Australia	**-**	100
EII Bonaparte Pty Limited[(b),(c),(d)]	Australia	**-**	100
EII Energy (Murraylink) Pty Ltd[(b),(c),(d)]	Australia	**-**	100
Energy Fund Asset Pty Limited[(b),(c),(d)]	Australia	**-**	100
EII Directlink Holdings Pty Limited[(b),(c),(d)]	Australia	**-**	100
Directlink (No 1) Pty Limited[(b),(c),(d)]	Australia	**-**	100
Directlink (No 2) Pty Limited[(b),(c),(d)]	Australia	**-**	100
Directlink (No 3) Pty Limited[(b),(c),(d)]	Australia	**-**	100
EII Gas Transmission Services WA (Holdings) Pty Limited[(b),(d)]	Australia	**-**	100
EII Gas Investments Australia (Holdings) Pty Limited[(b),(d)]	Australia	**-**	100
EII Gas Transmission Services WA (Operations) Pty Limited[(b),(d)]	Australia	**-**	100
EII Pipelines (WPP) Pty Limited[(b),(c),(d)]	Australia	**-**	100
APA GasNet Australia Investments Pty Ltd[(d)]	Australia	**-**	100
BGP Hold Co Pty Ltd[(e)]	Australia	**-**	-
BGP SPV 1 Pty Limited[(e)]	Australia	**-**	-
BGP SPV 2 Pty Limited[(e)]	Australia	**-**	-
BGP SPV 3 Pty Limited[(e)]	Australia	**-**	-
BGP SPV 4 Pty Limited[(e)]	Australia	**-**	-
BGP SPV 5 Pty Limited[(e)]	Australia	**-**	-
BGP SPV 6 Pty Limited[(e)]	Australia	**-**	-
Energy Fund Finance Co Pty Limited[(e)]	Australia	**-**	-
Energy Fund Note Co Pty Limited[(e)]	Australia	**-**	-

39. Subsidiaries (continued)

Name of entity	Country of registration/ incorporation	Ownership interest 2009 (%)	2008 (%)
Subsidiaries			
Energy Fund Purchase Co Pty Limited[(e)]	Australia	-	-
Daandine Asset Pty Limited[(e)]	Australia	-	-
Kogan North Asset Pty Limited[(e)]	Australia	-	-
Tipton West Asset Pty Limited[(e)]	Australia	-	-
X41 Asset Pty Limited[(e)]	Australia	-	-

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

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

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

(d) Subsidiaries sold to EII in December 2008.

(e) Subsidiaries formed during the current financial year and sold to EII in December 2008.

40. Disposal of businesses

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

	12 December 2008 Total $000
Net assets disposed	
Current assets	
Trade and other receivables	11,116
Other	40
Non-current assets	
Receivables	94,823
Property, plant and equipment	575,972
Total assets	**681,951**
Current liabilities	
Trade and other payables	28,637
Borrowings	5,053
Other financial liabilities	4,113
Other	998
Non-current liabilities	
Borrowings	69,294
Total liabilities	**108,095**
Net assets	**573,856**
Less: loss on sale of business	(16,167)
Working capital	(7,883)
Receivables - sale of business	(3,901)
Net cash inflow on disposal	**545,905**

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 2009				
Central Ranges Pipeline	Gas transmission	22 August 2008	100	23,472
During the financial year ended 30 June 2008				
Origin Energy Networks (Asset management business and investment in Envestra Limited)	Gas transmission	2 July 2007	100	421,385
Alinta Contract Termination and Contract Novation (of Pipeline Management Agreement)	Operating maintenance services	2 October 2007	100	206,226
APT (MIT) Services Limited Pty (formerly Mariner Infrastructure Management Services Limited)	Management services	6 April 2008	100	3,000
				630,611

(a) Includes transaction costs.

	Central Ranges Pipelines Book Value $000	Fair value adjustment $000	Fair value on acquistion $000
Net assets acquired			
Current assets			
Trade and other receivables	328	-	328
Inventories	197	-	197
Prepayments	254	-	254
Non-current assets			
Property, plant and equipment	24,049	(1,141)	22,908
Deferred tax assets	605	471	1,076
Intangible assets	-	-	-
Current liabilities			
Trade and other payables	(630)	-	(630)
Non-current liabilities			
Borrowings	(204)	-	(204)
Provisions	(28)	(429)	(457)
	24,571	**(1,099)**	**23,472**
Goodwill on acquisition			-
Cost of acquisitions			23,472
Prior year transaction costs paid			(856)
Net cash outflow on acquisition			**22,616**

In August 2008, APA Group acquired the Central Ranges Pipeline for $23.5 million. This 294 km pipeline connects to APA Group's Central West Pipeline at Dubbo, provides additional storage capacity in the Moomba Sydney Pipeline system and delivers gas to the Central Ranges region. The accounting for the acquistion of the Central Ranges Pipeline acquired during the year has been fully determined at reporting date.

The Central Ranges Pipeline entities became wholly owned on acquisition and have joined the Trust's tax-consolidated group.

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

Included in the consolidated net profit for the year (excluding significant items) is revenue of $2,752,000 and earnings before interest, tax and depreciation of $645,000 attributable to the Central Ranges Pipeline.

41. Acquisition of businesses (continued)

Had this business combination been effected at 1 July 2008, the revenue of the Consolidated Entity would have been $3,145,000 and earnings before interest, tax and depreciation of $737,000. The directors of the Consolidated Entity consider these 'pro-forma' numbers to represent an approximate measure of the performance of the combined Consolidated Entity on an annualised basis as to provide a reference point for comparison in future periods.

42. Commitments for expenditure

Capital expenditure commitments

	Consolidated		Trust	
	2009 $000	2008 $000	**2009 $000**	2008 $000
Plant and equipment				
Not longer than 1 year	**7,968**	211,038	**-**	-
Longer than 1 year and not longer than 5 years	**-**	62,735	**-**	-
Longer than 5 years	**-**	-	**-**	-
	7,968	273,773	**-**	-
Consolidated Entity's share of jointly controlled operation's commitments				
Not longer than 1 year	**17,785**	18,939	**-**	-
Longer than 1 year and not longer than 5 years	**-**	-	**-**	-
Longer than 5 years	**-**	-	**-**	-
	17,785	18,939	**-**	-

43. Remuneration of external auditor

	Consolidated		Trust	
	2009	2008	**2009**	2008
Amounts received or due and receivable by Deloitte Touche Tohmatsu for:				
Auditing the financial report	**706,247**	741,631	**5,000**	5,000
Compliance plan audit	**19,735**	18,795	**-**	-
Tax compliance and advice[(a)]	**22,250**	77,563	**-**	-
Other accounting and assurance services[(a)]	**46,460**	43,625	**-**	-
Other advisory services[(a)]	**105,000**	160,500	**-**	-
	899,692	1,042,114	**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 financial year were:

L F Bleasel AM (Independent, Non-Executive Chairman)
J A Fletcher (Independent Non-Executive Director, appointed 27 February 2008)
R A Higgins AO (Independent Non-Executive Director)
M Muhammad (Non-Executive Director)
M Ratilal (Non-Executive Director)
R J Wright (Independent Non-Executive Director)
M J McCormack (Managing Director)
W S Saidi (Alternate Non-Executive Director, retired as of 14 August 2009)
W Z W Ariffin (Alternate Non-Executive Director, retired as of 19 August 2009)
R M Gersbach (Group Manager Commercial, appointed 1 February 2008, Acting Chief Financial Officer, 1 January 2009 to 31 May 2009)
P J Fredricson (Chief Financial Officer, appointed 1 June 2009)
S P Ohl (Group Manager Operations)
M T Knapman (Company Secretary, appointed 16 July 2008)
R A Smith (Group Manager Human Resources and HS&E)
R F Francis (Chief Financial Officer, resigned as of 31 December 2008).

