



INVEST IN AUSTRALIA'S LARGEST NATURAL GAS INFRASTRUCTURE BUSINESS

Issuer APT Pipelines Limited (ABN 89 009 666 700)

Arranger Macquarie Capital (Australia) Limited (ABN 79 123 199 548)

New Zealand Lead Managers

Macquarie Capital (New Zealand) Limited (Company number 1952567)

Forsyth Barr Limited (Company number 150925)

First NZ Capital Securities Limited (Company number 646979)

APA GROUP SUBORDINATED NOTES

Prospectus for an offer of Notes at \$100 each to raise \$350 million with the ability to raise more or less.

Joint Lead Managers Macquarie Capital (Australia) Limited (ABN 79 123 199 548)

Credit Suisse (Australia) Limited (ACN 007 016 300)

RBS Morgans Limited (ACN 010 669 726)

RBS Equity Capital Markets (Australia) Limited (ACN 000 757 111)

Morgan Stanley Australia Securities Limited (ACN 078 652 276)

Evans and Partners Pty Limited (ACN 125 338 785)

APA Group



IMPORTANT NOTICES

THIS PROSPECTUS

This Prospectus is dated and was lodged with the Australian Securities and Investments Commission (“ASIC”) and with the New Zealand Registrar of Financial Service Providers (“NZRFSP”) on 9 August 2012. This Prospectus expires on the date which is 13 months after 9 August 2012 (“Expiry Date”) and no APA Group Subordinated Notes (“Notes”) will be issued on the basis of this Prospectus after the Expiry Date.

Neither ASIC, ASX nor NZRFSP takes any responsibility for the contents of this Prospectus or the merits of the investment to which this Prospectus relates.

This Prospectus is available to Australian and New Zealand investors and Eligible Securityholders in electronic form at www.apanotesoffer.com.au. The Offer constituted by this Prospectus in electronic form is available only to persons accessing and downloading or printing the electronic copy of the Prospectus within Australia or New Zealand or Eligible Securityholders and is not available to persons in any other jurisdictions (including the United States) without the prior approval of APA Group and the Joint Lead Managers. Persons in Australia and New Zealand and Eligible Securityholders having received a copy of this Prospectus in its electronic form may, before the Closing Date of the Offer, obtain a paper copy of this Prospectus (free of charge) by telephoning the APA Notes Offer Information Line on 1800 992 312 (within Australia) or +61 2 8280 7132 (outside Australia) (Monday to Friday – 8:30am to 5:30pm, Sydney time). Applications for Notes may only be made on an Application Form that is attached to or accompanying the Replacement Prospectus following the opening of the Offer. A printable version of this Prospectus may be downloaded in its entirety from www.apanotesoffer.com.au. If you access an electronic copy of this Prospectus, then you should read “Electronic access to this Prospectus” in Section 6.1 for further information.

OFFER AND ISSUER

The Offer contained in this Prospectus is an initial public offering by invitation of APT Pipelines Limited of \$350 million Notes at \$100 per Note with the ability to raise more or less. Refer to Section 1 for further information.

RESTRICTIONS ON DISTRIBUTION

This Prospectus does not constitute an offer of Notes or invitation in any place in which, or to any person to whom, it would not be lawful to make such an offer or invitation. Refer to Section 6.3.2 for further information.

IMPORTANT INFORMATION FOR NEW ZEALAND INVESTORS

This Offer to New Zealand investors is a regulated offer made under Australian and New Zealand law. In Australia, this is Chapter 8 of the Corporations Act 2001 and Regulations. In New Zealand, this is Part 5 of the Securities Act 1978 and the Securities (Mutual Recognition of Securities Offerings-Australia) Regulations 2008.

This Offer and the content of the offer document are principally governed by Australian rather than New Zealand law. In the main, the Corporations Act 2001 and Regulations (Australia) set out how the Offer must be made.

There are differences in how securities are regulated under Australian law. For example, the disclosure of fees for collective investment schemes is different under the Australian regime.

