

## Statement of Compliance

### Statement of Compliance for APA GasNet Australia (Operations) Pty Limited ACN 083 009 278 ("APT GasNet") for the financial year 2008- 2009

APA GasNet Australia (Operations) Pty Limited - Victorian Principal Transmission System

1. Attached is the information sought by the AER Annual Compliance Order dated 7 November 2008 (the Annual Compliance Order). This information is in the format set out in Attachment 1 of the Annual Compliance Order.
2. This information is for the year ending June 30 2009.
3. The information and documentation provided in compliance with the Annual Compliance Order is accurate and can be relied on to provide a true and fair representation of the Service Providers operations and ownership of the pipeline and can be relied upon by the AER in the performance or exercise of its functions or powers under the NGL or the NGR.
4. The information and documentation provided in compliance with the Annual Compliance Order is in its reliance on information and documentation that is prepared, kept or maintained accurately represented.
5. The information and documentation provided in compliance with the Annual Compliance Order is not false or misleading.
6. The information and documentation provided in compliance with the Annual Compliance Order is complete.
7. The Board of Directors of APA GasNet Australia (Operations) Pty Limited has approved this report at its meeting on 27 October 2009.

Signed by:

NAME:



DIRECTOR

Ross Gersbach

DATE:

29/10/2009

## **Matters to be specifically addressed annually by service providers and related providers**

### **AER Annual Compliance Order Report for APA GasNet Australia (Operations) Pty Limited ACN 083 009 278 for the financial year 2008-2009**

#### **Introductory Statement**

APA GasNet Australia (Operations) Pty Limited ("APA GasNet") is not aware of any breach of any of the obligations in the National Gas Law and National Gas Rules other than any that are detailed in this report.

APA GasNet has maintained a compliance program during the relevant period that ensures that:

- (a) appropriate internal procedures have been established and maintained to ensure compliance with the obligations in the National Gas law and National Gas Rules;
- (b) the Board of Directors of APA GasNet is made aware of any breaches of the obligations;
- (c) remedial action is taken as soon as possible to rectify any breaches of the obligations and that completion of this action is reported to the Board of Directors; and
- (d) the compliance program is reviewed regularly and as necessary.

#### **1. General duties for the provision of pipeline services of covered pipeline services by a service provider**

##### **1.1 Legal entity**

- (a) *Nominate the type of legal entity the service provider is according to the specified kinds of legal entity in section 131 of the NGL.*

APA GasNet Australia (Operations) Pty Limited ACN 083 009 278 is a legal entity registered under the *Corporations Act 2001* of the Commonwealth.

- (b) *What is the registered business name and ABN of the service provider legal entity providing the covered pipeline service?*

The registered business name of the legal entity providing the covered pipeline service is APA GasNet Australia (Operations) Pty Limited. The ABN is 65 083 009 278.

- (c) *Provide an outline of the group structure which is controlled by or which the service provider is a part (including identification of the head company, nature of investment or entity, relationship to the service provider and proportion of assets owned/share of investment within the group). This should include any assets (businesses) it owns or that own it. The group structure should include business that are beneficially controlled such as trustee companies, jointly owned or operated business such as partnerships or joint ventures, businesses that are significant investments or controlled. This can also be represented as an organisational chart.*

The service provider is part of the APA Group. An outline of the APA group structure, showing the service provider is provided in Appendix 1.

##### **1.2 Preventing or hindering access**

- (a) *Is the service provider aware of any claims that it has prevented or hindered access to services on the covered pipeline within the terms of section 133 of the NGL?*

The service provider is not aware of any claims it has prevented or hindered access to services on the covered pipeline within the terms of s133 of the NGL.

### 1.3 Supply and haulage of natural gas

- (a) *Does a producer supply natural gas through the covered pipeline at a place other than the exit flange of the producer's processing plant?*

One or more of the users on the pipeline may be "producers" as that term is defined in the NGL. It is likely that those persons supply natural gas to other parties either at off-take points on the pipeline or through downstream distribution networks.

### 1.4 Queuing requirements

- (a) *Has the service provider complied with the queuing requirements of the applicable access arrangement during the year?*

The service provider has complied with the queuing policy in its Access Arrangement. Please note that the queuing requirements were administered by VENCORP in 2008-9 pursuant to the relevant MSO Rules.

### 1.5 Service provider providing light regulation services must not price discriminate

- (a) *Does the service provider provide light regulation services?*

The service provider does not currently supply light regulation services.

- (b) *If so, are there any differences in the prices of the provision of those services? Please provide an explanation as to why these price differences exist.*

Not applicable.

## 2. Structural and Operational Separation Requirements (Ring Fencing)

### 2.1 Carrying on of a related business

- (a) *Provide a list of associates of the service provider that take part in a related business and for each associate describe what the nature of the related business is.*

A related business means the business of producing, purchasing or selling natural gas. APA's business model is based on owning and operating energy infrastructure, and the production, purchase and sale of natural gas is not part of its business model. Where this occurs, it is either incidental to APA's business or a legacy of businesses which have been acquired by APA.

APA GasNet's business is the ownership and operation of the Victorian Principal Transmission System. APA GasNet does not produce natural gas and does purchase or sell natural gas other than for operational purposes.

APA GasNet does not have any Associates which take part in a related business other than the following associates:

- NT Gas Distribution Pty Limited and NT Gas Pty Limited - NT Gas Distribution Pty Limited (100 percent owned by NT Gas Pty Limited) operates as a bundled utility and therefore carries on a related business. The ACCC has previously granted a waiver to NT Gas Pty Limited in relation to the provision of services by the Marketing Staff of NT Gas Pty Limited to NT Gas Distribution Pty Limited;
- APT Parmelia - APT Parmelia (Western Australia) currently is party to 2 contracts for supply of gas through the Parmelia Gas Pipeline. This is a residual activity reflecting the actions of previous owners of the Parmelia Gas Pipeline. The two remaining sales contracts expire in December 2009. The performance of the existing supply contracts does not require APA staff to be actively involved in buying or selling natural gas. No decision has been made as to whether or not the contracts will be renewed. If the contracts are renewed,

arrangements will be put in place to ensure compliance with the ring fencing requirements of the National Gas Law and Rules; and

- APT Facility Management - APT Facility Management Pty Limited buys and sells gas for the purposes of co-generation and natural gas for vehicles. Gas for co-generation is purchased and sold in Queensland at Baillie Henderson Hospital (Toowoomba), Redcliffe Hospital (Redcliffe) and Toowoomba Base Hospital (Toowoomba). Gas for natural gas vehicles is purchased in Western Australia. The gas, once purchased, is compressed and sold as compressed natural gas to the bus operator. The Public Transport Authority of Western Australia is obliged to step in and guarantee any outstanding amounts owed by the bus operator to APA for the gas. It is delivered to the follow bus depots – Morley, Bayswater, East Perth, Fremantle, Southern River, Rockingham and Welshpool.

*(b) Provide a list of associates that are service providers and/or provide pipeline services.*

A list of associates of the service provider is provided in a table in Appendix 2. This table outlines the nature of the associates' activities and whether they are service providers and / or provide pipeline services.

## **2.2 Marketing staff and the taking part in related businesses**

*(a) Provide a list of associates of the service provider that are directly involved in the sale, marketing or advertising of pipeline services.*

A list of associates of the service provider is provided in a table in Appendix 2. This table outlines the nature of the associates' activities and whether they are involved in the sale, marketing or advertising of pipeline services.

*(b) Provide a statement as to whether or not any of the service provider's marketing staff are also officers, employees, consultants, independent contractors or agents of an associate of the service provider that takes part in a related business.*

*(c) Provide a statement as to whether or not any of the service provider's officers, employees, consultants, independent contractors or agents are also marketing staff of an associate of the service provider that takes part in a related business.*

APA Group staff are employed in several subsidiaries. APA assigns staff to undertake sales, marketing and advertising activities for the Victorian Principal Transmission System. The staff are located in APA's office located in Melbourne. These persons may be:

- marketing staff of APA GasNet (as they may be within the definition of "officers" or "agents" of APA GasNet) and/or
- marketing staff of an associate of APA GasNet (as they may are employees of the associate and could also be within the definition of "officers" of the associate).

None of APA GasNet's marketing staff are officers, employees, consultants, independent contractors or agents or otherwise provide services to associates which take part in a related business, being NT Gas Pty Limited and NT Gas Distribution Pty Limited (located in the Northern Territory), APT Parmelia (located in Western Australia) or APT Facility Management Pty Limited.

None of APA GasNet's officers, employees, consultants, independent contractors or agents are marketing staff of an associate that takes part in a related business, being NT Gas Pty Limited and NT Gas Distribution Pty Limited (located in the Northern Territory), APT Parmelia (located in Western Australia) or APT Facility Management Pty Limited (WA and Qld).

## **2.3 Separate accounts must be prepared, maintained and kept**

*(a) Provide a statement as to whether or not the service provider has prepared, maintained and kept a separate set of accounts in respect of the services provided by every covered pipeline owned or operated by the service provider.*

The service provider has prepared, maintained and kept a separate set of accounts in respect of the services provided by the covered Victorian Principal Transmission System.

- (b) Name the legal entity or entities in which the separate accounts are reported, maintained or kept for the services provided by each covered pipeline owner or operator?*

The separate accounts are kept by APA GasNet.

- (c) Provide a statement as to whether or not the service provider has prepared, maintained and kept a consolidated set of accounts in respect of the whole of the business of the service provider.*

A consolidated set of accounts have been kept in respect of the whole of the business of the service provider.

- (d) Name the legal entity in which the consolidated set of accounts are reported, maintained or kept for the services provided by each covered pipeline owner or operator?*

The name of the legal entity in which the consolidated set of accounts are kept in respect of the whole of the business of the service provider is APA GasNet.

- (e) Provide a copy of the most recently lodged annual financial reports with the Australian Securities and Investments Commission or if no such reports exists other similar audited financial reports prepared for or provided to a state or territory department, agency or body under relevant state or territory legislation. These financial reports may be the consolidated set of accounts in respect to the whole of the business of the service provider, and if also separately lodged with the Australian Securities and Investments Commission the most recently lodged annual separate set of accounts in respect of the services provided by the service provider.*

A copy of the APA Group annual financial reports lodged with the Australian Securities and investment Commission are attached at Attachment 3. These include the annual financial report of the Australian Pipeline Trust and the APT Investment Trust.

