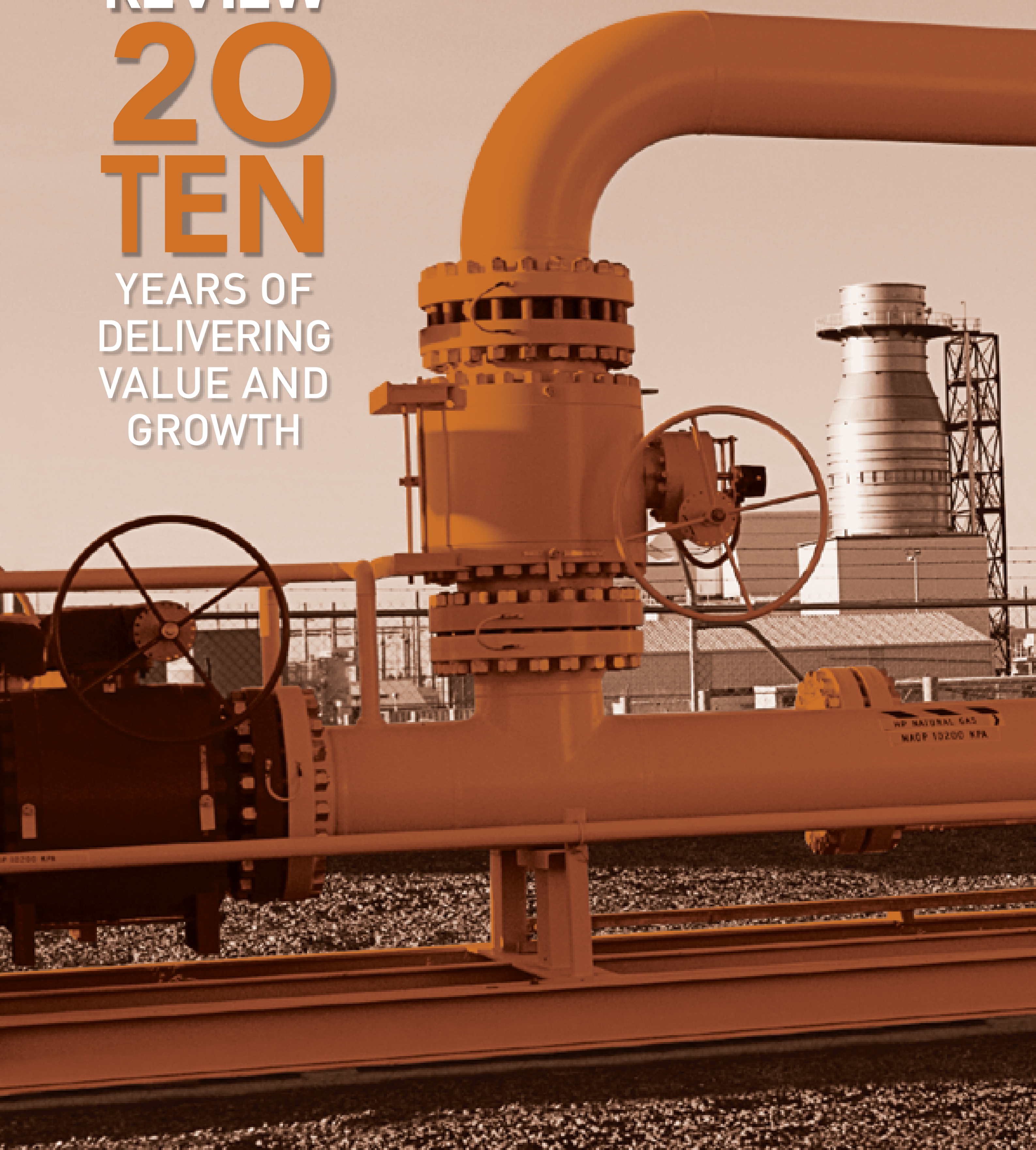
APA Group

ANNUAL REVIEW 20TEN

YEARS OF DELIVERING VALUE AND GROWTH



Our vision

To be Australia's number one energy infrastructure business. Our success will be founded upon the strengthening of our asset footprint.

Our goals

- Provide a safe, stimulating and rewarding workplace where our employees can learn and grow
- Deliver value to our customers and create responsive solutions to their needs
- Continue to deliver an environmentally responsible, safe and essential service to the communities we serve
- Continue to be a reliable and attractive investment which delivers superior returns for securityholders
- Positively engaging the communities within which we operate

Our profile

APA Group (APA) is Australia's largest natural gas infrastructure business, owning and/or operating more than $8 billion of natural gas transmission and distribution assets. APA's pipelines and assets span every state and territory on mainland Australia, delivering more than half the nation's gas usage. APA has direct management and operational control over its assets. APA holds minority interests in energy infrastructure enterprises.

APA is listed on the Australian Securities Exchange (ASX) .

CONTENT

Front cover: APA Group's delivery point for gas into the Uranquinty Power Station, New South Wales
Inside cover: Culcairn compressor station and New South Wales to Victoria interconnect

APA has been delivering energy across Australia for 10 years. Since listing in 2000, we have expanded our asset footprint and today we are delivering more than half the natural gas used across the country.

For 10 years we have been delivering value to our investors with sustainable and growing distributions.

APA has a strong position in the Australian energy infrastructure industry, the people with the skills and know-how to manage and operate the business profitably, and the platform for sustainable and profitable growth.

We celebrate 10 years of APA's successful operation and performance. With APA's assets, people and financial strength, together with a growing demand for gas, I believe the best days for APA are ahead of us.

Mick McCormack
Managing Director APA Group

Online Annual Review and Annual Report

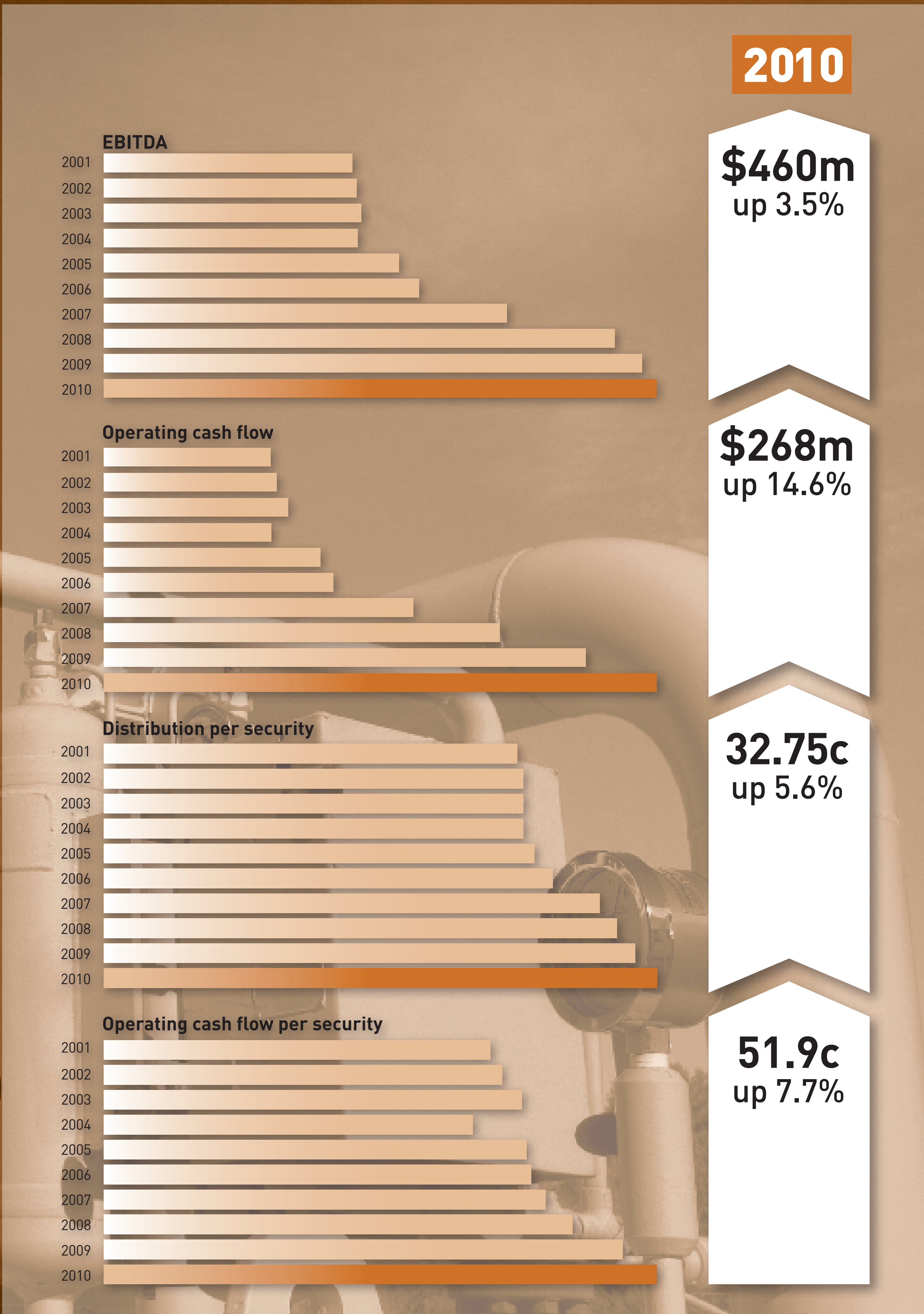
This document and further information about APA's financial performance, including details contained in the Annual Report, are available at **www.apa.com.au**

PERFORMANCE HIGHLIGHTS

	2010 $million	2009 $million	Change %
Financial results			
Revenue	989.5	944.4	4.8
Revenue excluding pass-through	659.5	673.0	(2.0)
EBITDA	460.0	444.4	3.5
Profit	100.4	78.8	27.4
Operating cash flow	267.8	233.6	14.6
Financial position			
Total assets	4,982.4	4,747.3	5.0
Net debt	3,156.8	3,056.7	3.3
Securityholders' equity	1,395.1	1,278.5	9.1
Financial ratios			
Operating cash flow per security (cents)	51.9	48.2	7.7
Earnings per security (cents)	19.4	22.7	(14.5)
Distribution per security (cents)	32.75	31.0	5.6
Distribution payout ratio	64.4%	65.6%	
Gearing (net debt to net debt plus equity)	69.8%	70.3%	
Interest cover	2.11	2.13	

Strategic objectives	Achievements
Enhancing our gas infrastructure portfolio	• Continued expansion of the Moomba Sydney Pipeline • Commenced expansion of the southern lateral of the Moomba Sydney Pipeline (Young to Wagga Wagga looping) • Commenced augmentation of the northern section of the Victorian Transmission System • Acquired the Berwyndale Wallumbilla Pipeline • Commenced construction of a lateral on the Roma Brisbane Pipeline • Extended the APA Gas Network, Queensland • Invested in Hastings Diversified Utilities Fund
Utilising our skills and knowledge	• Increased strategic energy investment management, with services to Energy Infrastructure Investments
Capturing revenue and operating synergies	• Contracted gas transportation and storage services across assets and state borders (New South Wales and Victoria) • Implemented major national initiatives including customer interface, finance systems, operational excellence across transmission and network operations
Leveraging our infrastructure portfolio	• Invested in North Brown Hill Wind Farm through EII2 partnership with Marubeni Corporation and Osaka Gas
Strengthening our financial capability	• Refinanced $1 billion of debt • Obtained a Baa2 credit rating from Moody's to sit alongside the BBB investment grade credit rating from Standard & Poor's • Raised new equity from securityholders through DRP and SPP

Meter runs at
Watson Regulator station,
Australian Capital Territory.



APA GROUP PROFILE

Today, APA has a strong position in the Australian energy infrastructure industry, the people with the skills and know-how to manage and operate the business profitably, and the platform for sustainable growth.

Our strengths

Unrivalled natural gas asset footprint

APA is the largest transporter of natural gas across Australia, owning and/or operating over 12,700 km of gas pipelines and transporting more than half the natural gas used in the country.

Integrated portfolio of natural gas pipeline assets

Many of APA's gas infrastructure assets and investments are connected to each other, providing revenue and operating synergies.

Attractive growth opportunities

APA's existing pipelines serve major growth markets across Australia. Our assets are uniquely positioned to grow as Australia's demand for natural gas increases.

Stable and secure revenue

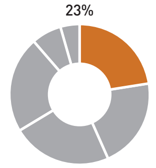
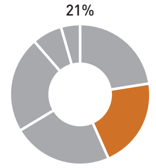
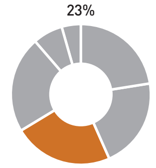
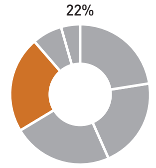
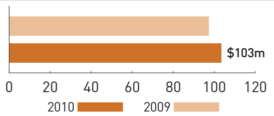
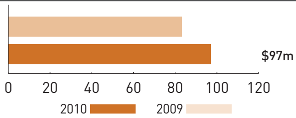
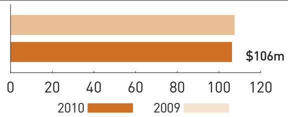
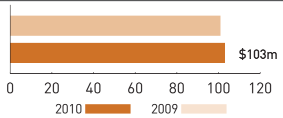
In excess of 90% of APA's revenue is derived from regulated assets and from long-term contracts with large creditworthy customers.

Internally managed and operated business

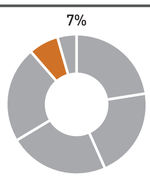
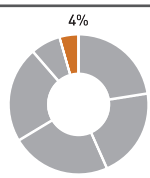
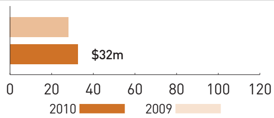
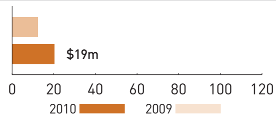
APA employs more than 1,100 highly skilled and experienced people who are extracting greater value from the business and responding to the requirements of a dynamic energy market.

Business Segments

Gas transmission and distribution

	Queensland	New South Wales	Victoria and South Australia	Western Australia and Northern Territory
Assets and operations	Roma Brisbane Pipeline (1) Carpentaria Gas Pipeline (2) APA Gas Network (3) Berwyndale Wallumbilla Pipeline (4)	Moomba Sydney Pipeline (5) Central West Pipeline (6) Central Ranges Pipeline (7) New South Wales – Victoria Interconnect (8)	Victorian Transmission System (9) Dandenong LNG facility (10) SESA Pipeline (11)	Goldfields Gas Pipeline (88.2%) (12) Mid West Pipeline (50%) (13) Parmelia Gas Pipeline (14) Mondarra Gas Storage facility (15) Kalgoorlie Kambalda Pipeline (16) Amadeus Gas Pipeline (96%) (17)
Transmission pipelines	1,707 km	2,578 km	2,037 km	4,111 km
Distribution networks	2,800 km 82,000 connections	40 km 1,000 connections		
Contribution to 2010 EBITDA	23% 	21% 	23% 	22% 
EBITDA	 $103m	 $97m	 $106m	 $103m

Asset map

	Asset management	Energy Investments
Assets and operations	Commercial and operational services to: • Energy Infrastructure Investments • Envestra Limited • Ethane Pipeline Income Fund Operational services to: • SEA Gas Pipeline • other third parties	Envestra Limited (32%) (18) • Gas distribution networks and pipelines SEA Gas Pipeline (33.3%) (19) Energy Infrastructure Investments (19.9%) (20) • Gas pipelines, electricity transmission, gas-fired power stations and gas processing plants Ethane Pipeline Income Fund (6%) (21) EII2 (20.2%) (22) • North Brown Hill Wind Farm Hastings Diversified Utilities Fund (17%)
Transmission pipelines Distribution networks	Services to: 2,330 km (natural gas) and 1,375 km (ethane) 20,440 km network 1,040,000 connections	
Contribution to 2010 EBITDA		
EBITDA		

OUR JOURNEY

Ten years of profitable growth

Compared to the long life of its assets, APA is a relatively young organisation. Ten years ago, in June 2000, APA was formed when AGL listed its gas transmission assets in a separate company, Australian Pipeline Trust (as APA was called at the time).

As we have grown, we have also evolved – from an infrastructure owner and manager with six employees in a city office and an external asset operator, to an integrated operating business with more than 1,100 people working in over 50 locations across the country.

The assets we own and operate have been expanded over the 10 years. In June 2000, APA had interests in 7,000 km of gas transmission pipelines – today we have an interest in, and operate over 12,700 km of pipelines and 23,000 km of gas distribution networks.

From its inception APA's objective was to maximise the value of these assets and hence the value to our securityholders. This has been achieved and is demonstrated by consistent, growing returns to securityholders.

June 2000

APA was created when AGL floated its gas transmission assets.

On 13 June 2000, APA was listed on the Australian Securities Exchange

2001 - 2003

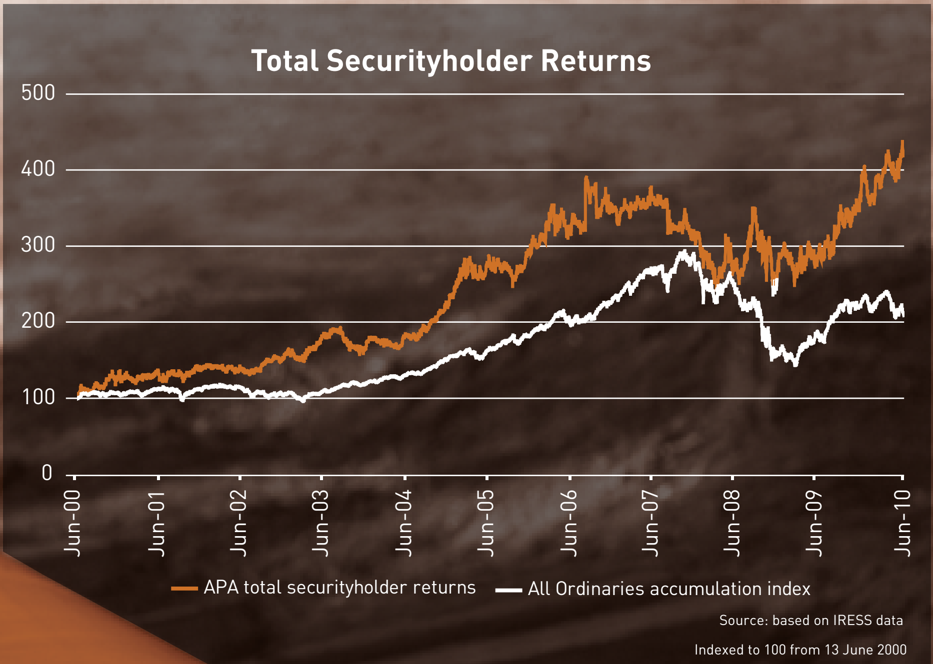
Acquired the minority interests of major APA pipelines:

- Roma Brisbane Pipeline
- Goldfields Gas Pipeline
- Carpentaria Gas Pipeline

2004 - 2007

Consolidated APA's asset footprint by means of acquisitions and developments:

- Parmelia Gas Pipeline and Mondarra Gas Storage facility
- APA Gas Network (Allgas)
- Victorian Transmission System and Telfer/Nifty Pipeline (GasNet)
- Murraylink and Directlink
- SEA Gas (33%) and SESA pipelines
- Envestra asset management agreement
- Kogan North and Tipton West gas processing facilities
- Daandine and X41 power stations



2008 - 2010

Internalised asset management and operation:

- Termination of agreement with external operator

Enhanced APA's asset footprint by means of capacity expansion, pipeline development and acquisitions:

- Expansion of Goldfields, Carpentaria, Moomba Sydney pipelines and Victorian Transmission System
- Development of Bonaparte Gas Pipeline and Wickham Point Pipeline
- Acquisition of Central Ranges and Berwyndale Wallumbilla pipelines
- Investment in Ethane Pipeline Income Fund, Hastings Diversified Utilities Fund and Envestra

Strengthened financial capability:

- Funds released through the sale of assets to Energy Infrastructure Investments (EII)
- Obtained investment grade credit ratings

Pipe stringing for the Young to Wagga Wagga looping project, New South Wales.

CHAIRMAN'S REPORT

APA has just celebrated 10 years of operations since listing in June 2000, and has continued to deliver value to its securityholders each year. Our success is due to the fact that we transport an essential fuel, natural gas, across the country in a market where both supply and demand are increasing. We have secure revenue streams due to our long- term contracts and the regulatory regimes in which we operate, and we have the internal skills and knowledge to manage and operate our assets and investments.

In 2010, APA maintained its reliable performance in the midst of challenging times. We maintained our strategy of growing the business sustainably and profitably and strengthening our financial capability. As a result, APA is now in a stronger position to continue its steady growth.

It is pleasing to report that APA delivered another record financial result in 2010. This represents our tenth successive year of record performance. In light of these results, we have again increased distributions in line with the guidance provided by APA in late 2009.

Tenth year of record financial performance

APA continues to be a strong and secure cash generating business, achieving a 14.6% increase in operating cash flow to $268 million and a 3.5% increase in earnings before interest, tax, depreciation and amortisation (EBITDA) to $460 million, despite the loss of earnings from assets sold to Energy Infrastructure Investments in the 2009 financial year. After removing the contribution of these divested assets, the EBITDA of APA's current business increased by 8.7%.

Increasing securityholder returns

Based on APA's performance, we declared a final distribution for the year of 17.0 cents per security taking the total distribution for the year to 32.75 cents, an increase of 5.6% on last year. This represents APA's sixth consecutive year of increasing distributions.

Distributions continued to be well covered by operating cash flow with a payout ratio of 64.4% for the year.

Since listing in 2000, APA has delivered a 5% compound annual growth rate on its distribution, and an average 16% per annum total securityholder return which was well ahead of the broader market and our peers.

Strengthening financial capability

Throughout the year, we maintained our focus on further strengthening our balance sheet. Having successfully completed the refinancing of $1 billion of debt in August 2009, and with two credit rating agencies confirming APA's investment grade status, we have focused on our next refinancing obligations, with the aim of reducing our debt costs, extending the maturity of our debt, and diversifying our source of funds. An example of this was the strong interest and attractive pricing achieved for the 10 year $300 million of Australian dollar bonds we issued in July 2010. This issue is the first by a BBB/Baa2 rated corporate in Australia and has been described by market commentators as both "historic" and "ground breaking".

Funding for APA's growth projects was sourced primarily from cash remaining in the business after payment of distributions along with $142 million of new capital raised through the Distribution Reinvestment Plan and

the Security Purchase Plan which operated during the year.

Growing our asset portfolio

APA's strong performance in 2010 is the result in part of the continued growth of our gas transmission and distribution portfolio. We delivered on this strategy through both organic growth and acquisitions.

During the year, we undertook capacity expansions on our assets, all underwritten by long-term contracts or the regulatory framework. With our strong pipeline engineering and construction management capabilities, these capital projects were managed by our own management team.

Our expansion of the Moomba Sydney Pipeline system and the Victorian Transmission System was due to the increase in demand for gas storage and transportation services. We are working closely with our customers to develop innovative services to meet their requirements and increase the value of our pipeline assets.

Consistent with our strategy of acquiring or investing in strategic gas transmission assets and businesses connected to our pipeline portfolio, APA acquired the Berwyndale Wallumbilla Pipeline in Queensland and a 17% interest in Hastings Diversified Utilities Fund.

APA's assets are well positioned for growth as natural gas increasingly provides more of Australia's energy needs.

Outlook

APA continues to be in a position to deliver sustainable and profitable growth, and has commenced the new financial year with further expansion of its assets and innovation in its services. As APA grows sustainably, with secure and reliable financial performance, we will continue to achieve our objective of maximising returns to you, our securityholders.

APA's ongoing distribution policy balances the group's need to retain equity in the business to support the funding of its growth projects whilst also increasing returns to securityholders by, on average, at least 5% per annum over the medium term. Barring unforeseen circumstances, APA expects that this distribution increase will be maintained for the 2011 financial year.

In conclusion, I would like to thank our Managing Director Mick McCormack, his leadership team and our people who manage and operate the business. APA's record performance this year reflects their skill, knowledge and commitment. I would also like to thank my fellow directors for their service and dedication through the year.

Finally, I thank you, our securityholders, for your continued support.

Len Bleasel AM
Chairman APA Group

MANAGING DIRECTOR'S REPORT

On our 10 year anniversary I am proud to report APA had another strong year, building on its history of solid performance. Our record financial result achieved during an unprecedented time of uncertainty and economic instability validates APA's reliable and sound business model.

APA remains one of the few listed Australian energy infrastructure businesses left standing after the global financial crisis. Our success is the result of maintaining our focus on generating value for our investors, adhering to a clear strategy and adeptly responding to the challenges and opportunities of a dynamic energy industry.

Looking back

As one of the original members of APA's leadership team, I have been part of APA's growth and evolution. From a small team of six people managing APA's assets, we have progressively built our internal expertise to become a fully integrated operating business with now more than 1,100 people.

We have expanded our portfolio from one key asset to an unrivalled asset footprint of gas pipelines and distribution networks across Australia.

There have been challenges and opportunities along the way. We began the decade with concerns about the depletion of natural gas reserves and the need to source gas off-shore.

The development of competing pipelines initially tempered APA's revenue. However, we captured the opportunities to strengthen our portfolio through strategic acquisitions and developments. Today, APA's assets form an interconnected gas pipeline grid in eastern Australia, providing the market with security of supply, and with the flexibility to source, move, store and deliver gas using multiple pipelines.

Developing growth opportunities

The demand for natural gas continues to grow, largely driven by investments in new gas-fired power generation and by carbon reducing policies encouraging the use of cleaner fuels. While there is continued uncertainty around a national carbon reducing scheme, the momentum to move towards gas-fired generation remains.

We are responding to our customers' needs to meet this demand, increasing capacity on our pipelines and developing transport and storage services.

We continued the five-year capacity expansion on the Moomba Sydney Pipeline as well as increasing the operational flexibility of this pipeline by reconfiguring compressors at Young and installing compression at Marsden.

We started expansion work on the southern lateral of the Moomba Sydney Pipeline system, looping a 61 km section of the pipeline. Across the border we are expanding the northern section of the Victorian Transmission System, using a combination of compression and pressure upgrading. The two projects will benefit gas users in both states with increased gas storage and peak delivery, as well as security and flexibility of gas supply.

Gas storage is available within our pipelines and storage facilities, and we are developing this capacity to meet our customers' needs. In Western Australia we commenced engineering design work to expand the Mondarra Gas Storage facility which is connected to two pipelines, including APA's Parmelia Gas Pipeline.

We also extended our portfolio further into the Surat Basin coal seam gas fields in Queensland, acquiring the newly commissioned Berwyndale to Wallumbilla Pipeline. The acquisition was underpinned by a long term transportation agreement. Consistent with our strategy, we acquired a 17% interest in Hastings Diversified Infrastructure Fund, whose gas transmission pipelines connect to APA's pipelines.

Strong financial performance

Our strong result this year was driven by the recent expansions on our pipelines. The Gas Transmission and Distribution business recorded an EBITDA increase of 5% to $409 million, mainly due to the sale of additional capacity on the Moomba Sydney Pipeline, the Carpentaria Gas Pipeline and the Goldfields Gas Pipeline. This was offset by reduced gas volumes through the Victorian Transmission System due to warmer winter weather.

The Asset Management business and Energy Investments segment contributed to the increased result, reflecting a full year operation of the Energy Infrastructure Investment asset, the addition of investments in Energy Infrastructure Investments, Hastings Diversified Utilities Fund and our increased equity interest in Envestra.

In line with APA's conservative approach to financial risk management and recognising the difficult credit market conditions at the time, we completed the refinancing of the $1 billion of debt due in 2010, 12 months ahead of the scheduled maturity.

We continue to focus on strengthening our balance sheet, and this year we obtained a Baa2 (stable) investment grade rating from Moody's, APA's second credit rating, following a BBB (stable) investment grade rating from Standard & Poor's last year. These investment grade ratings benefit us in terms of greater access to debt capital markets and cost of funding.

Utilising our skills and experience

APA's people are focused on performance, operating and managing the business with a long-term perspective, while meeting the daily responsibilities of safe and reliable delivery of energy. Many, like me, have enjoyed long careers in the energy industry and are using this experience to deliver greater value to APA.

Our skills and expertise were used in all our capital projects and the work of cross functional teams involved in developing innovative, enduring and cost efficient solutions for customers. We are consolidating and simplifying our processes and technology platforms to extract and deliver the benefits of our scale and corporate know-how, focused on customer service, finance systems and operational excellence.

Sustainability and safety

This year, we have produced our first sustainability report. Our success has been built on strong financial performance, but also on our commitment to achieving our goals in relation to all our stakeholders.

The sustainability report included in this Annual Review outlines our achievements this year and our targets for 2011.

We remain vigilant on improving our safety performance, working hard towards our long-term goal of 'Zero Harm', and are committed to minimising the environmental impact of our activities.

Looking forward

We end APA's first decade of operation with another strong financial result and a resilient and growing business.

APA is well positioned to continue growing sustainably and profitably in 2011 and into the future. We have attractive investment opportunities due to the continued growth in gas demand and the scale and location of our assets across the country. We have the internal expertise and the financial capability to take advantage of these opportunities.

As we start APA's new decade, we remain focused on our objective of maximising the value of APA's business and value for our securityholders. With APA's assets, people and financial strength together with a growing demand for gas, I believe the best days for APA are ahead of us.

Mick McCormack
Managing Director APA Group

BUSINESS REPORT

Enhancing our gas infrastructure portfolio

Construction of Young to Wagga Wagga looping project, New South Wales

APA has a unique and unrivalled portfolio of gas pipelines and distribution networks in Australia. Increasing demand for natural gas, together with increasing development of Australian gas resources, is driving our customers' needs for additional capacity on our assets.

APA grows its revenue through continued investment in enhancing its asset portfolio to deliver this growth. During the year, we continued capacity expansion and growth projects across our assets, all of which were developed and managed by APA's engineering and project teams. These investments are secured by commercial or regulatory arrangements.

We also extended our portfolio by acquiring or investing in strategic assets and businesses. In addition, we advanced the development of further organic growth opportunities.

Growth projects

New South Wales and Victorian expansion

APA commenced a $90 million capacity expansion of its Victorian and New South Wales pipeline systems in October 2009, with completion scheduled for November 2010. The expansion will increase the movement of gas between states, and provide the market with increased flexibility to source and use natural gas.

In New South Wales, we are adding capacity by looping a 61 km section of the Young to Wagga Wagga pipeline with 450 mm diameter pipe. Looping involves installing and connecting an adjacent pipeline. The pipeline is bi-directional, allowing gas to be transported between New South Wales and Victoria. The expansion, which will provide additional transportation and storage services for customers accessing gas from either the Moomba Sydney Pipeline or the Victorian Transmission System, is fully underwritten by long-term transportation and storage agreements.

In Victoria, capacity of the northern section of the Victorian Transmission System is being increased to meet peak gas demand requirements in the region. This expansion includes the installation of two new compressors at Wollert, increasing the operating pressure of the Wollert Euroa pipeline, and flow reversal capability at Springhurst.

Moomba Sydney Pipeline expansion

APA continued the $100 million expansion of the Moomba Sydney Pipeline, which commenced in 2008. The five year program is progressively increasing the winter peaking capacity on the pipeline in line with contractual requirements.

During the year, APA reconfigured its compressors at Young and added a compressor at Marsden on the Moomba Sydney Pipeline. This has increased the operating flexibility of the pipeline, allowing APA to maximise the use of the system capacity on the mainline and laterals and to provide additional services to customers.

Trencher and pipeline stringing, Young to Wagga Wagga looping project, New South Wales

Developing infrastructure and service solutions

APA operates within a dynamic integrated energy market. Our focus is on developing an integrated suite of services and infrastructure to best meet the requirements of our customers.

In eastern Australia, our interconnected pipelines are providing customers with a greater choice in developing a diverse gas portfolio. This enhances producer competition and provides greater system security, reducing the impact of interruptions from production fields.

Customers often use more than one pipeline to move their gas to market. APA's vision is for a seamless sales and service experience for all our customers across all our pipelines, focused on servicing competition in gas markets. Our goal is to have a single commercial and operations interaction – a 'one-stop-shop' for customers – to coordinate transport quickly and seamlessly, including transport on a third party pipeline.

APA's expansion projects and those of other infrastructure owners are enhancing the physical infrastructure layer to deliver gas. Concurrently, APA is developing the service layer, a combination of technology, process change and commercial arrangements, to provide a seamless service across pipeline systems.

Berwyndale Wallumbilla Pipeline acquisition

In April 2010, APA acquired the 112 km Berwyndale Wallumbilla Pipeline in Queensland. The pipeline, constructed in 2009, extends from the Berwyndale coal-seam gas fields to the Wallumbilla hub, which connects to APA's Roma Brisbane Pipeline. The acquisition price of $87 million includes a long-term gas transportation agreement with AGL Energy.

Roma Brisbane Pipeline and lateral

APA is currently constructing a six kilometre extension from the Roma Brisbane Pipeline to the Caltex oil refinery in Brisbane.

APA is also evaluating requests for additional capacity along the Roma Brisbane Pipeline.

APA Gas Network, Queensland

Expansion of the gas distribution network continued into new housing developments in the Gold Coast area as well as to industrial and commercial customers. Gas mains laid during the year totalled 35 km, reaching over 1,900 new and existing home sites.

Mondarra Gas Storage facility

Following strong demand for storage from Western Australian customers, APA commenced engineering design work to expand the Mondarra Gas Storage facility. The facility is connected to the Parmelia Gas Pipeline, and to the Dampier Bunbury Pipeline.

Investment in Hastings Diversified Utilities Fund

During the year, APA acquired a 17% interest in Hastings Diversified Utilities Fund for $115 million. The fund's gas transmission pipelines are connected to a number of APA's pipelines and investments.

Other development opportunities

APA is working with its customers in developing pipeline and storage infrastructure capacity for gas-fired generation in eastern Australia.

BUSINESS REPORT

Enhancing our gas infrastructure portfolio

John MacDonald, LNG storage facility, Dandenong, Victoria

Gas storage

The greater variability and 'peakiness' of gas demand, particularly for supplying gas fired generation, is the main driving force for gas storage.

APA currently provides gas storage and is further developing this capacity to meet customers' needs. It has investments in three of the main forms of storage infrastructure:

- APA has a significant, but not yet fully developed underground storage development in Mondarra, Western Australia which will provide storage services to customers on APA's Parmelia Gas Pipeline and the Dampier Bunbury Pipeline.
- In Dandenong Victoria, APA has an LNG based storage facility that services the Victorian Transmission System. The LNG storage service is contracted with all major customers to provide peak and short term emergency gas supply.
- APA's long and large interconnected pipelines in eastern Australia are ideally suited to provide short term storage services.

It is APA's objective to further invest in new storage infrastructure to deliver a comprehensive gas transport and storage solution for its customers.

The growing demand for natural gas

ABARE's Australian Energy Resource Assessment outlook to 2030 for the Australian gas market projects gas to play an increasing role in supplying the nation's energy. According to ABARE, gas is a relatively flexible and clean energy source and is expected to be the fastest growing fossil fuel over the period to 2030, increasing by 3.4% per year over the next 20 years.

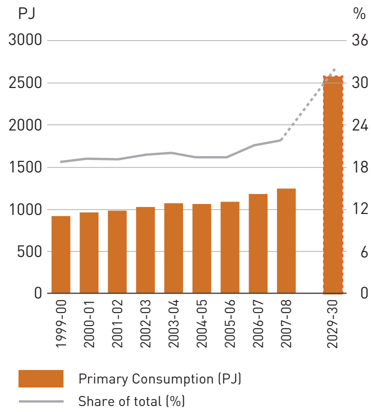
Natural gas' share of the primary energy mix is expected to increase from 22% at present to 33% by 2030, with consumption expected to reach 2,575 PJ, more than double present levels.

Growth in gas has been influenced by a number of factors, including population and the economy, which affects energy use in general. However, over the next 20 years we expect growth to be driven by investment in new gas-fired power generation and by policy initiatives aimed at reducing carbon emissions and supporting gas uptake as a relatively clean energy source.

Electricity generated using gas produces lower carbon emissions than that produced by coal. Gas-fired power generation is a fast-start, reliable power source, ideally suited to provide back-up for intermittent renewable energy resources such as wind. An emissions reduction target is expected to enhance the role of gas as a transitional fuel to a low carbon economy.

While there has been a delay in implementing national policies, there remains a strong shift towards reducing carbon emissions through the use of natural gas.

AUSTRALIAN GAS CONSUMPTION



Source: Geoscience Australia and ABARE, 2010, Australian Energy Resource Assessment

Enhancing gas infrastructure across Australia

to meet increased demand for gas transportation and storage services

Pipe storage at Harefield
for the Young to Wagga Wagga
looping project, New South Wales

BUSINESS REPORT

Utilising our knowledge and skills base

Phillip Botha, Brooklyn compressor station, Victoria

In the last three years since internalising the operation and management of APA, we have retained and further developed a wealth of industry experience that remains unique to APA.

Our people have considerable history in the Australian gas industry, having been involved in the development of a significant portion of Australia's transmission and distribution infrastructure. Their expertise covers a broad range, including engineering and operations, commercial and regulatory, financial and accounting, as well as corporate functions.

It is this comprehensive industry know-how that is applied to operating over $8 billion of energy assets across Australia, both APA's wholly-owned businesses and most of APA's investments. By using our skills in this way, we are able to align experience and capture innovation, thus further developing capability and skill across the organisation.

Consequently, APA's expertise is sought after by third party asset owners, particularly where their assets are connected or adjacent to APA-owned or operated assets.

Asset management

This year, we enhanced the management and operation of our investments, including Envestra, Energy Infrastructure Investments, and Ethane Pipeline Income Fund.

Envestra

APA provides comprehensive operations, maintenance and capital services to Envestra's gas distribution networks and pipeline assets.

During the year, we enhanced our network services, implementing significant process changes which streamlined maintenance and new works activities. The adoption of national standards and structures across all Envestra networks, as well as APA's distribution network in Queensland, is benefiting all asset owners.

Energy Infrastructure Investments

Following the sale of a number of energy infrastructure assets to Energy Infrastructure Investments in December 2008, APA continued to provide comprehensive corporate, commercial, operational and capital services. 2010 marked the first full year of APA operating these assets for Energy Infrastructure Investments.

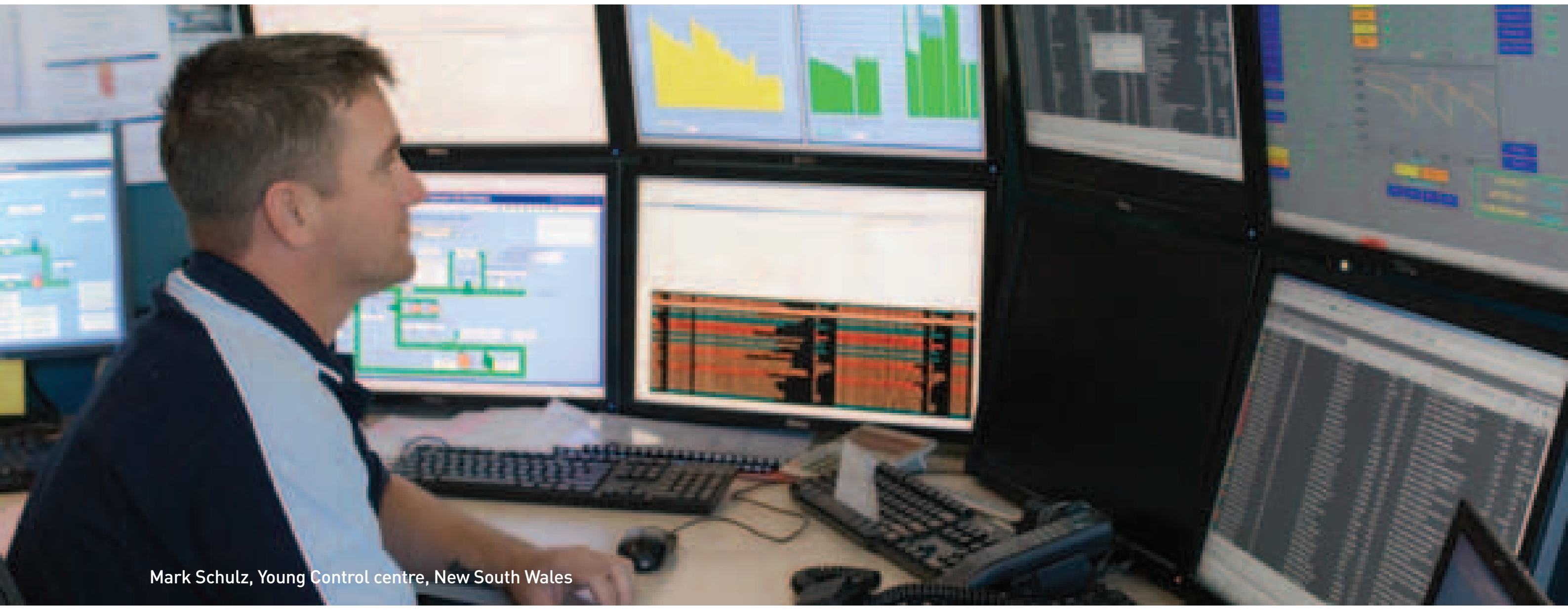
Following a request from Power and Water Corporation of the Northern Territory, the main customer on Energy Infrastructure Investment Bonaparte Gas Pipeline, APA worked with all parties to allow for early gas to flow prior to the full commissioning of the ENI-owned gas production facility at Wadeye.

Ethane Pipeline Income Fund

APA manages and operates the Ethane Pipeline, the sole asset of Ethane Pipeline Income Fund, which runs adjacent to APA's Moomba Sydney Pipeline.

BUSINESS REPORT

Capturing revenue and operational synergies



Mark Schulz, Young Control centre, New South Wales

Our extensive and integrated asset portfolio and internal operating capabilities provide us with opportunities to capture revenue and operating synergies.

Value is achieved through the combination of many small gains across the business and their cumulative effect over time.

Revenue synergies through integrated grid

In the last 10 years the dynamics of Australia's energy market has changed significantly. Today, there are fewer and larger retailers with diversified gas portfolios and retail markets who require the flexibility and security to move and store gas across states.

Our interconnected assets, particularly in Australia's eastern states, provide us with the physical ability to respond to these requirements. We are developing and selling additional services across our assets with the flexibility and tailoring to benefit each customer.

For example, our commercial arrangements with Origin Energy's power station at Uranquinty involves transporting gas from Victoria and Moomba in South Australia, using two APA assets, as well as storing gas in our pipelines close to the power station.

A recent agreement reached with Victoria Electricity (Infratil Energy Australia) involves gas storage and transportation services. Victoria Electricity can store its purchased gas in the southern section of the Moomba Sydney pipeline via Culcairn, and when required, either reinject the gas back into Victoria or deliver it into the NSW market.

Further revenue synergies for APA will be achieved as we create a much more seamless contracting regime across our gas infrastructure portfolio.

Operating synergies from a national focus

We are focused on achieving operating excellence across all our assets and the investments we operate.

This year, we have continued to capture the operational synergies available to the business, achieving the following:

- implemented a national operations system across APA's gas transmission business, including a 'permit to work' system and roll out of a maintenance management system.
- upgraded the New South Wales SCADA system, used for remote pipeline monitoring. This software system will be implemented progressively across APA's operations. The SCADA project also involves other national initiatives in data capture and recording.
- established a national strategic procurement function, benefiting from scale and commercial partnerships supporting our business and technical objectives.
- expanded our technical training department to include national training strategies and systems.
- applied our in-house expertise to further optimise assets and investments, including compressor station upgrades.
- utilised our strong pipeline engineering and construction management capability in the capital projects undertaken during the year, such as the expansion projects on the Moomba Sydney Pipeline and Victorian Transmission System.

