Investing in energy infrastructure

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ASX RELEASE

28 September 2012

Envestra

The Manager
ASX Market Announcements
Australian Securities Exchange
4th Floor, 20 Bridge Street
SYDNEY NSW 2000

Electronic Lodgement

Dear Sir or Madam

Company Announcement

Attached is the following announcement for release to the market:

- 2012 Annual Report.

Yours sincerely

Des Petherick
Company Secretary and
Manager Corporate Services

Telephone: (08) 8418 1126

ENVESTRA

Annual Report

2012

Contents

Financial Calendar: 2012-13

2012 ANNUAL GENERAL MEETING	31/10/2012
FINAL DIVIDEND PAID	31/10/2012
HALF-YEAR FINANCIAL RESULTS ANNOUNCED (1)	21/02/2013
INTERIM DIVIDEND PAID (1)	30/04/2013
FULL-YEAR FINANCIAL RESULTS ANNOUNCED (1)	22/08/2013
2013 ANNUAL GENERAL MEETING (1)	30/10/2013

(1) DATES SUBJECT TO CONFIRMATION

THE 2012 ANNUAL GENERAL MEETING OF ENVESTRA LIMITED (ACN 078 551 685) WILL BE HELD AT 10:00AM ON WEDNESDAY, 31 OCTOBER 2012 AT THE ADELAIDE CONVENTION CENTRE, NORTH TERRACE, ADELAIDE.

TO ACHIEVE SUCCESS A COMPANY NEEDS INSIGHTFUL LEADERSHIP

THE BREADTH OF EXPERIENCE AND SKILLS OF THE ENVESTRA BOARD AND MANAGEMENT TEAM UNDERPIN THE BLUEPRINT THAT HAS SEEN THE COMPANY'S STEADY IMPROVEMENT. WITH A RECORD OF RELIABLE DELIVERY SINCE 1997, OUR TEAM IS COMMITTED TO REALISING ENVESTRA'S VISION AND CONTINUING TO DELIVER SUCCESSFUL PERFORMANCE OVER MANY YEARS.

TO ACHIEVE A SUCCESSFUL COMPANY NEEDS INSIGHTFUL LEADERSHIP

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2012 Performance

Envestra's vision is to own and reliably operate natural gas networks, pipelines and related services that generate attractive returns to our shareholders. The Company has a proven record in delivering on this vision. 2012 was a year of solid performance.

10% INCREASE IN REVENUES

25% INCREASE IN CASH FLOW

64% INCREASE IN NET PROFIT

EFFECTIVE CAPITAL MANAGEMENT

- Debt portfolio further enhanced – 2012 refinancing increased average loan duration to 11 years
- Equity financing through Dividend Reinvestment Plan / Share Purchase Plan raised $70 million in 2012
- Reduction in net finance costs
- Improvement in key credit metrics – focus on credit ratings improvement

SUSTAINABLE RETURNS UNDER THE REGULATORY FRAMEWORK

- New Access Arrangements in South Australia / Queensland commenced in 2012 – sound revenue growth enhanced by regulatory appeal outcomes
- Victorian 2013-17 regulatory submission lodged in March 2012

CLOSE RELATIONSHIP WITH OPERATOR APA ASSET MANAGEMENT

- Tight operating cost control performance – increase in operator costs limited to 2%
- Reduction in 'Unaccounted for Gas' in 2012
- Record capital expenditure program completed

GROWTH ORIENTATED CAPEX PROGRAM

- Almost 26,000 new customers added to networks – increasing annual revenue
- Record level of mains replacement during 2012 – driving network improvement cost efficiencies

STRONG ENVIRONMENTAL EMPHASIS

- Promotion of natural gas as an environment friendly fuel
- Prudent management of contaminated sites
- Strong emphasis on adherence to environmental codes and guidelines

Chairman's and Managing Director's Review

IT IS PLEASING TO REPORT THAT THE COMPANY RECORDED ITS HIGHEST PRE-TAX PROFIT ($105.4 MILLION) SINCE LISTING IN 1997, UP 62% ON THE PREVIOUS YEAR WHICH ITSELF HAD BEEN A SIGNIFICANT IMPROVEMENT. THE PROFIT AFTER TAX OF $73.9 MILLION FOR 2011-12 IS THE COMPANY'S SECOND HIGHEST 'BOTTOM LINE', ONLY EXCEEDED IN 2008 WHEN A ONE-OFF NON-CASH TAX BENEFIT AROSE. CASH FLOW FROM OPERATING ACTIVITIES OF $171.8 MILLION WAS ALSO THE HIGHEST EVER ACHIEVED.

For the second year in a row, Envestra's market value increased substantially. This year it was up 20% to over $1.2 billion, with the share price moving from 69 cents on 1 July 2011 to 78.5 cents at 30 June 2012. The increase of 14% in share price substantially exceeded the movement in the ASX 200 (down 11% during 2011-12). Some $45 million of new equity was contributed by shareholders participating in the two Dividend Re-investment Plans in October 2011 and April 2012, with a further $25 million being contributed by smaller shareholders who supported the Share Purchase Plan that occurred in November 2011.

Unlike in 2010-11 when we saw a 7% increase in gas volumes flowing through the networks due to the relatively cold winter that year, in 2011-12 we experienced a 4% decrease in gas deliveries, and more particularly, a 6% decline in deliveries to households and smaller commercial customers where revenues are most affected. The decline was largely due to the relatively warm winter weather conditions that were experienced in south east Australia in 2011. However, this challenge was more than offset by the significant increases in tariffs that were put into place in South Australia and Queensland as a result of the initiation of the new five-year Access Arrangements approved by the Australian Energy Regulator which came into effect at the beginning of the financial year.

Strong core business growth was founded on the continuation of a substantial capital expenditure program over recent years, with expenditure in the current year at a record $176 million. Our Company added 25,800 new customers to its networks, only marginally below the record established last year. A number of large projects were undertaken, including a pipeline extension near Alice Springs, further looping of the Crib Point pipeline on the Mornington Peninsula and Seaford/Aldinga upgrades in Adelaide and a major upgrade to our national Works Management IT system. We also continued our mains replacement program with a record 331 km of older (and largely cast iron) mains replaced.

The encouraging financial performance over recent years has led to a steady improvement in the Company's credit metrics, with a gearing level (based on net debt and market value of equity) of 64%, down from 68% at the beginning of the year and 75% at June 2010. The Group had total borrowings of $2.2 billion at 30 June, with the average age to maturity of the Group's debt being 10 years. Unused bank credit lines of $251 million were in place at 30 June 2012, and this subsequently increased to $400 million following the new US Private Placement issue in July 2012.

We were again active in the capital markets, with two US Private Placements completed. $350 million of 10, 12, and 30-year bonds were issued in June and July 2011 (reported in last year's Annual Report). A further issue of $196.5 million of 10 and 15-year bonds was agreed with USPP investors in March 2012 to re-finance domestic bonds maturing in August 2012, and to replace bank facilities. Settlement for these bonds occurred in July 2012.

The Dividend Re-investment Plan was again well supported, with around 3,000 shareholders (17% of all shareholders) participating in the October 2011 (63% of the issued capital) and April 2012 (42% of the issued capital) issues. The Company's two major shareholders, Australian Pipeline Ltd (APA) and Cheung Kong Infrastructure Holdings (Malaysian) Ltd participated in the October issue and APA also participated in the April issue. Their holdings in Envestra are now 33.4% and 18.9% respectively. Some 3,200 shareholders also participated in the Share Purchase Plan that occurred in October 2011 (18% of all shareholders). These equity issues have assisted in ensuring the Company's gearing level is gradually reduced and that our substantial capital expenditure program is appropriately funded.

Regulatory Reviews

Envestra's monopoly position as a gas distributor is subject to price regulation by the Australian Energy Regulator (AER). The appropriate implementation of the regulatory regime, consistent with the objectives of the National Gas Law, is critical to Envestra's ability to fund its business and secure its future success. The AER reviews the Company's Access Arrangements at five-yearly intervals under the National Gas Law and Rules. This process determines future revenues and, as a consequence, tariffs, as well as contractual terms for retailers and some large customers over the following five years.

Separate Access Arrangements are in place for each of the major networks, with those for South Australia and Queensland having been revised as from 1 July 2011. These two networks comprise just over 55% of our total business.

As we reported last year, the AER issued its Final Determinations in June 2011 leading to significant increases in tariffs in each of those jurisdictions and giving rise to substantial increase in Envestra's revenues in the coming years. Whilst price increases to customers are regrettable, the AER recognised the substantial increases in capital funding costs that gas networks (and others) face in the aftermath of the global financial crisis, as well as the substantial capital expenditure program that is required in the coming years to maintain the reliability of the networks and the augmentations that are anticipated to cope with the expanding population and continued suburban growth.

We also noted last year that whilst we were generally satisfied with most aspects of the AER's decisions, there were a number of important matters that we believed had been inadequately assessed by the Regulator, or were simply in error. We therefore lodged an appeal with the Australian Competition Tribunal (ACT) to have these matters reviewed. The decision of the ACT was handed down in January 2012 resulting in further tariff increases to occur over the Access Arrangement period, which are expected to generate some $80 million of additional revenues to the Group over the next four-year period. Whilst the extra tariff revenue is not chargeable to customers until the 2012-13 financial year, we have accrued $12.9 million revenue in 2011-12 recognising the extra revenue should have been available to the Company from the initiation of the current Access Arrangement on 1 July 2011.

The existing Victorian and Albury Access Arrangements (comprising around 40% of our business) are due to expire in December 2012 and we provided our submission on proposed tariffs and haulage conditions to the AER as required on 30 March 2012. The AER's initial response to our proposals, referred to as a "Draft Determination", is due to be published in September 2012, with a Final Determination expected to be made after further consultation with stakeholders in March 2013. This is three months longer than first anticipated. The AER has advised that the extra time is required due to the volume of work they have before them. The new tariffs approved by the AER will apply from 1 July 2013.

Whilst there are differences between the Victorian/Albury networks and those of South Australia and Queensland, we expect many of the key issues decided in the course of the South Australian and Queensland Determinations will be replicated by the AER in Victoria, except for the allowed rate of return (referred to as the "WACC") which will presumably reflect prevailing market conditions in February / March 2013, rather than those occurring when the South Australian and Queensland WACC determinations occurred.

Capital Expenditure Program

The Company completed its largest ever capital expenditure program in 2011-12, with $176 million spent on network extensions, mains replacement, capacity augmentations and meter changeovers. During the year, 260 km of new mains were laid and 331 km of old mains were replaced. A number of information technology upgrades were also progressed with upgraded works maintenance systems now almost completed.

The $176 million program represented a $47 million increase over the previous year. The expenditure is added to our Regulatory Asset Base in accordance with the National Gas Law and Rules, and as such, enhances our revenues in future years.

Consistent with our submissions to the AER in respect to our Victorian, Albury, South Australian and Queensland businesses, a significant increase in capital expenditure is anticipated in the next five years, with overall investment expected to amount to over $220 million annually. We are forecasting capital expenditure in 2012-13 of around $230 million across all the networks, including some 450 km of mains replacement.

As noted last year, we have emphasised to the AER this enhanced capital expenditure program is only possible if satisfactory regulatory rates of return are allowed. In respect to our recent South Australian and Queensland decisions, we are satisfied that the position taken by the AER, and enhanced by the ACT, in respect to the return on capital (WACC) is sufficient to justify investment and allows new capital to be sourced. We are hopeful that the AER will provide a similar outcome that reflects prevailing market conditions for the cost of both equity and debt, when finalising its Victorian and Albury Determinations in early 2013.

JOHN ALLPASS

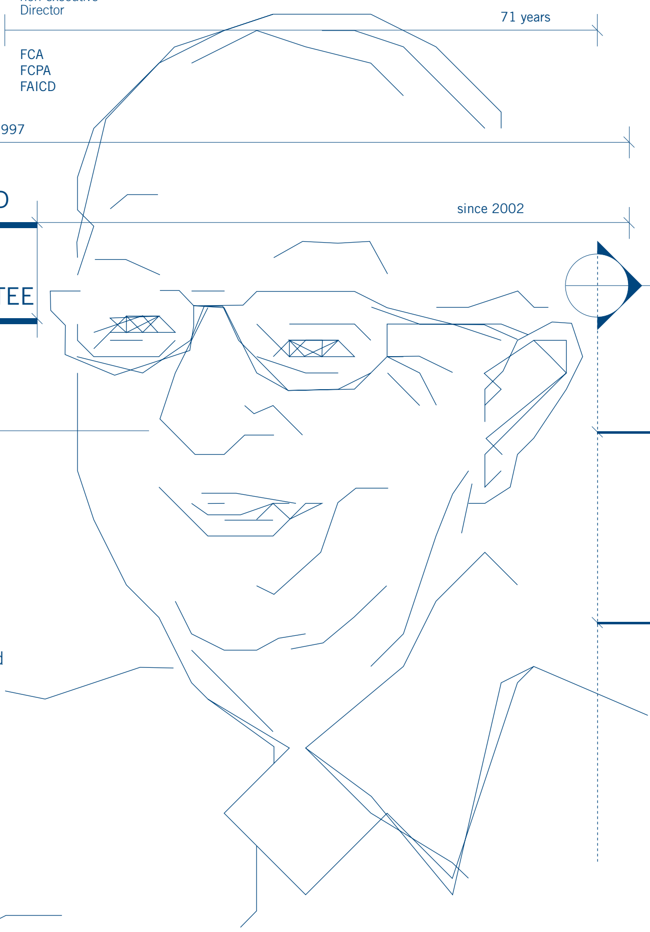
Independent non-executive Director

71 years

- FCA
- FCPA
- FAICD

Chartered Accountant

30+ years of experience in the accounting profession



DIRECTOR

since June 1997

CHAIRMAN OF THE BOARD

since 2002

CHAIRMAN OF THE REMUNERATION COMMITTEE

Alternate Director

since Sept 2009
Brisbane Airport Corporation Group

Other Directorships

since October 1999
BUPA Australia Pty Ltd
(formerly MBF Australia Ltd)

since May 2008
BUPA Australia Holdings Pty Ltd

since April 2005
BUPA Foundation (Australia) Pty Ltd

since May 2008
BrisConnections Management Company Ltd

since Nov 2010
Schiphol Australia Pty Ltd

Former Director

1991 - 2008
Queensland Investment Corporation

1994 - 2007
Macquarie Bank Ltd

Former Managing Partner

KPMG, Queensland

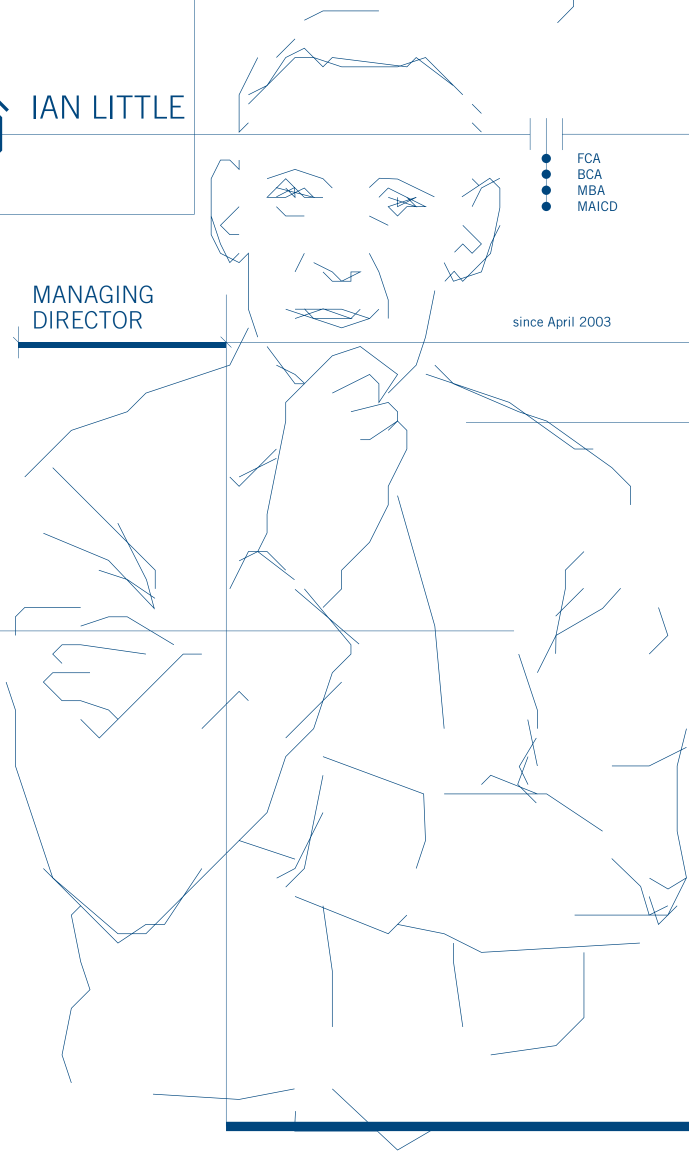
IAN LITTLE

55 years

- FCA
- BCA
- MBA
- MAICD

Chartered Accountant

30+ years of experience in the energy industry



MANAGING DIRECTOR

since April 2003

Other Directorships

Chairman

since Dec 2006
Australian Gas Industry Trust

Director

since 2009
Phoenix Society

Chairman

since May 2012 (Member since May 2010)
University of South Australia Business Advisory Council

Former Deputy Chairman

Energy Supply Association of Australia

Former Chairman

2005 - 2011
South Australian Botanic Gardens & State Herbarium

SUCCESSFUL COMPANIES RELY ON THE STEADY GUIDANCE AND WISDOM OF THE BOARD. ENVESTRA HAS BEEN FORTUNATE IN THAT JOHN ALLPASS JOINED THE BOARD IN 1997 AND BECAME CHAIRMAN IN 2002. JOHN HAS BEEN INVOLVED IN ACCOUNTING AND FINANCE AT THE SENIOR LEVEL FOR OVER 30 YEARS, AND HAS HELD A NUMBER OF OTHER DIRECTORSHIPS THROUGHOUT HIS CAREER. HIS WEALTH OF KNOWLEDGE IS INVALUABLE TO ENVESTRA WHERE WE ARE HEAVILY RELIANT ON SOUND FINANCIAL GOVERNANCE AND CAREFUL MANAGEMENT WITHIN THE CONFINES OF THE NATIONAL REGULATORY REGIME.

IAN WAS APPOINTED MANAGING DIRECTOR IN APRIL 2003. HIS ROLE DEMANDS STRATEGIC MANAGEMENT IN AN INDUSTRY WHERE ACHIEVING APPROPRIATE OUTCOMES FOR THE COMPANY THROUGH THE REGULATORY REGIME IS CRITICAL TO ENVESTRA'S ABILITY TO FUND ITS BUSINESS AND SECURE ITS FUTURE. IAN HAS SPENT MOST OF HIS WORKING LIFE AS A CHARTERED ACCOUNTANT WITHIN THE ENERGY INDUSTRY AND HAS PILOTED THE COMPANY THROUGH THE RECENT, TURBULENT ECONOMIC TIMES. ENVESTRA IS WELL PLACED FOR A POSITIVE FUTURE AS A RESULT OF HIS GUIDANCE TO THE BUSINESS.

The program also will depend on being able to access funding in capital markets at suitable cost. Given that these types of investments have very long lives, we are mindful of the need to secure long-term funding at costs aligned to those approved by the AER in regulatory determinations.

The augmented capital expenditure program will generate increases in revenues over coming years. The investments will place the network business in a strong, sustainable position over the long-term, with reduced gas leakage (and associated reductions in maintenance costs) and provide a reliable gas supply to consumers.

Operator Performance

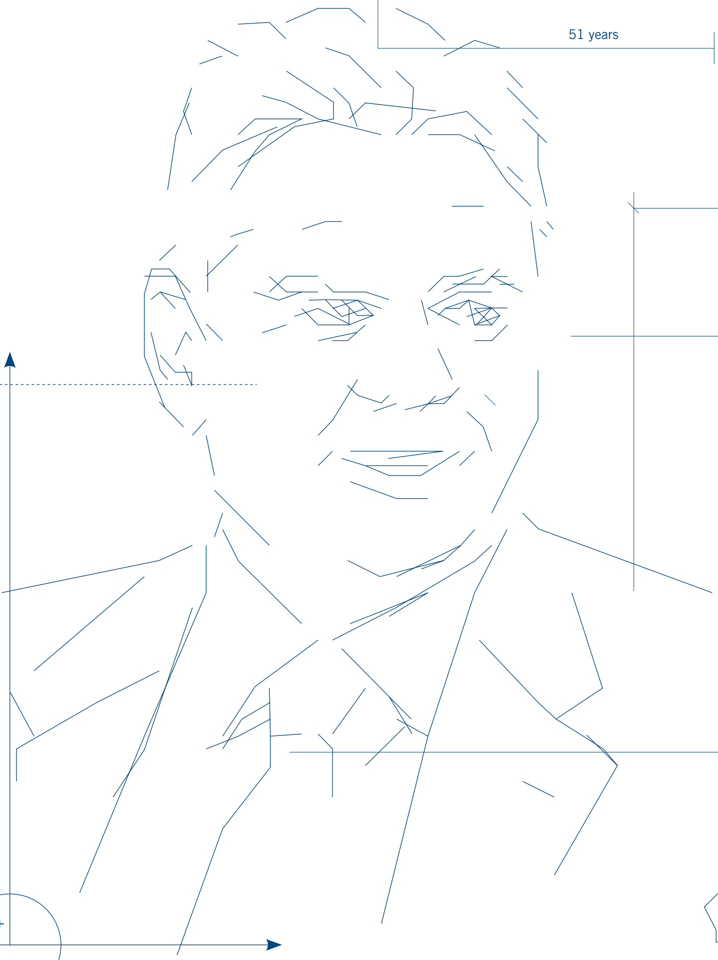
APA Asset Management, as operator of our networks, performed well during 2011-12. Network operating cost increases (excluding marketing expenditure) were constrained to 2%. Importantly the cost of "system use gas" consumed in running the networks reduced in 2011-12, over the previous year, despite significant price increases over 2010-11. The implied reduced leakage rate is a reflection of the success of the mains replacement program over recent years.

Safety performance for APA's 1,100 employees and contractors included 10 Lost Time Injuries (LTIs) (sustained by external contractors) compared with three in the previous year and two employee LTIs – the same as 2010-11, reflecting an Injury Frequency Rate of 6.8 per million hours worked. Whilst this was a disappointing outcome, the considerable focus that APA management and staff have had on safety over recent years provides a platform for this result to be improved in 2012-13.

Dividend Policy

Our Board has been conscious that the dividend rate has only risen marginally in recent years. We have previously advised that consequent to the global financial crisis and the attendant lowering of the Group's credit rating to BBB minus by Standard & Poor's (S&P) (Moody's rating has always been held at Baa2), there was a need to retain cash in the business to reduce gearing levels and assist with the funding of the capital expenditure program.

Whilst we are yet to see a ratings upgrade from S&P, we believe that with the increased revenues associated with our recent regulatory determinations, the Group should achieve metrics consistent with S&P's requirements for a BBB rated network business in 2012-13. We were able to increase dividends in 2011-12 by over 5%. This represented some reward for our long-term shareholders who had seen no dividend increases for a number of years.



MICHAEL McCORMACK

51 years

- B.Surv
- Grad Dip Eng
- MBA
- FAICD

DIRECTOR

since July 2007

25+ years of experience in the infrastructure sector of the energy industry

Other Directorships

Managing Director

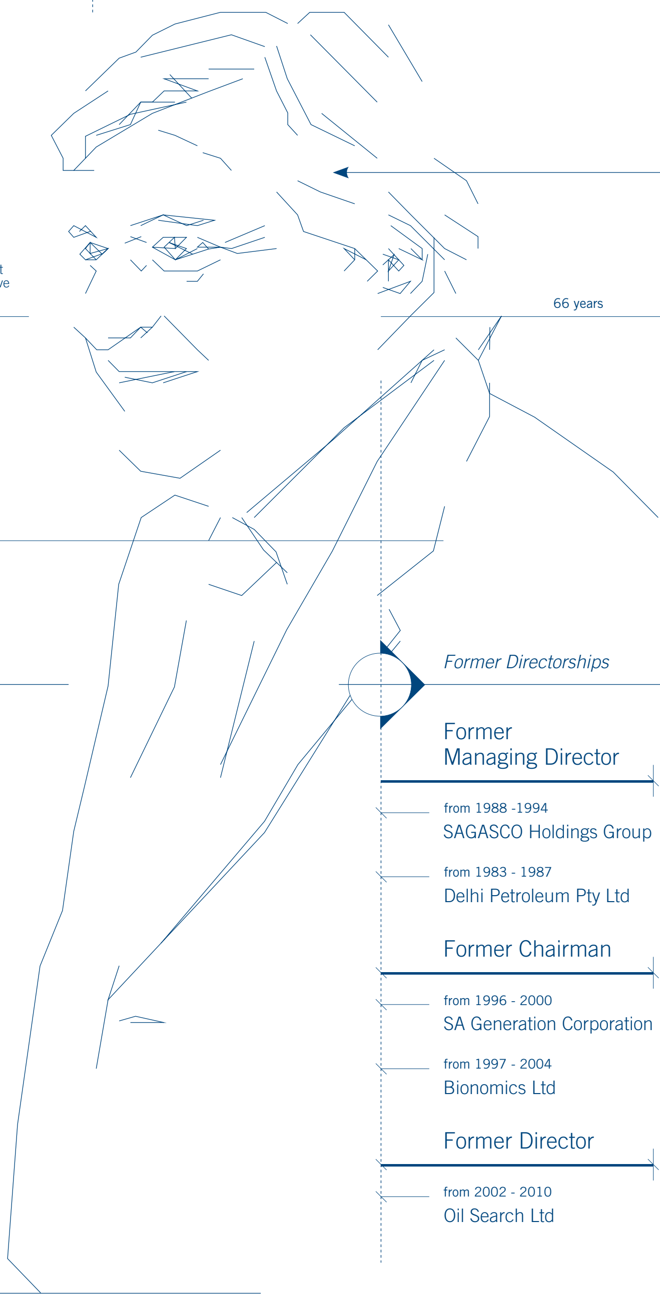
since July 2006
APA Group

Chairman

of a number of APA subsidiary companies

Director

since October 2004
Australian Pipeline Industry Association



FRASER AINSWORTH AM

Independent non-executive Director

66 years

- B.Com
- FCPA
- FAICD

Member of the Audit and Risk Committee

Member of the Remuneration Committee

DIRECTOR

since February 2004

40+ years of experience in the Australian resources and energy sectors

Other Directorships

Chairman

since December 2001
Horizon Oil Ltd

since January 2006
(Deputy Chairman from 1996 - 2005)
Tarac Australia Ltd

Former Directorships

Former Managing Director

from 1988 -1994
SAGASCO Holdings Group

from 1983 - 1987
Delhi Petroleum Pty Ltd

Former Chairman

from 1996 - 2000
SA Generation Corporation

from 1997 - 2004
Bionomics Ltd

Former Director

from 2002 - 2010
Oil Search Ltd

THE APA GROUP IS AUSTRALIA'S LARGEST NATURAL GAS INFRASTRUCTURE BUSINESS, OWNING AND/OR OPERATING APPROXIMATELY $9 BILLION OF ENERGY INFRASTRUCTURE ASSETS. MICK McCORMACK HAS BEEN CHIEF EXECUTIVE OFFICER OF APA SINCE 2005 AND MANAGING DIRECTOR SINCE 2006. HE HAS OVER 25 YEARS' EXPERIENCE IN THE ENERGY INFRASTRUCTURE SECTOR IN AUSTRALIA, WITH PARTICULAR FOCUS ON GAS TRANSMISSION PIPELINES AND DISTRIBUTION INFRASTRUCTURE, WHERE HE HAS WORKED ON THE DEVELOPMENT, CONSTRUCTION AND OPERATION OF NEW AND EXISTING PIPELINES AND DISTRIBUTION NETWORKS. MICK JOINED THE ENVESTRA BOARD IN 2007 WHEN APA ACQUIRED ITS INITIAL 17% STAKE IN THE COMPANY. HE BRINGS HIS WEALTH OF KNOWLEDGE AND EXPERIENCE GAINED PARTICULARLY THROUGH HIS ROLE AT APA TO THE ENVESTRA LEADERSHIP GROUP.

AS A FORMER MANAGING DIRECTOR OF ONE OF ENVESTRA'S 'FOUNDATION' COMPANIES (SAGASCO HOLDINGS LTD), FRASER AINSWORTH HAS AN IN-DEPTH UNDERSTANDING OF THE KEY ISSUES THAT UNDERPIN ENVESTRA'S BUSINESS. HE ALSO HAS CONSIDERABLE EXPERIENCE IN THE UPSTREAM ENERGY SECTOR. FRASER IS WIDELY RECOGNISED THROUGHOUT THE BUSINESS COMMUNITY AS A DIRECTOR WITH CONSIDERABLE EXPERIENCE AND A PASSION FOR THE OIL AND GAS INDUSTRY IN WHICH HE HAS SPENT MOST OF HIS WORKING LIFE.

Whilst it is recognised that the Company's financial prospects have strengthened consequent to the outcome of the South Australian and Queensland Access Arrangement reviews, we are mindful of the significance of the Victorian Access Arrangement review process and our long-held strategy of achieving a ratings upgrade from Standard & Poor's. The October 2012 dividend has been maintained at 2.9 cents per share. The dividend rate will be reviewed following the outcome of the Victorian regulatory process.