The rights, remedies, and compensation arrangements available to New Zealand investors in Australian securities may differ from the rights, remedies, and compensation arrangements for New Zealand securities.

Both the Australian and New Zealand securities regulators have enforcement responsibilities in relation to this Offer. If you need to make a complaint about this Offer, please contact the Financial Markets Authority, Wellington, New Zealand. The Australian and New Zealand regulators will work together to settle your complaint.

The taxation treatment of Australian securities is not the same as for New Zealand securities.

If you are uncertain about whether this investment is appropriate for you, you should seek the advice of an appropriately qualified financial adviser.

The Offer may involve a currency exchange risk. The currency for the securities is not New Zealand dollars. The value of the securities will go up or down according to changes in the exchange rate between that currency and New Zealand dollars. These changes may be significant.

If you expect the securities to pay any amounts in a currency that is not New Zealand dollars, you may incur significant fees in having the funds credited to a bank account in New Zealand in New Zealand dollars.

If the securities are able to be traded on a securities market and you wish to trade the securities through that market, you will have to make arrangements for a participant in that market to sell the securities on your behalf. If the securities market does not operate in New Zealand, the way in which the market operates, the regulation of participants in that market, and the information available to you about the securities and trading may differ from securities markets that operate in New Zealand.

EXPOSURE PERIOD

The Corporations Act prohibits APTPL from processing applications to subscribe for Notes under this Prospectus in the seven day period after the date of lodgement of this Prospectus (“Exposure Period”). This period may be extended by ASIC by up to a further seven days. This period is to enable this Prospectus to be examined by market participants prior to the raising of funds. The examination may result in the identification of certain deficiencies in this Prospectus in which case any application may need to be dealt with in accordance with section 724 of the Corporations Act. Applications received during the Exposure Period will not be processed until after the expiry of that period. No preference will be conferred on applications received during the Exposure Period.

FINANCIAL INFORMATION AND FORWARD LOOKING STATEMENTS

Section 4 sets out in detail the financial information referred to in this Prospectus. The basis of preparation of that information is set out in Section 4. All financial amounts contained in this Prospectus are expressed in Australian dollars and rounded to the nearest million unless otherwise stated. Any discrepancies between totals and sums of components in tables contained in this Prospectus are due to rounding.

This Prospectus contains forward looking statements which are identified by words such as “may”, “could”, “believes”, “estimates”, “expects”, “intends” and other similar words that involve risks and uncertainties.

Any forward looking statements are subject to various risk factors that could cause APA Group’s actual results to differ materially from the results expressed or anticipated in these statements. Forward looking statements should be read in conjunction with risk factors as set out in Section 5, and other information in this Prospectus.

DEFINED TERMS

Certain terms and abbreviations used in this Prospectus have defined meanings which are explained in the Glossary in Appendix B of this Prospectus (page 120) and in clause 17.2 of the Terms in Appendix A (page 104). If there is any inconsistency in definitions between the Prospectus and the Terms, the definitions in the Terms prevail.

TIME

Unless otherwise stated or implied, references to times in this Prospectus are to Sydney time.

DISCLAIMER

No person is authorised to give any information or to make any representation in connection with the Offer described in this Prospectus which is not contained in this Prospectus. You should rely only on information in this Prospectus.

Except as required by law, and only to the extent so required, neither APA Group nor any other person warrants or guarantees the future performance of APA Group (including APT Pipelines Limited), or any return on any investment made pursuant to this Prospectus.

ABOUT THE TRUSTEE

The Trustee has not authorised or caused the issue of this Prospectus. Neither the Trustee nor any of its related bodies corporate makes any representations as to the truth or accuracy of the contents of this Prospectus other than the parts which refer directly to the Trustee. The Trustee does not make any representation regarding or accepting any responsibility for any statements or omissions in or from any other parts of this Prospectus. Other than the parts of this Prospectus which refer directly to the Trustee, the Trustee has relied upon the APA Group (including APT Pipelines Limited) for the accuracy

of the contents of this Prospectus. Neither the Trustee nor any of its related bodies corporate makes any representations as to the performance of the Notes, the payment of interest and the redemption of the Notes.

