

**APT Investment Trust**  
**ASRN 115 585 441**

**Annual Report**  
**For the Financial Year Ended**  
**30 June 2007**

# **APT Investment Trust and its Controlled Entities**

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## **Directors' Report**

The Directors of Australian Pipeline Limited ("APL" or "Responsible Entity") submit herewith the financial report of APT Investment Trust ("APTIT" or "Trust") and its controlled entities (together "Consolidated Entity") for the year ended 30 June 2007. 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 "APA".

In order to comply with the provisions of the Corporations Act 2001, the Directors report as follows:

### **Directors**

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

Mr G H Bennett (Chairman)

Mr R M Gersbach (retired as of 30 October 2006 as an AGL appointed Non-Executive Director, appointed Non-Executive Director on 6 November 2006)

Mr R A Higgins AO

Mr M Muhammad

Mr R J Wright

Mr M Ratilal (appointed Independent Non-Executive Director on 31 July 2007)

Mr L F Bleasel AM (appointed Independent Non-Executive Director on 28 August 2007)

Ms Wan Shamilah Saidi (alternate for Mr M Muhammad)

Mr Wan Zulkiflee Wan Ariffin (alternate for Mr M Ratilal – appointed 31 July 2007)

Mr M J McCormack (Managing Director)

Ms J F McAloon (retired as of 28 August 2006).

The Directors' qualifications, experience and special responsibilities along with details of their other listed entity directorships are provided in the Corporate Governance Statement on pages 3 to 5.

### **Secretary**

Mr A J V James LLB

Mr James is responsible for the management of corporate services functions including public and securityholder relations, and administration, and has been the Company Secretary for APA Group for the last seven years. Mr James has substantial experience in corporate, legal and regulatory roles. Prior to joining APA Group, Mr James worked for AGL, where he held senior management positions including Manager Finance and Planning, Manager Taxation and Manager Development Projects. Mr James has been admitted to the Supreme Court of New South Wales as a barrister.

### **Principal activities**

APTIT operates as an investment and financing entity for the APA 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, except as noted below:

# APT Investment Trust and its Controlled Entities

## Directors' Report

### Capitalisation

APTIT was capitalised by way of a pro-rata capital distribution of \$302,000,000 from APA, post APA's rights issue transaction in December 2006. APTIT then issued securities (equalling the expanded number of securities post the rights issue) which were stapled to the existing securities in APA to form APA Group.

The issued capital of APTIT post the rights issue was \$302,000,000.

### Review and results of operations

During the financial year ended 30 June 2007, APL's offer, in its capacity as responsible entity of APTIT and APA, to acquire GasNet Australia Group ("GasNet") securities was successful. APTIT and APA achieved effective control of GasNet on 1 October 2006 with completion of the compulsory acquisition process occurring on 18 December 2006.

APTIT reported net profit after tax of \$6,427,000 (2006: nil) for the year ended 30 June 2007 on total revenue of \$6,427,000 (2006: nil). APTIT owns 100% of GasNet Australia Investments Trust which, in turn, has a loan receivable from a related party and an investment in GasNet A Trust, which it does not consolidate as it does not control that entity. APTIT also has direct loans to related parties.

### DISTRIBUTION TO SECURITYHOLDERS

On 29 August 2007, the Directors declared a final distribution for the 2007 financial year of 5.0 cents per security ("cps") (\$21,586,000). The distribution represents a 3.0 cps unfranked income distribution and a 2.0 cps capital distribution. The distribution will be paid on 28 September 2007.

As at 30 June 2007, 431,701,000 securities were on issue (2006: 278,895,434).

During the financial year, the following distributions were made to the securityholders:

Relevant period	Date paid	Distribution	
		cps	\$000
<b>Interim distribution for the current financial year</b>			
First interim distribution <sup>a</sup>	30 March 2007	3.0	12,855

<sup>a</sup> Comprised 1.5 cps profit distribution (unfranked) and 1.5 cps tax deferred distribution.

### Options Granted

No options were granted during or since the end of the financial year:

- over unissued securities in APTIT; and
- to the Responsible Entity.

No unissued securities in APTIT were under option as at the date on which this report was made.

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

### Indemnification of officers and external auditor

During the financial year, the Responsible Entity paid a premium in respect of a contract insuring the Directors of the Responsible Entity, the Responsible Entity's Secretary, Mr A J V James, and all Executive Officers of the Responsible Entity and of any related body corporate of APTIT against any liability incurred as 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.

The Responsible Entity has not otherwise, during or since the financial year, indemnified or agreed to indemnify an Officer or External Auditor of the Responsible Entity or of any related body corporate of APTIT against a liability incurred as such an Officer or Auditor.

# APT Investment Trust and its Controlled Entities

## Directors' Report

### Directors' meetings

The following table sets out the number of Directors' meetings (including meetings of Committees of the Directors) held during the financial year and the number of meetings attended by each Director (while they were a Director or a Committee member). During the financial year, 48 Board meetings, five Nominations and Remuneration Committee meetings, four Audit and Risk Management Committee meetings and 18 Due Diligence Committee meetings were held:

Directors	Regular Board Meetings		Special Board Meetings		NaRC <sup>a</sup>		ARMC <sup>b</sup>		DDC <sup>c</sup>	
	A	B	A	B	A	B	A	B	A	B
G H Bennett	10	10	38	36	5	5	-	-	-	-
R M Gersbach	10	10	38	38	3	3	4	3	18	16
R A Higgins	10	10	38	38	2	2	4	4	18	18
M Muhammad	10	10	38	31	5	5	-	-	-	-
R J Wright	10	10	38	35	-	-	4	4	18	14
Wan Shamilah Saidi	-	-	7	2	-	-	-	-	-	-
M J McCormack	10	10	38	33	-	-	-	-	-	-
J F McAloon <sup>d</sup>	2	2	6	5	-	-	-	-	-	-

<sup>a</sup> Nominations and Remuneration Committee.

<sup>b</sup> Audit and Risk Management Committee.

<sup>c</sup> Due Diligence Committee.

<sup>d</sup> Retired as of 28 August 2006.

A – number of meetings held.

B – number of meetings attended during the time the Director held office in the financial year.