Sustainability and the Environment

For many years the Company has been monitoring four sites located in Victoria and southern New South Wales that had been previously occupied by coal gas manufacturing plants, all of which had been closed when natural gas was introduced to the local areas in the 1970s. All of these sites contain contaminants arising from the byproducts of coal gasification, including tar, that were buried at the sites over the course of many years of operations.

Envestra has been actively involved with the respective State environmental protection agencies and their appointed consultants in assessing the nature and extent of the contaminant materials and whether there is a risk of harm to the local environment. Most importantly, a remediation plan has or is being developed, for each of the sites in conjunction with these agencies.

The expected cost of these remediation programs is quite large, with some $20 million being recorded in Envestra's Financial Statements at June 2012 to reflect the liability for clean-up.

Significant progress has occurred on two of the sites during 2011-12, with the remediation program for the Albury site being initiated in July 2012 and completion expected to occur in early 2013. Similarly, work on Benalla, where the extent of the contaminants was quite small by comparison to other sites, is expected to be completed in the first half of 2012-13. The remaining major site is at Sale, where although an Envestra subsidiary owns the land in question, the original "polluters" (who owned and operated the gas plant from the 1880s through to 1965) were other entities that we expect, despite the fact that we have recorded the remediation liability, will ultimately be responsible under relevant Victorian legislation, for reimbursing our costs. Negotiations with those entities to determine a commercial solution that meets the requirements of the Victorian Environment Protection Authority are currently in progress and we expect to resolve an outcome during 2012-13.

Organisation and Staffing

Envestra's network operations are largely outsourced to APA Asset Management. Envestra's management team oversees those activities undertaken by some 1,100 employees and contractors working for APA. We put on record our appreciation of the effort and commitment given by these people in ensuring the safe and reliable operation of the networks and the provision of the essential support services that are fundamental to the success of our business.

In particular, we wish to recognise the efforts of those APA employees who managed and protected our assets during the severe flooding in March 2012 in and around Wagga Wagga (in southern New South Wales) and northern Victoria. They were responsible for ensuring that the gas supply was not interrupted and that only minimal damage was sustained by our gas distribution assets in the region. A job well done!

Envestra's management team comprises utility professionals with significant expertise across financial, regulatory, commercial and engineering disciplines. The success of the business, particularly in securing improved regulatory and commercial outcomes and in driving enhanced profitability and returns to shareholders, reflects well on the dedication, substantial experience and professionalism of this group.

On behalf of the Board, we take the opportunity to thank our employees, and those of APA involved in our network business for their contribution to ensure Envestra continued its sound record of providing a reliable gas supply to our 1.1 million customers whilst achieving a significant improvement in profitability and returns to our shareholders during the course of 2011-12.

J G Allpass
Chairman

I B Little
Managing Director

23 August 2012

DOMINIC HAS BEEN A DIRECTOR SINCE 2005. AS AN EXECUTIVE DIRECTOR AND THE CHIEF FINANCIAL OFFICER FOR CKI, HE PROVIDES ENVESTRA WITH VALUABLE FINANCIAL AND STRATEGIC INSIGHT GAINED THROUGH HIS ROLE IN A MULTINATIONAL CORPORATION. HE IS A FELLOW OF THE HONG KONG INSTITUTE OF CERTIFIED PUBLIC ACCOUNTANTS AND A FELLOW OF THE ASSOCIATION OF CHARTERED CERTIFIED ACCOUNTANTS. DOMINIC INSTILS THE FINANCIAL DISCIPLINE HE APPLIES TO HIS OWN ROLE AT CKI TO HIS ROLE AS AN ENVESTRA BOARD MEMBER. ALTHOUGH BASED IN HONG KONG DOMINIC HAS ATTENDED ALMOST EVERY FULL ENVESTRA BOARD MEETING SINCE 2005. THIS DEMONSTRATES BOTH HIS AND CKI'S COMMITMENT TO THE SHORT AND LONG-TERM INTERESTS OF ENVESTRA.

TOGETHER WITH MICK McCORMACK, ROSS GERSBACH JOINED THE ENVESTRA BOARD IN 2007, AS PART OF THE APA GROUP'S ACQUISITION OF A 17% STAKE IN ENVESTRA. APA'S INTEREST IN ENVESTRA HAS SINCE GROWN TO 33% THROUGH VARIOUS SHARE SUBSCRIPTIONS. ENVESTRA IS THE RECIPIENT OF ROSS'S BROAD RANGE OF EXPERIENCE OVER 20 YEARS IN SENIOR POSITIONS ACROSS A RANGE OF ENERGY RELATED SECTORS INCLUDING 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 SECTORS.

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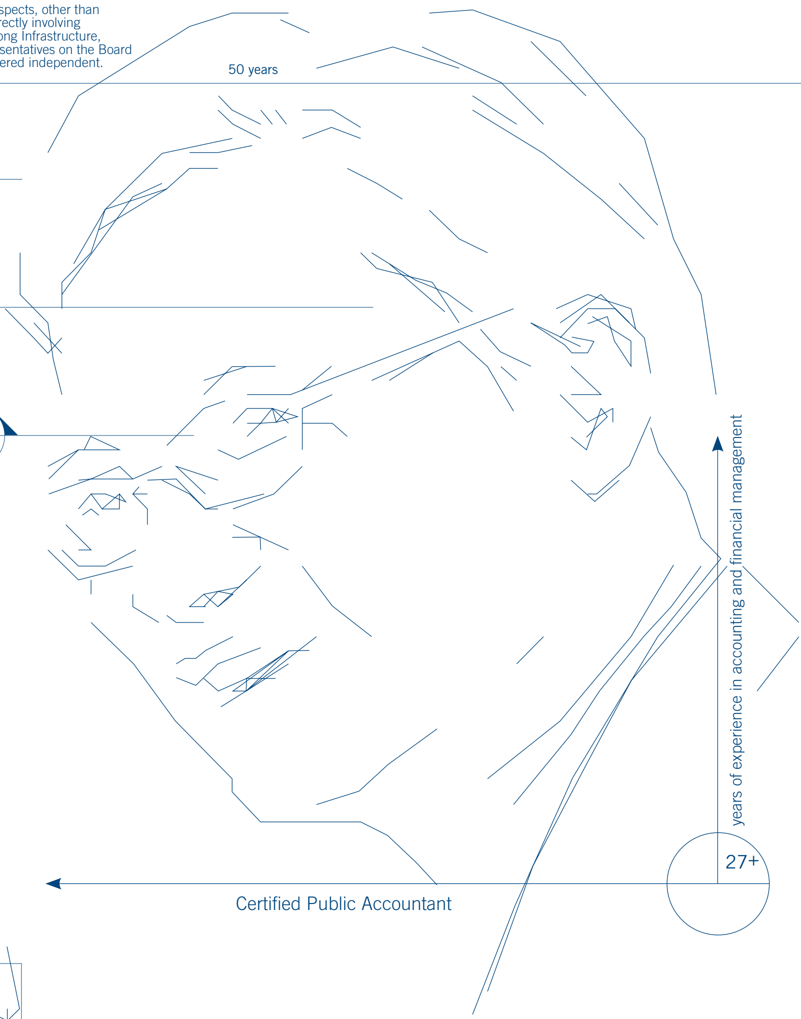
J G Allpass
Chairman

I B Little
Managing Director

23 August 2012



DOMINIC CHAN

In most respects, other than matters directly involving Cheung Kong Infrastructure, their representatives on the Board are considered independent.

50 years

FCPA
FCCA

DIRECTOR

since July 2005

Executive Director and
Chief Financial Officer

Cheung Kong Infrastructure Holdings Ltd

Executive Director

Power Assets Holdings Ltd

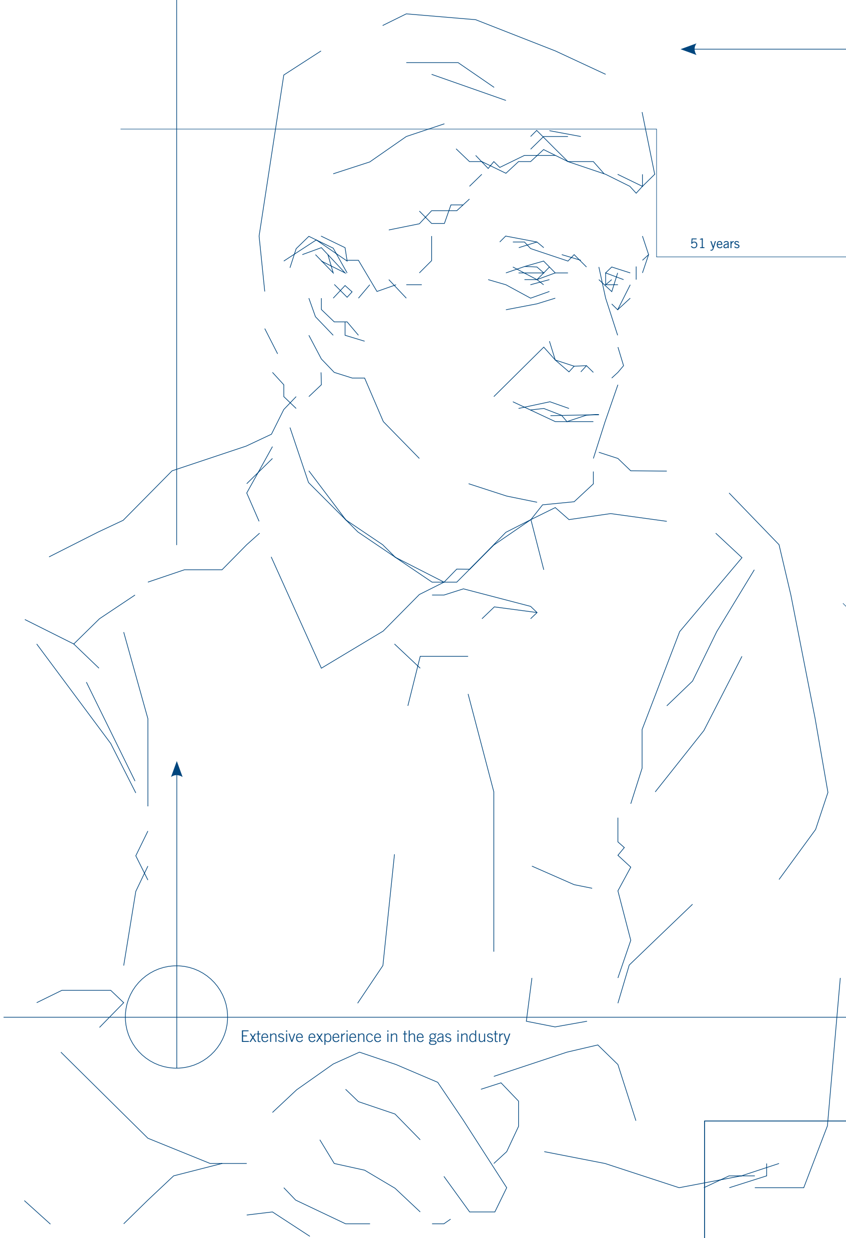
Former Director

- Spark Infrastructure Group
- Cambridge Water PLC
- ETSA Utilities
- Powercor Australia Ltd
- CitiPower Pty Ltd

years of experience in accounting and financial management

27+

Certified Public Accountant



ROSS GERSBACH

51 years

B.Bus
CPA
MAICD

DIRECTOR

since July 2007

Member of the Audit and Risk Committee

Chief Executive
Strategy and Development

APA Group

Former Director

from 2006 - 2008
APA Group

from 2004 - 2006
Elgas Ltd

from 2004 - 2006
ActewAGL

Extensive experience in the gas industry

Five-Year Financial Summary

INCOME STATEMENT ($M)

	2012	2011	2010	2009	2008
Revenue / income (excluding interest income)	**468.6**	**424.2**	**382.7**	**388.1**	**344.5**
Operating costs	(135.5)	(131.3)	(121.8)	(113.1)	(111.2)
EBITDA	**333.1**	**292.9**	**260.9**	**275.0**	**233.3**
Depreciation / amortisation / impairment	(56.5)	(53.4)	(53.0)	(63.0)	(59.7)
Profit before net finance costs and income tax	**276.6**	**239.5**	**207.9**	**212.0**	**173.6**
Net finance costs	(171.2)	(174.6)	(156.3)	(157.3)	(143.3)
Profit before interest on loan notes	**105.4**	**64.9**	**51.6**	**54.7**	**30.3**
Interest on loan notes	-	-	-	(2.3)	(10.8)
Profit before income tax	**105.4**	**64.9**	**51.6**	**52.4**	**19.5**
Income tax	(31.5)	(19.9)	(14.4)	(12.1)	144.1
Profit after income tax	**73.9**	**45.0**	**37.2**	**40.3**	**163.6**

SUMMARY OF CASH FLOWS ($M)

	2012	2011	2010	2009	2008
Net operating cash flow before finance costs	**314.6**	**298.0**	**260.5**	**257.4**	**230.2**
Net finance costs	(142.8)	(161.0)	(143.4)	(135.1)	(135.4)
Cash flow from operating activities	**171.8**	**137.0**	**117.1**	**122.3**	**94.8**
Proceeds from sale of land / assets	0.1	7.8	1.0	1.0	-
Payments for remediation of land	(0.6)	(0.8)	-	-	-
Replacement capital expenditure	(16.2)	(14.9)	(10.7)	(18.4)	(16.8)
Available for distribution	**155.1**	**129.1**	**107.4**	**104.9**	**78.0**
Distribution/dividends	(87.5)	(77.5)	(73.0)	(75.8)	(81.7)
Contribution to growth capital expenditure	**67.6**	**51.6**	**34.4**	**29.1**	**(3.7)**
Growth capital expenditure	(159.9)	(114.3)	(87.1)	(94.1)	(91.5)
Cash flow available pre debt/equity re-financing	**(92.3)**	**(62.7)**	**(52.7)**	**(65.0)**	**(95.2)**
Debt (drawdowns net of repayments)	19.4	130.5	21.0	(70.2)	60.3
Acquisition of subsidiary	-	(108.7)	-	-	-
Equity raising	69.6	44.3	42.3	133.9	34.6
Capital raising costs	(3.0)	(2.5)	(10.4)	(3.3)	(0.3)
Change in cash	**(6.3)**	**0.9**	**0.2**	**(4.6)**	**(0.6)**
Opening cash	**7.3**	**6.4**	**6.2**	**10.8**	**11.4**
Closing cash	**1.0**	**7.3**	**6.4**	**6.2**	**10.8**

A MAJOR FOCUS OF ENVESTRA IS SUSTAINABILITY. IT IS THE PRUDENT LONG-TERM MANAGEMENT OF OUR BUSINESS TO ENSURE WE DELIVER VALUE FOR OUR SHAREHOLDERS, EMPLOYEES, CUSTOMERS AND THE COMMUNITY – TODAY AND TOMORROW.

Sustainability Report

Envestra listed on the Australian Stock Exchange in August 1997. Envestra's assets are the natural gas distribution networks formerly owned by the gas companies in Melbourne, Adelaide and Brisbane (dating back to the 1850s). The Company also owns networks in regional Victoria, South Australia, Queensland and southern New South Wales as well as in the Northern Territory. Envestra generates its revenue by delivering gas through its networks to more than 1.1 million domestic, commercial and industrial consumers.

Our commitment to sustainable operations is demonstrated through our protection of the environment in which we work, delivering high quality services to the consumers supplied with energy via our networks, providing a safe working environment for our employees, encouraging their development and rewarding success. Allied to this is the support we provide to local communities and organisations with which we interact.

Envestra has developed a framework which assesses its sustainability performance in five areas of the business: environment, shareholders, employees, customers and community. This sustainability intent is also intrinsically linked to our Company objectives. An overview of our performance in 2011-12 and our future goals appears on the following pages.

Environment

2011-12 Targets

1. NATURAL GAS TO BE DELIVERED WITH MINIMAL ADVERSE EFFECT ON THE ENVIRONMENT
2. PROMOTION OF NATURAL GAS AS AN ENVIRONMENT FRIENDLY FOSSIL FUEL

2011-12 Performance

In 2011-12, the Company increased the emphasis of its programs directly linked to its environmental mandate. Our mains replacement program increased by over 40% in 2011-12, resulting in reductions in System Use Gas and associated carbon emissions – across the networks.

The Company's natural gas marketing expenditure also increased by over 50%. The marketing program emphasises the environmental benefits of natural gas as an energy source. We have also been successful in our recent regulatory determinations for the South Australian and Queensland networks in obtaining further marketing allowances from the Australian Energy Regulator.

Sustainability Indicators

Environment incidents: Envestra's operations are conducted under the relevant environmental protection Acts and Regulations and associated legislation in each State. No material breaches of the Company's environmental obligations occurred during the year and no significant environmental incidents were recorded.

Environment audit and emergency response exercises: During the year, eight environmental audits and nine environmental response exercises were conducted on our networks. These activities did not identify any major issues.

New consumer gas connections: Natural gas is widely recognised as a fuel with potential to significantly reduce greenhouse gases (GHGs). New consumers to our networks provide the following energy efficiency outcomes:

- gas hot water systems produce about one third of the GHGs compared with electric systems;
- gas heaters produce less than half of the GHGs of equivalent electric models; and
- gas cook tops produce less than half of the GHG emissions of standard electric units.

Envestra continues to promote the use of natural gas through substantial advertising and network development programs.

FUTURE OBJECTIVES

With a Carbon Tax introduced in Australia from July 2012, natural gas, as an environment friendly energy source, will be viewed even more favourably. Our efforts will be geared to maximise opportunities to broaden the use of natural gas. Mains replacement and marketing programs will further increase in 2012-13 by around 40% and 5% respectively.

Shareholders

2011-12 Targets

1. ACHIEVE AN ACCEPTABLE RETURN TO OUR SHAREHOLDERS
2. CONTINUE BUSINESS GROWTH THROUGH NETWORK EXPANSION
3. MAINTAIN ROBUST RISK MANAGEMENT AND CORPORATE GOVERNANCE FUNCTIONS

2011-12 Performance

Total shareholder returns for 2011-12 were 22%. This shareholder return follows the 52% return that was achieved in the prior year.

During the year, $176 million of capital expenditure was carried out across Envestra's networks. This included $65 million of expenditure associated with the connection of 25,800 new consumers.

Sustainability Indicators

Total Shareholder returns: Shareholder returns comprises dividends to shareholders and share price movement. Envestra's dividend rate was increased during the year by 5% to 5.8 cents per share. Envestra's share price performance over the past two years has provided shareholders with solid returns. In 2011-12, the share price increased 9.5 cents or 14%.

Customer Growth: Growth in customers through organic means or by acquisition leads to growth in gas volumes and revenues.

Financial performance: Envestra's post-tax profit in 2011-12 was $73.9 million, a 64% increase on the prior year. Further increases are expected in 2012-13 with a profit after tax of around $100 million expected.

Risk Management and Governance: The Company, through its Executive Risk Management Committee, undertakes a comprehensive risk management assessment at least twice each year that aims to identify key business risks and ensure that appropriate control mechanisms or other actions are in place to minimise exposures. The outcomes are monitored by the Audit and Risk Committee at regular intervals. Envestra is committed to sound corporate governance. Each year, a review of the Company's Corporate Governance Framework is carried out against the guidelines of the ASX Corporate Governance Council.

FUTURE OBJECTIVES

The Company is entering a significant growth phase in terms of capital expenditure and revenue. We are aiming to spend around $230 million in 2012-13 on expanding and renewing the network.

This record level of expenditure will pose operational challenges for the Company and its operator to ensure we deliver on this target. By further investing in the networks, we expect solid increases in revenue and profits in 2012-13 and beyond.

Employees

2011-12 Targets

1. PROMOTE SAFETY IN THE WORKPLACE
2. MAINTAIN A WORK ENVIRONMENT FOR OUR EMPLOYEES AND CONTRACTORS THAT ENCOURAGES INNOVATION AND PROFESSIONALISM

2011-12 Performance

During the year, two lost-time injuries were sustained by APA Asset Management (APA) employees. In addition, 10 lost-time injuries were sustained by contractors.These compare with two and three respectively in the previous year.

Serious Injury Frequency Rate in 2011-12: 6.8 for APA employees and contractors, compared with 4.0 in 2010-11.

Sustainability Indicators

Safety for employees and contractors: APA has more than 1,100 employees and contractors working for Envestra. Management of occupational health and safety associated with the Company's operations continued to receive close attention. We have the responsibility to ensure that our major contractor, APA, adopts a sound approach to this important business activity.

Workforce capability: Envestra and APA promote skills enhancement of employees and contractors through Company funded training programs. This includes tertiary courses, specialised training and attendance at industry conferences.

FUTURE OBJECTIVES

With employee and contractor resources being increased due to the significant expansion of the Company's capital expenditure program the need for safety and innovation must remain at the forefront of strategy and planning. Together with the Company's operator, APA Asset Management, we are conscious that safety performance in 2012-13 must improve.

Customers

2011-12 Targets

1. CONTINUE TO IMPROVE OUR SERVICE LEVELS TO RETAIL AND COMMERCIAL CONSUMERS
2. PROMOTE THE BENEFITS OF NATURAL GAS AS A DOMESTIC AND COMMERCIAL ENERGY SOURCE TO ENCOURAGE NEW CONNECTIONS

2011-12 Performance

Whilst our natural gas marketing campaign is associated with the environmental benefits of natural gas, it also highlights the advantages of using natural gas as a domestic and commercial energy source. Around $2 million of our marketing expenditure was spent on advertising and promotion.

In 2011-12, a further 25,800 customers were connected to our gas networks, highlighting the impact of the marketing campaign.

Sustainability Indicators

Ombudsman complaints: Around 150 complaints were received by the Energy Ombudsmen across all states in relation to the Company's assets and activities. More than one million consumers are connected to our networks.

Network outages: Envestra's network assets have proven to be highly resilient to damage and disturbance caused by both natural and human events. We measure network outages where a loss of supply occurs to more than five customers from any one incident. Fewer than 50 outages occurred across Envestra's networks in 2011-12.

New domestic appliance rebates: Around 6,400 appliance rebates were processed during the year, generating additional gas volumes of 120 terajoules.

FUTURE OBJECTIVES

It is evident that penetration of space and central heating appliances, particularly in South Australia, has declined in recent years. We are looking to reverse this trend by extending our rebate program to new home builders. We are aiming to connect over 7,000 additional gas appliances during the 2012-13 year.

Community

2011-12 Targets

1. FURTHER DEVELOP STRATEGIC PARTNERSHIPS TO PROMOTE THE BENEFITS OF NATURAL GAS
2. CONTINUE TO BUILD AND MAINTAIN BUSINESS RELATIONSHIPS AND GENERATE NEW GROWTH OPPORTUNITIES

2011-12 Performance

In 2011-12 Envestra worked with a range of key market participants to promote natural gas, including the:

- Housing Industry Association
- Master Builders' Association
- Plumbing Industry Association
- Urban Development Institute of Australia
- Property Council of Australia
- Association of Land Development Engineers
- Gas appliance retailers.

Envestra also supported a number of community organisations in 2011-12: the South Australian State Theatre Company, the Port Adelaide Football Club, Hutt Street Centre for homeless people, Foodbank, Ride Like Crazy (raising funds for cancer research), The Aboriginal and Torres Strait Islanders' War Memorial and other charitable groups.

Sustainability Indicators

New consumer gas connections emanating from strategic partnerships: Gas distribution is an essential community service and our involvement with, and contribution to, these organisations reflects our corporate values and social responsibility and serves to promote the position of natural gas in the marketplace.

Gas volumes consumed as a measure of the benefits of natural gas: in conjuction with APA, Envestra undertakes strategic partnerships to promote the benefits of natural gas, to build and maintain business relationships, source market intelligence and generate new growth opportunities.

FUTURE OBJECTIVES

Over the past two years we have increased the level of support to community, sporting and charitable organisations. We believe Envestra has a responsibility to support such groups, as an essential service provider. We will continue this community support in 2012-13.

Corporate Governance

ENVESTRA IS COMMITTED TO SOUND CORPORATE GOVERNANCE AND TO THIS END THE FOLLOWING POLICIES AND PRACTICES HAVE BEEN ADOPTED AND IMPLEMENTED BY THE BOARD. EACH YEAR A REVIEW OF THE COMPANY'S CORPORATE GOVERNANCE FRAMEWORK IS CARRIED OUT AGAINST THE GUIDELINES OF THE AUSTRALIAN SECURITIES EXCHANGE'S CORPORATE GOVERNANCE COUNCIL. THE COMPANY'S FRAMEWORK LARGELY COMPLIES WITH THESE RECOMMENDATIONS (PLEASE REFER TO THE TABLE ON PAGES 23 AND 24).

Consistent with the Company's approach to sound corporate governance, opportunities for improvement are regularly considered.

The Directors are responsible to shareholders for the performance of the Company and their focus is to enhance the interests of shareholders and other key stakeholders and to ensure the Group is properly managed.

The main processes that the Directors of the Company use in doing so are set out in this statement.

(a) Board composition

The Company's Constitution requires that the minimum number of Directors is three and the maximum is 10. The Company has two major shareholders, Australian Pipeline Ltd (APA Group) and Cheung Kong Infrastructure Holdings (Malaysian) Ltd (CKI).

The Board has determined that the appropriate number of Directors at this time is eight, based on the size and nature of the Company's business. This was endorsed by shareholders at the 2011 Annual General Meeting (AGM). A similar resolution will be considered by shareholders at the 2012 AGM.

Under Envestra's Constitution, while CKI holds more than 15% of Envestra's securities, they may appoint up to two non-executive Directors. If their holding is between 10% and 15%, they may appoint one Director.

The APA Group and CKI Directors are not regarded as being independent under the ASX Corporate Governance Guidelines, as the organisations hold 33.4% and 18.9% respectively of the Company's issued capital. In addition, APA Group has a significant contractual relationship with Envestra under the Operating and Management Agreements related to the Company's assets.

The existence of a shareholder with more than a 30% holding in the Company mitigates the non-independent status of CKI.

Envestra's Policy on Independence of Directors is available on the Company's website www.envestra.com.au.

(b) Membership of the Board comprises:

- Three independent non-executive Directors.
- Two non-executive Directors nominated by APA Group.
- Two non-executive Directors appointed by CKI.
- The Managing Director.

The Company's Constitution requires that the Chairman must be an independent Director.

To comply with the ASX guidelines on independent Directors, it would be necessary to appoint three additional Directors, which would require an amendment to the Constitution. However, given the balance between the existing major shareholders' representatives on the Board, and the independent Directors, the existing Board structure is considered appropriate, particularly as under the Constitution the Chairman has a casting vote in the event of an equality of votes, and the Managing Director is independent of the major shareholders.

Directors are subject to retirement by rotation and election by shareholders at a general meeting.

No Director may remain on the Board for more than three years without re-election. Where a Director is appointed during the year that Director will hold office until the next Annual General Meeting, and then be eligible for re-election.

Details of members of the Board, their experience, qualifications and special responsibilities are set out on pages 4, 6, 9 and 16.

When considering Board vacancies, Directors take into account the candidate's capacity to enhance the mix of skills and experience of the Board and to contribute to the development of the Company. When a vacancy exists, the Board identifies candidates with the relevant experience and expertise, using external consultants when required.

Envestra's policies on Director Nominations and Appointments, and Diversity, are available on the Company's website.

The current Board has a broad range of expertise covering financial, banking, commercial and operational backgrounds, with all members bringing the benefits of experience from other boards and industries.

(c) Performance appraisal

The Board has adopted a policy of undertaking self assessments of its performance to initiate improvements and assist in determining the Board's support for individual members offering themselves for re-election by the shareholders. Assessments are conducted at regular intervals. The policy on Board self assessment is available on the Company's website.

(d) Board responsibilities

The most significant responsibilities of the Board include:

- Setting strategic objectives, long-term business plans and annual budgets.
- Regularly reviewing the operational and financial performance of the Company.
- Ensuring that the requirements are met of continuous disclosure to the investment market and security holders about the performance and activities of the Company.
- Ensuring that appropriate risk management systems are in place and reports on performance are regularly reviewed.
- Overseeing the Company's commitment to the health and safety of workers, the environment and sustainable development.
- Evaluating potential business development opportunities.
- Appointing the Managing Director and senior executives and evaluating their performance.
- Appointing the Company's external auditors.
- Appointing the Company's internal auditors as part of its general responsibility to ensure satisfactory internal controls are maintained over the Company's key risk areas.
- Ensuring the Company's Code of Conduct and Ethics and other policies are adhered to.
- Approving the annual and half-yearly financial reports.
- Overseeing the engagement of resources to conduct the business.

(e) Delegated Authority

The Board delegates to the Managing Director and senior executives day-to-day management of the affairs of the Company and its controlled entities, and the implementation of the corporate strategies and policies.

Non-executive Directors meet, at least twice per year, without management present.

(f) Independence of Board members

Envestra's Constitution provides that Directors or their firms may act in a professional capacity for the Company, other than acting as an auditor for the Company. Disclosure of related party transactions is set out on pages 72 and 73.

APA Group entities connected with Mr M J McCormack and Mr R M Gersbach had dealings with the Company during the year. Almost all transactions were associated with the contractual arrangements under the Operating and Management Agreements entered into with Envestra. In respect to other matters which arose with the APA Group during the year, in accordance with the Board's guidelines, the APA Directors declared their interest in those dealings to the Company and, after discussion, the remaining Directors determined whether the potential conflict of interest disqualified them from being present or voting on the matter.

(g) Resources available to the Board

Directors have the right of access to Company employees, advisors and records.