Integration of businesses

APA's technology transformation strategy is delivering national systems for common services across the business, such as finance, payroll and customer interface. This is providing benefits of scale and productivity improvements.

BUSINESS REPORT

Leveraging our asset portfolio

APA infrastructure delivering gas solutions to Origin Energy's power station at Uranquinty, New South Wales

Gas-fired power generation will be the principal driver of growth in pipeline infrastructure, whether it is new pipelines or the expansion of existing pipeline capacity.

These new opportunities are the result of a move towards cleaner fuels, to the low carbon intensity of gas-fired and renewable assets to generate electricity. APA's gas infrastructure portfolio is uniquely positioned to facilitate the development of gas-fired generation.

This year, we worked with customers who are currently developing or operating gas-fired power generation on or near our pipeline assets. Our power generation expertise is being used to develop long-term, cost efficient gas and electricity solutions.

Our New South Wales and Victorian infrastructure is able to provide unique transport and storage services. With bi-directional flow between the two systems, customers have the flexibility and security of sourcing gas from multiple regions. Storage services, particularly for peak electricity generation, is available in the existing and expanded capacity of the Moomba Sydney Pipeline system.

These benefits are available to all gas-fired power generation facilities across our portfolio and we will continue working with the energy market to facilitate the development of new generation facilities.

EII2 investment in North Brown Hill Wind Farm

There is a strong relationship between renewable energy, particularly wind generation, and natural gas. In October 2009 APA, together with Marubeni Corporation and Osaka Gas, established EII2 to acquire the North Brown Hill Wind Farm. The Wind Farm is located in South Australia, and will have 132 MW of capacity once completed in June 2011. This investment will provide APA with secure, low risk, long-term revenue.

More importantly, the access and understanding gained through our investment will enhance our ability to facilitate the development of gas-fired generation to support wind generation.

Natural gas for power generation

Based on ABARE's Australian Energy Resource Assessment, currently 19% of electricity generation is fuelled by gas, and this is forecast to increase to 37% by 2030, mainly through the displacement of coal fuelled generation. The delay in implementing a national carbon reducing initiative is not expected to significantly change these forecasts.

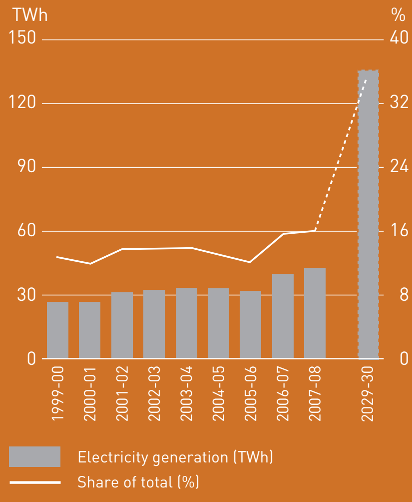
Natural gas power generation technologies available today produce only 30 to 50% of the emissions produced by current coal technologies. Unless carbon capture and storage technology is commercially viable, combined cycle gas turbine generation will remain the fossil fuel generation technology with the lowest greenhouse gas emissions.

Gas generation is also used to manage peak electricity demand, and in the near future will be used to provide 'back-up' for intermittent wind generation. Gas-fired peak generation operates for short periods, but requires the same gas transmission infrastructure as a base load generator which operates for longer periods and uses greater volumes of gas. APA's revenue is based on the return of the capital invested rather than the volume of gas transported through its pipelines.

Gas fired power generation in Australia	
Installed generation	11,340 MW
Recently completed, under construction or in advanced stages of planning	5,390 MW
Proposed new power stations	12,250 MW

Source: Electricity Gas Australia 2010

GAS FIRED ELECTRICITY GENERATION IN AUSTRALIA



Source: Geoscience Australia and ABARE, 2010, Australian Energy Resource Assessment

North Brown Hill Wind Farm technical characteristics

- Total capacity of 132 MW – 63 turbines each with capacity of 2.1 MW
- Hub height of 80 metres
- Maximum blade tip height of 124 metres
- Total swept area for the Wind Farm of 94.5 acres (13 km end to end)
- 66 km of underground cable

The Wind Farm will produce green energy capable of powering approximately 80,000 average Australian households and saving 355,000 tonnes of greenhouse gases each year.

North Brown Hill Wind Farm turbine, South Australia

BUSINESS REPORT

Strengthening our financial capability

Ian Duncan and Peter Fredricson, from APA's Finance team

Our industry is capital intensive, requiring significant up-front investment. APA has developed a number of disciplined financial and capital management strategies to maintain and improve APA's credit ratings, reduce debt costs, extend the maturity profile of our debt in line with the life of our assets, diversify our funding sources and maintain ready access to capital markets in Australia and internationally.

This year, APA undertook significant work in strengthening its financial position and ensuring the business can develop further growth opportunities. The strength of APA's business was evident in that we were able to refinance debt in the midst of a volatile and difficult credit market. Our key achievements this year include:

- a seven and 10 year US Private Placement debt raising totalling $185 million in July 2009
- a five year bilateral bank facility of $150 million in August 2009
- a forward start facility of $1,030 million of bank debt in September 2009 to refinance a $900 million bank facility due in June 2010 and a $A102 million US Private Placement facility due in September 2010
- $142 million in new equity through the offering of APA's Distribution Reinvestment Plan (total $57 million) and a Security Purchase Plan ($85 million)
- a Baa2 (stable) investment grade rating from Moody's Investors Service in April 2010. This is APA's second credit rating – in June 2009, APA obtained a BBB (stable) investment grade rating from Standard & Poor's.

The above refinancing activities have positioned APA with no debt maturities prior to 1 July 2011, and approximately $500 million in cash and undrawn debt facilities as "headroom" for funding future growth. Together with the internally generated cash that we retain within the business after distributions are paid, and equity raised through further Distribution Reinvestment Plan and/or Security Purchase Plan offers, we are confident in our funding of the future growth of the business.

Obtaining the two investment grade credit ratings represents a major milestone in APA's 10 year history.

As a significant borrower, APA will look to fund future growth and debt refinancing from diverse sources, moving away from the current predominant use of shorter-term funding towards longer-term funding available from global debt capital markets.

In the latest move into those longer-term debt capital markets, APA issued $300 million of Australian dollar denominated 10 year medium-term notes to investors in the first week of July 2010. This transaction was the first ever issued by a BBB/Baa2 rated entity in the Australian market for a tenor of 10 years. The issue has been described as "historic" and "ground breaking" by market commentators and reflects the strong standing that APA has as an issuer in longer-term debt capital markets. We are firmly of the view that this issue bodes well for future long-term issues of debt in both the Australian and wider global markets.

Access to the major debt capital markets generally requires borrowers to maintain a minimum of one, and in many cases two, investment grade credit ratings. For APA to obtain and retain access to those major financing markets, our capital management policies are geared towards ensuring we retain those credit ratings. It is therefore very important that APA continues to maintain the metrics inherent in the BBB rating from Standard &Poor's and the Baa2 rating from Moody's.

In line with APA's conservative approach to financial risk management and in recognition of current credit market conditions, APA targets achieving refinancing of maturing debt nine to 12 months ahead of the scheduled maturity. To that end, we have already commenced a program to refinance some $680 million of debt facilities maturing in July 2011. In further reducing volatility and risk, we continue to proactively hedge interest rates and foreign exchange exposures in line with our policy.

SUSTAINABILITY REPORT

Message from Mick McCormack

It is a great pleasure to deliver our first sustainability report to all APA stakeholders. This report communicates a number of initiatives we have put in place to continue the success that APA has delivered during the past decade.

APA is a relatively young organisation and three years ago we strategically shifted to an internally-operated business. This change involved integrating over 1,000 employees into the business and establishing management and operations processes designed to deliver continuous improvement and sustainable growth.

Customers, communities and employees will always be the central part of APA's culture. Working together with our customers, APA has delivered infrastructure solutions that provide the nation with energy security, industrial and mining operations with a clean reliable fuel, and Australian homes with hot showers on a cold morning.

Our success has been delivered by our people having industry-leading knowledge and understanding of the Australian gas infrastructure sector. Much of APA's success can also be attributed to our focus on building a sustainable business through strategic investment in attractive long-term assets.

APA has successfully differentiated itself from the market with an internally-operated model, generating value from efficiencies and rewarding its investors with growth in distributions year-on-year. The strength of our business was evident during the global financial crisis when we were able to refinance debt and source additional capital to grow, while a number of similar organisations were forced to scale-back their growth plans.

Our assets and employees are located across the country and we continue to work closely with our surrounding communities through charities and local programs to add value.

We are continually evaluating the future design of the Australian energy landscape and assessing the medium-term value of our assets and potential growth opportunities. We have begun to implement carbon systems and reporting to manage the business in the new carbon-constrained economy. APA is also supporting a carbon policy that provides an economic incentive for large energy users to adopt cleaner fuels such as gas, which has roughly half the carbon intensity of coal. Over the next decade, APA is well positioned to play a major role in providing supporting gas infrastructure to facilitate Australia's transition to cleaner fuels.

Mick McCormack
Managing Director APA Group

SUSTAINABILITY REPORT

APA sustainability performance

OUR PURPOSE

To be Australia's number one energy infrastructure business. Our success will be founded upon the strengthening and diversification of our asset footprint.

CUSTOMERS	EMPLOYEES	ENVIRONMENT	COMMUNITY	INVESTORS
Delivering value to our customers and creating responsive solutions to their needs.	Providing a safe, stimulating and rewarding workplace where our employees can learn and grow.	Continuing to deliver an environmentally responsible, safe and essential service.	Positively engaging the communities within which we operate.	Continuing to be a reliable and attractive investment which delivers superior returns for securityholders.

Our objectives, performance and key actions for next year

Stakeholder strategic objectives	2010 performance	Actions for 2011
Customers		
1. Provide our customers a **market-leading service**, including responding to critical events when our customers are negatively impacted. 2. Deliver value to customers by **utilising the capacity of APA's assets**. 3. Work with customers to provide optimal investment and **energy market solutions** to maintain a pipeline of growth projects.	• Continued development of the Australian east coast pipeline grid and pipeline services for the short-term gas trading market. • Provided gas storage solutions for customers, Origin Energy and Victoria Electricity.	• Implement new customer management system. • Respond to customer needs and continue to develop optimal energy solutions with customers. • Provide new gas storage products.
Employees		
1. Committed to a long-term LTI rate[1] target of '**Zero Harm**' by continually improving safety in the workplace. 2. Provide employees a stimulating and rewarding environment so that they would recommend APA as a **great place to work**. Achieve an engagement survey score greater than 70%. 3. Provide learning and development programs to **attract, retain and develop** employees.	• Reduced LTI rate of 4.9 compared with 2009 LTI rate of 7.3. • Achieved 71% employee engagement score. • 290 senior and front line leaders commenced leadership and development programs. • Sponsored employee teams to participate in health focused activities such as the Global Corporate Challenge. • The scope of the technical training department was expanded to continue delivering improved training across all operations.	• Reduce LTI rate to 4.0. • Maintain an employee engagement score above 70%. • Continue to deliver technical, learning and development courses to employees.

1. Lost time injury rate is measured as the number of lost time claims per million hours

Stakeholder strategic objectives	2010 performance	Actions for 2011
Environment		
1. Contribute to policy and respond to **climate change initiatives** to promote the use of gas as essential to a cleaner energy mix. 2. Include the environment in all investment and procurement decision-making. Comply with our emissions reporting obligations. **Conserve and rehabilitate** the natural state of the land we disturb. 3. Evaluate complementary **clean energy** projects.	• Engaged with political parties to promote the role of gas in the carbon-constrained economy, directly and via industry associations. • Through the Australian Pipeline Industry Association ("APIA"), engaged with the Department of Climate Change and Energy Efficiency to refine gas infrastructure emissions and energy measurement methods. • Invested in the North Brown Hill Wind Farm.	• Contribute to carbon policy discussions and promote the role of gas as a major contributor in achieving meaningful emission reduction targets. • Contribute to the review of the National Greenhouse and Energy Reporting (measurement) Determination methodology. • Continue to evaluate energy project opportunities arising from the shift to renewable energy. • Establish a water management strategy. • Participate in the APIA Carbon and Energy Efficiency Opportunities Program.
Community		
1. Positively **engage** with the communities within which APA operates. 2. Build long-term strategic community relationships to maintain community **support and goodwill** for APA's activities. 3. **Employee connection with local communities** through sponsorships, employee volunteering and giving programs targeting our vulnerable communities.	• Sponsored NAPCAN, Exodus Foundation and Beyond Empathy. • Encouraged company wide participation in charity and community events - World's Greatest Shave, Clean Up Australia, National Breast Cancer Foundation and Movember. • Participated in a Beyond Empathy program, targeting disadvantaged and at risk indigenous girls.	• Implement our Community Investment Program which will include volunteering opportunities for employees, workplace giving and a more structured approach to sponsorships. • Maintain sponsorship of NAPCAN, Exodus Foundation and Beyond Empathy. • Continue participation in company wide charity and community events.
Investors		
1. **Reliable and sustainable growth** in distributions to investors by focusing on long-term revenue and costs. 2. Maintain a strong and **robust balance sheet**. 3. Indentify and evaluate additional attractive **infrastructure-style investments** in related energy businesses.	• Achieved distribution growth of 5.6%. • Maintained investment grade BBB rating and assigned second equivalent credit rating of Baa2. • Commenced or continued capacity expansion and growth projects in response to customers' requirements.	• Continue long-term growth in distributions to securityholders. • Maintain credit ratings. • Continue to evaluate additional revenue streams in related energy businesses.

SUSTAINABILITY REPORT

Customers

"APA continues to be a significant provider of AGL Energy's gas transportation and storage services. As the gas market continues to evolve APA and AGL Energy are working together to explore and develop opportunities to deliver flexible services to meet AGL Energy's future requirements"

Delivering value to our customers and creating responsive solutions to their needs.

As Australia's largest natural gas infrastructure business, APA strives to deliver industry-leading services. We maintain a close relationship with our customers, working with them to provide optimal solutions, and delivering them quality and timely services by fully utilising APA's assets.

APA has long-term relationships with large, creditworthy customers, such as AGL Energy, Origin Energy, TRUenergy and Santos. APA also operates in the mineral provinces in Western Australia and Queensland providing services to BHP Billiton, Newmont, Xstrata and Rio Tinto. While we also deal with some smaller companies in the mining sector, we seek appropriate security arrangements to cover payment obligations.

APA is continuing to enhance the east coast gas grid which has evolved from a number of point-to-point pipelines to an interconnected pipeline grid. With customers moving and storing gas across multiple pipelines, APA is developing commercial arrangements and internal systems to provide a seamless service interface – a "one-stop-shop" for customers. In preparation for the new east coast short-term gas trading market, APA is developing new pipeline services to assist customers to manage their requirements.

Joe Mediati, Manager Commercial Wholesale Gas at AGL Energy Limited

Delivering value and energy solutions

AGL Energy

APA provides gas transportation and storage services to AGLEnergy. AGL Energy and APA have a long history together and continue to work closely to develop infrastructure and service solutions to meet AGL Energy's growth in gas production, power generation and retail markets.

Joe Mediati from AGL Energy said: *"APA continues to be a significant provider of AGL Energy gas transportation and storage services. As the gas market continues to evolve APA and AGL Energy are working together to explore and develop opportunities to deliver flexible services to meet AGL Energy future requirements".*

Victoria Electricity

Victoria Electricity (Infratil Energy Australia) recently entered into a new innovative five year agreement with APA which allows it to use APA's Moomba Sydney Pipeline system for both gas storage and gas transportation. Chief Executive Officer, Infratil Energy Australia, Darryl Flukes, said: *"The new contract with APA gives Victoria Electricity the flexibility to move gas between the Victorian market carriage system and the New South Wales contract carriage systems. This enables us to better manage our gas portfolio, with the aim of delivering gas to our customers by the most cost effective means".*


APA infrastructure delivering gas solutions to Origin Energy's power station at Uranquinty, New South Wales

Origin Energy

In response to customer demand, APA has largely completed a $90 million expansion project of its Victorian and New South Wales pipeline systems providing increased capacity to transport and store gas within and between the two states. As part of this expansion, Origin Energy is contracting additional gas transportation and storage services to increase the available run time of its Uranquinty Power Station located near Wagga Wagga.

Dennis Barnes, General Manager, Energy Risk Management from Origin Energy, said: *"APA and Origin Energy have been working very closely to develop new flexible gas transportation services to better manage our gas portfolio. Origin Energy has entered into a suite of new gas transportation and storage arrangements with APA that allow Origin to bring in gas from a number of different sources to a central hub and then deliver gas with a high degree of flexibility to meet our demand requirements."*

Promoting gas to end users

APA and Envestra delivers gas to more than one million homes and businesses in east Australia through the gas distribution networks that APA operates. APA, together with industry associations, is promoting the use of gas appliances that are generally cheaper to run and more environmentally friendly than electric systems that source electricity from grids supplied predominately by coal-fired generators. Initiatives promoting the continued use of gas appliances include state-based regulatory phase-outs of conventional electric hot water systems, state-based gas appliance rebates, gas air conditioning and embedded gas generation.


Reliable and environmentally efficient gas hot water system

Key APA customer risks	Risk mitigation
Reduced gas volumes	The bulk of APA's revenue is relatively insensitive to fluctuations in gas volumes with contracts based on pipeline capacity reservations and regulatory revenue based on asset values. Revenue growth potential exists for additional pipeline and storage capacity services to meet growth in gas-fired generation.
Increases in operating costs	APA's integrated portfolio of gas pipeline assets provides revenue and operating synergies keeping down ward pressure on operating costs.
Responding to customer needs	APA has an unrivalled gas asset footprint and the internal capability and industry know-how to develop and deliver customer solutions.
Changes to regulation impacting revenue	The regulatory regime is well understood, encapsulated in national law. The process for determining regulatory tariffs is transparent with the right to appeal decisions. The reset dates of APA's price regulated assets are staggered, with on average one review per year.

SUSTAINABILITY REPORT

Employees

Andries Buys, Simon Heath and Elizabeth Voss, Canberra, Australian Capital Territory.

Providing a safe, stimulating and rewarding workplace where our employees can learn and grow.

APA employs more than 1,100 skilled and experienced people to manage its assets and investments. As our business continues to grow, we want our people to grow with it. APA offers a work environment conducive to high performance and a culture where the safety of our people is paramount.

Health and safety

APA recognises that safety is central to our culture and is an integral part in the delivery of excellent business performance. Through continuous improvement, APA aspires to a long-term employee goal of 'Zero Harm'. This year APA reduced its lost time injuries ("LTI") from 7.3 to 4.9 claims per million hours worked. APA is committed to progressively reduce its LTI, with a target of 4.0 for next year.

APA's Health, Safety and Environment Board Committee oversees the commitment to ensuring that the health, safety and wellbeing of our people, contractors, customers and the general public have strong foundations embedded within all levels of the business.

APA is achieving continuous improvement with the integration of best practice Health, Safety and Environment ("HSE") standards in all of our activities across the business, including:

- HSE management systems for all controlled activities and controlled sites based on the accreditation standards of ISO 14001, AS/NZS 13000:2009 and AS/NZS 4801
- ongoing identification of the potential exposures to health and safety hazards of all employees and contractors
- fatigue management programs to minimise the risks of fatigue related incidents and injuries
- drug and alcohol programs at sites
- HSE requirements for all suppliers, contractors and partners are included in all agreements prior to engagement.

Learning and development

APA invests in training and development programs to provide its employees with career opportunities and to encourage them to accept greater challenges and responsibility along their career path.

During the past 12 months, 150 senior leaders completed the first of three modules of the APA Leadership Development Program. We also began the rollout of the Front Line Leaders Program for 140 leaders in the field. Both programs focus on increasing self awareness and leading people.

The scope of the APA technical training department, which has the objective of ensuring that APA employees and contractors are trained to competently perform their duties, was broadened in late 2009. The department focuses on standardising training and competency-based services to maintain a high level of consistency and excellence across all of APA's operations.

Employee engagement

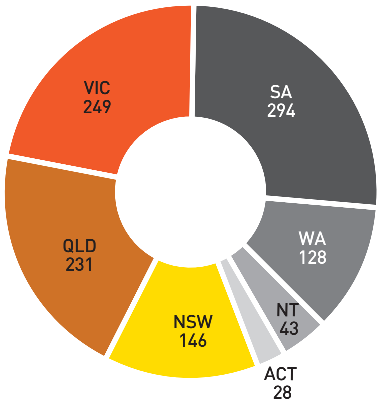
This year employees participated in our third employee satisfaction survey. We achieved an employee satisfaction score of 71%, above our target of 70% which is considered the level for preferred employer status.

APA workplace initiatives

APA has the following workplace initiatives in place to assist in providing our people the best place to work:

- APA is a silver member of the Australian Employers Network on Disability
- Fair treatment at APA is a range of programs and memberships to ensure equal opportunity for all employees
- an employee assistance program provides access to advice with confidential counselling on work related or personal issues
- health and wellbeing initiatives including flu vaccinations and information on health awareness, preparing for a bushfire and dealing with depression
- other initiatives include our flexible work practices policy, 14 weeks paid parental leave and assisted education program.

EMPLOYEES BY LOCATION



Diversity and workforce statistics

In terms of geographic location, gender and age, APA has a relatively diverse workforce.

As at 30 June 2010, APA's workforce consisted of 283 women and 836 men. The majority of APA's workforce are between 35 and 54 years of age (59%) with 21% over 55. APA is cognisant of issues with respect to an ageing workforce and is developing strategies to address these issues.

Key APA employee risks	Risk mitigation
Maintain high levels of employee engagement	Ongoing employee programs are in place to maintain APA's high performance in employee survey results.
Skill shortages and an ageing workforce	Training, development and knowledge transfer programs are designed to meet any skill shortfalls and also encourage young people to join APA.


Kerryanne Mallitt

Employee stories

Kerryanne Mallitt recently took up the position of Manager Transmission Operations Queensland which consolidates her experience in various roles within finance and operations at APA since joining in 2006. Kerryanne said, *"APA has supported my career development through the various programs offered to employees. The favourite part of my job is identifying opportunities to improve things, deliver them and then see how that impacts on people's everyday work life"*.

Wendy Oldham, who heads up APA's Northern Territory team as the General Manager of NT Gas, was recently nominated for the 2009 Telstra Business Woman of the Year Award. Wendy won the 2009 Hudson Private and Corporate Sector Award category in the Northern Territory.

Wendy Oldham


SUSTAINABILITY REPORT

Environment

Continuing to deliver an environmentally responsible, safe and essential service.

APA environmental principles

APA adheres to a clear set of environmental principles in carrying out all its activities.

Compliance

APA will meet or exceed statutory obligations and relevant codes of conduct and standards. APA is a member of the Australian Pipeline Industry Asssociation ("APIA") Environmental Committee; a copy of the APIA Code of Environmental Practice can be found on the APIA website: www.apia.net.au/issues/environment.

Impact minimisation and risk mitigation

APA will minimise impact on the environment from its activities by integrating considerations of environmental sustainability, including site rehabilitation, waste minimisation, efficient water use, energy efficiency and protection of cultural heritage.

APA will include all carbon related costs in its budgeting process and investment decisions.

Monitoring and reporting

APA's environmental performance and reporting will be consistent with recognised Australian reporting standards and, if necessary, include assurance and verification.

Stakeholder engagement

APA will actively participate in policy debate on energy and environmental matters by engaging with federal and state governments, industry participants, customers, communities and employees.

APA climate change statement

- We believe that reducing carbon emissions is a responsible risk mitigation response to climate change. Effective environmental policy is good for future generations and also creates a number of clean energy investment opportunities, particularly for gas infrastructure players, as the world transitions to emerging technologies
- Investor certainty will be achieved by an effective carbon policy designed to enable market participants to work together to deliver optimal gas-fired generation location and plant configurations to replace existing coal-fired generation
- Gas-fired generation and renewables, predominately wind, are the most economic, and currently the only, technologies that can materially reduce Australia's emissions, compared to the current generation mix. Gas-fired peaking generation will play an increasingly important role as back-up generation to intermittent renewables
- APA supports the Large-scale Renewable Energy Target which will make up 41,000 GWh per annum of the total Renewable Energy Target (45,000 GWh per annum) by 2020
- APA supports those government environmental schemes that reduce emissions efficiently. As such, APA supports the proposed removal of heat pumps from the Small-scale Renewable Energy Scheme in gas reticulated areas due to the adverse environmental impact created by these highly carbon intensive systems, in comparison to gas systems.

APA is well positioned to benefit from carbon reduction and renewable energy policies and to play a major role in providing supporting gas infrastructure to facilitate Australia's transition to cleaner fuels. APA will also evaluate further energy infrastructure investment opportunities that may arise due to the shift to renewables.

National Greenhouse and Energy Reporting Act 2007 ("NGERS")

NGERS introduced a national framework for the reporting and dissemination of information about greenhouse gas emissions, greenhouse gas projects, and energy use and production of corporations. One of the objectives of NGERS is to underpin the introduction of an emissions trading scheme.

Last year APA reported scope 1 emissions of 298,906 tonnes of CO2-e complying with NGERS measurement methodologies. All of these emissions were associated with the transportation of gas through APA's transmission and distribution assets. Through APIA, APA is working closely with the Department of Climate Change and Energy Efficiency to refine emission measurement methods to ensure accuracy and transparency for the gas transmission and distribution sector.

Carbon cost pass-through

Under a future carbon reduction policy it is expected that, on the whole, emitters will be able to pass through carbon related costs in the price of their goods or services.

For APA's assets which may need to acquire permits the following cost recovery mechanisms are in place:

- price regulated assets have provisions to enable APA to recover the efficient cost of acquiring permits
- non-regulated assets typically have long-term contractual arrangements, which have been reviewed in light of the draft carbon legislation, and APA expects to pass through or recover nearly all carbon related costs.

Carbon Disclosure Project ("CDP")

APA is a voluntary participant in the global not-for-profit CDP, a highly regarded and transparent form of disclosure on business exposures to climate change. APA will benefit from participating in the CDP and any recognition that climate change policies present opportunities for gas infrastructure businesses.

National Pollutant Inventory ("NPI")

The NPI provides the community, industry and government with free information about substance emissions in Australia. APA complies with its obligations under the NPI and this data is made available on the NPI website npi.gov.au

Energy efficiency

Through its APIA membership, APA will participate in the Carbon and Energy Efficiency Opportunities Program. Participants will act as a self help group sharing knowledge to identify viable opportunities.

Last year APA undertook an energy efficiency initiative to convert instrument gas systems to compressed air at two compressor stations as a part of the Victorian Environmental and Resource Efficiency Plan. These actions are expected to deliver combined annual savings of 12,678 GJ of natural gas, 5,143 tonnes of CO_2-e and $43,000 in costs when fully implemented with a payback period of 1.1 years.

Water usage

APA is currently developing a water management strategy and usage target. An initiative at APA's Brooklyn Compressor Station will replace water-cooled heat exchangers with fin-fan coolers, eliminating cooling towers and delivering expected annual water savings of 16,520 kilolitres.

Golden Sun moth

Waste reduction in offices

There are many ways in which we can reduce our environmental footprint, not just in the things we build, but also in the products we buy and the things we do every day. At APA, we believe even a small change can make a big difference and encourage all employees to minimise waste and save costs.

Keeping an eye on the environment

Saving the Golden Sun Moth

In 2008, while scoping out an expansion to the Wollert Compressor Station, 30km north-east of Melbourne CBD, we identified a previously unknown enclave of a critically endangered species, the Golden Sun Moth.

APA commissioned an external environmental consultant to complete a fauna and flora survey. The survey discovered that there were 400 plus Golden Sun Moths located in a rocky knoll near the existing compressor building. As a result of these findings, APA redesigned the station expansion to minimise any impact on the Golden Sun Moth habitat. APA successfully relocated the expansion away from the significant moth colonies while still delivering the project on time.

Key APA environment risks	Risk mitigation
Impact of cost on carbon	Under current carbon policy proposals, APA expects to pass through or recover nearly all carbon related costs. APA continues to evaluate energy efficiency opportunities to reduce its carbon footprint.
Changing energy market due to environmental policy	Environmental polices will drive investment in gas-fired generation and renewables presenting significant growth opportunities in supporting gas infrastructure. APA will continue to evaluate opportunities arising from growth in renewable energy.

SUSTAINABILITY REPORT

Community

Positively engaging the communities within which we operate.

APA respects the rights and interests of the communities in which it operates. We do this by engaging with members of the community, minimising social and environmental impacts and working to ensure the safety of all concerned.

As an organisation, we continue to build long-term strategic community partnerships. Since 2008, we have been working with indigenous communities through groups such as the National Association for Prevention of Child Abuse and Neglect (NAPCAN), Exodus Foundation and Beyond Empathy.

Through NAPCAN, an organisation dedicated to preventing child abuse, APA has sponsored a KIDS CAN program for indigenous girls in Dubbo. The program has been designed to increase social connection, relationship skills and confidence among the girls. APA has committed to provide funding for another program this year.

During the year APA sponsored three indigenous children through the Exodus Foundation literacy program in Darwin.

The Reverend Bill Crews, the founder of Exodus Foundation, had this to say about the support that he has received from APA: *"I would like to thank all at APA for their terrific support and encouragement for our indigenous literacy program in Darwin. Once kids can read, the whole world opens up to them and it is so exciting for us to be there as these children begin to realise their potential. APA has helped us encourage these kids to realise a dream; that is very special."*

Beyond Empathy is a small, not-for-profit organisation that uses the arts to influence change in the lives of individuals and communities experiencing recurring hardship. Beyond Empathy uses film, digital and mixed media, theatre, music, dance and visual arts to build relationships between intergenerational, disadvantaged young people, local support agency staff and the local community in 13 locations across Australia.

In July 2010, three APA employees participated in Beyond Empathy's Arts Based Intervention Program in Tennant Creek, Northern Territory. Melony Brand, APA Marketing Co-ordinator had this to say about her experience: *"The opportunity to visit APA's community engagement at work was personally rewarding. It was inspiring to see the benefits being delivered by the program which has a lasting impact on the literacy, practical education, social confidence and empowerment of young indigenous people in our remote communities."*

APA supporting the Exodus Foundation Literacy Tutorial Centre

Key APA community risks	Risk mitigation
Maintaining community support and goodwill for APA's activities.	APA engages with its communities and follows industry recognised standards or better in the operation of its assets.

This year, APA made a commitment to support four core charities by encouraging employees to be involved in community and charity activities. These include Clean Up Australia, World's Greatest Shave, National Breast Cancer Foundation and Movember.

At a local level, employees can participate in events within their communities with support from APA, where appropriate. This year, our employees participated in the Variety Club Santa Fun Run, National Walk to Work Day, the Global Corporate Challenge, Anaconda Adventure race, triathlons and fun runs. APA also continues to be a major sponsor of the Darwin Symphony Orchestra.

In 2010, APA will implement a Community Investment Program which will include volunteering opportunities for employees, workplace giving and a more structured approach to sponsorships. This program will align with our business strategy to ensure that we continue to realise our goal to give something back to the communities in which we operate.

SUSTAINABILITY REPORT

Investors

Continuing to be a reliable and attractive investment which delivers superior returns for securityholders.

APA investment strategy

APA continues to deliver long-term value to securityholders with a total securityholder return (distributions and security price) since inception of over 300%. Distributions have grown year-on-year at an average of 5%.

APA's expertise lies in the energy infrastructure industry. When considering investments, APA identifies the value it brings in owning an asset, assessed against the following criteria:

- our level of understanding of the commercial drivers of the asset class
- our ability to efficiently manage and operate that asset
- potential synergies with existing assets in APA's portfolio
- ability for the asset category to provide a meaningful contribution to APA
- our ability to manage the risks commensurate with our growth targets.

APA rigorously assesses any potential investment or development opportunity from a strategic, economic, risk and funding viewpoint:

Strategic

- focus on gas and complementary infrastructure that enhances APA's portfolio.

Economic

- cash flows over the life of a project will positively impact APA's operating cash flow
- project returns will meet appropriate target rates of return with consideration of all risks.

Risk

- assess all risks using APA's proven internal capabilities, policies and processes –financial, operational, project delivery, counterparty, regulatory, reputational and business risks
- APA will use external expert advice, where appropriate.

Funding

- optimise funding options and maintain our investment grade level credit ratings
- align debt maturity profiles with long-term asset profiles.

Energy Infrastructure Investments consortium (EII)

With our EII partners, APA has a capital structure option to optimise future asset investments which are underwritten by long-term annuity-style revenue contracts.

In December 2008, APA established EII, selling its annuity-style assets into this vehicle and establishing a long-term relationship with Japanese corporates, Marubeni Corporation and Osaka Gas. APA retains a minority interest of 19.9% in EII and continues to manage, maintain and operate the assets under a long-term agreement with a market-based fee structure.

In October 2009, APA (20.2%), together with Marubeni Corporation and Osaka Gas, established EII2 to acquire the North Brown Hill Wind Farm development at Hallett, South Australia. This is APA's first investment in renewable energy generation. The 132 MW Wind Farm is currently under construction and due to be completed by June 2011. The investment is secured by a 25 year off-take agreement with AGL, covering both the electricity generated and the Renewable Energy Credits produced.

Shigeru Muto from Marubeni Corporation, and Chairman of EII, said: *"Marubeni, Osaka Gas and APA have formed a successful investment relationship built on mutual respect for the value that each party brings to the Energy Infrastructure Investments consortium. Marubeni is particularly pleased with APA's performance in operating these assets".*

Key APA investor risks	Risk mitigation
Attracting equity investors and debt providers to participate in growth opportunities.	APA provides investors and debt providers with an attractive growth outlook for investment in new projects and expansion of existing assets.

BOARD OF DIRECTORS

Leonard Bleasel AM
INDEPENDENT CHAIRMAN

Leonard (Len) Bleasel is a non-executive director of QBE Insurance Group Limited and O'Connell Street Associates Pty Limited. He is chairman of the Taronga Conservation Society Australia and a member of the Advisory Council for RBS Group (Australia) Pty Limited and a member of Westmead Children's Advisory Committee. Len is also involved as a member of several charitable institutions.

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

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

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

John Fletcher
INDEPENDENT DIRECTOR

John Fletcher has over 35 years experience in the energy industry, having held a number of executive positions in AGL prior to his retirement in 2003, including Chief Financial Officer. John has previously been a director of Integral Energy, Natural Gas Corporation Holdings Ltd (New Zealand), Foodland Associated Limited and Alinta Energy Group. He brings a wide commercial and financial practical knowledge to the board.

John was previously an AGL appointed director of Australian Pipeline Limited from 2000 to 2005. He is also a director of Sydney Water.

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

Russell Higgins AO
INDEPENDENT DIRECTOR

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

Russell is a director of Telstra Corporation Limited and Ricegrowers Limited (trading as SunRice) and is the Chairman of the Global Carbon Capture and Storage Institute and the CSIRO Energy Transformed

From left to right: John Fletcher, Michael McCormack,Robert Wright, Leonard Bleasel, George Ratilal, Muri Muhammad, Russell Higgins.

Flagship Advisory Committee. He is a former Chairman of the Snowy Mountains Council and the Australian Government's Management Improvement Advisory Committee and a former director of Australian Biodiesel Group Limited, Export Finance Insurance Corporation, CSIRO, Austrade, the Australian Industry and Development Corporation as well as a former member of the Australian Government's Joint Economic Forecasting Group. In 2006-07, he was a member of the Prime Ministerial Task Group on Emissions Trading.

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

Muri Muhammad

DIRECTOR

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

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

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

George Ratilal

DIRECTOR

Manharlal (George) Ratilal resigned as a director, and was appointed as an alternate director for Muri Muhammad, on 26 August 2010. George is Executive Vice President (Finance) of Petronas. He is a member of Petronas' Board and Executive Committee. Prior to joining Petronas in 2003, he was employed by a local Malaysian merchant bank for 18 years. During that time, George specialised in corporate finance where he advised on mergers and acquisitions, and the capital markets.

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

Robert Wright

DIRECTOR

Robert Wright has over 30 years financial management experience, having held a number of Chief Financial Officer positions, including Finance Director of David Jones Limited. He is currently the Chairman of SAI Global Limited, Super Cheap Auto Group Limited, RCL Group Limited and APA Ethane Limited, the responsible entity of Ethane Pipeline Income Fund, and was previously Chairman of Dexion Limited.

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

Michael McCormack

MANAGING DIRECTOR AND CHIEF EXECUTIVE OFFICER

Michael (Mick) McCormack has been Chief Executive Officer of APA since 1 July 2005 and Managing Director since 1 July 2006. Mick has over 25 years experience in the gas infrastructure sector in Australia, with particular focus on gas transmission pipelines, where he has worked on the development of new and existing pipelines across Australia.

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

From left to right: Ross Gersbach, Inge Brown, Stephen Ohl, Peter Fredricson, Mark Knapman.

Peter Fredricson

CHIEF FINANCIAL OFFICER

Peter is responsible for all financial aspects of APA, including accounting and financial reporting, financial compliance and governance, taxation, treasury, balance sheet management and capital strategy.

Peter has considerable expertise in the listed energy infrastructure sector and over 20 years further experience in senior financial roles in financial services and investment banking organisations around Australia, Asia and the Pacific.

Ross Gersbach

GROUP MANAGER COMMERCIAL

Ross is responsible for commercial performance of the business assets, including revenue management and growth activities. This includes responsibility for strategic development and planning, investment opportunities, economic regulation, customer management and relationship management strategies.

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

Stephen Ohl

GROUP MANAGER OPERATIONS

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

He has over 35 years experience in the petrochemical, oil and gas and pipeline industries including, for more than 20 years, managing and operating assets now owned by APA.

Mark Knapman

COMPANY SECRETARY

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

He has extensive experience as a Company Secretary. He was Company Secretary and General Counsel of an ASX-listed company and Asia Pacific Legal Counsel and Company Secretary for a US multinational company prior to joining APA. Prior to those roles, he was a partner of an Australian law firm.

Inge Brown

GROUP MANAGER, TRANSFORMATION GROUP

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

Inge is responsible for leading the execution of APA's People, Technology and Process productivity improvement and transformation projects, and for the group wide delivery of APA's information technology solutions and infrastructure.

FIVE YEAR SUMMARY

		2010	2009	2008	2007	2006
Financial performance						
Revenue	$m	989.5	944.4	881.7	532.7	379.0
Revenue excluding pass-through	$m	659.5	673.0	598.9	436.8	293.3
EBITDA	$m	460.0	444.4	414.5	296.8	200.4
Depreciation and amortisation expense	$m	(91.4)	(95.6)	(94.5)	(69.8)	(38.8)
EBIT	$m	368.5	348.7	320.0	227.1	161.6
Interest expense	$m	(229.4)	(213.0)	(223.8)	(136.6)	(71.1)
Tax expense	$m	(38.7)	(35.9)	(24.8)	(25.8)	(29.4)
Minority interests	$m	(0.2)	(0.1)	(0.1)	(0.1)	(0.3)
Net profit after tax and minorities, before significant items	$m	100.4	99.7	71.4	64.5	60.7
Significant items – after income tax	$m	0.0	(21.0)	(4.2)	(7.8)	1.9
Net profit after tax and minorities	$m	100.4	78.8	67.2	56.8	62.5
Financial position						
Total assets	$m	4,982.4	4,747.3	5,097.0	4,237.9	2,060.9
Net debt	$m	3,156.8	3,056.7	3,401.1	2,720.0	1,262.0
Securityholders' equity	$m	1,395.1	1,278.5	1,250.2	1,160.8	591.5
Cash flow and capital expenditure						
Operating cash flow	$m	267.8	226.4	186.4	136.7	112.2
Capital expenditure	$m	135.4	301.7	193.8	130.3	32.0
Key ratios						
Earnings per security	cents	19.4	22.7	18.3	17.0	22.4
Operating cash flow per security	cents	51.9	48.2	42.7	39.7	38.2
Distribution per security	cents	32.8	31.0	29.5	28.0	24.0
Gearing (net debt to net debt plus equity)	%	67.9	70.3	72.0	69.0	67.9
Interest cover ratio	times	2.1	2.1	1.9	2.0	2.3
Weighted average number of securities	m	516.2	485.1	450.3	379.6	289.6
EBITDA by segment						
Gas transmission and distribution						
Queensland	$m	103.3	97.6	95.8	72.4	50.0
New South Wales	$m	96.8	83.4	63.4	53.3	56.4
Victoria and South Australia	$m	105.7	105.1	83.6	62.3	0.0
Western Australia and Northern Territory	$m	102.7	110.6	112.8	93.6	91.1
Asset Management	$m	32.3	22.6	25.5	5.7	0.0
Energy Investments	$m	19.1	11.6	5.0	0.0	0.0
Divested businesses (assets sold to EII)	$m	0.0	13.4	28.4	9.5	2.9

SECURITYHOLDER INFORMATION

Calendar of events

Final distribution FY2010 record date	**30 June 2010**
Final distribution FY2010 payment date	15 September 2010
Annual meeting	**28 October 2010**
Interim result announcement	23 February 2011*
Interim distribution FY2011 record date	**31 December 2010***
Interim distribution FY2011 payment date	16 March 2011*

*Subject to change

Annual Meeting details

Date: 28 October 2010

Venue: City Recital Hall
Angel Place
Sydney NSW

Time: 10.30am
Registration commences at 10.00am

ASX listing

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

Australian Pipeline Limited is the Responsible Entity of those trusts.

APA Group Responsible Entity and Registered Office

Australian Pipeline Limited
ACN 091 344 704
HSBC Building
Level 19, 580 George Street,
Sydney NSW 2000
PO Box R41, Royal Exchange NSW 1225
Telephone: +61 2 9693 0000
Facsimile: +61 2 9693 0093
www.apa.com.au

Securityholder details

It is important that securityholders notify the registry immediately if there is a change to their address or banking arrangements.

Securityholders with enquiries should also contact the APA Group registry.

APA Group registry

Link Market Services Limited
Level 12, 680 George Street,
Sydney NSW 200
Locked Bag A14,
Sydney South NSW 1235
Toll Free: 1800 992 312
Telephone: +61 2 8280 7132
Facsimile: +61 2 9287 0303
Email: apagroup@linkmarketservices.com.au
Website: www.linkmarketservices.com.au

Distribution payments

Distributions will be paid semi-annually in March and September.

Securityholders will receive annual tax statements with the final distribution in September.

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

Distribution Reinvestment Plan (DRP)

APA enables securityholders to receive their distributions as additional securities instead of cash by electing to participate in the DRP. To elect to participate in the DRP please contact the APA Group registry. Terms and conditions of the DRP are available at www.apa.com.au

Online information

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

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

Online Annual Review and Annual Report

APA Group's 2010 Annual Review and Annual Report are available at www.apa.com.au

Electronic communication

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

Help the environment and reduce the amount of paper we use by choosing to receive the Annual Report electronically.