### Directors' securityholdings

The following table sets out each Director's relevant interest in securities of APA Group as at the date of this report:

Directors	Fully Paid Securities as at 30 June 2006	Securities Acquired during the Financial Year	Securities Disposed of during the Financial Year	Fully Paid Securities as at 30 June 2007
G H Bennett	17,221	7,788	-	25,009
R M Gersbach	-	5,665	-	5,665
R A Higgins	6,706	11,213	-	17,919
M Muhammad	10,875	4,537	-	15,412
R J Wright	11,480	5,691	-	17,171
M Ratilal <sup>a</sup>	-	-	-	-
L F Bleasel <sup>b</sup>	n/a	-	-	154,285
Wan Shamilah Saidi <sup>c</sup>	-	-	-	-
Wan Zulkiflee Wan Ariffin <sup>d</sup>	-	-	-	-
M J McCormack <sup>e</sup>	30,441	27,072	-	57,513

<sup>a</sup> Appointed 31 July 2007.

<sup>b</sup> Appointed 28 August 2007.

<sup>c</sup> Alternate for Mr M Muhammad.

<sup>d</sup> Appointed 31 July 2007 - alternate for Mr M Ratilal.

<sup>e</sup> Managing Director.

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 interests in the scheme.

# APT Investment Trust and its Controlled Entities

## Directors' Report

### Remuneration report

This report outlines the remuneration arrangements in place for Directors of APL and Executives of APA Group.

The Board has established a Nominations and Remuneration Committee ("Committee") to consider and report on, among other things, remuneration policies and packages applicable to Board members and to senior managers of APA Group. The Committee comprises three Non-Executive Directors: Messrs G H Bennett (Chairman), R A Higgins and M Muhammad. Mr Gersbach was a member until February 2007 when he stood down. Mr Higgins was appointed at that time. The Committee meets at least twice each year.

The terms of reference of the Committee are to:

- ensure long term people needs are met through effective talent management and succession planning;
- ensure clear alignment between the needs and requirements of key stakeholder groups (ie customers, securityholders and communities) and the objectives and values of APA Group;
- reward APA Group people for high performance, and keep them committed and motivated;
- encourage teamwork and shared learning;
- foster growth of APA Group people to enable them to reach their full potential through performance management, development and training;
- ensure compliance with relevant legislation and corporate governance principles on remuneration practices and employment policies; and
- effectively overview remuneration, including incentives and retirement benefits, for people at all levels, enabling APA Group to attract and retain people who create value for securityholders.

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 can seek external professional advice on any matter within its terms of reference. Egan Associates was engaged to review Non-Executive Director and Executive compensation and benchmarking during the financial year.

### REMUNERATION OF NON-EXECUTIVE DIRECTORS (SUBJECT TO AUDIT)

Non-Executive Directors receive fees determined by the Board, acting on advice of the Committee. External professional advice is sought in determining Directors' fees to ensure they are appropriate relative to fees paid by comparable listed companies. The Board has available to it data on fees paid by a wide range of companies.

Non-Executive Director remuneration comprises a base fee, superannuation guarantee contributions, a Due Diligence Committee attendance fee and an additional fee for the Chairman of the Audit and Risk Management Committee.

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

**Mr G H Bennett (Chairman, Non-Executive);**

**Mr R M Gersbach (Non-Executive);**

**Mr R A Higgins (Non-Executive);**

**Mr M Muhammad (Non-Executive);**

**Mr R J Wright (Non-Executive);**

**Ms Wan Shamilah Saidi (Non-Executive), alternate for M Muhammad;**

**Mr M J McCormack (Managing Director, Executive); and**

**Ms J F McAloon (Non-Executive) – retired as of 28 August 2006.**

The key management personnel of APA Group during the financial year were:

**Mr R F Francis (Chief Financial Officer);**

**Mr S P Ohl (Group General Manager Operations until 30 June 2007, Chief Operating Officer from 1 July 2007);**

**Mr A J V James (Company Secretary and General Manager Corporate);**

**Ms S M Dureau (General Counsel and General Manager Regulatory); and**

**Mr P D Fox (General Manager Commercial Development).**

# APT Investment Trust and its Controlled Entities

## Directors' Report

The table below sets out the remuneration for the Directors for the financial year including the Executive Director:

	Short term employment benefits				Post- Employment	Long term incentive plans		Total
	Salary/ fees	Due Diligence Committee fees	Short term incentive scheme	Non- monetary	Super- annuation	Share based payment <sup>a</sup>	Retention award	
	\$	\$	\$	\$	\$	\$	\$	
<b>Non-Executive Directors</b>								
<b>G H Bennett</b>								
2007	163,199	4,000	-	-	12,686	-	-	179,885
2006	130,000	-	-	-	11,700	-	-	141,700
<b>R M Gersbach<sup>b</sup></b>								
2007	90,782	9,375	-	-	-	-	-	100,157
2006	77,500	-	-	-	-	-	-	77,500
<b>R A Higgins</b>								
2007	95,351	18,750	-	-	57,900	-	-	172,001
2006	72,500	2,433	-	-	6,744	-	-	81,677
<b>M Muhammad</b>								
2007	82,839	-	-	-	-	-	-	82,839
2006	70,000	-	-	-	-	-	-	70,000
<b>R J Wright</b>								
2007	99,766	14,375	-	-	28,811	-	-	142,952
2006	80,000	2,433	-	-	7,419	-	-	89,852
<b>Wan Shamilah Saidi</b>								
2007	-	-	-	-	-	-	-	-
2006	-	-	-	-	-	-	-	-
<b>J F McAloon<sup>c</sup></b>								
2007	11,667	-	-	-	-	-	-	11,667
2006	65,000	-	-	-	-	-	-	65,000
<b>Executive Director</b>								
<b>M J McCormack</b>								
2007	587,247	-	325,000	53,842	35,086	99,487	198,611	1,299,273
2006	436,031	-	216,286	27,634	19,339	48,500	-	747,790
<b>Total</b>								
2007	1,130,851	46,500	325,000	53,842	134,483	99,487	198,611	1,988,774
2006	931,031	4,866	216,286	27,634	45,202	48,500	-	1,273,519

<sup>a</sup> Cash settled security-based payments.

<sup>b</sup> In addition to Directors fees, Mr R M Gersbach received \$183,000 for consulting services (2006: \$nil).

<sup>c</sup> Retired as of 28 August 2006.

Fee increases of the Directors are approved by the shareholders of APL. The last increase in fees to Non-Executive Directors was made in July 2006 and approved at a general meeting held in September 2006. Non-Executive Directors' fees are benchmarked in June each year against fees paid by similar companies in the S&P/ASX 200 index to ensure relativities are maintained and best practices adhered to.