In relation to their duties and responsibilities, Directors have the right to seek independent professional advice at the Company's expense where the Chairman has given approval.

As approved by shareholders, the Company has entered into Deeds of Access with each Director giving them a right of access to all documents that were provided to them during their time in office for a period of 15 years after ceasing to be a Director.

(h) Remuneration of non-executive Directors

The maximum aggregate remuneration for non-executive Directors is set out in the Company's Constitution and can be varied only at a general meeting. Shareholders approved the current maximum aggregate remuneration of $900,000 per annum in October 2010. The amount paid in 2011-12 was $762,000.

Board fees were last reviewed with effect from 1 July 2010. The Chairman's fees are $180,000 and for other Directors they are $90,000. The Chairman of the Audit and Risk Committee receives a fee of $18,000 and other members $12,000.

Details relating to the remuneration paid to non-executive Directors appear on page 34.

The Retirement Benefit Scheme for Directors, which was introduced when the Company was formed in 1997, was suspended on 30 June 2003. Under the scheme, after one year of service Directors were entitled to receive retirement benefits on a sliding scale based on the number of years served on the Board. The maximum retirement benefit was payable after 10 years' service and was calculated as three times the average annual emoluments of the Director over the three years before the date of retirement.

Superannuation was paid by the Company, in addition to the above fees, at the minimum superannuation guarantee levels required by Commonwealth legislation. The accumulated benefit arising from these superannuation payments is offset from the retirement benefit, when paid to Directors.

IVAN CHAN

49 years

In most respects, other than matters directly involving Cheung Kong Infrastructure, their representatives on the Board are considered independent.

- BSc
- LLB
- MBA

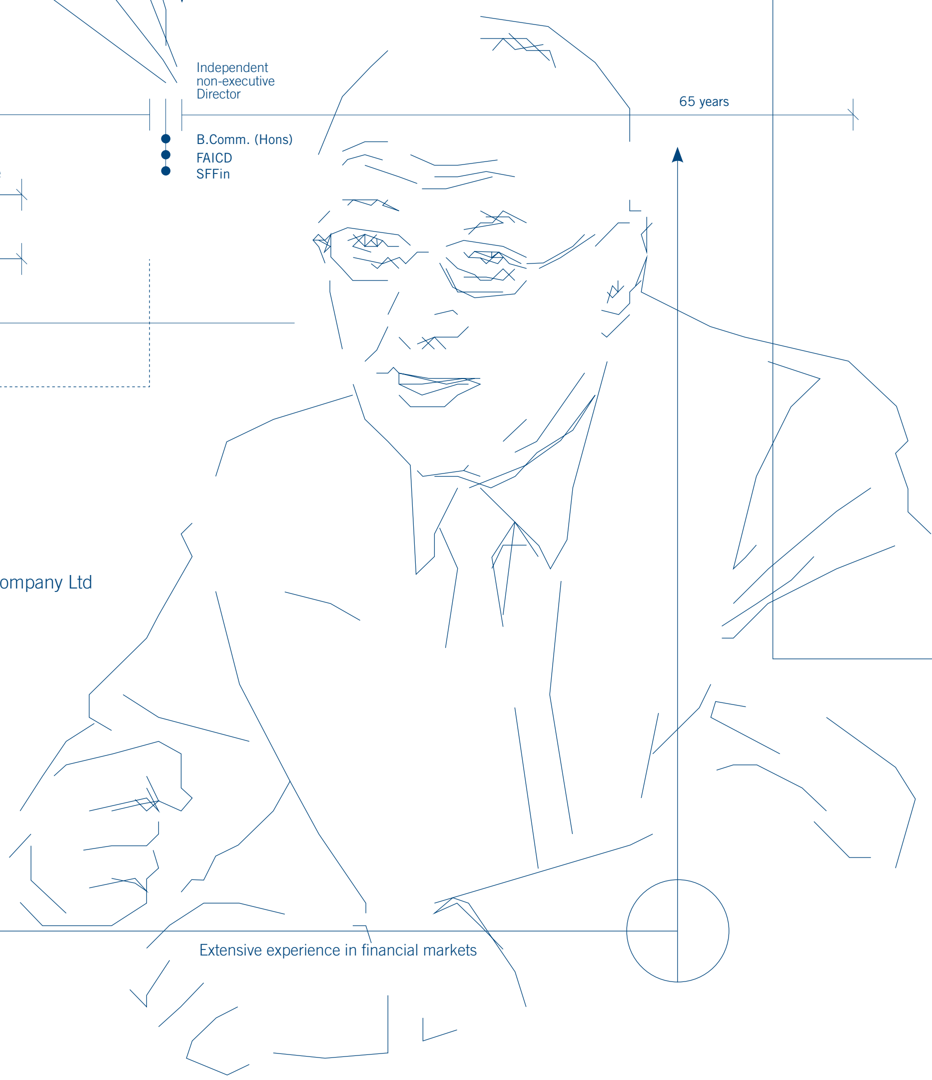
DIRECTOR

since August 2007

25+ years of experience in banking, investment and finance

Chief Planning and Investment Officer
Cheung Kong Infrastructure Holdings Ltd

Chief Financial Officer
Power Assets Holdings Ltd



OLAF O'DUILL

65 years

Independent non-executive Director

- B.Comm. (Hons)
- FAICD
- SFFin

Chairman of the Audit and Risk Commitee

Member of the Remuneration Commitee

DIRECTOR

since July 2000

Extensive experience in financial markets

Former Chairman

from 1996 - 1999
National Electricity Market Management Company Ltd

from 1995 - 1999
Southern Healthcare Network

from 2002 - 2004
Amrad Corporation Ltd

from 2000 - 2006
Tower Ltd

Former Director

from 1995 - 2003
McPhersons Ltd

from 1995 - 2002
Sigma Company Ltd

from 1992 - 2008
Sunraysia Television Ltd

CKI IS THE LARGEST PUBLICLY LISTED INFRASTRUCTURE COMPANY IN HONG KONG WITH DIVERSIFIED INVESTMENTS IN ENERGY, TRANSPORTATION AND WATER INFRASTRUCTURE AND INFRASTRUCTURE RELATED BUSINESSES. CKI HAS BEEN A MAJOR SHAREHOLDER OF ENVESTRA SINCE 1999, PROVIDING STABILITY TO THE OWNERSHIP STRUCTURE. IVAN CHAN IS A MEMBER OF CKI'S LEADERSHIP TEAM, HAVING BEEN WITH THE COMPANY SINCE SEPTEMBER 1999. HE HAS OVER 25 YEARS OF EXPERIENCE IN INVESTMENT BANKING AND FINANCE, AND THEREFORE PROVIDES A VALUABLE RESOURCE TO THE ENVESTRA BOARD. IVAN HAS BEEN A DIRECTOR SINCE 2007.

MR O'DUILL'S IMPRESSIVE PORTFOLIO OF PAST EXPERIENCE, COMBINED WITH HIS EXTENSIVE EXPERIENCE IN BANKING AND FINANCIAL MANAGEMENT, MAKES HIM AN INTEGRAL COMPONENT OF THE BOARD. THE DIVERSITY OF PREVIOUS COMPANIES IN WHICH OLAF HAS BEEN INVOLVED ENABLES HIM TO PROVIDE GUIDANCE ON A WIDE RANGE OF ISSUES ENCOUNTERED BY THE COMPANY.

Superannuation contributions continue to be made for eligible Directors, but these are now deducted from the fees paid.

At 30 June 2012, the benefit payable on retirement of each non-executive Director was:

- Mr J G Allpass $196,669;
- Mr O B O'Duill $52,027.

The benefit payable on retirement is based on 10/13 of the Director's fees paid in the previous three years, but is not adjusted for the increase in years of service.

Mr F Ainsworth, Mr D Chan, Mr I Chan, Mr M McCormack and Mr R Gersbach joined the Board after the scheme was suspended, so do not participate in the Retirement Benefit Scheme.

(i) Board committees

The Board has established two committees to assist in the execution of its duties. They are the Audit and Risk, and Remuneration Committees. The committee structure and membership is reviewed annually.

Each of the Audit and Risk, and Remuneration Committees has its own charter setting out its role and responsibilities. The charters are approved by the Board and copies are available on the Company's website. All recommendations of the committees are submitted to the Board for consideration.

Director appointments are relatively infrequent and are considered by the full Board. In these circumstances it has not been deemed necessary to establish a Nomination Committee. Similarly, the other roles normally undertaken by such a committee are also addressed by the full Board.

(j) Audit and Risk Committee

Members of the Audit and Risk Committee must be non-executive Directors, and the Chairman of the Committee cannot be Chairman of the Board. The committee must consist of a majority of independent Directors.

Members of the committee are:

- Mr O B O'Duill (Chairman);
- Mr E F Ainsworth; and
- Mr R M Gersbach.

Each of the external and internal auditors, together with the Managing Director, Company Secretary and Group Manager, Finance and Risk, usually attend the meetings.

The key responsibilities of the committee are:

- Reviewing the annual and half-year financial reports and recommending their adoption by the Board.
- Reviewing other financial information distributed externally.
- Reviewing management of financial risks.
- Recommending the appointment and remuneration of the auditors, reviewing the terms and scope of their engagement and assessing their performance.

- Reviewing the effectiveness of the internal control environment.
- Approving the scope of the internal audit program.
- Overseeing the risk management program.
- Overseeing corporate governance.
- Reviewing compliance with corporate policies, controls and delegated authorities.
- Reviewing compliance with the requirements of energy regulatory bodies, including the approval of regulatory accounts.
- Considering the independence of the auditor and approving non-audit services provided by the audit firm.

The Audit and Risk Committee's Charter is available on the Company's website.

PricewaterhouseCoopers (PwC) was appointed as external auditor in 1997. It is PwC policy to rotate audit engagement partners with listed companies at least every five years. The responsible audit partner for Envestra was rotated in 2011.

The Board recognises the need to periodically review the services provided by its external auditor, as well as the cost of these services. In June 2009, the Audit and Risk Committee conducted a tender for the provision of external services and considered proposals from other firms. It was resolved to continue with PricewaterhouseCoopers as the Group's external auditor.

KPMG was appointed as internal auditor in 2002. The responsible audit partner rotated in late 2006, following the retirement of the incumbent partner.

The internal and external auditors have direct access to the Chairman of the Audit and Risk Committee and, where necessary, the Chairman of the Board. The Audit and Risk Committee meets with the external and internal auditors without management present on an as-required basis, but at least once a year.

The external auditor attends the Annual General Meeting and is available to answer questions from shareholders.

(k) Remuneration Committee

Members of the Remuneration Committee must be non-executive Directors and consist of a majority of independent Directors. The Committee is chaired by an independent Director and consists of at least three Directors. The Managing Director is invited to attend meetings to discuss senior executives' performance and remuneration.

Members of the committee are:

- Mr J G Allpass (Chairman);
- Mr E F Ainsworth; and
- Mr O B O'Duill.

The Remuneration Committee advises the Board on remuneration policies and practices, and makes recommendations on remuneration packages and other terms of employment for the Managing Director and other senior executives, having regard to the need to attract, retain and develop appropriately skilled people.

Each member of the senior management team is employed under a contract covering a range of matters including their duties, rights, responsibilities and entitlements on termination.

The Committee, having regard to personal and corporate performance and relevant comparative information, reviews remuneration of the senior management team annually. The remuneration of senior managers is assessed, in part, by reference to a remuneration survey conducted by an external professional human resources consultant to which the Company as well as a large number of other energy infrastructure organisations subscribe. The survey is submitted to the Committee for consideration as part of the review of packages.

Remuneration for senior executives comprises both fixed remuneration and incentives (bonuses). The bonus is based on a combination of the Company's results and individual performance levels. The payment of bonuses is dependent upon the achievement of operating and financial targets set at the beginning of each year.

Each employee develops a list of personal key performance indicators (KPIs), including targets against which performance is measured, in conjunction with their manager, prior to the commencement of the financial year.

The KPIs for senior executives are reviewed and agreed in conjunction with the Managing Director, before being submitted to the Remuneration Committee for consideration.

Performance against the KPIs is regularly monitored, with two formal reviews carried out at the half-year in December and at year-end in June. The June assessment is considered by the Remuneration Committee as part of its deliberations as to whether an executive is to receive a bonus. Any bonus is based on a combination of individual performance (40%) and corporate outcomes (60%). The Managing Director is assessed entirely on the corporate outcomes.

The maximum bonus for the Managing Director is 45% (including 15% deferred). For the Group Manager, Commercial, it is 37.5% (including 12.5% deferred) and for all other senior executives it is 20%.

The Managing Director and Group Manager, Commercial, have the ability to earn a deferred bonus, on a rolling basis, after three years' service. The deferred bonus is equivalent to 50% of the bonus awarded three years earlier.

The Company does not operate an Employee Share Option Plan.

(l) Risk assessment and management

The Company has a risk-assessment program that is monitored by the Audit and Risk Committee. The program is designed to ensure that strategic, operational, legal, financial and reputational risks are identified, assessed, addressed and monitored to enable the Company to achieve its business objectives.

The Managing Director, Group Manager, Finance and Risk, and Company Secretary manage the Company's risk-management program in conjunction with the Executive Risk Management Committee.

The Board and Audit and Risk Committee have received an assurance from the Managing Director and the Group Manager, Finance and Risk that the declaration provided in accordance with section 295A of the *Corporations Act 2001* is founded on a sound system of risk management.

The Audit and Risk Committee receives regular reports on progress in addressing the risks. The internal auditors also carry out regular investigations into control mechanisms and report their findings, including recommendations for improvement to controls, processes and procedures, to the Audit and Risk Committee.

APA is required to operate and manage Envestra's networks in accordance with the Operating and Management Agreements and to legal and prudential standards. Envestra's management has the responsibility to monitor the risks and compliance issues associated with APA's performance and to report to the Board on these matters. As part of this process, independent engineering audits are conducted each year.

The Company has a comprehensive insurance program in place which is reviewed annually in conjunction with the Company's insurance brokers and legal advisors.

The Risk Management Policy is available on the Company's website.

(m) Indemnities

The Directors are indemnified under deeds against liability in the fulfilment of their duties unless the liability arises out of conduct involving a lack of good faith or wilful neglect. They are also indemnified for the costs of defending proceedings in which judgement is given in their favour, or in which they are acquitted, or the claim is withdrawn.

(n) Code of Conduct and Ethics

The code requires that, at all times, Directors and employees act with integrity, objectivity and in compliance with the letter and spirit of the law and Company policies.

The code requires employees, aware of unethical practices within the Company, to report these using the avenues available under the Company's Whistleblowing Policy. Employees have direct access to the Managing Director or, if this would cause a conflict, the Chairman of the Audit and Risk Committee, or the Chairman of the Board.

(o) Dealings in Envestra's securities by Directors and employees

Directors and officers of the Company are prohibited from trading in Envestra securities between 1 July and the close of business on the day following the day on which the Company announces its full-year results, and between 1 January and the close of business on the day following the day on which the Company announces its half-year results.

Directors and officers are also subject to the provisions of the *Corporations Act 2001* relating to conduct by a person in possession of inside information. A person possesses inside information if they know, or ought to reasonably know, that if the information were generally available a reasonable person would expect it to have a material effect on the price of Envestra's securities. Directors and officers in possession of inside information are prohibited from trading in Envestra's securities.

Directors must inform the Chairman, or in his absence, the Chairman of the Audit and Risk Committee, and officers must inform the Managing Director, or in his absence, the Company Secretary, of their intention to trade in Envestra's securities either by themselves or by an associate. Such notification must be provided at least 24 hours prior to any proposed trade.

The Share Trading Policy is available on the Company's website.

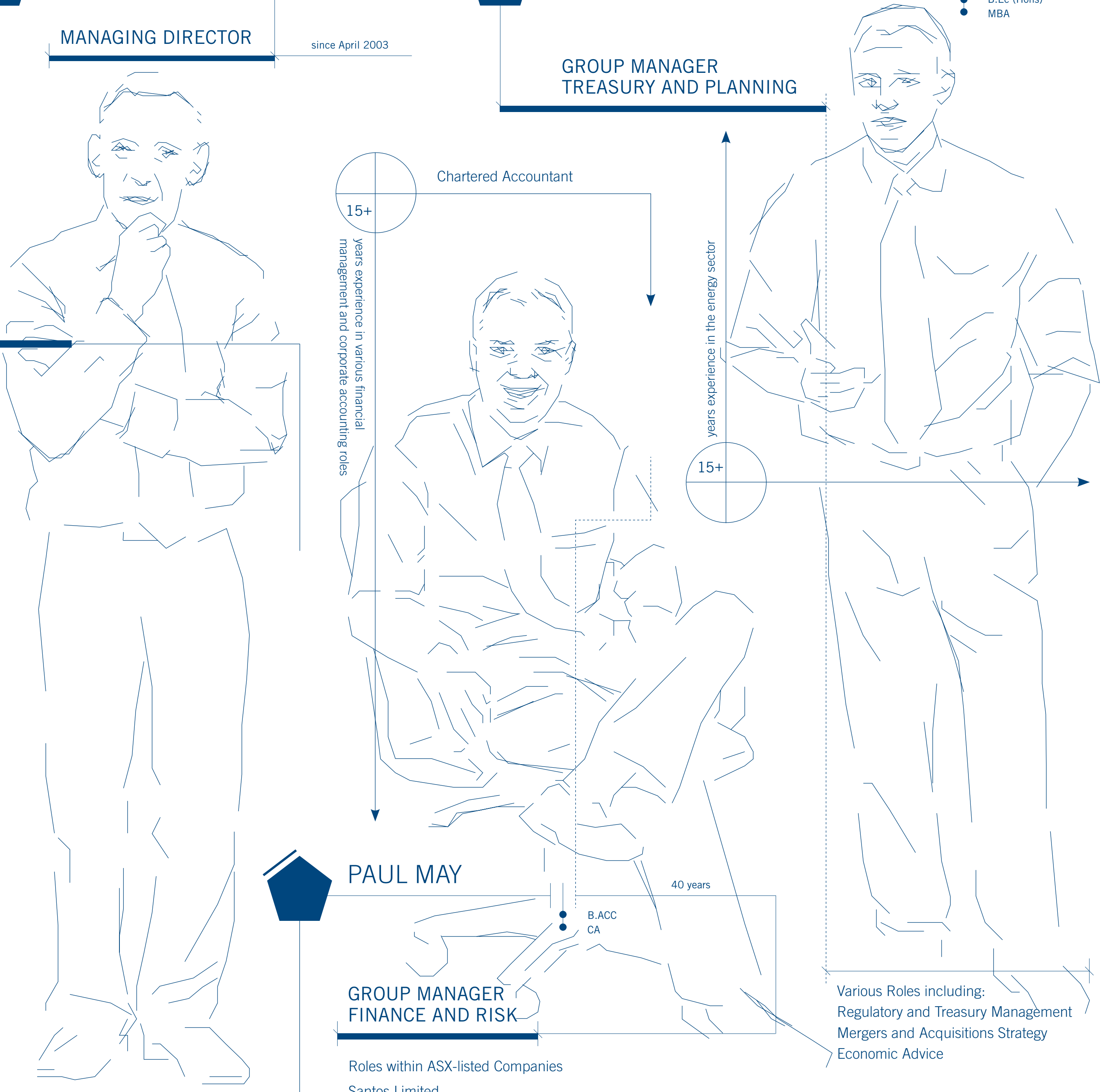
(p) Continuous disclosure and shareholder communication

The Company Secretary is responsible for communication with the Australian Securities Exchange (ASX). This includes ensuring compliance with the continuous disclosure requirements in the ASX Listing Rules and the Company's Continuous Disclosure Policy, and overseeing information disclosure to analysts, brokers, shareholders, the media and general public. The policy is available on the Company's website.

All information disclosed to the ASX is posted on the Company's website as soon as practicable after it is disclosed to the ASX. Material used to brief analysts on the Company's operations is released to the ASX when it provides new information and is posted on the Company's website.

An email alert system is operated for the benefit of shareholders and other interested parties, whereby an email is sent to registered persons when a media release or other document has been issued to the market.

Envestra's Communications Policy is available on the Company's website. Company announcements, annual and half-year reports, as well as market and Annual General Meeting presentations are also available on the Company's website.



IAN LITTLE

see details on page 4 - Board of Directors

MANAGING DIRECTOR

since April 2003

GREG MEREDITH

44 years

B.Ec (Hons)
MBA

GROUP MANAGER
TREASURY AND PLANNING

15+ years experience in the energy sector

Various Roles including:
Regulatory and Treasury Management
Mergers and Acquisitions Strategy
Economic Advice

PAUL MAY

40 years

B.ACC
CA

GROUP MANAGER
FINANCE AND RISK

Chartered Accountant

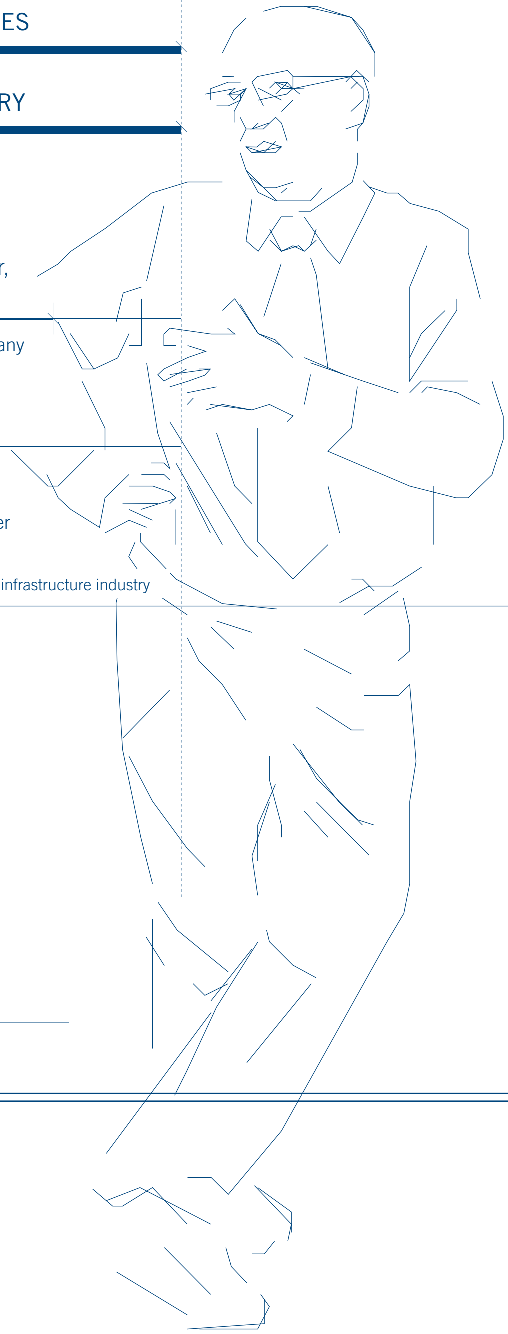
15+ years experience in various financial management and corporate accounting roles

Roles within ASX-listed Companies
Santos Limited
Henry Walker Eltin Group Limited

Management Team

ENVESTRA'S BUSINESS STRATEGY IS FOUNDED ON STRIKING AN APPROPRIATE BALANCE BETWEEN INTERNAL MANAGEMENT AND OUTSOURCED OPERATIONS. OUR BUSINESS IS RUN BY SENIOR MANAGERS WITH EXTENSIVE ENERGY INDUSTRY EXPERIENCE AND, UNLIKE MANY OTHER INFRASTRUCTURE ENTITIES, NO FEES ARE PAID TO FINANCIAL INSTITUTIONS TO MANAGE THE FINANCING, REGULATORY, LEGAL OR STRATEGIC FUNCTIONS.

OPERATION OF THE GAS DISTRIBUTION NETWORKS AND TRANSMISSION PIPELINES, INCLUDING MAINTENANCE, ENGINEERING, NETWORK DEVELOPMENT, CONSUMER SERVICE AND VARIOUS ADMINISTRATIVE ACTIVITIES, IS OUTSOURCED TO APA ASSET MANAGEMENT (APA). INCENTIVES ARE AVAILABLE TO APA TO IMPROVE PRODUCTIVITY, INCREASE REVENUE AND ENHANCE SERVICES.



DES PETHERICK

61 years

FIPA

MANAGER
CORPORATE SERVICES

COMPANY SECRETARY

Former Group Manager,
Corporate Services

South Australian Gas Company

Former Secretary

Various South Australian
Government Ministers
including the Deputy Premier

30+ years experience in the energy infrastructure industry

20+ years experience in development and application of regulatory arrangements in the energy industry.

extensive experience in commercial management of utilities

Director

Energy Networks Association

Chairman

Natural Gas Comittee

Former Director

South Australian Government
Electricity Reform

ANDREW STANIFORD

56 years

M.Ec

GROUP MANAGER
COMMERCIAL

BOARD OF DIRECTORS

Managing Director

Executive Leadership Team

BOARD COMMITTEES

Audit and Risk
Remuneration

Commercial
Regulation
Business Development
Marketing

Company Secretary
Governance & Policy
Human Resources
Company Secretarial
Corporate Services

Finance & Risk
Financial Reporting
Taxation
Risk Management
Investor Relations

Treasury & Planning
Treasury Operations
Debt Capital Markets
Economic Regulation
Long-term Planning

(q) Diversity

Envestra recognises the benefits arising from employee and Board diversity. To the extent practicable, the Company has implemented the recommendations of the ASX Corporate Governance Council on diversity. However, with only 14 direct employees, there are inherent constraints on Envestra's ability to comply with all aspects of the guidelines.

Progress as at 30 June 2012 is as follows:

Establish a Diversity Policy with measurable objectives for achieving greater diversity:
Envestra's Diversity Policy requires the Board to establish measurable objectives and to report progress against them on an annual basis.

Disclose the policy on the entity's website:
Envestra's Diversity Policy appears in the Corporate Governance section of the Company's website.

Disclose the measurable objectives for achieving gender diversity set by the Board and progress toward achieving them:
(a) Objectives: Whenever there is a vacancy at Board and senior management level, the Company seeks to find a person with the most appropriate qualifications and experience to fulfil the role given the need to balance a range of criteria that is required for an effective Board and management team. Included in the criteria is the need to have a reasonable balance of male and female Directors and senior managers.

The Company's corporate policies will, where appropriate, recognise and promote diversity.

(b) Progress: There are no females on the Board at present. Four of the seven non-executive Directors are nominees of Envestra's two largest shareholders: APA Group (33.4%) and Cheung Kong Infrastructure (18.9%). CKI has a right under Envestra's Constitution to appoint two Directors. Although these shareholders support Envestra's Diversity Policy, the ultimate responsibility for their nominees rests with APA and CKI. We aim to appoint a female Director to the Board, subject to the constraints noted above, as soon as a vacancy arises.

Of the 10 senior executives/managers in the Company, one is a female. Of the total 14 employees, five (or 36%) are females.

Envestra contracts the operation and maintenance of its gas networks to APA Asset Management (APA). APA has around 1,100 employees and sub-contractors working for Envestra. Of the 58 senior executives/managers within APA as at 30 June 2012, 13 or 22% were female. Across the entire APA workforce there were 139 females (or 28%).

The following corporate policies of Envestra support diversity:

- Code of Conduct and Ethics (including Equal Opportunity).
- Harassment and Discrimination Prevention.
- Employee Recruitment and Selection Procedures.
- Maternity and Paternity Leave.
- Education Assistance.
- Director Nominations and Appointments.
- Flexible Work Practices (for parents of pre-school and primary school children).

Proportion of women in the whole organisation, in senior executive positions and on the Board:

POSITIONS WITHIN ENVESTRA	NUMBER OF WOMEN	%
Whole organisation (14 employees)	5	36
Senior executives/managers (10 employees)	1	10
Board (seven non-executive Directors)	0	0

Mix of skills and diversity which the Board is looking to achieve in membership of the Board:

Whenever a vacancy occurs the Board seeks to recruit a person with skills and experience to complement those of the existing Directors. In particular, skills in the areas of finance/accounting, economics, business management/development, regulatory management, engineering, corporate governance and legal would be highly regarded.

As to experience, it would be expected that a new Director would have held a senior executive or professional position for at least 10 years, would ideally have utility or energy industry knowledge, been involved with a listed public company, and demonstrated strong leadership and analytical skills combined with well regarded interpersonal skills.

Key Policies

The following corporate governance policies are available on the Company's website.

- Board and Management Performance Assessment
- Code of Conduct and Ethics
- Communications
- Compliance
- Continuous Disclosure
- Director Nominations and Appointments
- Diversity
- Environment
- Fraud and Corruption Prevention
- Independence of Directors
- Risk Management
- Share Trading
- Whistleblowing

ASX Corporate Governance Council Recommendations Checklist

The table on the following pages cross-references the recommendations to the relevant sections of Envestra's Corporate Governance Statement and Remuneration Report.