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

Inside cover: Culcairn compressor station and New South Wales to Victoria interconnect

Online Annual Review and Annual Report

This document and further information about APA's financial performance, including details contained in the Annual Report, are available at **www.apa.com.au**

APA Group

ANNUAL REPORT

20 TEN

YEARS OF DELIVERING VALUE AND GROWTH

APA Group

CONTENT

AUSTRALIAN PIPELINE TRUST AND ITS CONTROLLED ENTITIES

APT INVESTMENT TRUST AND ITS CONTROLLED ENTITIES

Front cover: APA Group's delivery point for gas into the Uranquinty Power Station, New South Wales
Inside cover: Culcairn compressor station and New South Wales to Victoria interconnect

AUSTRALIAN PIPELINE TRUST
AND ITS CONTROLLED ENTITIES

ARSN 091 678 778

DIRECTORS' **REPORT**

The directors of Australian Pipeline Limited ("Responsible Entity") submit their report and the annual financial report of Australian Pipeline Trust ("APT") and its controlled entities (together "APA" or "Consolidated Entity") for the financial year ended 30 June 2010. This report refers to the consolidated results of APT and APT Investment Trust ("APTIT").

DIRECTORS

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

Leonard Bleasel AM Chairman

John Fletcher

Russell Higgins AO

Muri Muhammad

George Ratilal

Robert Wright

Michael McCormack Managing Director

George Ratilal resigned as a director, and was appointed an alternate director for Muri Muhammad, on 26 August 2010.

Details of the directors, their qualifications, experience, special responsibilities and directorships of other listed entities are set out on pages 13 to 15.

Alternate directors who served during the year are as follows:

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

W Z W Ariffin as alternate for George Ratilal, retired on 19 August 2009.

COMPANY SECRETARY

Mark Knapman

Details of the Company Secretary, his qualifications and experience are set out on page 14.

PRINCIPAL ACTIVITIES

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

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

SIGNIFICANT CHANGES IN STATE OF AFFAIRS

In the opinion of the directors of the Responsible Entity, there was no significant change in the state of affairs of APA during the year.

DISTRIBUTIONS

Distributions paid to securityholders during the year were:

	Final FY 2009 distribution paid 15 September 2009		Semi-annual FY 2010 distribution paid 17 March 2010	
	Cents per security	Total distribution $000	Cents per security	Total distribution $000
APT profit distribution	2.7	13,684	5.67	28,832
APT capital distribution	-	-	4.97	25,320
APTIT profit distribution	2.2	10,809	3.51	17,847
APTIT capital distribution	11.1	55,293	1.60	8,141
Total	**16.0**	**79,786**	**15.75**	**80,140**

On 25 August 2010, the directors declared a final distribution for APA for the year of 17.0 cents per security payable 15 September 2010, made up of:

	Final FY 2010 distribution payable 15 September 2010	
	Cents per security	Total distribution $000
APT profit distribution	1.73	9,364
APT capital distribution	8.58	46,552
APTIT profit distribution	3.67	19,928
APTIT capital distribution	3.02	16,350
Total	**17.0**	**92,194**

Total distribution for the year is 32.75 cents per security, an increase of 1.75 cents or 5.6% on last year.

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

FINANCIAL AND OPERATIONAL REVIEW

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

Year ended 30 June	2010	2009	Changes	
	$000	$000	$000	%
Total revenue excluding pass-through(1)	**659,548**	673,029	(13,481)	(2.0)
Total revenue	**989,490**	**944,416**	**45,074**	**4.8**
EBITDA	**459,975**	444,375	15,600	3.5
Depreciation and amortisation expense	**(91,426)**	(95,640)	(4,214)	(4.4)
EBIT	**368,549**	348,735	19,814	5.7
Net interest expense	**(229,369)**	(212,991)	16,378	(7.7)
Pre-tax profit	**139,180**	135,744	3,436	2.5
Income tax expense	**(38,672)**	(35,922)	2,750	(7.7)
Minorities	**(150)**	(78)	72	92.3
Operating profit after tax and minorities, before significant items	**100,358**	**99,744**	**614**	**0.6**
Significant items after income tax(2)	-	(20,972)	20,972	(100.0)
Profit after income tax and minorities	**100,358**	**78,772**	**21,586**	**27.4**
Operating cash flow(3) (5)	**267,761**	233,565	34,196	14.6
Operating cash flow per security (cents)(5)	**51.9**	48.2	3.7	7.7
Earnings per security (cents)(5)	**19.4**	22.7	(3.3)	(14.5)
Distribution per security (cents)	**32.75**	31.0	1.75	5.6
Distribution payout ratio(4)	**64.4**	65.6	(1.2)	(1.8)
Weighted average number of securities (000)	**516,243**	485,077	31,166	6.4

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

(2) Significant items in the 12 months to 30 June 2009 include the positive impacts from Envestra underwriting fee, DUOS revenue accrual on APA Gas Network and overprovision of prior year income tax and negative impacts from costs associated with the creation of Energy Infrastructure Investments, settlement of acquisition related liabilities and a revaluation loss on interest rate hedges which were deemed ineffective, acquired as part of the GasNet acquisition.

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

(4) Distribution payout ratio = total distribution payments as a percentage of operating cash flow.

(5) Adjusted for significant items.

APA reported operating profit after tax and minorities of $100.4 million, an increase of 27.4% compared with $78.8 million last year. APA's profit last year contained a number of significant items with an overall net negative impact of $21.0 million. Therefore, APA's operating profit before significant items increased 0.6% from $99.7 million last year.

EBITDA for the year was $460.0 million, a 3.5% increase on $444.4 million last year. This improved result is despite the selldown of $703 million of assets to Energy Infrastructure Investments in December 2008, as last year's EBITDA included contributions ($21.0 million) from those assets.

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

- increased EBITDA performance from the Gas Transmission and Distribution segment due to the sale of additional capacity from recent pipeline expansions and tariff increases, somewhat offset by the lower volumes transported through some pipelines, including the Victorian Transmission System;
- increased contribution from the Energy Investments business segment with the additional contributions from Energy Infrastructure Investments and Hastings Diversified Utilities Fund, and increased contribution from the Envestra investment since February 2009;
- reduction in depreciation costs due to the sale of assets in December 2008 to Energy Infrastructure Investments; and
- increased debt costs due to a globally experienced increase in debt margins.

Operating cash flow increased by 14.6% to $267.8 million (2009: $233.6 million), while operating cash flow per security increased by 7.7% or 3.7 cents to 51.9 cents per security (2009: 48.2 cents per security).

APA's distributions for the year total 32.75 cents per security, an increase of 5.6%, or 1.75 cents on last year. APA achieved its target of at least 5% growth in distributions for the 2010 financial year while maintaining a prudent payout ratio. The distribution payout ratio for the year was 64.4%, further demonstrating APA's ability to fully fund its distributions out of operating cash flows.

Capital management

During the year, APA undertook the following capital raising activities to fund the continuing growth of the business:

- APA issued two tranches of securities under its Distribution Reinvestment Plan:
  - on 15 September 2009, 10,153,368 securities at $2.87 per security raising $29.1 million; and
  - on 17 March 2010, 8,223,709 securities at $3.37 per security raising $27.7 million; and
- on 18 March 2010, APA issued 25,277,956 securities at $3.37 per security through a Security Purchase Plan raising $85.2 million. For the first time, securityholders could purchase APA securities up to the value of $15,000 where purchases under prior Security Purchase Plans were limited to a maximum of $5,000.

As at 30 June 2010, 542,318,629 securities were on issue (2009: 498,663,596).

APA continues to see the operation of both the Distribution Reinvestment Plan and Security Purchase Plan as valid and appropriate tools in providing equity support to its ongoing organic growth projects.

Key initiatives to strengthen APA's statement of financial position during the year included long-term debt raisings and a new forward-start syndicated bank facility to refinance all of APA's debt maturities in calendar year 2010. The initiatives included:

- on 1 July 2009, APA issued A$185 million equivalent of US Private Placement notes with 7 year and 10 year tenures;
- on 24 August 2009, a new $150 million bilateral debt facility with a term of five years was executed; and
- in September 2009, APA completed the early refinancing of a $900 million syndicated bank facility which matured in June 2010. The new syndicated bank facility comprises equal-sized tranches maturing in July 2011 and July 2013, totalling $1.03 billion.

The terms of these new debt facilities are consistent with, and further enable APA to pursue, its stated strategy of extending the maturity of the debt portfolio to better reflect the long-term nature of its asset profile.

At 30 June 2010, APA's debt portfolio has a spread of maturities extending out to 2022, with an average maturity of 5 years. APA was geared at 69.8%[(1)], down from 70.3% at 30 June 2009.

On 22 July 2010, APA issued A$300 million of 10 year fixed rate A$ Medium Term Notes to Australian and international institutional investors. The proceeds of this issue will be used to refinance existing facilities ahead of maturity with a view to extending the average maturity of APA's debt portfolio and reducing debt costs in the longer term.

At 30 June 2010, APA had in excess of $538 million in cash and committed undrawn facilities available to meet the continued capital growth needs of the business. During the height of the global financial crisis, APA took the prudent decision to increase headroom to this level as a precaution against future near term global financing shocks. The cost of carrying approximately $250 million of "excess headroom" is approximately $5 million per annum. APA will continue to monitor debt markets going forward, with a view to ultimately reducing headroom back to a more normalised position.

APA has a prudent treasury policy which requires conservative levels of hedging of interest rate exposures to minimise the potential impacts from adverse movements in rates. All interest rates and foreign currency exposures on US Private Placement Notes have been hedged. APA also enters into interest rate hedges for a proportion of the interest rate exposure on its other floating rate borrowings. At 30 June 2010, 77.3% of interest obligations were either hedged or at fixed interest rates for varying periods extending out more than 11 years (86.8% post the issue of the A$300 million Medium Term Notes).

A level of interest rate protection is also provided through Consumer Price Index ("CPI") indexing in most revenue contracts and the regulatory revenue setting process operating on a number of APA's assets.

(1) Gearing ratio determined in accordance with covenants in all debt facilities as Net Debt to Net Debt plus Book Equity.

Borrowings and finance costs

As at 30 June 2010, APA had borrowings of $3,156.8 million, principally from syndicated debt facilities, US Private Placement Notes and bilateral debt facilities, compared to $3,056.7 million as at 30 June 2009. Committed undrawn facilities available totalled $458 million.

The increase in borrowings was primarily due to the partial funding of the organic growth capital expenditure projects, the acquisition of the Berwyndale Wallumbilla Pipeline and the investment in Hastings Diversified Utilities Fund.

Net underlying finance costs increased by 7.7% to $229.4 million (2009: $213.0 million) largely as a result of carrying increased facility headroom. The average interest rate (including credit margins) applying to drawn debt was 7.86% for the year.

APA's Interest Cover Ratio for the year decreased slightly to 2.11 times from 2.13 times last year, remaining well in excess of its debt covenant default ratio of 1.1 times, and distribution lock up ratio of 1.3 times.

Credit rating

APT Pipelines Limited, the borrowing entity of APA, maintained the BBB long-term corporate credit rating (outlook Stable) assigned by Standard & Poor's in June 2009.

On 29 April 2010, Moody's Investors Service assigned a Baa2 corporate credit rating (outlook Stable) to APT Pipelines Limited. This is APA's second credit rating and its level is equivalent to the Standard & Poor's rating.

The two credit ratings enable APA to further pursue its stated capital management strategy of accessing a broader range of available debt capital markets than historically.

Income tax

The effective income tax rate before significant items is 27.8%, consistent with 26.5% last year.

Capital expenditure

Capital expenditure for the year totalled $131.6 million, of which $116.9 million was in respect of growth projects, primarily being pipeline capacity expansion on the New South Wales and Victorian pipeline systems. In addition, APA acquired the Berwyndale Wallumbilla Pipeline for $87.2 million (including stamp duty) in April 2010.

Growth capital expenditure and the pipeline acquisition are generally either fully underwritten through long-term gas transportation arrangements or have had regulatory approval through the relevant access arrangement.

During the year, APA acquired a 17% interest in Hastings Diversified Utilities Fund for $114.5 million. APA also increased its interest in Envestra through participation in the Distribution Reinvestment Plan for $22.4 million.

Business segment performances

APA's operations and financial result for the year reflect growth of the continuing business, together with continued improvement in business operations and cost containment. The contribution from the assets sold into Energy Infrastructure Investments last year is reported separately for comparison purposes.

Statutory reported revenue and EBITDA performance of APA's business segments is tabled below:

	2010	2009	Changes	
Year ended 30 June	**$000**	**$000**	**$000**	**%**
Revenue from continuing business				
Gas Transmission and Distribution				
Queensland	**151,204**	143,942	7,262	5.0
New South Wales	**120,773**	107,915	12,858	11.9
Victoria	**136,852**	135,625	1,227	0.9
South Australia	**2,005**	1,943	62	3.2
Western Australia[(1)]	**144,145**	136,815	7,330	5.4
Northern Territory	**11,242**	17,388	(6,146)	(35.3)
Gas Transmission and Distribution total	**566,221**	543,628	22,593	4.2
Asset Management	**60,053**	60,476	(423)	(0.7)
Energy Investments[(2)]	**19,408**	11,718	7,690	65.6
Total revenue from continuing business	**645,682**	**615,822**	**29,860**	**4.8**
Total revenue from divested business[(3)]	-	33,853	(33,853)	(100)
Total revenue	**645,682**	**649,675**	**(3,993)**	**0.6**
Pass-through revenue	**329,942**	271,387	58,555	21.6
Unallocated revenue	**13,866**	23,354	(9,488)	(40.6)
Total revenue	**989,490**	**944,416**	**45,074**	**4.8**
EBITDA from continuing business				
Gas Transmission and Distribution				
Queensland	**103,302**	97,271	6,031	6.2
New South Wales	**96,841**	83,430	13,411	16.1
Victoria	**103,987**	105,773	(1,786)	(1.7)
South Australia	**1,720**	1,720	-	-
Western Australia[(1)]	**100,800**	97,886	2,914	3.0
Northern Territory	**1,938**	2,970	(1,032)	(34.7)
Gas Transmission and Distribution total	**408,588**	389,050	19,538	5.0
Asset Management	**32,317**	22,625	9,692	42.8
Energy Investments[(2)]	**19,070**	11,567	7,503	65.0
Total EBITDA from continuing business	**459,975**	423,242	36,733	8.7
Total EBITDA from divested business[(3)]	-	21,133	(21,133)	(100)
Total EBITDA	**459,975**	444,375	15,600	3.5

(1) Excludes the Telfer/Nifty Gas Pipeline, which was sold to Energy Infrastructure Investments in December 2008. Includes APA-owned natural gas vehicle assets (previously included in the complementary assets segment).

(2) Includes distributions of Hastings Diversified Utilities Fund and equity accounted profits of Envestra, SEA Gas, Energy Infrastructure Investments and Ethane Pipeline Income Fund.

(3) Assets sold to Energy Infrastructure Investments in December 2008.

Gas Transmission and Distribution

The Gas Transmission and Distribution segment contributed 88% of revenue and 89% of EBITDA. Revenue (excluding pass-through revenue) was $566.2 million, an increase of 4.2% on the $543.6 million reported last year. EBITDA increased by 5.0% to $408.6 million (2009: $389.1 million). The following factors contributed to this result:

- New South Wales contributed the greatest increase with the sale of increased capacity for transport and storage services on the Moomba Sydney Pipeline;
- the Victorian result was assisted by increased performance of the Dandenong LNG Facility; lower gas volumes transported through the Victorian Transmission System due to warmer winter weathers were partially offset by increased tariffs;
- Queensland assets performed in line with expectations, with a strong increase in earnings on the Carpentaria Gas Pipeline following the commissioning of the Davenport Downs compressor station in June 2009. Roma Brisbane Pipeline revenue increased in line with CPI, while earnings were lower on the APA Gas Network due to flat volumes and a slowdown in infrastructure projects; and
- the Western Australian assets delivered a modest increase in earnings, with the sale of increased capacity on the Goldfields Gas Pipeline and offset by reduced revenues on the Parmelia Gas Pipeline and Mondarra Gas Storage Facility.

APA continues to focus on the operation and development of its Gas Transmission and Distribution assets across mainland Australia.

Queensland

- Carpentaria Gas Pipeline

  Pipeline capacity has increased by 15% in the year to 119 TJ/day following the commissioning of the new compressor station at Davenport Downs in June 2009.

- Roma Brisbane Pipeline

  APA is currently constructing a 6 km lateral from the Roma Brisbane Pipeline to the Caltex oil refinery in Brisbane. The lateral and associated infrastructure will provide increased supply of natural gas to the refinery, and construction will be completed by September 2010.

  Negotiations are continuing with several shippers for existing capacity that becomes available in 2012. APA is also evaluating requests for additional capacity along the Roma Brisbane Pipeline with the objective of expanding the pipeline with additional capacity being available by mid 2012. The expansion will include additional compression, pipeline pressure upgrades and augmentation of the pipeline in the Brisbane Metro area.

- APA Gas Network, Queensland

  Network meter connections increased by 3,178, taking connections to 81,962 at 30 June 2010. Gas volume transported through the network and to large customers was 13.7 PJ, marginally above the 13.6 PJ transported last year.

  Expansion of the gas network continued, including reticulation into new housing developments in the Gold Coast area as well as to industrial and commercial customers. Gas mains laid for the current period totalled 35 km, reaching approximately 1,900 new and existing home sites.

- Berwyndale Wallumbilla Pipeline

  In April 2010, APA acquired the 112 km Berwyndale Wallumbilla Pipeline in Queensland for $87.2 million (including stamp duty). Constructed in 2009 by AGL Energy, the pipeline extends from the Berwyndale coal-seam gas fields in the Surat Basin to the Wallumbilla hub near Roma in southern Queensland. This hub connects three major pipelines, including APA's Roma Brisbane Pipeline.

  The acquisition is underpinned by a long-term gas transportation agreement with AGL Energy, which retains an option for increased capacity, which if triggered would see an additional payment made to AGL Energy of up to $20 million (depending on the size and timing of the additional capacity). In addition, there are options to extend the term of the gas transportation agreement from 17 years to 27 years.

New South Wales

- Moomba Sydney Pipeline

  Work continued on the $100 million capacity expansion program of the Moomba Sydney Pipeline. The five year program, which commenced in 2008, is progressively increasing the mainline capacity of the pipeline. The additional capacity from this year's program was available for the 2010 winter season in line with contract requirements. Expansion costs for the year were $11 million, bringing the total spent thus far to $48 million.

  A further project to provide additional storage capacity on the southern lateral was announced in 2009. The capacity is being increased by looping a 61 km section of the Young to Wagga lateral with 450 mm diameter pipe to provide both storage and transportation services. Furthermore, the lateral is bi-directional, allowing for gas to be transported in either direction between New South Wales and Victoria. Construction commenced in June 2010 and is scheduled for completion by October 2010. The additional capacity is fully underwritten by long-term transportation and storage agreements.

  A reconfiguration of compressors on the Moomba Sydney Pipeline system was completed in June 2010. This project increased the storage capacity and peak delivery of the pipeline to provide services required by shippers to manage their existing gas portfolios, and to provide new services ready to meet the introduction of the short term trading market scheduled for September 2010.

Victoria and South Australia

- Victorian Transmission System

  Total gas volume transported through the Victorian Transmission System was lower this year at 228.3 PJ, down 7% on last year's record volume of 244.6 PJ. Peak day delivery of 1,163 TJ was also lower, down 4% on last year (2009: 1,255 TJ). The combination of a milder than normal winter and reduced economic activity contributed to the reduced volume of gas used by residential and commercial users, as well as for power generation.

  Work commenced to expand the northern section of the Victorian Transmission System in 2009, with completion scheduled for October 2010. This increased capacity will improve gas deliverability for customers in Victoria's north, as well as improve the movement of gas between states. The expansion involves the installation of additional compressors at Wollert Compressor Station, installation of flow reversal capability at Springhurst Compressor Station and up-rating of the pipeline operating pressure of the Wollert to Euroa section of the pipeline. The expansion is included in the system's regulatory arrangement.

- Dandenong LNG facility, Victoria

  APA entered into an agreement with BOC to initiate an upgrade of the BOC Cryocentre at Dandenong to provide an additional volume of LNG refill to support forecast growth in the merchant market, in particular the heavy truck market. In addition, APA will invest $5.4 million to upgrade the Dandenong LNG loading facilities to manage the additional throughput. APA's Dandenong tanker loading facility will be operated on an open access model, promoting competition, with the APA storage facility providing security of supply to facilitate growth in this market.

Western Australia

- Goldfields Gas Pipeline

  The two new compressor stations completed in May and August 2009 are providing additional contracted pipeline capacity to a number of mining operations.

  On 5 August 2010, the Economic Regulation Authority ("ERA") of Western Australia released its further final decision on the proposed 2010-2014 access arrangement for the Goldfields Gas Pipeline. The ERA did not accept APA's revisions to the proposed access arrangement, and will subsequently prepare and install an access arrangement reflecting the requirements and tariffs specified in its final decision. These new tariffs, which come into effect on 20 August 2010, will apply to contracts comprising approximately 40% of APA's revenue from the pipeline. Refer to 'Regulatory matters' on page 11 of this report for additional information.

- Parmelia Gas Pipeline and Mondarra Gas Storage facility

  Following strong demand for storage from Western Australian customers APA has commenced engineering design work to expand the Mondarra Gas Storage facility. The facility is connected to the Parmelia Gas Pipeline, and connected to the Dampier Bunbury Natural Gas Pipeline for the receipt of gas only.

  In response to commercial discussions with prospective customers, APA progressed the technical aspects of the project, including a drilling strategy for new injection and production wells, design of compression and other surface works, as well as interconnection with the Dampier Bunbury Natural Gas Pipeline.

Northern Territory

- Amadeus Gas Pipeline

  With the commissioning of the Bonaparte Gas Pipeline in 2009, natural gas from the offshore Blacktip field has replaced gas delivery from the Amadeus Basin gas fields. The Amadeus Gas Pipeline is now delivering gas north and south of Ban Ban Springs where the two pipelines connect.

Asset Management

APA provides asset management and operational services to the majority of its energy investments and a number of third parties. Its main customers are Envestra, Ethane Pipeline Income Fund, SEA Gas Pipeline and Energy Infrastructure Investments. Asset management services and/or operational services are provided to these customers under long term contracts.

Revenue (excluding pass-through revenue) decreased by 0.7% to $60.1 million (2009: $60.5 million) and EBITDA increased by 42.8% to $32.3 million, up from $22.6 million last year. The increase in EBITDA is mainly due to the addition of earnings from Energy Infrastructure Investments asset management and a reduction in lower margin third party work.

Energy Investments

APA has a number of energy investments across Australia, including interests in Envestra, SEA Gas Pipeline, Energy Infrastructure Investments, Ethane Pipeline Income Fund, EII2 and Hastings Diversified Utilities Fund. APA holds a number of roles in respect of these vehicles in addition to its ownership interest.

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

Envestra

APA's participation in Envestra's Dividend Reinvestment Plan during the year increased its interest in Envestra from 30.4% to 31.7%. The total value of distributions reinvested was $22.7 million for the year.

SEA Gas Pipeline

In October 2009, SEA Gas successfully refinanced its $425 million non-recourse project finance debt facility, for a term of three years.

Energy Infrastructure Investments

APA established the unlisted vehicle Energy Infrastructure Investments in December 2008, retaining a minority equity interest of 19.9% and entering into a contract to manage and operate the Energy Infrastructure Investments assets under a long-term agreement.

EII2

In October 2009, APA (20.2%), together with Marubeni Corporation and Osaka Gas, established EII2 to acquire the North Brown Hill Wind Farm from AGL Energy. The enterprise value of the wind farm project is $460 million and APA's equity interest represents $20 million.

This project is currently under construction and due to be completed by June 2011. The investment is secured by a 25 year off-take agreement with AGL Energy, covering both the electricity generated and the Renewable Energy Credits produced from the wind farm.

This investment provides APA with the opportunity to strengthen its relationship with AGL Energy, one of its major customers, and to enhance its strong operational knowledge of energy infrastructure assets.

Hastings Diversified Utilities Fund

During the year, APA acquired a 17% interest Hastings Diversified Utilities Fund at a total cost of $114.5 million. This investment is consistent with APA's strategy of long term investment in gas transmission pipelines.

REGULATORY MATTERS

Key regulatory matters addressed during the current period included:

Goldfields Gas Pipeline access arrangement

On 13 May 2010, the Economic Regulation Authority ("ERA") of Western Australia released its final decision on the proposed 2010-2014 access arrangement for the Goldfields Gas Pipeline ("GGP"), an improvement compared to the draft decision issued in November 2009. The reference tariff charges in the access arrangement apply to approximately 40% of the annual revenue APA receives from the GGP.

The final decision specifies the ERA's required revisions to the proposed access arrangement. On 4 June 2010 APA, on behalf of the GGP owners, submitted an access arrangement with revisions to elements of the final decision.

On 5 August 2010, the ERA released its further final decision on the access arrangement. The ERA has not accepted APA's revisions, and will itself prepare and install an access arrangement which reflects the requirements and tariffs specified in its final decision. These tariffs come into effect on 20 August 2010.

This further final decision will not have a material impact on APA's overall revenue. However, APA will exercise its right to pursue the appeals process available within the regulatory framework.

National Gas Law – light regulation

Under the National Gas Law, where a pipeline is subject to light regulation, the pipeline owner does not have to submit a full access arrangement for regulatory approval, meaning that the Regulator has no role in determining tariffs for the pipeline other than in the event of an access dispute with a user. This year, APA has been successful in its application for light regulation of the Central West Pipeline in New South Wales and the Kalgoorlie Kambalda Pipeline in Western Australia. Along with the Carpentaria Gas Pipeline and the regulated section of the Moomba Sydney Pipeline, APA now has four pipelines subject to light regulation.

The short-term trading market in gas

The short-term trading market ("STTM") in natural gas is being introduced by the Australian Energy Market Operator into New South Wales and South Australia and will operate alongside Victoria's established wholesale gas market. The STTM will facilitate the trading of natural gas at defined hubs and will have an impact on pipelines, such as the Moomba Sydney Pipeline, which deliver gas to markets where the STTM will operate. APA has implemented a program to ensure that systems and procedures are compliant with STTM requirements and interface seamlessly with the STTM from its commencement. The commencement of the STTM has been postponed to 1 September 2010 (previously scheduled for 1 June 2010 start).

Existing pipeline transportation contracts are preserved from the operation of the STTM, and the STTM will not directly affect the opportunity to negotiate long-term contracts to support the development or expansion of pipelines. APA has developed new services arising from the opportunity provided by the STTM.

ENVIRONMENTAL REGULATIONS

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

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

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

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

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

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

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

SUBSEQUENT EVENTS

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

FUTURE DEVELOPMENTS

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

INFORMATION ON DIRECTORS AND COMPANY SECRETARY

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

Leonard Bleasel AM **FAICD FAIM** ***Independent Chairman*** Appointed 28 August 2007. Appointed Chairman 30 October 2007.	Leonard (Len) Bleasel is a non-executive director of QBE Insurance Group Limited and O'Connell Street Associates Pty Limited. He is Chairman of the Taronga Conservation Society Australia and a member of the Advisory Council for RBS Group (Australia) Pty Limited and Westmead Children's Advisory Committee. Len is also involved as a member of several charitable institutions. Len had a long career in the energy industry before retiring from management in 2001. He started his career in AGL in 1958 and worked in a variety of roles, culminating in the position of Managing Director and CEO from 1990 to 2001. Len's past appointments have included Chairman of Foodland Associated Limited, ABN AMRO Australia Holdings Pty Limited, Solaris Power, the Australian Gas Association, Natural Gas Corporation Holdings Ltd (New Zealand), Elgas Ltd, Auscom Holdings Pty Ltd, Industrial Pipe Systems Pty Ltd and East Australian Pipeline Ltd, a director of St George Bank Limited and Gas Valpo (Chile) and Vice President of the Royal Blind Society. Len was awarded an AM in the General Division of the Order of Australia for services to the Australian gas and energy industries and the community.
John Fletcher **BSc MBA FAICD** ***Independent Director*** Appointed 27 February 2008.	John Fletcher has over 35 years experience in the energy industry, having held a number of executive positions in AGL prior to his retirement in 2003, including Chief Financial Officer. John has previously been a director of Integral Energy, Natural Gas Corporation Holdings Ltd (New Zealand), Foodland Associated Limited and Alinta Energy Group. He brings a wide commercial and financial practical knowledge to the board. John was previously an AGL appointed director of Australian Pipeline Limited from 2000 to 2005. He is also a director of Sydney Water. John is the Chairman of the Remuneration Committee and a member of the Audit and Risk Management Committee.
Russell Higgins AO **BEc FAICD** ***Independent Director*** Appointed 7 December 2004.	Russell Higgins has extensive experience both locally and internationally in the energy sector and in economic and fiscal policy. He was Secretary and Chief Executive Officer of the Department of Industry, Science and Resources from 1997 to 2002 and Chairman of the Australian Government's Energy Task Force from 2003 to 2004. Russell is a director of Telstra Corporation Limited and Ricegrowers Limited (trading as SunRice) and Chairman of the Global Carbon Capture and Storage Institute and the CSIRO Energy Transformed Flagship Advisory Committee. He is a former Chairman of the Snowy Mountains Council and the Australian Government's Management Improvement Advisory Committee and a former director of Australian Biodiesel Group Limited, Export Finance and Insurance Corporation, CSIRO, Austrade, Australian Industry and Development Corporation as well as a former member of the Australian Government's Joint Economic Forecasting Group. In 2006-07, he was a member of the Prime Ministerial Task Group on Emissions Trading. Russell is Chairman of the Health Safety and Environment Committee and a member of the Audit and Risk Management Committee and the Remuneration Committee.

DIRECTORS' **REPORT**

Muri Muhammad **MSc** *Director* Appointed 8 March 2000.	Muri Muhammad retired from Petronas in August 2002 and was reappointed as Petronas' Adviser, Gas Business in the President's Office until 30 March 2005. He brings 30 years experience in the chemicals and petroleum industry as well as expertise in the domestic and international gas transmission and distribution, gas utilisation, cogeneration and conversion businesses where he has held various senior executive positions. Muri was Petronas' Vice President for Gas Business from 1998 until his retirement and held several directorships, some as Chairman, of a number of Petronas' subsidiaries and associate companies in Malaysia and abroad. He currently sits on the boards of gas transmission companies Transportadora de Gas Del Norte of Argentina, Petronas Gas Berhad of Malaysia, and Papua New Guinea's national petroleum and minerals corporation, Petromin PNG Holdings Limited. He was also a member of the Malaysian Energy Commission, a Malaysian Government regulatory body. Muri is a member of the Remuneration Committee and the Health Safety and Environment Committee.
George Ratilal **MBA** *Director* Appointed 31 July 2007. Resigned 26 August 2010.	Manharlal (George) Ratilal is Executive Vice President (Finance) of Petronas. He is a member of Petronas' Board and Executive Committee. Prior to joining Petronas in 2003, he was employed by a local Malaysian merchant bank for 18 years. During that time, George specialised in corporate finance where he advised on mergers and acquisitions, and the capital markets. George holds an MBA from the University of Aston in Birmingham, United Kingdom.
Robert Wright **BComm FCPA** *Independent Director* Appointed 11 February 2000.	Robert Wright has over 30 years financial management experience, having held a number of Chief Financial Officer positions, including Finance Director of David Jones Limited. He is currently the Chairman of SAI Global Limited, Super Cheap Auto Group Limited, RCL Group Limited and APA Ethane Limited, the responsible entity of Ethane Pipeline Income Fund and was previously Chairman of Dexion Limited. Robert is the Chairman of the Audit and Risk Management Committee and a member of the Health Safety and Environment Committee.
Michael McCormack **BSurv GradDipEng MBA FAICD** *Managing Director* Appointed Managing Director 1 July 2006.	Michael (Mick) McCormack has been Chief Executive Officer of APA since 1 July 2005 and Managing Director since 1 July 2006. Mick has over 25 years experience in the gas infrastructure sector in Australia, with particular focus on gas transmission pipelines, where he has worked on the development of new and existing pipelines across Australia. Mick is Chairman of NT Gas Pty Ltd and a director of Envestra Limited and the Australian Pipeline Industry Association.
Mark Knapman **BComm LLB FCIS** *Company Secretary* Appointed 16 July 2008.	In addition to being responsible for the secretariat function, Mark Knapman oversees corporate governance and the legal, risk management and financial services compliance functions. He has extensive experience as a Company Secretary. He was Company Secretary and General Counsel of an ASX-listed company and Asia Pacific Legal Counsel and Company Secretary for a US multinational company prior to joining APA. Prior to those roles, he was a partner of an Australian law firm. Mark holds degrees in law and commerce and a Graduate Diploma in Applied Corporate Governance. He is a Fellow of the Chartered Institute of Company Secretaries and is admitted to practice as a solicitor.

DIRECTORSHIPS OF OTHER LISTED COMPANIES

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

Name	Company	Period of directorship
L F Bleasel AM	QBE Insurance Group Limited	Since January 2001
J A Fletcher	Alinta Energy Group	October 2006 to April 2010
R A Higgins AO	Telstra Corporation Limited	Since September 2009
	Ricegrowers Limited	Since December 2005
	Australian Biodiesel Group Limited	May 2006 to November 2007
M Muhammad	-	-
M Ratilal	-	-
R J Wright	SAI Global Limited	Since October 2003
	Super Cheap Auto Group Limited	Since May 2004
	RCL Group Limited	Since May 2006
	APA Ethane Limited(1)	Since 10 July 2008
	Dexion Limited	March 2005 to August 2010
M J McCormack	Envestra Limited	Since July 2007

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

OPTIONS GRANTED

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

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

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

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

INDEMNIFICATION OF OFFICERS AND EXTERNAL AUDITOR

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

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

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

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

DIRECTORS' MEETINGS

During the year, 15 board meetings, three Remuneration Committee meetings, four Audit and Risk Management Committee meetings and four Health Safety and Environment Committee meetings were held. The following table sets out the number of meetings attended by each director while they were a director or a committee member:

	Board		Remuneration Committee		Audit and Risk Management Committee		Health Safety and Environment Committee	
Directors	**A**	**B**	**A**	**B**	**A**	**B**	**A**	**B**
L F Bleasel AM	15	15	-	-	-	-	-	-
J A Fletcher	15	15	3	3	4	3	-	-
R A Higgins AO	15	15	3	3	4	4	4	4
M Muhammad	15	15	3	3	-	-	4	4
M Ratilal	15	12	-	-	-	-	-	-
R J Wright	15	14	-	-	4	4	4	4
M J McCormack	15	15	-	-	-	-	-	-
W S Saidi(1)	-	-	-	-	-	-	-	-
W Z W Ariffin(2)	-	-	-	-	-	-	-	-

A: Number of meetings held during the time the director held office or was a member of the committee during the year.

B: Number of meetings attended.

(1) W S Saidi as alternate director for M Muhammad. Retired on 14 August 2009.

(2) W Z W Ariffin as alternate director for M Ratilal. Retired on 19 August 2009.

DIRECTORS' SECURITYHOLDINGS

The aggregate number of APA securities held directly, indirectly or beneficially by directors or their director related entities at the 30 June 2010 is 710,620 (2009: 614,172).

The following table sets out directors' relevant interests in APA securities as at 30 June 2010:

Directors	Fully paid securities as at 1 July 2009	Securities acquired	Securities disposed	Fully paid securities as at 30 June 2010
L F Bleasel AM	335,153	24,618	-	**359,771**
J A Fletcher	44,917	11,890	-	**56,807**
R A Higgins AO	52,021	20,933	-	**72,954**
M Muhammad	42,818	-	-	**42,818**
M Ratilal	-	-	-	**-**
R J Wright	24,263	7,002	-	**31,265**
M J McCormack	115,000	32,005	-	**147,005**
	614,172	96,448	-	**710,620**

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

The Company Secretary holds 4,484 APA securities.

REMUNERATION REPORT

Introduction

At APA, we are committed to disclosing a clear and transparent summary of our remuneration arrangements.

This report explains our approach to remuneration and sets out key 2010 remuneration details for the directors of the Responsible Entity and key management personnel ("KMP") of APA.

The people currently in these positions are listed below:

Directors of the Responsible Entity	
Leonard Bleasel AM	Chairman APA Group
John Fletcher	Chairman Remuneration Committee
Russell Higgins AO	Chairman Health Safety and Environment Committee
Muri Muhammad	
George Ratilal[(1)]	
Robert Wright	Chairman Audit and Risk Management Committee
Michael McCormack	Managing Director/Chief Executive Officer
Key management personnel	
Michael McCormack	Managing Director/Chief Executive Officer
Peter Fredricson	Chief Financial Officer
Ross Gersbach	Group Manager Commercial
Stephen Ohl	Group Manager Operations
Mark Knapman	Company Secretary
Robyn Smith[(2)]	Group Manager Human Resources and HS&E

Have there been any changes to the executive remuneration structure during FY 2010?
There have been no significant changes to the remuneration structure during the year. However, the remuneration structure remains continuously under review to ensure that the organisation maintains appropriate pay structures to attract and retain suitably qualified staff.

Remuneration Committee

What is the role of the Remuneration Committee?
The Remuneration Committee has been established by the board to govern and oversee executive remuneration. The role of the Remuneration Committee is to:

- ensure the provision of a robust remuneration and reward system that provides for the alignment of employee and securityholder interests;
- consider and make recommendations to the board on remuneration policies and packages applicable to directors and to senior executives of APA;
- facilitate effective attraction, retention and development of talented employees; and
- ensure compliance with relevant legislation and corporate governance principles on remuneration practices and employment policies.

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

- John Fletcher (Chairman);
- Russell Higgins AO; and
- Muri Muhammad.

The Chairman of the board attends all meetings of the Remuneration Committee and the Managing Director attends by invitation. The Remuneration Committee met three times during the financial year.

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

Our approach to non-executive director remuneration

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

(1) George Ratilal resigned on 26 August 2010.
(2) Robyn Smith resigned with effect from 31 August 2010.

We aim to fairly remunerate directors for their services relative to similar sized organisations.

Non executive director remuneration comprises:

- a base board fee;
- an additional fee for serving on a committee of the board; and
- superannuation levy contributions.

Base board fees and committee fees are reviewed annually by the board, acting on advice from the Remuneration Committee. External professional advice is sought in determining directors' fees to ensure they are appropriate relative to fees paid by comparable companies.

Non-executive directors do not receive incentive payments of any type. One off 'per diems' may be paid in exceptional circumstances.

In 2003, the board terminated the non-executive directors' retirement benefit plan so that the benefits to participating directors that had accrued up to termination were then quantified and preserved for payment on retirement of those directors. Robert Wright is the only current director entitled to benefits under the plan on his retirement from the board.

Board approved fees and committee fees
Following external benchmarking and a review of APA's performance relative to other companies, base board fees and fees for serving on a committee of the board were increased effective 1 January 2010.

Base board fees and committee fees are outlined below:

Fees[1]	**Chairman $000**	**Member $000**
Effective 1 January 2010	**pa**	**pa**
Board fees	265	96
Remuneration Committee fees	22	11
Audit and Risk Management Committee fees	30	15
Health Safety and Environment Committee fees	22	11
Effective 1 January 2008 to 31 December 2009[2]		
Board fees	245	90
Remuneration Committee fees	16	8
Audit and Risk Management Committee fees	27	12
Health Safety and Environment Committee fees	20	10

(1) Excludes Superannuation Guarantee Levy.

(2) The board did not increase the fees payable to directors over the prior period.

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

Non-Executive Directors[1]	**Fees $**	**Superannuation $**	**Total paid 2010 $**	**Total paid 2009 $**
L F Bleasel AM	254,319	16,981	**271,300**	290,585[2]
J A Fletcher	110,150	25,787	**135,937**	128,620
R A Higgins AO	137,000	12,320	**149,320**	143,008
M Muhammad	113,000	-	**113,000**	108,000
R J Wright	132,000	11,875	**143,875**	139,738
G Ratilal	93,000[3]	-	**93,000**	89,167
Total	839,469	66,963	**906,432**	899,118

(1) The remuneration for the Managing Director, M McCormack, is included with the actual remuneration disclosures for FY 2010 on page 22.

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

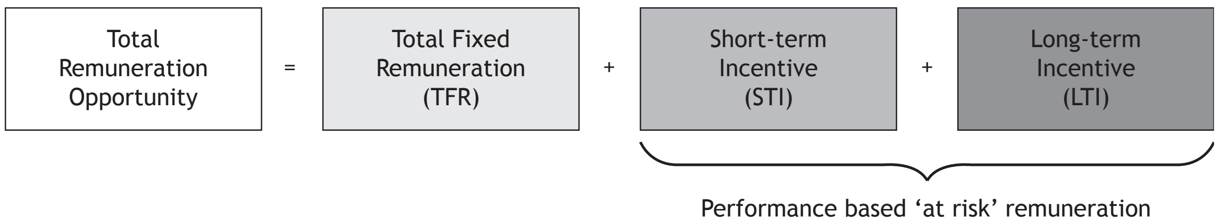
(3) Director's fees paid to Petronas Australia Pty Ltd.

Our approach to executive remuneration

What is our executive remuneration strategy?
Our executive remuneration strategy is to:

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

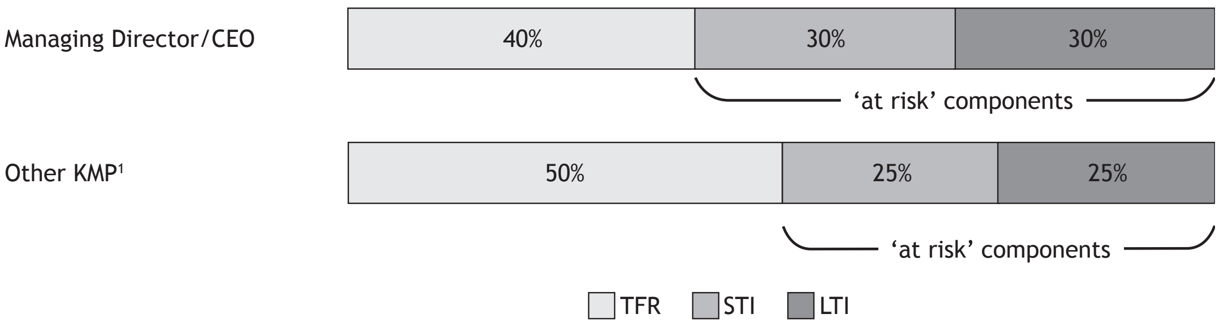
We aim to pay competitive remuneration and this is communicated as Total Remuneration Opportunity ("TRO").



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

What is the remuneration mix?
APA's remuneration mix for senior executives is structured as a mix of fixed remuneration and "at risk" short and long-term incentive components. The proportion of fixed versus "at risk" remuneration varies at different levels within APA, reflecting the varying capacity of employees to influence APA's operational performance and returns to securityholders.

For the Managing Director/CEO and other key management personnel ("KMP"), the remuneration mix is:



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

An overview of remuneration components

Each remuneration component has a different purpose:

Remuneration component	Purpose	How reward is delivered
Total Fixed Remuneration ("TFR")	To reflect the market value of the role and the individual's skills and experience.	The total of base salary (which includes cash, Superannuation Guarantee Levy ("SGL"), vehicles and parking) and incidental benefits.
"At Risk" components		
Short-term incentive ("STI")	To reward strong performance against the achievement of specific business objectives.	Cash-based incentive based on a mix of financial and non-financial key performance indicators ("KPIs").
Long-term incentive ("LTI")	To link executive reward with securityholder value.	Cash-settled incentive based on achievement of an annual board mandated key financial hurdle.