Note that, unlike other companies in the APA Group, APA GasNet also lodges separate reports to the Australian Securities and investment Commission. A copy the APA GasNet financial reports lodged with the Australian Securities and investment Commission are attached at Attachment 4.

#### **2.4 Additional ring fencing requirements or exemptions**

- (a) Does the service provider have any additional ring fencing requirements?*

The service provider does not have any additional ring fencing requirements.

- (b) What are these requirements?*

Not applicable.

- (c) Provide a statement that these additional ring fencing requirements have or have not been met.*

Not applicable.

- (d) Does the service provider have any exemptions for the minimum ring fencing requirements?*

The service provider does not have any exemptions for the minimum ring fencing requirements.

- (e) What are these exemptions?*

Not applicable.

*(f) By what jurisdictional regulator and when where these exemptions granted?*

Not applicable.

## **2.5 Associate contracts**

*(a) Has the service provider entered into or given effect to any new associate contracts, or varied the terms and conditions of an existing associate contract?*

The service provider has not entered into, or given effect to, any new associate contracts, or varied the terms and conditions of any existing associate contract.

*(b) For each new or varied associate contract, please indicate the date the new or varied associate contract was entered into or given effect?*

Not applicable.

*(c) For each new or varied associate contract, please indicate if the contract or variation was approved by the AER and the date that it was approved?*

Not applicable.

*(d) If the associate contract was not approved by the AER, please indicate what date the new or varied associate contract was provided to the AER?*

Not applicable.

*Note: An 'associate contract' is defined under the NGL to include arrangements or understandings and is not limited to written contracts.*

## **3. Other requirements**

### **3.1 Making access arrangement or terms and conditions of access available**

*(i) Ensuring applicable access arrangement and other specified information is available on website.*

*(a) Has the service provider published the approved access arrangement on its website?*

The service provider has published the Access Arrangement on its website.

*(b) Please provide the website address where this access arrangement can be accessed and the date that this access arrangement was provided on the website.*

The service provider's access arrangement can be found at

<http://www.apa.com.au/our-business/economic-regulation/vic-gas-assets.aspx>

This document was first placed on the website in February 2009

*(c) Has the service provider received any requests from the AER to provide to prospective users generally other information specified as reasonably necessary to determine if access should be sought.*

The service provider has not received any requests from the AER to provide to prospective users other information specified as reasonably necessary to determine if access should be sought.

*(d) Please provide details of when and how this request was met.*

Not applicable.

(ii) *Publishing approved competitive tender process access arrangement*

- (a) *Where there is an approved competitive tender process access arrangement in place for a covered pipeline, has the service provider published the approved access arrangement on its website?*

This is not applicable as the Victorian Principal Transmission System is not a competitive tender pipeline.

- (b) *Please provide the website address where this access arrangement can be accessed and the date that this access arrangement was provided on the website.*

Not applicable.

(iii) *Publishing terms and conditions of access to light regulation services.*

- (a) *Where there is access to light regulation services on a covered pipeline, has the service provider published tariffs and other terms and conditions for these services on its website?*

This is not applicable as the Victorian Principal Transmission System is not a light regulation pipeline.

- (b) *Please provide the website address where this information can be accessed and the date that this information was first made available on the website.*

The website address with the link to a PDF version of the light tariffs and terms and conditions can be found at:

Not applicable.

- (c) *Has the service provider had access negotiations regarding light regulation services? If so, the following will need to be reported, the name of the party requesting the service, the pipeline service requested, and the outcome of the access negotiations.*

Not applicable.

### **3.2 Access determinations**

- (a) *Has the service provider been party to an access determination?*

The service provider has not been party to an access determination.

- (b) *When did the access determination become operative?*

Not applicable.

- (c) *For what period is the access determination in place?*

Not applicable.

### **3.3 Confidentiality**

- (a) *Provide a statement that the confidentiality requirements under rule 137 of the National Gas Rules have or have not been met.*

The confidentiality requirements under rule 137 of the National Gas Rules have been met.

The service provider did not disclose relevant confidential information or use relevant confidential information for a purpose other than the purpose for which the information was given to the service provider.

The service provider took all practicable steps to protect relevant confidential information in the service provider's possession against improper disclosure or use.

*(b) Has the service provider established an internal protocol or policy guideline or procedure manual for the handling of confidential information?*

APA GasNet is part of the APA Group. Employees of APA who are involved with the Victorian Principal Transmission System have been informed of their obligations with respect to confidential information. Quarterly compliance reviews reinforce awareness of this obligation. Employees are required to sign confidentiality agreements upon commencement and standard employment contracts contain confidentiality obligations.

APA has also required contractors having access to Confidential Information to observe the requirements of the NGL in relation to such Confidential Information.

APA monitors compliance performance, including compliance with confidentiality obligations, quarterly. This monitoring is undertaken by the Manager Regulation and relevant commercial personnel associated with the assets. The results are reported to the Board.

More generally all APA employees are required to comply with the APA Code of Conduct, which explicitly addresses appropriate treatment on confidential and proprietary information, including customer information. Employee's employment agreements also include conditions relating to confidentiality.

In addition access to APA computer systems is through individual passwords and user names. Passwords are changed at periodic intervals. Firewall protection is in place to prevent unauthorised access to electronically stored information via the internet.

APA offices are secured.

### **3.4 Bundling**

*(a) Has the service provider bundled any of its services when providing access or negotiating access with a prospective user?*

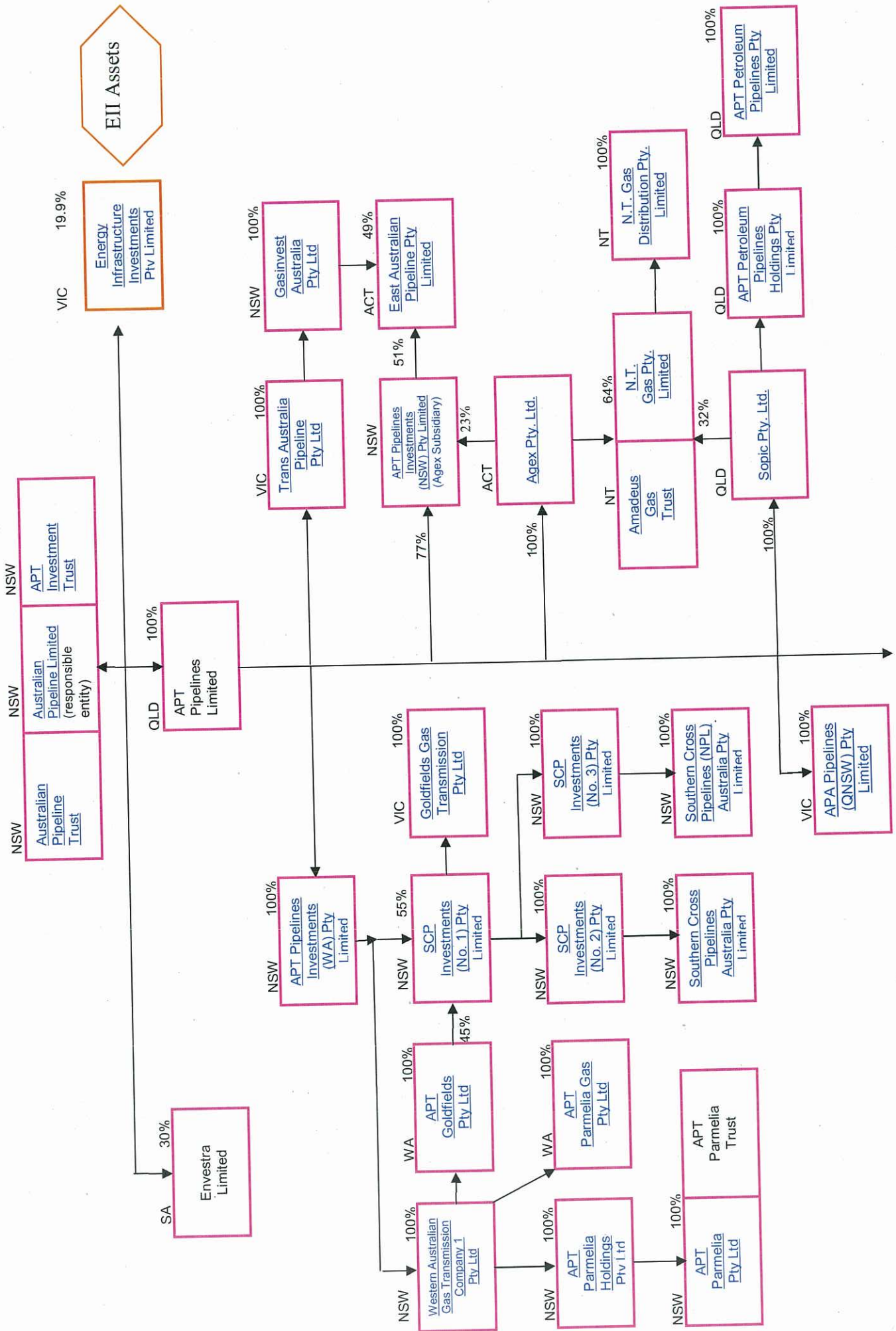
The service provider has not bundled any of its services when providing access or negotiating access with a prospective user.