Neither the Trustee nor any of its related bodies corporate warrants the future performance of APT Pipelines Limited, APT or APTIT or any return on any Notes or other investment made under this Prospectus. The Notes are not liabilities of the Trustee or any of its related bodies corporate.

WEBSITE

APA Group maintains a website at www.apa.com.au. Information contained in or otherwise accessible through this or a related website is not a part of this Prospectus.

FURTHER QUERIES

If you are considering applying for Notes under the Offer, this document is important and should be read in its entirety.

If you have any questions in relation to the Offer, please call the APA Notes Offer Information Line on 1800 992 312 (within Australia) or +61 2 8280 7132 (outside Australia) (Monday to Friday – 8:30am to 5:30pm, Sydney time) or go to www.apanotesoffer.com.au.

ASIC has published a guide for retail investors who are considering investing in corporate bonds called “Investing in corporate bonds?” (the “**ASIC Guide**”). A free copy of the ASIC Guide can be obtained from ASIC’s website at www.moneysmart.gov.au/media/132057/investing-in-corporate-bonds.pdf or by calling ASIC on 1300 300 630. The ASIC Guide describes, in general terms, potential features of corporate bonds. Investors should carefully assess the specific terms of Notes as described in this Prospectus, which may differ from the general terms described in the ASIC Guide.

The information in this Prospectus is not financial product advice and does not take into account your investment objectives, financial situation or particular needs as an investor. You should carefully consider these factors in light of your personal circumstances (including financial and taxation issues). Refer to Section 5 for further information.

If you do not understand any part of this Prospectus, or are in any doubt as to whether to invest in Notes or not, it is recommended that you seek professional guidance from your stockbroker, solicitor, accountant or other independent and qualified professional adviser before deciding whether to invest.

KEY DATES

KEY DATES FOR THE OFFER

| | |
|--|--|
| Lodgement of Prospectus with ASIC | 9 August 2012 |
| Bookbuild to determine the Margin | 16 August 2012 |
| Announcement of Margin and lodgement of Replacement Prospectus with ASIC | 17 August 2012 |
| Opening Date for the Offer | 17 August 2012 |
| Closing Date for the APA Securityholder Offer and General Offer | 5pm Sydney time on 10 September 2012 |
| Closing Date for the Broker Firm Offer | 10am Sydney time on 17 September 2012 |
| Issue Date | 18 September 2012 |
| Notes begin trading on ASX (on a deferred settlement basis) | 19 September 2012 |
| Holding Statements despatched by | 21 September 2012 |
| Notes begin trading on ASX (on a normal settlement basis) | 24 September 2012 |

KEY DATES FOR NOTES

| | |
|-----------------------------|--------------------------|
| First Interest Payment Date | 31 December 2012 |
| First Call Date | 31 March 2018 |
| Step-Up Date | 31 March 2038 |
| Maturity Date | 30 September 2072 |

DATES MAY CHANGE

The key dates for the Offer are indicative only and may change without notice. The key dates for the Notes assume the key dates for the Offer are not changed.

APA Group and the Joint Lead Managers may agree to vary the timetable, including extending any Closing Date, closing the Offer early without notice or accepting late applications, whether generally or in particular cases, or withdrawing the Offer at any time before Notes are issued.

You are encouraged to apply as soon as possible after the Opening Date.

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CHAIRMAN'S LETTER



Len Bleasel AM
Chairman, APA Group

9 August 2012

Dear Investor,

On behalf of the directors of APA Group, I am pleased to offer you the opportunity to invest in APA Group Subordinated Notes (“Notes”).