Total Fixed Remuneration ("TFR")

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

TFR is reviewed annually and is determined by reference to appropriate remuneration benchmarking information, taking into account an individual's responsibilities, performance, qualifications and experience.

"At risk" remuneration

"At risk" remuneration is made up of two elements, STI and LTI. Each of these components is discussed in more detail below.

What is the key performance hurdle for 'at risk' remuneration?

Operating cash flow per security ("OCFPS") has been chosen by the board as the key performance hurdle for 'at risk' remuneration. This is directly linked to APA's strategic goal of increasing operating cashflows over the medium term, thereby improving returns to securityholders.

Using OCFPS as the key performance hurdle ensures the interests of executives and securityholders are in complete alignment. If the security price rises over the period of allocation, both parties benefit and likewise if it falls, both are similarly affected.

At the start of each year, the board establishes the OCFPS gateway that needs to be achieved before any STI and LTI is triggered. The OCFPS gateway is not changed over the course of the year.

Short-term incentive ("STI")

A cash-based incentive used to reward strong performance against the achievement of financial and non-financial targets or KPIs.

What is the purpose of the STI plan?

The STI plan is designed to put a proportion of executive remuneration "at risk" against meeting:

- KPIs linked to various financial measures such as cost control, revenue and cash generation and capital expenditure management. This reflects APA's strategic goal of increasing OCFPS over the medium term, thereby increasing securityholder returns and aligning the interests of STI participants with those of securityholders; and
- non-financial targets through the delivery of individual KPIs linked to long-term strategic measures including health, safety and environment targets, and reinforcement of an ethical and values based culture.

At least 50% of the key management personnel's KPIs are linked to financial measures.

How is performance measured?

At the beginning of the financial year, the board, at the recommendation of the Remuneration Committee, determines the appropriate financial and non-financial KPIs for the CEO.

The board also reviews the KPIs the CEO will use to assess the performance of his direct reports.

At the end of the financial year, after the audited financial results are available and provided that the performance hurdle is met, the board determines the performance against KPIs of the CEO and the CEO's direct reports and approves the STI amounts to be paid.

What is the performance hurdle?
STI payments are made from the general operating budget. Executives participating in the STI will not receive any incentive payments unless the performance hurdle for the financial year is reached and unless individual KPIs have been achieved.

What is the value of the STI opportunity?
The STI amount payable is capped at the STI target amount. That is, the CEO's STI is capped at 30% of TRO and for his direct reports at 25% of TRO[(1)].

How is the STI reward delivered?
All STI payments are made in cash and paid in September of the new financial year following the completion of the audit of the annual accounts.

For FY 2010, the STI outcomes are shown in the table below for all key management personnel:

KMP	STI earned ($)	STI earned (%)	STI forfeited ($)	STI forfeited (%)
M McCormack	538,130	87.50	76,870	12.50
P Fredricson	228,125	91.25	21,875	8.75
R Gersbach	260,062	91.25	24,938	8.75
S Ohl	181,562	87.50	25,938	12.50
M Knapman	121,180	89.25	14,596	10.75
R Smith	111,375	82.50	23,625	17.50

Long-term incentive ("LTI")

A cash-settled incentive used to link executive reward to securityholder value based on the achievement of key financial measures.

What is the purpose of the LTI?
The LTI plan is designed to put a proportion of executive remuneration at risk against meeting financial targets linked to OCFPS.

This reflects APA's strategic goal of increasing OCFPS over the medium term, thereby increasing securityholder returns and aligning the interests of LTI participants with those of securityholders.

What form does the LTI take?
Eligible participants are allocated LTI awards in the form of notional securities which exactly mirror the value of APA securities. The notional securities allocated under the LTI plan are cash-based, rather than actual equity.

Each notional LTI security is valued at the equivalent of the 30 day volume weighted average market price ("VWAP") of an APA security immediately prior to the opening of the APA security trading window, following the announcement of APA's annual financial results to the ASX.

Why doesn't the LTI plan offer actual equity?
Due to the complexity of APA's stapled structure, APA does not currently offer a traditional security based LTI scheme.

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

The amount of LTI allocated is capped at 120% of the LTI target and the LTI allocated is dependent on APA's OCFPS performance compared with the OCFPS performance hurdle.

What is the performance target?
Where APA exceeds its OCFPS budget, the LTI is allocated to the participant executives. The OCFPS result determines the size of participants' LTI allocations up to their maximum LTI opportunity.

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

How is the LTI reward delivered?
The LTI vests over three years with the initial one-third vesting on the first anniversary of the date of allocation, one-third at the second anniversary, and one-third at the third anniversary.

As LTI allocations are subject to, and arise from, a pre-allocation performance hurdle, they are not subject to further performance tests at the vesting dates. However, participants must remain employed by APA to access the vested benefit.

Upon vesting, the LTI is delivered in cash. The cash payment is equal to the number of notional securities vesting on the vesting date multiplied by the 30 day VWAP of APA securities immediately prior to the opening of the APA executive security trading window, following the announcement of APA's annual financial results to the ASX. APA provides fully in its accounts for the obligations of the LTI in the year in which the LTI award is made.

What rights are attached to the LTI?
No rights are attached to the LTI. As the LTI is a cash-settled plan and does not allocate APA securities to participants at any stage, participants are not entitled to vote or participate in distributions of their LTI awards.

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

APA also encourages executives to hold securities in the organisation.

Actual remuneration received during FY 2010

Actual remuneration received by the Managing Director/CEO and other key management personnel is defined as the 'take home' pay received by these individuals during the year ended 30 June 2010.

Actual LTI payments represent the amount received by the individual during the year, regardless of when the LTI award was earned or allocated.

What amounts are excluded?
The table below does not show LTI awards allocated in FY 2010 or previous years that are still subject to performance or employment conditions. This is because those LTI awards are still at-risk of forfeiture.

The table below sets out **actual cash payments** made to the relevant key management personnel during the 12 months end on 30 June 2010. This table differs from the information disclosed in Note 45 of the financial report for Australian Pipeline Trust and Note 19 of the financial report for APT Investment Trust. The information disclosed in those notes reflects the **total remuneration earned** by each relevant key management person in the 12 months to 30 June 2010, but not yet fully paid.

The major differences are in respect of STI for which the amount paid in 2010 represents the amount earned in 2009, and LTI for which amounts earned in a particular year vest and are paid in cash over the following three years.

The following table outlines the actual remuneration received by key management personnel during FY 2010:

Key management personnel	Total Fixed Remuneration $	STI $	LTI $	Other $	Total paid 2010 $	Total paid 2009 $
M McCormack	821,500	523,125	151,908	650,000(1)	**2,146,533**	1,316,643
P Fredricson(2)	500,000	-	-	1,800	**501,800**	41,667
R Gersbach	570,000	247,500	31,882	72,500(3)	**921,883**	659,200
M Knapman	370,000	119,600	-	-	**489,600**	328,913
S Ohl	415,000	184,000	43,809	-	**642,809**	603,406
R Smith	266,209	115,700	14,246	-	**396,155**	345,000
Total	2,942,709	1,189,925	241,845	724,300	**5,098,779**	3,294,829

(1) A retention payment paid to the CEO as agreed by the board in 2006 when the organisation was under threat of takeover by the then Alinta Energy.

(2) Mr Fredricson joined APA as CFO in June 2009. STI and LTI earned for the period to 30 June 2010 but not paid until future years are disclosed in the financial report.

(3) A payment to the Group Manager Commercial for acting in the CFO position in addition to his own role from 1 January 2009 to 31 May 2009.

Current LTI entitlements outstanding

Current LTI entitlements outstanding are defined as LTI awards allocated but not yet vested or paid.

The following table outlines the current LTI amounts outstanding for key management personnel based on an estimated VWAP of $3.6972:

Key management personnel	Balance of Securities Available(1)	Vesting Year 2010(2)	2011	2012	2013
M McCormack	548,805	140,527	190,211	151,531	66,536
P Fredricson	81,142	-	27,047	27,047	27,048
R Gersbach	236,450	51,868	82,702	71,046	30,835
M Knapman	98,908	18,280	32,970	32,970	14,689
S Ohl	181,930	45,261	62,524	51,694	22,450
R Smith	111,261	24,219	38,822	33,615	14,605

(1) Includes LTI entitlements subject to allocation by the board in August 2010.

(2) Notional securities multiplied by 30 day VWAP to be paid as cash in September 2010.

Executive contracts

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

Name and title and commencement date	Term and termination provisions/benefits
M McCormack Managing Director since 1 July 2006. Chief Executive Officer 1 July 2005 to 30 June 2006. Commenced 1 March 2000.	No defined term. On termination with cause or following certain long-term illness, the company will pay any TFR due and owing at the date of termination and any accrued leave entitlements. On termination without cause, the Company will pay 52 weeks TFR, any incentives earned but not paid on their due date and any accrued leave entitlement. The Company will also pay any TFR due and owing at the date of termination.
R Gersbach Group Manager Commercial Commenced 1 February 2008.	No defined term. On termination with cause or following certain long-term illness, the company will pay any TFR due and owing at the date of termination and any accrued leave entitlements. On termination without cause, the Company will pay 26 weeks TFR, any incentives earned but not paid on their due date and any accrued leave entitlement. The Company will also pay any TFR due and owing at the date of termination. If Mr Gersbach gives notice to terminate his employment, the Company may (after consulting with the board) at its discretion agree to make a termination payment of an amount up to 26 weeks TFR.
P Fredricson Chief Financial Officer Commenced 1 June 2009.	No defined term. On termination with cause or following certain long-term illness, the company will pay any TFR due and owing at the date of termination and any accrued leave entitlements. On termination without cause, the Company will pay 26 weeks TFR, any bonus entitlement not yet paid and any accrued leave entitlement. The Company will also pay any TFR due and owing at the date of termination.

Name and title and commencement date	Term and termination provisions/benefits
S Ohl Group Manager Operations Commenced 2 May 2005.	No defined term. On termination with cause or following certain long-term illness, the company will pay any TFR due and owing at the date of termination and any accrued leave entitlements. On termination without cause, the Company will pay 26 weeks TFR, any incentives earned but not paid on their due date and any accrued leave entitlement. The Company will also pay any TFR due and owing at the date of termination. If Mr Ohl gives notice to terminate his employment, the Company may (after consulting with the board) at its discretion agree to make a termination payment of an amount up to 26 weeks TFR.
M Knapman Company Secretary Commenced 16 July 2008.	No defined term. On termination with cause or following certain long-term illness, the company will pay any TFR due and owing at the date of termination and any accrued leave entitlements. On termination without cause, the Company will pay 26 weeks TFR, any incentives earned but not paid on their due date and any accrued leave entitlement. The Company will also pay any TFR due and owing at the date of termination.
R Smith General Manager Human Resources & HSE Commenced 2 October 2007.	No defined term. On termination with cause or following certain long-term illness, the company will pay any TFR due and owing at the date of termination and any accrued leave entitlements. On termination without cause, the Company will pay 26 weeks TFR, any incentives earned but not paid on their due date and any accrued leave entitlement. The Company will also pay any TFR due and owing at the date of termination. If Ms Smith gives notice to terminate her employment, the Company may (after consulting with the board) at its discretion agree to make a termination payment of an amount up to 26 weeks TFR.

Remuneration advisers

During FY 2010, the following remuneration advisers were appointed:

- Egan & Associates and Mercer were appointed by the Remuneration Committee, for the purposes of providing remuneration benchmarking information for both directors and key management personnel. They reported directly to the Chairman of the Committee; and
- PricewaterhouseCoopers were also appointed by the Chairman of the Remuneration Committee to provide advice to the board on remuneration reporting.

INFORMATION REQUIRED FOR REGISTERED SCHEMES

Fees paid to the Responsible Entity and its associates (including directors and secretaries of the Responsible Entity, related bodies corporate and directors and secretaries of related bodies corporate) out of APA scheme property during the year are disclosed in Note 46 to the financial statements.

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

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

The value of APA's assets as at the end of the year is disclosed in the balance sheet in total assets, and the basis of valuation is included in Note 3 to the financial statements.

AUDITOR'S INDEPENDENCE DECLARATION

A copy of the Auditor's independence declaration as required under section 307C of the Corporations Act 2001 is included on page 108.

ROUNDING OF AMOUNTS

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

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

L F Bleasel AM
Chairman

R J Wright
Director

SYDNEY, 25 August 2010

CORPORATE **GOVERNANCE STATEMENT**

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

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

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

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

The ASX Corporate Governance Council recently released amendments to the Corporate Governance Principles and Recommendations dated 30 June 2010 that relate to diversity (in particular, gender diversity on boards and with respect to senior management and other employees), share trading policies, shareholder communications and remuneration committees, that will apply to companies with a July/June financial year from and including the year ending 30 June 2012, with appropriate disclosures to be made in the 2012 annual report. Over the coming year, APA will consider how to respond to the amendments, at least some of which it believes it already complies with.

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

PRINCIPLE 1:

Lay solid foundations for management and oversight

The board of the Responsible Entity is accountable to securityholders for the proper management of APA's business and affairs. It operates in accordance with a charter, which is published on APA's web site.

The board, chaired by Leonard Bleasel AM, normally meets 11 times each year, with additional meetings being held as required. The number of times it met during the financial year ended 30 June 2010, and directors' attendance at those meetings, are set out in the directors' report.

To assist the board in carrying out its responsibilities, the following standing committees of its members have been established:

- Audit and Risk Management Committee;
- Remuneration Committee; and
- Health Safety and Environment Committee.

Each committee has its own charter that describes the roles and responsibilities delegated to the committee by the board, and those charters are published on APA's web site. The charters for the board and its committees are reviewed by the board annually, and were last reviewed in July 2010.

The board delegates responsibility for implementing the strategic direction and managing the day-to-day operations of APA to the Managing Director, Michael McCormack. The Managing Director consults with the Chairman, in the first instance, on matters that are sensitive, extraordinary or of a strategic nature.

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

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

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

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

APA has processes in place to review the performance of senior management. Each senior executive, including the Managing Director, has personal objectives as well as objectives related to the performance of business or functional units and APA as a whole. They are reviewed against those objectives at least annually. A review of senior management occurred during the financial year ended 30 June 2010.

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

PRINCIPLE 2:

Structure the board to add value

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

The current directors are Leonard Bleasel AM (Chairman), John Fletcher, Russell Higgins AO, Michael McCormack (Managing Director), Muri Muhammad, George Ratilal[1] and Robert Wright whose experience, terms of office and membership of board committees are set out in the directors' report.

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

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

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

The Responsible Entity's constitution requires one-third of its directors (excluding the Managing Director, the Petronas-appointed director and any director who is standing for re-election after having been appointed as an additional director or to fill a vacancy) to retire from office at the annual general meeting of the Responsible Entity each year. If the calculation of that one-third is not a whole number, the number of directors required to retire by this "rotation" process is rounded to the nearest whole number. Retiring directors are eligible for re-election.

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

At least 60 days before annual general meetings of the Responsible Entity, securityholders are notified by announcement to ASX that they may nominate a person to fill a vacancy on the board that arises on retirement of either a director under the "rotation" process or a director appointed by the board since the last annual general meeting. If securityholders wish to exercise that right, at least 45 days before the annual general meeting they must send the Responsible Entity a signed nomination form and the nominee's signed

(1) George Ratilal resigned as a director, and was appointed as an alternate director for Muri Muhammad, on 26 August 2010.

consent to act as a director. If nominations are received by the required date, the Responsible Entity advises securityholders of all candidates who have been validly nominated and presents its nominations to the annual meeting of securityholders.

The board assesses the independence of non-executive directors on appointment and annually having regard to the independence of directors policy (published on APA's web site). This year the board confirmed that Leonard Bleasel AM, John Fletcher, Russell Higgins AO and Robert Wright are independent. Muri Muhammad, George Ratilal and the Managing Director, Michael McCormack, are not considered to be independent.

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

If it is proposed to select and appoint a new director, the board predefines the skills and experience required of candidates for the role to ensure an appropriate mix of skills and experience is represented on the board. The board then assesses potential candidates against the predefined requirements and also considers their qualifications, backgrounds and personal qualities before the new director is appointed.

A review process to assess the performance of the board, its committees and individual directors is undertaken each year and the review for the 2010 financial year will be completed in September 2010. Each director completed a questionnaire, the responses were collated and the board then met to discuss and consider the results of that process and to determine any actions arising from the review. The Chairman also met with each director to discuss the review and the director's own performance. Matters covered by the review include the role and performance of the board and its committees, directors' understanding of APA's long-term objectives and key risks to the business and achievement of those objectives, succession planning and the effectiveness of the Chairman in leading the board.

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

While most board meetings are held in Sydney, where APA's head office is located, some are held in other locations where APA has a presence, providing directors with the opportunity to receive presentations from and speak to local APA employees about the business and to inspect APA's assets and facilities.

The board collectively and each director individually may seek independent professional advice at APA's expense. Prior approval of the Chairman is required, but this may not be unreasonably withheld.

Directors and senior management are encouraged to broaden their knowledge of APA's business and to keep abreast of developments in business more generally by attending relevant courses, seminars and conferences. Where appropriate, APA will meet expenses involved in such activities.

PRINCIPLE 3:

Promote ethical and responsible decision-making

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

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

APA has a whistleblower policy, the purpose of which includes fostering in APA a culture of compliance and responsible and ethical decision-making. The policy encourages the reporting of matters of concern and suspected wrongdoing, such as dishonest or fraudulent conduct, breaches of legislation and other conduct that may cause financial loss to APA or be otherwise detrimental to the reputation or interests of APA, and describes the protection to be afforded to whistleblowers who report such conduct against reprisals, discrimination, harassment or other disadvantage resulting from their reports.

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

PRINCIPLE 4:

Safeguard integrity in financial reporting

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

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

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

The roles and responsibilities delegated to the committee are set out in the committee's charter which is published on APA's web site.

The Managing Director, Chief Financial Officer, Company Secretary, Business Risk Manager, other senior management personnel, as required, and the external and internal auditors attend committee meetings at the discretion of the committee. The external and internal auditors receive all committee papers and, at each committee meeting, meet with the committee without management present.

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

The committee is required by its charter to meet at least four times each year. The number of times it met during the financial year ended 30 June 2010, and the committee members' attendance at those meetings, are set out in the directors' report.

Apart from reviewing the integrity of APA's financial reporting, the committee monitors the effectiveness of the external and internal auditors and the independence of the external auditor, and makes recommendations to the board on the appointment or replacement (subject to securityholders' approval, if applicable) of the external auditor.

The external auditor appointment and independence policy (published on APA's web site) documents the process for appointment of the auditor and for monitoring the auditor's independence. Pursuant to that policy, the lead partner and the review or concurring partner of the external auditor must be rotated at least every five years, followed by a two year minimum time-out period during which they may not take part in the audit. APA's auditor is Deloitte Touche Tohmatsu and Greg Couttas of that firm was appointed the lead audit partner for the APA audit in December 2009.

The external auditor's independence could be impaired or compromised, or be interpreted as being impaired or compromised, through the provision of some non-audit services or by the quantum of fees paid to the auditor for such services. Accordingly, the Audit and Risk Management Committee has approved a list of non-audit services that the external auditor may perform and the process for those services being approved, identified a list of prohibited services and determined a maximum dollar limit on any non-audit services provided by the auditor in any financial year.

The Responsible Entity's costs incurred in acting as responsible entity of Australian Pipeline Trust and APT Investment Trust are reimbursed by APA. The actual cost recovery in the financial year ended 30 June 2010 was $2.5 million. The Responsible Entity does not make a profit, nor seek performance fees. The constitutions of Australian Pipeline Trust and APT Investment Trust enable the Responsible Entity to charge fees up to 0.5% per annum of the value of gross assets; however, the right to charge such fees has been waived to the extent it exceeds the Responsible Entity's costs.

PRINCIPLE 5:

Make timely and balanced disclosure

APA's market disclosure policy, published on APA's web site, aims to ensure that information that a person could reasonably expect to have a material effect on the APA security price, whether the information is positive or negative, is announced to the market by release to ASX in accordance with the ASX Listing Rules and the Corporations Act 2001.

The Company Secretary is the nominated continuous disclosure officer.

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

PRINCIPLE 6:

Respect the rights of shareholders

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

- an annual statutory report (comprising the financial report and directors' report) sent to securityholders who have elected to receive the report;
- starting in 2010, an annual review that will be sent to securityholders who elect to receive either the statutory report or the annual review alone;
- a biannual newsletter sent to securityholders who have not elected to receive the annual report, and to all securityholders on the announcement of the half year results;
- the interim (half yearly) report, and directors' commentary on that report;
- announcements to ASX and media releases;
- "Open Briefings" prepared from time to time to provide an update to investors, and released to ASX;
- analyst briefings and investor presentations released to ASX;
- the Investor Centre section of APA's web site on which the reports, ASX and media releases, presentations and other documents referred to above are posted;
- the annual meeting of securityholders; and
- webcasting of half year and full year results presentations, the annual meeting and announcements of major events.

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

APA encourages securityholders to participate in its annual meetings. A notice of annual meeting setting out the agenda for the meeting and explaining resolutions on which securityholders may vote is sent to all securityholders and to ASX prior to the meeting. Securityholders who cannot attend a meeting in person may appoint a proxy and may also read the Chairman and Managing Directors' addresses that are sent to ASX and posted on APA's web site, and listen to a web cast of the meeting available through APA's web site.

At the annual meeting, the Chairman encourages questions and comments from securityholders and seeks to ensure the meeting is managed to give securityholders an opportunity to participate. In the interests of clarity, questions on operational matters may be answered by the Managing Director or another appropriate member of senior management. Securityholders are also invited to send written questions ahead of the meeting and, where there is a common theme to a number of questions, either the Chairman or the Managing Director will commonly seek to provide an answer in their address.

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

The 2010 annual meeting of securityholders will be held in Sydney on 28 October 2010. A notice of that meeting and a proxy form will be sent to securityholders some weeks before the meeting, and details of the meeting are also available from APA's web site.

PRINCIPLE 7:

Recognise and manage risk

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

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

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

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

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

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

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

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

The Business Risk Manager, who reports to the Company Secretary and usually attends meetings of the Audit and Risk Management Committee, is responsible for:

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

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

In the course of approving the financial statements for the financial year ended 30 June 2010, the board considered a written statement from the Chief Executive Officer and the Chief Financial Officer to the effect that, to the best of their knowledge and belief, their declaration pursuant to section 295A of the Corporations Act 2001 (broadly, that the financial statements give a true and fair view in all material respects of APA's financial position and comply in all material respects with relevant accounting standards) is founded on a sound system of risk management and internal control and that system is operating effectively in all material respects in relation to financial reporting risks, based on the management framework adopted by APA.

PRINCIPLE 8:

Remunerate fairly and responsibly

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

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

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

The current members of the committee are John Fletcher (committee Chairman), Russell Higgins AO and Muri Muhammad. The Chairman of the board, although not a member of the committee, usually attends committee meetings.

The roles and responsibilities delegated to the Remuneration Committee are set out in the committee's charter which is published on APA's web site.

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

The committee Chairman reports to the board on the committee's activities and recommendations.

The committee is required by its charter to meet at least twice each year. The number of times it met during the financial year ended 30 June 2010, and the committee members' attendance at those meetings, are set out in the directors' report.

The committee can seek external professional advice on any matter within its terms of reference. As stated in APA's remuneration report, independent remuneration consultants were engaged to review non-executive director and executive compensation during the financial year.

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

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

In 2003, the board terminated the non-executive directors' retirement benefit plan so that the benefits to participating directors that had accrued up to termination were then quantified and preserved for payment on retirement of those directors. Under the plan, after three years service a director was entitled to the equivalent of the emoluments received over the most recent 12 months. After 10 years service, the entitlement increased to the equivalent of emoluments received during the most recent three years. No additional entitlement accrued after 10 years. For periods between three and 10 years, the entitlement was calculated on a pro-rata basis.

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

CORPORATE **GOVERNANCE STATEMENT**

CORPORATE GOVERNANCE PRINCIPLES AND RECOMMENDATIONS

issued by ASX Corporate Governance Council

		Comply Yes/No
Principle 1: Lay solid foundations for management and oversight		
1.1	Companies should establish the functions reserved to the board and those delegated to senior executives and disclose those functions	Yes
1.2	Companies should disclose the process for evaluating the performance of senior executives	Yes
1.3	Companies should provide the information indicated in the Guide to reporting on Principle 1	Yes
Principle 2: Structure the board to add value		
2.1	A majority of the board should be independent directors	Yes
2.2	The chair should be an independent director	Yes
2.3	The roles of chair and chief executive officer should not be exercised by the same individual	Yes
2.4	The board should establish a nomination committee	No (note 1)
2.5	Companies should disclose the process for evaluating the performance of the board, its committees and individual directors	Yes
2.6	Companies should provide the information indicated in the Guide to reporting on Principle 2	Yes
Principle 3: Promote ethical and responsible decision-making		
3.1	Companies should establish a code of conduct and disclose the code or a summary of that code as to: ■ the practices necessary to maintain confidence in the company's integrity ■ the practices necessary to take into account their legal obligations and the reasonable expectations of their stakeholders ■ the responsibility and accountability of individuals for reporting and investigating reports of unethical practices	Yes
3.2	Companies should establish a policy concerning trading in company securities by directors, senior executives and employees, and disclose the policy or a summary of that policy	Yes
3.3	Companies should provide the information indicated in the Guide to reporting on Principle 3	Yes
Principle 4: Safeguard integrity in financial reporting		
4.1	The board should establish an audit committee	Yes
4.2	The audit committee should be structured so that it: ■ consists only of non-executive directors ■ consists of a majority of independent directors ■ is chaired by an independent chair, who is not chair of the board ■ has at least three members	Yes
4.3	The audit committee should have a formal charter	Yes
4.4	Companies should provide the information indicated in the Guide to reporting on Principle 4	Yes

CORPORATE **GOVERNANCE STATEMENT**

CORPORATE GOVERNANCE PRINCIPLES AND RECOMMENDATIONS

issued by ASX Corporate Governance Council

		Comply Yes/No
Principle 5: Make timely and balanced disclosure		
5.1	Companies should establish written policies designed to ensure compliance with ASX Listing Rule disclosure requirements and to ensure accountability at a senior executive level for that compliance and disclose those policies or a summary of those policies	Yes
5.2	Companies should provide the information indicated in the Guide to reporting on Principle 5	Yes
Principle 6: Respect the rights of shareholders		
6.1	Companies should design a communications policy for promoting effective communication with shareholders and encouraging their participation at general meetings and disclose their policy or a summary of that policy	Yes
6.2	Companies should provide the information indicated in the Guide to reporting on Principle 6	Yes
Principle 7: Recognise and manage risk		
7.1	Companies should establish policies for the oversight and management of material business risks and disclose a summary of those policies	Yes
7.2	The board should require management to design and implement the risk management and internal control system to manage the company's material business risks and report to it on whether those risks are being managed effectively. The board should disclose that management has reported to it as to the effectiveness of the company's management of its material business risks	Yes
7.3	The board should disclose whether it has received assurance from the chief executive officer (or equivalent) and the chief financial officer (or equivalent) that the declaration provided in accordance with section 295A of the Corporations Act is founded on a sound system of risk management and internal control and that the system is operating effectively in all material respects in relation to financial reporting risks	Yes
7.4	Companies should provide the information indicated in the Guide to reporting on Principle 7	Yes
Principle 8: Remunerate fairly and responsibly		
8.1	The board should establish a remuneration committee	Yes
8.2	Companies should clearly distinguish the structure of non-executive directors' remuneration from that of executive directors and senior executives	Yes
8.3	Companies should provide the information indicated in the Guide to reporting on Principle 8	Yes

Note

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

STATEMENT OF **COMPREHENSIVE INCOME**

FOR THE FINANCIAL YEAR ENDED 30 JUNE 2010

		Consolidated		Trust	
		2010	2009	**2010**	2009
	Note	**$000**	$000	**$000**	$000
Continuing operations					
Revenue	6	**975,803**	943,636	**50,295**	88,462
Share of net profits of jointly controlled entities accounted for using the equity method	6	**13,687**	6,143	**-**	-
		989,490	949,779	**50,295**	88,462
Asset operation and management expenses		**(75,959)**	(111,182)	**-**	-
Depreciation and amortisation expense	7	**(91,426)**	(95,640)	**-**	-
Other operating costs - pass-through	7	**(329,942)**	(271,387)	**-**	-
Finance costs	7	**(243,235)**	(245,078)	**-**	-
Employee benefit expense	7	**(97,859)**	(90,811)	**-**	-
Other expenses		**(11,889)**	(20,949)	**(4,965)**	1,905
Profit before tax		**139,180**	114,732	**45,330**	90,367
Income tax expense	9	**(38,672)**	(35,882)	**(5,236)**	(3,197)
Profit for the year		**100,508**	78,850	**40,094**	87,170
Other comprehensive income					
(Loss)/gain on available-for-sale investments taken to equity		**(389)**	(2,497)	**1,444**	(1,101)
Transfer of (gain)/loss on cash flow hedges to profit or loss		**45,748**	(115,599)	**-**	-
Gain on cash flow hedges taken to equity		**294**	47,695	**-**	-
Gain/(loss) on associate hedges taken to equity		**13,622**	(6,409)	**-**	-
Actuarial loss on defined benefit plan		**(8,153)**	(9,775)	**-**	-
Income tax relating to other comprehensive income components		**(16,651)**	26,113	**(62)**	-
Other comprehensive income/(expense) in the year (net of tax)		**34,471**	(60,472)	**1,382**	(1,101)
Total comprehensive income for the year		**134,979**	18,378	**41,476**	86,069
Profit attributable to:					
Equityholders of the parent		**62,584**	44,708	**40,094**	87,170
Minority interest - APT Investment Trust equityholders		**37,774**	34,064	**-**	-
APA stapled securityholders		**100,358**	78,772	**40,094**	87,170
Minority interest - other		**150**	78	**-**	-
		100,508	78,850	**40,094**	87,170
Total comprehensive income attributable to:					
Equityholders of the parent		**95,710**	(14,368)	**41,476**	86,069
Minority interest - APT Investment Trust equityholders		**39,119**	32,668	**-**	-
APA stapled securityholders		**134,829**	18,300	**41,476**	86,069
Minority interest - other		**150**	78	**-**	-
		134,979	18,378	**41,476**	86,069
Earnings per security					
Basic and diluted (cents per security)	35	**19.4**	16.2		

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

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

STATEMENT OF **FINANCIAL POSITION**

AS AT 30 JUNE 2010

		Consolidated		Trust	
		2010	2009	**2010**	2009
	Note	**$000**	$000	**$000**	$000
Current assets					
Cash and cash equivalents		**80,940**	108,815	**293**	104
Trade and other receivables	11	**142,529**	142,498	**485**	7,785
Inventories	12	**10,698**	14,156	**-**	-
Other	13	**3,757**	4,182	**-**	-
Total current assets		**237,924**	269,651	**778**	7,889
Non-current assets					
Receivables	14	**21,402**	21,168	**355,751**	-
Other financial assets	15	**129,185**	14,259	**639,815**	1,547,758
Investments accounted for using the equity method	16	**403,528**	388,416	**-**	-
Property, plant and equipment	17	**3,483,328**	3,362,445	**-**	-
Goodwill	18	**520,779**	520,779	**-**	-
Other intangible assets	19	**179,282**	168,521	**-**	-
Deferred tax assets	9	**-**	-	**136,823**	150,401
Other	20	**7,008**	2,088	**-**	-
Total non-current assets		**4,744,512**	4,477,676	**1,132,389**	1,698,159
Total assets		**4,982,436**	4,747,327	**1,133,167**	1,706,048
Current liabilities					
Trade and other payables	21	**131,839**	109,882	**136,823**	150,427
Borrowings	22	**103,883**	900,219	**-**	-
Other financial liabilities	23	**8,738**	7,648	**-**	-
Provisions	24	**42,957**	39,434	**-**	-
Other	25	**10,874**	13,042	**-**	-
Total current liabilities		**298,291**	1,070,225	**136,823**	150,427
Non-current liabilities					
Borrowings	26	**2,891,891**	2,057,875	**-**	-
Other financial liabilities	27	**66,691**	71,628	**-**	648,738
Deferred tax liabilities	9	**297,808**	242,485	**-**	-
Provisions	24	**31,685**	23,457	**-**	-
Other	25	**925**	3,202	**-**	-
Total non-current liabilities		**3,289,000**	2,398,647	**-**	648,738
Total liabilities		**3,587,291**	3,468,872	**136,823**	799,165
Net assets		**1,395,145**	1,278,455	**996,344**	906,883

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

STATEMENT OF **FINANCIAL POSITION** (CONTINUED)

AS AT 30 JUNE 2010

		Consolidated		Trust	
		2010	2009	**2010**	2009
	Note	**$000**	$000	**$000**	$000
<u>Equity</u>					
Australian Pipeline Trust equity:					
Issued capital	28	**984,936**	894,435	**984,936**	894,435
Reserves	29	**59,955**	21,123	**145**	(1,237)
Retained earnings	30	**9,364**	(4,998)	**11,263**	13,685
Equity attributable to securityholders of the parent		**1,054,255**	910,560	**996,344**	906,883
Minority interests:					
APT Investment Trust:					
Issued capital	31	**320,931**	358,450	**-**	-
Reserves	31	**(101)**	(1,446)	**-**	-
Retained earnings	31	**19,928**	10,810	**-**	-
Equity attributable to securityholders of APT Investment Trust		**340,758**	367,814	**-**	-
Other minority interest	31	**132**	81	**-**	-
Total minority interests		**340,890**	367,895	**-**	-
Total equity		**1,395,145**	1,278,455	**996,344**	906,883

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

STATEMENT OF **CHANGES IN EQUITY**

FOR THE FINANCIAL YEAR ENDED 30 JUNE 2010

	Consolidated														
	Australian Pipeline Trust						APT Investment Trust				Other minority interest				
	Issued Capital $000	Asset Revaluation Reserve $000	Available-for-sale Investment Revaluation Reserve $000	Hedging Reserve $000	Retained earnings $000	Attributable to owner of the parent $000	Issued Capital $000	Available-for-sale Investment Revaluation Reserve $000	Retained earnings $000	APT Investment Trust $000	Issued Capital $000	Other $000	Retained earnings $000	Other Minority Interest $000	Total $000
Balance at 1 July 2008	844,150	8,669	(75,385)	64,821	43,375	885,630	357,556	(50)	6,980	364,486	4	1	84	89	1,250,205
Profit for the year	-	-	-	-	44,708	44,708	-	-	34,064	34,064	-	-	78	78	78,850
Other comprehensive income	-	-	(1,101)	(51,131)	(6,844)	(59,076)	-	(1,396)	-	(1,396)	-	-	-	-	(60,472)
Total comprehensive income for the year	-	-	(1,101)	(51,131)	37,864	(14,368)	-	(1,396)	34,064	32,668	-	-	78	78	18,378
Payment of distributions	-	-	-	-	(86,237)	(86,237)	-	-	(30,234)	(30,234)	-	-	(86)	(86)	(116,557)
Issued under distribution reinvestment plan	29,185	-	-	-	-	29,185	19,458	-	-	19,458	-	-	-	-	48,643
Reversal on acquisition of significant interest	-	-	75,250	-	-	75,250	-	-	-	-	-	-	-	-	75,250
Security purchase plan	21,493	-	-	-	-	21,493	8,864	-	-	8,864	-	-	-	-	30,357
Issue cost of securities	(393)	-	-	-	-	(393)	(171)	-	-	(171)	-	-	-	-	(564)
Capital return to securityholders	-	-	-	-	-	-	(27,257)	-	-	(27,257)	-	-	-	-	(27,257)
Balance at 30 June 2009	894,435	8,669	(1,236)	13,690	(4,998)	910,560	358,450	(1,446)	10,810	367,814	4	1	76	81	1,278,455
Balance at 1 July 2009	**894,435**	**8,669**	**(1,236)**	**13,690**	**(4,998)**	**910,560**	**358,450**	**(1,446)**	**10,810**	**367,814**	**4**	**1**	**76**	**81**	**1,278,455**
Profit for the year	**-**	**-**	**-**	**-**	**62,584**	**62,584**	**-**	**-**	**37,774**	**37,774**	**-**	**-**	**150**	**150**	**100,508**
Other comprehensive income	**-**	**-**	**(1,796)**	**40,628**	**(5,706)**	**33,126**	**-**	**1,345**	**-**	**1,345**	**-**	**-**	**-**	**-**	**34,471**
Total comprehensive income for the year	**-**	**-**	**(1,796)**	**40,628**	**56,878**	**95,710**	**-**	**1,345**	**37,774**	**39,119**	**-**	**-**	**150**	**150**	**134,979**
Payment of distributions	**-**	**-**	**-**	**-**	**(42,516)**	**(42,516)**	**-**	**-**	**(28,656)**	**(28,656)**	**-**	**-**	**(99)**	**(99)**	**(71,271)**
Issued under distribution reinvestment plan	**41,720**	**-**	**-**	**-**	**-**	**41,720**	**15,134**	**-**	**-**	**15,134**	**-**	**-**	**-**	**-**	**56,854**
Equity values adjustment between stapled entities	**9,868**	**-**	**-**	**-**	**-**	**9,868**	**(9,868)**	**-**	**-**	**(9,868)**	**-**	**-**	**-**	**-**	**-**
Security purchase plan	**64,463**	**-**	**-**	**-**	**-**	**64,463**	**20,723**	**-**	**-**	**20,723**	**-**	**-**	**-**	**-**	**85,186**
Issue cost of securities	**(230)**	**-**	**-**	**-**	**-**	**(230)**	**(74)**	**-**	**-**	**(74)**	**-**	**-**	**-**	**-**	**(304)**
Capital return to securityholders	**(25,320)**	**-**	**-**	**-**	**-**	**(25,320)**	**(63,434)**	**-**	**-**	**(63,434)**	**-**	**-**	**-**	**-**	**(88,754)**
Balance at 30 June 2010	**984,936**	**8,669**	**(3,032)**	**54,318**	**9,364**	**1,054,255**	**320,931**	**(101)**	**19,928**	**340,758**	**4**	**1**	**127**	**132**	**1,395,145**

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

STATEMENT OF **CHANGES IN EQUITY**

FOR THE FINANCIAL YEAR ENDED 30 JUNE 2010

	Trust			
	Issued Capital $000	Available-for-sale Investment Revaluation Reserve $000	Retained earnings $000	Attributable to owner of the parent $000
Balance at 1 July 2008	844,150	(75,385)	12,752	781,517
Profit for the year	-	-	87,170	87,170
Other comprehensive income	-	(1,101)	-	(1,101)
Total comprehensive income for the year	-	(1,101)	87,170	86,069
Payment of distributions	-	-	(86,237)	(86,237)
Issued under distribution reinvestment plan	29,185	-	-	29,185
Reversal on acquisition of significant interest	-	75,249	-	75,249
Security purchase plan	21,493	-	-	21,493
Issue cost of securities	(393)	-	-	(393)
Balance at 30 June 2009	894,435	(1,237)	13,685	906,883
Balance at 1 July 2009	**894,435**	**(1,237)**	**13,685**	**906,883**
Profit for the year	**-**	**-**	**40,094**	**40,094**
Other comprehensive income	**-**	**1,382**	**-**	**1,382**
Total comprehensive income for the year	**-**	**1,382**	**40,094**	**41,476**
Payment of distributions	**-**	**-**	**(42,516)**	**(42,516)**
Issued under distribution reinvestment plan	**41,720**	**-**	**-**	**41,720**
Equity values adjustment between stapled entities	**9,868**	**-**	**-**	**9,868**
Security purchase plan	**64,463**	**-**	**-**	**64,463**
Issue cost of securities	**(230)**	**-**	**-**	**(230)**
Capital return to securityholders	**(25,320)**	**-**	**-**	**(25,320)**
Balance at 30 June 2010	**984,936**	**145**	**11,263**	**996,344**

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

STATEMENT OF **CASH FLOWS**

FOR THE FINANCIAL YEAR ENDED 30 JUNE 2010

		Consolidated		Trust	
		2010	2009	**2010**	2009
	Note	**$000**	$000	**$000**	$000
Cash flows from operating activities					
Receipts from customers		**1,055,107**	1,005,478	**97**	2,194
Payments to suppliers and employees		**(615,697)**	(593,821)	**-**	(7,296)
Dividends received		**38,143**	24,273	**49,955**	86,315
Proceeds from repayment of finance leases		**2,875**	3,964	**-**	-
Interest received		**18,003**	30,684	**339**	117
Interest and other costs of finance paid		**(230,670)**	(244,031)	**-**	-
Income tax paid		**-**	(178)	**-**	-
Net cash provided by operating activities	36(c)	**267,761**	226,369	**50,391**	81,330
Cash flows from investing activities					
Payments for property, plant and equipment		**(135,426)**	(301,729)	**-**	-
Proceeds from sale of property, plant and equipment		**-**	5	**-**	-
Payments for available-for-sale investments	36(b)	**(114,498)**	-	**-**	-
Payments for equity accounted investments	36(b)	**(22,706)**	(96,114)	**(22,379)**	(71,735)
Payments for controlled entities	36(b)	**(83,328)**	(22,616)	**-**	(473,287)
Proceeds from controlled entities		**-**	-	**939,496**	-
Payments for intangible assets		**-**	(2,000)	**-**	-
Payments for financial assets		**-**	(10,083)	**-**	-
Proceeds from sale of businesses	40	**8,190**	545,905	**7,265**	-
Net cash (used in)/provided by investing activities		**(347,768)**	113,368	**924,382**	(545,022)
Cash flows from financing activities					
Proceeds from borrowings		**1,275,050**	560,000	**-**	499,736
Repayments of borrowings		**(1,175,000)**	(831,000)	**(1,022,570)**	-
Proceeds from issue of securities		**142,040**	78,998	**106,183**	50,678
Equity values adjustment between stapled entities		**-**	-	**9,868**	-
Payment of debt issue costs		**(29,629)**	-	**-**	-
Payments of security issue costs		**(304)**	(555)	**(229)**	(393)
Distributions paid to:					
Securityholders of APT		**(67,836)**	(86,237)	**(67,836)**	(86,237)
Securityholders of minority interests - APTIT		**(92,090)**	(57,492)	**-**	-
Other minority interest		**(99)**	(91)	**-**	-
Net cash provided by/(used in) by financing activities		**52,132**	(336,377)	**(974,584)**	463,784
Net (decrease)/increase in cash and cash equivalents		**(27,875)**	3,360	**189**	92
Cash and cash equivalents at beginning of financial year		**108,815**	105,455	**104**	12
Cash and cash equivalents at end of financial year	36(a)	**80,940**	108,815	**293**	104

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

1. General information

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

The financial statements represent the consolidated financial results of the two stapled entities Australian Pipeline Trust and APT Investment Trust, together "APA".

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

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

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

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

2. Adoption of new and revised Accounting Standards

(a) Standards and Interpretations affecting amounts reported in the current period (and/or prior periods)

The following new and revised Standards and Interpretations have been adopted in the current period and have affected the amounts reported in these financial statements. Details of other Standards and Interpretations adopted in these financial statements but that have had no effect on the amounts reported are set out in part b.