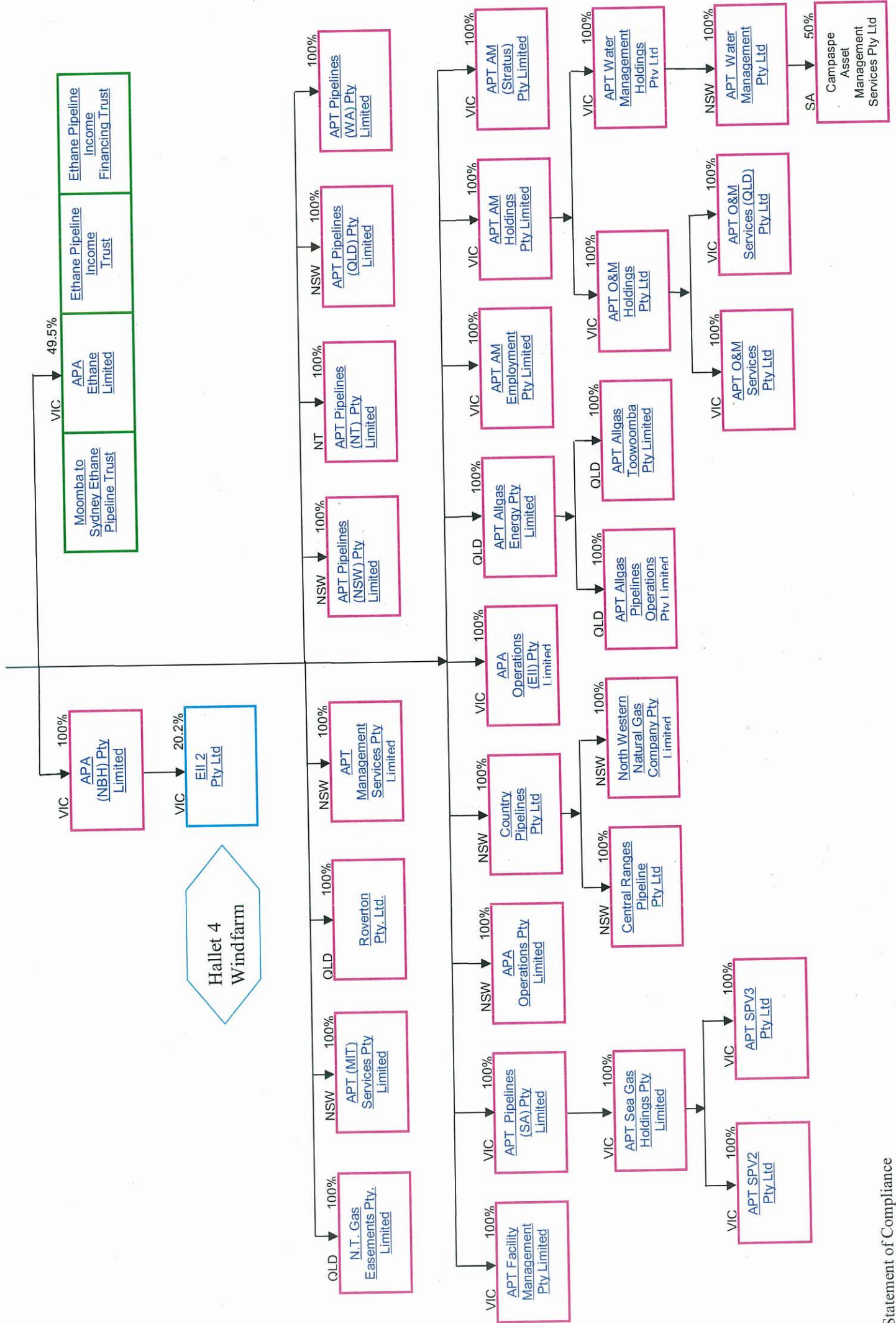
*(b) If so, provide a description of the bundled services and related conditions of access.*

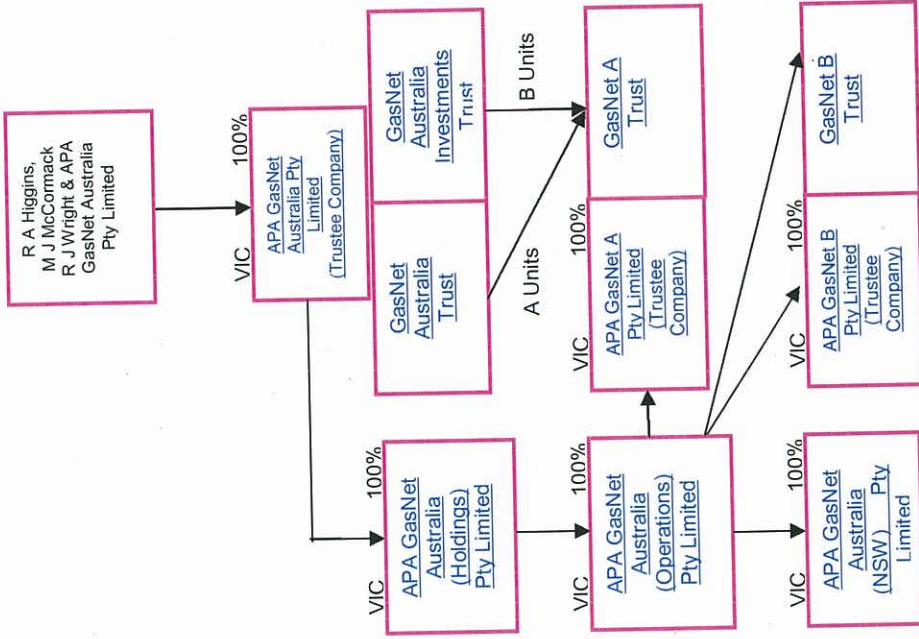
Not applicable.



## Appendix 1 APA Group Structure









## Appendix 2 Associates and activities including Related Business

Name of Each Associate	Business Carried On	Regulated Assets Owned
<b>Corporate</b>		
APA Operations Pty Limited ACN 123 090 933 (formerly APT Rights (Holdings) Pty Limited)	Operator of Murrin Murrin Pipeline.	
APT Management Services Pty Limited ACN 091 668 110	Employment of staff; corporate purchasing.	
APT Pipelines Limited ACN 009 666 700	Parent investment company for Australian Pipeline Trust.	
Australian Pipeline Limited ACN 091 344 704	Responsible entity and trustee of the Australian Pipeline Trust and APT Investment Trust.	
<b>Allgas Queensland</b>		
APT Allgas Energy Pty Limited ACN 009 656 446	Owns: <ul style="list-style-type: none"> <li>Gas network in south east Queensland and northern NSW;</li> <li>100% of APT Allgas Pipelines Operations Pty Ltd;</li> <li>100% of APT Allgas Toowoomba Pty Ltd.</li> </ul>	APA Allgas network.
APT Allgas Pipelines Operations Pty Limited ACN 076 666 807	Owns pipeline easements in Queensland.	
APT Allgas Toowoomba Pty Limited ACN 009 655 645	Owns 100% of network assets in Toowoomba.	
<b>Amadeus Basin to Darwin Pipeline ("ABDP")</b> (Note NT Gas Pty Limited and NT Gas Distribution Pty Limited are not wholly owned subsidiaries of APT Pipeline Limited)		
Agex Pty Limited ACN 008 458 580	1. Owns shares in; <ul style="list-style-type: none"> <li>APT Pipelines Investments (NSW) Pty Limited;</li> <li>NT Gas Pty Limited.</li> </ul> 2. Unitholder in Amadeus Gas Trust.	
NT Gas Distribution Pty Limited ACN 071 741 618	1. Owns: <ul style="list-style-type: none"> <li>Berrimah Pipeline;</li> <li>Darwin Distribution network;</li> </ul> 2. Retail gas to customers of distribution network.	
NT Gas Pty Limited	1. Trustee for Amadeus Gas	Amadeus Basin – Darwin

ACN 050 221 415	Trust. 2. Leases and operates Amadeus Basin-Darwin Pipeline. 3. Owns 100% of NT Gas Distribution Pty Limited.	Pipeline.
Sopic Pty Limited ACN 010 851 288	1. Owns shares in: • APT Petroleum Pipelines Holdings Pty Limited. • NT Gas Pty Limited. 2. Unitholder in Amadeus Gas Trust	
<b>Asset Management</b>		
APT AM Employment Pty Limited ACN 124 754 356	Employs staff in asset management business.	
APT AM Holdings Pty Limited ACN 124 754 383	1. Owns shares in: • APT O&M Holdings Pty Limited; • APT Water Management Holdings Pty Limited. 2. Services for Envestra's NT, SA and Qld networks.	
APT AM (Stratus) Pty Limited ACN 124 754 374	Services to Envestra's Victorian network.	
APT Facility Management Pty Limited ACN 124 754 365	Cogeneration and NGV assets.	
APT O&M Holdings Pty Limited ACN 109 740 749	Owns: • 100% of APT O&M Services Pty Limited; • 100% of APT O&M Services (Qld) Pty Limited.	
APT O&M Services Pty Limited ACN 112 358 586	Services to Envestra's SA, NT and Vic assets.	
APT O&M Services (Qld) Pty Limited ACN 112 358 595	Services for Envestra assets in Qld, N T and SA.	
APT Water Management Pty Limited ACN 105 097 434	Water management business – 50% share of Campaspe Water.	
APT Water Management Holdings Pty Limited ACN 109 043 496	Owns 100% of APT Water Management Pty Limited.	
Campaspe Asset Management Services Pty Limited ACN 105 082 077	Owns Campaspe Water.	
<b>Carpentaria Gas Pipeline and Cannington Lateral ("CGP")</b>		
APT Pipelines (QLD) Pty Limited ACN 080 382 387	Owns: • 30% interest in Carpentaria Gas Pipeline; • Cannington Lateral.	Carpentaria Gas Pipeline
Roverton Pty Limited ACN 011 071 917	Owns: • 70% of Carpentaria Gas Pipeline;	Carpentaria Gas Pipeline.