Non-Executive Directors do not receive incentive payments of any type.

Two of the Directors, Messrs G H Bennett and R J Wright, had as a condition of their service with APL, an entitlement to a deferred benefit payable at retirement from the Board. After three years service, a Director was entitled to the equivalent of the emoluments received over the most recent 12 months. After ten years service, the entitlement rose to the equivalent of emoluments received during the most recent three years. No additional entitlement accrued after ten years. For periods between three and ten years, the entitlement was calculated on a pro-rata basis. In 2003, the Board terminated the retirement benefit program. The benefits that had already accrued under the program are now payable on retirement of the Directors who participated in the retirement benefit program.

No options or securities have been issued to Directors as a consequence of their position as Directors.

# APT Investment Trust and its Controlled Entities

## Directors' Report

### REMUNERATION OF OTHER KEY MANAGEMENT PERSONNEL (SUBJECT TO AUDIT)

The following table discloses the remuneration of other key management personnel of the APA Group for the financial year:

	Short term employment benefits			Post-employment	Share based payment <sup>f</sup>	Total
	Salary/fees	Short term incentive scheme	Non-monetary	Super-annuation		
	\$	\$	\$	\$		
<b>R F Francis<sup>a</sup></b>						
2007	308,863	124,800	7,744	12,686	37,173	491,266
2006	262,543	102,000	1,450	11,128	20,000	397,121
<b>S P Ohi<sup>b</sup></b>						
2007	249,640	115,200	27,327	33,686	32,436	458,289
2006	196,433	86,000	7,234	53,139	16,667	359,473
<b>A J V James<sup>c</sup></b>						
2007	242,246	105,600	2,995	29,759	31,884	412,484
2006	227,643	90,000	1,450	29,212	17,333	365,638
<b>S M Dureau<sup>d</sup></b>						
2007	215,863	101,900	1,450	42,686	29,042	390,941
2006	216,411	79,000	1,450	12,139	15,333	324,333
<b>P D Fox<sup>e</sup></b>						
2007	210,863	92,000	1,450	12,686	24,124	341,123
2006	189,713	65,000	1,450	12,139	12,067	280,369
<b>Total</b>						
2007	1,227,475	539,500	40,966	131,503	154,659	2,094,103
2006	1,092,743	422,000	13,034	117,757	81,400	1,726,934

<sup>a</sup> Chief Financial Officer.

<sup>b</sup> Group General Manager Operations until 30 June 2007, Chief Operating Officer from 1 July 2007.

<sup>c</sup> Company Secretary and General Manager Corporate.

<sup>d</sup> General Counsel and General Manager Regulatory.

<sup>e</sup> General Manager Commercial Development.

<sup>f</sup> Cash settled security-based payments.

APA Group operates in a highly competitive national environment, and the Board has adopted policies and processes which:

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

All executive key management personnel of APA Group receive a combination of fixed and variable (at risk) remuneration. Fixed remuneration is made up of base salary and other incidental benefits. Total fixed remuneration ('TFR') is determined by reference to appropriate benchmark information, taking into account an individual's responsibilities, performance, qualifications and experience.

The Board believes that well designed and managed short term and long term incentive plans are important elements of employee remuneration, providing tangible incentives for employees to strive to improve APA Group's performance to the benefit of securityholders. The aggregate of short term and long term incentives is subject to a maximum limit.

The proportions vary at different levels within APA Group, reflecting the capacity of the staff to influence the overall outcome of APA Group's operations and returns to securityholders. The variable component is based on the financial performance of APA Group and a series of personal key performance indicators.

Details of the short term and long term incentive plans are set out below.

# APT Investment Trust and its Controlled Entities

## Directors' Report

### SHORT TERM INCENTIVE ("STI") PLAN (SUBJECT TO AUDIT)

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

For the Managing Director, the maximum STI is 50% of TFR. For other senior executives, the maximum STI is 40% of TFR.

At the beginning of each financial year, the Committee considers the appropriate financial and non-financial performance targets to be met for the senior executives. Following an external review, the Board has adopted new financial goals, which more closely reflect APA Group's strategic goals – the foundation of which is increasing securityholder distributions annually, by at least the CPI. Economic Profit (a cash-based measure) has been identified as the most appropriate measure of APA Group management's financial performance.

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

STIs are paid from a bonus pool which is funded from excess profits over and above the Budgeted Economic Profit for the financial year. Executives participating in the STI will not receive the maximum incentive available against the financial targets unless the Budgeted Economic Profit for the financial year is exceeded.

STI awards are paid to the participants in cash.

### LONG TERM INCENTIVE ("LTI") PLAN (SUBJECT TO AUDIT)

In the 2006 financial year, the Board introduced a LTI plan to better align the long term interests of employees with those of securityholders. On the basis that APA Group met its financial targets for the financial year, an allocation under the LTI has been provided for in the financial statements of APA Group. Details of the LTI (share based payment) awarded to key management personnel are set out on page 87.

Because of the complexities of issuing equity to employees of a managed investment fund (including differences in income tax treatment) and the additional costs of setting up an equity-based scheme against the relatively modest numbers of employees, the LTI does not offer actual equity to participants. However, recent tax changes now extend the opportunity to provide equity-based schemes to employees. APA Group has engaged an external consultant to consider whether an equity plan is an appropriate mechanism to remunerate employees. This work is expected to be completed by late 2007.

Under the current LTI, participants are advised what the maximum LTI opportunity (expressed as a percentage of TFR) will be for the coming financial year. The actual individual LTI award will be determined at the completion of the financial year as an outcome of the financial results as measured against the Budgeted Economic Profit. Where the Budgeted Economic Profit has been exceeded, an LTI pool will be funded and distributed to participants in the form of an LTI allocation. The Economic Profit result will determine the pool size and in turn the LTI allocations to participants up to the maximum individual LTI opportunity.

At the completion of the financial year, the LTI allocation to participants will be in the form of a "phantom" or notional allocation of LTI securities which will be equivalent to the LTI award converted at the market value of APA Group securities at the date of allocation ie the value of an LTI security will mirror the value of an APA Group security. The incentive which will be delivered in cash once vested, will be determined by the movement in the security price of APA Group over the period of the incentive, aligning employee reward with the interests of securityholders.

