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

FINANCIAL REPORT
For the financial year ended
30 June 2009

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

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

DIRECTORS

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

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

CORPORATE INFORMATION

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

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

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

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

PRINCIPAL ACTIVITIES

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

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

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

REVIEW OF OPERATIONS

Financial Performance

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

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

APA GasNet Australia (Operations) Pty Limited
Directors Report
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Operating Performance

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

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

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

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

SIGNIFICANT CHANGES IN THE STATE OF AFFAIRS
There have been no significant changes in the state of affairs of the consolidated entity for this financial period.

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

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

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

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

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

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

SUBSEQUENT EVENTS

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

DIRECTORS' REMUNERATION

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

AUDITOR INDEPENDENCE DECLARATION

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

ROUNDING OFF OF AMOUNTS

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

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

Michael McCormack
Managing Director

Stephen Ohl
Director

Sydney
29 October 2009

APA GasNet Australia (Operations) Pty Limited
Income Statement
For the financial year ended 30 June 2009

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

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

APA GasNet Australia (Operations) Pty Limited
Balance Sheet
As at 30 June 2009

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

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

APA GasNet Australia (Operations) Pty Limited
Statement of Recognised Income and Expense
For the financial year ended 30 June 2009

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

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

APA GasNet Australia (Operations) Pty Limited
Cash Flow Statement
For the financial year ended 30 June 2009

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

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

1. Significant accounting policies

Statement of compliance

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

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

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

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

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

Basis of preparation

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

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

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

Critical accounting judgement and key sources of estimation uncertainty

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

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

Adoption of new and revised Accounting Standards

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

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

(a) Basis of consolidation

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

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

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

1. Significant accounting policies (continued)

(b) Financial assets

Loans and receivables

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

Trade and other payables

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

Impairment of financial assets

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

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

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

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

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

(c) Cash and cash equivalents

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

(d) Acquisition of assets

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

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

(e) Borrowings

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

(f) Borrowing costs

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

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

(g) Property, plant and equipment

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

1. Significant accounting policies (continued)

(h) Depreciation

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

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

(i) Business combinations

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

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

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

(j) Derivative financial instruments

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

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

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

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

Embedded derivatives

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

Hedge accounting

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

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

1. Significant accounting policies (continued)

(j) Derivative financial instruments (continued)

Fair value hedges

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

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

Cash flow hedges

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

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

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

(k) Employee benefits

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

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

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

Defined contribution plans

Contributions to defined contribution superannuation plans are expensed when incurred.

Defined benefit plans

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

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

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

(l) Financial instruments issued by the Consolidated Entity

Debt and equity instruments

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

1. Significant accounting policies (continued)

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

Financial guarantee contract liabilities

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

Transaction costs on the issue of equity instruments

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

Interest and distributions

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

(m) Foreign currency transactions

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

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

(n) Goods and services tax

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

- where the amount of GST incurred is not recoverable from the taxation authority, it is recognised as part of the cost of acquisition of an asset or as part of an item of expense; or

- for receivables and payables which are recognised inclusive of GST, except for accrued revenue and accrued expense at balance dates which exclude GST.

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

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

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

(o) Goodwill

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

(p) Impairment of assets

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

(q) Income tax

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

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

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

1. Significant accounting policies (continued)

(q) Income tax (continued)

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

Tax consolidation

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

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

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

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

(r) Inventories

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

(s) Provisions

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

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

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

(t) Dividends

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

(u) Revenue recognition

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

Sales revenue

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

Passthrough revenue

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

Interest revenue

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

1. Significant accounting policies (continued)

(u) Revenue recognition (continued)

Sale of non-current assets

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

Dividend revenue

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

(v) Share based payments

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

(w) Standards and Interpretations issued not yet effective

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

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

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

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

Standard/Interpretation	Effective for annual reporting periods beginning on or after	Expected to be initially applied in the financial year ending
• AASB 123 'Borrowing Costs' (revised), AASB 2007-6 'Amendments to Australian Accounting Standards arising from AASB 123'	1 January 2009	30 June 2010
• AASB 127 'Separate and Consolidated Financial Statements' (revised)	1 January 2009	30 June 2010
• AASB 2008-1 'Amendments to Australian Accounting Standard - Share-based Payments: Vesting Conditions and Cancellations'	1 January 2009	30 June 2010
• AASB 2008-2 'Amendments to Australian Accounting Standards - Puttable Financial Instruments and Obligations arising on Liquidation'	1 January 2009	30 June 2010
• AASB 2008-5 'Amendments to Australian Accounting Standards arising from the Annual Improvements Project'	1 January 2009	30 June 2010