	<ul style="list-style-type: none"> <li>100% of MIM Lateral and Mica Creek Meter Station.</li> </ul>	
<b>Central Ranges Pipeline ("CRP")</b>		
Central Ranges Pipeline Pty Limited ABN 38 108 218 355	Owns Central Ranges Pipeline and Central Ranges Network.	Central Ranges Pipeline and Central Ranges Network.
Country Pipelines Pty Limited ACN 108 218 346	Owns 100% of Central Ranges Pipeline Pty Limited.	
North Western Natural Gas Company Pty Limited ACN 131 679 377	Group Company.	
<b>Central West Pipeline ("CWP")</b>		
APT Pipelines (NSW) Pty Limited ACN 080 842 360	Owns Central West Pipeline.	Central West Pipeline.
<b>GasNet Victoria</b>		
APA GasNet Australia Pty Limited ABN 79 096 457 868 (formerly known as GasNet Australia Limited)	<ol style="list-style-type: none"> <li>Responsible entity for GasNet Australia Trust and GasNet Australia Investments Trust.</li> <li>Owns 100% of GasNet Australia (Holdings) Pty Limited.</li> </ol>	
APA GasNet Australia (Holdings) Pty Limited ABN 68 104 581 142 (formerly known as GasNet Australia (Holdings) Pty Limited)	Owns 100% of GasNet Australia (Operations) Pty Limited.	
APA GasNet Australia (Operations) Pty Limited ABN 65 083 009 278 (formerly known as GasNet Australia (Operations) Pty Limited)	<ol style="list-style-type: none"> <li>Owns Principal Transmission System, Dandenong LNG facility and associated assets.</li> <li>Owns 100% of: <ul style="list-style-type: none"> <li>APA GasNet Australia (NSW) Pty Limited;</li> <li>APA GasNet A Pty Limited;</li> <li>APA GasNet B Pty Limited.</li> </ul> </li> </ol>	Principal Transmission System (Victoria)
APA GasNet Australia (NSW) Pty Limited ABN 14 079 136 413 (formerly known as GasNet Australia (NSW) Pty Limited)	Owns Culcairn – Barnawatha Interconnect.	Interconnect
APA GasNet A Pty Limited ABN 17 087 673 907 (formerly known as GasNet A Pty Limited)	GasNet Australia Group company.	
APA GasNet B Pty Limited ACN 083 009 303 (formerly known as GasNet B Pty Limited)	GasNet Australia Group company.	
<b>Goldfields Gas Pipeline ("GGP")</b>		
APT Goldfields Pty Limited ACN 084 545 344	Owns shares in SCP Investments (No.1) Pty	



	Limited (GGP).	
APT Pipelines Investments (WA) Pty Limited ACN 081 638 244	Owns: <ul style="list-style-type: none"> <li>• shares in SCP Investments (No.1) Pty Limited (GGP);</li> <li>• 100% interest in Western Australian Gas Transmission Company 1 Pty Limited.</li> </ul>	
Goldfields Gas Transmission Pty Limited ACN 004 273 241	Manages GGT Joint Venture.	
SCP Investments (No.1) Pty Limited ACN 084 521 817	Owns shares in: <ul style="list-style-type: none"> <li>• SCP Investments (No.2) Pty Limited;</li> <li>• SCP Investments (No.3) Pty Limited;</li> <li>• Goldfields Gas Transmission Pty Limited (GGP)</li> </ul>	
SCP Investments (No.2) Pty Limited ACN 084 521 951	Owns shares in Southern Cross Pipelines Australia Pty Limited (GGP).	
SCP Investments (No.3) Pty Limited ACN 085 991 984	Owns shares in Southern Cross Pipelines (NPL) Australia Pty Limited (GGP).	
Southern Cross Pipelines Australia Pty Limited ACN 084 521 997	Owns: <ul style="list-style-type: none"> <li>• 62.7% of Goldfields Gas Pipeline;</li> <li>• 100% of Kalgoorlie Kambalda lateral.</li> </ul>	Goldfields Gas Pipeline. Kalgoorlie Kambalda lateral.
Southern Cross Pipelines (NPL) Australia Pty Limited ACN 085 991 948	Owns 25.5% of Goldfields Gas Pipeline.	Goldfields Gas Pipeline
Western Australian Gas Transmission Company 1 Pty Limited ACN 081 780 387	Owns: <ul style="list-style-type: none"> <li>• 100% of APT Goldfields Pty Limited;</li> <li>• 100% of APT Parmelia Gas Pty Limited;</li> <li>• 100% of APT Parmelia Holdings.</li> </ul>	
<b>Moomba to Sydney Pipeline ("MSP")</b>		
Agex Pty Limited ACN 008 458 580	As above, under the Amadeus Basin to Darwin Pipeline.	
APT Pipelines Investments (NSW) Pty Limited ACN 065 070 966	Owns shares in East Australian Pipeline Pty Limited.	
East Australian Pipeline Pty Limited ACN 064 629 009	Owns Moomba-Sydney Pipeline System.	Marsden- Wilton and regional laterals are covered.
Gasinvest Australia Pty Limited ACN 065 055 478	Owns shares in East Australian Pipeline Pty Limited.	
Trans Australia Pipeline Pty Limited ACN 006 699 378	Owns shares in Gasinvest Australia Pty Limited.	



**Attachment 3**

**Annual Financial Report of the Australian Pipeline Trust and the APT  
Investment Trust lodged with the Australian Securities and investment  
Commission in 2009**

**Attachment 4**

**Annual Financial Report of APA GasNet lodged with the Australian Securities and investment Commission in 2009**

**APA GasNet Australia (Operations) Pty Limited**  
**ABN: 65 083 009 278**

**FINANCIAL REPORT**  
**For the financial year ended**  
**30 June 2009**

**APA GasNet Australia (Operations) Pty Limited  
Directors Report  
For the financial year ended 30 June 2009**

The Directors of APA GasNet Australia (Operations) Pty Limited present their report for the year ended 30 June 2009.

**DIRECTORS**

The Directors of APA GasNet Australia (Operations) Pty Limited during the financial year and up to the date of this report are as follows:

M J McCormack  
S P Ohl  
R M Gersbach  
S M Dureau  
R F Francis (resigned 31 December 2008)  
P J Fredricson (appointed 27 October 2009)

**CORPORATE INFORMATION**

APA GasNet Australia (Operations) Pty Limited is a company limited by shares that is incorporated and domiciled in Australia.

APA GasNet Australia (Operations) Pty Limited has prepared a consolidated financial report incorporating the entities that it controlled during the financial period.

Refer to Note 22 of the Financial Report, which lists the entities that are controlled by APA GasNet Australia (Operations) Pty Limited.

The registered office of APA GasNet Australia (Operations) Pty Limited is Level 19, 580 George Street, Sydney, NSW 2000.

**PRINCIPAL ACTIVITIES**

The principal activity of the consolidated entity during the course of the financial period was the ownership and maintenance of gas transmission pipelines located predominately in Victoria and also in New South Wales. Almost all of the natural gas consumed in Victoria is transported through the consolidated entity's 1,935 kilometre high-pressure gas transmission pipeline network.

In addition, the consolidated entity owns and operates a 12,000 tonne LNG tank and provides metering and connection services.

The consolidated entity also provides specialist engineering and project management services to external customers.

**REVIEW OF OPERATIONS**

**Financial Performance**

The consolidated entity reported a net profit after tax for the period ended 30 June 2009 of \$30.0 million (2008: \$15.0 million) on revenues of \$139.1 million (2008: \$119.9 million).

Net cash used in operating activities during the year amounted to \$88.9 million (2008: \$35.9 million), with \$6.8 million (2008: \$1.3 million) in cash reserves at the end of the financial period.

**APA GasNet Australia (Operations) Pty Limited**  
**Directors Report**  
**For the financial year ended 30 June 2009**

**Operating Performance**

*Gas Transmission*

The consolidated entity earns its gas transportation revenue in accordance with the volume of gas that it transports. During the year, the consolidated entity's infrastructure assets transported 244.6 petajoules (2008: 244.1 petajoules) of gas through its extensive pipeline system to both domestic and industrial customers, with no interruption to supply.

The maintenance of the consolidated entity's pipelines continued with its major programme of in-pipe inspection known as pigging, providing pleasing results as no defects or corrosion of a material nature were identified.

*Engineering and Project Management Services*

While the consolidated entity earns the majority of its revenue from tariffs charged on its regulated assets, a contribution to earnings for the period was also provided by specialised engineering and project management services.

**DIVIDENDS**

In respect of the financial year ended 30 June 2009, an unfranked dividend of 1.5 cents per share was paid to the holders of fully paid ordinary shares on 24 December 2008.

**SIGNIFICANT CHANGES IN THE STATE OF AFFAIRS**

There have been no significant changes in the state of affairs of the consolidated entity for this financial period.

**FUTURE DEVELOPMENTS**

Disclosure of other information regarding likely developments in the operations of the consolidated entity in the future financial periods and the expected results of those operations is likely to result in unreasonable prejudice to the consolidated entity. Accordingly, this information has not been disclosed in this report.

**ENVIRONMENTAL REGULATIONS**

Commonwealth and State environmental legislation impose obligations for the management of environmental matters associated with the high-pressure gas transmission pipeline industry. This affects the operation, construction and maintenance of the consolidated entity's pipeline assets and the consolidated entity has a requirement to comply with this legislation.

The consolidated entity has developed procedures to manage and monitor compliance with environmental legislation and codes and new regulations as they come into force.

**INDEMNIFICATION OF OFFICERS AND AUDITORS**

During the financial year, the consolidated entity paid a premium in respect of a contract insuring the directors of the consolidated entity, and all executive officers of the consolidated entity and of any related body corporate of the consolidated entity against a liability incurred by such a director, secretary or executive officer to the extent permitted by the Corporations Act 2001. The contract of insurance prohibits disclosure of the nature of the liability and the amount of the premium.

During the financial year the consolidated entity and the Responsible Entity indemnified officers of APA GasNet Australia (Operations) Pty Limited and the Responsible Entity or of any related body corporate of the consolidated entity, against a liability or reasonable legal costs incurred by such an officer.

**APA GasNet Australia (Operations) Pty Limited**  
**Directors Report**  
**For the financial year ended 30 June 2009**

**SUBSEQUENT EVENTS**

There has not been any matter or circumstance occurring subsequent to the end of the financial year that has significantly affected, or may significantly affect, the operations of the company, the results of those operations, or the state of affairs of the company in future financial years.

**DIRECTORS' REMUNERATION**

APA Group bears the cost of the directors' fees incurred on behalf of all entities within the APA GasNet Australia Group.

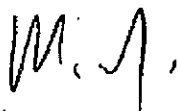
**AUDITOR INDEPENDENCE DECLARATION**

A copy of the Auditor's Independence Declaration, as required under section 307C of the Corporations Act, is set out on page 26.