ASX CORPORATE GOVERNANCE COUNCIL RECOMMENDATIONS

Principle	Reference (pp 14 - 22)		ASX Corporate Governance Council Recommendations
1			LAY A SOLID FOUNDATION FOR MANAGEMENT AND OVERSIGHT
1.1	(d) (e)	✓	Companies should establish the functions reserved to the Board and those delegated to senior executives and disclose those functions.
1.2	Remuneration Report	✓	Companies should disclose the process for evaluating the performance of senior executives.
1.3	Remuneration Report	✓	Companies should provide the information indicated in the Guide to Reporting on Principle 1.
2			STRUCTURE THE BOARD TO ADD VALUE
2.1	(a) (f)	✗	A majority of the Board should be independent Directors.
2.2	(b)	✓	The chair should be an independent Director.
2.3	(b)	✓	The roles of chair and chief executive officer should not be exercised by the same individual.
2.4	(i)	✗	The Board should establish a Nomination Committee.
2.5	(c)	✓	Companies should disclose the process for evaluating the performance of the Board, its committees and individual Directors.
2.6	(as above)	✓	Companies should provide the information indicated in the Guide to Reporting on Principle 2.
3			PROMOTE ETHICAL AND RESPONSIBLE DECISION-MAKING
3.1	(n)	✓	Companies should establish a Code of Conduct and disclose the code or summary of the 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.
3.2	(q)	✓	Companies should establish a policy concerning diversity and disclose the policy or a summary of that policy. The policy should include requirements for the Board to establish measurable objectives for achieving gender diversity for the Board to assess annually both the objectives and progress in achieving them.
3.3	(q)	✓	Companies should disclose in each Annual Report the measurable objectives for achieving gender diversity set by the Board in accordance with the Diversity Policy and progress towards achieving them.
3.4	(q)	✓	Companies should disclose in each Annual Report the proportion of women employees in the whole organisation, women in senior executive positions and women on the Board.
3.5	(as above)	✓	Companies should provide the information indicated in the Guide to Reporting on Principle 3.
4			SAFEGUARD INTEGRITY IN FINANCIAL REPORTING
4.1	(j)	✓	The Board should establish an Audit Committee.
4.2	(j)	✓	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.
4.3	(j)	✓	The Audit Committee should have a formal charter.
4.4	(as above)	✓	Companies should provide the information indicated in the Guide to Reporting on Principle 4.

ASX CORPORATE GOVERNANCE COUNCIL RECOMMENDATIONS (CONTINUED)

Principle	Reference (pp 14 - 22)		
5			MAKE TIMELY AND BALANCED DISCLOSURE
5.1	(p)	✓	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.
5.2	(as above)	✓	Companies should provide the information indicated in the Guide to Reporting on Principle 5.
6			RESPECT THE RIGHTS OF SHAREHOLDERS
6.1	(p)	✓	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.
6.2	(as above)	✓	Companies should provide the information indicated in the Guide to Reporting on Principle 6.
7			RECOGNISE AND MANAGE RISK
7.1	(l)	✓	Companies should establish policies for the oversight and management of material business risks and disclose a summary of those policies.
7.2	(l)	✓	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.
7.3	(l)	✓	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 2001* 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.
7.4	(as above)	✓	Companies should provide the information indicated in the Guide to Reporting on Principle 7.
8			REMUNERATE FAIRLY AND RESPONSIBLY
8.1	(k)	✓	The Board should establish a Remuneration Committee.
8.2	(k)	✓	The Remuneration Committee should be structured so that it: • Consists of a majority of Independent Directors. • Is chaired by an independent chair. • Has at least three members.
8.3	Remuneration Report	✓	Companies should clearly distinguish the structure of non-executive Directors' remuneration from that of Executive Directors and senior executives.
8.4	(as above)	✓	Companies should provide the information indicated in the Guide to Reporting on Principle 8.

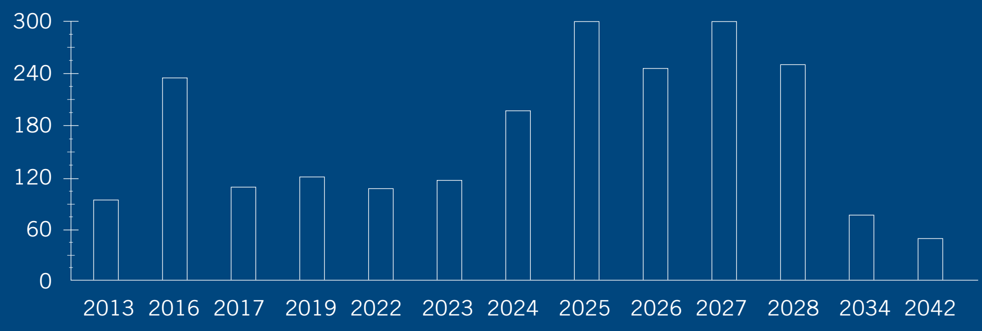
FINANCIAL & OPERATIONAL PERFORMANCE

2012

01

DEBT MATURITY PROFILE

$ million as at 31 July 2012



Envestra's financing strategy for many years has been to extend the duration of its debt portfolio and the debt maturity profile shows an average maturity at 31 July 2012 of 11 years.

TREASURY

THE COMPANY'S CASH BALANCES ARE NORMALLY MAINTAINED AT MODEST LEVELS TO MINIMISE DEBT AND ENHANCE RETURNS TO SHAREHOLDERS. AT 30 JUNE 2012, THE CASH BALANCE WAS $1.0 MILLION ($7.3 MILLION AT 30 JUNE 2011).

THE COMPANY HAD AVAILABLE UNUSED BANK CREDIT LINES OF $252 MILLION AT YEAR END, AND THIS HAS SUBSEQUENTLY INCREASED TO $400 MILLION FOLLOWING THE NEW US PRIVATE PLACEMENT ISSUE IN JULY 2012.

DURING THE YEAR, DEBT INCREASED BY $29 MILLION TO $2,178 MILLION.

ENVESTRA'S GEARING LEVEL WAS 71% AT YEAR-END. GEARING IS DEFINED AS NET DEBT DIVIDED BY TOTAL NON-CASH ASSETS. BASED ON THE COMPANY'S MARKET VALUE OF EQUITY, THE GEARING LEVEL WAS 64%, DOWN FROM 68% IN 2011.

CREDIT RATING

ENVESTRA'S CREDIT RATING WITH STANDARD & POOR'S OF BBB-/A-3 WAS AFFIRMED IN OCTOBER 2011, AND THE LONG-TERM RATINGS OUTLOOK WAS MAINTAINED AS STABLE.

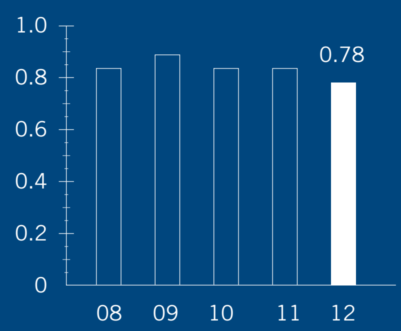
IN SEPTEMBER 2011, THE MOODY'S RATING OF BAA2 OUTLOOK STABLE WAS AFFIRMED.

THE MOODY'S BAA2 RATING IS EQUIVALENT TO STANDARD & POOR'S "BBB" RATING.

WE ARE WORKING TO STRENGTHEN THESE RATINGS TO ENSURE THE COMPANY OPERATES WITH THE LOWEST SUSTAINABLE COST OF CAPITAL.

02

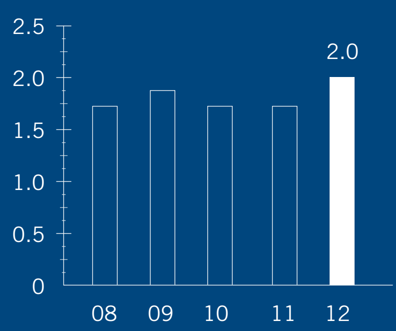
DEBT TO REGULATED ASSET BASE (RAB)



This gearing measure is expected to further improve in the future with increases in operating cash flows.

03

INTEREST COVER RATIO



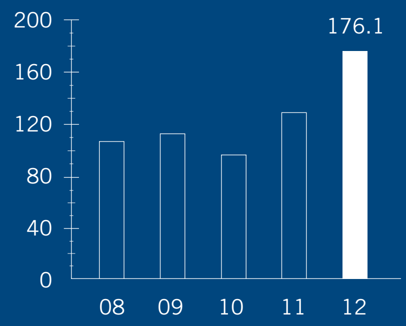
The Group's Interest Cover Ratio improved in 2011-12 and is considered strong in view of the Group's regulated monopoly status and its reliable cash flows.

CAPITAL EXPENDITURE – $176.1 MILLION ($129.2 MILLION IN 2010-11)

CAPITAL EXPENDITURE WAS $176.1 MILLION, AN INCREASE OF $46.9 MILLION ON THE PREVIOUS YEAR. AROUND $65 MILLION WAS SPENT ON REPLACEMENT OF 'OLD' MAINS, WITH $95 MILLION SPENT ON OTHER GROWTH PROJECTS. 'STAY-IN-BUSINESS' ACTIVITIES REQUIRED A FURTHER $16 MILLION.

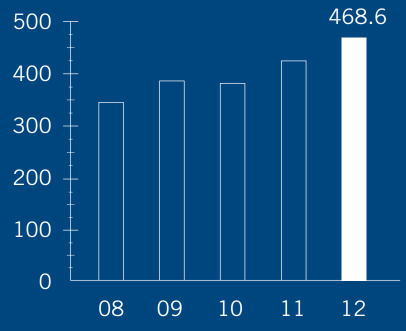
04 CAPITAL EXPENDITURE

$ million



05 TOTAL REVENUE

$ million



Tariff increases and further customer additions to the networks have resulted in solid revenue growth over the past five years.

CASH FLOWS – $171.8 MILLION ($137.0 MILLION IN 2010-11)

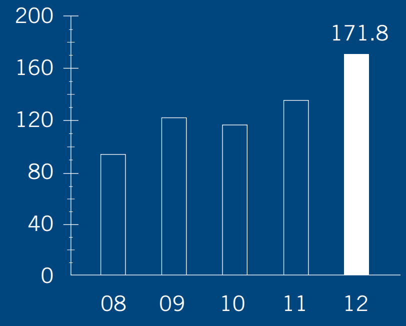
A 25% INCREASE IN 2011-12 WAS DUE TO THE STRONG REVENUE OUTCOME RECORDED FOR THE YEAR, AND TIGHT CONTROL OF BORROWING COSTS, WHICH REDUCED DESPITE HIGHER DEBT LEVELS.

DISTRIBUTIONS TO SHAREHOLDERS AMOUNTED TO $87.5 MILLION, UP $10 MILLION ON THE PRIOR YEAR, DUE TO A 5.5% INCREASE IN THE DIVIDEND RATE FOR 2011-12, AND THE INCREASED AMOUNT OF SHARES ON ISSUE RESULTING FROM NEW SHARES ISSUED DURING THE YEAR UNDER THE DIVIDEND REINVESTMENT PLAN AND THE SHARE PURCHASE PLAN.

THE REMAINING $84.3 MILLION OF OPERATING CASH FLOWS WAS AVAILABLE TO FUND THE $176.1 MILLION CAPEX PROGRAM. THE BALANCE OF THE CAPEX PROGRAM WAS FINANCED BY A COMBINATION OF EQUITY RAISED DURING THE YEAR, AND DEBT DRAWDOWNS. CASH FLOW COVER OF DIVIDENDS, AFTER FINANCING COSTS AND STAY-IN-BUSINESS CAPITAL EXPENDITURE, GREW TO 177% COMPARED TO 167% IN 2010-11.

06 CASH FLOW FROM OPERATIONS

$ million



The strong growth in operating cash flow has resulted in increased coverage of dividends, allowing us to 're-invest' in the capital expenditure growth phase currently underway.

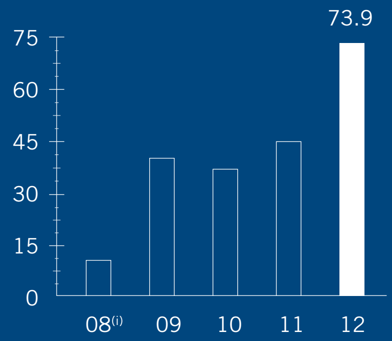
PROFIT AFTER TAX – $73.9 MILLION ($45.0 MILLION IN 2010-11)

ENVESTRA'S REVENUE, WHICH IS GENERATED MAINLY FROM THE DELIVERY OF NATURAL GAS FOR RETAILERS, WAS $468.6 MILLION, UP $44.4 MILLION ON THE PREVIOUS YEAR. THE IMPROVEMENT IN REVENUE WAS DUE MAINLY TO INCREASES IN DISTRIBUTION TARIFFS ACROSS ALL THREE MAJOR STATES (SOUTH AUSTRALIA, VICTORIA AND QUEENSLAND), REVENUE FROM THE 25,800 NEW CONSUMERS ADDED TO THE COMPANY'S NETWORKS AND A FULL YEAR OF REVENUE GENERATED FROM THE COUNTRY ENERGY GAS NETWORKS ACQUIRED IN THE PREVIOUS YEAR. THIS WAS IN PART OFFSET BY A DECREASE IN GAS DISTRIBUTION VOLUMES AS A RESULT OF WARMER WEATHER COMPARED TO THE COLDER WINTER OF THE PREVIOUS YEAR.

07

PROFIT AFTER TAX

$ million



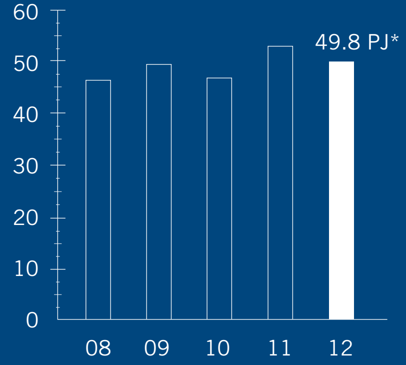
(i) Adjusted for $153.2 million tax benefit

The Company recorded a profit after tax of $73.9 million, a 64% increase on the prior year.

08

GAS VOLUMES

(< 10TJ* consumers)



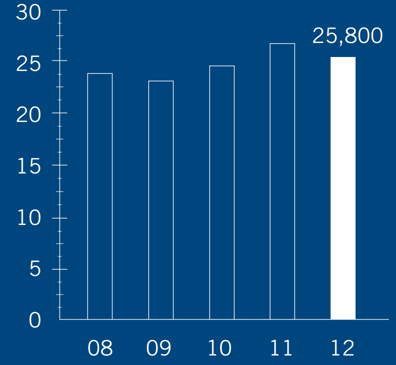
Warm weather in the first half of 2011-12 resulted in reduced volumes from the prior year, but still higher than the five-year average due largely to new consumer connections.

* Refer to Glossary of Terms (page 84)

09

NEW CONSUMERS

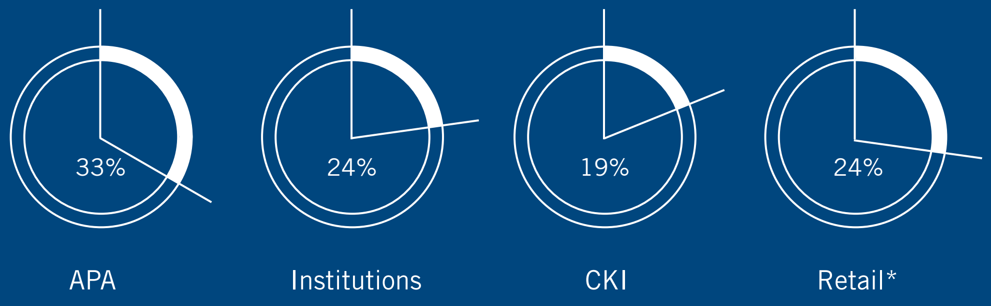
'000



Our new consumers connected to the network in 2011-12 will generate around $8 million in additional annual revenue.

10

SHAREHOLDER PROFILE



* Retail defined as <100,000 share holding

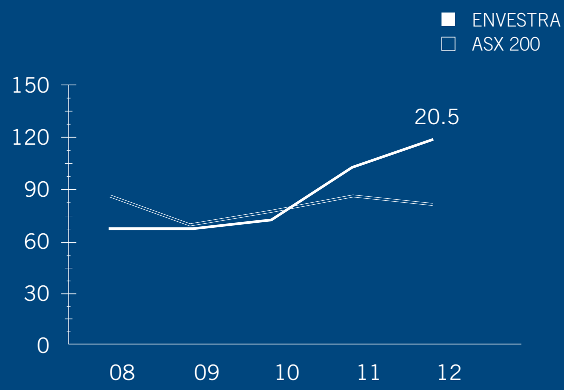
THE DIRECTORS ARE RESPONSIBLE TO SHAREHOLDERS FOR THE PERFORMANCE OF THE COMPANY AND THEIR FOCUS IS TO ENHANCE THE INTERESTS OF SHAREHOLDERS AND MONITOR RELATIONSHIPS WITH OTHER KEY STAKEHOLDERS TO ENSURE THE GROUP IS PROPERLY MANAGED.

AS PREVIOUSLY NOTED, CONSEQUENT TO THE GLOBAL FINANCIAL CRISIS AND THE ATTENDANT LOWERING OF THE GROUP'S CREDIT RATING TO BBB MINUS BY STANDARD & POOR'S (MOODY'S RATING HAS ALWAYS BEEN HELD AT BAA2), THERE IS A NEED TO RETAIN CASH IN THE BUSINESS TO REDUCE GEARING LEVELS AND ASSIST WITH FUNDING OF THE CAPITAL EXPENDITURE PROGRAM, ULTIMATELY WITH THE TARGET TO IMPROVE FINANCIAL METRICS AND TO RAISE THE S&P RATING.

11

FIVE-YEAR TOTAL SHAREHOLDER RETURN

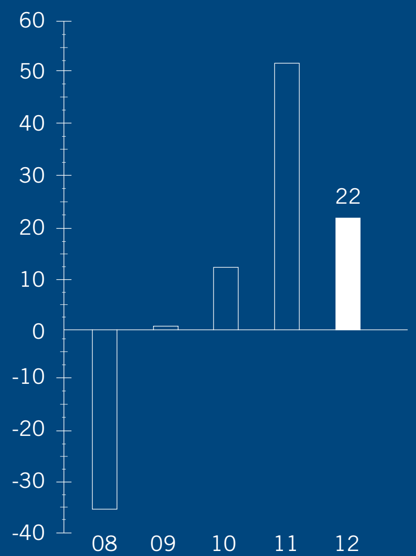
% cumulative



12

ANNUAL RETURNS TO SHAREHOLDERS*

% as at 30 June

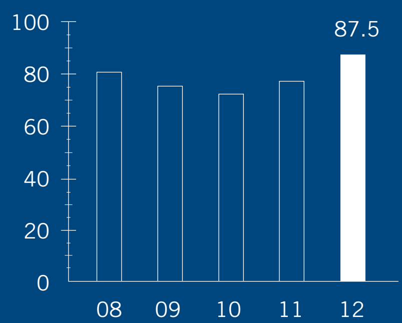


* Annual returns to shareholders includes dividends and capital growth / (losses)

13

TOTAL DIVIDENDS

$ million



A 5.5% increase to the dividend rate in 2011-12, together with increased shares on issue resulted in an increase in total dividend payments.

	SA	VIC	QLD	NSW	NT
Metropolitan networks	Adelaide	Melbourne	Brisbane		
Regional networks	Whyalla Port Pirie Mt Gambier Riverland	Mildura Shepparton Wangaratta Wodonga Moe Morwell Traralgon Sale Bairnsdale	Rockhampton Bundaberg Maryborough Hervey Bay	Albury Wagga Wagga	Alice Springs
Transmission pipelines	Riverland	12 short-length pipelines	Wide Bay	Wagga Wagga region	Palm Valley

Contribution to 2011-12 EBITDA: $333.1 million

						TOTAL
Distribution networks	~ 8,000 km	~ 10,000 km	~ 2,650 km	~ 1,800 km	~ 40 km	~ 22,500 km
Transmission pipelines	373 km	224 km	284 km	84 km	159 km	1,124 km
Consumers	~ 410,000	~ 587,000	~ 89,000	~ 52,000	~ 1,100	~ 1,140,000

FINANCIAL & STATUTORY INFORMATION

FINANCIAL AND STATUTORY INFORMATION FOR THE YEAR ENDING 30 JUNE 2012

Directors' Report

THE DIRECTORS PRESENT THEIR REPORT ON THE CONSOLIDATED ENTITY (REFERRED TO HEREAFTER AS THE GROUP) CONSISTING OF ENVESTRA LTD AND THE ENTITIES IT CONTROLLED AT THE END OF, OR DURING, THE YEAR ENDED 30 JUNE 2012 IN ACCORDANCE WITH A RESOLUTION OF THE DIRECTORS.

Directors

The following persons were Directors of Envestra Ltd during the whole of the financial year and up to the date of this report:

John Geoffrey Allpass (Chairman)
Ian Bruce Little (Managing Director)
Eric Fraser Ainsworth AM
Dominic Loi Shun Chan
Ivan Kee Ham Chan
Ross Murray Gersbach
Michael Joseph McCormack
Olaf Brian O'Duill.

Details of the Directors' and Company Secretary's qualifications, experience and special responsibilities appear on pages 4 to 21 of the Annual Report. Directors' shareholdings are disclosed on page 37 of the Annual Report.

Principal activities

During the year the principal continuing activities of the Group consisted of:

(a) Provision of natural gas haulage services to retailers through the transmission pipelines and distribution networks it owns and manages.
(b) Development of the business through expansion of the existing networks, acquisition of networks and construction of new networks.

Review of operations

The review of operations of the Group and the results of those operations are discussed in detail in the Chairman's and Managing Director's Review on pages 2 to 8 of the Annual Report.

Consolidated results

For the year ended 30 June 2012, revenue and income was $468.6 million, profit before tax was $105.4 million and profit after tax was $73.9 million. Net cash inflows from operations rose 25% to $171.8 million substantially covering the $87.5 million of dividends and contributing to the $176.1 million capital expenditure program.

Significant changes in the state of affairs

No changes have occurred during the year which significantly changes the state of affairs of the Group.

Environmental regulation

The NSW Environment Protection Authority, the Albury City Council and The Albury Gas Co Ltd ("AGC") have agreed on the scope of works to remediate land formerly owned by AGC and used for the manufacture of town gas. (The land is currently owned by the Albury City Council.) Provision has been made for the estimated remediation costs in the financial statements. Remedial work is expected to be completed in 2012-13.

The Victorian Environmental Protection Authority has requested that Vic Gas Distribution Pty Ltd prepare voluntary Risk Assessments for sites owned by Vic Gas Distribution Pty Ltd at Sale and Warragul that were formerly used for the manufacture of town gas. Remedial work for the site owned at Benalla commenced in July 2012 and is expected to conclude in September 2012.

In respect to the site at Sale, under Victorian Law, the ultimate liability for remediation costs potentially lies with the original polluter. The contamination is believed to have occurred when the site was owned by either of two third parties. Whilst it is therefore possible that these remediation costs will either be assumed by the third parties, or alternatively recovered from them, the outcome is yet to be determined. The Group has accordingly recorded the estimated liability in its financial statements.

Provision for the Group's estimated cost of possible remediation at all sites is included in the Financial Statements.

Likely developments and expected results of operations

Information regarding future prospects and likely developments has been included in the Chairman's and Managing Director's Review on pages 2 to 8 of the Annual Report, and the Financial Review on page 25 of the Annual Report.

Dividends – Envestra Ltd

The following dividends were paid during the year covered by this report:

	CENTS PER ORDINARY SHARE	TOTAL DIVIDEND $M
Dividend on 28 October 2011	2.9	42.6
Dividend on 27 April 2012	2.9	44.9
Total dividends for 2011-12	**5.8**	**87.5**

Indemnity and insurance of officers

Each Director and Executive Officer of Envestra is indemnified against liability as such an officer, to another person (except Envestra and its related bodies corporate), unless the liability arises out of conduct involving a lack of good faith. They are also indemnified for costs of defending proceedings in which judgement is given in their favour, or in which they are acquitted, or the claim is withdrawn. The Directors and Officers (Senior Executives) are also indemnified under Deeds of Access, Insurance and Indemnity.

The Company has paid a premium during the period of this report under a contract which insures the officers, Directors and executives.

A condition of the insurance is that the nature of the liability indemnified, the premium payable and certain other details of the policy not be disclosed.

Non-audit services

Details of the amounts paid or payable to the auditor (PricewaterhouseCoopers) for audit and non-audit services provided during the year are set out in note 23.

The Board of Directors has considered the position and, in accordance with advice received from the Audit Committee, is satisfied that the provision of the non-audit services is compatible with the general standard of independence for auditors imposed by the *Corporations Act 2001*. The Directors are satisfied that the provision of non-audit services by the auditor, as set out in note 23, did not compromise the auditor independence requirements of the *Corporations Act 2001* for the following reasons:

- All non-audit services have been reviewed by the Audit Committee to ensure they do not impact the impartiality and objectivity of the auditor.
- None of the services undermines the general principles relating to auditor independence as set out in APES 110 Code of Ethics for Professional Accountants.

Matters subsequent to the end of the financial year

On 2 July 2012 Envestra Ltd issued new US Private Placement Notes. They consisted of an A$50 million 10-year Note maturing on 12 July 2022, and two US dollar amounts: a US$70 million 10-year Note maturing on 12 July 2022; and a US$80 million 15-year Note maturing on 12 July 2027. The principal and interest on the US dollar portion of the Notes is fully hedged for the terms of the debt.

The Directors are not aware at the date of this report of any other matter or circumstance which has arisen since 30 June 2012 that has significantly affected, or may significantly affect:

- the Group's operations in future financial years; or
- the results of those operations in future financial years; or
- the Group's state of affairs in future financial years.

Meetings of Directors

The number of Directors' meetings and meetings of committees of Directors held during the period for which each Director held office between 1 July 2011 to 30 June 2012, and the number of meetings attended by each Director were:

	MEETINGS OF DIRECTORS				MEETINGS OF COMMITTEES			
	Full meetings		Special meetings		Audit		Remuneration	
	Held	Attended	Held	Attended	Held	Attended	Held	Attended
J G Allpass	7	7	1	1	-	-	1	1
I B Little	7	7	1	1	-	-	-	-
E F Ainsworth	7	7	1	1	5	5	1	1
D L S Chan	7	7	1	1	-	-	-	-
I K H Chan	7	7	1	1	-	-	-	-
R M Gersbach	7	7	1	1	5	4	-	-
M J McCormack	7	7	1	1	-	-	-	-
O B O'Duill	7	7	1	1	5	5	1	1

Remuneration Report

THE INFORMATION PROVIDED UNDER HEADINGS A – D INCLUDES REMUNERATION DISCLOSURES THAT ARE REQUIRED UNDER THE *CORPORATIONS ACT 2001* AND THE *CORPORATIONS REGULATIONS 2001*.

THE INFORMATION PROVIDED IN THIS REMUNERATION REPORT HAS BEEN AUDITED AS REQUIRED BY SECTION 308(3C) OF THE *CORPORATIONS ACT 2001*.

A) Principles used to determine the nature and amount of remuneration

The objective of the Group's executive reward framework is to ensure reward for performance is competitive and appropriate for the results delivered. The framework aligns executive reward with achievement of strategic objectives and the creation of value for shareholders and conforms to market practice for delivery of reward.

The Group has structured an executive remuneration framework that is market competitive and complementary to the strategy of the organisation.

The framework caters for shareholders' interests in that it:

- Has economic performance as a core component of plan design.
- Takes into consideration returns to shareholders.
- Attracts and aims to retain high calibre executives.

The framework caters for employees' interests in that it:

- Rewards capability and experience.
- Rewards contribution to growth in shareholder wealth and/or Group earnings.
- Provides a clear structure for earning rewards.
- Provides recognition of individuals' contributions.

The Remuneration Committee advises the Board on remuneration policies and practices, and makes recommendations on remuneration packages and other terms of employment for the Managing Director and other senior executives, having regard to the need to attract, retain and develop appropriately skilled people.

Each member of the senior management team is employed under a contract covering a range of matters including their duties, rights, responsibilities and entitlements on termination.

The Committee, having regard to personal and corporate performance and relevant comparative information provided by an external professional human resources consultant, reviews remuneration of the senior management team annually.

Remuneration for senior executives comprises both fixed remuneration and incentives (bonuses). The bonuses are based on a combination of the Group's results and individual performance levels. The payment of bonuses is dependent upon the achievement of operating and financial targets set at the beginning of each year.

Each employee has a list of personal key performance indicators (KPIs) set by the Managing Director and reviewed by the Remuneration Committee, against which performance is measured.

Performance against the KPIs is considered by the Managing Director and the Remuneration Committee as part of their deliberations as to individual bonuses. Any bonus is based on a combination of individual performance (40%) and corporate outcomes (60%). The Managing Director is assessed entirely on the corporate outcomes.

The maximum bonus for the Managing Director is 45% (including 15% deferred), for the Group Manager, Commercial, it is 37.5% (including 12.5% deferred), and for all other senior executives it is 20% of these individuals' base salaries.

The Managing Director and Group Manager, Commercial, are only entitled to payment of the deferred portion of their bonus after three years' service following the year in which the initial bonus was awarded. The deferred bonus is equivalent to 50% of the bonus awarded three years earlier.

The Company does not operate an Employee Share Option Plan.

NON-EXECUTIVE DIRECTORS

Fees and payments to non-executive Directors reflect the demands which are made on, and the responsibilities of, the Directors. Non-executive Directors' fees and payments are reviewed annually by the Board. The Chairman's fee has been set at twice the fees of non-executive Directors.

DIRECTORS' FEES

The current base remuneration was last increased with effect from 1 July 2010. The non-executive Director who chairs the Audit Committee receives additional fees and additional fees are also payable to Directors who are members of the Committee.

Non-executive Directors' fees are determined within an aggregate Directors' fee pool limit, which is periodically recommended for approval by shareholders. The maximum currently stands at $900,000.