(b) Key management personnel compensation (continued)

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

	Consolidated and Trust	
	2009	2008
	$	$
Short-term employment benefits	**4,566,664**	4,593,870
Post-employment benefits	**343,587**	308,948
Cash settled share-based payments	**654,114**	404,109
Retention award	**216,667**	216,667
Termination payments	**487,237**	1,062,899
	6,268,269	6,586,493

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

44. Key management personnel compensation

(b) Key management personnel compensation (continued)

	Short-term employment benefits				Post-employment	Long-term incentive plans		
	Salary/fees	Due Diligence Committee fees	Short-term incentive scheme	Non-monetary	Super-annuation	Share-based payments[(a)]	Other[(b)]	Total
	$	$	$	$	$	$	$	$
Non-Executive Directors								
L F Bleasel [(c)]								
2009	**236,477**	**-**	**-**	**-**	**54,108**	**-**	**-**	**290,585**
2008	125,315	-	-	-	10,605	-	-	135,920
J A Fletcher								
2009	**49,000**	**-**	**-**	**-**	**79,620**	**-**	**-**	**128,620**
2008	20,724	-	-	-	20,014	-	-	40,738
R A Higgins								
2009	**101,200**	**-**	**-**	**-**	**41,808**	**-**	**-**	**143,008**
2008	106,678	5,200	-	2,753	11,219	-	-	125,850
M Muhammad								
2009	**108,000**	**-**	**-**	**-**	**-**	**-**	**-**	**108,000**
2008	97,000	-	-	-	-	-	-	97,000
M Ratilal								
2009	**89,167**	**-**	**-**	**-**	**-**	**-**	**-**	**89,167**
2008	78,333	-	-	-	-	-	-	78,333
R J Wright								
2009	**128,200**	**-**	**-**	**-**	**11,538**	**-**	**-**	**139,738**
2008	108,817	5,200	-	-	11,158	-	-	125,175
W S Saidi [(d)]								
2009	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**
2008	-	-	-	-	-	-	-	-
W Z W Ariffin [(e)]								
2009	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**
2008	-	-	-	-	-	-	-	-
G H Bennett								
2009	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**
2008	55,394	2,600	-	-	4,754	-	98,100	160,848
R M Gersbach								
2009	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**
2008	52,500	5,200	-	-	4,725	-	-	62,425
Executive Director								
M J McCormack								
2009	**711,928**	**-**	**523,125**	**13,072**	**50,000**	**285,663**	**216,667**	**1,800,455**
2008	659,205	-	430,000	40,795	50,000	151,894	216,667	1,548,561
Total remuneration: Directors								
2009	**1,423,972**	**-**	**523,125**	**13,072**	**237,074**	**285,663**	**216,667**	**2,699,573**
2008	1,303,966	18,200	430,000	43,548	112,475	151,894	314,767	2,374,850

(a) Cash settled share-based payments.

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

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

(d) Retired as of 14 August 2009.

(e) Retired as of 19 August 2009.

44. Key management personnel compensation

(b) Key management personnel compensation (continued)

	Short-term employment benefits				Post-employment	Long-term incentive plans		
	Salary/fees	Due Diligence Committee fees	Short-term incentive scheme	Non-monetary	Super-annuation	Share-based payments[(a)]	Termination payments	Total
	$	$	$	$	$	$	$	$
Executives								
R M Gersbach [(b)]								
2009	**524,333**	**320,000**	**11,922**	**13,745**	**105,857**	**-**	**975,857**	
2008	227,683	108,000	4,968	6,734	28,250	-	375,635	
P Fredricson [(c)]								
2009	**38,226**	**-**	**-**	**3,440**	**-**	**-**	**41,666**	
2008	-	-	-	-	-	-	-	
S P Ohl								
2009	**336,523**	**184,000**	**28,732**	**34,745**	**92,095**	**-**	**676,095**	
2008	300,559	167,000	36,311	13,130	45,075	-	562,075	
M T Knapman [(d)]								
2009	**294,950**	**119,600**	**-**	**33,964**	**37,504**	**-**	**486,018**	
2008	-	-	-	-	-	-	-	
S M Dureau [(e)]								
2009	**-**	**-**	**-**	**-**	**-**	**-**	**-**	
2008	274,948	135,000	11,922	13,130	39,291	-	474,291	
R A Smith								
2009	**245,480**	**115,700**	**775**	**13,745**	**49,438**	**-**	**425,138**	
2008	179,699	85,000	-	9,847	12,625	-	287,171	
R F Francis [(f)]								
2009	**180,293**	**200,000**	**5,961**	**6,874**	**83,557**	**487,237**	**963,922**	
2008	334,948	167,000	11,922	13,130	48,438	-	575,438	
A J V James[(g)]								
2009	**-**	**-**	**-**	**-**	**-**	**-**	**-**	
2008	214,526	157,500	11,177	29,272	41,986	743,900	1,198,361	
P D Fox[(h)]								
2009	**-**	**-**	**-**	**-**	**-**	**-**	**-**	
2008	206,618	150,000	13,376	13,130	36,550	318,999	738,673	
Total Remuneration: Executives								
2009	**1,619,805**	**939,300**	**47,390**	**106,513**	**368,451**	**487,237**	**3,568,696**	
2008	1,738,981	969,500	89,676	98,373	252,215	1,062,899	4,211,644	

(a) Cash settled share-based payments.

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

(c) Chief Financial Officer, appointed 1 June 2009.

(d) Company Secretary, appointed 16 July 2009.

(e) General Counsel and General Manager Regulatory ceased as a key management personnel 1 July 2008.

(f) Chief Financial Officer, resigned as of 31 December 2008.

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

(h) General Manager Corporate Development, resigned as of 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 39 and the details of the percentage held in jointly controlled operations are disclosed in Note 38. Details of interests in jointly controlled entities are disclosed in Note 16 to the financial statements.

(b) Responsible Entity – Australian Pipeline Limited

The Responsible Entity is wholly owned by APT Pipelines Limited.

(c) Transactions with key management personnel

Details of key management personnel compensation are disclosed in Note 44.

(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
2009				
L F Bleasel AM	311,589	23,564	-	**335,153**
J A Fletcher	35,477	9,440	-	**44,917**
R A Higgins AO	36,581	15,440	-	**52,021**
M Muhammad	26,804	16,014	-	**42,818**
M Ratilal	-	-	-	**-**
R J Wright	19,858	4,405	-	**24,263**
M J McCormack	100,005	14,995	-	**115,000**
W S Saidi (retired as of 14 August 2009)	-	-	-	**-**
W Z W Ariffin (retired as of 19 August 2009)	-	-	-	**-**
R M Gersbach	18,043	4,189	-	**22,232**
P Fredricson (appointed 1 June 2009)	-	-	-	**-**
S P Ohl	10,000	1,928	-	**11,928**
M T Knapman (appointed 16 July 2008)	-	3,000	-	**3,000**
R A Smith	8,000	8,028	-	**16,028**

45. Related party transactions (continued)

(a) Equity interest in related parties (continued)

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

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

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

(d) Transactions with related parties within APA Group

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

- dividends;
- system lease rentals;
- loans advanced and payments received on long-term inter-entity loans;
- management fees;
- operational services provided between entities;
- payments of distributions;
- payments of capital distributions (returns of capital); and
- equity issues.

The above transactions were made on normal commercial terms and conditions. The Group charges interest on inter-entity loans from time to time.

All transactions between the entities that comprise APA Group have been eliminated on consolidation.
Refer to Note 39 for details of the entities that comprise APA Group.

Australian Pipeline Limited

Management fees of $2,796,000 (2008: $2,801,000) 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.

45. Related party transactions (continued)

(e) Transactions with other related parties

Transactions with associates

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

2009	Sales to related parties $'000	Purchases from related parties $'000	Amount owed by related parties $'000	Amount owed to related parties $'000
SEA Gas	87	-	3,000	-
Energy Infrastructure Investments Pty Limited	13,093	-	14,592	6
Envestra Limited	201,279	-	20,399	1
	214,459	-	37,991	7

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

Transactions between the Trust and its related parties

During the financial year ended 30 June 2009, the following transactions occurred between the Trust and its other related parties:

- The Trust received dividends from its wholly-owned controlled entities (see Note 5).