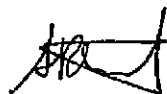
**ROUNDING OFF OF AMOUNTS**

The amounts contained in this report and in the financial report have been rounded to the nearest \$1,000 (where rounding is applicable) under the option available to the consolidated entity under ASIC Class Order 98/100. APA GasNet Australia (Operations) Pty Limited is an entity to which the class order applies.

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



Michael McCormack  
Managing Director



Stephen Ohl  
Director

Sydney  
29 October 2009



## APA GasNet Australia (Operations) Pty Limited

### Income Statement

For the financial year ended 30 June 2009

		Consolidated		Parent	
		2009	2008	2009	2008
	Note	\$000	\$000	\$000	\$000
<b><u>Continuing operations</u></b>					
Revenue	3	139,096	119,913	138,186	120,028
Asset operation and management expenses		(24,442)	(24,330)	(24,442)	(24,330)
Depreciation expense	4	(18,897)	(16,084)	(18,677)	(15,876)
Finance costs	4	(42,929)	(47,305)	(42,929)	(47,305)
Employee benefit expense	4	(11,514)	(10,616)	(11,514)	(10,616)
Profit before tax		41,314	21,578	40,625	21,901
Income tax expense		(11,316)	(6,621)	(10,990)	(6,401)
Profit for the year		29,998	14,957	29,635	15,500
Attributable to:					
Equity holders of the parent		29,998	14,957	29,635	15,500
		29,998	14,957	29,635	15,500

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

## APA GasNet Australia (Operations) Pty Limited

### Balance Sheet

As at 30 June 2009

	Note	Consolidated		Parent	
		2009 \$000	2008 \$000	2009 \$000	2008 \$000
<b>Current assets</b>					
Cash and cash equivalents		6,833	1,277	6,833	1,277
Trade and other receivables	6	26,174	37,183	26,174	37,183
Other financial assets	7	-	74	-	74
Inventories	8	1,053	1,115	1,053	1,115
Other	9	830	533	830	533
<b>Total current assets</b>		<b>34,890</b>	<b>40,182</b>	<b>34,890</b>	<b>40,182</b>
<b>Non-current assets</b>					
Other financial assets	10	184,515	154,799	178,730	148,585
Property, plant and equipment	12	867,115	855,320	850,702	838,689
Other	11	1,160	1,129	1,160	1,129
<b>Total non-current assets</b>		<b>1,052,790</b>	<b>1,011,247</b>	<b>1,030,593</b>	<b>988,403</b>
<b>Total assets</b>		<b>1,087,680</b>	<b>1,051,429</b>	<b>1,065,483</b>	<b>1,028,585</b>
<b>Current liabilities</b>					
Trade and other payables	13	12,456	17,470	12,454	17,470
Borrowings	14	-	449,199	-	449,199
Provisions	15	3,669	3,303	3,669	3,303
Other financial liabilities	17	218,690	178,887	218,613	178,887
Other	16	2,116	910	2,116	910
<b>Total current liabilities</b>		<b>236,932</b>	<b>649,769</b>	<b>236,852</b>	<b>649,769</b>
<b>Non-current liabilities</b>					
Other financial liabilities	17	208,858	244,742	201,953	236,500
Deferred tax liabilities		135,725	132,412	133,629	130,564
Provisions	15	5,592	864	5,592	864
<b>Total non-current liabilities</b>		<b>350,175</b>	<b>378,018</b>	<b>341,174</b>	<b>367,928</b>
<b>Total liabilities</b>		<b>587,107</b>	<b>1,027,787</b>	<b>578,026</b>	<b>1,017,696</b>
<b>Net assets</b>		<b>500,573</b>	<b>23,642</b>	<b>487,457</b>	<b>10,889</b>
<b>Equity</b>					
Issued capital	18	672,537	199,249	672,537	199,249
Reserves	19	-	75	-	75
Retained earnings	20	(171,964)	(175,682)	(185,081)	(188,435)
		<b>500,573</b>	<b>23,642</b>	<b>487,456</b>	<b>10,889</b>

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

## APA GasNet Australia (Operations) Pty Limited

### Statement of Recognised Income and Expense

For the financial year ended 30 June 2009

	Consolidated		Parent	
	2009	2008	2009	2008
	\$000	\$000	\$000	\$000
Gain on cash flow hedges taken to equity	-	75	-	75
Actuarial loss on defined benefit plan	(4,686)	(3,970)	(4,686)	(3,970)
Income tax on items taken directly to equity	1,406	1,191	1,406	1,191
<b>Net expense recognised directly in equity</b>	<b>(3,280)</b>	<b>(2,704)</b>	<b>(3,280)</b>	<b>(2,704)</b>
Transfers (net of any related tax):				
Transfer to profit or loss on cash flow hedges	(52)	(205)	(52)	(205)
Profit for the year	29,998	14,957	29,635	15,500
<b>Total recognised income and expense for the year</b>	<b>26,666</b>	<b>12,048</b>	<b>26,303</b>	<b>12,591</b>
<b>Attributable to:</b>				
Equity holders of the parent	26,666	12,048	26,303	12,591
	26,666	12,048	26,303	12,591

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

## APA GasNet Australia (Operations) Pty Limited

### Cash Flow Statement

For the financial year ended 30 June 2009

	Note	Consolidated		Parent	
		2009	2008	2009	2008
		\$000	\$000	\$000	\$000
<b><u>Cash flows from operating activities</u></b>					
Receipts from customers		179,075	114,489	179,044	114,489
Payments to suppliers and employees		(69,318)	(49,425)	(70,624)	(50,668)
Interest received		838	667	838	667
Interest and other costs of finance paid		(21,646)	(29,881)	(21,646)	(29,881)
Net cash provided by operating activities	21(b)	88,949	35,850	87,612	34,607
<b><u>Cash flows from investing activities</u></b>					
Dividends received		-	-	-	1,390
Payments for property, plant and equipment		(26,181)	(77,337)	(26,181)	(77,337)
Net cash used in investing activities		(26,181)	(77,337)	(26,181)	(75,947)
<b><u>Cash flows from financing activities</u></b>					
Repayments of borrowings		(450,000)	-	(450,000)	-
Proceeds from issue of securities		440,000	54,310	440,000	54,310
Advances from/(to) related party		(24,212)	17,773	(22,875)	17,626
Distributions paid to equity holders		(23,000)	(41,400)	(23,000)	(41,400)
Net cash (used in)/provided by financing activities		(57,212)	30,683	(55,875)	30,536
Net increase/(decrease) in cash and cash equivalents		5,556	(10,804)	5,556	(10,804)
Cash and cash equivalents at beginning of financial year		1,277	12,081	1,277	12,081
Cash and cash equivalents at end of financial year	21(a)	6,833	1,277	6,833	1,277

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

# APA GasNet Australia (Operations) Pty Limited

## Notes to the Financial Statements

For the financial year ended 30 June 2009

### 1. Significant accounting policies

#### Statement of compliance

The company is not a reporting entity because in the opinion of the directors there are unlikely to exist users of the financial report who are unable to command the preparation of reports tailored so as to satisfy specifically all of their information needs. Accordingly, this 'special purpose financial report' has been prepared to satisfy the directors' reporting requirements under the Corporations Act 2001.

The financial report has been prepared in accordance with the Corporations Act 2001, and the basis of accounting and disclosure requirements specified by all Accounting Standards and Interpretations, except the disclosure requirements of pronouncements listed below:

AASB 7: Financial Instruments Disclosures;  
AASB 112: Income Taxes;  
AASB 114: Segment Reporting;  
AASB 124: Related Party Disclosures; and  
AASB 127: Consolidated and Separate Financial Statements.

The financial report includes the separate financial statements of the company and the consolidated financial statements of the Consolidated Entity.

The financial report was authorised for issue by the directors on 26 October 2009.

#### Basis of preparation

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

The financial report is presented in Australian dollars and all values are rounded to the nearest thousand dollars (\$000) unless otherwise stated under the option available to the Consolidated Entity under ASIC Class Order 98/100.

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

#### Critical accounting judgement and key sources of estimation uncertainty

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

The estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to accounting estimates are recognised in the period in which the estimate is revised if the revision affects only that period, or in the period of the revision and future periods if the revision affects both current and future periods. Refer to Note 2 for a discussion of critical judgements in applying the entity's accounting policies, and key sources of estimation uncertainty.

#### Adoption of new and revised Accounting Standards

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

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

#### (a) Basis of consolidation

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

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

All intra-group transactions, balances, income and expenses are eliminated in full on consolidation. In the separate financial statements of the Company, the intra-group transactions ("common control transactions") are generally accounted for by reference to the existing (consolidated) book value of the items. Where the transaction value of common control transactions differs from their consolidated book value, the difference is recognised as a contribution by or distribution to equity participants by the transaction entities.

# APA GasNet Australia (Operations) Pty Limited

## Notes to the Financial Statements

For the financial year ended 30 June 2009

### 1. Significant accounting policies (continued)

#### **(b) Financial assets**

##### Loans and receivables

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

##### Trade and other payables

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

##### Impairment of financial assets

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

For financial assets carried at amortised cost, the amount of the impairment is the difference between the asset's carrying amount and the present value of estimated future cash flows, discounted at the original effective interest rate.

The carrying amount of financial assets including uncollectible trade receivables is reduced by the impairment loss through the use of an allowance account. Subsequent recoveries of amounts previously written off are credited against the allowance account. Changes in the carrying amount of the allowance account are recognised in profit or loss.

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

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

#### **(c) Cash and cash equivalents**

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

#### **(d) Acquisition of assets**

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

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

#### **(e) Borrowings**

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

#### **(f) Borrowing costs**

Borrowing costs directly attributable to the acquisition, construction or production of qualifying assets, which are assets that necessarily take a substantial period of time to get ready for their intended use or sale, are added to the cost of those assets, until such time as the assets are substantially ready for their intended use or sale. Investment income earned on the temporary investment of specific borrowings pending their expenditure on qualifying assets is deducted from the borrowing costs eligible for capitalisation.