Access to the LTI award in respect of the year ended 30 June 2006 is restricted for a total period of two years, vesting 50% at the first anniversary and 50% at the second anniversary of the date of allocation. Subsequent allocations under the LTI plan ie from 2007 onwards, will be restricted for a total period of three years, vesting 1/3<sup>rd</sup> at the first anniversary, 1/3<sup>rd</sup> at the second anniversary and 1/3<sup>rd</sup> at the third anniversary of the date of allocation. The LTI allocations, being subject to and arising from a pre-allocation performance hurdle, are not subject to a further performance test at the vesting dates, though participants must remain employed by the APA Group to access the vested benefit. Participants will receive a cash payment for vested LTI securities equal to the market value of the equivalent number of APA Group securities at the vesting date.

As the LTI is a cash plan and does not allocate APA Group securities to participants, they will not be entitled to vote or participate in distributions. APA Group will make a cash provision for the obligations of the LTI plan.

No options or other equity instruments are issued to APA Group employees or Directors.

# APT Investment Trust and its Controlled Entities

## Directors' Report

### CONTRACTUAL TERMS OF KEY MANAGEMENT PERSONNEL (SUBJECT TO AUDIT)

The termination provisions in relation to key management personnel are set out below:

Name and title	Employing company	Commencement date	Term	Termination provisions/benefits
M J McCormack -- Managing Director	APT Management Services Pty Limited ("Company")	Commenced 1 March 2000  Promoted to Chief Executive Officer on 1 July 2005 and Managing Director effective 1 July 2006	No defined term	<p>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.</p> <p>On termination without cause, the Company will pay 52 weeks TFR, any bonus earned but not paid and any accrued leave entitlement. The Company will also pay any TFR due and owing at the date of termination.</p> <p>Following, a review of his entitlements, the Board approved in August 2006, a retention award of \$650,000 if Mr McCormack continues to be employed in a full time capacity by the Company or another member of the APA group of entities at 1 August 2009.</p> <p>If Mr McCormack's employment ceases (other than for termination with cause or following certain long term illness) prior to 1 August 2009, the Company will use its best endeavours (and procure that the APA group of entities uses their best endeavours) in seeking approval of securityholders to ensure the retention award is paid to Mr McCormack in full (or to the greatest degree possible).</p>
R F Francis -- Chief Financial Officer	APT Management Services Pty Limited	Commenced 1 August 2005.	No defined term	<p>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 but untaken leave entitlements.</p> <p>On termination without cause, the Company will pay 26 weeks TFR, any bonus earned but not paid and any accrued but untaken leave entitlement. The Company will also pay any TFR due and owing at the date of termination.</p> <p>If Mr Francis 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>
S P Ohl -- Group General Manager Operations until 30 June 2007, Chief Operating Officer from 1 July 2007	APT Management Services Pty Limited	Commenced 2 May 2005.	No defined term	<p>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 but untaken leave entitlements.</p> <p>On termination without cause, the Company will pay 26 weeks TFR, any bonus earned but not paid and any accrued but untaken leave entitlement. The Company will also pay any TFR due and owing at the date of termination.</p> <p>If Mr Ohl gives notice to terminate his employment, the Company may (after</p>

# APT Investment Trust and its Controlled Entities

## Directors' Report

				consulting with the Board) at its discretion agree to make a termination payment of an amount up to 26 weeks TFR.
A J V James – Company Secretary and General Manager Corporate	APT Management Services Pty Limited	Commenced 1 March 2000.	No defined term	<p>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 but untaken leave entitlements.</p> <p>On termination without cause, the Company will pay 52 weeks TFR, any bonus earned but not paid and any accrued but untaken leave entitlement. The Company will also pay any TFR due and owing at the date of termination.</p> <p>If Mr James 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 52 weeks TFR.</p>
S M Dureau – General Counsel and General Manager Regulatory	APT Management Services Pty Limited	Commenced 1 August 2004.	No defined term	<p>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 but untaken leave entitlements.</p> <p>On termination without cause, the Company will pay 26 weeks TFR, any bonus earned but not paid and any accrued but untaken leave entitlement. The Company will also pay any TFR due and owing at the date of termination.</p> <p>If Ms Dureau 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.</p>
P D Fox - General Manager Commercial Development	APT Management Services Pty Limited	Commenced 31 January 2003.	No defined term	<p>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 but untaken leave entitlements.</p> <p>On termination without cause, the Company will pay 26 weeks TFR, any bonus earned but not paid and any accrued but untaken leave entitlement. The Company will also pay any TFR due and owing at the date of termination.</p> <p>If Mr Fox 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>

### 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 Group property during the financial year are disclosed in Note 14 to the financial statements.

The Responsible Entity does not hold any securities in APA Group. The number of securities in APA Group issued during the financial year and the number of securities in APA Group at the end of the financial year are disclosed in Note 9 to the financial statements.

# APT Investment Trust and its Controlled Entities

## Directors' Report

The value of the Consolidated Entity's assets as at the end of the financial year is disclosed in the balance sheet in total assets, and the basis of valuation is included in Note 1 to the financial statements.

### Auditor independence and non-audit services

APL may decide to employ the Auditor, Deloitte Touche Tohmatsu, on assignments additional to its statutory audit duties where the Auditor's expertise and experience with the Consolidated Entity are relevant.

The Board has considered the non-audit services provided during the financial year by the Auditor and in accordance with written advice provided by resolution of the Audit and Risk Management Committee, is satisfied that the provision of those non-audit services during the financial year by the Auditor is compatible with, and did not compromise, the Auditor independence requirements of the Corporations Act 2001 for the following reasons:

- all non-audit services were subject to the corporate governance procedures adopted by APA Group and have been reviewed by the Audit and Risk Management Committee to ensure they do not impact the integrity and objectivity of the Auditor; and
- the non-audit services provided do not undermine the general principles relating to Auditor independence as set out in Accounting Professional and Ethical Standard 110 "Code of Ethics for Professional Accountants", as they did not involve reviewing or auditing the Auditor's own work, acting in a management or decision making capacity for APA Group, acting as an advocate for APA Group or jointly sharing risks and rewards.

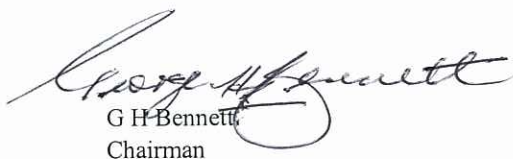
A copy of the Auditor's independence declaration as required under section 307C of the Corporations Act 2001 is included on page 107.