Standards affecting presentation disclosure

Standard	Impact
• AASB 101 'Presentation of Financial Statements' (as revised in September 2007), AASB 2007-8 'Amendments to Australian Accounting Standards arising from AASB 101' and AASB 2007-10 'Further Amendments to Australian Accounting Standards arising from AASB 101'.	AASB 101 (September 2007) has introduced terminology changes and changes in the format and content of the financial statements.
• AASB 8 'Operating Segments'.	The Consolidated Entity has adopted AASB 8 Operating Segments and AASB 2008-3 Amendments to Australian Accounting Standards arising from AASB 8 with effect from 1 July 2009. There is no significant change to the reportable segments following the adoption of AASB 8 as the Consolidated Entity previously reported in this manner.
• AASB 2009-2 'Amendments to Australian Accounting Standards - Improving Disclosures about Financial Instruments'.	The amendments to AASB 7 expand the disclosures required in respect of fair value measurements and liquidity risk. The Consolidated Entity has elected not to provide comparative information for these expanded disclosures in the current year in accordance with the transitional reliefs offered in these amendments.

2. Adoption of new and revised Accounting Standards (continued)

Standards affecting the reported results or financial position

- AASB 3 'Business Combinations (as revised in 2008)'.

  AASB 3 (2008) has been applied prospectively to business combinations for which the acquisition date is on or after 1 July 2009. The impact of the adoption has been to require that acquisition related costs be accounted for separately from the business combination generally leading to those costs being recognised as an expense in profit or loss as incurred, where as previously they were accounted for as part of the costs of the acquisition.

In the current period, this change in policy has affected the accounting for the acquisition of Berwyndale to Wallumbilla Pipeline as follows:

	2010 $000
Acquisition-related costs expensed when incurred (profit or loss)	**4,587**

Additional impacts of the adoption of AASB 3 (2008) are:

- to allow choice on a transaction-by-transaction basis for the measurement of non-controlling interests either at fair value or at the non-controlling interests' share of the fair value of the identifiable net asset of the acquiree;
- to change the recognition and subsequent accounting requirements for contingent consideration; and
- where the business combination in effect settles a pre-existing relationship between the Consolidated Entity and the acquiree, to require the recognition of a settlement gain or loss.

The impact of these has not yet been determined as it is dependent upon an event of this type occurring.

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

The following new and revised Standards have also been adopted in these financial statements. Their adoption has not had any significant impact on the amounts reported in these financial statements but may affect the accounting for future transactions and arrangements.

Standard	Impact
• AASB 2008-7 'Amendments to Australian Accounting Standards - Cost of an Investment in a Subsidiary, Jointly Controlled Entity or Associate'.	The amendments cover the measurement of the costs of investments in subsidiaries, jointly controlled entities and associates when adopting A-IFRS for the first time and the recognition of dividend income in a parent's separate financial statements.
• AASB 2008-1 'Amendments to Australian Accounting Standards - Share-based payments: Vesting Conditions and Cancellations'.	The amendments clarify the definition of vesting conditions for the purposes of AASB 2, introduce the concept of 'non-vesting' conditions, and clarify the accounting treatment of cancellations.
• AASB 123 'Borrowing Costs (as revised in 2007)' and AASB 2007-6 'Amendments to Australian Accounting Standards arising from AASB 123'.	AASB 123 has eliminated the option to expense all borrowing costs when incurred. The change has had no impact on these financial statements because it has always been the Consolidated Entity's accounting policy to capitalise borrowing costs incurred on qualifying assets.
• AASB 2008-8 'Amendments to Australian Accounting Standards - Eligible Hedged Items'.	The amendments provide clarification on two aspects of hedge accounting: identifying inflation as a hedged risk or portion, and hedging with options.

2. Adoption of new and revised Accounting Standards (continued)

(c) Standards and Interpretations issued not yet adopted

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

Standard/Interpretation	Effective for annual reporting periods beginning on or after	Expected to be initially applied in the financial year ending
• AASB 2009-5 'Further Amendments to Australian Accounting Standards arising from the annual Improvements Project'.	1 January 2010	30 June 2011
• AASB 2009-8 'Amendments to Australian Accounting Standards Group Cash-Settled Share-based Payment Transactions.	1 January 2010	30 June 2011
• AASB 2009-10 'Amendments to Australian Accounting Standards Classification of Rights Issue'.	1 February 2010	30 June 2011
• AASB 124 'Related Party Disclosures (revised December 2009)' AASB 2009-12 'Amendments to Australian Accounting Standards'.	1 January 2011	30 June 2012
• AASB 9 'Financial Instruments', AASB 2009-11 'Amendments to Australian Accounting Standards arising from AASB 9'.	1 January 2013	30 June 2014
• Interpretation 19 'Extinguishing Financial Liabilities with Equity Instruments'.	1 July 2010	30 June 2011

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

3. Significant accounting policies

Statement of compliance

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

The financial report includes the separate financial statements of the Trust and the consolidated financial statements of the Group.

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

The financial report was authorised for issue by the Directors on 25 August 2010.

Basis of preparation

The financial report has been prepared on the basis of historical cost, except for the revaluation of certain non-current assets and financial instruments. Cost is based on the fair values of the consideration given in exchange for assets. The financial report is presented in Australian dollars and all values are rounded to the nearest thousand dollars ($000) unless otherwise stated under the option available to APA under ASIC Class Order 98/0100. APA is an entity to which the class order applies.

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

(a) Working capital position

The working capital position as at 30 June 2010 for the Consolidated Entity is a surplus of current liabilities over current assets of $60.4 million (2009: $800.6 million) primarily as a result of $102 million of guaranteed senior notes being due for repayment in September 2010 (see Note 22). APA's refinancing strategies have ensured that the Group has in excess of $800 million of medium to long term committed debt facilities out of which to meet this repayment.

3. Significant accounting policies (continued)

(a) Working capital position (continued)

The Directors continually monitor the Group's working capital position, including forecast working capital requirements and have ensured that there are appropriate refinancing strategies and adequate committed funding facilities in place to accommodate debt repayments as and when they fall due.

(b) Basis of consolidation

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

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

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

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

Minority interests in the net assets (excluding goodwill) of consolidated controlled entities are identified separately from the Consolidated Entity's equity therein. Minority interests consist of the amount of those interests at the date of the original business combination and the minority's share of changes in equity since the date of the combination. Losses applicable to the minority in excess of the minority's interest in the controlled entity's equity are allocated against the interests of the Consolidated Entity except to the extent that the minority has a binding obligation and is able to make an additional investment to cover the losses.

(c) Business combinations

Acquisitions of subsidiaries and businesses are accounted for using the acquisition method. The consideration for each acquisition is measured as the aggregate of the fair values (at the date of exchange) of assets given, liabilities incurred or assumed, and equity instruments issued by the Consolidated Entity in exchange for control of the acquiree. Acquisition costs directly attributable to the business combination are recognised in profit or loss as incurred.

Where applicable, the consideration for the acquisition includes any asset of liability resulting from a contingent consideration arrangement, measured at its acquisition-date fair value. Subsequent changes in fair values are adjusted against the cost of acquisition where they qualify as measurement period adjustments. All other subsequent changes in the fair value of contingent consideration classified as an asset or liability are accounted for in accordance with relevant standards. Changes in the fair value of contingent consideration classified as equity are not recognised.

Where a business combination is achieved in stages, the Consolidated Entity's previously held interests in the acquired entity are remeasured to fair value at the acquisition date and the resulting gains or losses, if any, are recognised in profit or loss. Amounts arising from interests in the acquiree prior to the acquisition date that have previously been recognised in other comprehensive income are reclassified to profit or loss, where such treatment would be appropriate if that interest were disposed of.

The acquiree's identifiable assets, liabilities and contingent liabilities that meet the conditions for recognition under AASB 3 (2008) are recognised at their fair value at the acquisition date, except that:

- deferred tax assets or liabilities and liabilities or assets related to employee benefit arrangements are recognised in accordance with AASB 112 'Income Taxes' and AASB '119 Employee Benefits' respectively;
- liabilities or equity instruments related to the replacement by the consolidated entity of an acquiree's share-based payment awards are measured in accordance with AASB 2 'Share-based payment'; and
- assets (or disposal groups) that are classified as held for sale in accordance with AASB 5 'Non-current Assets Held for Sale and Discontinued Operations' are measured in accordance with that standard.

3. Significant accounting policies (continued)

(c) Business combinations (continued)

If the initial accounting for a business combination is incomplete by the end of the reporting period in which the combination occurs, the Consolidated Entity reports provisional amounts for the items for which the accounting is incomplete. Those provisional amounts are adjusted for during the measurement period, or additional assets or liabilities are recognised, to reflect new information obtained about facts and circumstances that existed as of the acquisition date, that, if known, would have affected the amounts recognised as at that date.

The measurement period is the period from the date of acquisition to the date the Consolidated Entity obtains complete information about facts and circumstances that existed as of the acquisition date - and is subject to a maximum of one year.

(d) Joint venture arrangements

Jointly controlled operations

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

Jointly controlled entities

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

(e) Investments in associates

An associate is an entity over which the Consolidated Entity has significant influence and that is neither a subsidiary nor a joint venture. The results and assets and liabilities of associates are accounted for using the equity method of accounting. Under the equity method, investments in associates are carried in the consolidated statement of financial position at cost as adjusted for post-acquisition changes in the Consolidated Entity's share of the net assets of the associate, less any impairment in the value of individual investments. Losses of an associate in excess of the Consolidated Entity's interest are recognised only to the extent that there is a legal or constructive obligation or the Consolidated Entity has made payments on behalf of the associate.

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

(f) Financial assets and liabilities

Available-for-sale financial assets

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

3. Significant accounting policies (continued)

(f) Financial assets and liabilities (continued)

Loans and receivables

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

Trade and other payables

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

Impairment of financial assets

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

For financial assets carried at amortised cost, the amount of the impairment is the difference between the asset's carrying amount and the present value of estimated future cash flows, discounted at the original effective interest rate. The carrying amount of financial assets including uncollectible trade receivables is reduced by the impairment loss through the use of an allowance account. Subsequent recoveries of amounts previously written off are credited against the allowance account. Changes in the carrying amount of the allowance account are recognised in profit or loss.

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

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

(g) 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.

(h) Acquisition of assets

Assets acquired are recorded at the cost of acquisition, being the purchase consideration determined as at the date of acquisition. Cost includes expenditure that is directly attributable to the acquisition or construction of the asset.

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

(i) Borrowings

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

3. Significant accounting policies (continued)

(j) 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.

(k) Property, plant and equipment

Land and buildings held for use are carried in the consolidated statement of financial position at cost, less any subsequent accumulated depreciation and impairment losses.

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

(l) Depreciation

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

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

(m) Employee benefits

Provision is made for benefits accruing to employees in respect of wages and salaries, incentives, annual leave and long service leave when it is probable that settlement will be required and they are capable of being measured reliably. Provisions made in respect of employee benefits expected to be settled within 12 months, are measured at their nominal values using the remuneration rates expected to apply at the time of settlement. Provisions made in respect of employee benefits which are not expected to be settled within 12 months are measured as the present value of the estimated future cash outflows to be made by the Consolidated Entity in respect of services provided by employees up to reporting date.

Defined contribution plans

Contributions to defined contribution plans are expensed when incurred.

Defined benefit plans

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

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

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

3. Significant accounting policies (continued)

(n) Intangible assets

Intangible assets acquired separately

Intangible assets acquired separately are carried at cost less accumulated amortisation and accumulated impairment losses. Amortisation is recognised on a straight-line basis over their estimated useful lives. The estimated useful life and amortisation method are reviewed at the and of the each annual reporting period, with the effects of any changes in estimate being accounted for on a prospective basis.

Intangible assets acquired in a business combination

Intangible assets acquired in a business combination are identified and recognised separately from goodwill and are initially recognised at their fair value at the acquisition date. Subsequent to initial recognition, intangible assets acquired in a business combination are reported at cost less accumulated amortisation and accumulated impairment losses, on the same basis as intangible assets acquired separately.

(o) Investments in debt and equity securities

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

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

The fair value of financial instruments classified as held for trading and available-for-sale is their quoted bid price at the end of the reporting period.

(p) Derivative financial instruments

The Group enters into a variety of derivative financial instruments to manage its exposure to interest rate and foreign exchange rate risk, including foreign exchange forward contracts and interest rate swaps. Further details of derivative financial instruments are disclosed in Note 37.

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

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

Embedded derivatives

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

Hedge accounting

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

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

3. Significant accounting policies (continued)

(p) Derivative financial instruments (continued)

Hedge accounting (continued)

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

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

Fair value hedges

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

Cash flow hedges

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

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

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

(q) Financial instruments issued by the Consolidated Entity

Debt and equity instruments

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

Financial guarantee contract liabilities

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

Transaction costs arising on the issue of equity instruments

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

3. Significant accounting policies (continued)

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

Interest and distributions

Interest and distributions are classified as expenses or as distributions of profit consistent with the consolidated statement of financial position classification of the related debt or equity instruments or component parts of compound instruments.

(r) Foreign currency transactions

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

(s) Goods and services tax

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

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

The net amount of GST recoverable from, or payable to, the taxation authority is included as part of receivables or payables. GST receivable or GST payable is only recognised once a tax invoice has been issued or received.

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

(t) Goodwill

Goodwill arising in a business combination is recognised as an asset at the acquisition date. Goodwill is measured as the excess of the sum of the consideration transferred, the amount of any non-controlling interests in the acquiree, and the fair value of the acquirer's previously held equity interest in the acquiree (if any) over the net of the acquisition-date amounts of the identifiable assets acquired and the liabilities assumed.

If, after reassessment, the Consolidated Entity's interest in the fair value of the acquiree's identifiable net assets exceeds the sum of the consideration, the amount of any non-controlling interests in the acquiree and the fair value of the acquirer's previously held equity interest, the excess is recognised immediately in the profit or loss as a bargain purchase gain.

On disposal of a subsidiary, the attributable amount of goodwill is included in the determination of the profit or loss on disposal.

(u) Impairment of assets

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

(v) Distributions

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

3. Significant accounting policies (continued)

(w) 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.

(x) Non-current assets held for sale

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

Non-current assets classified as held for sale are measured at the lower of their previous carrying amount and fair value less costs to sell.

(y) 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.

(z) Income tax

Income tax on the profit or loss for the financial year comprises current and deferred tax. Income tax is recognised in the statement of comprehensive income except to the extent that it relates to items recognised directly in equity, in which case it is recognised in equity. Current tax is the expected tax payable on the taxable income for the financial year, using tax rates enacted or substantively enacted by the end of the reporting period, and any adjustment to tax payable in respect of previous financial years. Current tax for current and prior periods is recognised as a liability (or asset) to the extent that it is unpaid (or refundable).

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

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

Tax consolidation

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

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

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.

3. Significant accounting policies (continued)

(aa) Leased assets

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

Group as lessor

Amounts due from a lessee under finance leases are recorded as receivables. Finance lease receivables are initially recognised at amounts equal to the present value of the minimum lease payments receivable plus the present value of any unguaranteed residual value expected to accrue at the end of the lease term. Finance lease income is allocated to accounting periods so as to reflect a constant periodic rate of return on the net investment outstanding in respect of the leases.

Group as lessee

Assets held under finance leases are initially recognised at their fair value or, if lower, at amounts equal to the present value of the minimum lease payments, each determined at the inception of the lease. The corresponding liability to the lessor is included in the consolidated statement of financial position as a finance lease obligation.

Lease payments are allocated between finance charges and reduction of the lease obligation so as to achieve a constant rate of interest on the remaining balance of the liability.

Finance lease assets are amortised on a straight-line basis over the estimated useful life of the asset.

Operating lease payments are recognised as an expense on a straight-line basis over the lease term, except where another systematic basis is more representative of the time patterns in which economic benefits from the leased asset are consumed.

(ab) 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.

(ac) Revenue recognition

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

Sales revenue

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

Pass-through revenue

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

3. Significant accounting policies (continued)

(ac) Revenue recognition (continued)

Interest revenue

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

Sale of non-current assets

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

Dividend revenue

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

Finance lease income

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

4. Critical accounting judgements and key sources of estimation uncertainty

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

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

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

Accounting for acquisitions

Assets acquired are recorded at the cost of acquisition, being the purchase consideration determined as at the date of acquisition. Cost is allocated to individual identifiable assets and liabilities.

Management makes a number of judgements in allocating cost, particularly in relation to the valuation of identifiable intangible assets such as contractual arrangements, including assumptions relating to potential contract renewals and associated useful life.

Key sources of estimation uncertainty

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

Impairment of assets

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

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

Impairment of assets (continued)

Estimates and assumptions used are reviewed on an ongoing basis.

Determining whether available-for-sale investments are impaired requires an assessment as to whether declines in value are significant or prolonged. Management has taken into account a number of qualitative and quantitative factors in making this assessment. Any assessment of whether a decline in value represents an impairment would result in the transfer of the decrement from reserves to the statement of comprehensive income.

Useful lives of non-current assets

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

5. Segment information

The Consolidated Entity has adopted AASB 8 'Operating Segments' and AASB 2008-3 'Amendments to Australian Accounting Standards arising from AASB 8' with effect from 1 July 2009. AASB 8 requires operating segments to be identified on the basis of internal reports about components of the Consolidated Entity that are regularly reviewed by the chief operating decision maker in order to allocate resources to the segment and assess its performance. In contrast, the predecessor Standard (AASB 114 'Segment Reporting') required an entity to identify two sets of segments (business and geographical), using a risks and rewards approach, with the entity's system of internal financial reporting to key management personnel serving only as the starting point for the identification of such segments. There is no significant change to the reportable segments following the adoption of AASB 8 as the Consolidated Entity previously reported in this manner.

In October 2009 APA, together with Marubeni Corporation and Osaka Gas, acquired the North Brown Hill Wind farm. This acquisition is collectively known as Energy Infrastructure Investments 2 ("EII2").

In April 2010, APA acquired the Berwyndale to Wallumbilla Pipeline. This acquisition has been included in Gas transmission and distribution.

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

(a) Description of reportable segments

The Consolidated Entity comprises the following reportable segments:

- gas transmission and distribution;
- asset management;
- energy investments; and historically
- electricity transmission and complementary assets (sold during the year ended 30 June 2009).

5. Segment information (continued)

(b) Reportable segments

2010	Gas transmission & distribution $000	Asset management $000	Energy investments $000	Consolidated $000
Segment revenue [(d)]				
External sales revenue	563,800	60,053	320	624,173
Equity accounted net profits	-	-	13,687	13,687
Pass-through revenue	152,501	177,441	-	329,942
Finance lease and investment interest income	2,421	-	1,350	3,771
Distribution - other entities	-	-	4,051	4,051
Total segment revenue	718,722	237,494	19,408	975,624
Significant items				-
Other interest income				13,866
Consolidated revenue				989,490
Segment result				
Earnings before interest, tax, depreciation and amortisation ("EBITDA")	406,167	32,317	4,033	442,517
Share of net profits of jointly controlled entities accounted for using the equity method	-	-	13,687	13,687
Finance lease and investment interest income	2,421	-	1,350	3,771
Total EBITDA (excluding significant items)	408,588	32,317	19,070	459,975
Depreciation and amortisation	(85,798)	(5,628)	-	(91,426)
Earnings before interest and tax ("EBIT") (excluding significant items)	322,790	26,689	19,070	368,549
Net finance costs [(a)]				(229,369)
Profit before tax (excluding significant items)				139,180
Income tax expense				(38,672)
Profit for the year (excluding significant items)				100,508
Significant items after tax				-
Profit for the year				100,508
Segment assets and liabilities				
Segment assets	4,126,963	222,039	19,781	4,368,783
Carrying value of investments accounted for using the equity method			403,528	403,528
Unallocated assets [(b)]				210,125
Total assets				4,982,436
Acquisition of segment assets	103,026	-	-	103,026
Segment liabilities	148,216	69,499	565	218,280
Unallocated liabilities [(c)]				3,369,011
Total liabilities				3,587,291

(a) Excluding finance lease income and any gains or losses on revaluation of derivatives included as part of EBIT for segment reporting purposes.
(b) Unallocated assets consist of cash and cash equivalents, current tax assets, financial assets and fair value of interest rate swaps.
(c) Unallocated liabilities consist of current and non-current borrowings, deferred tax liabilities and fair value of interest rate swaps.
(d) The revenue reported above represents revenue generated from external customers, any intersegment sales were immaterial.

5. Segment information (continued)

(b) Reportable segments (continued)

2009 [(a)]	Gas transmission & distribution $000	Asset management $000	Energy investments $000	Electricity transmission [(e)] $000	Complementary assets $000	Consolidated $000
Segment revenue [(f)]						
External sales revenue	550,650	60,476	573	13,120	7,407	632,226
Equity accounted net profits	-	-	6,143	-	-	6,143
Pass-through revenue	88,457	182,930	-	-	-	271,387
Finance lease and investment interest income	2,438	-	1,477	-	3,855	7,770
Distribution - other entities	-	-	3,536	-	-	3,536
Total segment revenue	641,545	243,406	11,729	13,120	11,262	921,062
Significant items						5,363
Other interest income						23,354
Consolidated revenue						949,779
Segment result						
Earnings before interest, tax, depreciation and amortisation ("EBITDA")	394,326	22,625	3,947	8,728	836	430,462
Share of net profits of jointly controlled entities accounted for using the equity method	-	-	6,143	-	-	6,143
Finance lease and investment interest income	2,438	-	1,477	-	3,855	7,770
Total EBITDA (excluding significant items)	396,764	22,625	11,567	8,728	4,691	444,375
Depreciation and amortisation	(82,856)	(8,497)	(57)	(4,230)	-	(95,640)
Earnings before interest and tax ("EBIT") (excluding significant items)	313,908	14,128	11,510	4,498	4,691	348,735
Net finance costs [(b)]						(212,991)
Profit before tax (excluding significant items)						135,744
Income tax expense						(35,922)
Profit for the year (excluding significant items)						99,822
Significant items after tax						(20,972)
Profit for the year						78,850
Segment assets and liabilities						
Segment assets	3,945,592	246,753	21,919	-	21,571	4,235,835
Carrying value of investments accounted for using the equity method	-	-	388,416	-	-	388,416
Unallocated assets [(c)]						123,076
Total assets						4,747,327
Segment liabilities	121,291	56,001	499	-	11,225	189,016
Unallocated liabilities [(d)]						3,279,856
Total liabilities						3,468,872

(a) All equity accounted investments have been reclassified from Gas transmission & distribution to Energy investments. This new segment includes APA's investments which were previously in the Gas transmission & distribution segment, namely Envestra, SEAGas Pipeline and the Ethane Pipeline Income Fund. EII is also included in this segment from 12 December 2008.
(b) Excluding finance lease income and any gains or losses on revaluation of derivatives included as part of EBIT for segment reporting purposes.
(c) Unallocated assets consist of cash and cash equivalents, current tax assets, financial assets and fair value of interest rate swaps.
(d) Unallocated liabilities consist of current and non-current borrowings, deferred tax liabilities and fair value of interest rate swaps.
(e) Electricity transmission includes income and expenses up to the 12 December 2008, when the assets were sold to EII.
(f) The revenue reported above represents revenue generated from external customers, any intersegment sales were immaterial.

5. Segment information (continued)

(c) Other segment information

Revenue from major products and services

The revenue from major products and services is shown by the reportable segments. No further analysis is required.

Information about major customers

Included in revenues arising from gas transmission and distribution of $563.8 million (2009: $550.7 million) are revenues of approximately $236.6 million (2009: $241.0 million) which arose from sales to the Consolidated Entity's top three customers.

6. Revenue

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

Continuing operations

	Consolidated		Trust	
	2010	2009	**2010**	2009
	$000	$000	**$000**	$000
Operating revenue				
Gas transmission and distribution revenue:				
• gas transmission and distribution revenue	**563,378**	544,864	**-**	-
• pass-through revenue	**152,501**	88,457	**-**	-
	715,879	633,321	**-**	-
Asset management revenue:				
• asset management revenue	**59,393**	69,129	**-**	-
• pass-through revenue	**177,441**	182,930	**-**	-
	236,834	252,059	**-**	-
Energy investments	**320**	2,124	**-**	-
Electricity transmission revenue	**-**	13,120	**-**	-
Complementary assets revenue	**-**	7,407	**-**	-
	953,033	908,031	**-**	-
Share of net profits of jointly controlled entities accounted for using the equity method	**13,687**	6,143	**-**	-
Finance income				
Interest	**13,866**	23,354	**340**	119
Redeemable ordinary shares (EII) interest income	**1,350**	676	**-**	-
Envestra loan note interest income	**-**	801	**-**	-
Finance lease income	**2,421**	6,293	**-**	-
	17,637	31,124	**340**	119
Dividends				
Wholly-owned controlled entities	**-**	-	**25,673**	78,815
Other entities	**4,051**	3,536	**24,282**	7,500
	4,051	3,536	**49,955**	86,315
Other income				
Rental income	**1,082**	945	**-**	-
Other revenue	**-**	-	**-**	2,028
	1,082	945	**-**	2,028
	989,490	949,779	**50,295**	88,462

7. Expenses

Profit before tax includes the following expenses:

	Consolidated		Trust	
	2010	2009	**2010**	2009
	$000	$000	**$000**	$000
Depreciation and amortisation expense				
Depreciation of non-current assets	**86,387**	90,518	**-**	-
Amortisation of non-current assets	**5,039**	5,122	**-**	-
	91,426	95,640	**-**	-
Other operating costs - pass-through				
Operating lease rental expenses	**16,909**	18,240	**-**	-
Gas pipeline costs	**135,592**	70,217	**-**	-
	152,501	88,457	**-**	-
Management, operating and maintenance costs	**177,441**	182,930	**-**	-
	329,942	271,387	**-**	-
Finance costs				
Interest on bank overdrafts and borrowings	**223,223**	235,305	**-**	-
Amortisation of deferred borrowing costs	**10,749**	2,453	**-**	-
Finance lease charges	**55**	49	**-**	-
Other finance costs	**11,279**	1,159	**-**	-
	245,306	238,966	**-**	-
Less: amounts included in the cost of qualifying assets	**(2,512)**	(2,791)	**-**	-
	242,794	236,175	**-**	-
Loss on fair value of other derivatives	**-**	8,733	**-**	-
Unwinding of discount on non-current provisions	**441**	170	**-**	-
	243,235	245,078	**-**	-

The average capitalisation rate on funds borrowed generally is 7.86% p.a. (2009: 6.93% p.a.) including amortisation of borrowing costs and other finance costs.

Employee benefit expense				
Post-employment benefits:				
Defined contribution plans	**6,296**	5,911	**-**	-
Defined benefit plans	**1,876**	2,115	**-**	-
	8,172	8,026	**-**	-
Termination benefits	**781**	1,812	**-**	-
Cash settled share-based payments	**9,518**	7,422	**-**	-
Other employee benefits	**79,388**	73,551	**-**	-
	97,859	90,811	**-**	-
Other expenses				
Impairment of trade receivables	**2,211**	2,414	**-**	-
Loss on disposal of property, plant and equipment	**2,799**	1,452	**-**	-

8. Significant items

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

	Consolidated		Trust	
	2010 $000	2009 $000	**2010 $000**	2009 $000
Significant (expense)/income items				
Revaluation of interest rates swaps - deemed ineffective under AASB 139 'Financial Instruments: Recognition and Measurement'	-	(8,733)	-	-
Loss on sale of business	-	(16,167)	-	(1,955)
Telfer litigation	-	(1,475)	-	-
Envestra underwriting fee	-	1,551	-	1,509
DUOS revenue accrual on APA Gas Network Queensland	-	3,812	-	-
Loss from significant items before related income tax	-	(21,012)	-	(446)
Income tax related to significant items above	-	(5,948)	-	134
Overprovision prior year income tax	-	5,988	-	-
Loss from significant items after related income tax	-	(20,972)	-	(312)

9. Income tax

Income tax recognised in profit or loss

	Consolidated		Trust	
	2010 $000	2009 $000	**2010 $000**	2009 $000
Tax expense/(income) comprises:				
Current tax expense/(income) in respect of the current year	**(2,678)**	8,900	**296**	-
Adjustments recognised in the current year in relation to current tax of prior years	**2,678**	(9,723)	**(296)**	411
	-	(823)	-	411
Deferred tax expense relating to the origination and reversal of temporary differences	**38,672**	36,705	**5,236**	2,786
Total tax expense	**38,672**	35,882	**5,236**	3,197
Attributable to:				
Profit from continuing operations	**38,672**	35,882	**5,236**	3,197

9. Income tax (continued)

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

	Consolidated		Trust	
	2010	2009	**2010**	2009
	$000	$000	**$000**	$000
Profit before tax	**139,180**	114,732	**45,330**	90,367
Income tax expense calculated at 30%	**41,754**	34,420	**13,599**	27,110
Effect of interest expense not deductible in determining taxable profit	**2,660**	2,548	**-**	-
Effect of non-assessable trust distribution	**(11,331)**	(10,219)	**-**	-
Effect of transactions within the tax-consolidated group that are exempt from taxation	**-**	-	**(6,187)**	(23,645)
Effect of expenses that are not deductible in determining taxable profit	**3,635**	18,551	**-**	-
Effect of income that is not assessable in determining taxable profit	**(8,028)**	-	**(2,686)**	(679)
Effect of income that is not assessable in determining accounting profit	**7,994**	824	**806**	-
Investment allowance	**(690)**	(519)	**-**	-
	35,994	45,605	**5,532**	2,786
Adjustment recognised in the current year in relation to the current tax of prior years	**2,678**	(9,723)	**(296)**	411
	38,672	35,882	**5,236**	3,197

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

Income tax recognised directly in equity

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

	Consolidated		Trust	
	2010	2009	**2010**	2009
	$000	$000	**$000**	$000
Deferred income tax				
Revaluation of financial instruments treated as cash flow hedges	**19,035**	(23,180)	**-**	-
Actuarial movements on defined benefit plans	**(2,446)**	(2,933)	**-**	-
Revaluation of available-for-sale financial assets	**62**	-	**62**	-
Income tax (benefit)/expense reported in equity	**16,651**	(26,113)	**62**	-
Deferred tax balances				
Deferred tax liabilities				
Temporary differences	**(467,804)**	(416,854)	**(207)**	(156)
	(467,804)	(416,854)	**(207)**	(156)
Deferred tax assets				
Temporary differences	**32,667**	23,611	**-**	-
Tax losses[(a)]	**137,329**	150,557	**137,030**	150,557
	169,996	174,369	**137,030**	150,557
	(297,808)	(242,485)	**136,823**	150,401

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

9. Income tax (continued)

Deferred tax balances

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

	Consolidated				
2010	Opening balance $000	Charged to income $000	Charged to equity $000	Acquisitions/ disposals $000	Closing balance $000
Gross deferred tax liabilities					
Intangible assets	**(526)**	**(4,530)**	**-**	**-**	**(5,056)**
Property, plant and equipment	**(392,632)**	**(15,536)**	**-**	**(12)**	**(408,180)**
Deferred expenses	**(20,142)**	**(10,546)**	**-**	**-**	**(30,688)**
Cash flow hedges	**(3,505)**	**(736)**	**(13,793)**	**-**	**(18,034)**
Investments equity accounted	**201**	**316**	**(5,242)**	**-**	**(4,725)**
Available for sale investments	**-**	**-**	**(62)**	**-**	**(62)**
Other	**(49)**	**(1,010)**	**-**	**-**	**(1,059)**
	(416,653)	**(32,042)**	**(19,097)**	**(12)**	**(467,804)**
Gross deferred tax assets					
Provisions	**14,493**	**7,163**	**-**	**12**	**21,668**
Deferred revenue	**4,721**	**790**	**-**	**-**	**5,511**
Defined benefit obligation	**4,397**	**(1,355)**	**2,446**	**-**	**5,488**
Tax losses	**150,557**	**(13,228)**	**-**	**-**	**137,329**
	174,168	**(6,630)**	**2,446**	**12**	**169,996**
	(242,485)	**(38,672)**	**(16,651)**	**-**	**(297,808)**

	Consolidated	
	2010 $000	2009 $000
Presented in the statement of financial postition as follows:		
Deferred tax liabilities attributable to:		
Continuing operations	**(297,808)**	(242,485)
	(297,808)	(242,485)
Deferred tax assets attributable to:		
Continuing operations	**-**	-
	-	-
	(297,808)	(242,485)

9. Income tax (continued)

Deferred tax balances (continued)

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

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

	Trust				
2010	Opening balance $000	Charged to income $000	Charged to equity $000	Transfers $000	Closing balance $000
Gross deferred tax liabilities					
Available for sale investments	**-**	**-**	**(62)**	**-**	**(62)**
Other	**(156)**	**11**	**-**	**-**	**(145)**
	(156)	**11**	**(62)**	**-**	**(207)**
Gross deferred tax assets					
Investments equity accounted	**-**	**-**	**-**	**-**	**-**
Tax losses	**150,557**	**(5,247)**	**-**	**(8,280)**	**137,030**
	150,557	**(5,247)**	**-**	**(8,280)**	**137,030**
	150,401	**(5,236)**	**(62)**	**(8,280)**	**136,823**
2009					
Gross deferred tax liabilities					
Other	2	(158)	-	-	(156)
	2	(158)	-	-	(156)
Gross deferred tax assets					
Investments equity accounted	-	-	-	-	-
Tax losses	135,674	(2,628)	-	17,511	150,557
	135,674	(2,628)	-	17,511	150,557
	135,676	(2,786)	-	17,511	150,401

9. Income tax (continued)

Unrecognised deferred tax assets

	Consolidated		Trust	
	2010	2009	**2010**	2009
	$000	$000	**$000**	$000
The following deferred tax assets have not been brought to account as assets:				
Tax losses - capital	**11,898**	6,527	**11,898**	6,527

Tax consolidation

Relevance of tax consolidation to the Group

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

Nature of tax funding arrangement and tax sharing agreement

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

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

10. Distributions

(a) Recognised amounts

	Trust			
	2010 cents per security	**2010 Total $000**	2009 cents per security	2009 Total $000
Final distribution paid on 15 September 2009				
(2009: 10 September 2008)				
Profit distribution[(a)]	**2.7**	**13,684**	9.0	42,142
Semi-annual distribution paid on 17 March 2010				
(2009: 27 March 2009)				
Profit distribution[(a)]	**5.7**	**28,832**	9.0	44,095
	8.4	**42,516**	18.0	86,237

Unrecognised amounts

Final distribution payable on 15 September 2010				
(2009: 15 September 2009)				
Profit distribution [(a)]	**1.7**	**9,364**	2.7	13,684
	1.7	**9,364**	2.7	13,684

10. Distributions (continued)

(b) Recognised amounts

	APT and APTIT			
	2010 cents per security	**2010 Total $000**	2009 cents per security	2009 Total $000
Final distribution paid on 15 September 2009				
(2009: 10 September 2008)				
Profit distribution - APT[(a)]	**2.7**	**13,684**	9.0	42,142
Profit distribution - APTIT[(a)](Note 31)	**2.2**	**10,809**	3.4	16,014
Capital distribution - APTIT (Note 31)	**11.1**	**55,293**	2.6	12,081
Semi-annual distribution paid on 17 March 2010				
(2009: 27 March 2009)				
Profit distribution - APT[(a)]	**5.7**	**28,832**	9.0	44,095
Profit distribution - APTIT[(a)](Note 31)	**3.5**	**17,847**	2.9	14,221
Capital distribution - APT (Note 28)	**5.0**	**25,320**	0.0	-
Capital distribution - APTIT (Note 31)	**1.6**	**8,141**	3.1	15,176
	31.7	**159,926**	30.0	143,729

(a) Profit distributions were unfranked (2009: unfranked).

Unrecognised amounts

Final distribution payable on 15 September 2010				
(2009: 15 September 2009)				
Profit distribution - APT[(a)]	**1.7**	**9,364**	2.7	13,684
Profit distribution - APTIT[(a)]	**3.7**	**19,928**	2.2	10,809
Capital distribution - APT	**8.6**	**46,552**	0.0	-
Capital distribution - APTIT	**3.0**	**16,350**	11.1	55,293
	17.0	**92,194**	16.0	79,786

(a) Profit distributions were unfranked (2009: unfranked).

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

	Consolidated		Trust	
	2010 $000	2009 $000	**2010 $000**	2009 $000
Adjusted franking account balance (tax paid basis)	**3,350**	193	**3,350**	193

11. Trade and other receivables

	Consolidated		Trust	
	2010	2009	**2010**	2009
	$000	$000	**$000**	$000
Trade receivables	**104,382**	104,033	**-**	37
Allowance for doubtful debts	**(2,211)**	(2,414)	**-**	-
	102,171	101,619	**-**	37
Receivables from associates and related parties	**36,976**	37,991	**482**	482
Finance lease receivables (Note 32)	**3,181**	2,737	**-**	-
Interest receivable	**148**	123	**3**	1
Other debtors	**53**	28	**-**	7,265
	142,529	142,498	**485**	7,785

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

Ageing of past due but not impaired				
30 - 60 days	**3,201**	2,856	**-**	-
60 - 90 days	**91**	284	**-**	-
90 - 120 days	**3,022**	3,076	**-**	-
Total	**6,314**	6,216	**-**	-

Movement in the allowance for doubtful debts				
Balance at beginning of year	**2,414**	20	**-**	-
(Credited)/charged to statement of comprehensive income	**(203)**	2,394	**-**	-
Balance at end of year	**2,211**	2,414	**-**	-

In determining the recoverability of a trade receivable, the Consolidated Entity considers any change in the credit quality of the trade receivable from the date the credit was initially granted up to the reporting date. The concentration of credit risk is limited due to the customer base being large and unrelated.

Included in the allowance for doubtful debts is an individual trade receivable with a balance of $2.205 million (2009: $2.390 million) which has been placed into receivership.

Ageing of impaired receivables				
90 - 120 days	**2,205**	2,394	**-**	-
Total	**2,205**	2,394	**-**	-

12. Inventories

Spare parts - at cost	**10,385**	10,371	**-**	-
Gas stock	**313**	3,785	**-**	-
	10,698	14,156	**-**	-

13. Other current assets

Prepayments	**3,757**	4,182	**-**	-

14. Non-current receivables

	Consolidated		Trust	
	2010	2009	**2010**	2009
	$000	$000	**$000**	$000
Finance lease receivables (Note 32)	**21,344**	21,168	**-**	-
Loans from controlled entities	**-**	-	**355,751**	-
Loan receivable - related party	**58**	-	**-**	-
	21,402	21,168	**355,751**	-

15. Other non-current financial assets

Investments carried at cost:				
Investments in controlled entities	**-**	-	**371,551**	1,303,316
Envestra	**-**	-	**265,197**	242,807
Energy Infrastructure Investment	**-**	-	**329**	329
Available-for-sale investments carried at fair value:				
Ethane Pipeline Income Fund	**5,751**	3,497	**2,738**	1,306
Hastings Diversified Utilities Fund	**111,321**	-	**-**	-
Other	**4**	4	**-**	-
Financial assets carried at amortised cost:				
Redeemable ordinary shares	**12,109**	10,758	**-**	-
	129,185	14,259	**639,815**	1,547,758

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

Financial assets carried at amortised cost relate to APA Group's 19.9% investment in Energy Infrastructure Investments Pty Ltd where APL, as responsible entity for APTIT, acquired the redeemable ordinary shares, which include a debt component. This debt component amortises over ten years from December 2008 at 12% per annum.

16. Investments accounted for using the equity method

	Consolidated		Trust	
	2010	2009	**2010**	2009
	$000	$000	**$000**	$000
Investments in jointly controlled entities	**403,528**	388,416	**-**	-
Reconciliation of movements in investments accounted for using the equity method				
Balance at 1 July	**388,416**	136,314	**-**	-
Transfer at fair value from available-for-sale investments	**-**	207,996	**-**	-
Acquisitions during the year	**22,396**	67,561	**-**	-
Share of net profit for the year	**13,687**	6,143	**-**	-
Movement in reserves	**13,622**	(6,409)	**-**	-
	438,121	411,605	**-**	-
Dividends	**(34,593)**	(23,189)	**-**	-
Balance at 30 June	**403,528**	388,416	**-**	-

			Ownership interest %	
Name of entity	Principal activity	Country of incorporation	**2010**	2009
SEA Gas	Gas transmission	Australia	**33.33**	33.33
CAMS	Water management	Australia	**50.00**	50.00
Envestra Limited [(a)]	Gas transmission	Australia	**31.66**	30.36
Energy Infrastructure Investments	Unlisted energy vehicle	Australia	**19.90**	19.90
Energy Infrastructure Investments 2[(b)]	Unlisted energy vehicle	Australia	**20.20**	-

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

	Consolidated	
	2010	2009
	$000	$000
Financial position		
Total assets	**4,449,597**	4,148,903
Total liabilities	**3,568,440**	3,218,022
Net assets	**881,157**	930,881
Consolidated Entity's share of jointly controlled entities net assets	**281,585**	284,421
Financial performance		
Total revenue	**343,575**	493,519
Total profit for the year	**56,011**	47,560
Consolidated Entity's share of jointly controlled entities profit	**13,687**	6,143

(a) APA participated in Envestra's Distribution Reinvestment Plan under Envestra's October and April Distribution, increasing its interest in Envestra from 30.36% to 31.66%.

(b) In October 2009, APA, together with Marubeni Corporation and Osaka Gas, acquired the North Brown Hill Wind Farm from AGL. This project is currently under construction and due to be completed by June 2011. APA's share is 20.2%.

The Consolidated Entity has unrecognised losses for Energy Infrastructure Investments 2 of $0.3 million.

Contingent liabilities and capital commitments

The Consolidated Entity's share of the contingent liabilities, capital commitments and other expenditure commitments of joint venture entities is disclosed in Notes 47 and 42 respectively.

17. Property, plant and equipment

	Consolidated				
	Freehold land and buildings - at cost $000	Leasehold improvements - at cost $000	Plant and equipment - at cost $000	Work in progress - at cost $000	Total $000
Gross carrying amount					
Balance at 1 July 2008	111,982	1,665	3,322,303	66,389	3,502,339
Additions	-	649	3,105	297,264	301,018
Disposals	(3,854)	(179)	(5,344)	(105,686)	(115,063)
Acquisitions through business combinations	-	86	22,822	-	22,908
Transfer to assets classified as finance leases	-	-	-	(2,635)	(2,635)
Transfers	153	(8)	100,889	(101,034)	-
Balance at 1 July 2009	108,281	2,213	3,443,775	154,298	3,708,567
Additions	**-**	**-**	**37**	**126,636**	**126,673**
Disposals	**-**	**-**	**(6,959)**	**-**	**(6,959)**
Acquisitions through business combinations	**70**	**-**	**87,058**	**-**	**87,128**
Transfer to assets classified as finance leases	**-**	**-**	**-**	**(3,495)**	**(3,495)**
Transfers	**5,165**	**692**	**146,209**	**(152,303)**	**(237)**
Balance at 30 June 2010	**113,516**	**2,905**	**3,670,120**	**125,136**	**3,911,677**
Accumulated depreciation					
Balance at 1 July 2008	(9,030)	(667)	(255,919)	-	(265,616)
Disposals	571	122	9,319	-	10,012
Depreciation expense	(2,243)	(753)	(87,522)	-	(90,518)
Transfers	-	100	(100)	-	-
Balance at 1 July 2009	(10,702)	(1,198)	(334,222)	-	(346,122)
Disposals	**-**	**-**	**4,160**	**-**	**4,160**
Depreciation expense	**(1,657)**	**(342)**	**(84,388)**	**-**	**(86,387)**
Transfers	**-**	**(32)**	**32**	**-**	**-**
Balance at 30 June 2010	**(12,359)**	**(1,572)**	**(414,418)**	**-**	**(428,349)**
Net book value					
As at 30 June 2009	97,579	1,015	3,109,553	154,298	3,362,445
As at 30 June 2010	**101,157**	**1,333**	**3,255,702**	**125,136**	**3,483,328**

The Trust has no property, plant and equipment.