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

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

Land and buildings held for use are carried in the balance sheet at cost, less any subsequent accumulated depreciation and impairment losses. Leasehold improvements and plant and equipment are stated at cost less accumulated depreciation and impairment. Work in progress is stated at cost. Cost includes expenditure that is directly attributable to the acquisition or construction of the item.

# APA GasNet Australia (Operations) Pty Limited

## Notes to the Financial Statements

For the financial year ended 30 June 2009

### 1. Significant accounting policies (continued)

#### **(h) Depreciation**

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

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

#### **(i) Business combinations**

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

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

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

#### **(j) Derivative financial instruments**

The Group enters into a variety of derivatives financial instruments to manage its exposure to interest rate and foreign exchange rate risk, including foreign exchange forward contracts and interest rate swaps.

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

The fair value of hedging derivatives is classified as a non-current asset or a non-current liability if the remaining maturity of the hedge relationship is more than 12 months and as a current asset or a current liability if the remaining maturity of the hedge relationship is less than 12 months.

Derivatives not designated into an effective hedge relationship are classified as a current asset or a current liability.

#### Embedded derivatives

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

#### Hedge accounting

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

At the inception of the hedge relationship, the Consolidated Entity documents the relationship between the hedging instrument and hedged item, along with its risk management objectives and its strategy for undertaking various hedge transactions. Furthermore, at the inception of the hedge and on an ongoing basis, the Consolidated Entity documents whether the hedging instrument that is used in the hedging relationship is highly effective in offsetting changes in fair values or cash flows of the hedged item. Movement in the hedging reserve in equity is detailed in Note 19.

**APA GasNet Australia (Operations) Pty Limited**  
**Notes to the Financial Statements**  
For the financial year ended 30 June 2009

**1. Significant accounting policies (continued)**

**(j) Derivative financial instruments (continued)**

Fair value hedges

Changes in the fair value of derivatives that are designated and qualify as fair value hedges are recorded in profit or loss immediately, together with any changes in the fair value of the hedged item that is attributable to the hedged risk.

Hedge accounting is discontinued when the Consolidated Entity revokes the hedging relationship or the hedging instrument expires or is sold, terminated, or exercised, or no longer qualifies for hedge accounting. The adjustment to the carrying amount of the hedged item arising from the hedged risk is amortised to profit or loss from that date.

Cash flow hedges

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

Amounts deferred in equity are recycled in profit or loss in the periods when the hedged item is recognised in profit and loss in the same line of the income statement as the recognised hedged item. However, when the forecast transaction that is hedged results in the recognition of a non-financial asset or a non-financial liability, the gains and losses previously deferred in equity are transferred from equity and included in the initial measurement of the cost of the asset or liability.

Hedge accounting is discontinued when the Consolidated Entity revokes the hedging relationship or the hedging instrument expires or is sold, terminated, or exercised, or no longer qualifies for hedge accounting. Any cumulative gain or loss deferred in equity at that time remains in equity and is recognised when the forecast transaction is ultimately recognised in profit or loss. When a forecast transaction is no longer expected to occur, the cumulative gain or loss that was deferred in equity is recognised immediately in profit or loss.

**(k) Employee benefits**

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

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

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

Defined contribution plans

Contributions to defined contribution superannuation plans are expensed when incurred.

Defined benefit plans

For defined benefit plans, the cost of providing benefits is determined using the projected unit credit method, with actuarial valuations being carried out at each reporting date. Actuarial gains and losses are recognised directly to retained earnings in the period in which they occur.

Past service cost is recognised immediately to the extent that the benefits are already vested, and otherwise amortised on a straight-line basis over the average period until the benefits become vested.

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

**(l) Financial instruments issued by the Consolidated Entity**

Debt and equity instruments

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



## APA GasNet Australia (Operations) Pty Limited

### Notes to the Financial Statements

For the financial year ended 30 June 2009

#### 1. Significant accounting policies (continued)

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

###### Financial guarantee contract liabilities

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

###### Transaction costs on the issue of equity instruments

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

###### Interest and distributions

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

##### **(m) Foreign currency transactions**

Both the functional and presentation currency of the Consolidated Entity and the Company is Australian dollars (A\$).

All foreign currency transactions during the financial year are brought to account using the exchange rate in effect at the date of the transaction. Foreign currency monetary items at reporting date are translated at the exchange rate existing at that date and resulting exchange differences are recognised in profit or loss in the period in which they arise.

##### **(n) Goods and services tax**

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

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

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

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

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

##### **(o) Goodwill**

Goodwill acquired in a business combination is initially measured at its cost, being the excess of the cost of the business combination over the

##### **(p) Impairment of assets**

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

##### **(q) Income tax**

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

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

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

## APA GasNet Australia (Operations) Pty Limited

### Notes to the Financial Statements

For the financial year ended 30 June 2009

#### 1. Significant accounting policies (continued)

##### **(q) Income tax (continued)**

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

##### Tax consolidation

The Company and its wholly-owned Australian tax resident entities are part of a tax-consolidated group under Australian taxation law. The head entity within the tax-consolidated group is Australian Pipeline Trust.

Tax expense/income, deferred tax liabilities and deferred tax assets arising from temporary differences of the members of the tax-consolidated group are recognised in the separate financial statements of the members of the tax-consolidated group using the 'separate taxpayer within group' approach by reference to the carrying amounts in the separate financial statements of each entity and the tax values applying under tax consolidation.

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

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

##### **(r) Inventories**

Inventories are stated at the lower of cost and net realisable value. Costs, including an appropriate portion of fixed and variable overhead expenses, are assigned to inventories by the method most appropriate to each particular class of inventory, with the majority being valued on a first-in, first-out basis. Net realisable value represents the estimated selling price for the inventories less all estimated costs of completion and costs necessary to make the sale.

##### **(s) Provisions**

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

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

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

##### **(t) Dividends**

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

##### **(u) Revenue recognition**

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

##### Sales revenue

Sales revenue represents revenue earned for the transportation of gas, transmission of electricity and other related services and is recognised when the services are provided.

##### Passthrough revenue

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

##### Interest revenue

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

**APA GasNet Australia (Operations) Pty Limited**  
**Notes to the Financial Statements**  
For the financial year ended 30 June 2009

**1. Significant accounting policies (continued)**

**(u) Revenue recognition (continued)**

Sale of non-current assets

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

Dividend revenue

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

**(v) Share based payments**

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

**(w) Standards and Interpretations issued not yet effective**

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

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

Standard	Effective for annual reporting periods beginning on or after	Expected to be initially applied in the financial year ending
<ul style="list-style-type: none"> <li>• AASB 101 'Presentation of Financial Statements' - revised standard (revised September 2007), AASB 2007-8 'Amendments to Australian Accounting Standards arising from AASB 101', AASB 2007-10 'Further Amendments to Australian Accounting Standards arising from AASB 101'</li> </ul>	1 January 2009	30 June 2010
<ul style="list-style-type: none"> <li>• AASB 8 'Operating Segments'</li> </ul>	1 January 2009	30 June 2010
<ul style="list-style-type: none"> <li>• AASB 2009-2 'Amendments to Australian Accounting Standards - Improving Disclosures about Financial Instruments'</li> </ul>	1 January 2009	30 June 2010

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

Standard/Interpretation	Effective for annual reporting periods beginning on or after	Expected to be initially applied in the financial year ending
<ul style="list-style-type: none"> <li>• AASB 123 'Borrowing Costs' (revised), AASB 2007-6 'Amendments to Australian Accounting Standards arising from AASB 123'</li> </ul>	1 January 2009	30 June 2010
<ul style="list-style-type: none"> <li>• AASB 127 'Separate and Consolidated Financial Statements' (revised)</li> </ul>	1 January 2009	30 June 2010
<ul style="list-style-type: none"> <li>• AASB 2008-1 'Amendments to Australian Accounting Standard - Share-based Payments: Vesting Conditions and Cancellations'</li> </ul>	1 January 2009	30 June 2010
<ul style="list-style-type: none"> <li>• AASB 2008-2 'Amendments to Australian Accounting Standards - Puttable Financial Instruments and Obligations arising on Liquidation'</li> </ul>	1 January 2009	30 June 2010
<ul style="list-style-type: none"> <li>• AASB 2008-5 'Amendments to Australian Accounting Standards arising from the Annual Improvements Project'</li> </ul>	1 January 2009	30 June 2010

**APA GasNet Australia (Operations) Pty Limited**  
**Notes to the Financial Statements**  
For the financial year ended 30 June 2009

**1. Significant accounting policies (continued)**

**(w) Standards and Interpretations issued not yet effective (continued)**

Standard/Interpretation	Effective for annual reporting periods beginning on or after	Expected to be initially applied in the financial year ending
• AASB 2008-6 'Further Amendments to Australian Accounting Standards arising from the Annual Improvements Project'	1 July 2009	30 June 2010
• AASB 2008-7 'Amendments to Australian Accounting Standards - Cost of an Investment in a Subsidiary, Jointly Controlled Entity or Associate'	1 January 2009	30 June 2010
• AASB 2008-8 'Amendments to Australian Accounting Standards - Eligible Hedged Items'	1 July 2009	30 June 2010
• AASB Interpretation 17 'Distributions of Non-cash Assets to Owners', AASB 2008-13 'Amendments to Australian Accounting Standards arising from AASB Interpretation 17 - Distributions of Non-cash Assets to Owners'	1 July 2009	30 June 2010

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

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

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

- AASB 3 'Business Combinations' (revised), AASB 127 'Consolidated and Separate Financial Statements' (revised) and AASB 2008-3 'Amendments to Australian Accounting Standards arising from AASB 3 and AASB 127' Effective for annual periods beginning on or after 1 July 2009.