### Rounding

APTIT is an entity of the kind referred to in Australian Securities and Investments Commission ("ASIC") Class Order 98/0100, dated 10 July 1998, and in accordance with that Class Order amounts in this 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



G H Bennett  
Chairman



R J Wright  
Director

SYDNEY, 29 August 2007

## APT Investment Trust Income Statement

For the financial year ended 30 June 2007

	Note	Consolidated		Trust	
		2007 \$000	2006 \$000	2007 \$000	2006 \$000
<b>Continuing operations</b>					
Revenue	4	6,427	-	6,427	-
Expenses		-	-	-	-
Profit before tax		6,427	-	6,427	-
Income tax expense		-	-	-	-
Profit for the year		6,427	-	6,427	-
<b>Attributable to:</b>					
Equity holders of the parent		6,427	-	6,427	-
Minority interest		-	-	-	-
		6,427	-	6,427	-
<b>Earnings per security</b>					
Basic and diluted earnings per security (cents)	10	1.8	-	-	-

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

**APT Investment Trust****Balance Sheet**

As at 30 June 2007

		Consolidated		Trust	
	Note	2007	2006	2007	2006
		\$000	\$000	\$000	\$000
<b>Non-current assets</b>					
Receivables	6	159,609	3	117,801	3
Other financial assets	7	138,646	-	180,454	-
<b>Total non-current assets</b>		<b>298,255</b>	<b>3</b>	<b>298,255</b>	<b>3</b>
<b>Total assets</b>		<b>298,255</b>	<b>3</b>	<b>298,255</b>	<b>3</b>
<b>Current liabilities</b>					
Trade and other payables	8	4	-	4	-
<b>Total liabilities</b>		<b>4</b>	<b>-</b>	<b>4</b>	<b>-</b>
<b>Net assets</b>		<b>298,251</b>	<b>3</b>	<b>298,251</b>	<b>3</b>
<b>Equity</b>					
Issued capital	9	298,251	3	298,251	3
Retained earnings		-	-	-	-
<b>Total equity</b>		<b>298,251</b>	<b>3</b>	<b>298,251</b>	<b>3</b>

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

**APT Investment Trust**  
**Statement of Changes in Equity**  
For the financial year ended 30 June 2007

	Note	Consolidated and Trust		Total \$000
		Issued Capital equity \$000	Retained earnings \$000	
Balance at 1 July 2006		3	-	3
Profit for the year		-	6,427	6,427
Cancelled securities	9	(3)	-	(3)
Issue of capital	9	304,679	-	304,679
Distribution	5	(6,428)	(6,427)	(12,855)
Balance at 30 June 2007		<u>298,251</u>	<u>-</u>	<u>298,251</u>

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

**APT Investment Trust**  
**Cash Flow Statement**

For the financial year ended 30 June 2007

	Consolidated		Trust	
	2007	2006	2007	2006
	\$000	\$000	\$000	\$000
<b>Cash flows from operating activities</b>				
Trust distribution - related party	6,427	-	-	-
Trust distribution - controlled entity	-	-	6,427	-
<b>Net cash provided by operating activities</b>	<b>6,427</b>	<b>-</b>	<b>6,427</b>	<b>-</b>
<b>Cash flows from investing activities</b>				
Capital distribution received - related party	6,428	-	-	-
Capital distribution received - controlled entity	-	-	6,428	-
Acquisition of controlled entity, net of cash acquired (Note 13)	(186,882)	-	(186,882)	-
Advances to related parties	(117,797)	-	(117,797)	-
<b>Net cash used in investing activities</b>	<b>(298,251)</b>	<b>-</b>	<b>(298,251)</b>	<b>-</b>
<b>Cash flows from financing activities</b>				
Proceeds from issue of securities	302,000	-	302,000	-
Distributions to securityholders, net of Distribution Reinvestment Plan	(10,176)	-	(10,176)	-
<b>Net cash provided by financing activities</b>	<b>291,824</b>	<b>-</b>	<b>291,824</b>	<b>-</b>
<b>Net increase/(decrease) in cash and cash equivalents</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>
Cash and cash equivalents at beginning of financial year	-	-	-	-
<b>Cash and cash equivalents at end of financial year</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>

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

# APT Investment Trust

## Notes to the Financial Statements

For the financial year ended 30 June 2007

### 1. SIGNIFICANT ACCOUNTING POLICIES

#### Statement of compliance

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

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

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

The financial statements were authorised for issue by the Directors on 29 August 2007.

#### 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 APT Investment Trust (APTIT) under ASIC Class Order 98/100. APTIT 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) Basis of consolidation

The consolidated financial statements incorporate the financial statements of the Trust and entities (including special purpose entities) controlled by the Trust (its 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 year are included in the consolidated income statement from the effective date of acquisition.

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

All intra-group transactions, balances, income and expenses are eliminated in full on consolidation. In the separate financial statements of the Trust, the intra-group transactions ('common control transactions') are generally accounted for by reference to the existing (consolidated) book value of the items. Where the transaction value of common control transactions differ 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) 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.

#### (c) Cash and cash equivalents

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

Bank overdrafts are shown within borrowings in current liabilities in the balance sheet.

#### (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.

# APT Investment Trust

## Notes to the Financial Statements

For the financial year ended 30 June 2007

### 1. SIGNIFICANT ACCOUNTING POLICIES (continued)

#### (e) Business combinations

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

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

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

#### (f) Financial instruments issued by the company

##### Debt and equity instruments

Debt and equity instruments are classified as either liabilities or equity in accordance with the substance of the contractual arrangement.

##### 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.

#### (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 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 as operating cash flows.

#### (h) 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.

#### (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 taxable income (including any assessable realised capital gains) is fully distributed to the stapled securityholders each year.

**APT Investment Trust**  
**Notes to the Financial Statements**  
For the financial year ended 30 June 2007

**1. SIGNIFICANT ACCOUNTING POLICIES (continued)**

**(j) 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 the profit or loss.

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

Holdings in unlisted shares are measured at fair value. Fair value is estimated using a discounted cash flow model which includes some assumptions that are not supportable by observable market prices or rates.

**(k) Distributions**

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

**(l) Trade and other 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 receivable'. Loans and receivables are measured at amortised cost using the effective interest method less impairment. Interest is recognised by applying the effective interest rate method, agreed between the parties at the end of each quarter and can be any percentage from 0% upwards.

**(m) 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 rate method, agreed between the parties at the end of each quarter and can be any percentage from 0% upwards.