The following balances arising from transactions between the Trust and its other related parties are outstanding at reporting date:

- Net receivables of $481,974 (2008: $nil) are owing from associates.
- Total payables of $150,401,000 are repayable to subsidiaries (2008: $135,676,000) for deferred tax losses transferred up to the Trust, as head of the tax consolidated group.

No guarantees have been given or received. No expense has been recognised in the period for bad or doubtful debts in respect of the amounts owed by related parties.

Transactions and balances between the Trust and its subsidiaries were eliminated in the preparation of consolidated financial statements of the APA Group.

46. Contingencies

	Consolidated		Trust	
	2009 $000	2008 $000	**2009 $000**	2008 $000
Contingent liabilities				
Bank guarantees	**6,259**	10,619	**-**	-
Contingent assets	**-**	-	**-**	-

47. Events occurring after reporting date

APA is currently undertaking the refinance of Tranche A of its 2007 syndicated debt facility amounting to $900 million. To date, a long term raising of US Private Placement notes of A$185 million with 7-year and 10-year tenures has been completed, a $150 million 5 year bi-lateral facility has been executed and APA has obtained more than $1 billion of commitments from a bank syndication process to refinance its 2010 debt maturity obligations. Documentation is expected to be executed near the end of August 2009.

On 25 August 2009, the Directors declared a final distribution of 16.0 cents per security ($79,786,000) for the APA Group (comprising a distribution of 2.7 cents per security from APT and a distribution of 13.3 cents per security from APTIT), made up of 2.2 cents per security income distribution (unfranked) and 11.1 cents per security tax deferred distribution. The distribution will be paid on 15 September 2009.

DECLARATION BY THE DIRECTORS

FOR THE FINANCIAL YEAR ENDED 30 JUNE 2009

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, 25 August 2009

AUDITOR'S INDEPENDENCE DECLARATION

FOR THE FINANCIAL YEAR ENDED 30 JUNE 2009

Deloitte.

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

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

25 August 2009

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 Limited as responsible entity for Australian Pipeline Trust for the financial year ended 30 June 2009, 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

DELOITTE TOUCHE TOHMATSU

Samantha Lewis
Partner

Member of
Deloitte Touche Tohmatsu

INDEPENDENT AUDITOR'S REPORT

Deloitte Touche Tohmatsu
ABN 74 490 121 060

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

We have audited the accompanying financial report of Australian Pipeline Trust, which comprises the balance sheet as at 30 June 2009, 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 51 to 118.

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.

INDEPENDENT AUDITOR'S REPORT

Deloitte.

Auditor's Independence Declaration

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

Auditor's Opinion on the Financial Report

In our opinion:

(a) the financial report of Australian Pipeline Trust is in accordance with the Corporations Act 2001, including:
   (i) giving a true and fair view of the Trust's and consolidated entity's financial position as at 30 June 2009 and of their performance for the year ended on that date; and
   (ii) complying with Australian Accounting Standards (including the Australian Accounting Interpretations) and the Corporations Regulations 2001; and

(b) the consolidated financial statements and notes also comply with International Financial Reporting Standards as disclosed in Note 2.

Deloitte Touche Tohmatsu

DELOITTE TOUCHE TOHMATSU

Samantha Lewis
Partner
Chartered Accountants
Sydney, 25 August 2009

APT INVESTMENT TRUST
AND ITS CONTROLLED ENTITIES

ARSN 115 585 441

DIRECTORS' REPORT

The directors of Australian Pipeline Limited ("Responsible Entity" or "APL") submit the annual financial report of APT Investment Trust ("APTIT" or "Trust") and its controlled entities (together "Consolidated Entity") for the year ended 30 June 2009. 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 ("APT") (together "APA").

DIRECTORS

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

Leonard Bleasel AM – Chairman

John Fletcher

Russell Higgins AO

Muri Muhammad

Manharlal Ratilal

Robert Wright

Michael McCormack – Managing Director.

Details of the directors, their qualifications, experience and special responsibilities are set out on page 18.

Alternate directors who served during the period are as follows:

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

W Z W Ariffin as alternate for Manharlal Ratilal, retired as of 19 August 2009.

COMPANY SECRETARY

Mark Knapman
Details of the Company Secretary, his qualifications and experience are set out on page 20.

PRINCIPAL ACTIVITIES

APTIT operates as an investment and financing entity within the Australian Pipeline Trust stapled group.

SIGNIFICANT CHANGES IN STATE OF AFFAIRS

During the year, APA increased its interest in Envestra Limited ("Envestra"), from 18.3% at 30 June 2008, to 30.4% resulting from the participation in and part underwriting of Envestra's rights issue, as well as participation in Envestra's Distribution Reinvestment Plan. As part of this transaction, APL as Responsible Entity for APTIT, acquired an additional $1.8 million investment in Envestra loan notes. The loan notes were fully repaid in May 2009. APTIT also acquired a 19.9% interest in the Redeemable Ordinary Shares in Energy Infrastructure Investments Pty Limited ("EII") following APA's divestment of a number of assets with annuity-style income into EII. Marubeni Corporation and Osaka Gas hold 49.9% and 30.2% equity interests in EII respectively, while APA retains a 19.9% equity interest and continues to operate and maintain the assets.

REVIEW AND RESULTS OF OPERATIONS

APTIT reported net profit after tax of $34.1 million (2008: $29.1 million) for the year ended 30 June 2009 on total revenue of $34.1 million (2008: $29.1 million).

DIRECTORS' REPORT

DISTRIBUTIONS

Distributions paid to securityholders during the financial year were:

	Final FY 2008 distribution paid 10 September 2008		Interim FY 2009 distribution paid 27 March 2009	
	Cents per security	Total distribution $000	Cents per security	Total distribution $000
APTIT tax deferred distribution	2.6	12,081	3.1	15,176
APTIT interest income	3.4	16,014	2.9	14,220
Total	**6.0**	**28,095**	**6.0**	**29,396**

On 25 August 2009, the directors declared a final distribution for APTIT for the current financial year of 13.3 cents per security payable 15 September 2009, made up of:

	Final FY 2009 distribution payable 15 September 2009	
	Cents per security	Total distribution $000
APTIT tax deferred income	0.4553	2,271
APTIT capital distribution	11.0882	55,293
APTIT interest income	1.7122	8,538
Total	**13.2557**	**66,102**

As at 30 June 2009, 498,664,000 securities were on issue (2008: 468,241,000).

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

Details of directors and the Company Secretary are on pages 18 to 20. 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 30 to 50.

INFORMATION REQUIRED FOR REGISTERED SCHEMES

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

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

The number of APA securities issued during the year, and the number of APA securities at the end of the year, are disclosed in Note 10 to the financial statements.

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

DIRECTORS' REPORT

AUDITOR'S INDEPENDENCE DECLARATION

A copy of the Auditor's independence declaration as required under section 307C of the Corporations Act 2001 is included on page 149.