## APA GasNet Australia (Operations) Pty Limited

### Notes to the Financial Statements

For the financial year ended 30 June 2009

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

##### Critical judgements in applying the entity's accounting policies

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

##### Key sources of estimation uncertainty

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

##### Impairment of assets

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

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

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

**APA GasNet Australia (Operations) Pty Limited**  
**Notes to the Financial Statements**  
For the financial year ended 30 June 2009

**3. Revenue**

	Consolidated		Parent	
	2009	2008	2009	2008
	\$000	\$000	\$000	\$000
An analysis of the Consolidated Entity's revenue for the year is as follows:				
Transportation revenue				
Regulated transmission revenue	114,239	93,521	114,239	93,521
LNG/metering services revenue	17,274	17,426	17,274	17,426
	<b>131,513</b>	<b>110,947</b>	<b>131,513</b>	<b>110,947</b>
Finance income				
Interest revenue	838	598	838	598
Other income				
Gain on disposal of property, plant and equipment	180	-	180	-
Rental income	323	271	323	271
Dividends from wholly-owned controlled entities	-	-	400	1,390
Other revenue	6,242	8,097	4,932	6,822
	<b>6,745</b>	<b>8,368</b>	<b>5,835</b>	<b>8,483</b>
	<b>139,096</b>	<b>119,913</b>	<b>138,186</b>	<b>120,028</b>

**4. Expenses**

Profit before tax includes the following expenses:

Depreciation expense				
Depreciation of non-current assets	18,897	16,084	18,677	15,876
Finance costs				
Interest	42,650	48,451	42,650	48,451
Amortisation of deferred borrowing costs	801	1,137	801	1,137
Other finance costs	31	50	31	50
	<b>43,482</b>	<b>49,638</b>	<b>43,482</b>	<b>49,638</b>
Less: amounts included in the cost of qualifying assets	(528)	(4,181)	(528)	(4,181)
	<b>42,954</b>	<b>45,457</b>	<b>42,954</b>	<b>45,457</b>
Loss on fair value of other derivatives	(25)	1,848	(25)	1,848
	<b>42,929</b>	<b>47,305</b>	<b>42,929</b>	<b>47,305</b>
Employee benefit expense				
Post-employment benefits:				
Defined contribution plans	586	489	586	489
Defined benefits plans	382	21	382	21
	<b>968</b>	<b>510</b>	<b>968</b>	<b>510</b>
Termination benefits	181	331	181	331
Other employee benefits	10,365	9,775	10,365	9,775
	<b>11,514</b>	<b>10,616</b>	<b>11,514</b>	<b>10,616</b>

**5. Distributions**

	Consolidated and Parent			
	2009		2008	
	cents per security	Total \$000	cents per security	Total \$000
Recognised amounts				
Distribution paid on 24 December 2008 (2008: 26 June 2008)				
Profit distribution	1.5	23,000	1.2	8,090
	<b>1.5</b>	<b>23,000</b>	<b>1.2</b>	<b>8,090</b>

**APA GasNet Australia (Operations) Pty Limited**  
**Notes to the Financial Statements**  
For the financial year ended 30 June 2009

**6. Trade and other receivables**

	Consolidated		Parent	
	2009	2008	2009	2008
	\$000	\$000	\$000	\$000
Trade receivables	26,153	37,170	26,153	37,170
Allowance for doubtful debts	-	-	-	-
	<b>26,153</b>	<b>37,170</b>	<b>26,153</b>	<b>37,170</b>
Other debtors	21	13	21	13
	<b>26,174</b>	<b>37,183</b>	<b>26,174</b>	<b>37,183</b>

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

Ageing of past due but not impaired

30 - 60 days	291	406	-	-
60 - 90 days	-	298	-	-
90 - 120 days	442	131	-	-
Total	<b>733</b>	<b>835</b>	<b>-</b>	<b>-</b>

In determining the recoverability of a trade receivable, the Consolidated Entity considers any change in the credit quality of the trade receivable from the date the credit was initially granted up to the reporting date. The concentration of credit risk is limited due to the customer base being large and unrelated. Accordingly, the directors believe that there are no further credit provisions required in excess of the allowance for doubtful debts.

**7. Other current financial assets**

Derivatives - at fair value:

Interest rate swaps - cash flow hedges	-	74	-	74
--	---	----	---	----

**8. Inventories**

	Consolidated		Parent	
	2009	2008	2009	2008
	\$000	\$000	\$000	\$000
Spare parts - at cost	1,053	1,115	1,053	1,115

**9. Other current assets**

Prepayments	830	533	830	533
-------------	-----	-----	-----	-----

**10. Other non-current financial assets**

Related party receivables	184,515	154,799	178,730	148,585
---------------------------	---------	---------	---------	---------

Transactions with related parties have taken place at arm's length and in the ordinary course of business. The Consolidated Entity charges interest on related party receivables from time to time.

**11. Other non-current assets**

Line pack gas	1,160	1,129	1,160	1,129
---------------	-------	-------	-------	-------

**APA GasNet Australia (Operations) Pty Limited**  
**Notes to the Financial Statements**  
For the financial year ended 30 June 2009

**12. Property, plant and equipment**

	Consolidated			
	Freehold land and buildings at cost \$000	Plant and equipment at cost \$000	Work in progress at cost \$000	Total \$000
<b>Gross carrying amount</b>				
Balance at 1 July 2007	12,245	856,970	38,133	907,348
Additions	113	107,626	77,816	185,555
Disposals	-	-	-	-
Transfers	-	-	(107,739)	(107,739)
Balance at 1 July 2008	12,358	964,596	8,210	985,164
Additions	-	-	30,694	30,694
Disposals	-	(4)	-	(4)
Transfers	153	10,491	(10,644)	-
Balance at 30 June 2009	12,511	975,083	28,260	1,015,854
<b>Accumulated depreciation</b>				
Balance at 1 July 2007	(1,044)	(112,717)	-	(113,760)
Disposals	-	-	-	-
Depreciation expense	(127)	(15,957)	-	(16,084)
Balance at 1 July 2008	(1,171)	(128,674)	-	(129,844)
Disposals	-	2	-	2
Depreciation expense	(134)	(18,763)	-	(18,897)
Balance at 30 June 2009	(1,305)	(147,435)	-	(148,739)
<b>Net book value</b>				
As at 30 June 2008	11,187	835,922	8,210	855,320
As at 30 June 2009	11,206	827,648	28,260	867,115

**Assets pledged as security**

Property, plant and equipment held by the Consolidated Entity with a carrying amount of \$867,114,736 (2008:\$855,320,695) are subject to a first charge to secure all its interest bearing liabilities.



**APA GasNet Australia (Operations) Pty Limited**  
**Notes to the Financial Statements**  
For the financial year ended 30 June 2009

**12. Property, plant and equipment (continued)**

	Freehold land and buildings at cost \$000	Parent Plant and equipment at cost \$000	Work in progress at cost \$000	Total \$000
<b>Gross carrying amount</b>				
Balance at 1 July 2007	12,245	838,573	38,133	888,951
Additions	113	107,626	77,816	185,555
Disposals	-	-	-	-
Transfers	-	-	(107,739)	(107,739)
Balance at 1 July 2008	12,358	946,199	8,210	966,767
Additions	-	-	30,692	30,692
Disposals	-	(4)	-	(4)
Transfers	153	10,491	(10,644)	-
Balance at 30 June 2009	12,511	956,686	28,258	997,455
<b>Accumulated depreciation</b>				
Balance at 1 July 2007	(1,043)	(111,159)	-	(112,202)
Disposals	-	-	-	-
Depreciation expense	(127)	(15,749)	-	(15,876)
Balance at 1 July 2008	(1,170)	(126,908)	-	(128,078)
Disposals	-	2	-	2
Depreciation expense	(133)	(18,844)	-	(18,677)
Balance at 30 June 2009	(1,303)	(145,450)	-	(146,753)
<b>Net book value</b>				
As at 30 June 2008	11,188	819,291	8,210	838,689
As at 30 June 2009	11,208	811,236	28,258	850,702

**APA GasNet Australia (Operations) Pty Limited**  
**Notes to the Financial Statements**  
For the financial year ended 30 June 2009

**13. Trade and other payables**

	Consolidated		Parent	
	2009 \$000	2008 \$000	2009 \$000	2008 \$000
Trade payables	574	5,328	572	5,328
Other payables	11,882	12,142	11,882	12,142
	<u>12,456</u>	<u>17,470</u>	<u>12,454</u>	<u>17,470</u>

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

**14. Current Borrowings**

Secured - at amortised cost

Medium Term Notes	-	450,000	-	450,000
Less: amortised borrowing costs	-	(801)	-	(801)
	-	<u>449,199</u>	-	<u>449,199</u>

**15. Provisions**

Current

Employee benefits	<u>3,669</u>	<u>3,303</u>	<u>3,669</u>	<u>3,303</u>
-------------------	--------------	--------------	--------------	--------------

Non-current

Employee benefits(i)	<u>5,592</u>	<u>864</u>	<u>5,592</u>	<u>864</u>
----------------------	--------------	------------	--------------	------------

(i) Balance includes a carrying amount for the defined benefit plan of \$5,362,000 (2008: \$676,000).

**16. Other current liabilities**

Unearned revenue	<u>2,116</u>	<u>910</u>	<u>2,116</u>	<u>910</u>
------------------	--------------	------------	--------------	------------

**17. Other financial liabilities**

Current

Related party payables	<u>218,690</u>	<u>178,887</u>	<u>218,613</u>	<u>178,887</u>
------------------------	----------------	----------------	----------------	----------------

Non-current

Loans carried at amortised cost:				
Loans from related entities	<u>208,858</u>	<u>244,742</u>	<u>201,953</u>	<u>236,500</u>

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

## APA GasNet Australia (Operations) Pty Limited

### Notes to the Financial Statements

For the financial year ended 30 June 2009

#### 18. Issued capital

	Consolidated		Parent	
	2009	2008	2009	2008
	\$000	\$000	\$000	\$000
<b>Securities</b>				
Fully paid securities (a)	672,537	199,249	672,537	199,249
<b>Movements:</b>				
	Consolidated and Parent		Consolidated and Parent	
	2009		2008	
	No. of units		No. of units	
	'000	\$000	'000	\$000
Balance at beginning of financial year	693,589	199,249	239,480	144,939
Units issued to parent of the Consolidated Entity and Company	810,252	473,288	454,109	54,310
Share cancellation (b)	(831,304)	-	-	-
Balance at end of financial year	672,537	672,537	693,589	199,249

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

(b) A share cancellation was made on 21 April 2009 to reset the share value to \$1.00 per security. As the sole shareholder of the Consolidated Entity and the Company is APA Gasnet Australia (Holdings) Pty Limited, there is no impact to the shareholder's equity.