Distribution revenue

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

**2. ADOPTION OF NEW AND REVISED ACCOUNTING STANDARDS**

In the current year, the Consolidated Entity has adopted all the new and revised Standards and Interpretations issued by the Australian Accounting Standard Board ("AASB") that are relevant to its operations and effective for the current annual reporting period. The adoption of these new and revised Standards and Interpretations did not result in a change to amounts reported in the current or prior years.

Initial application of the following Standards will not affect any of the amounts recognised in the financial report, but will change the disclosure presently made in relation to the consolidated entity's financial report:

**APT Investment Trust**  
**Notes to the Financial Statements**  
For the financial year ended 30 June 2007

**2. ADOPTIONS OF NEW AND REVISED ACCOUNTING STANDARDS (continued)**

- AASB 7 'Financial Instruments: Disclosures' and consequential amendments to other accounting standards resulting from its issue.	Effective for annual periods beginning on or after 1 January 2007. Expected to be initially applied in the financial year ending 30 June 2008.
- AASB 101 'Presentation of Financial Statements' - revised standard	Effective for annual periods beginning on or after 1 January 2007. Expected to be initially applied in the financial year ending 30 June 2008.
- AASB 2007-7 'Amendments to Australian Accounting Standards'	Effective for annual periods beginning on or after 1 July 2007. Expected to be initially applied in the financial year ending 30 June 2008.

Initial application of the following Standards and Interpretations is not expected to have any material impact to the financial report of the consolidated entity and the company:-

- AASB Interpretation 10 'Interim Financial Reporting and Impairment'	Effective for annual periods beginning on or after 1 November 2006. Expected to be initially applied in the financial year ending 30 June 2008.
- AASB 2007-2 'Amendments to Australian Accounting Standards arising from AASB interpretation 12'	Effective for annual periods beginning on or after 1 January 2008. Expected to be initially applied in the financial year ending 30 June 2009.
- AASB 2007-4 'Amendments to Australian Accounting Standards arising from ED 151 and Other Amendments'	Effective for annual periods beginning on or after 1 July 2007. Expected to be initially applied in the financial year ending 30 June 2008.

**3. CRITICAL ACCOUNTING JUDGEMENTS AND KEY SOURCES OF ESTIMATION UNCERTAINTY**

In the application of the Consolidated Entity's accounting policies, which are described in Note 1, management is required to make judgments, estimates and assumptions about the carrying value of assets and liabilities that are not readily apparent from other sources. The estimates and associated assumptions are based on historical experience and various other factors that are believed to be reasonable under the circumstances, the results of which form the basis of making judgments. 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.

**APT Investment Trust**  
**Notes to the Financial Statements (continued)**

For the financial year ended 30 June 2007

	Consolidated		Trust	
	2007	2006	2007	2006
	\$000	\$000	\$000	\$000

**4. REVENUE**

An analysis of revenue for the year, from both continuing and discontinued operations, is as follows:

**Continuing operations**

**Revenue**

Trust distribution - related party	6,427	-	-	-
Trust distribution - controlled entity	-	-	6,427	-
<b>Total revenue</b>	<b>6,427</b>	<b>-</b>	<b>6,427</b>	<b>-</b>

**5. DISTRIBUTIONS**

**Recognised amounts**

**Distribution paid on 30 March 2007**

(2006: nil)

Profit distribution (a)	6,427	-	6,427	-
Capital distribution	6,428	-	6,428	-
	<b>12,855</b>	<b>-</b>	<b>12,855</b>	<b>-</b>

**Unrecognised amounts**

Final distribution payable on 28 September 2007

Profit distribution (a)	12,951	-	12,951	-
Capital distribution	8,635	-	8,635	-
	<b>21,586</b>	<b>-</b>	<b>21,586</b>	<b>-</b>

(a) Profit distributions unfranked (2006: nil).

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. NON-CURRENT RECEIVABLES**

Receivable from related party	41,808	-	-	-
Advance to related party	117,801	3	117,801	3
	<b>159,609</b>	<b>3</b>	<b>117,801</b>	<b>3</b>

**7. OTHER NON-CURRENT FINANCIAL ASSETS**

Investment in controlled entity - at cost	-	-	180,454	-
Investment in related party	138,646	-	-	-
	<b>138,646</b>	<b>-</b>	<b>180,454</b>	<b>-</b>

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 group of entities.

**8. TRADE AND OTHER PAYABLES**

Other payables	4	-	4	-
	<b>4</b>	<b>-</b>	<b>4</b>	<b>-</b>

**APT Investment Trust**  
**Notes to the Financial Statements (continued)**  
For the financial year ended 30 June 2007

Consolidated		Trust	
2007	2006	2007	2006
\$000	\$000	\$000	\$000

**9. ISSUED CAPITAL**

Securities, fully paid

298,251	3	298,251	3
---------	---	---------	---

**Consolidated and Trust**

2007		2006	
No. of units		No. of units	
000	\$000	000	\$000

**Movements:**

Balance at beginning of financial year	278,895	3	-	-
Cancellation of nominee securities	(278,895)	(3)	-	-
Movement during the year (i)	-	-	278,895	3
Issue of securities (ii)	428,514	302,000	-	-
Issue of securities under Distribution Reinvestment Plan	3,187	2,679	-	-
Capital distributions paid (Note 5)	-	(6,428)	-	-
<b>Balance at end of financial year</b>	<b>431,701</b>	<b>298,251</b>	<b>278,895</b>	<b>3</b>

(i) On 12 August 2005, APTIT was established and became a registered managed investment scheme with securities on issue held by a Nominee on behalf of securityholders. Immediately following the issue of securities to securityholders for the purpose of Stapling, these Nominee securities were cancelled.

(ii) During December 2006, the APA was restructured. As part of this restructure, the APA made a return of capital of \$302,000,000 to its securityholders, who then simultaneously used this cash to subscribe for the securities issued by APTIT.

**10. EARNINGS PER SECURITY**

Consolidated	
2007	2006

Basic and diluted earnings per security (cents)	1.8	-
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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)	6,427	-
--	-------	---

No. of securities	
000	000

Weighted average number of ordinary securities on issue used in the calculation of basic and diluted earnings per security	359,675	278,895
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**APT Investment Trust**  
**Notes to the Financial Statements (continued)**

For the financial year ended 30 June 2007

**11. FINANCIAL INSTRUMENTS**

**(a) Financial risk management objectives**

The Group's Corporate Treasury function provide services to the business, co-ordinate access to domestic and international financial markets, and monitors and manages the financial risks relating to the operations of APA Group as a whole. These risks include market risk (including currency risk and interest rate risk), credit risk, liquidity risk and cash flow interest rate risk.