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

1. Significant accounting policies (continued)

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

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

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

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

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

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

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

2. Critical accounting judgements and key sources of estimation uncertainty

Critical judgements in applying the entity's accounting policies

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

Key sources of estimation uncertainty

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

Impairment of assets

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

Useful lives of non-current assets

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

3. Revenue

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

4. Expenses

Profit before tax includes the following expenses:

	Consolidated 2009 $000	Consolidated 2008 $000	Parent 2009 $000	Parent 2008 $000
Depreciation expense				
Depreciation of non-current assets	18,897	16,084	18,677	15,876
Finance costs				
Interest	42,650	48,451	42,650	48,451
Amortisation of deferred borrowing costs	801	1,137	801	1,137
Other finance costs	31	50	31	50
	43,482	49,638	43,482	49,638
Less: amounts included in the cost of qualifying assets	(528)	(4,181)	(528)	(4,181)
	42,954	45,457	42,954	45,457
Loss on fair value of other derivatives	(25)	1,848	(25)	1,848
	42,929	47,305	42,929	47,305
Employee benefit expense				
Post-employment benefits:				
Defined contribution plans	586	489	586	489
Defined benefits plans	382	21	382	21
	968	510	968	510
Termination benefits	181	331	181	331
Other employee benefits	10,365	9,775	10,365	9,775
	11,514	10,616	11,514	10,616

5. Distributions

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

6. Trade and other receivables

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

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

Ageing of past due but not impaired				
30 - 60 days	291	406	-	-
60 - 90 days	-	298	-	-
90 - 120 days	442	131	-	-
Total	733	835	-	-

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

7. Other current financial assets

Derivatives - at fair value:				
Interest rate swaps - cash flow hedges	-	74	-	74

8. Inventories

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

9. Other current assets

Prepayments	830	533	830	533

10. Other non-current financial assets

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

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

11. Other non-current assets

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

12. Property, plant and equipment

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

Assets pledged as security

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

12. Property, plant and equipment (continued)

	Parent			
	Freehold land and buildings at cost $000	Plant and equipment at cost $000	Work in progress at cost $000	Total $000
Gross carrying amount				
Balance at 1 July 2007	12,245	838,573	38,133	888,951
Additions	113	107,626	77,816	185,555
Disposals	-	-	-	-
Transfers	-	-	(107,739)	(107,739)
Balance at 1 July 2008	12,358	946,199	8,210	966,767
Additions	-	-	30,692	30,692
Disposals	-	(4)	-	(4)
Transfers	153	10,491	(10,644)	-
Balance at 30 June 2009	12,511	956,686	28,258	997,455
Accumulated depreciation				
Balance at 1 July 2007	(1,043)	(111,159)	-	(112,202)
Disposals	-	-	-	-
Depreciation expense	(127)	(15,749)	-	(15,876)
Balance at 1 July 2008	(1,170)	(126,908)	-	(128,078)
Disposals	-	2	-	2
Depreciation expense	(133)	(18,544)	-	(18,677)
Balance at 30 June 2009	(1,303)	(145,450)	-	(146,753)
Net book value				
As at 30 June 2008	11,188	819,291	8,210	838,689
As at 30 June 2009	11,208	811,236	28,258	850,702

13. Trade and other payables

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

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

14. Current Borrowings

	Consolidated 2009 $000	Consolidated 2008 $000	Parent 2009 $000	Parent 2008 $000
Secured - at amortised cost				
Medium Term Notes	-	450,000	-	450,000
Less: amortised borrowing costs	-	(801)	-	(801)
	-	449,199	-	449,199

15. Provisions

	Consolidated 2009 $000	Consolidated 2008 $000	Parent 2009 $000	Parent 2008 $000
Current				
Employee benefits	3,669	3,303	3,669	3,303
Non-current				
Employee benefits(i)	5,592	864	5,592	864

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

16. Other current liabilities

	Consolidated 2009 $000	Consolidated 2008 $000	Parent 2009 $000	Parent 2008 $000
Unearned revenue	2,116	910	2,116	910