RETIREMENT ALLOWANCES FOR DIRECTORS

Until June 2003, non-executive Directors were entitled to receive retirement benefits on a sliding scale based on the number of years served on the Board. The maximum retirement benefit was payable after 10 years of service and is calculated as three times the average annual emoluments of the Director over the three years before the date of retirement.

The Retirement Benefit Scheme was suspended as at 30 June 2003 and the period of service at that time was used to determine the benefit payable to the Directors as at 30 June 2003. The benefit payable at the time of retirement is calculated using 10/13 of the three year average salary immediately preceding the date of retirement and the years of service up to 30 June 2003. The liability for the payment of this benefit is adjusted for changes in fees paid annually and incorporated in the provision in the financial statements. Only two Directors are entitled to retirement benefits accrued prior to 30 June 2003.

EXECUTIVE PAY

The executive pay and reward framework has three components:

- Base pay and benefits.
- Superannuation.
- Performance incentive (bonus).

BASE PAY

This is structured as a total employment cost package (TEC) which may be delivered as a combination of cash and prescribed non-financial benefits at the executive's discretion.

The Remuneration Committee and management received information from Geoff Nunn and Associates (GNA) through the annual survey conducted in April of remuneration packages in the utilities sector. The advice was used to ensure base pay reflects the market for a comparable role. Base pay for senior executives is reviewed annually to ensure the executives' pay is competitive with the market.

The Board's decisions on senior executives' packages are made independently using the advice provided by GNA and having regard to Envestra's financial circumstances.

BENEFITS

Executives are provided with death and total disability insurance cover, salary continuance insurance cover and Company funded car parking. The cost of these benefits is included in the total employment cost packages outlined on the following pages. The provision of a fully maintained vehicle is at the executive's discretion, the cost of which is part of the total employment cost package.

SUPERANNUATION

The Company contributes superannuation to the executive's nominated fund. All superannuation contributions are treated as part of the executive's salary package.

SHORT-TERM PERFORMANCE BONUS

Each year, the Remuneration Committee considers the performance against the appropriate targets and key performance indicators (KPIs) to assist in determining bonuses. The payment of bonuses is at the discretion of the Board acting on advice from the Remuneration Committee.

For the year ended 30 June 2012, the KPI targets reflect performance against profit after tax, cash flow, corporate refinancing outcomes, regulatory outcomes and shareholder returns, as well as other key strategic measures related to drivers of performance in future reporting periods.

Further details on these corporate objectives and performance against them are as follows:

- *FINANCIAL MEASURES*

  Objectives: Profit after Tax, cash flow available for dividends and completion of required debt refinancing.

  Outcomes: A 64% increase in Profit after Tax to $73.9 million was recorded; cash flow per share available for dividends was 9.8 cents (8.8 cents in 2010-11); and all maturing debt facilities were refinanced well in advance of maturity dates, at satisfactory margins.

- *COMMERCIAL MEASURES*

  Objectives: Obtain an "outlook positive" ratings review with Standard & Poor's to BBB; successful outcome of the regulatory appeals related to the South Australian and Queensland Access Arrangements; increase the gas load from the expanded marketing program by more than 90 TJ; and complete at least 385 kilometres of mains replacement.

  Outcomes: Standard & Poor's maintained the Company's BBB- rating following review in October 2011; an additional $81 million in revenue, over five years, was awarded to the Company as a result of the regulatory appeal to the Australian Competition Tribunal; gas load was increased by 120 TJ through the marketing program; and 331 kilometres of "old" gas mains were replaced.

- *ENVIRONMENTAL MEASURES*

  Objectives: Complete the remediation of the former gas works site in Albury (New South Wales) and dispose of the former gas works site in Sale (Victoria).

  Outcomes: The Albury project was delayed due to the requirement to undertake additional investigations to satisfy the NSW Environment Protection Authority and the Albury City Council. Work commenced on the project in July 2012 and is expected to take six months to complete; disposal of the Sale property was delayed due to the lateness of the environmental auditor completing his report on the site. Negotiations are currently progressing with two third parties, as the "original polluters", on the future of the property and the ultimate responsibility for the anticipated remediation costs.

- *TOTAL SHAREHOLDER RETURNS (TSR)*

  Objective: Achieve a TSR in excess of 11% for the year (includes movement in market prices of the securities).

  Outcome: The market price of the Company's shares rose 14% over the 12 months to 30 June, 2012, and shareholders holding shares at 1 July 2011 received a dividend yield of 8%. Total shareholder return was 22%.

Sound results were achieved across most corporate measures. In addition, each of the executives performed to a high standard against their personal KPIs.

DEFERRED BONUSES

Deferred bonuses are payable, on a rolling basis, after three years' service and are linked to the bonus paid in the year prior to the commencement of the three-year period. The provision of a deferred bonus recognises the need to ensure short-term targets are not achieved at the expense of the longer-term success of the business. Although executives are entitled to these further payments on completion of three years' service, the amount of any bonus in that third year will reflect any potential change in performance that has occurred as a result of inappropriate short-term bonus focus in previous years. The deferred bonus also recognises the small executive team within the business and the need to retain these senior executives in order to provide management stability. The structuring of the deferred bonus such that it is linked to the short-term bonus earned three years previously provides an additional compensation mechanism that acts as an incentive for the executives to remain with the Group for the long term. Deferred bonuses are only payable to the Managing Director and the Group Manager, Commercial.

B) Details of remuneration

AMOUNTS OF REMUNERATION

Details of the remuneration of the Directors and the key management personnel (as defined in AASB 124 *Related Party Disclosures*) of Envestra Ltd and the Group are set out in the following tables.

The key management personnel of Envestra Ltd and the Group includes the Directors as per page 28 and the following executive officers who have authority and responsibility for planning, directing and controlling the activities of the entity:

- A Staniford – Group Manager, Commercial
- D Petherick – Company Secretary and Manager, Corporate Services
- G Meredith – Group Manager, Treasury and Planning
- P May – Group Manager, Finance and Risk

KEY MANAGEMENT PERSONNEL OF ENVESTRA LTD AND THE GROUP

	SHORT-TERM EMPLOYEE BENEFITS			POST-EMPLOYMENT BENEFITS		
Name	Cash salary and fees	Cash bonus (ii)	Non-monetary benefits	Super-annuation (ii)	Retirement benefits	Total
2012	**$**	**$**	**$**	**$**	**$**	**$**
Non-executive Directors						
J G Allpass *Chairman*	164,224	-	-	15,776	11,656	191,656
E F Ainsworth	92,820	-	-	9,180	-	102,000
D L S Chan (i)	90,000	-	-	-	-	90,000
I K H Chan (i)	90,000	-	-	-	-	90,000
R M Gersbach (i)	102,000	-	-	-	-	102,000
M J McCormack (i)	90,000	-	-	-	-	90,000
O B O'Duill	98,280	-	-	9,720	3,097	111,097
Sub-total non-executive Directors	**727,324**	**-**	**-**	**34,676**	**14,753**	**776,753**
Executive Director						
I B Little *Managing Director*	510,657	176,000	18,626	40,776	-	746,059
Other key management personnel						
A Staniford	274,341	97,700	41,409	42,000	-	455,450
D Petherick	220,583	45,000	16,985	44,300	-	326,868
G Meredith	209,237	41,000	24,657	16,136	-	291,030
P May	211,265	41,000	22,401	15,776	-	290,442
Total key management personnel compensation	**2,153,407**	**400,700**	**124,078**	**193,664**	**14,753**	**2,886,602**

(i) The Directors' fees for Mr D Chan and Mr I Chan were paid to Cheung Kong Infrastructure Holdings (Malaysian) Ltd. The fees for Mr M McCormack and Mr R Gersbach were paid to Australian Pipeline Ltd.

(ii) Bonus payments to key management personnel may be taken either as cash or superannuation. A deferred bonus of $46,000 is included in the amount of cash bonus paid to the Managing Director, and a deferred bonus of $25,700 is included in the amount of cash bonus paid to the Group Manager, Commercial.

	SHORT-TERM EMPLOYEE BENEFITS			POST-EMPLOYMENT BENEFITS		
Name	Cash salary and fees	Cash bonus (ii)	Non-monetary benefits	Super-annuation (ii)	Retirement benefits	Total-
2011	**$**	**$**	**$**	**$**	**$**	**$**
Non-executive Directors						
J G Allpass *Chairman*	164,800	-	-	15,200	11,390	191,390
E F Ainsworth	92,820	-	-	9,180	-	102,000
D L S Chan (i)	90,000	-	-	-	-	90,000
I K H Chan (i)	90,000	-	-	-	-	90,000
R M Gersbach (i)	102,000	-	-	-	-	102,000
M J McCormack (i)	90,000	-	-	-	-	90,000
O B O'Duill	98,280	-	-	9,720	2,985	110,985
Sub-total non-executive Directors	**727,900**	**-**	**-**	**34,100**	**14,375**	**776,375**
Executive Director						
I B Little *Managing Director*	465,127	151,100	16,908	40,207	-	673,342
Other key management personnel						
A Staniford	260,674	89,100	34,840	42,966	-	427,580
D Petherick	207,667	45,300	15,313	45,000	-	313,280
G Meredith	191,439	29,500	23,715	23,067	-	267,721
P May	193,467	37,000	21,849	15,207	-	267,523
Total key management personnel compensation	**2,046,274**	**352,000**	**112,625**	**200,547**	**14,375**	**2,725,821**

(i) The Directors' fees for Mr D Chan and Mr I Chan were paid to Cheung Kong Infrastructure Holdings (Malaysian) Ltd. The fees for Mr M McCormack and Mr R Gersbach were paid to Australian Pipeline Ltd.

(ii) Bonus payments to key management personnel may be taken either as cash or superannuation. A deferred bonus of $27,000 is included in the amount of cash bonus paid to the Managing Director, and a deferred bonus of $17,500 is included in the amount of cash bonus paid to the Group Manager, Commercial.

C) Service agreements

Remuneration and other terms of employment for the Managing Director and the other key management personnel are formalised in service agreements. The salary package is inclusive of the superannuation guarantee levy. Each of the agreements provide for the provision of performance-related cash bonuses, other benefits including death and permanent disability, and salary continuance insurance, and the provision of a fully maintained motor vehicle. The cost of any company provided vehicle is deducted from the employee's salary package. Other major provisions of the agreements relating to remuneration are set out below. Executive remuneration is reviewed annually by the Remuneration Committee.

I LITTLE *Managing Director*

- Term of agreement – non-specific, commencing 28 March 2003.
- Base salary, inclusive of superannuation, for the year ended 31 August 2012 of $560,000.
- Subject to performance, an annual bonus of up to 30% of base salary is payable.
- An additional deferred bonus is payable, equal to 50% of the short-term bonus paid three years earlier.
- Payment of termination benefit on termination by the Company, other than for gross misconduct, after six months' notice (subject to certain conditions), equal to 12 months' base salary plus an amount equal to the last short-term bonus paid prior to the termination.

A STANIFORD *Group Manager, Commercial*

- Term of agreement – non-specific, commencing 1 August 2000.
- Base salary, inclusive of superannuation, for the year ended 31 August 2012 of $338,500.
- Subject to performance, an annual bonus of up to 25% of base salary is payable.
- An additional deferred bonus is payable, equal to 50% of the short-term bonus paid three years earlier.
- Payment of termination benefit on termination by the Company, other than for gross misconduct, equal to 18 months' base salary (including six months' period of notice).

D PETHERICK *Company Secretary and Manager, Corporate Services*

- Term of agreement – non-specific, commencing 1 September 1997.
- Base salary, inclusive of superannuation, for the year ended 31 August 2012 of $267,000.
- Subject to performance, an annual bonus of up to 20% of base salary is payable.
- Payment of termination benefit on termination by the Company, other than for gross misconduct, equal to 18 months' base salary (including six months' period of notice).

G MEREDITH *Group Manager, Treasury and Planning*

- Term of agreement – non-specific, commencing 1 August 2000.
- Base salary, inclusive of superannuation, for the year ended 31 August 2012 of $246,000.
- Subject to performance, an annual bonus of up to 20% of base salary is payable.
- Payment of termination benefit on termination by the Company, other than for gross misconduct, equal to 15 months' base salary (including three months' period of notice).

P MAY *Group Manager, Finance and Risk*

- Term of agreement – non-specific, commencing 4 April 2005.
- Base salary, inclusive of superannuation, for the year ended 31 August 2012 of $246,000.
- Subject to performance, an annual bonus of up to 20% of base salary is payable.
- Payment of termination benefit on termination by the Company, other than for gross misconduct, equal to 15 months' base salary (including three months' period of notice).

D) Additional information

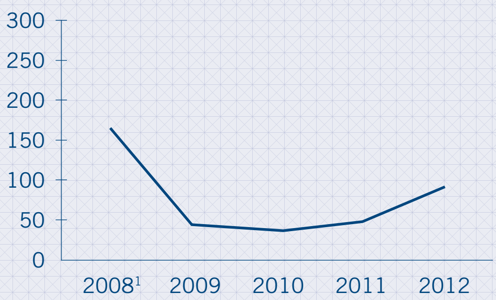
PRINCIPLES USED TO DETERMINE THE NATURE AND AMOUNT OF REMUNERATION: RELATIONSHIP BETWEEN REMUNERATION AND COMPANY PERFORMANCE

The following table sets out the Group's performance over the past five years in respect of the key financial and non-financial indicators used to measure year-on-year performance, as well as historic shareholder return data.

	2008	2009	2010	2011	2012
Gas volumes <10TJ consumers	46,777	49,169	47,228	52,878	49,847
New consumers (i)	23,692	23,470	24,101	26,712	25,760
Total revenue and income ($m) (ii)	344.5	388.1	382.7	424.2	468.6
Net profit after tax ($m) (iii)	163.6	40.3	37.2	45.0	73.9
Cash flow available for dividends ($m)	78.0	104.9	107.4	129.1	155.1
Capital expenditure ($m)	108.3	112.5	97.8	129.2	176.1
Return to shareholders (%)	(36.8)	0.4	12.3	52.0	22.2
Earnings per share (cents)	18.9	3.8	2.8	3.2	4.9

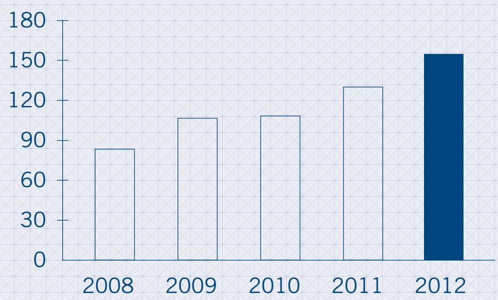
(i) 2011 data excludes customers in Envestra (NSW) Pty Ltd acquired through business acquisition on 29 October 2010.
(ii) Excludes interest income.
(iii) Profit after Tax in 2008 includes $153.2 million of Put Option tax benefit.

PROFIT AFTER TAX
$ million

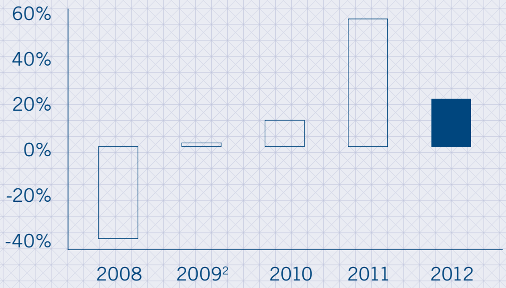


1) Includes $153.2m of Put Option tax benefit.

CASH FLOW AVAILABLE FOR DIVIDENDS
$ million

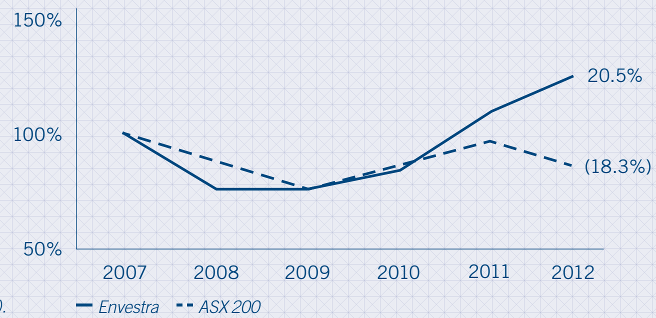


ANNUAL RETURN (TSR) TO SHAREHOLDERS[1]



1) Returns to shareholders including dividend and capital growth / (loss).
2) 2009 includes the effect of the Rights Issue.

FIVE-YEAR TOTAL SHAREHOLDER RETURN (TSR) - CUMULATIVE



DETAILS OF REMUNERATION: CASH BONUSES

For each short-term cash bonus included in the tables on pages 34 and 35, the percentage of the available bonus paid, in the financial year, is set out below.

Name	Maximum bonus (excluding deferred)	Bonus paid	Percentage of maximum bonus	Deferred Bonus	Total 2012	Total 2011
	%	$	%	$	$	$
I Little	30	130,000	77	46,000	176,000	151,100
A Staniford	25	72,000	85	25,700	97,700	89,100
D Petherick	20	45,000	84	-	45,000	45,300
G Meredith	20	41,000	83	-	41,000	37,000
P May	20	41,000	83	-	41,000	37,000

The bonus can be taken as cash and/or a contribution to superannuation.

DIRECTORS' SHAREHOLDINGS

Particulars of the ordinary shares held by each Director of the Company and Director related entities, as at 30 June 2012 were:

Director	Holding 30 June 2011	Movement during the year	Holding 30 June 2012
J G Allpass	299,936	63,093	363,029
I B Little	123,240	15,625	138,865
E F Ainsworth	66,000	-	66,000
D L S Chan (i)	-	-	-
I K H Chan (i)	-	-	-
O B O'Duill	200,000	23,438	223,438
M J McCormack (ii)	28,000	26,693	54,693
R M Gersbach (ii)	-	-	-

(i) Mr D L S Chan and Mr I K H Chan are representatives of Cheung Kong Infrastructure Holdings (Malaysian) Ltd which owns 297,492,953 (18.9%) ordinary shares in Envestra.
(ii) Mr M J McCormack and Mr R M Gersbach are representatives of the APA Group which owns 525,845,327 (33.4%) ordinary shares in Envestra.

Auditor's independence declaration

A copy of the auditor's independence declaration as required under section 307C of the *Corporations Act 2001* is set out on page 38.

Rounding of amounts

The Company is of a kind referred to in Class Order 98/100, issued by the Australian Securities and Investments Commission, relating to the "rounding off" of amounts in the Directors' report and financial statements. Amounts in the Directors' report and financial statements have been rounded off in accordance with that Class Order to the nearest million dollars, unless specifically stated otherwise.

John Allpass

JOHN G ALLPASS *Chairman*
Adelaide 23 August 2012

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Auditor's Independence Declaration

As lead auditor for the audit of Envestra Ltd for the year ended 30 June 2012, I declare that to the best of my knowledge and belief, there have been:

a) no contraventions of the auditor independence requirements of the *Corporations Act 2001* in relation to the audit; and

b) no contraventions of any applicable code of professional conduct in relation to the audit.

This declaration is in respect of Envestra Limited and the entities it controlled during the period.

AG Forman
Partner
PricewaterhouseCoopers

23 August 2012

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Consolidated Income Statement

	Notes	2012 $M	2011 $M
Revenue from continuing operations			
Network services		468.6	423.8
Total revenue from continuing operations		**468.6**	**423.8**
Net gain on disposal of property, plant and equipment		-	0.4
Total revenue and income excluding finance income		**468.6**	**424.2**
Network operating costs		(108.9)	(103.2)
Gas purchases		(13.3)	(14.4)
Corporate development, property and administration costs		(13.3)	(13.7)
Total operating costs		(135.5)	(131.3)
Depreciation and impairment	5	(56.5)	(53.4)
Profit before finance costs and tax		**276.6**	**239.5**
Finance income		4.2	0.8
Finance costs		(175.4)	(175.4)
Net finance costs	5	(171.2)	(174.6)
Profit before income tax expense		**105.4**	**64.9**
Income tax expense	6	(31.5)	(19.9)
Net profit after tax		**73.9**	**45.0**
Basic and diluted earnings per share attributable to ordinary equity holders of Envestra Ltd (cents)	31	4.9	3.2

The Consolidated Income Statement should be read in conjunction with the accompanying notes.

Consolidated Statement of Comprehensive Income

	Notes	2012	2011
		$M	**$M**
Net profit after tax for the financial year		**73.9**	**45.0**
Other comprehensive income			
Changes in the fair value of cash flow hedges	20	(18.1)	15.3
Income tax expense relating to changes in the fair value of cash flow hedges	20	5.5	(4.6)
Other comprehensive income for the financial year		**(12.6)**	**10.7**
Total comprehensive income for the financial year		**61.3**	**55.7**
Profit for the financial year is attributable to:			
Owners of Envestra Ltd		73.9	45.0
Total comprehensive income for the financial year is attributable to:			
Owners of Envestra Ltd		61.3	55.7

The Consolidated Statement of Comprehensive Income should be read in conjunction with the accompanying notes.

Consolidated Balance Sheet

	Notes	2012 $M	2011 $M
Current assets			
Cash and cash equivalents	7	1.0	7.3
Receivables	8	72.9	68.5
Derivative financial instruments	9	0.7	-
Other assets	10	4.3	3.5
Total current assets		78.9	79.3
Non-current assets			
Receivables	8	10.3	-
Property, plant and equipment	11	2,341.7	2,211.0
Intangible assets	12	606.0	606.0
Deferred tax assets	13	-	-
Derivative financial instruments	9	21.6	-
Other assets	10	0.1	0.1
Total non-current assets		2,979.7	2,817.1
Total assets		**3,058.6**	**2,896.4**
Current liabilities			
Payables	14	49.4	39.9
Borrowings	15	108.0	272.2
Provisions	16	10.5	5.5
Derivative financial instruments	9	24.9	-
Other liabilities	17	59.6	47.0
Total current liabilities		252.4	364.6
Non-current liabilities			
Borrowings	15	2,016.9	1,686.8
Provisions	16	10.4	13.7
Derivative financial instruments	9	52.8	174.5
Deferred tax liabilities	18	139.7	113.7
Total non-current liabilities		2,219.8	1,988.7
Total liabilities		**2,472.2**	**2,353.3**
Net assets		**586.4**	**543.1**
Equity			
Contributed equity	19	651.8	582.3
Reserves	20	(23.0)	(10.4)
Accumulated losses	20	(42.4)	(28.8)
Total equity		**586.4**	**543.1**

The Consolidated Balance sheet should be read in conjunction with the accompanying notes.

Consolidated Statement of Changes in Equity

	Notes	Contributed Equity	Reserves	Retained Earnings/ (Accumulated Losses)	Total Equity
		$M	**$M**	**$M**	**$M**
Balance at 1 July 2010		538.0	(21.1)	3.7	520.6
Profit for the financial year		-	-	45.0	45.0
Other comprehensive income for the financial year		-	10.7	-	10.7
Transactions with owners in their capacity as owners					
Contributions of equity, net of transaction costs and tax	19	44.3	-	-	44.3
Dividends paid	21	-	-	(77.5)	(77.5)
Balance at 30 June 2011		582.3	(10.4)	(28.8)	543.1
Profit for the financial year		-	-	73.9	73.9
Other comprehensive expense for the financial year		-	(12.6)	-	(12.6)
Transactions with owners in their capacity as owners					
Contributions of equity, net of transaction costs and tax	19	69.5	-	-	69.5
Dividends paid	21	-	-	(87.5)	(87.5)
Balance at 30 June 2012		**651.8**	**(23.0)**	**(42.4)**	**586.4**

The Consolidated Statement of Changes in Equity should be read in conjunction with the accompanying notes.

Consolidated Cash Flow Statement

	Notes	2012 $M	2011 $M
Cash flows from operating activities			
Receipts from customers (inclusive of goods and services tax)		497.3	465.6
Payments to suppliers and employees (inclusive of goods and services tax)		(182.7)	(167.6)
		314.6	**298.0**
Finance income received		4.3	0.8
Finance costs paid		(147.1)	(161.8)
Net cash inflow from operating activities	29	**171.8**	**137.0**
Cash flows from investing activities			
Payments for property, plant and equipment		(176.1)	(129.2)
Proceeds from sale of property, plant and equipment		0.1	7.8
Payments for remediation of land		(0.6)	(0.8)
Acquisition of subsidiary		-	(108.7)
Net cash outflow from investing activities		**(176.6)**	**(230.9)**
Cash flows from financing activities			
Proceeds from issue of ordinary shares	19	69.6	44.3
Proceeds from borrowings		542.5	706.4
Repayment of borrowings		(523.1)	(575.9)
Dividends paid	21	(87.5)	(77.5)
Debt and capital raising costs		(3.0)	(2.5)
Net cash inflow/(outflow) from financing activities		**(1.5)**	**94.8**
Net increase/(decrease) in cash and cash equivalents		(6.3)	0.9
Cash and cash equivalents at the beginning of the financial year		7.3	6.4
Cash and cash equivalents at the end of the financial year	7	**1.0**	**7.3**

The Consolidated Cash Flow Statement should be read in conjunction with the accompanying notes.

Notes to the Consolidated Financial Statements

THE PRINCIPAL ACCOUNTING POLICIES ADOPTED IN THE PREPARATION OF THESE CONSOLIDATED FINANCIAL STATEMENTS ARE SET OUT BELOW. THESE POLICIES HAVE BEEN CONSISTENTLY APPLIED TO THE TWO YEARS PRESENTED, UNLESS OTHERWISE STATED. THE FINANCIAL STATEMENTS ARE FOR THE CONSOLIDATED ENTITY CONSISTING OF ENVESTRA LTD AND ITS SUBSIDIARIES. THE FINANCIAL STATEMENTS ARE PRESENTED IN THE AUSTRALIAN CURRENCY.

Note 01

SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

A) Basis of preparation

These general purpose financial statements have been prepared in accordance with Australian Accounting Standards, and Interpretations issued by the Australian Accounting Standards Board and the *Corporations Act 2001*. Envestra Ltd is a for-profit entity for the purpose of preparing the financial statements.

The financial statements were approved by the Board of Directors on 23 August 2012.

COMPLIANCE WITH IFRS

The consolidated financial statements of Envestra Ltd also comply with International Financial Reporting Standards (IFRS).

ACCOUNTING CONVENTION

While certain assets and liabilities are presented in accordance with the historical cost convention, certain financial assets and liabilities (including derivative instruments) are recorded at fair value through the income statement and cash flow hedge reserve.

WORKING CAPITAL DEFICIENCY

The Group had current liabilities in excess of current assets at 30 June 2012 amounting to $173.5 million. This deficiency largely relates to Commercial Paper loans ($25.9 million), Capital Indexed Bonds ($82.1 million) and provisions for land management costs ($9.9 million) all due for repayment/payment before June 2013. Existing undrawn facilities (which at 30 June 2012 amounted to $252 million) or bond financing commitments are sufficient to cover the anticipated debt repayments and the land management costs. Current liabilities also include derivative financial instrument liabilities ($24.9 million) due to expire before June 2013. They will be replaced with new derivative instruments at expiry in accordance with the Company's hedging policy.

CRITICAL ACCOUNTING ESTIMATES

The preparation of financial statements in conformity with IFRS requires the use of certain critical accounting estimates. It also requires management to exercise its judgement in the process of applying the Group's accounting policies. The areas involving a higher degree of judgement or complexity, or areas where assumptions and estimates are significant to the financial statements are disclosed in note 3.

B) Principles of consolidation

The consolidated financial statements incorporate the activities and affairs of Envestra Ltd ("Envestra") and its controlled entities (the "Group"):

Envestra (SA) Holdings 1 Ltd ACN 008 181 066
Envestra (SA) Ltd ACN 008 139 204
Envestra (QLD) Ltd ACN 009 760 883
Envic Holdings 1 Pty Ltd ACN 085 882 337
Envic Holdings 2 Ltd ACN 085 882 364
Envestra Victoria Pty Ltd ACN 085 882 373
Vic Gas Distribution Pty Ltd ACN 085 899 001
The Albury Gas Co Ltd ACN 000 001 249
Envestra (NSW) Holdings 1 Pty Ltd ACN 108 315 957
Envestra (NSW) Holdings 2 Pty Ltd ACN 108 316 249
Envestra (NSW) Holdings 3 Pty Ltd ACN 108 316 007
Envestra (NSW) Pty Ltd ACN 083 199 839.

Envestra Victoria Pty Ltd ("Envestra Victoria"), a wholly owned subsidiary of Envestra, has entered into a Business Management Agreement ("BMA") with Vic Gas Distribution Pty Ltd ("Vic Gas"). Under the BMA, Envestra Victoria is entitled to and exposed to the full economic rewards and risks of operating the business. Under the BMA, Envestra Victoria is appointed by Vic Gas to operate and manage, or procure the operation and management of the Victorian and NSW (Albury) networks. Envestra Victoria is paid a management fee equal to the excess of Vic Gas's net revenue over interest expense for each quarter, and has provided a guarantee that Vic Gas will have sufficient funds to meet its interest payment obligations. The Agreement also provides for debt repayment support if Vic Gas becomes obliged to make a repayment of principal in respect of its borrowings and has insufficient funds to meet those borrowings.

The effects of transactions between the entities within the Envestra Group are eliminated on consolidation.

C) Foreign currency translation

Monetary assets and liabilities denominated in foreign currencies at the balance sheet date are translated to Australian dollars at the foreign exchange rate ruling on that date. Foreign exchange differences arising on translation are recognised in the income statement.