18. Goodwill

	Consolidated		Trust	
	2010	2009	**2010**	2009
	$000	$000	**$000**	$000
Gross carrying amount				
Balance at beginning of financial year	**520,779**	520,774	**-**	-
Finalisation of provisional purchase price accounting	**-**	5	**-**	-
Balance at end of financial year	**520,779**	520,779	**-**	-

Allocation of goodwill to cash-generating units

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

Individual cash-generating units

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

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

	Consolidated	
	2010	2009
	$000	$000
Asset management business	**37,828**	37,828
Gas transmission pipelines in New South Wales, Queensland and Western Australia	**272,692**	272,692
Victorian transmission system	**105,061**	105,061
APA Gas Networks	**104,263**	104,263
Other	**935**	935
	520,779	520,779

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

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

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

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

Cash flow projections are estimated for a period of up to 20 years, with a terminal value, recognising the long term nature of the assets. The pre-tax discount rates used are 9.0% p.a. (2009: 9.0% p.a.) for gas transmission and distribution assets and 9.0% p.a. (2009: 9.0% p.a.) for asset management.

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

19. Other intangible assets

	Consolidated		Trust	
	2010	2009	**2010**	2009
	$000	$000	**$000**	$000
Right to receive pipeline tariff	**1,053**	1,753	**-**	-
Contract intangibles	**178,229**	166,768	**-**	-
	179,282	168,521	**-**	-
Right to receive pipeline tariff				
Gross carrying amount				
Balance at 1 July 2009	**15,677**	15,677	**-**	-
Balance at 30 June 2010	**15,677**	15,677	**-**	-
Accumulated amortisation and impairment				
Balance at 1 July 2009	**(13,924)**	(13,224)	**-**	-
Amortisation expense	**(700)**	(700)	**-**	-
Balance at 30 June 2010	**(14,624)**	(13,924)	**-**	-
Net book value	**1,053**	1,753	**-**	-
Contract intangibles				
Gross carrying amount				
Balance at 1 July 2009	**175,075**	173,075	**-**	-
Acquisitions	**15,800**	2,000	**-**	-
Balance at 30 June 2010	**190,875**	175,075	**-**	-
Accumulated amortisation and impairment				
Balance at 1 July 2009	**(8,307)**	(3,885)	**-**	-
Amortisation expense	**(4,339)**	(4,422)	**-**	-
Balance at 30 June 2010	**(12,646)**	(8,307)	**-**	-
Net book value	**178,229**	166,768	**-**	-

The Consolidated Entity holds various third party operating and maintenance contracts. The combined gross carrying amount of $190.875 million amortises over terms ranging from one to 60 years. Useful life is determined based on the underlying contractual terms plus estimations of renewal of up to two terms where considered probable by management. Amortisation expense is included in the line item of depreciation and amortisation expense in the statement of comprehensive income.

In April 2010, APA Group acquired the Berwyndale to Wallumbilla Pipeline for $87.2 million. This 112 km pipeline extends from the Berwyndale coal-seam gas fields to the Wallumbilla hub in Central Queensland. The purpose of this acquisition is to connect three major pipelines including the Roma to Brisbane Pipeline. As part of the acquisition a contract intangible was recognised for $15.8 million relating to a gas transportation agreement with AGL which has a one time exercisable option, which if exercised will generate an increased revenue stream from AGL.

20. Other non-current assets

Line pack gas	**2,354**	1,160	**-**	-
Gas held in storage	**2,361**	-	**-**	-
Other assets	**2,293**	928	**-**	-
	7,008	2,088	**-**	-

21. Trade and other payables

	Consolidated		Trust	
	2010	2009	**2010**	2009
	$000	$000	**$000**	$000
Trade payables [(a)]	**18,872**	19,481	**-**	-
Other payables [(b)]	**112,967**	90,394	**-**	26
Payables to associates	**-**	7	**-**	-
Non-trade payables to:				
Wholly-owned controlled entities [(c)]	**-**	-	**136,823**	150,401
	131,839	109,882	**136,823**	150,427

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

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

(c) Includes amounts arising from APA's tax sharing agreement between APA and each of the entities in the tax-consolidated group (Note 9).

22. Current borrowings

	Consolidated 2010 $000	Consolidated 2009 $000	Trust 2010 $000	Trust 2009 $000
Unsecured - at amortised cost				
Bank borrowings	**-**	900,000	**-**	-
Guaranteed Senior Notes	**102,000**	-	**-**	-
Secured - at amortised cost				
Bank Borrowings[(a)]	**1,645**	-	**-**	-
Finance lease liabilities[(b)](Note 32)	**238**	219	**-**	-
	1,883	219	**-**	-
	103,883	900,219	**-**	-

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

(b) Secured by the assets leased; the current weighted average effective interest rate on the finance lease liabilities is 8.01% p.a. (2009: 7.96% p.a.).

23. Other current financial liabilities

Derivatives

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

	Consolidated 2010 $000	Consolidated 2009 $000	Trust 2010 $000	Trust 2009 $000
Forward foreign exchange contracts	**152**	-	**-**	-
Interest rate swaps	**8,586**	7,648	**-**	-
	8,738	7,648	**-**	-

24. Provisions

	Consolidated		Trust	
	2010	2009	**2010**	2009
	$000	$000	**$000**	$000
Current				
Employee benefits[(a)]	**39,497**	38,477	**-**	-
Other (Note 33)	**3,460**	957	**-**	-
	42,957	39,434	**-**	-
Non-current				
Employee benefits[(a)]	**28,645**	20,627	**-**	-
Other (Note 33)	**3,040**	2,830	**-**	-
	31,685	23,457	**-**	-

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

Current				
Incentives	**5,922**	6,902	**-**	-
Cash settled share-based payments	**1,969**	452	**-**	-
Retention award	**-**	632	**-**	-
Restructuring costs	**355**	1,093	**-**	-
Leave balances	**31,251**	29,398	**-**	-
	39,497	38,477	**-**	-
Non-current				
Cash settled share-based payments	**7,271**	3,479	**-**	-
Retirement benefit obligation (Note 34)	**18,294**	14,656	**-**	-
Leave balances	**3,080**	2,492	**-**	-
	28,645	20,627	**-**	-

25. Other liabilities

Current				
Unearned revenue - interest	**9,260**	8,870	**-**	-
Unearned revenue - other	**1,614**	4,172	**-**	-
	10,874	13,042	**-**	-
Non-current				
Unearned revenue - other	**925**	3,202	**-**	-
	925	3,202	**-**	-

26. Non-current borrowings

	Consolidated		Trust	
	2010	2009	**2010**	2009
	$000	$000	**$000**	$000
Unsecured - at amortised cost				
Bank borrowings[(a)]	**1,665,324**	850,000	**-**	-
Guaranteed Senior Notes[(b)]	**1,253,596**	1,214,258	**-**	-
Less: amortised borrowing costs	**(27,409)**	(8,529)	**-**	-
	2,891,511	2,055,729	**-**	-
Secured - at amortised cost				
Bank borrowings[(c)]	**-**	1,645	**-**	-
Finance lease liabilities[(d)](Note 32)	**380**	501	**-**	-
	380	2,146	-	-
	2,891,891	2,057,875	**-**	-

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

(b) Represents US denominated notes of US$659 million (2009: US$659 million) measured at the exchange rate at reporting date, and A$416.9 million of A$ denominated notes (2009: A$416.9 million).

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

(d) Secured by the assets leased. The current weighted average effective interest rate on the finance lease liabilities is 8.01% p.a. (2009: 7.96% p.a.).

27. Other non-current financial liabilities

Derivatives - at fair value:				
Interest rate swaps - cash flow hedges	**41,335**	49,414	**-**	-
Foreign exchange hedges - cash flow hedges	**25,356**	22,214	**-**	-
Loans carried at amortised cost:				
Loans from controlled entities	**-**	-	**-**	648,738
	66,691	71,628	**-**	648,738

28. Issued capital

	Consolidated		Trust	
	2010	2009	**2010**	2009
	$000	$000	**$000**	$000
Securities				
542,318,629 securities, fully paid (2009: 498,663,596 securities, fully paid)[a]	**984,936**	894,435	**984,936**	894,435

	Consolidated and Trust			
	2010	**2010**	2009	2009
	No. of securities 000	**$000**	No. of securities 000	$000
Movements				
Balance at beginning of financial year	**498,664**	**894,435**	468,241	844,150
Issue of securities under Distribution Reinvestment Plan	**18,377**	**41,720**	18,718	29,185
Issue of securities under Security Purchase Plan	**25,278**	**64,463**	11,705	21,493
Capital return to securityholders (Note 10(b))	**-**	**(25,320)**	-	-
Equity values adjustment between stapled entities	**-**	**9,868**	-	-
Issue cost of securities	**-**	**(230)**	-	(393)
Balance at end of financial year	**542,319**	**984,936**	498,664	894,435

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

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

29. Reserves

	Consolidated		Trust	
	2010	2009	**2010**	2009
	$000	$000	**$000**	$000
Hedging	**54,318**	13,690	**-**	-
Asset revaluation	**8,669**	8,669	**-**	-
Available-for-sale investment revaluation	**(3,032)**	(1,236)	**145**	(1,237)
	59,955	21,123	**145**	(1,237)

Hedging reserve

	Consolidated 2010	Consolidated 2009	Trust 2010	Trust 2009
Balance at beginning of financial year	**13,690**	64,821	**-**	-
Gain/(loss) recognised:				
Interest rate swaps/currency swaps	**294**	48,528	**-**	-
Deferred tax related to gains/losses recognised	**(87)**	(11,500)	**-**	-
Transferred to profit or loss:				
Interest rate swaps/currency swaps	**45,749**	(115,599)	**-**	-
Deferred tax related to amounts transferred to profit or loss	**(13,725)**	34,680	**-**	-
Share of hedge reserve of associate	**13,622**	(6,409)	**-**	-
Deferred tax related to share of hedge reserve	**(5,225)**	-	**-**	-
Other	**-**	(831)	**-**	-
Balance at end of financial year	**54,318**	13,690	**-**	-

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

Asset revaluation reserve

	Consolidated 2010	Consolidated 2009	Trust 2010	Trust 2009
Balance at beginning of financial year	**8,669**	8,669	**-**	-
Balance at end of financial year	**8,669**	8,669	**-**	-

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

Available-for-sale investment revaluation reserve

	Consolidated 2010	Consolidated 2009	Trust 2010	Trust 2009
Balance at beginning of financial year	**(1,236)**	(75,385)	**(1,237)**	(75,386)
Reversed on acquisition of significant interest	**-**	75,250	**-**	75,250
Revaluation gain/(loss) recognised	**(1,734)**	(1,101)	**1,444**	(1,101)
Deferred tax related to gains/losses recognised	**(62)**	-	**(62)**	-
Balance at end of financial year	**(3,032)**	(1,236)	**145**	(1,237)

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

30. Retained earnings

	Consolidated		Trust	
	2010	2009	**2010**	2009
	$000	$000	**$000**	$000
Balance at beginning of financial year	**(4,998)**	43,375	**13,685**	12,752
Net profit attributable to securityholders	**62,584**	44,708	**40,094**	87,170
Distributions paid (Note 10)	**(42,516)**	(86,237)	**(42,516)**	(86,237)
Actuarial gain/(loss) on defined benefit plans recognised directly to retained earnings after tax (Note 34)	**(5,706)**	(6,844)	**-**	-
Balance at end of financial year	**9,364**	(4,998)	**11,263**	13,685

31. Minority interests

APT Investment Trust	**340,758**	367,814	**-**	-
Other minority interest	**132**	81	**-**	-
	340,890	367,895	**-**	-

APT Investment Trust

Issued capital:				
Balance at beginning of financial year	**358,450**	357,556	**-**	-
Equity values adjustment between stapled entities	**(9,868)**	-	**-**	-
Issue of securities under distribution reinvestment plan	**15,134**	19,458	**-**	-
Issue of securities under security purchase plan	**20,723**	8,864	**-**	-
Distribution - capital return (Note 10(b))	**(63,434)**	(27,257)	**-**	-
Issue cost of securities	**(74)**	(171)	**-**	-
Balance at end of financial year	**320,931**	358,450	**-**	-
Reserves:				
Available for sale investment revaluation reserve:				
Balance at beginning of financial year	**(1,446)**	(50)	**-**	-
Valuation loss recognised	**1,345**	(1,396)	**-**	-
	(101)	(1,446)	**-**	-
Retained earnings:				
Balance at beginning of financial year	**10,810**	6,980	**-**	-
Net profit attributable to APTIT equityholders	**37,774**	34,064	**-**	-
Distributions paid (Note 10(b))	**(28,656)**	(30,234)	**-**	-
Balance at end of financial year	**19,928**	10,810	**-**	-

Other minority interest

Issued capital	**4**	4	**-**	-
Reserves	**1**	1	**-**	-
Retained earnings	**127**	76	**-**	-
	132	81	**-**	-

32. Leases

(i) Leasing arrangements - receivables

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

	Consolidated		Trust	
	2010	2009	**2010**	2009
	$000	$000	**$000**	$000
Finance lease receivables				
Not longer than 1 year	**5,416**	4,937	**-**	-
Longer than 1 year and not longer than 5 years	**19,535**	18,341	**-**	-
Longer than 5 years	**8,889**	10,349	**-**	-
Minimum future lease payments receivable[(a)]	**33,840**	33,627	**-**	-
Gross finance lease receivables	**33,840**	33,627	**-**	-
Less: unearned finance lease receivables	**(9,315)**	(9,722)	**-**	-
Present value of lease receivables	**24,525**	23,905	**-**	-
Included in the financial statements as part of:				
Current trade and other receivables (Note 11)	**3,181**	2,737	**-**	-
Non-current receivables (Note 14)	**21,344**	21,168	**-**	-
Non-current assets classified as held for sale	**-**	-	**-**	-
	24,525	23,905	**-**	-

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

(ii) Leasing arrangements - liabilities

Finance lease liabilities relate to leases of general property, plant and equipment. There are no contingent rental payments due or payable. There are no renewal or purchase options and escalation clauses or restrictions imposed by the lease arrangements concerning distributions, additional debt and further leasing.

	Consolidated		Trust	
	2010	2009	**2010**	2009
	$000	$000	**$000**	$000
Finance lease liabilities				
Not longer than 1 year	**280**	265	**-**	-
Longer than 1 year and not longer than 5 years	**414**	556	**-**	-
Minimum future finance lease payments[(b)]	**694**	821	**-**	-
Less: future finance charges	**(76)**	(101)	**-**	-
Present value of minimum lease payments	**618**	720	**-**	-
Included in the financial statements as part of:				
Current borrowings (Note 22)	**238**	219	**-**	-
Non-current borrowings (Note 26)	**380**	501	**-**	-
	618	720	**-**	-

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

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

32. Leases (continued)

(ii) Leasing arrangements - liabilities (continued)

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

	Consolidated		Trust	
	2010	2009	**2010**	2009
	$000	$000	**$000**	$000
Non-cancellable operating leases – transmission pipelines				
Not longer than 1 year	**82,620**	18,311	**-**	-
Longer than 1 year and not longer than 5 years	**-**	97,237	**-**	-
Longer than 5 years	**-**	-	**-**	-
	82,620	115,548	**-**	-
Non-cancellable operating leases – other				
Not longer than 1 year	**6,579**	6,721	**-**	-
Longer than 1 year and not longer than 5 years	**12,883**	10,392	**-**	-
Longer than 5 years	**1,317**	1,010	**-**	-
	20,779	18,123	**-**	-

33. Provisions

	Consolidated		
	Abandonment [(a)]	Other	Total
	$000	$000	$000
Balance at 30 June 2009	2,830	957	3,787
Additional provisions recognised [(b)]	40	2,960	3,000
Unwinding of discount	170	-	170
Reductions arising from payments/other sacrifices of future economic benefits	-	(457)	(457)
Balance at 30 June 2010	**3,040**	**3,460**	**6,500**
Current (Note 24)	**-**	**3,460**	**3,460**
Non-current (Note 24)	**3,040**	**-**	**3,040**
	3,040	**3,460**	**6,500**

(a) Costs of dismantling pipelines and restoring the sites on which the pipelines are located is to be included in the cost of the asset at inception and required to be accounted for in accordance with AASB 137 'Provisions, Contingent Liabilities and Contingent Assets'.

(b) Costs to complete construction and commissions of the Bonaparte Gas Pipeline and Wickham Point Pipeline.

33. Provisions (continued)

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

(a) Costs of dismantling pipelines and restoring the sites on which the pipelines are located is to be included in the cost of the asset at inception and required to be accounted for in accordance with AASB 137 'Provisions, Contingent Liabilities and Contingent Assets'.

(b) Provision for repair and investigative work on the Moomba Sydney Pipeline due to stress corrosion cracking ("SCC").

34. Employee superannuation plans

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

The most recent actuarial valuations of plan assets and the present value of the defined benefit obligation were carried out at 30 June 2010 by Mercer (Australia) Pty Ltd and Russell Investments (2009: Mercer (Australia) Pty Ltd and Russell Investments). The present value of the defined benefit obligation, and the related current service cost and past service cost, were measured using the projected unit credit method.

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

	Consolidated	
	2010	2009
	$000	$000
Amounts recognised in the statement of comprehensive income		
Current service cost	**2,970**	2,804
Interest cost on benefit obligation	**4,559**	5,326
Expected return on plan assets	**(5,653)**	(6,015)
Total included in superannuation costs which form part of employee benefit expense	**1,876**	2,115
Actual return on plan assets	**7,140**	(6,531)
Actuarial losses incurred during the year and recognised in the statement of comprehensive income	**(8,153)**	(9,775)

34. Employee superannuation plans (continued)

	Consolidated 2010 $000	2009 $000
Amounts recognised in the statement of financial position		
Fair value of plan assets	**91,346**	84,023
Present value of benefit obligation	**(109,640)**	(98,679)
Net liability - non-current (Note 24)	**(18,294)**	(14,656)
Movements in liability during the year		
Balance at beginning of year	**(14,656)**	(6,815)
Expense recognised in statement of comprehensive income	**(1,876)**	(2,115)
Amount recognised in retained earnings	**(8,153)**	(9,775)
Contributions from employer	**6,391**	4,049
Balance at end of year[(a)]	**(18,294)**	(14,656)

(a) The above balances are recorded within the provisions section of the statement of financial position; refer to Note 24.

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

	2010	2009
Opening defined benefit obligation	**98,679**	97,042
Current service cost	**2,970**	2,804
Interest cost	**4,559**	5,332
Contributions from plan participants	**1,650**	1,612
Actuarial (gains)/losses	**9,640**	(2,777)
Benefits paid	**(6,718)**	(4,535)
Taxes and premiums paid	**(1,140)**	(799)
Closing defined benefit obligation	**109,640**	98,679

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

	2010	2009
Opening fair value of plan assets	**84,023**	90,227
Expected return on plan assets	**5,653**	6,015
Actuarial gains/(losses)	**1,487**	(12,552)
Contributions from employer	**6,391**	4,049
Contributions from plan participants	**1,650**	1,618
Benefits paid	**(6,718)**	(4,535)
Taxes and premiums paid	**(1,140)**	(799)
Closing fair value of plan assets	**91,346**	84,023

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

	Consolidated 2010 %	2009 %
Discount rate (p.a.)	**4.7**	5.0
Expected return on plan assets (p.a.)	**7.0**	7.0
Expected salary rate increase (p.a.)	**4.5**	4.5

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

	2010	2009
Australian equities	**34.3**	35.5
International equity	**25.3**	25.7
Fixed income	**12.3**	12.4
Property	**8.5**	10.5
Alternatives	**13.3**	10.4
Cash	**6.3**	5.5

34. Employee superannuation plans (continued)

The history of experience adjustments is as follows:

	2010 $000	2009 $000	2008 $000
Fair value of plan assets	**91,346**	84,023	90,227
Present value of defined benefit obligation	**109,640**	98,679	97,042
(Deficit)/surplus	**(18,294)**	(14,656)	(6,815)
Experience adjustments on plan liabilities	**4,739**	(6,753)	(1,515)
Experience adjustments on plan assets	**(821)**	8,450	8,533

The Consolidated Entity expects $4,130,000 in contributions to be paid to the defined benefit plans during the year ending 30 June 2011.

35. Earnings per security

	Consolidated 2010	2009
Basic and diluted earnings per security (cents)	**19.4**	16.2

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

Net profit attributable to securityholders for calculating basic and diluted earnings per security ($000)	**100,358**	78,772

	No. of securities	
Adjusted weighted average number of ordinary securities used in the calculation of basic and diluted earnings per security (000)	**516,243**	485,077

36. Notes to the statement of cash flows

(a) Reconciliation of cash and cash equivalents

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

	Consolidated		Trust	
	2010 $000	2009 $000	**2010 $000**	2009 $000
Cash at bank and on hand [(a)]	**76,867**	107,861	**293**	104
Short-term deposits	**4,073**	954	**-**	-
	80,940	108,815	**293**	104

Restricted cash

(a) As at 30 June 2010, Australian Pipeline Limited held $5.0 million (2009: $5.0 million) on deposit to meet its financial requirements as the holder of an Australian Financial Services Licence.

36. Notes to the statement of cash flows (continued)

(b) Businesses acquired and disposed of

Consolidated

During the financial year, the Consolidated Entity acquired the Berwyndale to Wallumbilla Pipeline ("BWP") and a 20.2% interest in EII2 (owner of the Hallett 4 Wind Farm project). The net cash outflow on these acquisitions was $83,328,000 for the controlled entity and $327,000 (2009: $114,000) for the share of the associate. Refer to Note 41 for further details of the BWP acquisition. In addition $22,379,000 (2009: $7,212,000) has been reinvested in Envestra through the Dividend Reinvestment Plan. $114,498,000 has been invested in the purchase of shares in Hastings Diversified Utilities Fund. There were no disposals in the financial year. Refer to Note 40 for disposals made in the prior financial year.

Trust

During the financial year, the Trust has reinvested $22,379,000 (2009: $7,212,000) in Envestra through the Dividend Reinvestment Plan.

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

	Consolidated		Trust	
	2010	2009	**2010**	2009
	$000	$000	**$000**	$000
Profit for the year	**100,508**	78,850	**40,094**	87,170
(Gain)/loss on disposal of investments	**1,510**	16,167	**5,050**	(1,955)
Loss on disposal of property, plant and equipment	**2,799**	1,452	**-**	-
Discount on business acquisition	**(4,586)**	-	**-**	-
Share of net profits of jointly controlled entities accounted for using the equity method	**(13,687)**	(6,143)	**-**	-
Dividends/distributions received	**35,087**	23,746	**22,391**	14,069
Depreciation and amortisation expense	**91,426**	95,640	**-**	-
Finance costs	**11,019**	11,077	**-**	-
Changes in assets and liabilities:				
Trade and other receivables	**(5,819)**	89	**36**	(7,785)
Inventories	**3,460**	(2,996)	**-**	-
Other assets	**3,796**	(682)	**-**	-
Trade and other payables	**8,568**	(27,265)	**(22,416)**	(13,365)
Provisions	**669**	1,564	**-**	-
Other liabilities	**(5,661)**	255	**-**	-
Income tax balances	**38,672**	34,615	**5,236**	3,197
Net cash provided by operating activities	**267,761**	226,369	**50,391**	81,330

36. Notes to the statement of cash flows (continued)

(d) Financing facilities

	Consolidated		Trust	
	2010	2009	**2010**	2009
	$000	$000	**$000**	$000
Unsecured facilities				
Bank borrowings[(a)]				
Amounts used	**1,665,324**	1,750,000	**-**	-
Amounts unused	**560,000**	215,000	**-**	-
	2,225,324	1,965,000	**-**	-
Guaranteed Senior Notes[(b)]				
Amounts used	**1,355,596**	1,214,258	**-**	-
Amounts unused	**-**	-	**-**	-
	1,355,596	1,214,258	**-**	-
Secured facilities				
Bank borrowings				
Amounts used	**1,645**	1,645	**-**	-
Amounts unused	**-**	-	**-**	-
	1,645	1,645	**-**	-

(a) APT Pipelines Limited entered into syndicated bank facilities in June 2007 and September 2009, and bilateral bank facilities in July 2008 and August 2009.

(b) APT Pipelines Limited issued notes in the US Private Placement market in September 2003, May 2007 and July 2009. The issues include Australian dollar and US dollar denominated notes. The disclosed amount represents the Australian dollar equivalent of notes issued as measured at the reporting date. The maturity date and interest rates payable are disclosed in Note 37.

37. Financial instruments

(a) Capital risk management

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

The Consolidated Entity's overall strategy remains unchanged from 2009.

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

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

Operating cash flows are used to maintain and expand the Consolidated Entity's assets, as well as to make routine outflows of distributions and to repay maturing debt.
The Consolidated Entity's policy is to borrow from overseas and locally, using a variety of capital markets and bank loan facilities, to meet anticipated funding requirements.

Controlled entities are subject to externally imposed capital requirements. These relate to the Australian Financial Service Licence held by Australian Pipeline Limited, the Responsible Entity of the Consolidated Entity and were adhered to for the entirety of the 2009 and 2010 periods.

Gearing ratio

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

37. Financial instruments (continued)

(b) Financial risk management objectives

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

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

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

(c) Market risk management

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

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

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

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

(d) Foreign currency risk management

The Consolidated Entity undertakes certain transactions denominated in foreign currencies and hence exposures to exchange rate fluctuations arise. Exchange rate exposures are managed within approved policy parameters utilising foreign exchange contracts, including forward contracts and cross currency contracts. There was no unmanaged exposure in either 2009 or 2010.

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

	Consolidated			
	Liabilities		Assets	
	2010	2009	**2010**	2009
	$000	$000	**$000**	$000
US dollar borrowings	**938,730**	810,080	**-**	-
Cross currency swaps	**(938,730)**	(810,080)	**-**	-
	-	-	**-**	-
Foreign exchange contracts	**12,920**	10,768	**-**	-
	12,920	10,768	**-**	-

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

37. Financial instruments (continued)

Forward foreign exchange contracts

It is the policy of the Consolidated Entity to enter into various foreign exchange contracts to cover 100% of all foreign currency exposures in excess of US$1million that are certain. Basis adjustments are made to the carrying amounts of non-financial hedged items when the anticipated purchase takes place.

The following table details the forward foreign currency contracts outstanding at reporting date:

	Consolidated			
2010	Average exchange rate	Foreign currency	Contract value	Fair value
		2010	**2010**	**2010**
Outstanding contracts		**US$000**	**$000**	**$000**
Buy US dollars				
Less than 3 months	0.8340	3,096	3,712	(54)
3 to 6 months	0.8190	3,318	4,051	(95)
6 to 12 months	0.8236	1,880	2,282	(3)
1 to 2 years	0.8009	2,302	2,874	(5)
		10,596	**12,920**	**(157)**

2009				
		2009	2009	2009
Outstanding contracts		US$000	$000	$000
Buy US dollars				
Less than 3 months	0.6253	6,464	10,336	(2,362)
3 to 6 months	0.6239	269	432	(97)
		6,733	10,768	(2,460)

The Consolidated Entity has entered into contracts to purchase equipment in USD from overseas suppliers. The Consolidated Entity has entered into forward foreign exchange contracts to hedge the exchange rate risk arising from these anticipated future transactions, which are designated as cash flow hedges.

As at reporting date, the aggregate amount of unrealised losses under forward foreign exchange contracts deferred in the hedging reserve relating to these anticipated future transactions is $157,000 (2009: $2,460,000). It is anticipated that the capital purchases will take place within the next two financial years at which stage the amount deferred in equity will be included in the carrying amount of the asset being purchased.

Cross currency swap contracts

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

The Consolidated Entity receives fixed amounts in US$ and pays both variable interest rates (based on Australian BBSW) and fixed interest rates based on agreed interest rate swap rates.

37. Financial instruments (continued)

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

	Exchange Rate		Principal Amount	
	2010	2009	**2010**	2009
2003 Note Issue	**$**	$	**$000**	$000
Buy US dollars - interest				
Less than 1 year	**0.6573**	0.6573	**(22,863)**	(22,863)
1 year to 2 years	**0.6573**	0.6573	**(22,863)**	(22,863)
2 years to 5 years	**0.6573**	0.6573	**(59,014)**	(65,397)
5 years and more	**0.6573**	0.6573	**(25,550)**	(42,029)
			(130,290)	(153,152)
Buy US dollars - principal				
2 years to 5 years	**0.6573**	0.6573	**(112,582)**	(112,582)
5 years and more	**0.6573**	0.6573	**(281,454)**	(281,454)
2007 Note Issue				
Buy US dollars - interest				
Less than 1 year	**0.8068**	0.8068	**(29,737)**	(29,737)
1 year to 2 years	**0.8068**	0.8068	**(29,737)**	(29,737)
2 years to 5 years	**0.8068**	0.8068	**(89,212)**	(89,212)
5 years and more	**0.8068**	0.8068	**(124,774)**	(154,511)
			(273,460)	(303,197)
Buy US dollars - principal				
5 years and more	**0.8068**	0.8068	**(495,786)**	(495,786)
2009 Note Issue				
Buy US dollars - interest				
Less than 1 year	**0.7576**	0.7576	**(15,934)**	(7,967)
1 year to 2 years	**0.7576**	0.7576	**(15,934)**	(15,934)
2 years to 5 years	**0.7576**	0.7576	**(47,803)**	(47,803)
5 years and more	**0.7576**	0.7576	**(50,213)**	(66,148)
			(129,885)	(137,852)
Buy US dollars - principal				
5 years and more	**0.7576**	0.7576	**(184,784)**	(184,784)

Foreign currency sensitivity analysis

The Consolidated Entity is mostly exposed to movements in the US$ through its fully hedged borrowings via the US Private Placement market and its current obligations to future purchases of capital equipment. The entire US$ cash flows arising from the 2003, 2007 and 2009 note issues have been swapped; as such, the Consolidated Entity has no currency risk associated with those note issues. Therefore, the sensitivity analysis has only been performed on the forward foreign exchange contracts. The following table details the Consolidated Entity's sensitivity to a 10% decrease and increase in the Australian dollar against the relevant foreign currencies. The sensitivity rate used is 10% and represents management's assessment of the possible change in foreign exchange rates. The sensitivity analysis includes only outstanding foreign currency denominated monetary items and adjusts their translation at the period end for a 10% change in foreign currency rates.

37. Financial instruments (continued)

	Consolidated	
	2010	2009
	$000	$000
A$ depreciating by 10%		
Profit	**-**	-
Other equity[(a)]	**(1,377)**	(919)
A$ appreciating by 10%		
Profit	**-**	-
Other equity[(a)]	**1,127**	750

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

(e) Interest rate risk management

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

The Trust and the Consolidated Entity's exposures to interest rate risk on financial liabilities are detailed in the liquidity risk management section of this note. Exposure to financial assets is limited to cash and cash equivalents amounting to $80.9 million as at 30 June 2010 (2009: $108.8 million).

Interest rate swap contracts

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

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

	Weighted average interest rate		Notional principal amount		Fair value	
	2010	2009	**2010**	2009	**2010**	2009
	% p.a.	% p.a.	**$000**	$000	**$000**	$000
Cash flow hedges						
Pay fixed interest/receive floating interest						
Consolidated						
Less than 1 year	**6.03**	5.89	**250,000**	300,000	**(2,888)**	(6,579)
1 year to 2 years	**7.10**	6.03	**200,000**	250,000	**(5,783)**	(9,479)
2 years to 5 years	**6.59**	6.75	**600,164**	500,164	**(30,886)**	(35,977)
5 years and more	**8.08**	8.08	**1,368,479**	1,368,479	**(35,715)**	(24,783)
			2,418,643	2,418,643	**(75,271)**	(76,817)
Trust	**-**	-	**-**	-	**-**	-

The Consolidated Entity had no fair value hedges in 2010 or 2009.

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

37. Financial instruments (continued)

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

Interest rate sensitivity analysis

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

- net profit would decrease by $7,153,000 or increase by $7,153,000 (2009: decrease by $8,000,000 or increase by $8,000,000). This is mainly attributable to the Consolidated Entity's exposure to interest rates on its variable rate borrowings; and
- equity reserves would increase by $14,761,000 or decrease by $2,819,000 (2009: increase by $12,232,000 or decrease by $15,239,000). This is due to the changes in the fair value of derivative interest instruments.

The Consolidated Entity's sensitivity to interest rates has decreased during the current period due to the overall decrease in the amount of the Consolidated Entity's floating rate borrowings. The valuation of the increase/decrease in equity reserves is based on 1.00% p.a. increase/decrease in the yield curve at the reporting date and has increased during the current period mainly due to the increase in the amount of derivative instruments held.

(f) Price risk management

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

Equity price sensitivity

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

- net profit would have been unaffected as the equity investments are classified as available-for-sale and no investments were disposed of or impaired (2009: $nil); and
- equity reserves would decrease/increase by $4,508,228 (2009: $115,395), due to the changes in the fair value of available-for-sale shares.

The Consolidated Entity's sensitivity to equity prices has increased during the current period due to the acquisition of shares in Hastings Diversified Utilities Fund held as an available-for-sale investment.

(g) Credit risk management

Credit risk refers to the risk that a counterparty will default on its contractual obligations resulting in financial loss to the Consolidated Entity. The Consolidated Entity has adopted the policy of only dealing with creditworthy counterparties and obtaining sufficient collateral or bank guarantees where appropriate as a means of mitigating any risk of loss. For financial investments or market risk hedging, the Consolidated Entity's policy is to deal with highly rated counterparties. As at the reporting date, all counterparties of this type were A- (Standard & Poor's)/A3 (Moody's) or higher. The Consolidated Entity's exposure to financial instrument and deposit credit risk is closely monitored against counterparty credit limits imposed by the Treasury Policy approved by the Board. These limits are regularly reviewed by the Board.

Trade receivables consist of mainly corporate customers which are diverse and geographically spread. Most significant customers have an investment grade rating from either Standard & Poor's or Moody's. Ongoing credit monitoring of the financial position of customers is maintained.

The carrying amount of financial assets recorded in the financial statements, net of any allowances, represents the Consolidated Entity's maximum exposure to credit risk in relation to those assets.

37. Financial instruments (continued)

Cross guarantee

In accordance with a deed of cross guarantee, APT Pipelines Limited, a subsidiary of APA Group, has agreed to provide financial support, when and as required, to all wholly-owned controlled entities with either a deficit in shareholders' funds or an excess of current liabilities over current assets. The fair value of the financial guarantee as at 30 June 2010 has been determined to be immaterial and no liability has been recorded (2009: $nil).

(h) Liquidity risk management

The Consolidated Entity has a policy dealing with liquidity risk which requires an appropriate liquidity risk management framework for the management of the Consolidated Entity's short, medium and long-term funding and liquidity management requirements. Liquidity risk is managed by maintaining adequate cash reserves and banking facilities, by monitoring and forecasting cash flow and where possible arranging liabilities with longer maturities to more closely match the underlying assets of the Consolidated Entity. Details of undrawn facilities available to the Consolidated Entity are shown in the table below:

Financing facilities	Consolidated	
	2010	2009
	$000	$000
Unsecured bank facilities with various maturity dates through to 2013		
- amount used	**1,665,324**	1,750,000
- amount unused[(a)]	**560,000**	215,000
	2,225,324	1,965,000
Unsecured long term private placement notes with various maturity dates through to 2022		
- amount used (determined at foreign exchange rates implicit in the associated cross currency hedges)	**1,491,472**	1,306,688
- amount unused	**-**	-
	1,491,472	1,306,688
Secured bank facility with maturity date in 2011		
- amount used	**1,645**	1,645
- amount unused	**-**	-
	1,645	1,645

(a) $102 million has been allocated to repay a USPP maturity in September 2010.

Post balance date, the Consolidated Entity entered into a Medium Term Note issue to Australian and international bond investors raising $300 million. The Medium Term Note issue settled on 22 July 2010 with the agreed maturity term of 10 years. The proceeds of the issue will be used to refinance existing facilities ahead of maturity with a view to extending the average maturity of APA's debt portfolio and reducing debt costs in the longer term.

Liquidity and interest risk table

Detailed below are the Consolidated Entity's remaining contractual maturities for its non-derivative financial liabilities. The table has been drawn up based on the undiscounted cash flows of financial liabilities taking account of the earliest date on which the Consolidated Entity can be required to pay. The table includes both interest and principal cash flows.

All US dollar note exposures (both principal and interest) have been fully hedged back into Australian dollars at fixed interest rates for the entire duration of the note exposure. Therefore the table below shows the undiscounted Australian dollar cash flows associated with the US dollar notes, cross currency interest rate swaps and fixed interest rate swaps in aggregate.

37. Financial instruments (continued)

		Consolidated			
		Average interest rate % p.a.	Less than 1 year $000	1 - 5 years $000	More than 5 years $000
2010					
Financial liabilities					
Trade and other payables		-	131,839	-	-
Unsecured bank borrowings[(a)]		6.12	104,626	1,794,453	-
Secured bank borrowings[(b)]		-	1,645	-	-
Interest Rate Swaps (Net Settled)		6.16	13,196	11,956	440
Guaranteed Senior Notes:					
Denominated in A$					
2003 Series A[(c)]		6.66	105,397	-	-
2007 Series A[(d)]		7.33	367	1,466	5,733
2007 Series C[(d)]		7.38	7,318	29,271	113,793
2007 Series E[(e)]		7.40	5,045	20,178	88,349
2007 Series G[(f)]		7.45	6,002	24,008	122,597
2007 Series H[(f)]		7.45	4,617	18,468	94,305
Denominated in US$ (rates shown are the coupon rate of the US dollar notes)					
2003 Series B[(g)]	Payment	5.67	8,485	133,853	-
2003 Series C[(h)]	Payment	5.77	14,214	56,894	192,773
2003 Series D[(i)]	Payment	6.02	6,930	27,740	120,169
2007 Series B[(d)]	Payment	5.89	13,986	55,946	218,851
2007 Series D[(e)]	Payment	5.99	11,111	44,442	195,657
2007 Series F[(f)]	Payment	6.14	11,354	45,416	233,204
2009 Series A[(j)]	Payment	8.35	9,752	38,981	100,375
2009 Series B[(k)]	Payment	8.86	11,761	47,011	151,872
Financial lease liabilities		8.01	280	414	
Other:					
Unearned revenue - interest		-	9,260	-	-
Unearned revenue - other		-	1,614	925	-
			478,797	**2,351,423**	**1,638,117**

(a) Matures on 1 July 2011 ($515 million limit), 15 July 2011 ($145 million), 8 June 2012 ($900 million), 1 July 2013 ($515 million limit) and 31 August ($150 million).
(b) Residual payment due to financiers on expiration of lease of property 17 June 2011.
(c) Matures on 9 September 2010.
(d) Matures on 15 May 2017.
(e) Matures on 15 May 2019.
(f) Matures on 15 May 2022.
(g) Matures on 9 September 2013.
(h) Matures on 9 September 2015.
(i) Matures on 9 September 2018.
(j) Matures on 1 July 2016.
(k) Matures on 1 July 2019.

37. Financial instruments (continued)

		Consolidated			
		Average interest rate % p.a.	Less than 1 year $000	1 - 5 years $000	More than 5 years $000
2009					
Financial liabilities					
Trade and other payables		-	109,882	-	-
Unsecured bank borrowings[(a)]		3.75	1,143,666	720,451	-
Secured bank borrowings[(b)]		-	-	1,645	-
Interest Rate Swaps (Net Settled)		6.26	(27,679)	(40,850)	(7,588)
Guaranteed Senior Notes:					
Denominated in A$					
2003 Series A[(c)]		6.66	6,793	105,397	-
2007 Series A[(d)]		7.33	367	1,466	6,100
2007 Series C[(d)]		7.38	7,318	29,271	121,111
2007 Series E[(e)]		7.40	5,045	20,178	93,394
2007 Series G[(f)]		7.45	6,002	24,008	128,582
2007 Series H[(f)]		7.45	4,617	18,468	98,909
Denominated in US$ (rates shown are the coupon rate of the US dollar notes)					
2003 Series B[(g)]	Payment	5.67	8,485	142,280	-
2003 Series C[(h)]	Payment	5.77	14,214	56,855	206,928
2003 Series D[(i)]	Payment	6.02	6,930	27,721	127,033
2007 Series B[(d)]	Payment	5.89	13,987	55,946	232,837
2007 Series D[(e)]	Payment	5.99	11,111	44,442	206,768
2007 Series F[(f)]	Payment	6.14	11,354	45,417	244,527
2009 Series A[(j)]	Payment	8.35	4,876	39,008	110,167
2009 Series B[(k)]	Payment	8.86	5,881	47,043	163,682
Financial lease liabilities		7.96	265	556	-
Other:					
Unearned revenue - interest		-	8,870	-	-
Unearned revenue - other		-	4,172	3,202	-
			1,346,156	1,342,504	1,732,451

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

37. Financial instruments (continued)

(i) Fair value of financial instruments (continued)

Fair value of financial instruments carried at amortised cost

The fair values of financial assets and financial liabilities are determined as follows:

- the fair values of financial assets and financial liabilities with standard terms and conditions and traded on active liquid markets are determined with reference to quoted market prices;
- the fair values of other financial assets and financial liabilities (excluding derivative instruments) are determined in accordance with generally accepted pricing models based on discounted cash flow analysis using prices from observable current markets;
- the fair values of derivative instruments, included in hedging assets and liabilities, are calculated using quoted prices. Where such prices are not available, use is made of discounted cash flow analysis using the applicable yield curve for the duration of the instruments; and
- the fair value of financial guarantee contracts is determined using option pricing models where the main assumptions are the probability of default by the specified counterparty extrapolated from market-based credit information and the amount of loss, given the default.

Fair value measurements recognised in the statement of financial position

The following table provides an analysis of financial instruments that are measured subsequent to initial recognition at fair value, grouped into Levels 1 to 3 based on the degree to which the fair value is observable.

- Level 1 fair value measurements are those derived from quoted prices (unadjusted) in active markets for identical assets or liabilities.
- Level 2 fair value measurements are those derived from inputs other than quoted prices included within Level 1 that are observable for the asset or liability, either directly (i.e. as prices) or indirectly (i.e. derived from prices).
- Level 3 fair value measurements are those derived from valuation techniques that include inputs for the asset or liability that are not based on observable market data (unobservable inputs).

	2010			
	Level 1	**Level 2**	**Level 3**	**Total**
Consolidated	**$000**	**$000**	**$000**	**$000**
Financial assets measured at fair value				
Available-for-sale listed equity securities				
Hastings Diversified Utilities Fund	111,321	-	-	**111,321**
Ethane Pipeline Income Fund	5,751	-	-	**5,751**
Other	4	-	-	**4**
Total	**117,076**	**-**	**-**	**117,076**
Financial liabilities measured at fair value				
Interest rate swaps used for hedging	-	47,701	-	**47,701**
Cross Currency Interest Rate Swaps used for hedging	-	27,570	-	**27,570**
Forward foreign exchange contracts used for hedging	-	157	-	**157**
Total	**-**	**75,428**	**-**	**75,428**
Trust				
Financial assets measured at fair value				
Available-for-sale listed equity securities:				
Ethane Pipeline Income Fund	2,738	-	-	**2,738**
Total	**2,738**	**-**	**-**	**2,738**

37. Financial instruments (continued)

Derivatives

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

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

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

38. Jointly controlled operations and assets

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

		Output interest	
		2010	2009
Name of venture	**Principal activity**	**%**	%
Goldfields Gas Transmission	Gas pipeline operation - Western Australia	**88.2** [(a)]	88.2 [(a)]
Mid West Pipeline	Gas pipeline operation - Western Australia	**50.0** [(b)]	50.0 [(b)]

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

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

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

	Consolidated	
	2010	2009
	$000	$000
Current assets		
Cash and cash equivalents	**2,598**	185
Trade and other receivables	**280**	7,907
Inventories	**2,354**	1,579
Other	**1,049**	942
Total current assets	**6,281**	10,613
Non-current assets		
Property, plant and equipment	**526,320**	521,928
Other	**2,212**	794
Total non-current assets	**528,532**	522,722
Total assets	**534,813**	533,335

Contingent liabilities and capital commitments

Contingent liabilities and capital commitments arising from the Consolidated Entity's interest in jointly controlled operations are disclosed in Notes 47 and 42 respectively.