17. Other financial liabilities

	Consolidated 2009 $000	Consolidated 2008 $000	Parent 2009 $000	Parent 2008 $000
Current				
Related party payables	218,690	178,887	218,613	178,887
Non-current				
Loans carried at amortised cost:				
Loans from related entities	208,858	244,742	201,953	236,500

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

18. Issued capital

	Consolidated 2009 $000	Consolidated 2008 $000	Parent 2009 $000	Parent 2008 $000
Securities				
Fully paid securities (a)	672,537	199,249	672,537	199,249

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

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

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

19: Reserves

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

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

20. Retained earnings

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

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

21. Notes to the cash flow statement

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

(a) Reconciliation of cash and cash equivalents

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

	Consolidated 2009 $000	Consolidated 2008 $000	Parent 2009 $000	Parent 2008 $000
Cash at bank and on hand	6,833	1,277	6,833	1,277
Short term deposits	-	-	-	-
	6,833	1,277	6,833	1,277

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

	Consolidated 2009 $000	Consolidated 2008 $000	Parent 2009 $000	Parent 2008 $000
Profit for the year	29,998	14,957	29,635	15,500
Loss/(gain) from the disposal of property, plant and equipment	(180)	-	(180)	-
Dividends received	-	-	(400)	(1,390)
Capitalised interest expense	(528)	(4,181)	(528)	(4,181)
Interest Distribution to unit holders	24,361	17,801	24,364	17,801
Depreciation and amortisation expense	18,897	16,084	18,677	15,876
Finance costs	801	1,137	801	1,137
Changes in assets and liabilities:				
Trade and other receivables	11,009	(19,474)	11,009	(19,474)
Inventories	62	(40)	62	(40)
Other assets	(223)	6,068	(223)	6,068
Trade and other payables	2,032	3,267	2,001	3,298
Provisions	(4,277)	(3,505)	(4,277)	(3,505)
Other liabilities	(4,220)	(2,691)	(4,219)	(2,691)
Income tax balances	11,292	6,645	10,966	6,426
Reserves	(75)	(218)	(75)	(218)
Net cash provided by operating activities	88,949	35,850	87,612	34,607

(c) Financing facilities

	Consolidated 2009 $000	Consolidated 2008 $000	Parent 2009 $000	Parent 2008 $000
<u>Secured facilities:</u>				
<u>Medium Term Notes (i):</u>				
Amounts used	-	450,000	-	450,000
Amounts unused	-	-	-	-
	-	450,000	-	450,000

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

22. Controlled entities

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

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

23. Commitments for expenditure

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

24. Remuneration of external auditor

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

25. Contingencies

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

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

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

The Directors declare that:

(a) in the Directors' opinion, there are reasonable grounds to believe that APA GasNet Australia (Operations) Pty Ltd will be able to pay its debts as and when they become due and payable;

(b) in the Directors' opinion, the attached financial statements and notes thereto are in accordance with the Corporations Act 2001, including compliance with Accounting Standards and giving a true and fair view of the financial position and performance of the Company and the Consolidated Entity.

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

On behalf of the Directors

M J McCormack

Managing Director

S Ohl

Director

SYDNEY, 29 October 2009

Deloitte.

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

29 October 2009

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

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

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

(i) the auditor independence requirements of the Corporations Act 2001 in relation to the audit; and

(ii) any applicable code of professional conduct in relation to the audit.

Yours sincerely

Deloitte Touche Tohmatsu

DELOITTE TOUCHE TOHMATSU

Samantha Lewis
Partner
Chartered Accountants

Deloitte.

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

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

Directors' Responsibility for the Financial Report

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

Auditor's Responsibility

Our responsibility is to express an opinion on the financial report based on our audit. No opinion is expressed as to whether the accounting policies used, as described in Note 1, are appropriate to meet the needs of the members. We conducted our audit in accordance with Australian Auditing Standards. These Auditing Standards require that we comply with relevant ethical requirements relating to audit engagements and plan and perform the audit to obtain reasonable assurance whether the financial report is free from material misstatement.

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

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

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

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

Auditor's Independence Declaration

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

Auditor's Opinion

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

(a) giving a true and fair view of the company's financial position as at 30 June 2009 and of its performance for the year ended on that date in accordance with the accounting policies described in Note 1; and

(b) complying with Australian Accounting Standards to the extent described in Note 1 and the *Corporations Regulations 2001*.

Deloitte Touche Tohmatsu

DELOITTE TOUCHE TOHMATSU

Samantha Lewis
Partner
Chartered Accountants
Sydney, 29 October 2009