D) Revenue recognition

Revenue is measured at the fair value of the consideration received or receivable. Service revenue represents revenue earned from the provision of gas distribution haulage services and is recognised when the service is provided. Customer contributions are made in relation to various capital projects and are recognised when the customers are invoiced and work has been substantially completed. Interest revenue includes interest income on money invested and is recognised when the interest is earned. Dividends are recognised as revenue when the right to receive payment is established.

E) Government grants

Grants from the government are recognised at their fair value where there is a reasonable assurance that the grant will be received and the Group will comply with all attached conditions.

Government grants relating to costs to be incurred on particular projects are deferred and recognised in the income statement over the period necessary to match them with the costs that they are intended to compensate.

F) Income tax

The income tax expense or revenue for the period is the tax payable on the current period's taxable income based on the national income tax rate adjusted by changes in deferred tax assets and liabilities attributable to temporary differences between the tax bases of assets and liabilities and their carrying amounts in the financial statements, and for unused tax losses.

Deferred tax assets and liabilities are recognised for temporary differences at the tax rates expected to apply when the assets are recovered or liabilities are settled, based on those tax rates which are enacted or substantively enacted. The relevant tax rates are applied to the cumulative amounts of deductible and taxable temporary differences to measure the deferred tax asset or liability. An exception is made for certain temporary differences arising from the initial recognition of an asset, or a liability. No deferred tax asset, or liability is recognised in relation to these temporary differences if they arose in a transaction, other than a business combination, that at the time of the transaction did not affect either accounting profit, or taxable profit or loss.

Deferred tax assets and deferred tax liabilities associated with indefinite life intangibles are measured on the basis that these assets are not depreciated.

Deferred tax liabilities and assets are not recognised for temporary differences between the carrying amount and tax bases of investments in controlled entities where the parent entity is able to control the timing of the reversal of the temporary differences and it is probable that the differences will not reverse in the foreseeable future.

Current and deferred tax balances attributable to amounts recognised directly in equity are also recognised directly in equity.

Deferred tax assets are recognised for deductible temporary differences and unused tax losses only if it is probable that future taxable amounts will be available to utilise those temporary differences and losses.

G) Impairment of assets

Assets that have an indefinite useful life are not subject to amortisation or depreciation and are tested annually for impairment. Assets that are subject to amortisation or depreciation 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 flows (cash generating units).

H) Cash and cash equivalents

Cash includes cash on hand, deposits held at call with banks and investments in money market instruments, net of bank overdrafts.

Envestra Ltd holds a deposit at call account in New Zealand which is translated into Australian dollars using the spot rate at balance date. The account is held to make dividend payments to New Zealand shareholders.

I) Receivables

Trade receivables are recognised initially at fair value and subsequently measured at amortised cost, less provision for doubtful debts.

The Access Arrangement covering the South Australia network requires the retailer to prepay for haulage services. The initial prepayment is an estimate of two months' haulage charges. An adjustment is made each month for variances between the actual charges and the prepaid estimate and includes an estimate of a further month's charges.

The Access Arrangement covering the Queensland network requires the retailer to pay for gas delivered within 30 days.

The Access Arrangements covering the Victorian and NSW networks require distributors to charge retailers when the end user is billed. Currently only one retailer in Victoria is required to prepay haulage. The prepayment amount is based on actual amount of the prior month invoiced charges.

Collectability of trade receivables is reviewed on an ongoing basis. Debts which are known to be uncollectable are written off by reducing the carrying amount directly. A provision for impairment of trade receivables is used when there is objective evidence that the Group will not be able to collect all amounts due according to the original terms and conditions.

A provision for doubtful debts is recorded based on historical evidence of credit recovery in relation to invoices raised for miscellaneous items, such as costs to repair damage to the network caused by a third party. No provision has been raised for impairment in relation to debtors associated with any of the Access Arrangements because no debts are considered doubtful.

J) Derivatives

Derivatives are initially recognised at fair value on the date a derivative contract is entered into and are subsequently remeasured to their fair value. The method of recognising the resulting gain or loss depends on whether the derivative is designated as a hedging instrument, and if so, the nature of the item being hedged. The Group designates certain derivatives as either:

(1) hedges of the fair value of recognised liabilities (fair value hedge); or
(2) hedges of highly probable forecast transactions (cash flow hedges).

The Group documents at the inception of the hedging transaction the relationship between hedging instruments and hedged items, as well as its risk management objective and strategy for undertaking various hedge transactions. The Group also documents its assessment, both at hedge inception and on an ongoing basis, of whether the derivatives that are used in hedging transactions have been, and will continue to be, highly effective in offsetting changes in fair values or cash flows of hedged items.

The fair values of various derivative financial instruments used for hedging purposes are disclosed in note 9. Movements in the hedging reserve in shareholders' equity are shown in note 20. The full fair value of a hedging derivative is classified as a non-current asset or liability when the remaining maturity of the derivative is more than 12 months; it is classified as a current asset or liability when the remaining maturity of the derivative is less than 12 months.

I) FAIR VALUE HEDGE

Changes in the fair value of derivatives that are designated and qualify as fair value hedges are recorded in the income statement, together with any changes in the fair value of the hedged asset or liability that are attributable to the hedged risk.

II) CASH FLOW HEDGE

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

When a hedging instrument expires or is sold or terminated, or when a hedge no longer meets the criteria for hedge accounting, any cumulative gain or loss existing in equity at that time remains in equity and is recognised when the forecast transaction is ultimately recognised in the income statement. When a forecast transaction is no longer expected to occur, the cumulative gain or loss that was reported in equity is immediately transferred to the income statement.

III) DERIVATIVES THAT DO NOT QUALIFY FOR HEDGE ACCOUNTING

Certain derivative instruments do not qualify for hedge accounting. Changes in the fair value of any derivative instrument that does not qualify for hedge accounting are recognised immediately in the income statement.

K) Property, plant and equipment

Property, plant and equipment is stated at cost less depreciation. Cost includes expenditure directly attributable to the acquisition of the items.

Land is not depreciated. Depreciation on other assets is calculated using the straight line method to allocate their cost, net of their residual values, over their estimated useful lives, as follows:

Category	Useful life (years)
Buildings	40
Furniture, fittings and computer equipment	3-10
Gas mains and inlets:	
Polyethylene	60
Steel	100
Cast iron	120
Gas meters	25
Regulators	50
Gate stations	50
Telemetry equipment	10

The assets' residual values and useful lives are reviewed, and adjusted if appropriate, at each balance sheet date.

An asset's carrying amount is written down immediately to its recoverable amount if its carrying amount is greater than its estimated recoverable amount (note 1(G)).

Gains and losses on disposals are determined by comparing proceeds with carrying amount. These are included in the income statement.

L) Intangible assets

The distribution licences held by Vic Gas Distribution Pty Ltd and Envestra (NSW) Pty Ltd, which are valued in the financial statements at $585.6 million and $17.7 million respectively, and the other intangible asset held by Envestra (NSW) Pty Ltd which is valued at $2.7 million, in the opinion of the Directors have an indefinite life. Therefore no amortisation charge has been included in the financial statements. An assessment of the recoverable amount of the intangibles is made at the time of preparing the half yearly and annual financial reports to ensure they are not below the carrying amounts of the intangibles (refer note 12).

M) Trade and other payables

Trade accounts payable, including accruals not yet billed, are recognised when the Envestra Group becomes obliged to make future payments as a result of a purchase of assets or services. Trade accounts payable are generally settled within 30 days.

N) Borrowings

Borrowings are initially recognised at fair value, net of transaction costs incurred. Borrowings are subsequently measured at amortised cost. Any difference between the proceeds (net of transaction costs) and the redemption amount is recognised in the income statement over the period of the borrowings using the effective interest method.

For borrowings designated in a fair value hedge, carrying value is equal to fair value less transaction costs (refer note 1 (J),(I)).

O) Borrowing costs

Borrowing costs include:

- interest and indexation on borrowings;
- amortisation of debt establishment costs;
- ancillary costs, including fees;
- ineffective derivatives; and
- CIB redemption costs/income.

P) Employee benefits

I) WAGES AND SALARIES, ANNUAL LEAVE AND SICK LEAVE

Liabilities for wages and salaries, including non-monetary benefits and annual leave expected to be settled within 12 months of the reporting date are recognised as current liabilities in respect of employees' services up to the reporting date and are measured at the amounts expected to be paid when the liabilities are settled. No provision for sick leave has been included in the financial statements.

II) LONG SERVICE LEAVE

A liability for long service leave is recognised and is measured as the present value of expected future payments to be made in respect of services provided by employees up to the reporting date. Consideration is given to expected future wage and salary levels, experience of employee departures and periods of service. Expected future payments are discounted using interest rates on Australian government guaranteed securities with terms to maturity that match, as closely as possible, the estimated future cash outflows.

The obligations are presented as current liabilities in the balance sheet if the entity does not have an unconditional right to defer settlement for at least 12 months after the reporting date, regardless of when the actual settlement is expected to occur.

III) OTHER

The Envestra Group had 14 employees as at 30 June 2012 (14 as at 30 June 2011). The operational activities of the Group are undertaken by APA Asset Management and associated subcontractors.

Q) Contributed equity

Ordinary shares are classified as equity.

Incremental costs directly attributable to the issue of new shares are shown in equity as a deduction, net of tax, from the proceeds.

R) Dividends

Provision is made for the amount of any dividend declared, being appropriately authorised and no longer at the discretion of the entity, on or before the end of the reporting period, but not distributed at the end of the reporting period.

S) Earnings per share

I) BASIC EARNINGS PER SHARE

Basic earnings per share is determined by dividing the profit after income tax attributable to members of the Company by the weighted average number of ordinary shares outstanding during the financial year.

II) DILUTED EARNINGS PER SHARE

The diluted earnings per share are the same as the basic earnings per share.

T) New accounting standards and interpretations

Certain new Accounting Standards and interpretations have been published that are not mandatory for 30 June 2012 reporting periods. The Group's assessment of the impact of these new standards and interpretations is set out below.

I) AASB 9 FINANCIAL INSTRUMENTS, AASB 2009-11 AMENDMENTS TO AUSTRALIAN ACCOUNTING STANDARDS ARISING FROM AASB 9 AND AASB 2010-7 AMENDMENTS TO AUSTRALIAN ACCOUNTING STANDARDS ARISING FROM AASB 9 (EFFECTIVE FROM 1 JANUARY 2015)

AASB 9 *Financial Instruments* addresses the classification, measurement and derecognition of financial assets and financial liabilities. The Standard is not applicable until 1 January 2015 but is available for early adoption. The Standard only permits the accounting for financial assets to be at either amortised cost or fair value, and for the recognition of fair value gains and losses to be in the income statement, or in other comprehensive income if they relate to equity investments that are not held for trading. The new requirements for financial liabilities only affect the accounting for financial liabilities that are designated at fair value through the income statement and the Group does not have any such liabilities. The derecognition rules have been transferred from AASB 139 *Financial Instruments: Recognition and Measurement* and have not been changed. The Standard is not expected to have any effect on Envestra's current accounting or disclosures and the Group will apply the Standard from 1 July 2015.

II) AASB 10 CONSOLIDATED FINANCIAL STATEMENTS, AASB 11 JOINT ARRANGEMENTS, AASB 12 DISCLOSURE OF INTERESTS IN OTHER ENTITIES, REVISED AASB 127 SEPARATE FINANCIAL STATEMENTS AND AASB 128 INVESTMENTS IN ASSOCIATES AND JOINT VENTURES AND AASB 2011-7 AMENDMENTS TO AUSTRALIAN ACCOUNTING STANDARDS ARISING FROM THE CONSOLIDATION AND JOINT ARRANGEMENTS STANDARDS (EFFECTIVE 1 JANUARY 2013).

In August 2011, the AASB issued a suite of five new and amended Standards which address the accounting for joint arrangements, consolidated financial statements and associated disclosures. Of these five Standards only AASB 10, AASB 12 and AASB 127 are applicable by the Group.

AASB 10 replaces all of the guidance on control and consolidation in AASB 127 *Consolidated and Separate Financial Statements,* and Interpretation 12 *Consolidation – Special Purpose Entities.* The core principle that a consolidated entity presents a parent and its subsidiaries as if they are a single economic entity remains unchanged, as do the mechanics of consolidation. However, the Standard introduces a single definition of control that applies to all entities. It focuses on the need to have both power and rights or exposure to variable returns. Power is the current ability to direct the activities that significantly influence returns. Returns must vary and can be positive, negative or both. Control exists when the investor can use its power to affect the amount of its returns. There is also new guidance on participating and protective rights and on agent/principal relationships. The new Standard will not have any impact on the Group.

AASB 12 sets out the required disclosures for entities reporting under the two new Standards, AASB 10 and AASB 11, and replaces the disclosure requirements currently found in AASB 127 and AASB 128. Application of this Standard by the Group with respect to accounting for its subsidiaries will not affect any of the amounts recognised in the financial statements, nor will it impact the disclosures.

The new or amended Standards are not expected to have any effect on Envestra's current disclosures and the Group will apply the Standards from 1 July 2013.

III) AASB 13 FAIR VALUE MEASUREMENT AND AASB 2011-8 AMENDMENTS TO AUSTRALIAN ACCOUNTING STANDARDS ARISING FROM AASB 13 (EFFECTIVE 1 JANUARY 2013)

AASB 13 was released in September 2011. It explains how to measure fair value and aims to enhance fair value disclosures. The Group does not expect any change to its current measurement techniques. However, application of the new Standard may impact the type of information disclosed in the notes to the financial statements. The Group will apply the Standard from 1 July 2013.

There are no other new Accounting Standards or UIG interpretations that have been published to date that are likely to have a significant impact on the Group's financial statements in the future.

U) Environmental remediation expenditure

Provisions for future environmental remediation are recognised where sites, whether owned, or previously owned and subject to the relevant state Environmental Protection Acts' liability provisions, are known to be contaminated and it is probable that an outflow of economic benefits will be required to remediate the site. The estimated future outflows are the best estimate of the expenditure required to remediate the sites. Future remediation costs are reviewed annually and any changes are reflected in the present value of the land management costs provision at the end of the reporting period, with a corresponding change in the cost of the associated asset, and/or the income statement.

In some cases, it is possible that estimated remediation costs included in the financial statements may be recoverable under relevant environmental laws from third parties. No allowances have been made for potential recovery.

V) Leases

Leases in which a significant portion of the risks and rewards of ownership are not transferred to the Group as lessee are classified as operating leases (note 33). Payments made under operating leases (net of any incentives received from the lessor) are charged to the income statement on a straight-line basis over the period of the lease.

W) Business combinations

The acquisition method of accounting is used to account for all business combinations, regardless of whether equity instruments, or other assets are acquired. The consideration transferred for the acquisition of a subsidiary comprises the fair values of the assets transferred and the liabilities incurred.

Acquisition-related costs are expensed as incurred. Identifiable assets acquired and liabilities and contingent liabilities assumed in a business combination are measured initially at their fair values at acquisition date.

The excess of the consideration transferred over the fair value of the net identifiable assets acquired is recorded as goodwill. If those amounts are less than the fair value of the net identifiable assets of the subsidiary acquired and the measurement of all amounts has been reviewed, the difference is recognised directly in the income statement as a bargain purchase.

X) Parent entity financial information

The financial information for the parent entity, Envestra Ltd, disclosed in note 32 has been prepared on the same basis as the consolidated financial statements, except as set out below.

INVESTMENT IN SUBSIDIARIES

Investments in subsidiaries are accounted for at cost in the financial statements of Envestra Ltd.

TAX CONSOLIDATION LEGISLATION

Envestra Ltd and its wholly-owned controlled entities have implemented the tax consolidation legislation as of 1 July 2002. Vic Gas Distribution Pty Ltd and The Albury Gas Co Ltd joined the Envestra Tax Consolidated Group on 2 July 2007. Envestra (NSW) Pty Ltd, Envestra (NSW) Holdings 1 Pty Ltd, Envestra (NSW) Holdings 2 Pty Ltd, and Envestra (NSW) Holdings 3 Pty Ltd joined the Tax Consolidated Group effective from 29 October 2010.

The head entity, Envestra Ltd, and the controlled entities in the Tax Consolidated Group continue to account for their own current and deferred tax amounts. These tax amounts are measured as if each entity in the Tax Consolidated Group continues to be a stand-alone taxpayer in its own right.

In addition to its own current and deferred tax amounts, Envestra Ltd also recognises the current tax liabilities (or assets) and the deferred tax assets arising from unused tax losses and unused tax credits assumed from controlled entities in the Tax Consolidated Group.

Assets or liabilities arising under tax funding agreements with the tax consolidated entities are recognised as amounts receivable from, or payable to, other entities in the Group. Details about the tax funding agreement are disclosed in note 6.

Note 2

FINANCIAL RISK MANAGEMENT

The Group's activities expose it to a variety of financial risks: market risk (including currency risk, fair value interest rate risk, cash flow interest rate risk and price risk), credit risk, re-financing and liquidity risk. The Group's overall risk management program focuses on the unpredictability of financial markets and seeks to minimise potential adverse effects on the financial performance of the Group. The Group uses derivative financial instruments such as currency and interest rate swaps to hedge certain risk exposures. Derivatives are exclusively used for hedging purposes, that is, not as trading or other speculative instruments. The Group uses different methods to measure different types of risk to which it is exposed. These methods include cash flow forecasting analysis in the case of interest rate liquidity and other price risks and ageing analysis for credit risk.

Risk management is carried out in accordance with policies approved by the Board of Directors. The Group Manager, Treasury and Planning, identifies, evaluates and hedges financial risks in close co-operation with the Group Manager, Finance and Risk. The Board oversees overall risk management, including policies covering specific areas, such as mitigating foreign exchange, interest rate and credit risks, use of derivative financial instruments and investing excess liquidity. The Board formally reviews and approves the Treasury Policy and Risk Management Policy annually.

MARKET RISK

FOREIGN EXCHANGE RISK

Foreign exchange transaction risk arises from the possibility that Envestra's cash flows could be adversely affected by movements in exchange rates. The main sources of Envestra's foreign exchange transaction exposures are interest and principal payments on US dollar denominated debt.

The Group's Treasury Policy requires substantially all of the foreign exchange rate risk associated with non-Australian dollar denominated debt to be hedged to minimise fluctuations in the cash flows of the business.

The Group's exposure to foreign exchange risk at the reporting date was as follows:

	2012	2011
	US $M	**US $M**
Borrowings	620.0	490.0

As all foreign exchange commitments are swapped to Australian dollars, the Group has no exposure to movements in foreign exchange risk.

PRICE RISK

The Group is exposed to inflation ("CPI") price risk. This arises from the principal and/or interest payments on the Capital Indexed Bonds and CPI indexed interest rate swaps held by the Group being escalated by changes in CPI.

The Group's exposure to movements in the CPI through its Capital Indexed Bonds is partially offset by the annual resetting of haulage tariffs in line with the CPI, together with the re-setting of the regulatory asset base at five-yearly intervals to reflect changes through the period in CPI.

The following table demonstrates the estimated sensitivity to a 1% increase/decrease in the CPI over one year, with all other variables held constant, on after-tax profit and equity, caused by indexation movements on the Capital Indexed Bonds and interest expense movements on the CPI indexed interest rate swaps.

	2012	2011
	$M	**$M**
Impact on after-tax profit and equity:		
CPI + 1%	(2.4)	(2.5)
CPI - 1%	2.4	2.5

CASH FLOW AND FAIR VALUE INTEREST RATE RISK

As the Group has relatively minor interest-bearing assets, the Group's income and operating cash flows are not materially exposed to changes in market interest rates.

The Group's interest rate risk arises from borrowings. Borrowings issued at variable rates expose the Group to cash flow interest rate risk. Borrowings issued at fixed rates expose the Group to fair value interest rate risk. At the year-end, 22% (2011: 18%) of borrowings were at fixed rates. Group policy is to hedge between 80% and 100% of floating rate borrowings using floating to fixed interest rate swaps.

As at reporting date, the Group had the following variable rate borrowings (excluding CIBs) and interest rate swap contracts outstanding (excluding borrowing costs):

	30 JUNE 2012		30 JUNE 2011	
	Weighted average interest rate	Balance	Weighted average interest rate	Balance
	%	$M	%	$M
Interest bearing debt	5.4	1,689.4	6.5	1,764.8
Interest rate swaps	6.7	(1,501.1)	6.7	(1,501.1)
Net exposure to cash flow interest rate risk		**188.3**		263.7

The Group manages its cash flow interest rate risk by using floating to fixed interest rate swaps. They have the economic effect of converting borrowings from floating rates to fixed rates. Generally, the Group raises long-term borrowings at floating rates and swaps them into fixed rates that match the rates used in the relevant regulatory determination for a term matched to the relevant regulatory period. Under the interest rate swaps, the Group agrees with other parties to exchange, at specified intervals (mainly quarterly), the difference between the contracted fixed rates and floating rate interest amounts calculated by reference to the agreed notional principal amounts.

Based upon the balance of gross debt at 30 June, if interest rates changed by +/-1%, with all other variables held constant and taking account of the hedging in place at 30 June, the estimated impact on after-tax profit and equity is set out below.

	2012	2011
	$M	$M
Impact on after-tax profit:		
Interest rates + 1%	(1.3)	(2.4)
Interest rates - 1%	1.3	2.4
Impact on equity:		
Interest rates + 1%	27.7	26.6
Interest rates - 1%	(28.7)	(30.0)

CREDIT RISK

Credit risk is managed on a Group basis. Credit risk arises from cash and cash equivalents, derivative financial instruments and deposits with banks and financial institutions, as well as credit exposures to customers.

Refer to note 8 for further details of credit risk in relation to receivables. Derivative counterparties and cash transactions are limited to high credit quality financial institutions. The Group has policies that limit the amount of credit exposure to any one financial institution. Counterparty limits for investment and hedging transactions are measured by reference to transaction limits set by the Board in relation to the counter parties' external credit ratings.

At balance date there were no significant concentrations of credit risk within the Group. The maximum exposure to credit risk is represented by the carrying amount of financial assets of the Group which have been recognised on the balance sheet.

LIQUIDITY RISK

Prudent liquidity risk management implies maintaining sufficient cash and an adequate amount of available committed credit facilities. Associated with this is the planning for unforeseen events which may curtail cash flows and put pressure on liquidity. At the end of the reporting period the Group held cash and deposits at call of $1.0m (2011: $7.3m) that are readily available for managing liquidity risk.

The Group manages liquidity risk by continuously monitoring forecast and actual cash flows. Group Treasury aims at maintaining flexibility in funding by keeping committed credit lines available with a variety of counterparties. Refer to note 15 for further details on the Group's approach to liquidity risk management.

NET CURRENT LIABILITY POSITION

At 30 June 2012 current liabilities for the Group exceed current assets by $173.5 million. This includes Commercial Paper loans ($25.9 million) and Capital Indexed Bonds ($82.1 million) due for repayment before June 2013. Existing undrawn facilities (which as at 30 June 2012 amount to $252 million) or bond financing commitments (A$196.5 million of USPP Notes was drawn on 2 July 2012) are sufficient to cover the anticipated debt repayments.

MATURITIES OF FINANCIAL LIABILITIES

The Group's strategy is to maintain the long-term duration of its debt portfolio, to arrange refinancing at least six months prior to maturity and limit annual repayments to 15% of the debt portfolio, subject to conditions in financial markets enabling these targets to be met.

The table below presents the Group's financial liabilities and net settled derivative financial instruments into relevant maturity groupings based on the remaining period at the reporting date to the contractual maturity date. The amounts disclosed in the table are the contractual undiscounted cash flows (including principal and interest obligations).

	Less than 1 year	Between 1 and 5 years	Between 5 and 15 years	Over 15 years
	$M	**$M**	**$M**	**$M**
At 30 June 2012				
Trade payables	49.4	-	-	-
Medium Term Notes	26.9	147.8	792.8	-
Capital Indexed Bonds	91.0	32.8	443.3	-
Commercial Paper	26.1	-	-	-
Bank loans	20.8	432.0	-	-
US Private Placement Notes	46.0	246.6	715.2	381.0
Interest rate swaps	27.6	39.5	-	-
	287.8	**898.7**	**1,951.3**	**381.0**
At 30 June 2011				
Trade payables	39.9	-	-	-
Medium Term Notes	35.6	185.3	595.0	300.0
Capital Indexed Bonds	12.7	117.9	490.2	-
Commercial Paper	48.2	-	-	-
Bank loans	104.1	560.1	-	-
US Private Placement Notes	37.7	216.0	468.5	298.4
Interest rate swaps	26.3	28.7	-	-
	304.5	**1,108.0**	**1,553.7**	**598.4**

FAIR VALUE ESTIMATION

The fair value of financial assets and financial liabilities must be estimated for recognition and measurement, and for disclosure purposes.

AASB 7 *Financial Instruments: Disclosures* requires disclosure of fair value measurements by level in accordance with the following fair value measurement hierarchy:

(a) Quoted prices (unadjusted) in active markets for identical assets or liabilities (level 1).

(b) Inputs other than quoted prices included within level 1 that are observable for the asset or liability, either directly (as prices) or indirectly (derived from prices) (level 2).

(c) Inputs for the asset or liability that are not based on observable market data (unobservable inputs) (level 3).

The following table presents the Group's assets and liabilities measured and recognised at fair value at 30 June 2012 and 30 June 2011:

	Level 1	Level 2	Level 3	Total
	$M	**$M**	**$M**	**$M**
At 30 June 2012				
Assets				
Derivatives used for hedging	-	22.3	-	22.3
Total assets	**-**	**22.3**	**-**	**22.3**
Liabilities				
Borrowings	-	823.6	-	823.6
Derivatives used for hedging	-	77.7	-	77.7
Total liabilities	**-**	**901.3**	**-**	**901.3**
At 30 June 2011				
Liabilities				
Borrowings	-	445.6	-	445.6
Derivatives used for hedging	-	174.5	-	174.5
Total liabilities	**-**	**620.1**	**-**	**620.1**

The fair value of financial liabilities that are not traded in an active market is determined using valuation techniques. The fair value of interest rate and cross currency swaps is calculated as the present value of the estimated future cash flows. These instruments are categorised at level 2.

The carrying value of trade receivables and payables is a reasonable approximation of their fair values due to their short-term nature.

The Group has no instruments categorised at level 1 or 3.

Note 03 CRITICAL ACCOUNTING ESTIMATES

The Group makes estimates and assumptions concerning the future. Estimates and judgements are continually evaluated and are based on historical experience and other factors, including expectations of future events that may have a financial impact on the entity and that are believed to be reasonable under the circumstances.

The key estimates and assumptions are discussed below.

ESTIMATED IMPAIRMENT OF INTANGIBLES

The Group tests whether intangible assets have suffered any impairment in accordance with the accounting policy stated in note 1(L). The recoverable amounts of cash-generating units have been determined based on value-in-use calculations. These calculations require the use of assumptions. Refer to note 12 for details of these assumptions.

USEFUL LIVES OF PROPERTY, PLANT AND EQUIPMENT

Management determines the estimated useful lives and related depreciation charges for its property, plant and equipment. These estimates are based on the concept that the effective lives should truly reflect the profile of the loss of economic benefits to the Group. Refer to note 1(K) for details of the estimated useful lives used by the Group.

Note 04 SEGMENT INFORMATION

DESCRIPTION OF SEGMENTS

Operating segments are based on the reports used by Management to assess the performance of, and allocate resources within, the Group. The Group operates gas distribution networks and transmission pipelines in various states and the Northern Territory within Australia. Management considers the business from a geographic perspective and has identified four reportable segments.

SEGMENT INFORMATION PROVIDED TO ENVESTRA MANAGEMENT

The segment information provided to Management for the reportable segments for the financial year ended 30 June 2012 is disclosed in the tables below. The measurement of these amounts is consistent with the financial statements.