39. Subsidiaries

Name of entity	Country of registration/ incorporation	Ownership interest 2010 %	Ownership interest 2009 %
Parent entity			
Australian Pipeline Trust[(a)]			
Subsidiaries			
APT Pipelines Limited[(b),(c)]	Australia	**100**	100
Agex Pty Ltd[(b),(c)]	Australia	**100**	100
Amadeus Gas Trust	Australia	**96**	96
APT Goldfields Pty Ltd[(b),(c)]	Australia	**100**	100
APT Management Services Pty Limited[(b),(c)]	Australia	**100**	100
APT Parmelia Gas Pty Ltd[(b),(c)]	Australia	**100**	100
APT Parmelia Holdings Pty Ltd[(b),(c)]	Australia	**100**	100
APT Parmelia Pty Ltd[(b),(c)]	Australia	**100**	100
APT Parmelia Trust[(b)]	Cayman Islands	**100**	100
APT Petroleum Pipelines Holdings Pty Limited[(b),(c)]	Australia	**100**	100
APT Petroleum Pipelines Pty Limited[(b),(c)]	Australia	**100**	100
APT Pipelines (NSW) Pty Limited[(b),(c)]	Australia	**100**	100
APT Pipelines (NT) Pty Limited[(b),(c)]	Australia	**100**	100
APT Pipelines (Qld) Pty Limited[(b),(c)]	Australia	**100**	100
APT Pipelines (WA) Pty Limited[(b),(c)]	Australia	**100**	100
APT Pipelines Investments (NSW) Pty Ltd[(b),(c)]	Australia	**100**	100
APT Pipelines Investments (WA) Pty Ltd[(b),(c)]	Australia	**100**	100
East Australian Pipeline Pty Limited[(b),(c)]	Australia	**100**	100
Gasinvest Australia Pty Limited[(b),(c)]	Australia	**100**	100
Goldfields Gas Transmission Pty Ltd[(b)]	Australia	**100**	100
NT Gas Distribution Pty Limited	Australia	**96**	96
NT Gas Easements Pty Limited[(b),(c)]	Australia	**100**	100
NT Gas Pty Limited	Australia	**96**	96
Roverton Pty Ltd[(b),(c)]	Australia	**100**	100
SCP Investments (No 1) Pty Limited[(b),(c)]	Australia	**100**	100
SCP Investments (No 2) Pty Limited[(b),(c)]	Australia	**100**	100
SCP Investments (No 3) Pty Limited[(b),(c)]	Australia	**100**	100
Sopic Pty Ltd[(b),(c)]	Australia	**100**	100
Southern Cross Pipelines (NPL) Australia Pty Ltd[(b),(c)]	Australia	**100**	100
Southern Cross Pipelines Australia Pty Limited[(b),(c)]	Australia	**100**	100
Trans Australia Pipeline Pty Limited[(b),(c)]	Australia	**100**	100
Western Australia Gas Transmission Company 1[(b),(c)]	Australia	**100**	100
GasNet Australia Trust[(b)]	Australia	**100**	100
APA GasNet Australia (Holdings) Pty Ltd[(b),(c)]	Australia	**100**	100
APA GasNet Australia (Operations) Pty Ltd[(b),(c)]	Australia	**100**	100
APA GasNet A Pty Ltd [(b),(c)]	Australia	**100**	100
GasNet A Trust[(b)]	Australia	**100**	100
APA GasNet Australia (NSW) Pty Ltd[(b),(c)]	Australia	**100**	100
APA GasNet B Pty Ltd[(b),(c)]	Australia	**100**	100
APA GasNet Australia Pty Limited[(b),(c)]	Australia	**100**	100
GasNet B Trust[(b)]	Australia	**100**	100
GasNet Australia Investments Trust[(b)]	Australia	**100**	100

39. Subsidiaries (continued)

Name of entity	Country of registration/ incorporation	Ownership interest 2010 %	2009 %
APT Allgas Energy Pty Limited[(b),(c)]	Australia	**100**	100
APT Allgas Pipelines Operations Pty Limited[(b),(c)]	Australia	**100**	100
APT Allgas Toowoomba Pty Limited[(b),(c)]	Australia	**100**	100
APT Operations Pty Limited[(b),(c)]	Australia	**100**	100
APT AM Holdings Pty Limited[(b),(c)]	Australia	**100**	100
APT O&M Holdings Pty Ltd[(b),(c)]	Australia	**100**	100
APT O&M Services Pty Ltd[(b),(c)]	Australia	**100**	100
APT O&M Services (QLD) Pty Ltd[(b),(c)]	Australia	**100**	100
APT Water Management Pty Ltd[(b),(c)]	Australia	**100**	100
APT Water Management Holdings Pty Ltd[(b),(c)]	Australia	**100**	100
APT AM Stratus Pty Ltd[(b),(c)]	Australia	**100**	100
APT Facility Management Pty Ltd[(b),(c)]	Australia	**100**	100
APT AM Employment Pty Ltd[(b),(c)]	Australia	**100**	100
APT SEAGas (Holdings) Pty Limited[(b),(c)]	Australia	**100**	100
APT SPV2 Pty Ltd[(b),(c)]	Australia	**100**	100
APT SPV3 Pty Ltd[(b),(c)]	Australia	**100**	100
APT Pipelines (SA) Pty Ltd[(b),(c)]	Australia	**100**	100
APT (MIT) Services Pty Limited[(b)]	Australia	**100**	100
APA Operations (EII) Pty Limited[(b),(c)]	Australia	**100**	100
APA Pipelines (QNSW) Pty Limited[(b),(c)]	Australia	**100**	100
Central Ranges Pipeline Pty Ltd[(b),(c)]	Australia	**100**	100
Country Pipelines Pty Ltd[(b),(c)]	Australia	**100**	100
North Western Natural Gas Company Pty Limited[(b),(c)]	Australia	**100**	100
APA Facilities Management Pty Limited[(b),(c)]	Australia	**100**	-
APA (NBH) Pty Limited[(b),(c)]	Australia	**100**	-
APA Pipelines Investments (BWP) Pty Limited[(b),(c)]	Australia	**100**	-

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

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

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

40. Disposal of businesses

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

There were no disposals in the current financial year. Included in the current year is the receipt of the EII working capital adjustment.

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

41. Acquisition of businesses

Names of business acquired	Principal activity	Date of acquisition	Proportion acquired %	Cost of acquisition $000
During the financial year ended 30 June 2010				
Berwyndale to Wallumbilla Pipeline	Gas transmission	22 April 2010	100	82,600
During the financial year ended 30 June 2009				
Central Ranges Pipeline [(a)]	Gas transmission	22 August 2008	100	23,472

(a) Includes transaction costs

	Berwyndale to Wallumbilla Pipeline			Central Ranges Pipeline
	Book value $000	Fair value adjustment $000	Fair value on acquisition $000	Fair value on acquisition $000
Net assets acquired				
Current assets				
Trade and other receivables	-	-	-	328
Inventories	98	-	**98**	197
Prepayments	-	-	-	254
Non-current assets				
Property, plant and equipment	79,571	7,557	**87,128**	22,908
Deferred tax assets	2,255	(2,255)	-	1,076
Intangible assets	-	15,800	**15,800**	-
Current liabilities				
Trade and other payables	-	-	-	(630)
Non-current liabilities				
Provisions - abandonment	-	(40)	**(40)**	(204)
Provisions on acquisition	-	(15,800)	**(15,800)**	(457)
Fair value of net assets acquired	**81,924**	**5,262**	**87,187**	**23,472**
Discount on acquisition			**(4,587)**	-
Cost of acquisition			**82,600**	23,472
Transaction costs - paid			**728**	-
Prior year transaction costs paid			-	(856)
Net cash outflow on acquisition			**83,328**	**22,616**

A discount on acquisition has been recorded in the financial statements in relation to the Berwyndale to Wallumbilla Pipeline to reflect the excess of acquisition-date fair values of the identifiable net assets acquired over the consideration transferred to the former owners. The fair value of the net assets acquired was determined using a discounted cash flow model. Actual acquisition-related costs have been accounted for as expenses in the period incurred in accordance with the requirements of AASB 3.

In April 2010, APA Group acquired the Berwyndale to Wallumbilla Pipeline for $87,187,000. This 112 km pipeline extends from the Berwyndale coal-seam gas fields to the Wallumbilla hub in Central Queensland. The purpose of this acquisition is to connect three major pipelines including the Roma to Brisbane Pipeline.

The accounting for the acquisition of the Berwyndale to Wallumbilla Pipeline acquired during the year has been provisionally determined at reporting date.

41. Acquisition of businesses (continued)

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

Included in the consolidated net profit for the year (excluding significant items) is revenue of $616,000 and earnings before interest, tax and depreciation of $465,000 attributable to the Berwyndale to Wallumbilla Pipeline.

Acquisition-related costs amounting to $4,587,000 have been excluded from the consideration transferred and have been recognised as an expense in the period, within the other expenses line item in the statement of comprehensive income.

Had this business combination been effected at 1 July 2009, the revenue of the Consolidated Entity would have been $3,120,000 and earnings before interest, tax and depreciation of $2,483,000. The acquisition was underpinned by a long-term gas transportation agreement with AGL Energy. Revenues will increase each year due to an incremental increase in rates and increases in volume through the pipeline based on a financial model. The directors consider expected revenue of $3,157,000 and earnings before interest, tax and depreciation of $2,514,000 to represent an approximate measure of the performance of the pipeline as to provide a reference point for comparison for the next financial year.

42. Commitments for expenditure

Capital expenditure commitments

	Consolidated		Trust	
	2010	2009	**2010**	2009
	$000	$000	**$000**	$000
Plant and equipment				
Not longer than 1 year	**62,062**	7,968	**-**	-
Longer than 1 year and not longer than 5 years	**12,960**	-	**-**	-
Longer than 5 years	**-**	-	**-**	-
	75,022	7,968	**-**	-
Consolidated Entity's share of jointly controlled operation's commitments				
Not longer than 1 year	**41**	17,785	**-**	-
Longer than 1 year and not longer than 5 years	**-**	-	**-**	-
Longer than 5 years	**-**	-	**-**	-
	41	17,785	**-**	-

43. Remuneration of external auditor

Amounts received or due and receivable by Deloitte Touche Tohmatsu for:	**$**	$	**$**	$
Auditing the financial report	**516,260**	706,247	**5,000**	5,000
Compliance plan audit	**19,375**	19,735	**-**	-
Tax compliance and advice[(a)]	**17,500**	22,250	**-**	-
Other accounting and assurance services[(a)]	**30,000**	46,460	**-**	-
Other advisory services[(a)]	**-**	105,000	**-**	-
	583,135	899,692	**5,000**	5,000

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

44. Director compensation

(a) Details of directors

The Directors of the APA group of entities during the financial year were:

L F Bleasel AM (Independent, Non-Executive Chairman)
J A Fletcher (Independent Non-Executive Director)
R A Higgins AO (Independent Non-Executive Director)
M Muhammad (Non-Executive Director)
M Ratilal (Non-Executive Director)
R J Wright (Independent Non-Executive Director)
M J McCormack (Managing Director/Chief Executive Officer)
W S Saidi (Alternate Non-Executive Director, retired on 14 August 2009)
W Z W Ariffin (Alternate Non-Executive Director, retired on 19 August 2009)

(b) Director compensation

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

	Consolidated and Trust	
	2010	2009
	$	$
Short-term employment benefits	**2,174,099**	1,947,097
Post-employment benefits	**91,963**	250,146
Cash settled share-based payments	**574,166**	285,663
Retention award	**18,056**	216,667
	2,858,284	2,699,573

44. Director compensation (continued)

The compensation of each director of the Consolidated Entity is set out below.

	Short-term employment benefits			Post-employment	Long-term incentive plans		
	Salary/fees	Short-term incentive scheme	Non-monetary	Super-annuation	Share-based payments [a]	Other [b]	Total
	$	$	$	$	$	$	$
Non-Executive Directors							
L F Bleasel AM [c]							
2010	**254,319**	**-**	**-**	**16,981**	**-**	**-**	**271,300**
2009	236,477	-	-	54,108	-	-	290,585
J A Fletcher							
2010	**110,150**	**-**	**-**	**25,787**	**-**	**-**	**135,937**
2009	49,000	-	-	79,620	-	-	128,620
R A Higgins AO							
2010	**137,000**	**-**	**-**	**12,320**	**-**	**-**	**149,320**
2009	101,200	-	-	41,808	-	-	143,008
M Muhammad							
2010	**113,000**	**-**	**-**	**-**	**-**	**-**	**113,000**
2009	108,000	-	-	-	-	-	108,000
M Ratilal [d]							
2010	**93,000**	**-**	**-**	**-**	**-**	**-**	**93,000**
2009	89,167	-	-	-	-	-	89,167
R J Wright							
2010	**132,000**	**-**	**-**	**11,875**	**-**	**-**	**143,875**
2009	128,200	-	-	11,538	-	-	139,738
W S Saidi [e]							
2010	**-**	**-**	**-**	**-**	**-**	**-**	**-**
2009	-	-	-	-	-	-	-
W Z W Ariffin [f]							
2010	**-**	**-**	**-**	**-**	**-**	**-**	**-**
2009	-	-	-	-	-	-	-
Total remuneration: Non-Executive Directors							
2010	**839,469**	**-**	**-**	**66,963**	**-**	**-**	**906,432**
2009	712,044	-	-	187,074	-	-	899,118
Executive Directors							
M J McCormack							
2010	**796,500**	**538,130**	**-**	**25,000**	**574,166**	**18,056**	**1,951,852**
2009	711,928	523,125	13,072	50,000	285,663	216,667	1,800,455
Total remuneration: Directors							
2010	**1,635,969**	**538,130**	**-**	**91,963**	**574,166**	**18,056**	**2,858,284**
2009	1,423,972	523,125	13,072	237,074	285,663	216,667	2,699,573

(a) Cash settled share-based payments.

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

(c) The prior year balance includes a prior year remuneration adjustment of $48,727.

(d) Directors fees paid to Petronas Australia Pty Ltd.

(e) Retired on 14 August 2009.

(f) Retired on 19 August 2009.

45. Key management personnel compensation

(a) Details of key management personnel

The members of key management personnel of the APA group of entities during the financial year were:

M J McCormack (Managing Director/Chief Executive Officer)

R M Gersbach (Group Manager Commercial)

P J Fredricson (Chief Financial Officer)

S P Ohl (Group Manager Operations)

M T Knapman (Company Secretary)

R A Smith (Group Manager Human Resources and HS&E, resigned with effect from 31 August 2010)

(b) Key management personnel compensation

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

	Consolidated and Trust	
	2010	2009
	$	$
Short-term employment benefits	**4,249,881**	2,331,733
Post-employment benefits	**133,669**	810,627
Cash settled share-based payments	**1,265,317**	1,522,887
Retention award	**18,056**	216,667
Termination payments	**-**	487,237
	5,666,923	5,369,151

The executive remuneration strategy is to:

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

APA's remuneration mix is structured as a mix of base pay and 'at risk' short and long-term incentive components.

Total fixed remuneration is reviewed annually and is determined by reference to appropriate remuneration benchmarking information, taking into account an individual's responsibilities, performance, qualifications and experience.

Operating cash flow per security has been chosen by the board as the key performance measure for 'at risk' remuneration. This is directly linked to the strategic goal of increasing operating cash flows over the medium term, thereby improving returns to securityholders.

45. Key management personnel compensation (continued)

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

	Short-term employment benefits			Post-employment	Long-term incentive plans		
	Salary/fees	Short-term incentive scheme	Non-monetary	Super-annuation	Share-based payments[a]	Other payments	Total
	$	$	$	$	$	$	$
Key management personnel							
M J McCormack [b]							
2010	**796,500**	**538,130**	**-**	**25,000**	**574,166**	**18,056**	**1,951,852**
2009	711,928	523,125	13,072	50,000	285,663	216,667	1,800,455
R M Gersbach [c]							
2010	**543,617**	**260,062**	**11,922**	**14,461**	**229,323**	**-**	**1,059,385**
2009	524,333	320,000	11,922	13,745	105,857	-	975,857
P J Fredricson							
2010	**485,539**	**228,125**	**-**	**14,461**	**75,000**	**-**	**803,125**
2009	38,226	-	-	3,440	-	-	41,666
S P Ohl							
2010	**372,214**	**181,562**	**28,732**	**14,461**	**187,754**	**-**	**784,723**
2009	336,523	184,000	28,732	34,745	92,095	-	676,095
M T Knapman							
2010	**319,176**	**121,180**	**-**	**50,825**	**91,421**	**-**	**582,602**
2009	294,950	119,600	-	33,964	37,504	-	486,018
R A Smith [d]							
2010	**251,747**	**111,375**	**-**	**14,461**	**107,653**	**-**	**485,236**
2009	245,480	115,700	775	13,745	49,438	-	425,138
R F Francis [e]							
2010	**-**	**-**	**-**	**-**	**-**	**-**	**-**
2009	180,293	200,000	5,961	6,874	83,557	487,237	963,922
Total Remuneration							
2010	**2,768,793**	**1,440,434**	**40,654**	**133,669**	**1,265,317**	**18,056**	**5,666,923**
2009	2,331,733	1,462,425	60,462	156,513	654,114	703,904	5,369,151

(a) Cash settled share-based payments.

(b) Chief Executive Officer has also been included in Note 44 as the Managing Director.

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

(d) Group Manager Human Resources and HS&E, resigned with effect from 31 August 2010

(e) Chief Financial Officer, resigned on 31 December 2008. Includes termination payment of $487,237.

46. Related party transactions

(a) Equity interest in related parties

Details of the percentage of ordinary securities held in subsidiaries are disclosed in Note 39 and the details of the percentage held in jointly controlled operations are disclosed in Note 38. Details of interests in jointly controlled entities are disclosed in Note 16.

(b) Responsible Entity – Australian Pipeline Limited

The Responsible Entity is wholly owned by APT Pipelines Limited.

(c) Transactions with key management personnel

Details of directors and key management personnel compensation are disclosed in Note 44 and 45 respectively.

(i) Loans to key management personnel

No loans have been made to key management personnel.

(ii) Key management personnel equity holdings

	Fully paid securities opening balance	Securities acquired during the financial year	Securities disposed during the financial year	Fully paid securities closing balance
2010				
L F Bleasel AM	335,153	24,618	-	**359,771**
J A Fletcher	44,917	11,890	-	**56,807**
R A Higgins AO	52,021	20,933	-	**72,954**
M Muhammad	42,818	-	-	**42,818**
M Ratilal	-	-	-	**-**
R J Wright	24,263	7,002	-	**31,265**
M J McCormack	115,000	32,005	-	**147,005**
W S Saidi (retired on 14 August 2009)	-	-	-	**-**
W Z W Ariffin (retired on 19 August 2009)	-	-	-	**-**
R M Gersbach	22,232	2,337	-	**24,569**
P J Fredricson	-	3,000	-	**3,000**
S P Ohl	11,928	2,968	-	**14,896**
M T Knapman	3,000	1,484	-	**4,484**
R A Smith (resigned with effect from 31 August 2010)	16,028	4,452	-	**20,480**

46. Related party transactions (continued)

	Fully paid securities opening balance	Securities acquired during the financial year	Securities disposed during the financial year	Fully paid securities closing balance
2009				
L F Bleasel AM	311,589	23,564	-	**335,153**
J A Fletcher	35,477	9,440	-	**44,917**
R A Higgins AO	36,581	15,440	-	**52,021**
M Muhammad	26,804	16,014	-	**42,818**
M Ratilal	-	-	-	**-**
R J Wright	19,858	4,405	-	**24,263**
M J McCormack	100,005	14,995	-	**115,000**
W S Saidi (retired on 14 August 2009)	-	-	-	**-**
W Z W Ariffin (retired on 19 August 2009)	-	-	-	**-**
R M Gersbach	18,043	4,189	-	**22,232**
P J Fredricson	-	-	-	**-**
S P Ohl	10,000	1,928	-	**11,928**
M T Knapman	-	3,000	-	**3,000**
R A Smith (resigned with effect from 31 August 2010)	8,000	8,028	-	**16,028**

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

Other than directors compensation (Note 44) and key management personnel compensation (Note 45) and equity holdings (Note 46(b)(ii)), there are no other transactions with key management personnel of the Group and the Responsible Entity.

(d) Transactions with related parties within APA Group

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

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

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

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

Australian Pipeline Limited

Management fees of $2,546,000 (2009: $2,796,000) were paid to the Responsible Entity as reimbursement of costs incurred on behalf of APA. No amounts were paid directly by APA to the Directors of the Responsible Entity, except as disclosed at Note 46(e).

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

46. Related party transactions (continued)

(e) Transactions with other related parties

Transactions with associates

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

2010	Sales to related parties $	Purchases from related parties $	Amount owed by related parties $	Amount owed to related parties $
SEA Gas	**2,131,780**	**-**	**151,122**	**-**
Energy Infrastructure Investments Pty Limited	**20,447,004**	**84,919**	**6,654,819**	**-**
EII 2 Pty Limited	**296,176**	**-**	**31,198**	**-**
CAMS	**422,696**	**-**	**61,397**	**-**
Envestra Limited	**192,577,749**	**105,526**	**25,892,376**	**-**
	215,875,404	**190,445**	**32,790,912**	**-**

At the year end, APA had receivables with related parties of $4,185,343.

2009				
SEA Gas	87,250	-	3,000,000	-
Energy Infrastructure Investments Pty Limited	13,093,130	-	14,592,205	6,000
CAMS	468,167	-	84,877	551
Envestra Limited	200,810,833	-	20,314,341	-
	214,459,380	-	37,991,423	6,551

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

Transactions between the Trust and its related parties

During the financial year ended 30 June 2010, the following transactions occurred between the Trust and its other related parties:

- The Trust received dividends from its wholly-owned controlled entities (see Note 6).

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

- Net receivables of $481,974 (2009: $481,974) are owing from associates; and
- Total payables of $136,823,000 are repayable to subsidiaries (2009: $150,401,000) for deferred tax losses transferred up to the Trust, as head of the tax-consolidated group.

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

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

47. Contingencies

	Consolidated		Trust	
	2010	2009	**2010**	2009
	$000	$000	**$000**	$000
Contingent liabilities				
Bank guarantees	**28,586**	6,259	**-**	-
Contingent assets	**-**	-	**-**	-

APA issued a letter of credit to the financiers of EII2 in respect of the $19.7 million equity contribution to be made by APA to EII2. The letter of credit has been included in contingent liabilities.

48. Events occurring after reporting date

On 22 July 2010, APA issued $300 million of 10 year fixed-rate Medium Term Notes to Australian and international institutional investors. The proceeds of the issue will be used to refinance existing facilities ahead of maturity with a view to extending the average maturity of APA's debt portfolio and reducing debt costs in the longer term.

On 25 August 2010, the Directors declared a final distribution of 17.0 cents per security ($92.194 million) for the APA Group (comprising a distribution of 10.31 cents per security from APT and a distribution of 6.69 cents per security from APTIT), made up of 5.40 cents per security profit distribution (unfranked) and 11.60 cents per security capital distribution. The distribution will be paid on 15 September 2010.

DECLARATION BY THE DIRECTORS

FOR THE FINANCIAL YEAR ENDED 30 JUNE 2010

The Directors declare that:

(a) in the Directors’ opinion, there are reasonable grounds to believe that Australian Pipeline Trust will be able to pay its debts as and when they become due and payable;

(b) in the Directors’ opinion, the attached financial statements and notes thereto are in accordance with the Corporations Act 2001, including compliance with Accounting Standards and giving a true and fair view of the financial position and performance of Australian Pipeline Trust and the Consolidated Entity;

(c) in the Directors' opinion, the financial statements and notes thereto are in accordance with International Financial Reporting Standards as stated in Note 3 to the financial statements; and

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

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

On behalf of the Directors

L F Bleasel AM
Chairman

R J Wright
Director

SYDNEY, 25 August 2010

AUDITOR'S **INDEPENDENCE DECLARATION**

FOR THE FINANCIAL YEAR ENDED 30 JUNE 2010

Deloitte.

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

25 August 2010

Dear Directors

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

In accordance with section 307C of the Corporations Act 2001, I am pleased to provide the following declaration of independence to the directors of Australian Pipeline Limited as responsible entity for Australian Pipeline Trust.

As lead audit partner for the audit of the financial statements of Australian Pipeline Trust for the financial year ended 30 June 2010, I declare that to the best of my knowledge and belief, there have been no contraventions of:

(i) the auditor independence requirements of the Corporations Act 2001 in relation to the audit; and

(ii) any applicable code of professional conduct in relation to the audit.

Yours faithfully

DELOITTE TOUCHE TOHMATSU

G Couttas
Partner

Member of
Deloitte Touche Tohmatsu

Deloitte.

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

We have audited the accompanying financial report of Australian Pipeline Trust, which comprises the statement of financial position as at 30 June 2010, and the statement of comprehensive income, statement of cash flows and statement of changes in equity for the year ended on that date, a summary of significant accounting policies, other explanatory notes and the directors' declaration of the consolidated entity comprising the Trust and the entities it controlled at the year's end or from time to time during the financial year as set out on pages 35 to 107.

Directors' Responsibility for the Financial Report

The directors of Australian Pipeline Limited are responsible for the preparation and fair presentation of the financial report in accordance with Australian Accounting Standards (including the Australian Accounting Interpretations) and the *Corporations Act 2001*. This responsibility includes establishing and maintaining internal control relevant to the preparation and fair presentation of the financial report that is free from material misstatement, whether due to fraud or error; selecting and applying appropriate accounting policies; and making accounting estimates that are reasonable in the circumstances. In Note 3, the directors also state, in accordance with Accounting Standard AASB 101 Presentation of Financial Statements, that compliance with the Australian equivalents to International Financial Reporting Standards ensures that the financial report, comprising the consolidated financial statements and notes, complies with International Financial Reporting Standards.

Auditor's Responsibility

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

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

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

INDEPENDENT **AUDITOR'S REPORT**

FOR THE FINANCIAL YEAR ENDED 30 JUNE 2010

Deloitte.

Auditor's Independence Declaration

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

Auditor's Opinion on the Financial Report

In our opinion:

(a) the financial report of Australian Pipeline Trust is in accordance with the Corporations Act 2001, including:

  (i) giving a true and fair view of the Trust's and consolidated entity's financial position as at 30 June 2010 and of their performance for the year ended on that date; and
  (ii) complying with Australian Accounting Standards (including the Australian Accounting Interpretations) and the Corporations Regulations 2001; and

(b) the consolidated financial statements and notes also comply with International Financial Reporting Standards as disclosed in Note 3.

Deloitte Touche Tohmatsu

DELOITTE TOUCHE TOHMATSU

G. Couttas

G Couttas
Partner
Chartered Accountants
Sydney, 25 August 2010

APT INVESTMENT TRUST
AND ITS CONTROLLED ENTITIES

ARSN 115 585 441

DIRECTORS' **REPORT**

The directors of Australian Pipeline Limited ("Responsible Entity" or "APL") submit the annual financial report of APT Investment Trust ("APTIT") and its controlled entities (together "Consolidated Entity") for the year ended 30 June 2010. This report and the financial statements attached refer to the consolidated results of APTIT, one of the two stapled entities of APA Group, with the other stapled entity being Australian Pipeline Trust (together "APA").

DIRECTORS

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

Leonard Bleasel AM Chairman

John Fletcher

Russell Higgins AO

Muri Muhammad

George Ratilal

Robert Wright

Michael McCormack Managing Director.

George Ratilal resigned as a director, and was appointed as an alternate director for Muri Muhammad, on 26 August 2010.

Details of the directors, their qualifications, experience, special responsibilities and directorships of other listed entities are set out on pages 13 to 15.

Alternate directors who served during the year are as follows:

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

W Z W Ariffin as alternate for George Ratilal, retired on 19 August 2009.

COMPANY SECRETARY

Mark Knapman

Details of the Company Secretary, his qualifications and experience are set out on page 14.

PRINCIPAL ACTIVITIES

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

SIGNIFICANT CHANGES IN STATE OF AFFAIRS

In the opinion of the directors of the Responsible Entity, no significant changes in the state of affairs of APTIT occurred during the year.

REVIEW AND RESULTS OF OPERATIONS

APTIT reported net profit after tax of $37.8 million (2009: $34.1 million) for the year ended 30 June 2010 on total revenue of $37.8 million (2009: $34.1 million).

DISTRIBUTIONS

Distributions paid to securityholders during the financial year were:

	Final FY 2009 distribution paid 15 September 2009		Semi-annual FY 2010 distribution paid 17 March 2010	
	Cents per security	**Total distribution $000**	**Cents per security**	**Total distribution $000**
APTIT profit distribution	2.2	10,809	3.5	17,847
APTIT capital distribution	11.1	55,293	1.6	8,141
Total	**13.3**	**66,102**	**5.1**	**25,988**

On 25 August 2010, the directors declared a final distribution for APTIT for the current financial year of 6.7 cents per security payable 15 September 2010, made up of:

	Final FY 2010 distribution payable 15 September 2010	
	Cents per security	**Total distribution $000**
APTIT profit distribution	3.7	19,928
APTIT capital distribution	3.0	16,350
Total	**6.7**	**36,278**

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

As at 30 June 2010, 542,318,629 securities were on issue (2009: 498,663,596).

SUBSEQUENT EVENTS

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

FUTURE DEVELOPMENTS

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

OTHER INFORMATION

Details of directors and the Company Secretary are on pages 13 and 14. Further information on directorships, attendance at meetings, securityholdings, remuneration, options granted and indemnification of officers and external auditors are found in the APT directors' report, pages 2 to 25.

INFORMATION REQUIRED FOR REGISTERED SCHEMES

Fees paid to the Responsible Entity and its associates (including directors and secretaries of the Responsible Entity, related bodies corporate and directors and secretaries of related bodies corporate) out of APA scheme property during the year are disclosed in Note 20 to the financial statements.

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

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

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

AUDITOR'S INDEPENDENCE DECLARATION

A copy of the Auditor's independence declaration as required under section 307C of the Corporations Act 2001 is included on page 141.

ROUNDING OFF OF AMOUNTS

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

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

On behalf of the directors

L F Bleasel AM
Chairman

R J Wright
Director

SYDNEY, 25 August 2010

STATEMENT OF COMPREHENSIVE INCOME

FOR THE FINANCIAL YEAR ENDED 30 JUNE 2010

		Consolidated		Trust	
		2010	2009	**2010**	2009
	Note	**$000**	$000	**$000**	$000
Continuing operations					
Revenue	4	**37,784**	34,081	**37,784**	34,081
Expenses	4	**(10)**	(17)	**(10)**	(17)
Profit before tax		**37,774**	34,064	**37,774**	34,064
Income tax expense		**-**	-	**-**	-
Profit for the year		**37,774**	34,064	**37,774**	34,064
Other comprehensive income					
Gain/(loss) on available-for-sale investments taken to equity		**1,345**	(1,396)	**1,345**	(1,396)
Other comprehensive income for the year (net of tax)		**1,345**	(1,396)	**1,345**	(1,396)
Total comprehensive income for the year		**39,119**	32,668	**39,119**	32,668
Profit Attributable to:					
Equityholders of the parent		**37,774**	34,064	**37,774**	34,064
		37,774	34,064	**37,774**	34,064
Total comprehensive income attributable to:					
Equityholders of the parent		**39,119**	32,668	**39,119**	32,668
Earnings per security					
Basic and diluted earnings per security (cents)	12	**7.3**	7.0		

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

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

STATEMENT OF **FINANCIAL POSITION**

AS AT 30 JUNE 2010

		Consolidated		Trust	
		2010	2009	**2010**	2009
	Note	**$000**	$000	**$000**	$000
Current assets					
Receivables	6	**714**	633	**714**	633
Non-current assets					
Receivables	7	**13,001**	13,528	**13,001**	13,528
Other financial assets	8	**327,054**	353,664	**327,054**	353,664
Total non-current assets		**340,055**	367,192	**340,055**	367,192
Total assets		**340,769**	367,825	**340,769**	367,825
Current liabilities					
Trade and other payables	9	**11**	11	**11**	11
Total liabilities		**11**	11	**11**	11
Net assets		**340,758**	367,814	**340,758**	367,814
Equity					
Issued capital	10	**320,931**	358,450	**320,931**	358,450
Reserves	11	**(101)**	(1,446)	**(101)**	(1,446)
Retained earnings		**19,928**	10,810	**19,928**	10,810
Total equity		**340,758**	367,814	**340,758**	367,814

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

STATEMENT OF **CHANGES IN EQUITY**

FOR THE FINANCIAL YEAR ENDED 30 JUNE 2010

		Consolidated and Trust			
	Note	Issued capital $000	Reserves $000	Retained earnings $000	Total $000
Balance at 1 July 2008		357,556	(50)	6,980	364,486
Profit for the year		-	-	34,064	34,064
Valuation gain recognised	11	-	(1,396)	-	(1,396)
Total comprehensive income for the year		-	(1,396)	34,064	32,668
Issue of capital	10	28,151	-	-	28,151
Distributions to securityholders	5	(27,257)	-	(30,234)	(57,491)
Balance at 30 June 2009		358,450	(1,446)	10,810	367,814
Balance at 1 July 2009		**358,450**	**(1,446)**	**10,810**	**367,814**
Profit for the year		**-**	**-**	**37,774**	**37,774**
Valuation gain recognised	11	**-**	**1,345**	**-**	**1,345**
Total comprehensive income for the year		**-**	**1,345**	**37,774**	**39,119**
Issue of capital (net of issue costs)	10	**35,782**	**-**	**-**	**35,782**
Equity values adjustment between stapled entities	10	**(9,868)**	**-**	**-**	**(9,868)**
Distributions to securityholders	5	**(63,433)**	**-**	**(28,656)**	**(92,089)**
Balance at 30 June 2010		**320,931**	**(101)**	**19,928**	**340,758**

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

STATEMENT OF **CASH FLOWS**

FOR THE FINANCIAL YEAR ENDED 30 JUNE 2010

	Consolidated		Trust	
	2010	2009	**2010**	2009
	$000	$000	**$000**	$000
Cash flows from operating activities				
Trust distribution - related party	**27,613**	24,361	**-**	-
Trust distribution - subsidiary	**-**	-	**27,613**	24,361
Capital distribution received - related party	**-**	15,486	**-**	-
Capital distribution received - subsidiary	**-**	-	**-**	15,486
Capital distribution received - external	**482**	9,938	**482**	9,938
Dividends received	**107**	157	**107**	157
Interest received - related parties	**9,798**	9,064	**9,798**	9,064
Finance lease receivable repayments	**1,167**	1,167	**1,167**	1,167
Receipts from customers	**66**	92	**66**	92
Payments to suppliers	**(21)**	(16)	**(21)**	(16)
Interest paid	**-**	(292)	**-**	(292)
Net cash provided by operating activities	**39,213**	59,956	**39,213**	59,956
Cash flows from investing activities				
Payments for available-for-sale investments	**-**	(1,338)	**-**	(1,338)
Payment for financial asset	**-**	(34,415)	**-**	(34,415)
Repayment received from/(advances to) related parties	**26,962**	5,137	**26,962**	5,137
Net cash provided by/(used in) investing activities	**26,962**	(30,616)	**26,962**	(30,616)
Cash flows from financing activities				
Proceeds from issue of securities	**35,782**	28,151	**35,782**	28,151
Equity values adjustment between stapled entities	**(9,868)**	-	**(9,868)**	-
Distributions to securityholders	**(92,089)**	(57,491)	**(92,089)**	(57,491)
Net cash used in financing activities	**(66,175)**	(29,340)	**(66,175)**	(29,340)
Net increase in cash and cash equivalents	**-**	-	**-**	-
Cash and cash equivalents at beginning of financial year	**-**	-	**-**	-
Cash and cash equivalents at end of financial year	**-**	-	**-**	-

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

1. General information

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

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

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

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

2. Significant accounting policies

Statement of compliance

The financial report is a general purpose financial report which has been prepared in accordance with the Corporations Act 2001, Accounting Standards and Interpretations, and complies with other requirements of the law.
The financial report includes the separate financial statements of the Trust and the consolidated financial statements of the Consolidated Entity. Accounting Standards include Australian equivalents to International Financial Reporting Standards ("A-IFRS"). Compliance with A-IFRS ensures that the financial statements and notes of the Trust and the Consolidated Entity comply with International Financial Reporting Standards ("IFRS").
The financial statements were authorised for issue by the directors on 25 August 2010.

Basis of preparation

The financial report has been prepared on the basis of historical cost, except for the revaluation of certain non-current assets and financial instruments. Cost is based on the fair values of the consideration given in exchange for assets.
The financial report is presented in Australian dollars and all values are rounded to the nearest thousand dollars ($000) unless otherwise stated under the option available to APTIT under ASIC Class Order 98/0100. APTIT is an entity to which the class order applies.

Critical accounting judgements and key sources of estimation uncertainty

In the application of the Consolidated Entity's accounting policies, management is required to make judgements, estimates and assumptions about the carrying values of assets and liabilities that are not readily apparent from other sources.
The estimates and associated assumptions are based on historical experience and other factors that are considered to be relevant. Actual results may differ from these estimates.
The estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to accounting estimates are recognised in the period in which the estimate is revised if the revision affects only that period, or in the period of the revision and future periods if the revision affects both current and future periods. Refer to Note 3 for a discussion of critical judgements in applying the entity's accounting policies, and key sources of estimation uncertainty.

2. Significant accounting policies (continued)

Adoption of new and revised Accounting Standards

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

(i) Standards and Interpretations affecting amounts reported in the current period (and/or prior periods)

The following new and revised Standards and Interpretations have been adopted in the current period and have affected the amounts reported in these financial statements. Details of other Standards and Interpretations adopted in these financial statements but that have had no effect on the amounts reported are set out in part (ii).

Standards affecting presentation disclosure

Standard	Impact
• AASB 101 'Presentation of Financial Statements' (as revised in September 2007), AASB 2007-8 'Amendments to Australian Accounting Standards arising from AASB 101' and AASB 2007-10 'Further Amendments to Australian Accounting Standards arising from AASB 101'	AASB 101 (September 2007) has introduced terminology changes and changes in the format and content of the financial statements.
• AASB 2009-2 'Amendments to Australian Accounting Standards - Improving Disclosures about Financial Instruments'	The amendments to AASB 7 expand the disclosures required in respect of fair value measurements and liquidity risk. The Consolidated Entity has elected not to provide comparative information for these expanded disclosures in the current year in accordance with the transitional reliefs offered in these amendments.

2. Significant accounting policies (continued)

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

The following new and revised Standards have also been adopted in these financial statements. Their adoption has not had any significant impact on the amounts reported in these financial statements but may affect the accounting for future transactions and arrangements.

Standard	Impact
• AASB 3 'Business Combinations (as revised in 2008)'	AASB 3 (2008) has been applied prospectively to business combinations for which the acquisitions date is on or after 1 July 2009. The impact of the adoption has been to require that acquisition related costs be accounted for separately from the business combination generally leading to those costs being recognised as an expense in profit or loss as incurred, whereas previously they were accounted for as part of the costs of the acquisition.
• AASB 8 'Operating Segments'	The Consolidated Entity has adopted AASB 8 Operating Segments and AASB 2008-3 Amendments to Australian Accounting Standards arising from AASB 8 with effect from 1 July 2009. There is no significant change to the reportable segments following the adoption of AASB 8 as the Consolidated Entity previously reported in this manner.
• AASB 2008-7 'Amendments to Australian Accounting Standards - Cost of an Investment In a Subsidiary, Jointly Controlled Entity or Associate'	The amendments cover the measurement of the costs of investments in subsidiaries, jointly controlled entities and associates when adopting A-IFRS for the first time and the recognition of dividend income in a parent's separate financial statements.
• AASB 2008-1 'Amendments to Australian Accounting Standards - Share-based payments: Vesting Conditions and Cancellations'	The amendments clarify the definition of vesting conditions for the purposes of AASB 2, introduce the concept of 'non-vesting' conditions, and clarify the accounting treatment of cancellations.
• AASB 123 'Borrowing Costs (as revised in 2007)' and AASB 2007-6 'Amendments to Australian Accounting Standards arising from AASB 123'.	AASB 123 has eliminated the option to expense all borrowing costs when incurred. The change has had no impact on these financial statements because it has always been the Consolidated Entity's accounting policy to capitalise borrowing costs incurred on qualifying assets.
• AASB 2008-8 'Amendments to Australian Accounting Standards - Eligible Hedged Items'.	The amendments provide clarification on two aspects of hedge accounting: identifying inflation as a hedged risk or portion, and hedging with options.

2. Significant accounting policies (continued)

(iii) Standards and Interpretations issued not yet adopted

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

Standard/Interpretation	Effective for annual reporting periods beginning on or after	Expected to be initially applied in the financial year ending
• AASB 2009-5 'Further Amendments to Australian Accounting Standards arising from the Annual Improvements Project'	1 January 2010	30 June 2011
• AASB 2009-8 'Amendments to Australian Accounting Standards Group Cash-Settled Share-based Payment Transactions'	1 January 2010	30 June 2011
• AASB 2009-10 'Amendments to Australian Accounting Standards Classification of Rights Issues'	1 February 2010	30 June 2011
• AASB 124 'Related Party Disclosures' (revised December 2009) AASB 2009-12 'Amendments to Australian Accounting Standards'	1 January 2011	30 June 2012
• AASB 9 'Financial Instruments AASB 2009-11 'Amendments to Australian Accounting Standards arising from AASB 9'	1 January 2013	30 June 2014
• Interpretation 19 'Extinguishing Financial Liabilities with Equity Instruments'	1 July 2010	30 June 2011

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

(a) Basis of consolidation

The consolidated financial statements incorporate the financial statements of the Trust and entities controlled by the Trust (its subsidiaries) (referred to as the Consolidated Entity in these financial statements). Control is achieved where the Trust has the power to govern the financial and operating policies of an entity so as to obtain benefits from its activities. The results of subsidiaries acquired during the financial year are included in the statement of comprehensive income from the effective date of acquisition. Where necessary, adjustments are made to financial statements of subsidiaries to bring their accounting policies into line with those used by other members of the Consolidated Entity. All intra-group transactions, balances, income and expenses are eliminated in full on consolidation. In the separate financial statements of the Trust, the intra-group transactions ("common control transactions") are generally accounted for by reference to the existing (consolidated) book value of the items. Where the transaction value of common control transactions differs from their consolidated book value, the difference is recognised as a contribution by or distribution to equity participants by the transaction entities.