The Notes to be issued by APT Pipelines Limited, a member of APA Group, are long-dated, unsecured, subordinated and cumulative, and are intended to be listed on ASX. Holders of the Notes will receive floating rate cumulative interest payments paid quarterly in arrears unless deferred. The interest rate is equal to the sum of the Bank Bill Rate plus a fixed margin.

The Notes will mature after 60 years on the Maturity Date, although APA Group may redeem the Notes from 31 March 2018 (or earlier in certain circumstances) but is under no obligation to do so.

APA Group intends to raise \$350 million through the offer of Notes with the ability to raise more or less. The proceeds of the Offer will be used to support APA’s ongoing investment in the growth of its infrastructure assets, including the acquisition of Hastings Diversified Utilities Fund if it proceeds, as well as for general corporate purposes.

The issue price is \$100 per Note, and applications must be for a minimum of 50 Notes, that is \$5,000. The Offer is open from 17 August 2012 and will remain open for a limited time. If you wish to apply for the Notes you are encouraged to submit your application soon after the Offer opens. Further details on the timing of the Offer are set out in the Prospectus.

APA Securityholder Applicants will be given a priority allocation over General Applicants. APA Group will endeavour to satisfy all APA Securityholder Applications.

This Prospectus contains information about APA Group and the Offer. You should read the Prospectus carefully before deciding whether to invest in Notes. In particular, you should consider the risk factors set out in Section 5 (summarised in Sections 1.5 and 1.6) before deciding whether to apply for Notes.

If after reading the Prospectus you have any questions about the Offer or how to apply for Notes, please call the APA Notes Offer Information Line on 1800 992 312 (within Australia) or +61 2 8280 7132 (outside Australia) (Monday to Friday – 8:30am to 5:30pm, Sydney time) or contact your stockbroker, solicitor, accountant or other independent and qualified professional adviser.

On behalf of the directors, I invite you to consider this investment opportunity.

Yours faithfully,

A handwritten signature in black ink, appearing to read 'L. Bleasel', written in a cursive style.

Len Bleasel AM
Chairman, APA Group

APA Group Subordinated Notes Prospectus for an **Offer** of Notes at \$100 each to raise **\$350 million with the ability to raise more or less.**

Issuer

APT Pipelines Limited
(ABN 89 009 666 700)

Arranger

Macquarie Capital (Australia) Limited
(ABN 79 123 199 548)

Joint Lead Managers

Macquarie Capital (Australia) Limited
(ABN 79 123 199 548)

Credit Suisse (Australia) Limited
(ACN 007 016 300)

RBS Morgans Limited
(ACN 010 669 726)

RBS Equity Capital Markets (Australia) Limited
(ACN 000 757 111)

Morgan Stanley Australia Securities Limited
(ACN 078 652 276)