ROUNDING OFF OF AMOUNTS

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

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

On behalf of the directors

L F Bleasel AM
Chairman

R J Wright
Director

Sydney, 25 August 2009

INCOME STATEMENT

FOR THE FINANCIAL YEAR ENDED 30 JUNE 2009

		Consolidated		Trust	
		2009	2008	**2009**	2008
	Note	**$000**	$000	**$000**	$000
Continuing operations					
Revenue	4	**34,081**	29,112	**34,081**	29,112
Expenses	4	**(17)**	(14)	**(17)**	(14)
Profit before tax		**34,064**	29,098	**34,064**	29,098
Income tax expense		**-**	-	**-**	-
Profit for the year		**34,064**	29,098	**34,064**	29,098
Attributable to:					
Equity holders of the parent		**34,064**	29,098	**34,064**	29,098
		34,064	29,098	**34,064**	29,098
Earnings per security					
Basic and diluted earnings per security (cents)	12	**7.0**	6.5		

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

BALANCE SHEET

AS AT 30 JUNE 2009

	Note	Consolidated 2009 $000	Consolidated 2008 $000	Trust 2009 $000	Trust 2008 $000
Current assets					
Receivables	6	**633**	705	**633**	705
Non-current assets					
Receivables	7	**13,528**	14,030	**13,528**	14,030
Other financial assets	8	**353,664**	349,761	**353,664**	349,761
Total non-current assets		**367,192**	363,791	**367,192**	363,791
Total assets		**367,825**	364,496	**367,825**	364,496
Current liabilities					
Trade and other payables	9	**11**	10	**11**	10
Total liabilities		**11**	10	**11**	10
Net assets		**367,814**	364,486	**367,814**	364,486
Equity					
Issued capital	10	**358,450**	357,556	**358,450**	357,556
Reserves	11	**(1,446)**	(50)	**(1,446)**	(50)
Retained earnings		**10,810**	6,980	**10,810**	6,980
Total equity		**367,814**	364,486	**367,814**	364,486

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 2009

		Consolidated and Trust			
	Note	Issued capital $000	Reserves $000	Retained earnings $000	Total $000
2009					
Balance at 1 July 2008		**357,556**	**(50)**	**6,980**	**364,486**
Profit for the year		**-**	**-**	**34,064**	**34,064**
Issue of capital	10	**28,151**	**-**	**-**	**28,151**
Valuation loss recognised	11	**-**	**(1,396)**	**-**	**(1,396)**
Distributions	5	**(27,257)**	**-**	**(30,234)**	**(57,491)**
Balance at 30 June 2009		**358,450**	**(1,446)**	**10,810**	**367,814**
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)
Distributions	5	(21,009)	-	(22,118)	(43,127)
Balance at 30 June 2008		357,556	(50)	6,980	364,486

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 2009

	Consolidated		Trust	
	2009 $000	2008 $000	**2009 $000**	2008 $000
Cash flows from operating activities				
Trust distribution - related party	**24,361**	17,801	**-**	-
Trust distribution - subsidiary	**-**	-	**24,361**	17,801
Capital distribution received - related party	**15,486**	15,509	**-**	-
Capital distribution received - subsidiary	**-**	-	**15,486**	15,509
Capital distribution received - external	**9,938**	10,630	**9,938**	10,630
Dividends received	**157**	-	**157**	-
Interest received - related parties	**9,064**	10,550	**9,064**	10,550
Finance lease receivable repayments	**1,167**	1,167	**1,167**	1,167
Receipts from customers	**92**	-	**92**	-
Payments to suppliers	**(16)**	(4)	**(16)**	(4)
Interest paid	**(292)**	(4)	**(292)**	(4)
Net cash provided by operating activities	**59,956**	55,649	**59,956**	55,649
Cash flows from investing activities				
Acquisition of finance lease receivable	**-**	(14,965)	**-**	(14,965)
Payments for available-for-sale investments	**(1,338)**	(22,937)	**(1,338)**	(22,937)
Payment for financial asset	**(34,415)**	-	**(34,415)**	-
Acquisition of subsidiary, net of cash acquired	**-**	271	**-**	271
Repayment received/(advances to) related parties	**5,137**	(55,205)	**5,137**	(55,205)
Net cash used in investing activities	**(30,616)**	(92,836)	**(30,616)**	(92,836)
Cash flows from financing activities				
Proceeds from issue of securities	**28,151**	80,314	**28,151**	80,314
Distributions to securityholders	**(57,491)**	(43,127)	**(57,491)**	(43,127)
Net cash (used in)/provided by financing activities	**(29,340)**	37,187	**(29,340)**	37,187
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

1. General information

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

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

Registered office and principal place of business
Level 19
HSBC Building
580 George Street
SYDNEY NSW 2000
Tel: (02) 9693 0000.

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

2. Significant accounting policies

Statement of compliance

The financial report is a general purpose financial report which has been prepared in accordance with the Corporations Act 2001, Accounting Standards and Interpretations, and complies with other requirements of the law.
The financial report includes the separate financial statements of the Trust and the consolidated financial statements of the Consolidated Entity. Accounting Standards include Australian equivalents to International Financial Reporting Standards ("A-IFRS"). Compliance with A-IFRS ensures that the financial statements and notes of the Trust and the Consolidated Entity comply with International Financial Reporting Standards ("IFRS").
The financial statements were authorised for issue by the directors on 25 August 2009.

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.

2. Significant accounting policies (continued)

Adoption of new and revised Accounting Standards

In the current year, the Consolidated Entity has adopted all of the new and revised Standards and Interpretations issued by the Australian Accounting Standards Board ("AASB") that are relevant to its operations and effective for the current annual reporting period. Details of the impact of the adoption of these new accounting standards are set out in the individual accounting policy notes set out below.

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 financial 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) Cash and cash equivalents

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

(c) Trade and other payables

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

(d) Acquisition of assets

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

2. Significant accounting policies (continued)

(e) Business combinations

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

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

(f) Financial instruments issued by the Consolidated Entity

Debt and equity instruments

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

Transaction costs arising on the issue of equity instruments

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

Interest and distributions

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

(g) Goods and services tax

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

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

2. Significant accounting policies (continued)

(h) Impairment of assets

Assets are reviewed for impairment whenever events or changes in circumstances indicate that the carrying amount may 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.

(i) Income tax

Income tax expense is not brought to account in respect of APTIT, as pursuant to the Australian taxation laws APTIT is not liable for income tax provided that its realised taxable income (including any assessable realised capital gains) is fully distributed to its securityholders each year.

(j) Financial assets and liabilities

Investments in subsidiaries are measured at cost. Other financial assets are classified into the following specified categories: financial assets 'held-to-maturity investments', 'available-for-sale' financial assets, and 'loans and receivables'. The classification depends on the nature and purpose of the financial assets and is determined at the time of initial recognition.

Effective interest method

The effective interest method is a method of calculating the amortised cost of a financial asset and of allocating interest income over the relevant period. The effective interest rate is the rate that exactly discounts estimated future cash receipts through the expected life of the financial asset, or where appropriate, a shorter period.

Fair value through profit or loss

Financial assets at fair value through profit or loss are stated at fair value, with any resultant gain or loss recognised in profit or loss. The net gain of loss recognised in profit or loss incorporates any dividend or interest earned on the financial asset.

Available-for-sale financial assets

Financial assets classified as being available-for-sale are stated at fair value. Gains and losses arising from changes in fair value are recognised directly in the available-for-sale investment revaluation reserve.

Receivables and loans

Trade receivables, loans, and other receivables that have fixed or determinable payments that are not quoted in an active market are classified as ‘loans and receivables’. Trade and other receivables are stated at their amortised cost less impairment.

Impairment of financial assets

Financial assets are assessed for indicators of impairment at each balance sheet date. Financial assets are impaired where there is objective evidence that as a result of one or more events that occurred after initial recognition of the financial asset, the estimated future cash flows of the investment have been impacted.

(k) Revenue recognition

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

Interest revenue

Interest is recognised by applying the effective interest method, agreed between the parties at the end of each month and is determined by reference to market rates.

2. Significant accounting policies (continued)

(k) Revenue recognition (continued)

Distribution revenue

Distribution revenue is recognised when the right to receive a distribution has been established.

Dividend revenue

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

Finance lease income

Finance lease income is recognised when receivable.

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

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

(l) Leased assets

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

Consolidated Entity as lessor

Amounts due from a lessee under a finance lease are recorded as receivables. Finance lease receivables are initially recognised at the amount equal to the present value of the minimum lease payments receivable plus the present value of 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.