The APA Group seeks to minimise the effects of these risks, by using derivative instruments to hedge these risk exposures. The use of financial derivatives is governed by the APA Group's policy approved by the Board of Directors, which provides written principles on foreign exchange risk, interest rate risk, credit risk, the use of financial derivatives and non-derivative financial instruments, and the investment of excess liquidity. APTIT does not have any derivative financial instruments.

**(b) Interest rate risk management**

Maturity profile of financial instruments

The following table details the Consolidated Entity's and Trust's exposure to interest rate risk:

30 June 2007	Average Interest Rate % pa	Variable Interest Rate \$000	Consolidated Fixed Interest Rate Maturity			Non-Interest Bearing \$000	Total \$000
			Less than 1 year \$000	1-5 years \$000	More than 5 years \$000		
<b>Financial Assets</b>							
Receivables	0.00	159,609	-	-	-	-	159,609
Investments	0.00	138,646	-	-	-	-	138,646
		298,255	-	-	-	-	298,255
<b>Financial Liabilities</b>							
Trade and other payables		-	-	-	-	4	4
<b>30 June 2006</b>							
<b>Financial Assets</b>							
Receivables	0.00	3	-	-	-	-	3
<b>Financial Liabilities</b>							
Trade and other payables		-	-	-	-	-	-
<b>Trust</b>							
30 June 2007	Average Interest Rate % pa	Variable Interest Rate \$000	Trust Fixed Interest Rate Maturity			Non-Interest Bearing \$000	Total \$000
			Less than 1 year \$000	1-5 years \$000	More than 5 years \$000		
<b>Financial Assets</b>							
Receivables	0.00	117,801	-	-	-	-	117,801
Investments	0.00	180,454	-	-	-	-	180,454
		298,255	-	-	-	-	298,255
<b>Financial Liabilities</b>							
Trade and other payables		-	-	-	-	4	4
<b>30 June 2006</b>							
<b>Financial Assets</b>							
Receivables	0.00	3	-	-	-	-	3
		3	-	-	-	-	3
<b>Financial Liabilities</b>							
Trade and other payables		-	-	-	-	-	-

Loans subject to interest to be agreed upon between the parties from 0% upwards. During the current period, the agreed interest rate was 0%. The loans are repayable on demand.

**APT Investment Trust**  
**Notes to the Financial Statements (continued)**  
For the financial year ended 30 June 2007

**12. CONTROLLED ENTITIES**

Name of entity	Country of registration / incorporation	Ownership interest	
		2007 (%)	2006 (%)
<u>Parent Entity</u>			
APT Investment Trust			
<u>Controlled Entities</u>			
GasNet Australia Investments Trust	Australia	100	-
APT Bonaparte Pty Limited	Australia	100	100

**13. ACQUISITION OF BUSINESS**

2007

Name of business acquired:	Principal Activity	Date of acquisition	Proportion of securities acquired %	Cost of Acquisition \$000
GasNet Australia Investments Trust	Financing	1 October 2006	100	186,882

The net assets acquired in the business combination, and the goodwill arising, are as follows:

	Acquiree's carrying amount before business combination \$000	Fair value adjustments \$000	Fair value \$000
Net assets acquired:			
Receivables	41,808	-	41,808
Other financial assets - investment in related party	156,676	(11,602)	145,074
	<u>198,484</u>	<u>(11,602)</u>	<u>186,882</u>
Goodwill arising on acquisition			-
Total consideration, satisfied by cash			<u>186,882</u>

The initial accounting for the acquisition of GasNet Australia Investments Trust has only been provisionally determined at reporting date.

2006 - nil

**APT Investment Trust**  
**Notes to the Financial Statements (continued)**

For the financial year ended 30 June 2007

**14. KEY MANAGEMENT PERSONNEL AND RELATED PARTIES DISCLOSURES**

The entity has applied the relief available under ASIC Class Order CO 06/50, which exempts listed entities from providing remuneration disclosures in their annual financial report as required by paragraphs Aus25.4 to Aus25.7.2 of AASB 124 'Related Party Disclosures'. These remuneration disclosures are provided in the Remuneration Report section in the Directors' Report designated as audited.

**(a) Details of key management personnel**

The Directors and other members of key management personnel of the APA group of entities during the year were:

- Mr G H Bennett (Chairman)
- Mr R M Gersbach (Non-Executive Director)
- Mr R A Higgins (Independent Non-Executive Director)
- Mr M Muhammad (Independent Non-Executive Director)
- Mr R J Wright (Independent Non-Executive Director)
- Ms Wan Shamilah Saidi (Alternate Non-Executive Director)
- Mr M J McCormack (Managing Director)
- Ms J F McAloon (Non-Executive Director), retired as of 28 August 2006
- Mr R F Francis (Chief Financial Officer)
- Mr S P Ohi (Group General Manager Operations until 30 June 2007, Chief Operating Officer from 1 July 2007)
- Mr A J V James (Company Secretary/General Manager Corporate)
- Ms S M Dureau (General Counsel/General Manager Regulatory)
- Mr P D Fox (General Manager Commercial Development).

**(b) Responsible Entity – Australian Pipeline Limited**

The Responsible Entity is 99.9% owned by APT Pipelines Limited and 0.1% by unrelated parties.

**(c) Equity interest in related parties**

Details of the percentage of ordinary securities held in controlled entities are disclosed in Note 12.

**(d) Transactions with key management personnel**

**(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 as at 30 June 2006	Securities acquired during the financial year (i)	Securities disposed of during the financial year	Fully paid securities as at 30 June 2007
<b>2007</b>				
Mr G H Bennett	-	25,009	-	25,009
Mr R M Gersbach	-	5,665	-	5,665
Mr R A Higgins	-	17,919	-	17,919
Mr M Muhammad	-	15,412	-	15,412
Mr R J Wright	-	17,171	-	17,171
Mr M Ratilal (appointed 31 July 2007)	-	-	-	-
Mr L F Bleasel (appointed 28 August 2007)	-	154,285	-	154,285
Ms Wan Shamilah Saidi	-	-	-	-
Mr Wan Zulkiflee (appointed 31 July 2007)	-	-	-	-
Mr M J McCormack	-	57,513	-	57,513
Ms J F McAloon	-	-	-	-
Mr R F Francis	-	2,885	-	2,885
Mr S P Ohi	-	4,000	-	4,000
Mr A J V James	-	5,654	-	5,654
Ms S M Dureau	-	6,671	-	6,671
Mr P D Fox	-	7,154	-	7,154

(i) During December 2006, APA was restructured. As part of this restructure, APA made a return of capital of \$302,000,000 to its securityholders, who then simultaneously used this cash to subscribe for the securities issued by APTIT.