	Victoria	NSW	South Australia and other	Queensland	Unallocated	Consolidated
2012	**$M**	**$M**	**$M**	**$M**	**$M**	**$M**
Total segment revenue/income	177.7	24.0	196.2	70.7	-	468.6
Total segment operating costs	(55.3)	(6.7)	(55.7)	(17.8)	-	(135.5)
Earnings before interest, tax, depreciation, impairment and amortisation	122.4	17.3	140.5	52.9	-	333.1
Depreciation and impairment	(23.3)	(3.9)	(21.1)	(8.2)	-	(56.5)
Profit before finance costs	99.1	13.4	119.4	44.7	-	276.6
Net finance costs						(171.2)
Profit before income tax						105.4
Income tax expense						(31.5)
Net profit after tax						**73.9**
Segment assets	1,540.9	163.1	985.6	345.7	23.3	3,058.6
Segment liabilities	40.4	9.4	54.5	5.6	2,362.3	2,472.2
Acquisitions of property, plant and equipment	93.7	3.9	66.9	22.6	-	187.1
Depreciation expense	23.5	3.9	21.0	8.2	-	56.6
Other non-cash expenses	2.8	1.7	3.1	-	-	7.6

	Victoria	NSW	South Australia and other	Queensland	Unallocated	Consolidated
2011	**$M**	**$M**	**$M**	**$M**	**$M**	**$M**
Total segment revenue/income	181.1	15.8	167.0	60.3	-	424.2
Total segment operating costs	(53.9)	(8.0)	(54.2)	(15.2)	-	(131.3)
Earnings before interest, tax, depreciation, impairment and amortisation	127.2	7.8	112.8	45.1	-	292.9
Depreciation and impairment	(22.3)	(2.7)	(20.2)	(8.2)	-	(53.4)
Profit before finance costs	104.9	5.1	92.6	36.9	-	239.5
Net finance costs						(174.6)
Profit before income tax						64.9
Income tax expense						(19.9)
Net profit after tax						**45.0**
Segment assets	1,468.8	163.0	928.2	329.1	7.3	2,896.4
Segment liabilities	34.5	8.2	48.9	5.2	2,256.5	2,353.3
Acquisitions of property, plant and equipment	66.0	3.6	44.2	17.5	-	131.3
Depreciation expense	22.2	2.7	20.2	8.2	-	53.3
Other non-cash expenses	5.0	1.6	1.5	-	-	8.1

Note 05 EXPENSES

	2012	2011
	$M	**$M**
Profit before income tax includes the following expenses:		
Depreciation and impairment		
Depreciation on buildings	0.1	0.1
Depreciation on plant and equipment	56.5	53.2
Impairment cost adjustments	(0.2)	0.1
Impairment of trade debtors and bad debts	0.1	-
	56.5	**53.4**
Other charges against assets		
Asset retirements	-	0.2
Net Finance costs		
Finance income		
Interest income	0.7	0.8
Gain on redemption of Capital Indexed Bonds	3.5	-
	4.2	0.8
Finance costs		
Interest and indexation	165.6	165.2
Fees on financing facilities	3.8	3.8
Amortisation of debt establishment and credit insurance costs	6.0	6.4
	175.4	175.4
	171.2	**174.6**
Employee benefits expense	4.2	4.1
Land management provision expense	1.7	1.6

Note 06 INCOME TAX EXPENSE

	2012	2011
	$M	**$M**
Deferred tax	31.5	19.9
	31.5	**19.9**
Attributable to:		
Profit from continuing operations	31.5	19.9
Deferred income tax expense included in income tax expense comprises:		
Increase in deferred tax assets (note 13)	(6.0)	(16.6)
Increase in deferred tax liabilities (note 18)	37.5	36.5
	31.5	19.9
NUMERICAL RECONCILIATION OF INCOME TAX EXPENSE TO PRIMA FACIE TAX PAYABLE		
Profit from continuing operations before income tax expense	105.4	64.9
Tax at the Australian tax rate of 30% (2011 – 30%)	31.6	19.5
Tax effect of amounts which are not deductible / (taxable) in calculating taxable income:		
Business acquisition costs	-	0.4
Sundry items	(0.1)	-
Total income tax expense	31.5	19.9
AMOUNTS RECOGNISED DIRECTLY IN EQUITY		
Aggregate current and deferred tax arising in the reporting period and not recognised in net profit or loss but directly debited or credited to equity		
Net deferred tax – debited/(credited) directly to equity	(5.5)	4.6
UNRECOGNISED TEMPORARY DIFFERENCES		
Deferred tax assets not recognised	2.2	2.4

TAX CONSOLIDATION LEGISLATION

Envestra Ltd and its wholly-owned Australian controlled entities implemented the tax consolidation legislation as of 1 July 2002. Vic Gas Distribution Pty Ltd and The Albury Gas Co Ltd joined the Envestra Tax Consolidated Group on 2 July 2007. Envestra (NSW) Pty Ltd joined the Envestra Tax Consolidated Group effective 29 October 2010. The accounting policy in relation to this legislation is set out in note 1(F).

On adoption of the tax consolidation legislation, the entities in the Tax Consolidated Group entered into a tax sharing agreement which, in the opinion of the Directors, limits the joint and several liabilities of the wholly-owned entities in the case of a default by the head entity, Envestra Ltd.

The entities have also entered into a tax funding agreement under which the wholly-owned entities fully compensate Envestra Ltd for any current tax payable assumed and are compensated by Envestra Ltd for any current tax receivable and deferred tax assets relating to unused tax losses, or unused tax credits that are transferred to Envestra Ltd under the tax consolidation legislation.
The funding amounts are determined by reference to the amounts recognised in the wholly-owned entities' financial statements.

The amounts receivable/payable under the tax funding agreement are due upon receipt of the funding advice from the head entity, which is issued as soon as practicable after the end of each financial year. The head entity may also require payment of interim funding amounts to assist, where applicable, with its obligations to pay tax instalments. The funding amounts are recognised as intercompany receivables or payables. No funding obligations have arisen to date as no tax payments have been made.

Note 07 CASH AND CASH EQUIVALENTS

	2012	2011
	$M	**$M**
Cash at bank	1.0	2.4
Deposit at call	-	4.9
	1.0	**7.3**

CASH AT BANK

This is interest bearing.

DEPOSIT AT CALL

The deposit at 30 June 2011 was bearing a floating interest rate of 4.75%.

Note 08 RECEIVABLES

	2012	2011
	$M	**$M**
CURRENT		
Trade receivables	73.0	68.5
Other receivables	-	0.1
Provision for impairment of receivables	(0.1)	(0.1)
	72.9	**68.5**
NON - CURRENT		
Trade receivables	10.3	-
	10.3	**-**

Envestra's Regulatory Appeal to the Australian Competition Tribunal in respect of the South Australian and Queensland Access Arrangements for the period 2011 to 2016 resulted in an increase to tariffs over the period to June 2016. The portion of this increase that relates to 2011-12 has been recognised as revenue in the current year. The revenue will be received from 1 July 2012 through the remaining Access Arrangement period to 2016 and as such, part of it has been classified as non-current.

IMPAIRED TRADE RECEIVABLES

A loss of $12,278 (2011: $19,710) has been recognised in the income statement in respect of bad debts written off during the year ended 30 June 2012.

A loss of $88,489 (2011: $nil) has been recognised in the income statement in respect of trade debtors that are impaired. There are two individually impaired amounts both of which relate to repairs carried out by Envestra. It is possible that neither of the receivables will be recovered. These amounts are over 90 days past due.

Movements in the provision for impairment of receivables are as follows:

	2012	2011
	$	**$**
Balance at the beginning of the financial year	50,000	50,000
Provision for impairment recognised during the year	88,489	-
Balance at the end of the financial year	138,489	50,000

Note: These amounts have not been rounded.

PAST DUE BUT NOT IMPAIRED

As of 30 June 2012, trade receivables of $0.6 million (2011: $0.4 million) were past due but not impaired. The ageing of these trade receivables is as follows:

	2012	2011
	$M	**$M**
31 to 60 days	0.5	0.2
61 to 90 days	-	0.1
Over 90 days	0.1	0.1
	0.6	**0.4**

Of the $0.6 million of debtors over 30 days at 30 June 2012, $0.4m has now been collected.

SIGNIFICANT TERMS AND CONDITIONS

Haulage revenue receivable from retailers in respect of the South Australian, Queensland and Northern Territory networks consists of billed revenue related to gas deliveries and is due within 30 days of billing date. Haulage revenue receivable from the Victorian and NSW retailers consists of billed revenue due within 14 days and unbilled revenue which has been estimated and is expected to be billed over the following two to three months.

Interest is receivable from the major banks that hold deposits at call for Envestra and is generally settled within a few days after the end of the month.

CREDIT RISK

Envestra's customers using the South Australia and Northern Territory networks pay for haulage services in advance. Retailers using the Queensland network are required to pay for gas delivered within 30 days. Credit risk is centred on the large retailers, but contracts and the associated Queensland Access Regime limit this risk. Retailers using the Victorian and NSW networks pay in arrears for haulage services (with the exception of one Victorian retailer that is required to prepay haulage services), and credit risk is centred on the large retailers, though contracts and the associated Victorian Access Regime limit this risk. Envestra Ltd has exercised its right under the various haulage revenue contracts with Victorian retailers to demand bank guarantees from certain retailers who do not possess investment grade credit ratings. Interest is receivable from major banks and no significant credit risk is perceived in relation to this amount. Refer to note 2 for more information on the risk management policy of the Group.

FAIR VALUE

Due to the short-term nature of these receivables, their carrying value is assumed to approximate their fair value.

Note 09

DERIVATIVE FINANCIAL INSTRUMENTS

	2012	2011
	$M	**$M**
Current assets		
Interest rate swaps – cash flow hedges	0.7	-
Non-current assets		
Cross currency swap contracts – fair value and cash flow hedges	21.6	-
	22.3	-
Current liabilities		
Interest rate swaps – cash flow hedges	17.7	-
Cross currency swap contracts – fair value and cash flow hedges	7.2	-
	24.9	-
Non-current liabilities		
Interest rate swaps – cash flow hedges	52.8	39.7
Cross currency swap contracts – fair value and cash flow hedges	-	134.8
	52.8	174.5
	77.7	**174.5**
Net derivative liabilities	**55.4**	**174.5**

INSTRUMENTS USED BY THE GROUP

The Group is party to derivative financial instruments in the normal course of business in order to hedge exposure to fluctuations in interest and foreign exchange rates in accordance with the Group's financial risk management policies (refer to note 2).

INTEREST RATE SWAP CONTRACTS – CASH FLOW HEDGES

The Group has entered into interest rate swap contracts that entitle it to receive interest at floating rates on notional principal amounts and oblige it to pay interest at fixed rates on the same amounts. Under the interest rate swaps, the Group agrees with other parties to exchange, at specified intervals, the difference between fixed rate and floating rate interest amounts calculated by reference to the agreed notional principal amounts.

The following tables include all swaps in place at the end of the financial year.

At 30 June 2012, the notional principal amounts and periods of expiry of the interest rate swap contracts are as follows:

	2012	2011
	$M	**$M**
Less than 1 year	901.1	-
1–2 years	-	901.1
3–4 years	600.0	-
4–5 years	-	600.0
	1,501.1	**1,501.1**

The Group also had in place $850 million of forward-starting interest rate swaps at 30 June 2012, all of which expire by 30 June 2013.

The gain or loss from remeasuring the hedging instruments at fair value is deferred in equity in the hedging reserve, to the extent that the hedge is effective, and re-classified to the income statement when the hedged interest expense is recognised. The ineffective portion is recognised in income immediately. In the year ended 30 June 2012, the ineffective portion resulted in a $0.7 million profit (2011: $0.1 million profit).

At balance date these hedging contracts were recorded as liabilities with a fair value of $70.5 million (2011: liabilities of $39.7 million). In the year ended 30 June 2012 there was a decrease in fair value of $30.8 million (2011: increase of $23.1 million). This decrease in fair value, together with prior years' movements, will reverse as these instruments reach maturity. In addition, forward starting interest rate swaps that have been transacted to hedge an initial six month period from 1 January 2013 due to the delay in the announcement from the Australian Energy Regulator regarding the Victorian Access Arrangement decision for the 2013-18 period, have an asset value of $0.7 million.

CROSS CURRENCY SWAPS – FAIR VALUE AND CASH FLOW HEDGES

The Group has entered into cross currency swap contracts in order to swap the US dollar debt principal and interest repayments from US dollar fixed coupon to Australian dollar floating rates.

At 30 June 2012, the notional principal amounts and periods of expiry of the cross currency swap contracts are as follows:

	2012	2011
	$M	**$M**
Less than 1 year	61.9	-
1–2 years	-	61.9
3–4 years	68.4	-
4–5 years	-	68.4
Greater than 5 years	604.6	477.5
	734.9	**607.8**

The Group also had in place $146.5 million of forward-starting cross-currency swaps at 30 June 2012, put in place to hedge the US Private Placement Notes issued on 2 July 2012.

The gain or loss from re-measuring hedging instruments used in fair value hedges, to fair value is recorded in the income statement.

At balance date these contracts (plus forward-starting cross-currency swaps) were assets with fair value of $21.6 million and liabilities with fair value of $7.2 million (2011: liabilities of $134.8 million). In the year ended 30 June 2012 there was an increase in fair value of $149.2 million (2011: decrease of $134.3 million). The 2011-12 movement was due to the significant decrease in the Australian dollar exchange rate with the US dollar during the year, and movements in US and Australian interest rates. Fair value hedge movements offset against the hedged item were $136.5 million (2011: $126.7 million).

CREDIT RISK EXPOSURES

Credit risk arises from the potential failure of counterparties to meet their obligations under the respective contracts at maturity. This arises with amounts receivable from unrealised gains on derivative financial instruments.

The Group undertakes 100% of its transactions in foreign exchange and interest rate contracts with financial institutions. Management has established limits such that, at any time, no more than $500 million of notional principal amounts are with any individual counterparty. The carrying amount of derivative assets recorded in the financial statements represents the Group's maximum exposure to credit risk in relation to those assets.

INTEREST RATE RISK EXPOSURES

Refer to note 2 for the Group's exposure to interest rate risk on interest rate swaps.

Note 10

OTHER ASSETS

	2012	2011
	$M	**$M**
CURRENT		
GST receivable	2.5	0.3
Deferred licence fee	0.1	0.1
Prepayments	1.7	3.1
	4.3	**3.5**
NON-CURRENT		
Deferred licence fee	0.1	0.1
	0.1	**0.1**

Note 11

PROPERTY, PLANT AND EQUIPMENT

	Freehold land	Freehold buildings	Plant and equipment	Total
	$M	**$M**	**$M**	**$M**
At 1 July 2010				
Cost	3.2	4.8	2,582.7	2,590.7
Accumulated depreciation	-	(1.8)	(545.1)	(546.9)
Net book amount	**3.2**	**3.0**	**2,037.6**	**2,043.8**
Year ended 30 June 2011				
Opening net book amount	3.2	3.0	2,037.6	2,043.8
Acquisition of subsidiary	0.6	-	91.2	91.8
Additions	-	-	131.3	131.3
Depreciation charge	-	(0.1)	(53.2)	(53.3)
Disposals	-	-	(2.4)	(2.4)
Retirements	-	-	(0.2)	(0.2)
Closing net book amount	**3.8**	**2.9**	**2,204.3**	**2,211.0**
At 30 June 2011				
Cost	3.8	4.8	2,801.5	2,810.1
Accumulated depreciation	-	(1.9)	(597.2)	(599.1)
Net book amount	**3.8**	**2.9**	**2,204.3**	**2,211.0**
Year ended 30 June 2012				
Opening net book amount	3.8	2.9	2,204.3	2,211.0
Additions	0.5	0.2	186.9	187.6
Depreciation charge	-	(0.1)	(56.5)	(56.6)
Disposals	-	(0.3)	-	(0.3)
Closing net book amount	**4.3**	**2.7**	**2,334.7**	**2,341.7**
At 30 June 2012				
Cost	4.3	4.6	2,988.4	2,997.3
Accumulated depreciation	-	(1.9)	(653.7)	(655.6)
Net book amount	**4.3**	**2.7**	**2,334.7**	**2,341.7**

VALUATION OF LAND AND BUILDINGS

An independent valuation of land and buildings was undertaken during the 2011-12 year by registered valuers. The market valuations of these properties were in excess of the carrying values at that time by approximately $5.1 million (previously $7.3 million). The valuation of the properties did not take into account any potential remediation costs. A land management cost provision of $12.0 million (2011: $11.8 million) has been included in the financial statements at 30 June 2012 in relation to freehold land.

The Directors have decided to continue to carry land and buildings at cost less depreciation.

NON-CURRENT ASSETS PLEDGED AS SECURITY

Refer to note 15 for information on non-current assets pledged as security by the Group.

Note 12 INTANGIBLE ASSETS

	2012 $M	2011 $M
Cost at 1 July	606.0	585.6
Acquisition of Country Energy intangibles	-	20.4
Closing net book amount at 30 June	**606.0**	**606.0**

KEY ASSUMPTIONS USED FOR VALUE-IN-USE CALCULATIONS

VICTORIAN AND NSW INTANGIBLES

The recoverable amount of the Victorian and NSW cash-generating units is based on value-in-use calculations. Those calculations use cash flow projections based on current and expected regulatory outcomes for gas distributors. Cash flow projections are estimated for a period of 20 years, with a terminal value, recognising the long-term nature of the assets and anticipate long-term average growth rates of 1% - 3%. The pre-tax discount rate used was 7.6% (2011: 9.0%).

The assumptions applied to value-in-use calculations have been determined with reference to historic information, current performance and expected changes taking into account external information.

Note 13 DEFERRED TAX ASSETS

	2012 $M	2011 $M
The balance comprises temporary differences attributable to:		
Accrued expenses	1.2	0.5
Employee benefits	0.3	0.3
Equity and debt raising	0.2	0.3
Deferred revenue	0.6	0.6
Derivatives	10.0	4.8
Tax losses	145.3	139.6
	157.6	146.1
Set-off of deferred tax liabilities pursuant to set-off provisions (note 18)	(157.6)	(146.1)
Net deferred tax assets	**-**	**-**
Movements:		
Balance at the beginning of the financial year	146.1	134.1
Credited to the income statement (note 6)	6.0	16.6
Credited/(debited) to equity	5.5	(4.6)
Balance at the end of the financial year	157.6	146.1

Note 14 PAYABLES

	2012	2011
	$M	**$M**
Trade payables	49.4	39.9
	49.4	**39.9**

Note 15 BORROWINGS

The Envestra Group owns gas distribution networks and transmission pipelines. Whilst the assets generally have very long lives, the financing of those assets is undertaken using a range of instruments with varying terms, including capital markets debt and bank loans, with maturities spread over the next 29 years to promote liquidity and minimise refinancing risk.

Debt instruments comprising the loan portfolio are expected to be refinanced at regular intervals in the normal course of the Group's operations.

	2012	2011
	$M	**$M**
CURRENT		
Commercial Paper	25.9	47.5
Capital Indexed Bonds	82.1	-
Bank loans	-	224.7
	108.0	**272.2**
NON-CURRENT		
Bank loans	378.7	331.4
Capital Indexed Bonds	237.2	329.5
Medium Term Notes	632.0	630.9
US Private Placement Notes	769.0	395.0
	2,016.9	**1,686.8**

TOTAL SECURED LIABILITIES

Total secured liabilities (current and non-current) are as follows:

	Principal outstanding 2012	Book value 2012	Principal outstanding 2011	Book value 2011
	$M	**$M**	**$M**	**$M**
Bank loans	390.4	378.7	570.9	556.1
Commercial Paper	26.0	25.9	48.0	47.5
Capital Indexed Bonds	328.6	319.3	339.4	329.5
Medium Term Notes	645.0	632.0	645.0	630.9
US Private Placement Notes	788.0	769.0	545.9	395.0
	2,178.0	**2,124.9**	**2,149.2**	**1,959.0**

Book value of debt differs from principal outstanding due to the loans including unamortised borrowing costs and adjustments for fair value of derivatives.

ASSETS PLEDGED AS SECURITY

The carrying amounts of assets pledged as security for borrowings are:

	2012 $M	2011 $M
Current – floating charge		
Cash and cash equivalents	0.9	6.9
Receivables	68.8	64.5
Derivative financial instruments	0.7	-
Other assets	4.3	3.5
	74.7	74.9
Non-current – floating charge		
Receivables	10.3	-
Property, plant and equipment	2,249.7	2,118.7
Intangibles	585.6	585.6
Derivative financial instruments	21.6	-
Other assets	0.1	0.1
	2,867.3	2,704.4
Group assets not pledged as security	116.6	117.1
Total Group assets per balance sheet	**3,058.6**	**2,896.4**

SIGNIFICANT TERMS AND CONDITIONS

The bank loans, Capital Indexed Bonds, Commercial Paper, Medium Term Notes and US Private Placement Notes are secured by charges over the respective networks owned by the Envestra Group. Various interest service and balance sheet covenants must be maintained by the Envestra Consolidated Group, otherwise certain restrictions apply with respect to the payment of dividends and funding of capital expenditure. At 30 June 2012, all covenants had been complied with.

GROUP FUNDING AND LIABILITY STRUCTURE

The Envestra Group's total interest bearing debt as at 30 June 2012 was $2,178.0 million comprising a range of financial instruments with varying maturities issued under the Group's treasury management program with a view to diversifying funding sources, increasing future refinancing options and lowering overall borrowing costs.

The existing debt instruments include:

BANK LOANS

Bank loans are committed facilities from major banks generally for three year terms.

COMMERCIAL PAPER

The Envestra Group had Commercial Paper on issue at 30 June 2012 of $26.0 million (2011: $48.0 million). Commercial Paper is expected to be issued from time to time by the Group in the future largely as interim funding for the ongoing capital expenditure program.

The Commercial Paper and Medium Term Note Program is supported by undrawn committed bank facilities of $251.5 million at 30 June 2012. At 31 July 2012, undrawn committed facilities had risen to $400 million as a result of the issuance of a further A$196.5 million of USPP Notes, the proceeds of which were used to repay short-term bank loans.

CAPITAL INDEXED BONDS

These bonds were issued for varying terms, and as at 30 June 2012 had terms to maturity of up to 13 years. The principal component is indexed by the quarterly movement in the CPI.

MEDIUM TERM NOTES

Medium Term Notes totalling $645.0 million (2011: $645.0 million) are instruments issued under the Medium Term Note Program for varying terms and as at 30 June 2012 had terms to maturity of up to 14 years. They are classified as non-current in accordance with these dates.

US PRIVATE PLACEMENT NOTES

Notes with a principal value of A$788.0 million (2011: A$545.9 million) are issued in the United States of America for terms ending in 2015, 2018, 2021, 2023, 2027, 2033 and 2041. There are cross currency swaps in place to swap both the principal and interest payments from the US dollar fixed coupon to Australian dollar floating rate for the term of the respective note.

FINANCING ARRANGEMENTS

Unrestricted access was available at balance date to the following lines of credit:

	2012 $M	2011 $M
Bank loan facilities		
Total facilities	641.9	711.0
Used at balance date	390.4	571.0
Unused at balance date	**251.5**	**140.0**

FAIR VALUES

The fair value of current borrowings approximates their carrying amount. The fair value of non-current borrowings is based upon market prices where a market exists, or by discounting the expected future cash flows by the current interest rates for liabilities with similar risk profiles.

The carrying amounts and fair values of borrowings at balance date are:

	Carrying amount 2012 $M	Fair value 2012 $M	Carrying amount 2011 $M	Fair value 2011 $M
Non-traded financial liabilities				
Bank loans	378.7	383.5	556.1	560.4
US Private Placement Notes	769.0	773.1	395.0	397.9
Traded financial liabilities				
Capital Indexed Bonds	319.3	284.1	329.5	261.2
Medium Term Notes	632.0	645.0	630.9	645.0
Commercial Paper	25.9	25.9	47.5	47.5
	2,124.9	**2,111.6**	**1,959.0**	**1,912.0**

RISK EXPOSURES

Information about the Group's exposure to interest rate and foreign currency changes is provided in note 2.

Note 16 PROVISIONS

	2012	2011
	$M	**$M**
CURRENT		
Employee benefits	0.6	0.6
Land management costs	9.9	4.9
	10.5	**5.5**
NON - CURRENT		
Long service leave	0.2	0.1
Other employee and Director entitlements	0.2	0.2
Land management costs	10.0	13.4
	10.4	**13.7**

LAND MANAGEMENT COSTS

Provisions for future environmental remediation are recognised where there is a present obligation as a result of the manufacture of gas from coal at various sites in the past, and it is probable that an outflow of economic benefits will be required to settle the obligation. The estimated future obligations include the costs required to remediate the sites.

MOVEMENTS IN PROVISIONS

Movements in land management cost provision during the financial year are set out below:

	2012	2011
	$M	**$M**
Balance at the beginning of the financial year:		
Current	4.9	5.7
Non-current	13.4	11.7
	18.3	**17.4**
Additional provision recognised	2.2	1.7
Payments made from provision	(0.6)	(0.8)
Balance at the end of the financial year	**19.9**	**18.3**
Current	9.9	4.9
Non-current	10.0	13.4
	19.9	**18.3**

Note 17 OTHER LIABILITIES

	2012	2011
	$M	**$M**
Prepayments from energy retailers	34.6	36.4
Accrued costs	4.3	2.9
Interest accrued	18.8	5.5
Other deferred income	1.9	2.2
	59.6	**47.0**

Note 18 DEFERRED TAX LIABILITIES

	2012 $M	2011 $M
The balance comprises temporary differences attributable to:		
Equity and debt raising	7.2	7.5
Other	0.5	1.0
Provisions	(6.0)	(5.5)
Depreciation	295.6	256.8
	297.3	259.8
Set-off of deferred tax assets pursuant to set-off provisions (note 13)	(157.6)	(146.1)
Net deferred tax liabilities	**139.7**	**113.7**
Movements:		
Balance at the beginning of the financial year	259.8	218.0
Charged to the income statement (note 6)	37.5	36.5
Acquisition of subsidiary	-	5.3
Balance at the end of the financial year	297.3	259.8

Note 19 CONTRIBUTED EQUITY

	2012 Securities	2011 Securities	2012 $M	2011 $M
SHARE CAPITAL				
Ordinary shares				
Issued and paid up capital	**1,572,392,111**	**1,468,560,201**	**650.9**	**581.4**
OTHER EQUITY COMPONENTS				
Deferred tax liability component			0.9	0.9
Total contributed equity			**651.8**	**582.3**

MOVEMENTS IN ORDINARY SHARE CAPITAL	**Date**	**Number of securities**	**Issue price**	**$M**
Opening balance	1 July 2010	1,386,827,962		537.1
Dividend reinvestment plan	29 October 2010	43,570,647	$0.50	21.8
Dividend reinvestment plan	29 April 2011	38,161,592	$0.59	22.5
Closing balance	**30 June 2011**	**1,468,560,201**		**581.4**
Dividend reinvestment plan	28 October 2011	40,091,603	$0.64	25.6
Share purchase plan	10 November 2011	39,238,228	$0.64	25.1
Dividend reinvestment plan	27 April 2012	24,502,079	$0.77	18.9
				651.0
Less: transaction costs				(0.1)
Closing balance	**30 June 2012**	**1,572,392,111**		**650.9**

ORDINARY SHARES

Ordinary shares entitle the holder to participate in dividends and the proceeds on winding up of the Company in proportion to the number of, and amounts paid on, the shares held.

On a show of hands every holder of ordinary shares present at a meeting in person or by proxy is entitled to one vote, and upon a poll each share is entitled to one vote.

DIVIDEND REINVESTMENT PLAN ("DRP")

The Company has established a DRP under which holders of ordinary shares may elect to have all or part of their dividend entitlements satisfied by the issue of new ordinary shares rather than by being paid in cash. Shares have been issued under the DRP at a 2.5% discount to the market price. Continuation of the DRP is subject to approval by the Board of Directors at the time dividend payments are authorised.

SHARE PURCHASE PLAN

The Company has a Share Purchase Plan under which eligible shareholders are able to acquire new Envestra shares up to a value of $15,000.

The Company conducted a Share Purchase Plan in November 2011, with shareholders subscribing for $25.1 million of new equity. Shares were issued at 64 cents per share, being a 2.5% discount to the market price at the time the issue price was set.

CAPITAL RISK MANAGEMENT

The Group's objectives when managing capital are to safeguard its ability to continue as a going concern, so that it can continue to provide returns for shareholders and to maintain an optimal capital structure.

In order to maintain or alter the capital structure, the Group may adjust the amount of dividends paid to shareholders, or issue new shares to reduce debt.

The Group monitors capital on the basis of the gearing ratio. This ratio is calculated as net debt divided by total non-cash assets. Net debt is calculated as total borrowings less cash and cash equivalents. A market value of equity gearing ratio is also used and is calculated as net debt divided by net debt plus market value of equity.

The gearing ratios at 30 June 2012 and 30 June 2011 were as follows:

	2012	2011
	$M	**$M**
Total borrowings (note 15)	2,124.9	1,959.0
Add back unamortised fees	31.1	31.6
Add back hedges impact on borrowings	22.0	158.6
Total borrowings	2,178.0	2,149.2
Less cash and cash equivalents	(1.0)	(7.3)
Net debt	**2,177.0**	**2,141.9**
Total assets	3,058.6	2,896.4
Less cash and cash equivalents	(1.0)	(7.3)
Total non-cash assets	**3,057.6**	**2,889.1**
Ordinary shares (number)	1,572,392,111	1,468,560,201
Share price at 30 June ($)	0.79	0.69
Market value of equity ($M)	1,234.3	1,013.3
Book Value Gearing Ratio	71.2%	74.1%
Economic Value Gearing Ratio	63.8%	67.9%

The Group has a financial covenant for its borrowing facilities which limits debt to being no more than 100% of the Regulatory Asset Base (RAB). During the 2012 and 2011 reporting periods, the Group complied with the covenant, with the Debt:RAB ratio being 78% at 30 June 2012 (84% at 30 June 2011).

Note 20 RESERVES AND RETAINED EARNINGS

	2012 $M	2011 $M
RESERVES		
Hedging reserve – cash flow hedges	**(23.0)**	**(10.4)**
Movements:		
Balance at the beginning of the financial year	(10.4)	(21.1)
Fair value movements	(18.1)	15.3
Deferred tax	5.5	(4.6)
Balance at the end of the financial year	**(23.0)**	**(10.4)**
RETAINED EARNINGS / (ACCUMULATED LOSSES)		
Movements in retained earnings / (accumulated losses) were as follows:		
Balance at the beginning of the financial year	(28.8)	3.7
Profit for the year	73.9	45.0
Dividend paid	(87.5)	(77.5)
Balance at the end of the financial year	**(42.4)**	**(28.8)**

NATURE AND PURPOSE OF RESERVES

HEDGING RESERVE – CASH FLOW HEDGES

The hedging reserve is used to record gains or losses on a hedging instrument in cash flow hedges that are recognised directly in equity, as described in note 1(J).

Note 21 DIVIDENDS

	2012 $M	2011 $M
ORDINARY SHARES		
Unfranked dividend - October: 2.9 cents (2012); 2.75 cents (2011)	42.6	38.1
Unfranked dividend - April: 2.9 cents (2012); 2.75 cents (2011)	44.9	39.4
	87.5	**77.5**

DIVIDENDS NOT RECOGNISED AT YEAR END

On 23 August 2012 the Directors declared the payment of a final unfranked dividend of 2.9 cents per fully paid ordinary share. The aggregate amount of this dividend expected to be paid on 31 October 2012 is $45.6 million. This dividend is not recognised as a liability at year end.