(m) 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 financial report of the Consolidated Entity and the Trust:

Standard	Effective for annual reporting periods beginning on or after	Expected to be initially applied in the financial year ending
• AASB 101 'Presentation of Financial Statements' - revised standard (revised September 2007), AASB 2007-8 'Amendments to Australian Accounting Standards arising from AASB 101', AASB 2007-10 'Further Amendments to Australian Accounting Standards arising from AASB 101'	1 January 2009	30 June 2010
• AASB 8 'Operating Segments'	1 January 2009	30 June 2010
• AASB 2009-2 'Amendments to Australian Accounting Standards - Improving Disclosures about Financial Instruments'	1 January 2009	30 June 2010

2. Significant accounting policies (continued)

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

Initial application of the following Standards and Interpretations which are potentially applicable to the Consolidated Entity and Trust's financial report is not expected to have any material impact on the financial report of the Consolidated Entity and the Trust:

Standard/Interpretation	Effective for annual reporting periods beginning on or after	Expected to be initially applied in the financial year ending
• AASB 123 'Borrowing Costs' (revised), AASB 2007-6 Amendments to Australian Accounting Standards arising from AASB 123'	1 January 2009	30 June 2010
• AASB 127 'Separate and Consolidated Financial Statements' (revised)	1 January 2009	30 June 2010
• AASB 2008-1 'Amendments to Australian Accounting Standard - Share-based Payments: Vesting Conditions and Cancellations'	1 January 2009	30 June 2010
• AASB 2008-2 'Amendments to Australian Accounting Standards - Puttable Financial Instruments and Obligations arising on Liquidation'	1 January 2009	30 June 2010
• AASB 2008-5 'Amendments to Australian Accounting Standards arising from the Annual Improvements Project'	1 January 2009	30 June 2010
• AASB 2008-6 'Further Amendments to Australian Accounting Standards arising from the Annual Improvements Project'	1 July 2009	30 June 2010
• AASB 2008-7 'Amendments to Australian Accounting Standards - Cost of an Investment in a Subsidiary, Jointly Controlled Entity or Associate'	1 January 2009	30 June 2010
• AASB 2008-8 'Amendments to Australian Accounting Standards – Eligible Hedged Items'	1 July 2009	30 June 2010
• AASB Interpretation 17 'Distributions of Non-cash Assets to Owners', AASB 2008-13 'Amendments to Australian Accounting Standards arising from AASB Interpretation 17 – Distributions of Non-cash Assets to Owners'	1 July 2009	30 June 2010

The initial application of the expected issue of an Australian equivalent accounting Standard/Interpretation to the following Standard/Interpretation is not expected to have a material impact on the financial report of the Consolidated Entity and Trust:

Standard/Interpretation	Effective for annual reporting periods beginning on or after	Expected to be initially applied in the financial year ending
• Improvements to IFRSs (2008)	1 July 2009	30 June 2010
• AASB Interpretation 18 'Transfers of Assets from Customers'	1 July 2009	30 June 2010

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

- AASB 3 'Business Combinations' (revised), AASB 127 'Consolidated and Separate Financial Statements' (revised) and AASB 2008-3 'Amendments to Australian Accounting Standards arising from AASB 3 and AASB 127'

  Effective for annual periods beginning on or after 1 July 2009.

2. Significant accounting policies (continued)

(n) Segment information

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

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

3. Critical accounting judgements and key sources of estimation uncertainty

Critical judgements in applying the entity's accounting policies

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

Accounting for acquisitions

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

Impairment of assets

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

Estimates and assumptions used are reviewed on an ongoing basis.

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

4. Profit from operations

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

	Consolidated		Trust	
	2009	2008	**2009**	2008
	$000	$000	**$000**	$000
Revenue				
Distributions				
Trust distribution - related party	**24,361**	17,801	**-**	-
Trust distribution - subsidiary	**-**	-	**24,361**	17,801
Other entities	**167**	50	**167**	50
	24,528	17,851	**24,528**	17,851
Finance income				
Interest - related parties	**6,923**	10,550	**6,923**	10,550
Gain on financial asset held at fair value through profit and loss	**1,849**	-	**1,849**	-
Finance lease income - related party	**739**	711	**739**	711
	9,511	11,261	**9,511**	11,261
Other revenue				
Other	**42**	-	**42**	-
Total revenue	**34,081**	29,112	**34,081**	29,112
Expenses				
Audit fees	**11**	11	**11**	11
Legal fees	**6**	-	**6**	-
Finance costs	**-**	3	**-**	3
Total expenses	**17**	14	**17**	14

5. Distributions

Recognised amounts:				
Final distribution paid on 10 September 2008				
(2008: 28 September 2007)				
Profit distribution [(a)]	**16,014**	12,951	**16,014**	12,951
Capital distribution	**12,081**	8,634	**12,081**	8,634
	28,095	21,585	**28,095**	21,585
Interim distribution paid on 27 March 2009				
(2008: 28 March 2008)				
Profit distribution [(a)]	**14,220**	9,167	**14,220**	9,167
Capital distribution	**15,176**	12,375	**15,176**	12,375
	29,396	21,542	**29,396**	21,542
Unrecognised amounts:				
Final distribution payable on 15 September 2009 [(b)]				
(2008: 10 September 2008)				
Profit distribution [(a)]	**10,809**	16,014	**10,809**	16,014
Capital distribution	**55,293**	12,081	**55,293**	12,081
	66,102	28,095	**66,102**	28,095

(a) Profit distributions unfranked (2008: unfranked).

(b) Record date 30 June 2009.

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

6. Current receivables

	Consolidated		Trust	
	2009 $000	2008 $000	**2009 $000**	2008 $000
Other debtors	**131**	226	**131**	226
Finance lease receivable - related party (Note 14)	**502**	479	**502**	479
	633	705	**633**	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 is past due.

7. Non-current receivables

Finance lease receivable - related party (Note 14)	**13,528**	14,030	**13,528**	14,030

8. Other non-current financial assets

Receivable from related party	**-**	41,808	**79,453**	46,166
Advance to related party	**209,677**	173,006	**88,416**	126,841
Investments carried at cost:				
Investment in subsidiary	**-**	-	**149,188**	164,673
Investment in related party [(a)]	**107,380**	122,866	**-**	-
	317,057	337,680	**317,057**	337,680
Financial assets carried at fair value:				
Redeemable ordinary shares [(b)]	**34,415**	-	**34,415**	-
Available-for-sale investments carried at fair value [(c)]	**2,192**	12,081	**2,192**	12,081
	353,664	349,761	**353,664**	349,761

(a) The investment in related party reflects GasNet Australia Investments Trust's ("GAIT") investment in 100% of the B Class units in GasNet A Trust. The B Class units give GAIT rights to the income and capital of GasNet A Trust, but hold no voting rights. As such, GAIT neither controls nor has a significant influence over GasNet A Trust. GasNet Australia Trust, a related party wholly owned by APA, owns 100% of the A Class units in GasNet A Trust and, accordingly, GasNet A Trust is included in the consolidation of the APA entities.

(b) Financial assets carried at fair value relate to APA Group's 19.9% investment in Energy Infrastructure Investments Pty Ltd where APL, as Responsible Entity for APTIT, acquired the redeemable ordinary shares.

(c) Available-for-sale investments reflect an investment in loan notes issued by Envestra and a 6% unitholding in Ethane Pipeline Income Fund (formerly Mariner Pipeline Income Fund). During the financial year, APTIT reinvested $114,000 into Envestra's loan notes under its Distribution Reinvestment Plan and $1,781,000 through participation in and partly underwriting Envestra's rights issue. During the financial year, Envestra repaid $9,938,000 of the loan notes as part of its final 2008 and interim 2009 distributions. Ethane Pipeline Income Fund paid capital distributions of $381,000 and declared a $97,000 capital distribution as part of its June 2009 quarter distribution.