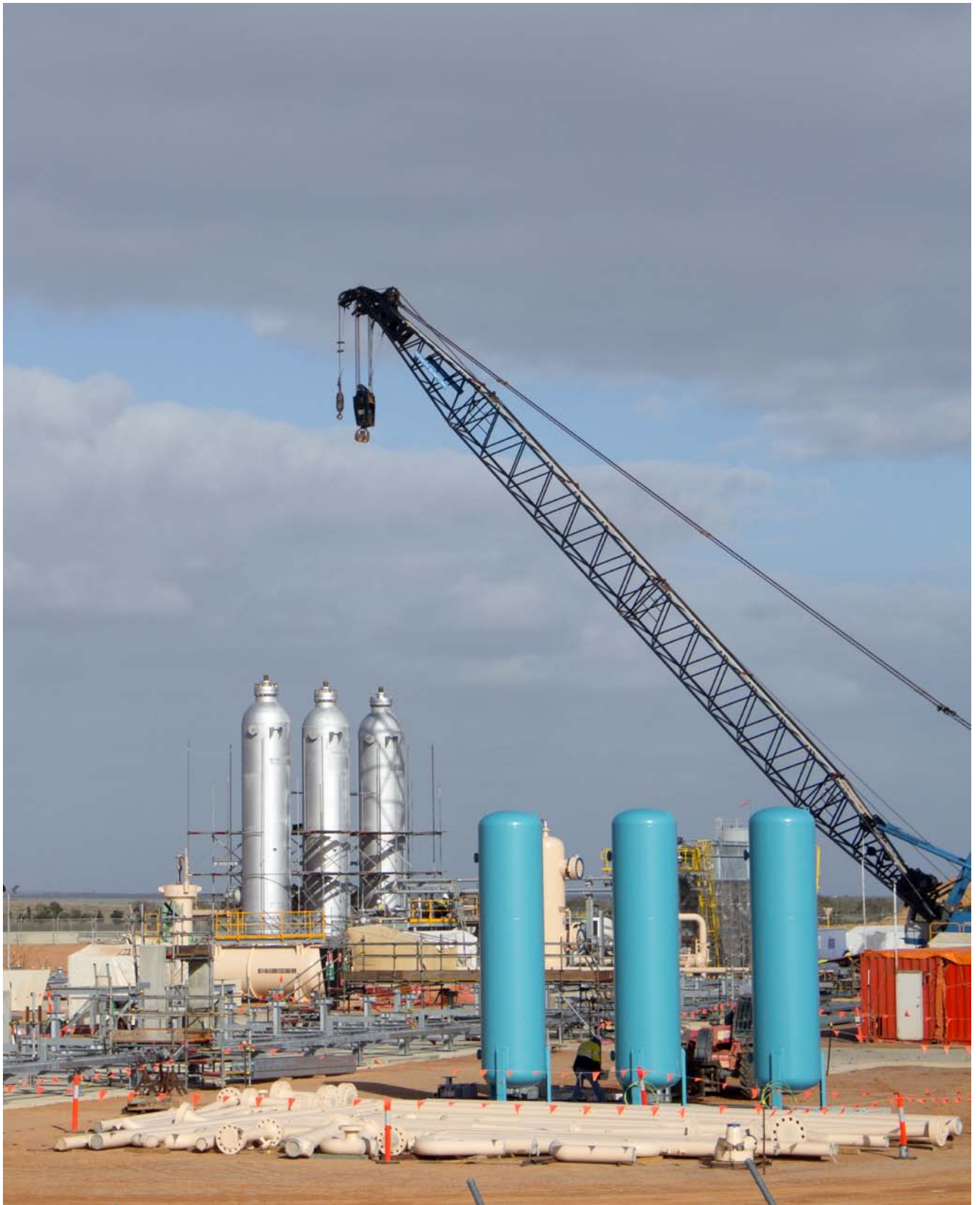
Evans and Partners Pty Limited
(ACN 125 338 785)

New Zealand Lead Managers

Macquarie Capital (New Zealand) Limited
(Company number 1952567)

Forsyth Barr Limited
(Company number 150925)

First NZ Capital Securities Limited
(Company number 646979)



Expansion of Mondarra Gas Storage Facility, Western Australia

1. INVESTMENT OVERVIEW

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1. INVESTMENT OVERVIEW

This Section provides a summary of information that is key to a decision to invest in Notes.