Note 22

KEY MANAGEMENT PERSONNEL DISCLOSURES

	2012	2011
	$	$
KEY MANAGEMENT PERSONNEL COMPENSATION		
Short-term employee benefits	2,678,185	2,510,899
Post-employment benefits	208,417	214,922
	2,886,602	**2,725,821**

Detailed remuneration disclosures are provided in sections A – D of the Remuneration Report on pages 31 to 37.

EQUITY INSTRUMENT DISCLOSURES RELATING TO KEY MANAGEMENT PERSONNEL

SHAREHOLDINGS

The numbers of shares in the Company held during the financial year by each Director of Envestra Ltd and key management personnel of the consolidated entity, including their personally-related parties, are set out below. There were no shares granted during the reporting period as remuneration.

Ordinary Shares 2012	Balance at the start of the year	Changes during the year	Balance at the end of the year
Directors of Envestra Ltd			
J G Allpass	299,936	63,093	363,029
I B Little	123,240	15,625	138,865
E F Ainsworth	66,000	-	66,000
O B O'Duill	200,000	23,438	223,438
M J McCormack	28,000	26,693	54,693
Other key management personnel of the Group			
D Petherick	207,685	23,438	231,123
G Meredith	14,000	-	14,000

Ordinary Shares 2011	Balance at the start of the year	Changes during the year	Balance at the end of the year
Directors of Envestra Ltd			
J G Allpass	274,147	25,789	299,936
I B Little	123,240	-	123,240
E F Ainsworth	66,000	-	66,000
O B O'Duill	200,000	-	200,000
M J McCormack	28,000	-	28,000
Other key management personnel of the Group			
D Petherick	207,685	-	207,685
G Meredith	14,000	-	14,000

Note 23 REMUNERATION OF AUDITORS

During the year the following fees were paid, or payable, for services provided by the auditor of the parent entity and its related entities:

	2012 $	2011 $
PwC Australia		
AUDIT AND OTHER ASSURANCE SERVICES		
Audit and review of financial statements	218,950	202,500
Other assurance services		
Audit of regulatory returns	32,000	30,000
Due diligence services	-	46,200
Accounting advice	52,140	23,363
	303,090	**302,063**
TAXATION SERVICES		
Tax compliance services	35,740	45,866
Tax advice on acquisition	-	47,386
	35,740	**93,252**
OTHER SERVICES		
Advisory services	15,563	141,773
Total remuneration of PwC Australia	**354,393**	**537,088**

It is the Group's policy to engage PricewaterhouseCoopers on assignments additional to their statutory audit duties where PricewaterhouseCoopers' expertise and experience with the Group are likely to provide benefits. These assignments are principally tax compliance, auditing of regulatory statements and assistance with regulatory submissions.

Note 24 RELATED PARTY TRANSACTIONS

PARENT ENTITY

The ultimate parent entity within the Group is Envestra Ltd.

SUBSIDIARIES

Interests in subsidiaries are set out in note 25.

KEY MANAGEMENT PERSONNEL COMPENSATION

Disclosures relating to key management personnel are set out in note 22.

TRANSACTIONS WITH RELATED PARTIES

The following transactions occurred with related parties:

	2012 $	2011 $
Expenses		
Payments for operation and management of the networks	103,301,000	99,290,000
Payments for capital expenditure relating to the networks	187,078,000	131,185,000

OUTSTANDING BALANCES ARISING FROM TRANSACTIONS WITH RELATED PARTIES

The following balances are outstanding at the end of the reporting period in relation to transactions with related parties for the operation and management of the networks and capital expenditure relating to the networks:

	2012	2011
	$	**$**
Trade payables	**42,068,000**	28,271,000

TERMS AND CONDITIONS

All transactions were made on normal commercial terms and conditions and at market rates.

Outstanding balances are unsecured and are repayable in cash.

Note 25 SUBSIDIARIES

The consolidated financial statements incorporate the assets, liabilities and results of the following subsidiaries in accordance with the accounting policy described in note 1(B):

Name of entity	Country of incorporation	Class of shares	Equity holding of Envestra Ltd	
			2012	2011
			%	%
Vic Gas Distribution Pty Ltd [1]	Australia	Ordinary	-	-
The Albury Gas Co Ltd [1]	Australia	Ordinary	-	-
Envestra (SA) Ltd [2] [9]	Australia	Ordinary	-	-
Envic Holdings 1 Pty Ltd [3]	Australia	Ordinary	100	100
Envic Holdings 2 Ltd [4]	Australia	Ordinary	-	-
Envestra Victoria Pty Ltd [5]	Australia	Ordinary	-	-
Envestra (NSW) Holdings 2 Pty Ltd [6], [12]	Australia	Ordinary	-	-
Envestra (NSW) Holdings 3 Pty Ltd [7], [13]	Australia	Ordinary	-	-
Envestra (NSW) Pty Ltd [8]	Australia	Ordinary	-	-
Envestra (Qld) Ltd [9]	Australia	Ordinary	100	100
Envestra (SA) Holdings 1 Ltd [9],[10]	Australia	Ordinary	100	100
Envestra (NSW) Holdings 1 Pty Ltd [11]	Australia	Ordinary	100	100

1) Vic Gas Distribution Pty Ltd is a subsidiary of Envestra Victoria Pty Ltd. The Albury Gas Co Ltd is a subsidiary of Vic Gas Distribution Pty Ltd.
2) Envestra (SA) Ltd is a subsidiary of Envestra (SA) Holdings 1 Ltd.
3) The book value of the investment in Envic Holdings 1 Pty Ltd is $100.
4) Envic Holdings 2 Ltd is a subsidiary of Envic Holdings 1 Pty Ltd.
5) Envestra Victoria Pty Ltd is a subsidiary of Envic Holdings 2 Ltd.
6) Envestra (NSW) Holdings 2 Pty Ltd is a subsidiary of Envestra (NSW) Holdings 1 Pty Ltd.
7) Envestra (NSW) Holdings 3 Pty Ltd is a subsidiary of Envestra (NSW) Holdings 2 Pty Ltd.
8) Envestra (NSW) Pty Ltd is a subsidiary of Envestra (NSW) Holdings 3 Pty Ltd.
9) These subsidiaries have been granted relief from the necessity to prepare financial reports in accordance with Class Order 98/1418 issued by the Australian Securities and Investments Commission. For further information refer to note 26.
10) This entity changed its name from Envestra Natural Gas Networks Ltd during the financial year.
11) This entity changed its name from Envestra Transmission Holdings 1 Pty Ltd during the financial year.
12) This entity changed its name from Envestra Transmission Holdings 2 Pty Ltd during the financial year.
13) This entity changed its name from Envestra Transmission Pty Ltd during the financial year.

Note 26

DEED OF CROSS GUARANTEE

Envestra Ltd, Envestra (SA) Holdings 1 Ltd, Envestra (SA) Ltd and Envestra (Qld) Ltd are parties to a Deed of Cross Guarantee under which each company guarantees the debts of the others. By entering into the Deed, the wholly-owned entities have been relieved from the requirement to prepare a financial report and Directors' report under Class Order 98/1418 (as amended) issued by the Australian Securities and Investments Commission.

CONSOLIDATED INCOME STATEMENT AND A SUMMARY OF MOVEMENTS IN CONSOLIDATED RETAINED EARNINGS

The above companies represent a 'Closed Group' for the purposes of the Class Order, and as there are no other parties to the Deed of Cross Guarantee that are controlled by Envestra Ltd, they also represent the 'Extended Closed Group'.

Set out below is a consolidated income statement and a summary of movements in consolidated retained earnings for the year ended 30 June 2012 of the Closed Group consisting of Envestra Ltd, Envestra (SA) Holdings 1 Ltd, Envestra (SA) Ltd and Envestra (Qld) Ltd.

	2012	2011
	$M	**$M**
Income statement		
Total revenue and income	266.8	227.8
Network operating costs	(58.6)	(56.6)
Gas purchases	(11.3)	(11.7)
Corporate development, property and administration costs	(9.0)	(10.5)
Depreciation	(29.2)	(28.4)
Impairment	(0.1)	(139.0)
Net finance costs	(68.9)	(30.2)
Profit/(loss) before income tax expense	89.7	(48.6)
Income tax expense	(26.9)	(27.2)
Net profit/(loss) after tax	**62.8**	**(75.8)**
Summary of movements in consolidated retained earnings / (accumulated losses)		
Retained earnings / (accumulated losses) at the beginning of the financial year	(47.3)	106.0
Net profit/(loss) after tax for the financial year	62.8	(75.8)
Dividend paid	(87.5)	(77.5)
Accumulated losses at the end of the financial year	**(72.0)**	**(47.3)**

BALANCE SHEET

Set out below is a consolidated balance sheet as at 30 June 2012 of the Closed Group consisting of Envestra Ltd, Envestra (SA) Holdings 1 Ltd, Envestra (SA) Ltd and Envestra (Qld) Ltd.

	2012	2011
	$M	**$M**
Current assets		
Cash and cash equivalents	0.6	4.2
Receivables	30.3	27.5
Other assets	2.6	13.6
Total current assets	33.5	45.3
Non-current assets		
Receivables	116.9	108.9
Investment in subsidiaries	508.9	508.9
Property, plant and equipment	1,288.0	1,227.8
Total non-current assets	1,913.8	1,845.6
Total assets	**1,947.3**	**1,890.9**
Current liabilities		
Payables	23.2	17.2
Borrowings	82.1	124.8
Provisions	0.6	0.6
Other liabilities	54.9	39.9
Total current liabilities	160.8	182.5
Non-current liabilities		
Borrowings	1,170.2	1,128.6
Provisions	0.4	0.3
Derivative financial instruments	41.8	7.3
Deferred tax liabilities	33.0	42.3
Total non-current liabilities	1,245.4	1,178.5
Total liabilities	**1,406.2**	**1,361.0**
Net Assets	**541.1**	**529.9**
Equity		
Contributed equity	651.8	582.3
Reserves	(38.7)	(5.1)
Accumulated losses	(72.0)	(47.3)
Total Equity	**541.1**	**529.9**

Note 27 ECONOMIC DEPENDENCY

The Envestra Group has three major customers. They are:

Origin Energy Retail Ltd, a subsidiary of Origin Energy Ltd; TRU Energy Pty Ltd; and AGL Pty Ltd.

The Envestra Group has a contract with APA Asset Management to operate and maintain the networks.

Note 28 EVENTS OCCURRING AFTER THE BALANCE SHEET DATE

On 2 July 2012 Envestra issued new US Private Placement Notes. They consist of an A$50 million 10-year Note maturing on 12 July 2022, and two US dollar amounts: a US$70 million 10-year Note maturing on 12 July 2022; and a US$80 million 15-year Note maturing on 12 July 2027. The principal and interest on the US dollar portion of the Notes is fully hedged for the terms of the debt.

There have been no other significant events that have occurred after the balance sheet date.

Note 29 RECONCILIATION OF PROFIT AFTER INCOME TAX TO NET CASH INFLOW FROM OPERATING ACTIVITIES

	2012	2011
	$M	**$M**
Profit after income tax	73.9	45.0
Depreciation and amortisation	62.6	59.7
Indexation of Capital Indexed Bonds	9.8	9.9
Asset retirements	-	0.2
Other deferred revenue	(2.2)	1.6
Gain on disposal of land and plant and equipment	-	(0.4)
Change in operating assets and liabilities		
Increase in trade debtors	(14.7)	(6.8)
(Increase)/decrease in other operating assets	(2.3)	1.0
Increase in trade creditors and other liabilities	13.2	6.9
Increase in provision for deferred income tax	31.5	19.9
Net cash inflow from operating activities	**171.8**	**137.0**

Note 30 NON-CASH INVESTING AND FINANCING ACTIVITIES

Dividends satisfied by the issue of shares under the Dividend Reinvestment Plan are shown in note 19.

Note 31

EARNINGS PER SHARE

	2012	2011
	cents	**cents**
BASIC EARNINGS PER SHARE		
Profit from continuing operations attributable to the ordinary equity holders of the Company	4.9	3.2

DILUTED EARNINGS PER SHARE

The diluted earnings per share are the same as the basic earnings per share.

	Number	**Number**
WEIGHTED AVERAGE NUMBER OF SHARES USED AS THE DENOMINATOR		
Weighted average number of ordinary shares used as the denominator in calculating basic earnings per share	1,524,035,953	1,422,436,884

Note 32

PARENT ENTITY FINANCIAL INFORMATION

SUMMARY FINANCIAL INFORMATION

The individual financial statements for the parent entity show the following aggregate amounts:

	2012	2011
	$M	**$M**
Balance sheet		
Current assets	33.5	45.3
Total assets	2,461.7	2,346.8
Current liabilities	160.8	182.5
Total liabilities	2,300.1	2,153.5
Shareholders equity		
Issued capital	651.8	582.3
Reserves – cash flow hedges	(38.7)	(5.1)
Accumulated losses	(451.5)	(383.9)
	161.6	193.3
Profit/(loss) for the year	19.9	(124.0)
Total comprehensive income/(expense)	(13.7)	(123.1)

GUARANTEES ENTERED INTO BY THE PARENT ENTITY

There are cross guarantees given by Envestra Ltd, Envestra (SA) Holdings 1 Ltd, Envestra (SA) Ltd and Envestra (Qld) Ltd as described in note 26.

CONTINGENT LIABILITIES OF THE PARENT ENTITY

The parent entity did not have any material contingent liabilities as at 30 June 2012 or 30 June 2011.

CONTRACTUAL COMMITMENTS FOR THE ACQUISITION OF PROPERTY, PLANT AND EQUIPMENT

The parent entity had no contractual commitments for the acquisition of property, plant or equipment as at 30 June 2012 or 30 June 2011.

INVESTMENT IN SUBSIDIARIES

An intercompany loan that was previously receivable from a subsidiary, Envic Holdings 2 Ltd, was forgiven in the prior year. In accordance with AASB 108 *Accounting Policies* the loan forgiveness has been offset to equity. Under AASB 108, a transaction which is in substance of a capital nature is reflected in equity.

The recoverable amount of the investment in subsidiary is based on a calculation of the equity value in the subsidiary. Those calculations use cash flow projections based on current and expected regulatory outcomes for gas distributors. Cash flow projections are estimated for a period of 20 years, with a terminal value, recognising the long-term nature of the assets and anticipate long-term average growth rates of 1% - 3%. The discount rate used was 7.8% (2011: 9.3%).

The parent entity recorded an impairment loss on the investment in subsidiary of $nil (2011: $139.0 million).

Note 33 COMMITMENTS

OPERATING LEASES

Envestra has non-cancellable operating leases for office space and warehouses expiring within one to eight years. The leases have varying terms, escalation clauses and renewal rights. Excess office space is sublet to third parties and the warehouses are sublet to APA Asset Management as its works depot, also under non-cancellable operating leases.

	2012 $M	2011 $M
Commitments for minimum lease payments in relation to non-cancellable operating leases are payable as follows:		
Within one year	1.4	1.4
Later than one year but not later than five years	3.3	4.6
Later than five years	0.9	1.0
	5.6	7.0
Future minimum lease payments expected to be received in relation to non-cancellable sub-leases of operating leases	5.0	6.0

IN THE DIRECTORS' OPINION:

(a) the financial statements and notes set out on pages 28 to 78 are in accordance with the *Corporations Act 2001*, including:

(i) complying with Accounting Standards, the *Corporations Regulations 2001* and other mandatory professional reporting requirements; and

(ii) giving a true and fair view of the consolidated entity's financial position as at 30 June 2012 and of its performance, for the financial year ended on that date; and

(b) there are reasonable grounds to believe that Envestra Ltd will be able to pay its debts as and when they become due and payable; and

(c) the audited remuneration disclosures set out on pages 31 to 37 of the Directors' Report comply with Accounting Standards AASB 124 *Related Party Disclosures* and the *Corporations Regulations 2001*; and

(d) at the date of this declaration, there are reasonable grounds to believe that the members of the Extended Closed Group identified in note 26 will be able to meet any obligations or liabilities to which they are, or may become, subject by virtue of the Deed of Cross Guarantee described in note 26.

Note 1(A) confirms that the financial statements also comply with International Financial Reporting Standards as issued by the International Accounting Standards Board.

The Directors have been given the declaration by the Managing Director and Group Manager, Finance and Risk required by section 295A of the *Corporations Act 2001* and have received an assurance that the declaration 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.

This declaration is made in accordance with a resolution of the Directors.

John Allpass

JOHN G ALLPASS *Chairman*
Adelaide 23 August 2012

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Independent auditor's report to the members of Envestra Limited

Report on the financial report

We have audited the accompanying financial report of Envestra Limited (the company), which comprises the balance sheet as at 30 June 2012, and the income statement, the statement of comprehensive income, statement of changes in equity and cash flow statement for the year ended on that date, a summary of significant accounting policies, other explanatory notes and the directors' declaration for the Envestra Limited Group (the consolidated entity). The consolidated entity comprises the company and the entities it controlled at the year's end or from time to time during the financial year.

Directors' responsibility for the financial report

The directors of the company are responsible for the preparation of the financial report that gives a true and fair view in accordance with Australian Accounting Standards and the *Corporations Act 2001* and for such internal control as the directors determine is necessary to enable the preparation of the financial report that is free from material misstatement, whether due to fraud or error. In Note 1, the directors also state, in accordance with Accounting Standard AASB 101 *Presentation of Financial Statements*, that the financial statements comply with *International Financial Reporting Standards.*

Auditor's responsibility

Our responsibility is to express an opinion on the financial report based on our audit. We conducted our audit in accordance with Australian Auditing Standards. 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.

Our procedures include reading the other information in the Annual Report to determine whether it contains any material inconsistencies with the financial report.

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

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Independent auditor's report to the members of Envestra Limited (continued)

Independence

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 Envestra Limited is in accordance with the *Corporations Act 2001*, including:

(i) giving a true and fair view of the consolidated entity's financial position as at 30 June 2012 and of its 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 financial report and notes also comply with International Financial Reporting Standards as disclosed in Note 1.

Report on the Remuneration Report

We have audited the remuneration report included in pages 31 to 37 of the directors' report for the year ended 30 June 2012. The directors of the company are responsible for the preparation and presentation of the remuneration report in accordance with section 300A of the *Corporations Act 2001*. Our responsibility is to express an opinion on the remuneration report, based on our audit conducted in accordance with Australian Auditing Standards.

Auditor's opinion

In our opinion, the remuneration report of Envestra Limited for the year ended 30 June 2012, complies with section 300A of the *Corporations Act 2001*.

PricewaterhouseCoopers

PricewaterhouseCoopers

AG Forman

Partner 23 August 2012

Shareholder Information

Number of Shareholders

As at 23 August 2012, there were 17,285 shareholders.

Sharegrouping	Number of shareholders	Securities held	Percentage
1 - 1,000	512	240,201	0.02
1,001 - 5,000	2,218	7,605,403	0.48
5,001 - 10,000	2,947	23,620,820	1.50
10,001 - 100,000	10,871	339,176,052	21.57
100,001 and over	737	1,201,749,635	76.43
Owners of Envestra Ltd			
Total	**17,285**	**1,572,392,111**	**100.00**
Shareholders holding less than a marketable parcel of 589 Shares	294	50,353	<0.01

Twenty largest shareholders

The percentage of the total holdings held by or on behalf of the 20 largest holders of shares at 23 August 2012 was as follows:

Organisation	Shares	Percentage
Australian Pipeline Ltd	525,845,327	33.44
Cheung Kong Infrastructure Holdings (Malaysian) Ltd	297,492,953	18.92
J P Morgan Nominees Australia Ltd	50,149,796	3.19
National Nominees Ltd	43,043,387	2.74
HSBC Custody Nominees (Australia) Ltd	37,391,302	2.38
Citicorp Nominees Pty Ltd	27,798,903	1.77
J P Morgan Nominees Australia Ltd	12,135,770	0.77
RBC Investor Services Australia Nominees Pty Ltd	6,977,723	0.44
Queensland Investment Corporation	6,957,175	0.44
Sellers Holdings Pty Ltd	4,875,000	0.31

Organisation	Shares	Percentage
BNP Paribas Noms Pty Ltd	4,487,628	0.29
Corporate Positioning Pty Ltd	3,750,000	0.24
UBS Wealth Management Australia Nominees Pty Ltd	3,173,076	0.20
Ramsleigh Pty Ltd	3,000,000	0.19
AMP Life Ltd	2,766,232	0.18
Woodross Nominees Pty Ltd	2,439,729	0.16
Brispot Nominees Pty Ltd	2,304,664	0.15
Pavwood Pty Ltd	2,244,470	0.14
Escor Investments Pty Ltd	2,204,028	0.14
National Exchange Pty Ltd	2,000,000	0.13
Total for top 20	**1,041,037,163**	**66.22**

Substantial shareholders

Substantial shareholder notices have been received as follows:

Organisation	Shares	Percentage of shares
Australian Pipeline Ltd	525,845,327	33.44
Cheung Kong Infrastructure Holdings (Malaysian) Ltd	297,492,953	18.92

SUMMARY OF DISTRIBUTIONS	Repayment of loan note(i)	Interest(i)	Dividends	Total payment(i)	Loan note balance
Date paid	**Cents**	**Cents**	**Cents**	**Cents**	**Cents**
25 November 2002	3.99	1.71	-	5.70	38.67
29 April 2003	2.26	1.54	-	3.80	36.41
Total	**6.25**	**3.25**	**-**	**9.50**	**-**
28 November 2003	3.87	1.83	-	5.70	32.54
30 April 2004	2.18	1.62	-	3.80	30.36
Total	**6.05**	**3.45**	**-**	**9.50**	**-**
30 November 2004	3.87	1.83	-	5.70	26.49
29 April 2005	2.21	1.59	-	3.80	24.28
Total	**6.08**	**3.42**	**-**	**9.50**	**-**
30 November 2005	3.87	1.83	-	5.70	20.41
26 May 2006	2.27	1.53	-	3.80	18.14
Total	**6.14**	**3.36**	**-**	**9.50**	**-**
30 November 2006	3.87	1.36	0.47	5.70	14.27
31 May 2007	2.27	1.07	0.46	3.80	12.00
Total	**6.14**	**2.43**	**0.93**	**9.50**	**-**
30 November 2007	3.87	0.90	0.93	5.70	8.13
30 May 2008	3.19	0.61	-	3.80	4.94
Total	**7.06**	**1.51**	**0.93**	**9.50**	**-**
28 November 2008	4.13	0.37	-	4.50	0.81
29 May 2009	0.81	0.05	1.89	2.75	Nil
Total	**4.94**	**0.42**	**1.89**	**7.25**	**-**
30 October 2009	-	-	2.75	2.75	Nil
30 April 2010	-	-	2.75	2.75	Nil
Total	**-**	**-**	**5.50**	**5.50**	**-**
29 October 2010	-	-	2.75	2.75	Nil
29 April 2011	-	-	2.75	2.75	Nil
Total	**-**	**-**	**5.50**	**5.50**	**-**
28 October 2011	-	-	2.90	2.90	Nil
27 April 2012	-	-	2.90	2.90	Nil
Total	**-**	**-**	**5.80**	**5.80**	**-**

For a complete summary of distributions from 1997 to the current year, please visit the Company's website: www.envestra.com.au

(i) *Interest paid on the loan note is taxable income. The repayment of principal on the loan note reduces the cost base of the loan note component of the stapled security and this is taken into account for taxation purposes in calculating whether a capital gain or loss occurred on disposal of the stapled security. Shareholders should consult their taxation adviser when preparing their tax return.*

Voting rights

The voting rights attached to each share at a meeting of shareholders of the Company are one vote per share on a poll and one vote per shareholder on a show of hands.

Payment of dividends

Dividends are paid directly to bank, building society or credit union accounts in Australia. The payments are electronically credited on the divided payment date and confirmed by advices sent through the mail. Instructions received remain in force until amended or cancelled in writing.

Tax file numbers, Australian Business Numbers or exemptions

Australian taxpayers who do not provide their tax file number to the share registry will have the top marginal personal tax rate plus Medicare levy applied to their dividends. It is therefore in the interest of shareholders to ensure that this information is provided. Forms are available from the share registry on which to provide your tax file number, Australian Business Number or tax exemption details.

Annual Report mailing list

Shareholders wishing to receive the Annual Report should advise the share registry in writing so that their names can be added to the mailing list. Alternatively, you can advise the registry via their website: www.linkmarketservices.com.au.

The Annual Report is available on the Company's website: www.envestra.com.au. You can elect via the share registry's website to be notified by email when the report is posted to the Company's website.

Change of address

Shareholders should notify any change of address to the share registry promptly in writing quoting their shareholder reference number, previous address and new address.

Share trading

Envestra Limited shares are traded on the Australian Securities Exchange under the symbol ENV.

2012 Annual General Meeting

The Annual General Meeting of Envestra will be held at 10:00am on Wednesday, 31 October 2012 at the Adelaide Convention Centre, North Terrace, Adelaide. Details of the business of the meeting are contained in the Notice of Meeting sent to shareholders.

Dividend Reinvestment Plan

The Company operates a Dividend Reinvestment Plan ('DRP'), which is a convenient and cost-effective way of increasing your holding of Envestra shares by reinvesting all or part of your dividend payments without incurring brokerage or other transaction costs.

New shares allotted under the DRP may be issued at a discount to the weighted average market price of the securities over a period determined by the Directors. DRP registration forms are available from Link Market Services.

Information on Envestra

The annual and half-year reports are the main source of information for shareholders. Other information is available via the Company's website: www.envestra.com.au. Shareholders can register with the share registry via its website: www.linkmarketservices.com.au to receive email advice each time the Company makes a public announcement.

GLOSSARY

Access Arrangement

Access Arrangements set out the terms and conditions under which third parties (retailers and large-volume consumers) may use Envestra's networks to deliver natural gas.

APA

Australian Pipeline Ltd and APA Asset Management.

Gigajoule (GJ)

Joules are a measure of energy. A gigajoule is equal to one joule multiplied by 10^9.

GFC

Global Financial Crisis.

Joule (J)

Joules are a measure of energy.

Lost Time Injury

An injury that results in one full day or more off work.

National Access Code

National Third Party Access Code for Natural Gas Pipeline Systems.

Petajoule (PJ)

A petajoule is equal to one joule multiplied by 10^{15}.

Regulator

On 1 July 2008, responsibility for regulation of gas distribution networks was transferred to the Australian Energy Regulator. The State Regulators that formerly had this responsibility are:

- Victoria (Essential Services Commission)
- South Australia (Essential Services Commission of South Australia)
- Queensland (Queensland Competition Authority).

System Use Gas (SUG)

System Use Gas (also referred to as Unaccounted For Gas) is the difference between the amount of gas that was metered into the networks and the amount metered to consumers.

Tariffs (Access Charges)

The tariffs that Envestra charges retailers and large volume consumers for the service of transporting natural gas through the Company's distribution networks and transmission pipelines to their customers or premises.

Terajoule (TJ)

A terajoule is equal to one joule multiplied by 10^{12}.

Network Statistics

CONSUMERS	Victoria		South Australia		Queensland		New South Wales		Northern Territory		Total	
	2012	2011	2012	2011	2012	2011	2012	2011	2012	2011	2012	2011
Domestic	563,982	548,432	400,470	393,279	84,201	83,725	50,745	49,993	987	986	1,100,385	1,076,415
Industrial & Commercial <10TJ	23,216	23,032	10,068	10,022	4,823	3,274	1,106	1,095	101	97	39,314	37,520
Industrial & Commercial >10TJ	242	241	168	173	74	75	31	31	2	1	517	521
Total consumers[(i)]	**587,440**	**571,705**	**410,706**	**403,474**	**89,098**	**87,074**	**51,882**	**51,119**	**1,090**	**1,084**	**1,140,216**	**1,114,456**

(i) *Total consumers does not include properties supplied with bulk hot water via hot water meters.*

GAS DELIVERED (TJ)	Victoria		South Australia		Queensland		New South Wales		Northern Territory		Total	
	2012	2011	2012	2011	2012	2011	2012	2011	2012	2011	2012	2011
Domestic, Industrial & Commercial <10TJ	34,605	37,078	10,346	11,431	2,322	2,313	2,504	1,991	70	65	49,847	52,878
Industrial & Commercial >10TJ	20,349	21,077	22,885	24,140	14,143	14,331	3,928	3,306	3,480	3,232	64,785	66,086
Total gas delivered	**54,954**	**58,155**	**33,231**	**35,571**	**16,465**	**16,644**	**6,432**	**5,297**	**3,550**	**3,297**	**114,632**	**118,964**

ASSETS	Victoria		South Australia		Queensland		New South Wales		Northern Territory		Total	
	2012	2011	2012	2011	2012	2011	2012	2011	2012	2011	2012	2011
New mains (km)	171	195	47	49	24	26	18	5	0	0	260	275
New inlets	14,988	15,339	7,666	9,115	1,797	2,350	480	510	0	0	24,931	27,314
Replacement mains (km)	127	101	166	109	28	26	10	0	0	0	331	236
Total mains (km)	10,226	10,048	7,786	7,720	2,643	2,609	1,826	1,790	38	38	22,519	22,205
Transmission pipelines (km)	373	373	224	224	284	284	84	84	159	153	1,124	1,118

Envestra Limited

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