9. Trade and other payables

Other payables	**11**	10	**11**	10

10. Issued capital

	Consolidated		Trust	
	2009	2008	**2009**	2008
	$000	$000	**$000**	$000
498,663,596 securities, fully paid (2008: 468,241,154 securities, fully paid) [(a)]	**358,450**	357,556	**358,450**	357,556

	Consolidated and Trust			
	2009	**2009**	2008	2008
	No. of units		No. of units	
	000	$000	000	$000
Movements				
Balance at beginning of financial year	**468,241**	**357,556**	431,701	298,251
Issue of securities under Distribution Reinvestment Plan	**18,718**	**19,458**	12,881	16,869
Issue of securities under Security Purchase Plan	**11,705**	**8,864**	23,659	63,770
Issue cost of securities	**-**	**(171)**	-	(325)
Capital distributions paid (Note 5)	**-**	**(27,257)**	-	(21,009)
Balance at end of financial year	**498,664**	**358,450**	**468,241**	**357,556**

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.

11. Reserves

Available-for-sale investment revaluation reserve				
Balance at beginning of financial year	**(50)**	-	**(50)**	-
Valuation loss recognised	**(1,396)**	(50)	**(1,396)**	(50)
Balance at end of financial year	**(1,446)**	(50)	**(1,446)**	(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.

12. Earnings per security

	Consolidated	
	2009	2008
Basic and diluted earnings per security (cents)	**7.0**	6.5

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)	**34,064**	29,098

	No. of securities	
	2009	2008
Weighted average number of ordinary securities on issue used in the calculation (000)	**485,077**	450,262

13. Remuneration of external auditor

	Consolidated		Trust	
	2009	2008	**2009**	2008
	$	$	**$**	$
Amounts received or due and receivable by Deloitte Touche Tohmatsu for:				
Auditing the financial report	**11,025**	10,495	**11,025**	10,495

14. Leases

	Consolidated		Trust	
	2009	2008	**2009**	2008
	$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	**1,167**	1,167
Longer than 1 year and not longer than 5 years	**4,669**	4,669	**4,669**	4,669
Longer than 5 years	**15,175**	16,342	**15,175**	16,342
Minimum future lease payments receivable [(a)]	**21,011**	22,178	**21,011**	22,178
Gross finance lease receivables	**21,011**	22,178	**21,011**	22,178
Less: unearned finance lease receivables	**(6,981)**	(7,669)	**(6,981)**	(7,669)
Present value of lease receivables	**14,030**	14,509	**14,030**	14,509
Included in the financial statements as part of:				
Current receivables (Note 6)	**502**	479	**502**	479
Non-current receivables (Note 7)	**13,528**	14,030	**13,528**	14,030
	14,030	14,509	**14,030**	14,509

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

15. Financial instruments

(a) Financial risk management objectives

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

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

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

(b) Liquidity risk management

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

The Consolidated Entity's activities exposure is primarily to the financial risk of changes in interest rates. There has been no change to the Consolidated Entity's exposure to market risk or the manner 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 values 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 $626,000 or increase by $626,000 (2008: $854,000). This is mainly attributable to the Consolidated Entity's exposure to interest rates on its variable rate inter-entity balances.

16. Subsidiaries

Name of entity	Country of registration	Ownership interest 2009 %	2008 %
Parent entity			
APT Investment Trust			
Controlled entity			
GasNet Australia Investments Trust	Australia	**100**	100

17. Acquisition of assets/businesses

2009 **Assets acquired**	**Principal activity**	**Date of acquisition**	**Proportion acquired %**	**Cost of acquisition $000**
Envestra loan notes	Financing	10 February 2009	11.5	1,781

Fair value of assets acquired is equal to cost of acquisition.

2008 Assets/businesses acquired	Principal activity	Date of acquisition	Proportion acquired %	Cost of acquisition $000
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

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 financial year were:

L F Bleasel AM (Independent Non-Executive Chairman)
J A Fletcher (Independent Non-Executive Director, appointed 27 February 2008)
R A Higgins AO (Independent Non-Executive Director)
M Muhammad (Non-Executive Director)
M Ratilal (Non-Executive Director)
R J Wright (Independent Non-Executive Director)
M J McCormack (Managing Director)
W S Saidi (Alternate Non-Executive Director, retired as of 14 August 2009)
W Z W Ariffin (Alternate Non-Executive Director)
R M Gersbach (Group Manager Commercial, appointed 1 February 2008, Acting Chief Financial Officer, 1 January 2009 to 31 May 2009)
P J Fredricson (Chief Financial Officer, appointed 1 June 2009)
S P Ohl (Group Manager Operations)
M T Knapman (Company Secretary, appointed 16 July 2008)
R A Smith (Group Manager Human Resources and HS&E)
R F Francis (Chief Financial Officer, resigned as of 31 December 2008).

(b) Key management personnel compensation

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

	Consolidated and Trust	
	2009	2008
	$	$
Short-term employment benefits	**4,566,664**	4,593,870
Post-employment benefits	**343,587**	308,948
Cash settled share-based payments	**654,114**	404,109
Retention award	**216,667**	216,667
Termination payments	**487,237**	1,062,899
	6,268,269	6,586,493

18. Key management personnel compensation (continued)

(b) Key management personnel compensation (continued)

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

	Short-term employment benefits				Post-employment	Long-term incentive plans		
	Salary/fees	Due Diligence Committee fees	Short-term incentive scheme	Non-monetary	Super-annuation	Share-based payments[a]	Other[b]	Total
	$	$	$	$	$	$	$	$
Non-Executive Directors								
L F Bleasel [c]								
2009	**236,477**	**-**	**-**	**-**	**54,108**	**-**	**-**	**290,585**
2008	125,315	-	-	-	10,605	-	-	135,920
J A Fletcher								
2009	**49,000**	**-**	**-**	**-**	**79,620**	**-**	**-**	**128,620**
2008	20,724	-	-	-	20,014	-	-	40,738
R A Higgins								
2009	**101,200**	**-**	**-**	**-**	**41,808**	**-**	**-**	**143,008**
2008	106,678	5,200	-	2,753	11,219	-	-	125,850
M Muhammad								
2009	**108,000**	**-**	**-**	**-**	**-**	**-**	**-**	**108,000**
2008	97,000	-	-	-	-	-	-	97,000
M Ratilal								
2009	**89,167**	**-**	**-**	**-**	**-**	**-**	**-**	**89,167**
2008	78,333	-	-	-	-	-	-	78,333
R J Wright								
2009	**128,200**	**-**	**-**	**-**	**11,538**	**-**	**-**	**139,738**
2008	108,817	5,200	-	-	11,158	-	-	125,175
W S Saidi [d]								
2009	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**
2008	-	-	-	-	-	-	-	-
W Z W Ariffin [e]								
2009	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**
2008	-	-	-	-	-	-	-	-
G H Bennett								
2009	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**
2008	55,394	2,600	-	-	4,754	-	98,100	160,848
R M Gersbach								
2009	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**
2008	52,500	5,200	-	-	4,725	-	-	62,425
Executive Director								
M J McCormack								
2009	**711,928**	**-**	**523,125**	**13,072**	**50,000**	**285,663**	**216,667**	**1,800,455**
2008	659,205	-	430,000	40,795	50,000	151,894	216,667	1,548,561
Total remuneration: Directors								
2009	**1,423,972**	**-**	**523,125**	**13,072**	**237,074**	**285,663**	**216,667**	**2,699,573**
2008	1,303,966	18,200	430,000	43,548	112,475	151,894	314,767	2,374,850

(a) Cash settled share-based payments.

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

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

(d) Retired as of 14 August 2009.

(e) Retired as of 19 August 2009.