1.1 KEY FEATURES OF THE OFFER

| Topic | Summary | Further information |
|--|--|--|
| Who is the issuer? | <ul style="list-style-type: none"> • APT Pipelines Limited (“APTPL”), a fully owned subsidiary of Australian Pipeline Trust (“APT”). APTPL is the borrowing entity of APA Group. • Australian Pipeline Limited (“APL”) is the responsible entity of APT and APT Investment Trust (“APTIT”). Together, APT, APTIT, the APA Responsible Entity (being APL in its capacity as responsible entity of APT and APTIT) and each of the entities controlled by the APA Responsible Entity comprise the APA Group. • Refer to Section 1.4 for an overview of APA Group’s business. | Section 3. |
| What are Notes? | <ul style="list-style-type: none"> • Notes are long-dated, unsecured, subordinated, cumulative notes to be issued by APTPL (“Notes”), paying (unless deferred) quarterly interest payments based on the Margin plus the Bank Bill Rate. For further information about the calculation of the interest payments and the Bank Bill Rate refer to Sections 2.2.3 and 2.2.4. | Section 2. |
| Maturity Date | <ul style="list-style-type: none"> • 60 years (maturing on the Maturity Date, being 30 September 2072), unless redeemed earlier. • APTPL is not obliged to redeem Notes before the Maturity Date. The circumstances in which APTPL may choose to redeem the Notes before the Maturity Date are described in Section 2.4. | Section 2.1.6 and Section 2.4. Clause 4 of the Terms. |
| Will the Notes be guaranteed? | <ul style="list-style-type: none"> • Yes. The Notes are issued with the benefit of a guarantee on the terms set out in the Trust Deed and given, on an unsecured and subordinated basis, by each of: <ul style="list-style-type: none"> – the APA Responsible Entity in its capacity as trustee and responsible entity of APT; and – the APA Responsible Entity, in its capacity as trustee and responsible entity of APTIT. • APT and APTIT are the head entities of the APA Group. Units in each trust are listed on ASX as a stapled security. • Holders are not creditors of controlled entities of APT and APTIT (other than the Issuer) and therefore, upon an insolvency of the APA Group, will only have access to the assets of those controlled entities to the extent APT and APTIT obtain returns from their securityholdings in those entities after all of those entities’ creditors have been satisfied. | Section 2.5. Clause 1.8 of the Terms. |
| What are the key Offer details? | <ul style="list-style-type: none"> • Offer size is \$350 million, with the ability to raise more or less. • Issue price is \$100 per Note. This is also the Face Value. • Your application must be for a minimum of 50 Notes (\$5,000). | Section 2.1. |
| What is the purpose of the Offer? | <ul style="list-style-type: none"> • The proceeds of this Offer will be used to support APA Group’s ongoing investment in the growth of its infrastructure assets (including for the acquisition of HDUF if it proceeds), and for general corporate purposes. | Section 2.1.4. |
| Important matters to be aware of | <ul style="list-style-type: none"> • While APTPL may redeem Notes in certain circumstances before their Maturity Date, it is not obliged to do so. Holders have no rights to request redemption of Notes. Holders may seek to sell Notes on ASX but there is no guarantee they will be able to do so, or do so at an acceptable price. This may particularly be the case if Notes remain outstanding for a long period and APA Group’s financial position or performance, or broader economic or market conditions, materially deteriorate. • APA Group intends to utilise hybrid securities that are ascribed equity credit by S&P (such as Notes) as a key feature of its capital structure going forward. • Notes are not convertible into APA Stapled Securities and have no rights to vote with APA Stapled Securities. • It is recommended that you seek professional guidance from your stockbroker, solicitor, accountant or other independent and qualified professional adviser before deciding whether to invest. | Section 1.3, Section 1.5, Section 5 and Section 9.3. |