#### 19: Reserves

	Consolidated		Parent	
	2009	2008	2009	2008
	\$000	\$000	\$000	\$000
<b>Hedging reserve</b>				
Balance at beginning of financial year	75	205	75	205
<b>Gain/(loss) recognised:</b>				
Interest rate swaps/currency swaps	-	75	-	75
<b>Transferred to profit or loss:</b>				
Interest rate swaps/currency swaps	(75)	(205)	(75)	(205)
Deferred tax arising on hedges	-	-	-	-
Balance at end of financial year	-	75	-	75

The hedging reserve represents hedging gains and losses recognised on the effective portion of cash flow hedges. The cumulative deferred gain or loss on the hedge is recognised in profit or loss when the hedged transaction impacts profit or loss, or is included as a basis adjustment to the non-financial hedge item, consistent with the applicable accounting policy. The 2008 hedging reserve amount will impact on profit and loss in the next financial year.

#### 20. Retained earnings

Balance at beginning of financial year	(175,682)	(179,770)	(188,435)	(193,066)
Net profit attributable to securityholders	29,998	14,957	29,635	15,500
Distributions paid (Note 5)	(23,000)	(8,090)	(23,000)	(8,090)
Actuarial gain/(loss) on defined benefit plans recognised directly to retained earnings after tax	(3,280)	(2,779)	(3,280)	(2,779)
Balance at end of financial year	(171,964)	(175,682)	(185,081)	(188,435)

**APA GasNet Australia (Operations) Pty Limited**  
**Notes to the Financial Statements**  
For the financial year ended 30 June 2009

**21. Notes to the cash flow statement**

	Consolidated		Parent	
	2009	2008	2009	2008
	\$000	\$000	\$000	\$000

**(a) Reconciliation of cash and cash equivalents**

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

Cash at bank and on hand	6,833	1,277	6,833	1,277
Short term deposits	-	-	-	-
	<u>6,833</u>	<u>1,277</u>	<u>6,833</u>	<u>1,277</u>

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

Profit for the year	29,998	14,957	29,635	15,500
Loss/(gain) from the disposal of property, plant and equipment	(180)	-	(180)	-
Dividends received	-	-	(400)	(1,390)
Capitalised interest expense	(528)	(4,181)	(528)	(4,181)
Interest Distribution to unit holders	24,361	17,801	24,364	17,801
Depreciation and amortisation expense	18,897	16,084	18,677	15,876
Finance costs	801	1,137	801	1,137
Changes in assets and liabilities:				
Trade and other receivables	11,009	(19,474)	11,009	(19,474)
Inventories	62	(40)	62	(40)
Other assets	(223)	6,068	(223)	6,068
Trade and other payables	2,032	3,267	2,001	3,298
Provisions	(4,277)	(3,505)	(4,277)	(3,505)
Other liabilities	(4,220)	(2,691)	(4,219)	(2,691)
Income tax balances	11,292	6,645	10,966	6,426
Reserves	(75)	(218)	(75)	(218)
Net cash provided by operating activities	<u>88,949</u>	<u>35,850</u>	<u>87,612</u>	<u>34,607</u>

**(c) Financing facilities**

**Secured facilities:**

**Medium Term Notes (i):**

Amounts used	-	450,000	-	450,000
Amounts unused	-	-	-	-
	-	<u>450,000</u>	-	<u>450,000</u>

(i) Medium Term Notes of \$150 million with interest at a fixed rate matured on 15 August 2008, \$100 million with interest at a fixed rate matured on 20 March 2009 and \$200 million with interest at floating rates matured on 20 March 2009.

## APA GasNet Australia (Operations) Pty Limited

### Notes to the Financial Statements

For the financial year ended 30 June 2009

#### 22. Controlled entities

Name of entity	Country of registration/incorporation	Ownership interest	
		2009 (%)	2008 (%)
<b>Parent entity (i)</b>			
APA GasNet Australia (Operations) Pty Limited	Australia		
<b>Subsidiaries (i)</b>			
APA GasNet A Pty Ltd	Australia	100	100
APA GasNet Australia (NSW) Pty Ltd	Australia	100	100
APA GasNet B Pty Ltd	Australia	100	100
APA GasNet B Trust	Australia	100	100

(i) The registered office address is at Level 19, 580 George Street Sydney, NSW 2000. The principal place of business is located at 180 Greens Road Dandenong, Victoria 3175.

#### 23. Commitments for expenditure

	Consolidated		Parent	
	2009	2008	2009	2008
	\$000	\$000	\$000	\$000
<b>(a) Capital expenditure commitments</b>				
Not longer than 1 period	3,928	2,802	3,928	2,802
	<u>3,928</u>	<u>2,802</u>	<u>3,928</u>	<u>2,802</u>
<b>(b) Non-cancellable operating leases - other</b>				
Not longer than 1 period	577	749	577	749
Longer than 1 period and not longer than 5 periods	338	457	338	457
Longer than 5 periods	178	444	178	444
	<u>1,094</u>	<u>1,651</u>	<u>1,094</u>	<u>1,651</u>

#### 24. Remuneration of external auditor

	Consolidated		Parent	
	2009	2008	2009	2008
	\$	\$	\$	\$
<b>Amounts received or due and receivable by Deloitte Touche Tohmatsu for:</b>				
- Auditing the financial report	112,000	155,000	112,000	155,000
	<u>112,000</u>	<u>155,000</u>	<u>112,000</u>	<u>155,000</u>

#### 25. Contingencies

There are no contingent liabilities or assets at 30 June 2009 (2008: Nil).

## APA GasNet Australia (Operations) Pty Limited

### Directors' Declaration

For the financial year ended 30 June 2009

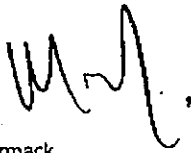
The Company and the Consolidated Entity is not a reporting entity because in the opinion of the Directors there are unlikely to exist users of the financial report who are unable to command the preparation of reports tailored so as to satisfy specifically all of their information needs. Accordingly, this 'special purpose financial report' has been prepared to satisfy the Directors' reporting requirement under the Corporation Act 2001.

The Directors declare that:

- (a) in the Directors' opinion, there are reasonable grounds to believe that APA GasNet Australia (Operations) Pty Ltd will be able to pay its debts as and when they become due and payable;
- (b) in the Directors' opinion, the attached financial statements and notes thereto are in accordance with the Corporations Act 2001, including compliance with Accounting Standards and giving a true and fair view of the financial position and performance of the Company and the Consolidated Entity.

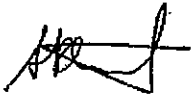
Signed in accordance with a resolution of the directors made pursuant to s.295(5) of the Corporations Act 2001.

On behalf of the Directors



M J McCormack

Managing Director



S Ohl

Director

SYDNEY, 29 October 2009

Board of Directors  
APA GasNet Australia (Operations) Pty Limited  
Level 19, 580 George Street  
Sydney NSW 2000

29 October 2009

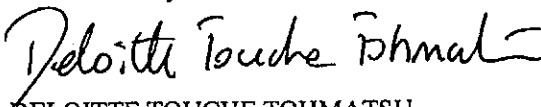
### **Auditors Independence Declaration to APA GasNet Australia (Operations) Pty Limited**

In accordance with section 307C of the Corporations Act 2001, I am pleased to provide the following declaration of independence to the directors of APA GasNet Australia (Operations) Pty Limited.

As lead audit partner for the audit of the financial statements of APA GasNet Australia (Operations) Pty Limited for the financial year ended 30 June 2009, I declare that to the best of my knowledge and belief, there have been no contraventions of:

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

Yours sincerely



DELOITTE TOUCHE TOHMATSU



Samantha Lewis  
Partner  
Chartered Accountants





## Independent Auditor's Report to the members of APA GasNet Australia (Operations) Pty Limited

We have audited the accompanying financial report, being a special purpose financial report, of APA GasNet Australia (Operations) Pty Limited, which comprises the balance sheet as at 30 June 2009, and the income statement, cash flow statement and statement of changes in equity for the year ended on that date, a summary of significant accounting policies, other explanatory notes and the directors' declaration as set out on pages 4 to 25.

### *Directors' Responsibility for the Financial Report*

The directors of the company are responsible for the preparation and fair presentation of the financial report and have determined that the accounting policies described in Note 1 to the financial statements, which form part of the financial report, are appropriate to meet the requirements of the *Corporations Act 2001* and are appropriate to meet the needs of the members. The directors' responsibility also includes establishing and maintaining internal control relevant to the preparation and fair presentation of the financial report that is free from material misstatement, whether due to fraud or error; selecting and applying appropriate accounting policies; and making accounting estimates that are reasonable in the circumstances.

### *Auditor's Responsibility*

Our responsibility is to express an opinion on the financial report based on our audit. No opinion is expressed as to whether the accounting policies used, as described in Note 1, are appropriate to meet the needs of the members. 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.

The financial report has been prepared for distribution to the members for the purpose of fulfilling the directors' financial reporting requirements under the *Corporations Act 2001*. We disclaim any



# Deloitte.

assumption of responsibility for any reliance on this report or on the financial report to which it relates to any person other than the members, or for any purpose other than that for which it was prepared.

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

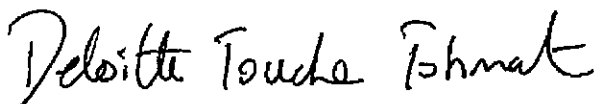
## *Auditor's Independence Declaration*

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

## *Auditor's Opinion*

In our opinion, the financial report of APA GasNet Australia (Operations) Pty Limited is in accordance with the *Corporations Act 2001*, including:

- (a) giving a true and fair view of the company's financial position as at 30 June 2009 and of its performance for the year ended on that date in accordance with the accounting policies described in Note 1; and
- (b) complying with Australian Accounting Standards to the extent described in Note 1 and the *Corporations Regulations 2001*.



DELOITTE TOUCHE TOHMATSU



Samantha Lewis  
Partner  
Chartered Accountants  
Sydney, 29 October 2009