**APT Investment Trust**  
**Notes to the Financial Statements (continued)**  
For the financial year ended 30 June 2007

**14. KEY MANAGEMENT PERSONNEL AND RELATED PARTIES DISCLOSURES (continued)**

	Consolidated and Trust	
	2007	2006
<b>(e) Key management personnel compensation</b>	<b>\$</b>	<b>\$</b>
Short term employment benefits	3,364,134	2,444,181
Post employment benefits	265,986	150,820
Cash settled share based benefits	254,145	117,833
Retention Award	198,611	-
	<u>4,082,876</u>	<u>2,712,834</u>

The compensation of each member of the key management personnel of the Consolidated Entity is set out in the Remuneration Report section in the Directors' Report designated as audited.

**(f) Transaction with related parties within the Consolidated Entity**

Transactions between the entities that comprise the APTIT Group during the financial year ended 30 June 2007 consisted of:

- (i) Loans advanced and payments received on long term inter-entity loans;
- (ii) Payment of distributions;
- (iii) Payment of capital distributions (returns of capital); and
- (iv) Equity issues.

All transactions between the entities that comprise APTIT Group have been eliminated on consolidation. Refer to Note 12 for details of the entities that comprise APTIT Group.

**(g) Transactions with other related parties**

APTIT and its controlled entities have a number of loan receivable balances with other entities in the APA group. These loans have various terms however can be repayable on agreement of the parties. The interest payable on the loans is agreed between the parties at the end of each quarter and can be any percentage agreed from 0% upwards. During the period 0% interest was charged.

**Australian Pipeline Limited**

Management fees of \$141,377 (2006: nil) 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.

**15. CONTINGENT LIABILITIES AND CONTINGENT ASSETS**

At 30 June 2007, there are no material contingent liabilities or contingent assets (2006: nil).

**16. SUBSEQUENT EVENTS**

On 29 August 2007, the Directors declared a final distribution for the 2007 financial year, of 5.0 cents per security (\$21,586,000). The distribution represents a 3.0 cps unfranked income distribution and a 2.0 cps capital distribution. The distribution will be paid on 28 September 2007.

**APT Investment Trust**  
**Declaration by the Directors of Australian Pipeline Limited**  
For the financial year ended 30 June 2007

The financial statements and notes thereto of APT Investment Trust ("APTIT") as well as the Consolidated Entity for the financial year ended 30 June 2007 have been prepared by Australian Pipeline Limited ("Responsible Entity") in accordance with the Corporations Act 2001.

The Directors declare that:

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

(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 APTIT and the Consolidated Entity.

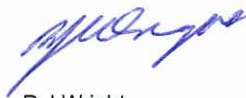
The Directors have been given the declarations by the Managing Director and Chief Financial Officer required by section 295A of the Corporations Act 2001.

Signed in accordance with a resolution of the Directors of the Responsible Entity made pursuant to section 295A of the Corporations Act 2001.

On behalf of the Directors



G F Bennett  
Chairman



R J Wright  
Director

SYDNEY, 29 August 2007

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

Dear Directors

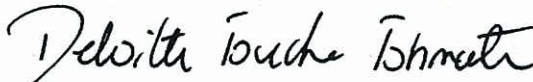
### **Independence Declaration**

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 lead audit partner for the audit of the financial statements of APT Investment Trust for the financial year ended 30 June 2007, I declare that to the best of my knowledge and belief, there have been no contraventions of:

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

Yours sincerely



DELOITTE TOUCHE TOHMATSU



Samantha Lewis  
Partner  
Sydney, 29 August 2007

## **Independent Auditor's Report to the Unitholders of APT Investment Trust**

We have audited the accompanying financial report of APT Investment Trust, which comprises the balance sheet as at 30 June 2007, and the income statement, cash flow statement and statement of recognised income and expense for the year ended on that date, a summary of significant accounting policies, other explanatory notes and the directors' declaration of the consolidated entity comprising the Trust and the entities it controlled at the year's end or from time to time during the financial year as set out on pages 92 to 106.

We have also audited the compensation disclosures contained in the directors' report. As permitted by the Corporations Regulations 2001, the Trust has disclosed information about the compensation of key management personnel ("compensation disclosures") as required by paragraphs Aus 25.4 to Aus 25.7.2 of Accounting Standard AASB 124 Related Party Disclosures ("AASB 124"), under the heading "remuneration report" on pages 85 to 90 of the directors' report, and not in the financial report.

### *Directors' Responsibility for the Financial Report and the AASB 124 Compensation Disclosures Contained in the Directors' 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. The directors are also responsible for the compensation disclosures contained in the directors' report. In Note 1, 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 and compensation disclosures contained in the directors' 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 and the compensation disclosures comply with AASB 124.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial report and the compensation disclosures contained in the directors' report. The procedures selected depend on the auditor's judgement, including the assessment of the risks of

# Deloitte.

material misstatement of the financial report and the compensation disclosures contained in the directors' 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 and the compensation disclosures contained in the directors' 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 and the compensation disclosures contained in the directors' report.

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

## *Auditor's Independence Declaration*

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

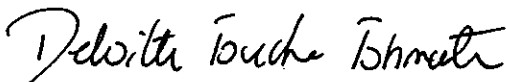
## *Auditor's Opinion on the Financial Report*

In our opinion:

- (a) the financial report of 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 2007 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 1.

## *Auditor's Opinion on the AASB 124 Compensation Disclosures Contained in the Directors' Report*

In our opinion, the compensation disclosures that are contained on pages 85 to 90 under the heading "remuneration report" of the directors' report and identified as being subject to audit, complies with paragraphs Aus 25.4 to Aus 25.7.2 of Accounting Standard AASB 124 Related Party Disclosures.



DELOITTE TOUCHE TOHMATSU



Samantha Lewis  
Partner  
Chartered Accountants  
Sydney, 29 August 2007