Minority interests in the net assets (excluding goodwill) of consolidated subsidiaries are identified separately from the Consolidated Entity's equity therein. Minority interests consist of the amount of those interests at the date of the original business combination and the minority's share of changes in equity since the date of the combination. Losses applicable to the minority in excess of the minority's interest in the subsidiary's equity are allocated against the interests of the Consolidated Entity except to the extent that the minority has a binding obligation and is able to make an additional investment to cover the losses.

(b) Cash and cash equivalents

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

(c) Trade and other payables

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

2. Significant accounting policies (continued)

(d) Acquisition of assets

Assets acquired are recorded at the cost of acquisition, being the purchase consideration determined as at the date of acquisition. Cost includes expenditure that is directly attributable to the acquisition or construction of the asset.

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

(e) Business combinations

Acquisitions of subsidiaries and businesses are accounted for using the acquisition method. The consideration for each acquisition is measured as the aggregate of the fair values (at the date of exchange) of assets given, liabilities incurred or assumed, and equity instruments issued by the Consolidated Entity in exchange for control of the acquiree. Acquisition costs directly attributable to the business combination are recognised in profit or loss as incurred.

Where applicable, the consideration for the acquisition includes any asset or liability resulting from a contingent consideration arrangement, measured at its acquisition-date fair value. Subsequent changes in fair values are adjusted against the cost of acquisition where they qualify as measurement period adjustments. All other subsequent changes in the fair value of contingent consideration classified as an asset or liability are accounted for in accordance with relevant standards. Changes in the fair value of contingent consideration classified as equity are not recognised.

Where a business combination is achieved in stages, the consolidated entity's previously held interests in the acquired entity are remeasured to fair value at the acquisition date and the resulting gains or losses, if any, are recognised in profit or loss. Amounts arising from interests in the acquiree prior to the acquisition date that have previously been recognised in other comprehensive income are reclassified to profit or loss, where such treatment would be appropriate if that interest were disposed of.

The acquiree's identifiable assets, liabilities and contingent liabilities that meet the conditions for recognition under AASB 3 (2008) are recognised at their fair value at the acquisition date, except that:

- deferred tax assets or liabilities and liabilities or assets related to employee benefit arrangements are recognised in accordance with AASB 112 'Income Taxes' and AASB '119 Employee Benefits' respectively;
- liabilities or equity instruments related to the replacement by the Consolidated Entity of an acquiree's share-based payment awards are measured in accordance with AASB 2 'Share-based payments'; and
- assets (or disposal groups) that are classified as held for sale in accordance with AASB 5 'Non-current Assets Held for Sale and Discontinued Operations' are measured in accordance with that standard.

If the initial accounting for a business combination is incomplete by the end of the reporting period in which the combination occurs, the Consolidated Entity reports provisional amounts for the items for which the accounting is incomplete. Those provisional amounts are adjusted for during the measurement period, or additional assets or liabilities are recognised, to reflect new information obtained about facts and circumstances that existed as of the acquisition date, that, if known, would have affected the amounts recognised as at that date.

The measurement period is the period from the date of acquisition to the date the Consolidated Entity obtains complete information about facts and circumstances that existed as of the acquisition date - and is subject to a maximum of one year.

2. Significant accounting policies (continued)

(f) Financial instruments issued by the Consolidated Entity

Debt and equity instruments

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

Transaction costs arising on the issue of equity instruments

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

Interest and distributions

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

(g) Goods and services tax

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

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

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

GST receivable or GST payable is only recognised once a tax invoice has been issued or received.
Cash flows are included in the statement of cash flows on a gross basis. The GST component of cash flows arising from investing and financing activities which is recoverable from, or payable to, the taxation authority is classified within operating cash flows.

(h) Impairment of assets

Assets are reviewed for impairment at least annually or whenever events or changes in circumstances indicate that the carrying amount may not be recoverable. An impairment loss is recognised for the amount by which the asset's carrying amount exceeds its recoverable amount. The recoverable amount is the higher of an asset's fair value less costs to sell, and value in use. For the purpose of assessing impairment, assets are grouped at the lowest levels for which there are separately identifiable cash inflows which are largely independent of the cash inflows from other assets or groups of asset: (cash-generating units). Assets other than goodwill that have previously suffered an impairment are reviewed for possible reversal of the impairment at the end of each reporting period.

(i) Income tax

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

2. Significant accounting policies (continued)

(j) Financial assets and liabilities

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

Effective interest method

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

Fair value through profit or loss

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

Available-for-sale financial assets

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

Receivables and loans

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

Impairment of financial assets

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

(k) Revenue recognition

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

Interest revenue

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

Distribution revenue

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

Dividend revenue

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

Finance lease income

Finance lease income is recognised when receivable.

2. Significant accounting policies (continued)

(l) Leased assets

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

Consolidated Entity as lessor

Amounts due from a lessee under a finance lease are recorded as receivables. Finance lease receivables are initially recognised at the amount equal to the present value of the minimum lease payments receivable plus the present value of any unguaranteed residual value expected to accrue at the end of the lease term. Finance lease receipts are allocated between interest revenue and reduction of the lease receivable over the term of the lease in order to reflect a constant periodic rate of return on the net investment outstanding in respect of the lease.

(m) Segment information

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

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

3. Critical accounting judgements and key sources of estimation uncertainty

Critical judgements in applying the entity's accounting policies

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

Accounting for acquisitions

Assets acquired are recorded at the cost of acquisition, being the purchase consideration determined as at the date of acquisition. Cost is allocated to individual identifiable assets and liabilities.

Management makes a number of judgements in allocating cost, particularly in relation to the valuation of identifiable intangible assets such as contractual arrangements, including assumptions relating to potential contract renewals and associated useful life.

Key sources of estimation uncertainty

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

Impairment of assets

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

Estimates and assumptions used are reviewed on an ongoing basis.

Determining whether available-for-sale investments are impaired requires an assessment as to whether declines in value are significant or prolonged. Management has taken into account a number of qualitative and quantitative factors in making this assessment. Any assessment of whether a decline in value represents an impairment would result in the transfer of the decrement from reserves to the Statement of Comprehensive Income.

Useful lives of non-current assets

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

4. Profit from operations

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

	Consolidated		Trust	
	2010	2009	**2010**	2009
	$000	$000	**$000**	$000
Revenue				
Distributions				
Trust distribution - related party	**27,613**	24,361	**-**	-
Trust distribution - subsidiary	**-**	-	**27,613**	24,361
Other entities	**121**	167	**121**	167
	27,734	24,528	**27,734**	24,528
Finance income				
Interest - related parties	**8,631**	9,064	**8,631**	9,064
Gain/(loss) on financial asset held at fair value through profit and loss	**687**	(292)	**687**	(292)
Finance lease income - related party	**732**	739	**732**	739
	10,050	9,511	**10,050**	9,511
Other revenue				
Other	**-**	42	**-**	42
Total revenue	**37,784**	34,081	**37,784**	34,081
Expenses				
Audit fees	**10**	11	**10**	11
Legal fees	**-**	6	**-**	6
Total expenses	**10**	17	**10**	17

5. Distributions

	Consolidated		Trust	
	2010	2009	**2010**	2009
	$000	$000	**$000**	$000
Recognised amounts:				
Final distribution paid on 15 September 2009				
(2009: 10 September 2008)				
Profit distribution [a]	**10,809**	16,014	**10,809**	16,014
Capital distribution	**55,293**	12,081	**55,293**	12,081
	66,102	28,095	**66,102**	28,095
Semi-annual distribution paid on 17 March 2010				
(2009: 27 March 2009)				
Profit distribution [a]	**17,847**	14,220	**17,847**	14,220
Capital distribution	**8,140**	15,176	**8,140**	15,176
	25,987	29,396	**25,987**	29,396
Unrecognised amounts:				
Final distribution payable on 15 September 2010 [b]				
(2009: 15 September 2009)				
Profit distribution [a]	**19,928**	10,809	**19,928**	10,809
Capital distribution	**16,350**	55,293	**16,350**	55,293
	36,278	66,102	**36,278**	66,102

(a) Profit distributions unfranked (2009: unfranked).

(b) Record date 30 June 2010.

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

6. Current receivables

Other debtors	**187**	131	**187**	131
Finance lease receivable - related party (Note 14)	**527**	502	**527**	502
	714	633	**714**	633

In determining the recoverability of a receivable, the Consolidated Entity considers any change in the credit quality of the receivable from the date the credit was initially granted up to the reporting date. The directors believe that there is no credit provision required.

None of the above receivables is past due.

7. Non-current receivables

	Consolidated		Trust	
	2010	2009	**2010**	2009
	$000	$000	**$000**	$000
Finance lease receivable - related party (Note 14)	**13,001**	13,528	**13,001**	13,528

8. Non-current other financial assets

Receivable from subsidiary	**-**	-	**65,258**	79,453
Advance to related party	**182,725**	209,677	**75,659**	88,416
Investments carried at cost:				
Investment in subsidiary	**-**	-	**149,188**	149,188
Investment in related party [(a)]	**107,380**	107,380	**-**	-
	290,105	317,057	**290,105**	317,057
Financial assets carried at fair value:				
Redeemable ordinary shares [(b)]	**33,936**	34,415	**33,936**	34,415
Available-for-sale investments carried at fair value [(c)]	**3,013**	2,192	**3,013**	2,192
	327,054	353,664	**327,054**	353,664

(a) The investment in related party reflects GasNet Australia Investments Trust's ("GAIT") investment in 100% of the B Class units in GasNet A Trust. The B Class units give GAIT rights to the income and capital of GasNet A Trust, but hold no voting rights. As such, GAIT neither controls nor has a significant influence over GasNet A Trust. GasNet Australia Trust, a related party wholly owned by APA, owns 100% of the A Class units in GasNet A Trust and, accordingly, GasNet A Trust is included in the consolidation of the APA entities.

(b) Financial assets carried at fair value relate to APA Group's 19.9% investment in Energy Infrastructure Investments Pty Ltd where APL, as Responsible Entity for APTIT, acquired the redeemable ordinary shares.

(c) Available-for-sale investments reflect a 6% unitholding in Ethane Pipeline Income Fund. Ethane Pipeline Income Fund paid capital distributions of $423,000 during the year and declared a $112,000 capital distribution as part of its June 2010 quarter distribution.

9. Trade and other payables

Other payables	**11**	11	**11**	11

10. Issued capital

	Consolidated		Trust	
	2010	2009	**2010**	2009
	$000	$000	**$000**	$000
542,318,629 securities, fully paid (2009: 498,663,596 securities, fully paid) [(a)]	**320,931**	358,450	**320,931**	358,450

	Consolidated and Trust			
	2010	**2010**	2009	2009
	No. of units		No. of units	
	000	$000	000	$000
Movements				
Balance at beginning of financial year	**498,664**	**358,450**	468,241	357,556
Issue of securities under Distribution Reinvestment Plan	**18,377**	**15,134**	18,718	19,458
Issue of securities under Security Purchase Plan	**25,278**	**20,723**	11,705	8,864
Equity values adjustment between stapled entities	**-**	**(9,868)**	-	-
Issue cost of securities	**-**	**(75)**	-	(171)
Capital distributions paid (Note 5)	**-**	**(63,433)**	-	(27,257)
Balance at end of financial year	**542,319**	**320,931**	498,664	358,450

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

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

11. Reserves

	Consolidated		Trust	
	2010	2009	**2010**	2009
	$000	$000	**$000**	$000
Available-for-sale investment revaluation reserve				
Balance at beginning of financial year	**(1,446)**	(50)	**(1,446)**	(50)
Valuation gain/(loss) recognised	**1,345**	(1,396)	**1,345**	(1,396)
Balance at end of financial year	**(101)**	(1,446)	**(101)**	(1,446)

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

12. Earnings per security

	Consolidated	
	2010	2009
Basic and diluted earnings per security (cents)	**7.3**	7.0

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

Net profit attributable to securityholders for calculating basic and diluted earnings per security ($000)	**37,774**	34,064

	No. of securities	
	2010	2009
Weighted average number of ordinary securities on issue used in the calculation (000)	**516,243**	485,077

13. Remuneration of external auditor

	Consolidated		Trust	
	2010	2009	**2010**	2009
	$	$	**$**	$
Amounts received or due and receivable by Deloitte Touche Tohmatsu for:				
Auditing the financial report	**10,125**	11,025	**10,125**	11,025

14. Leases

	Consolidated		Trust	
	2010	2009	**2010**	2009
	$000	$000	**$000**	$000
Finance leases				
Leasing arrangements - receivables				
Finance lease receivables relate to the lease of a pipeline lateral.				
There are no contingent rental payments due.				
Finance lease receivables				
Not longer than 1 year	**1,167**	1,167	**1,167**	1,167
Longer than 1 year and not longer than 5 years	**4,669**	4,669	**4,669**	4,669
Longer than 5 years	**14,007**	15,175	**14,007**	15,175
Minimum future lease payments receivable [(a)]	**19,843**	21,011	**19,843**	21,011
Gross finance lease receivables	**19,843**	21,011	**19,843**	21,011
Less: unearned finance lease receivables	**(6,315)**	(6,981)	**(6,315)**	(6,981)
Present value of lease receivables	**13,528**	14,030	**13,528**	14,030
Included in the financial statements as part of:				
Current receivables (Note 6)	**527**	502	**527**	502
Non-current receivables (Note 7)	**13,001**	13,528	**13,001**	13,528
	13,528	14,030	**13,528**	14,030

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

15. Financial instruments

(a) Financial risk management objectives

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

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

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

(b) Liquidity risk management

The Consolidated Entity has a policy dealing with liquidity risk which requires an appropriate liquidity risk management framework for the management of the Consolidated Entity's short, medium and long-term funding and liquidity management requirements. Liquidity risk is managed by maintaining adequate cash reserves and banking facilities, by monitoring and forecasting cash flow and where possible arranging liabilities with longer maturities to more closely match the underlying assets and revenue streams of the Consolidated Entity.

(c) Credit risk management

Credit risk refers to the risk that a counterparty will default on its contractual obligations resulting in financial loss to the Consolidated Entity. The Consolidated Entity has adopted the policy of only dealing with creditworthy counterparties and obtaining sufficient collateral or bank guarantees where appropriate as a means of mitigating the risk of any loss. The carrying amount of financial assets recorded in the statement of financial position, net of any allowances, represents the Consolidated Entity’s maximum exposure to credit risk in relation to those assets.

(d) Market risk management

The Consolidated Entity's activities exposure is primarily to the financial risk of changes in interest rates. There has been no change to the Consolidated Entity's exposure to market risk or the manner in which it manages and measures the risk from the previous period. The Consolidated Entity is also exposed to price risk from its investments in listed equities. The majority of the shareholdings rest with one company that is publicly traded in the major financial markets.

(e) Fair values of financial instruments

Fair value measurements recognised in the statement of financial position

The following table provides an analysis of financial instruments that are measured subsequent to initial recognition at fair value, grouped into Levels 1 to 3 based on the degree to which the fair value is observable.

- Level 1 fair value measurements are those derived from quoted prices (unadjusted) in active markets for identical assets or liabilities.
- Level 2 fair value measurements are those derived from inputs other than quoted prices included within Level 1 that are observable for the asset or liability, either directly (i.e. as prices) or indirectly (i.e. derived from prices).
- Level 3 fair value measurements are those derived from valuation techniques that include inputs for the asset or that are not based on observable market data (unobservable inputs).

15. Financial instruments (continued)

(e) Fair values of financial instruments (continued)

Parent	2010 Level 1 $000	Level 2 $000	Level 3 $000	Total $000
Financial assets measured at fair value				
Available-for-sale listed equity securities				
Ethane Pipeline Income Fund	3,013	-	-	**3,013**
Unlisted Redeemable Ordinary Shares				
Energy Infrastructure Investments Pty Limited	-	-	33,936	**33,936**
Total	**3,013**	**-**	**33,936**	**36,949**

Reconciliation of Level 3 fair value measurements of financial assets

	2010 Fair value through Profit or Loss $000	Available-for-sale $000	Total $000
Opening balance	34,415	-	**34,415**
Total gains or losses:			
- in profit or loss: Interest - related parties	3,875	-	**3,875**
- in profit or loss: Gain on financial asset held at fair value through profit and loss	687	-	**687**
Distributions	(5,042)	-	**(5,042)**
Closing balance	**33,936**	**-**	**33,936**

Significant assumptions used in determining fair value of financial assets and liabilities

Redeemable ordinary shares

The financial statements include redeemable ordinary shares ("ROS") held in an unlisted entity which are measured at fair value (Note 8). The fair market value of the ROS is derived from a binomial tree model, which includes some assumptions that are not able to be supported by observable market prices or rates. The model maps different possible valuation paths of three distinct components:

- value of the debt component;
- value of the ROS discretionary dividends; and
- value of the option to convert to ordinary shares.

In determining the fair value, the following assumptions were used:

- the risk adjusted rate for the ROS is estimated as the required rate of return based on projected cash flows to equity at issuance assuming the ROS price at issuance ($0.99) and the ordinary price at issuance ($0.01) are at their fair value
- the risk free rate of return is 5.33% per annum and is based upon an interpolation of the five and ten year Government bond rates at the valuation date; and
- the volatility of the ordinary shares (beta) is estimated from obtaining the average industry beta of peers and then imputing the volatility relative to market.

(f) Interest rate sensitivity analysis

The sensitivity analysis below has been determined based on the exposure to interest rates on loans with related parties. A 10% increase or decrease is used and represents management's assessment of the possible change in interest rates. At reporting date, if interest rates had been 10% higher or lower and all other variables were held constant, the Consolidated Entity's net profit would decrease by $466,000 or increase by $466,000 (2009: $626,000). This is mainly attributable to the Consolidated Entity's exposure to interest rates on its variable rate inter-entity balances.

16. Subsidiaries

Name of entity	Country of registration	Ownership interest 2010 %	Ownership interest 2009 %
Parent entity			
APT Investment Trust			
Controlled entity			
GasNet Australia Investments Trust	Australia	**100**	100

17. Acquisition of assets/businesses

2010 **Assets acquired**	**Principal activity**	**Date of acquisition**	**Proportion acquired %**	**Cost of acquisition $000**
Nil				

Fair value of assets acquired is equal to cost of acquisition.

2009 Assets acquired	Principal activity	Date of acquisition	Proportion acquired %	Cost of acquisition $000
Envestra limited loan notes	Financing	10 February 2009	11.5	1,781

18. Director compensation

(a) Details of directors

The Directors of the APA group of entities during the financial year were:

L F Bleasel AM (Independent, Non-Executive Chairman)
J A Fletcher (Independent Non-Executive Director)
R A Higgins AO (Independent Non-Executive Director)
M Muhammad (Non-Executive Director)
M Ratilal (Non-Executive Director)
R J Wright (Independent Non-Executive Director)
M J McCormack (Managing Director/Chief Executive Officer)
W S Saidi (Alternate Non-Executive Director, retired on 14 August 2009)
W Z W Ariffin (Alternate Non-Executive Director, retired on 19 August 2009)

(b) Director compensation

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

	Consolidated and Trust 2010 $	Consolidated and Trust 2009 $
Short-term employment benefits	**2,174,099**	1,947,097
Post-employment benefits	**91,963**	250,146
Cash settled share-based payments	**574,166**	285,663
Retention award	**18,056**	216,667
	2,858,284	2,699,573

18. Director compensation (continued)

The compensation of each director of the Consolidated Entity is set out below.

	Short-term employment benefits			Post-employment	Long-term incentive plans		
	Salary/fees $	Short-term incentive scheme $	Non-monetary $	Super-annuation $	Share-based payments [(a)] $	Other [(b)] $	Total $
Non-Executive Directors							
L F Bleasel AM [(c)]							
2010	**254,319**	**-**	**-**	**16,981**	**-**	**-**	**271,300**
2009	236,477	-	-	54,108	-	-	290,585
J A Fletcher							
2010	**110,150**	**-**	**-**	**25,787**	**-**	**-**	**135,937**
2009	49,000	-	-	79,620	-	-	128,620
R A Higgins AO							
2010	**137,000**	**-**	**-**	**12,320**	**-**	**-**	**149,320**
2009	101,200	-	-	41,808	-	-	143,008
M Muhammad							
2010	**113,000**	**-**	**-**	**-**	**-**	**-**	**113,000**
2009	108,000	-	-	-	-	-	108,000
M Ratilal [(d)]							
2010	**93,000**	**-**	**-**	**-**	**-**	**-**	**93,000**
2009	89,167	-	-	-	-	-	89,167
R J Wright							
2010	**132,000**	**-**	**-**	**11,875**	**-**	**-**	**143,875**
2009	128,200	-	-	11,538	-	-	139,738
W S Saidi [(e)]							
2010	**-**	**-**	**-**	**-**	**-**	**-**	**-**
2009	-	-	-	-	-	-	-
W Z W Ariffin [(f)]							
2010	**-**	**-**	**-**	**-**	**-**	**-**	**-**
2009	-	-	-	-	-	-	-
Total remuneration: Non-Executive Directors							
2010	**839,469**	**-**	**-**	**66,963**	**-**	**-**	**906,432**
2009	712,044	-	-	187,074	-	-	899,118
Executive Director							
M J McCormack							
2010	**796,500**	**538,130**	**-**	**25,000**	**574,166**	**18,056**	**1,951,852**
2009	711,928	523,125	13,072	50,000	285,663	216,667	1,800,455
Total remuneration: Directors							
2010	**1,635,969**	**538,130**	**-**	**91,963**	**574,166**	**18,056**	**2,858,284**
2009	1,423,972	523,125	13,072	237,074	285,663	216,667	2,699,573

(a) Cash settled share-based payments.
(b) Includes retention payment and director's retiring allowance.
(c) The prior year balance includes a prior year remuneration adjustment of $48,727.
(d) Directors fees paid to Petronas Australia Pty Ltd.
(e) Retired on 14 August 2009.
(f) Retired on 19 August 2009.

19. Key management personnel compensation

(a) Details of key management personnel

The members of key management personnel of the APA group of entities during the financial year were:

M J McCormack (Managing Director/Chief Executive Officer)

R M Gersbach (Group Manager Commercial)

P J Fredricson (Chief Financial Officer)

S P Ohl (Group Manager Operations)

M T Knapman (Company Secretary)

R A Smith (Group Manager Human Resources and HS&E, resigned with effect from 31 August 2010)

(b) Key management personnel compensation

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

	Consolidated and Trust	
	2010	2009
	$	$
Short-term employment benefits	**4,249,881**	2,331,733
Post-employment benefits	**133,669**	810,627
Cash settled share-based payments	**1,265,317**	1,522,887
Retention award	**18,056**	216,667
Termination payments	**-**	487,237
	5,666,923	5,369,151

The executive remuneration strategy is to:

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

19. Key management personnel compensation (continued)

(b) Key management personnel compensation (continued)

APA's remuneration mix is structured as a mix of base pay and 'at risk' short and long-term incentive components.

Total fixed remuneration is reviewed annually and is determined by reference to appropriate remuneration benchmarking information, taking into account an individual's responsibilities, performance, qualifications and experience.

Operating cash flow per security has been chosen by the board as the key performance measure for 'at risk' remuneration. This is directly linked to the strategic goal of increasing operating cash flows over the medium term thereby improving returns to securityholders.

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

	Short-term employment benefits			Post-employment	Long-term incentive plans		
	Salary/fees	Short-term incentive scheme	Non-monetary	Super-annuation	Share-based payments[(a)]	Other payments	Total
	$	$	$	$	$	$	$
Key management personnel							
M J McCormack [(b)]							
2010	**796,500**	**538,130**	**-**	**25,000**	**574,166**	**18,056**	**1,951,852**
2009	711,928	523,125	13,072	50,000	285,663	216,667	1,800,455
R M Gersbach [(c)]							
2010	**543,617**	**260,062**	**11,922**	**14,461**	**229,323**	**-**	**1,059,385**
2009	524,333	320,000	11,922	13,745	105,857	-	975,857
P J Fredricson							
2010	**485,539**	**228,125**	**-**	**14,461**	**75,000**	**-**	**803,125**
2009	38,226	-	-	3,440	-	-	41,666
S P Ohl							
2010	**372,214**	**181,562**	**28,732**	**14,461**	**187,754**	**-**	**784,723**
2009	336,523	184,000	28,732	34,745	92,095	-	676,095
M T Knapman							
2010	**319,176**	**121,180**	**-**	**50,825**	**91,421**	**-**	**582,602**
2009	294,950	119,600	-	33,964	37,504	-	486,018
R A Smith [(d)]							
2010	**251,747**	**111,375**	**-**	**14,461**	**107,653**	**-**	**485,236**
2009	245,480	115,700	775	13,745	49,438	-	425,138
R F Francis [(e)]							
2010	**-**	**-**	**-**	**-**	**-**	**-**	**-**
2009	180,293	200,000	5,961	6,874	83,557	487,237	963,922
Total Remuneration							
2010	**2,768,793**	**1,440,434**	**40,654**	**133,669**	**1,265,317**	**18,056**	**5,666,923**
2009	2,331,733	1,462,425	60,462	156,513	654,114	703,904	5,369,151

(a) Cash settled share-based payments.

(b) Chief Executive Officer has also been included in Note 18 as the Managing Director.

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

(d) Group Manager Human Resources and HS&E, resigned with effect from 31 August 2010

(e) Chief Financial Officer, resigned on 31 December 2008. Includes termination payment of $487,237.

20. Related party transactions

(a) Responsible Entity – Australian Pipeline Limited

The Responsible Entity is wholly owned by APT Pipelines Limited (2009: 100% owned by APT Pipelines Limited).

(b) Equity interest in related parties

Details of the percentage of ordinary securities held in subsidiaries are disclosed in Note 16.

(c) Transactions with key management personnel

Details of directors and key management personnel compensation are disclosed in Note 18 and 19 respectively.

(i) Loans to key management personnel

No loans have been made to key management personnel.

(ii) Key management personnel equity holdings in APTIT

	Fully paid securities opening balance	Securities acquired during the financial year	Securities disposed during the financial year	Fully paid securities closing balance
2010				
L F Bleasel AM	335,153	24,618	-	**359,771**
J A Fletcher	44,917	11,890	-	**56,807**
R A Higgins AO	52,021	20,933	-	**72,954**
M Muhammad	42,818	-	-	**42,818**
M Ratilal	-	-	-	**-**
R J Wright	24,263	7,002	-	**31,265**
M J McCormack	115,000	32,005	-	**147,005**
W S Saidi (retired on 14 August 2009)	-	-	-	**-**
W Z W Ariffin (retired on 19 August 2009)	-	-	-	**-**
R M Gersbach	22,232	2,337	-	**24,569**
P J Fredricson	-	3,000	-	**3,000**
S P Ohl	11,928	2,968	-	**14,896**
M T Knapman	3,000	1,484	-	**4,484**
R A Smith (resigned with effect from 31 August 2010)	16,028	4,452	-	**20,480**

2009				
L F Bleasel AM	311,589	23,564	-	335,153
J A Fletcher	35,477	9,440	-	44,917
R A Higgins AO	36,581	15,440	-	52,021
M Muhammad	26,804	16,014	-	42,818
M Ratilal	-	-	-	-
R J Wright	19,858	4,405	-	24,263
M J McCormack	100,005	14,995	-	115,000
W S Saidi (retired on 14 August 2009)	-	-	-	-
W Z W Ariffin (retired on 19 August 2009)	-	-	-	-
R M Gersbach	18,043	4,189	-	22,232
P J Fredricson	-	-	-	-
S P Ohl	10,000	1,928	-	11,928
M T Knapman	-	3,000	-	3,000
R A Smith (resigned with effect from 31 August 2010)	8,000	8,028	-	16,028

20. Related party transactions (continued)

(d) Transaction with related parties within the Consolidated Entity

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

- loans advanced and payments received on long-term inter-entity loans; and
- payments of distributions.

All transactions between the entities that comprise the Consolidated Entity have been eliminated on consolidation. Refer to Note 16 for details of the entities that comprise the Consolidated Entity.

(e) Transactions with other related parties

APTIT and its controlled entity have a number of loan receivable balances with other entities in APA. These loans have various terms; however, they can be repayable on agreement of the parties. Interest is recognised by applying the effective interest method, agreed between the parties at the end of each month and is determined by reference to market rates.

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

- current receivables totalling $526,869 are owing from a subsidiary of APT for amounts due under a finance lease arrangement (2009: $502,130); and
- non-current receivables totalling $13,001,830 are owing from a subsidiary of APT for amounts due under a finance lease arrangement (2009: $13,528,033).

Australian Pipeline Limited

Management fees of $642,332 (2009: $844,345) were paid to the Responsible Entity as reimbursement of costs incurred on behalf of APTIT. No amounts were paid directly by APTIT to the Directors of the Responsible Entity.

Australian Pipeline Trust

Management fees of $642,332 (2009: $844,345) were reimbursed by APT.

21. Contingent liabilities and contingent assets

At 30 June 2010, there are no material contingent liabilities or contingent assets (2009: $nil).

22. Subsequent events

On 25 August 2010, the Directors declared a final distribution for the 2010 financial year, of 6.7 cents per security ($36.3 million). The distribution represents a 3.7 cents per security unfranked profit distribution and 3.0 cents per security capital distribution. The distribution will be paid on 15 September 2010.

DECLARATION BY THE DIRECTORS

FOR THE FINANCIAL YEAR ENDED 30 JUNE 2010

The Directors declare that:

(a) in the Directors' opinion, there are reasonable grounds to believe that APT Investment Trust will be able to pay its debts as and when they become due and payable;

(b) in the Directors' opinion, the attached financial statements and notes thereto are in accordance with the Corporations Act 2001, including compliance with Accounting Standards and giving a true and fair view of the financial position and performance of APT Investment Trust and the Consolidated Entity;

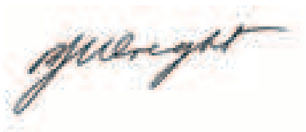
(c) in the Directors' opinion, the financial statements and notes thereto are in accordance with International Financial Reporting Standards as stated in Note 2 to the financial statements; and

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

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

On behalf of the Directors

L F Bleasel AM
Chairman



R J Wright
Director

SYDNEY, 25 August 2010

AUDITOR'S INDEPENDENCE DECLARATION

FOR THE FINANCIAL YEAR ENDED 30 JUNE 2010

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

Grosvenor Place
225 George Street
Sydney NSW 2000
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Sydney NSW 1220 Australia

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

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

25 August 2010

Dear Directors

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

In accordance with section 307C of the Corporations Act 2001, I am pleased to provide the following declaration of independence to the directors of Australian Pipeline Limited as responsible entity for APT Investment Trust.

As lead audit partner for the audit of the financial statements of APT Investment Trust for the financial year ended 30 June 2010, I declare that to the best of my knowledge and belief, there have been no contraventions of:

(i) the auditor independence requirements of the Corporations Act 2001 in relation to the audit; and

(ii) any applicable code of professional conduct in relation to the audit.

Yours faithfully

Deloitte Touche Tohmatsu

DELOITTE TOUCHE TOHMATSU

G. Couttas

G Couttas
Partner

Deloitte.

Deloitte Touche Tohmatsu
ABN 74 490 121 060

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

We have audited the accompanying financial report of APT Investment Trust, which comprises the statement of financial position as at 30 June 2010, and the statement of comprehensive income, statement of cash flows and statement of changes in equity for the year ended on that date, a summary of significant accounting policies, other explanatory notes and the directors' declaration of the consolidated entity comprising the Trust and the entities it controlled at the year's end or from time to time during the financial year as set out on pages 115 to 140.

Directors' Responsibility for the Financial Report

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

Auditor's Responsibility

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

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

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

Deloitte.

Auditor's Independence Declaration

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

Auditor's Opinion

In our opinion:

(a) the financial report of APT Investment Trust is in accordance with the Corporations Act 2001, including:

(i) giving a true and fair view of the Trust's and consolidated entity's financial position as at 30 June 2010 and of their performance for the year ended on that date; and
(ii) complying with Australian Accounting Standards (including the Australian Accounting Interpretations) and the Corporations Regulations 2001; and

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

Deloitte Touche Tohmatsu

DELOITTE TOUCHE TOHMATSU

G. Couttas

G Couttas
Partner
Chartered Accountants
Sydney, 25 August 2010

ADDITIONAL **INFORMATION**

Additional information required by the Listing Rules of Australian Securities Exchange Limited and not provided elsewhere in this report (the information is applicable as at 1 September 2010).

TWENTY LARGEST HOLDERS

	No. of Securities	%
Petronas Australia Pty Ltd	93,317,200	17.21
HSBC Custody Nominees (Australia) Limited	23,807,421	4.39
National Nominees Limited	22,392,322	4.13
J P Morgan Nominees Australia Limited	16,553,406	3.05
Citicorp Nominees Pty Limited	12,086,473	2.23
RBC Dexia Investor Services Australia Nominees Pty Limited	11,987,861	2.21
Custodial Services Limited	10,468,598	1.93
Argo Investments Limited	4,100,000	0.76
ANZ Nominees Limited	2,786,908	0.51
Queensland Investment Corporation	2,661,144	0.49
Questor Financial Services Limited	2,035,043	0.38
AMP Life Limited	1,946,663	0.36
Sandhurst Trustees Ltd	1,651,967	0.30
Citicorp Nominees Pty Limited	1,644,681	0.30
Marich Nominees No 2 Pty Ltd	1,371,550	0.25
M F Custodians Ltd	1,369,000	0.25
Cogent Nominees Pty Limited	1,313,877	0.24
RBC Dexia Investor Services Australia Nominees Pty Limited	1,300,102	0.24
UBS Wealth Management Australia Nominees Pty Ltd	1,139,754	0.21
UBS Nominees Pty Ltd	1,122,351	0.21
Total For Top 20	**215,056,321**	**39.65**

DISTRIBUTION OF HOLDERS

Ranges	No. of Holders	%	No. of Securities	%
1-1,000	30,302	40.32	11,000,517	2.03
1,001-5,000	26,425	35.16	69,020,609	12.73
5,001-10,000	10,592	14.10	76,451,535	14.10
10,001-100,000	7,691	10.23	145,679,942	26.86
100,001 and over	136	0.18	240,166,026	44.29
Total	**75,146**	**100.00**	**542,318,629**	**100.00**

2,843 holders hold less than a marketable parcel of securities (market value less than $500 or 133 securities based on a market price on 1 September 2010 of $3.77).

SUBSTANTIAL HOLDERS

By notice dated 22 August 2007, Petronas Australia Pty Limited advised that it had an interest in 72,102,351 ordinary securities.

VOTING RIGHTS

On a show of hands, each holder has one vote.

On a poll, each holder has one vote for each dollar of the value of the total interests they have in the scheme.

ON-MARKET BUY-BACK

There is no current on-market buy-back.

RESPONSIBLE ENTITY AND REGISTERED OFFICE

Australian Pipeline Limited ACN 091 344 704
HSBC Building
Level 19, 580 George Street
Sydney NSW 2000
PO Box R41, Royal Exchange NSW 1225
Telephone: +61 2 9693 0000
Facsimile: +61 2 9693 0093
www.apa.com.au

APA GROUP REGISTRY

Link Market Services Limited
Level 12, 680 George Street, Sydney NSW 2000
Locked Bag A14, Sydney South NSW 1235 Australia
Toll Free: 1800 992 312
Telephone: +61 2 8280 7132
Facsimile: +61 2 9287 0303
www.linkmarketservices.com.au

Inside back cover: Culcairn compressor station and New South Wales to Victoria interconnect

Online Annual Review and Annual Report

This document and further information about APA's financial performance, including details contained in the Annual Report, are available at **www.apa.com.au**

IN THE PIPELINE

SEPTEMBER 2010

APA Group

2010 FULL YEAR RESULT SUMMARY

TEN YEARS OF DELIVERING VALUE AND GROWTH

Dear securityholders,

On our 10 year anniversary, I am proud to report that APA has had another strong year, building on its history of solid performance. This year we continued growing the business sustainably and profitably, while strengthening our financial capability. Our record financial result validates APA's reliable and sound business model, and is the result of maintaining our focus on generating value for our investors, adhering to a clear strategy and adeptly responding to the challenges and opportunities of a dynamic energy industry.

Tenth year of record financial performance

APA reported a profit of $100 million, up 27% from last year. APA continues to be a strong and secure cash generating business, achieving this year a 15% increase in operating cash flow to $268 million and a 4% increase in earnings before interest, tax, depreciation and amortisation (EBITDA) to $460 million, despite the loss of earnings from assets sold to Energy Infrastructure Investments in the 2009 financial year.

Based on APA's performance a final distribution was declared for the year of 17.0 cents per security taking the total distribution for the year to 32 cents. This is an increase of 5.6% on last year, achieving the board's guidance of increasing distributions by at least 5% for the year.

Distributions continued to be well covered by operating cash flow, representing a payout ratio of 64.4% for the year. Since listing in 2000, APA has delivered a 5% compound annual growth rate on its distribution, and an average16% per annum total securityholder return, well ahead of the broader market and our peers.

Key achievements

Our strong result was driven primarily by the recent expansions on our pipelines. The Gas Transmission and Distribution business recorded an EBITDA increase of 6% to $409 million, mainly due to the sale of additional capacity on the Moomba Sydney Pipeline, the Carpentaria Gas Pipeline and the Goldfields Gas Pipeline. This was slightly offset by reduced gas volumes through the Victorian Transmission System due to warmer winter weather.

With the growing supply and demand for natural gas, we continued to expand our pipelines and networks. We commenced the looping, or duplication, of the Young to Wagga lateral together with expanding capacity in the northern section of the Victorian Transmission System. We continued the expansion of the Moomba Sydney Pipeline. Together these projects increase pipeline capacity in each state as well as increasing the ability to move gas between states.

In Queensland we expanded the gas distribution network into new housing areas, constructed a lateral to a large industrial customer off the Roma Brisbane Pipeline, and acquired the Berwyndale Wallumbilla Pipeline. All these expansion activities are underwritten by long term contracts or regulatory arrangements.

In line with APA's conservative approach to financial risk management and recognising the difficult credit market conditions at the time, we completed the refinancing of the $1 billion of debt due in 2010, which was refinanced 12 months ahead of the scheduled maturity.

We continue to focus on strengthening our balance sheet, and this year we obtained a Baa2 (stable) credit rating from Moody's, APA's second investment grade credit rating, following a BBB rating from Standard & Poor's last year. These strong ratings benefit us in terms of greater access to debt capital markets and reduced cost of funding.

APA's people are focused on performance, operating and managing the business with a long term perspective, while meeting the daily responsibilities of safe and reliable delivery of energy.

Our skills and expertise were used in all our capital projects and the work of cross functional teams were involved in developing innovative, enduring and cost effective solutions for our customers. We are consolidating and simplifying our processes and technology platforms to extract and deliver the benefits of our scale and corporate know-how, focused on customer service, finance systems and operational excellence.

This year we've produced our first sustainability report which is included in the Annual Review (available on our website www.apa.com.au). It outlines our achievements this year and our targets for 2011. We remain vigilant on improving our safety performance and are committed to minimising the environmental impact of our activities.

Outlook

APA is well positioned to continue growing sustainably and profitably in 2011 and into the future. We have attractive investment opportunities in front of us due to the growth in gas demand and the scale and location of our assets across the country, and we have the internal expertise and the financial capability to take advantage of these opportunities.

As we start a new decade, we remain focused on our objective to maximise the value of APA's business and hence maximise value for our securityholders.

APA's ongoing distribution policy balances the group's need to retain equity in the business to support the funding of its significant growth prospects whilst also increasing returns to securityholders by, on average, at least 5% per annum over the medium term. Barring unforeseen circumstances, APA's directors expect that this distribution increase will be maintained for the 2011 financial year.

In summary, with APA's assets, people and financial strength, I believe the best days for APA are ahead of us.

Mick McCormack
Managing Director and CEO

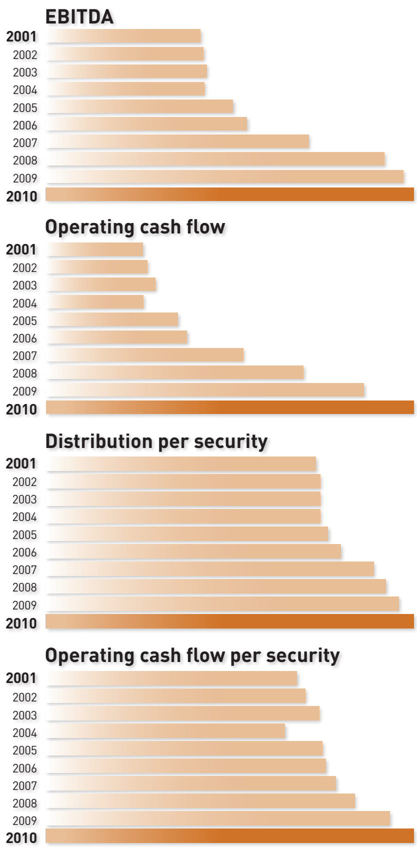
AUSTRALIAN PIPELINE LTD
ACN 091 344 704

AUSTRALIAN PIPELINE TRUST
ARSN 091 678 778

APT INVESTMENT TRUST
ARSN 115 585 441

PERFORMANCE HIGHLIGHTS

	2010 $million	2009 $million	Change %
Financial results			
Revenue	989.5	944.4	4.8
Revenue excluding pass-through	659.5	673.0	(2.0)
EBITDA	460.0	444.4	3.5
Profit	100.4	78.8	27.4
Operating cash flow	267.8	233.6	14.6
Financial position			
Total assets	4,982.4	4,747.3	5.0
Net debt	3,156.8	3,056.7	3.3
Securityholders' equity	1,395.1	1,278.5	9.1
Financial ratios			
Operating cash flow per security (cents)	51.9	48.2	7.7
Earnings per security (cents)	19.4	22.7	(14.5)
Distribution per security (cents)	32.75	31.0	5.6
Distribution payout ratio	64.4%	65.6%	
Gearing (net debt to net debt plus equity)	69.8%	70.3%	
Interest cover	2.11	2.13	



2010

$460m
up 3.5%

$268m
up 14.6%

32.75c
up 5.6%

51.9c
up 7.7%

Strategic objectives	Achievements
Enhancing our gas infrastructure portfolio	• Continued expansion of the Moomba Sydney Pipeline • Commenced expansion of the southern lateral of the Moomba Sydney Pipeline (Young to Wagga Wagga looping) • Commenced augmentation of the northern section of the Victorian Transmission System • Acquired the Berwyndale Wallumbilla Pipeline • Commenced construction of a lateral on the Roma Brisbane Pipeline • Extended the APA Gas Network, Queensland • Invested in Hastings Diversified Utilities Fund
Utilising our skills and knowledge	• Increased strategic energy investment management, with services to Energy Infrastructure Investments
Capturing revenue and operating synergies	• Contracted gas transportation and storage services across assets and state borders (New South Wales and Victoria) • Implemented major national initiatives including customer interface, finance systems, operational excellence across transmission and network operations
Leveraging our infrastructure portfolio	• Invested in North Brown Hill Wind Farm through EII2 partnership with Marubeni Corporation and Osaka Gas
Strengthening our financial capability	• Refinanced $1 billion of debt • Obtained a Baa2 credit rating from Moody's to sit alongside the BBB investment grade credit rating from Standard & Poor's • Raised new equity from securityholders through DRP and SPP

APA ANNUAL REPORT 2010 IS AVAILABLE ON OUR WEBSITE

www.apa.com.au

AN ALTERNATE WAY TO ACCESS THE ANNUAL REPORT AND HELP THE ENVIRONMENT