18. Key management personnel compensation (continued)

(b) Key management personnel compensation (continued)

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

	Short-term employment benefits			Post-employment	Long-term incentive plans		
	Salary/fees	Short-term incentive scheme	Non-monetary	Super-annuation	Share-based payments[a]	Termination payments	Total
	$	$	$	$	$	$	$
Executives							
R M Gersbach [b]							
2009	**524,333**	**320,000**	**11,922**	**13,745**	**105,857**	**-**	**975,857**
2008	227,683	108,000	4,968	6,734	28,250	-	375,635
P J Fredricson [c]							
2009	**38,226**	**-**	**-**	**3,440**	**-**	**-**	**41,666**
2008	-	-	-	-	-	-	-
S P Ohl							
2009	**336,523**	**184,000**	**28,732**	**34,745**	**92,095**	**-**	**676,095**
2008	300,559	167,000	36,311	13,130	45,075	-	562,075
M T Knapman [d]							
2009	**294,950**	**119,600**	**-**	**33,964**	**37,504**	**-**	**486,018**
2008	-	-	-	-	-	-	-
S M Dureau [e]							
2009	**-**	**-**	**-**	**-**	**-**	**-**	**-**
2008	274,948	135,000	11,922	13,130	39,291	-	474,291
R A Smith							
2009	**245,480**	**115,700**	**775**	**13,745**	**49,438**	**-**	**425,138**
2008	179,699	85,000	-	9,847	12,625	-	287,171
R F Francis [f]							
2009	**180,293**	**200,000**	**5,961**	**6,874**	**83,557**	**487,237**	**963,922**
2008	334,948	167,000	11,922	13,130	48,438	-	575,438
A J V James [g]							
2009	**-**	**-**	**-**	**-**	**-**	**-**	**-**
2008	214,526	157,500	11,177	29,272	41,986	743,900	1,198,361
P D Fox [h]							
2009	**-**	**-**	**-**	**-**	**-**	**-**	**-**
2008	206,618	150,000	13,376	13,130	36,550	318,999	738,673
Total remuneration: Executives							
2009	**1,619,805**	**939,300**	**47,390**	**106,513**	**368,451**	**487,237**	**3,568,696**
2008	1,738,981	969,500	89,676	98,373	252,215	1,062,899	4,211,644

(a) Cash settled share-based payments.
(b) Includes one-off ex-gratia component for undertaking Chief Financial Officer position from 1 January 2009 to 31 May 2009.
(c) Chief Financial Officer, apppointed 1 June 2009.
(d) Company Secretary, appointed 16 July 2008.
(e) General Counsel and General Manager Regulatory, ceased as key management personnel 1 July 2008.
(f) Chief Financial Officer, resigned as of 31 December 2008.
(g) Company Secretary, resigned as of 29 April 2008.
(h) General Manager Corporate Development, resigned as of 30 June 2008.

19. Related party transactions

(a) Responsible Entity – Australian Pipeline Limited

The Responsible Entity is wholly owned by APT Pipelines Limited (2008: 100% owned by APT Pipelines Limited).

(b) Equity interest in related parties

Details of the percentage of ordinary securities held in subsidiaries are disclosed in Note 16.

(c) Transactions with key management personnel

Details of key management personnel compensation are disclosed in Note 18.

(i) Loans to key management personnel

No loans have been made to key management personnel.

(ii) Key management personnel equity holdings in APTIT

	Fully paid securities opening balance	Securities acquired during the financial year	Securities disposed during the financial year	Fully paid securities closing balance
2009				
L F Bleasel AM	311,589	23,564	-	**335,153**
J A Fletcher	35,477	9,440	-	**44,917**
R A Higgins AO	36,581	15,440	-	**52,021**
M Muhammad	26,804	16,014	-	**42,818**
M Ratilal	-	-	-	**-**
R J Wright	19,858	4,405	-	**24,263**
M J McCormack	100,005	14,995	-	**115,000**
W S Saidi (retired as of 14 August 2009)	-	-	-	**-**
W Z W Ariffin (retires as of 19 August 2009)	-	-	-	**-**
R M Gersbach	18,043	4,189	-	**22,232**
P J Fredricson (appointed 1 June 2009)	-	-	-	**-**
S P Ohl	10,000	1,928	-	**11,928**
M T Knapman (appointed 16 July 2008)	-	3,000	-	**3,000**
R A Smith	8,000	8,028	-	**16,028**

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

19. Related party transactions (continued)

(d) Transaction with related parties within the Consolidated Entity

During the financial year, the following transactions occurred between the Trust and its other related parties:

- loans advanced and payments received on long-term inter-entity loans;
- payments of distributions;
- payments of capital distributions (returns of capital); and
- 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 APA. These loans have various terms; however, they can be repayable on agreement of the parties. Interest is recognised by applying the effective interest method, agreed between the parties at the end of each month and is determined by reference to market rates.

The following balances arising from transactions between the Trust and its other related parties are outstanding at reporting date:

- current receivables totalling $502,130 are owing from a subsidiary of APT for amounts due under a finance lease arrangement (2008: $478,552); and
- non-current receivables totalling $13,528,033 are owing from a subsidiary of APT for amounts due under a finance lease arrangement (2008: $14,030,163).

Australian Pipeline Limited

Management fees of $844,345 (2008: $890,615) 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 $844,345 (2008: $890,615) were reimbursed by APT.

20. Contingent liabilities and contingent assets

At 30 June 2009, there are no material contingent liabilities or contingent assets (2008: $nil).

21. Subsequent events

On 25 August 2009, the Directors declared a final distribution for the 2009 financial year, of 13.3 cents per security ($66.1 million). The distribution represents a 2.2 cents per security unfranked income distribution and 11.1 cents per security capital distribution. The distribution will be paid on 15 September 2009.

DECLARATION BY THE DIRECTORS

FOR THE FINANCIAL YEAR ENDED 30 JUNE 2009

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, 25 August 2009

AUDITOR'S INDEPENDENCE DECLARATION

Deloitte.

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

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Tel: +61 (0) 2 9322 7000
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www.deloitte.com.au

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

25 August 2009

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 2009, 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

DELOITTE TOUCHE TOHMATSU

Samantha Lewis
Partner

Member of
Deloitte Touche Tohmatsu

INDEPENDENT AUDITOR'S REPORT

Deloitte.

Deloitte Touche Tohmatsu
ABN 74 490 121 060

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

We have audited the accompanying financial report of APT Investment Trust, which comprises the balance sheet as at 30 June 2009, 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 126 to 148.

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

INDEPENDENT AUDITOR'S REPORT

Deloitte.

Auditor's Independence Declaration

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

Auditor's Opinion

In our opinion:

(a) the financial report of APT Investment Trust is in accordance with the Corporations Act 2001, including:
   (i) giving a true and fair view of the Trust's and consolidated entity's financial position as at 30 June 2009 and of their performance for the year ended on that date; and
   (ii) complying with Australian Accounting Standards (including the Australian Accounting Interpretations) and the Corporations Regulations 2001; and

(b) the consolidated financial statements and notes also comply with International Financial Reporting Standards as disclosed in Note 2.

Deloitte Touche Tohmatsu

DELOITTE TOUCHE TOHMATSU

Samantha Lewis
Partner
Chartered Accountants
Sydney, 25 August 2009

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 2009).

TWENTY LARGEST HOLDERS

	No. of Securities	%
Petronas Australia Pty Ltd	70,117,883	14.06
HSBC Custody Nominees (Australia) Limited	30,154,673	6.05
National Nominees Limited	20,764,421	4.16
JP Morgan Nominees Australia Limited	20,474,385	4.11
RBC Dexia Investor Services Australia Nominees Pty Limited	19,720,940	3.95
East Australian Pipeline Marketing Pty Ltd	15,830,592	3.17
Custodial Services Limited	8,327,077	1.67
Citicorp Nominees Pty Limited	5,785,194	1.16
Cogent Nominees Pty Limited	5,132,669	1.03
Argo Investments Limited	4,100,000	0.82
ANZ Nominees Limited	3,993,612	0.80
AMP Life Limited	3,408,496	0.68
Queensland Investment Corporation	2,832,949	0.57
Questor Financial Services Limited	2,039,375	0.41
Sandhurst Trustees Ltd	1,935,967	0.39
Citicorp Nominees Pty Limited	1,886,681	0.38
UBS Wealth Management Australia Nominees Pty Ltd	1,178,530	0.24
Australian Reward Investment Alliance	1,008,848	0.20
3rd Wave Investors Ltd Brettney Thomas Fogarty	1,000,000	0.20
RBC Dexia Investor Services Australia Nominees Pty Limited	994,570	0.20
Total for top 20	**220,686,862**	**44.26**

DISTRIBUTION OF HOLDERS

Ranges	No. of Holders	%	No. of Securities	%
1 – 1,000	32,652	43.44	11,857,664	2.38
1,001 – 5,000	27,112	36.07	68,785,948	13.80
5,001 – 10,000	9,357	12.45	67,339,422	13.50
10,001 – 100,000	5,940	7.90	112,646,155	22.59
100,001 and over	99	0.13	238,034,407	47.73
Total	**75,160**	**100.00**	**498,663,596**	**100.00**

5,289 holders hold less than a marketable parcel of securities (market value less than $500 or 174 securities based on a market price on 1 September 2009 of $2.89).

SUBSTANTIAL HOLDERS

By notice dated 22 August 2007, Petronas Australia Pty Limited advised that it had an interest in 72,102,351 ordinary securities.

VOTING RIGHTS

On a show of hands, each holder has one vote.

On a poll, each holder has one vote for each dollar of the value of the total interests they have in the scheme.

RESPONSIBLE ENTITY AND REGISTERED OFFICE

Australian Pipeline Limited ABN 99 091 344 704
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www.apa.com.au

APA GROUP REGISTRY

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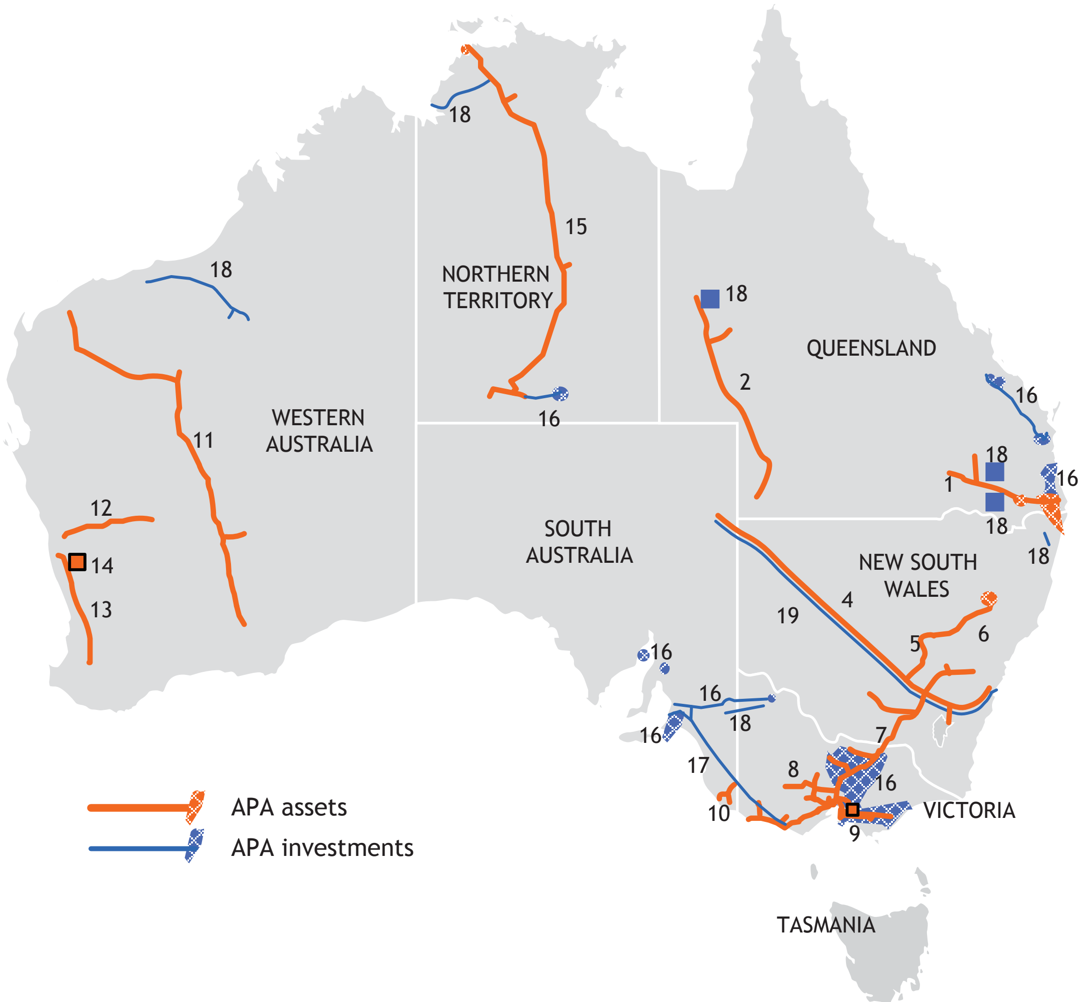
Locked Bag A14, Sydney South NSW 1235 Australia
Toll Free: 1800 992 312
Telephone: +61 2 8280 7132
Facsimile: +61 2 9287 0303
www.linkmarketservices.com.au

ON-MARKET BUY-BACK

There is no current on-market buy-back.

APA GROUP ASSETS AND INVESTMENTS



GAS TRANSMISSION AND DISTRIBUTION

QUEENSLAND

(1) Roma Brisbane Pipeline
(2) Carpentaria Gas Pipeline
(3) APA Gas Network

NEW SOUTH WALES

(4) Moomba Sydney Pipeline
(5) Central West Pipeline
(6) Central Ranges Pipeline
(7) NSW interconnect with Victoria

VICTORIA

(8) Victorian Transmission System
(9) Dandenong LNG facility

SOUTH AUSTRALIA

(10) SESA Pipeline

WESTERN AUSTRALIA

(11) Goldfields Gas Pipeline (88.2%)
(12) Mid West Pipeline (50%)
(13) Parmelia Pipeline
(14) Mondarra Gas Storage

NORTHERN TERRITORY

(15) Amadeus Gas Pipeline (96%)

ASSET MANAGEMENT

COMMERCIAL AND OPERATIONAL SERVICES TO:

-Energy Infrastructure Investments
-Envestra Limited
-Ethane Pipeline Income Fund

OPERATIONAL SERVICES TO:

-SEA Gas Pipeline
-other third parties

ENERGY INVESTMENTS

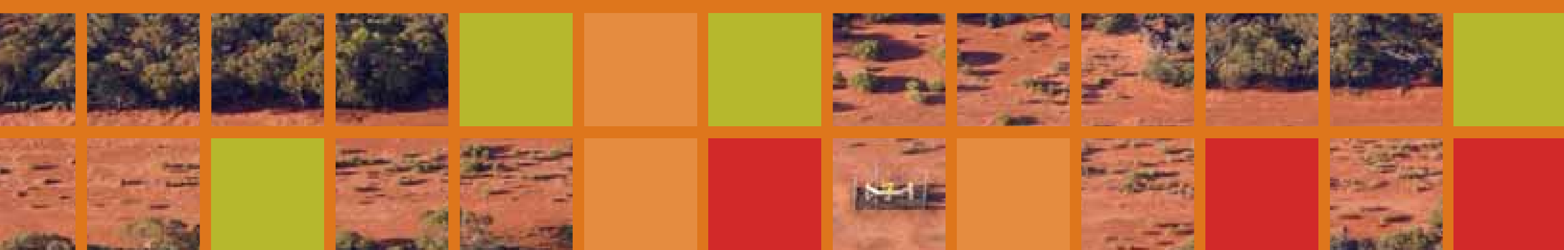
(16) Envestra Limited (30.4%)
Gas distribution networks and pipelines
(SA, Vic, Qld, NSW & NT)

(17) SEA Gas Pipeline (33.3%)

(18) Energy Infrastructure Investments (19.9%)

(19) Ethane Pipeline Income Fund (6.1%)

You can view the APA Group 2009
Annual Report on our website
www.apa.com.au



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