1.2 KEY TERMS OF NOTES

| Topic | Summary | Further information |
|---|--|---|
| Interest Payments and optional Interest Payment deferral right | <ul style="list-style-type: none"> Interest Payments are floating rate, cumulative interest payments payable quarterly in arrear on 31 March, 30 June, 30 September and 31 December of each year, subject to the right of APTPL to defer such Interest Payments for as long as it wishes in its discretion. However, notwithstanding that the Issue Date is scheduled to occur prior to 30 September 2012, the first Interest Payment Date will be 31 December 2012. If any of the scheduled Interest Payment Dates is not a Business Day, then the payment will be made on the next Business Day, unless the scheduled date is 30 June in which case the payment will be made on the immediately preceding Business Day. If a payment is postponed until the next Business Day, there is no adjustment to the amount of interest payable. It should be noted that, to assist you to complete your tax return, interest scheduled to be paid for the interest period ending 30 June will include Interest payable up to (and including) 30 June and, if 30 June is not a Business Day, will be paid on the immediately preceding Business Day. Optionally Deferred Interest Payments are cumulative and compounding. Whilst Interest Payments have been deferred, distributions may not be made to APA Securityholders or holders of equal ranking securities, nor may APA Stapled Securities or equal ranking securities be redeemed or bought back. | Sections 2.2 and 2.3. Clauses 3.2 to 3.5 of the Terms. |
| Step-Up Date | <ul style="list-style-type: none"> For each Interest Period commencing on or after the Step-Up Date (being 20 years after the First Call Date on 31 March 2038), the Step-Up Margin applies (Initial Margin + 1.00% per annum). | Section 2.2. Clause 3.2 of the Terms. |
| Change of Control | <ul style="list-style-type: none"> The Margin will increase by an additional 3.00% per annum if a Change of Control Event¹ occurs and APTPL does not elect to redeem Notes within 6 months following the occurrence of that event. The increased margin will take effect from (and including) the first Interest Period after the 6 monthly redemption period has elapsed | Section 2.4.6. Clause 3.6 of the Terms. |
| APTPL's redemption rights | <ul style="list-style-type: none"> Notes are redeemable on the First Call Date (being 31 March 2018), or any Interest Payment Date thereafter. Notes are redeemable at any time if a Change of Control Event, Tax Event² or a Capital Event³ occurs. In each case, APTPL must give at least 30, but no more than 60 days' notice of the relevant redemption date. In addition, if a Change of Control Event occurs, APTPL must give any redemption notice by no later than the date falling 6 months after the date on which the Change of Control Event occurs. | Section 2.4. Clauses 4.2 to 4.4 of the Terms. |
| Unsecured | <ul style="list-style-type: none"> Repayment is not secured by a mortgage, charge or other security over any asset. | Section 2.5. Clause 1.1 of the Terms. |
| Ranking | <ul style="list-style-type: none"> Notes will effectively rank in an event of insolvency (for example, if a liquidator is appointed to wind up APTPL) as if they were the most junior class of APTPL preference securities on issue at that time as described more fully in the Terms. Claims under the Guarantee will also effectively rank in the event of a winding-up of APT or APTIT as if they were the most junior class of preference securities on issue. However, they will rank above APA Stapled Securities. | Section 2.5. Clause 2.1 of the Terms. |
| Listing | <ul style="list-style-type: none"> Application has been made for Notes to be quoted on ASX under the code "AQHHA". | Section 2.1. |

1 Broadly, a "Change of Control Event" will occur if: (a) APTPL is no longer a Subsidiary of the APA Responsible Entity; (b) if, in most circumstances, a takeover bid or Relevant Scheme which will result in a third party acquiring a relevant interest in 50% of APA Stapled Securities on issue and that bid or scheme is unconditional; and (c) if a Destapling Event occurs. However, it will not be a Change of Control Event if the change of control occurs as part of a Solvent Reorganisation.

2 Broadly, a "Tax Event" will occur if as a result of a Change in Law on or after the Issue Date: (a) any Interest Payment would not be deductible for tax purposes; or (b) APTPL or the APA Responsible Entity has or becomes obliged to pay, as a gross-up for any withholding tax in accordance with the Terms, certain additional amounts.

3 Broadly, a "Capital Event" will occur if Notes will no longer be eligible for the same or higher category of equity credit from a Rating Agency as was initially attributed to the Notes by that Rating Agency at the time of issue, as a result of a change in that Rating Agency's assessment criteria.

1. INVESTMENT OVERVIEW

1.3 COMPARISON BETWEEN APA STAPLED SECURITIES, NOTES AND SENIOR RANKING DEBT SECURITIES OF APA GROUP

There are differences between APA Stapled Securities (being ordinary listed securities in APA Group), Notes and senior ranking debt securities of APA Group. You should consider these differences in light of your investment objectives, financial situation and particular needs (including financial and taxation issues) before deciding to invest in Notes.

The following information is a summary only, and does not encompass all of APA Group's debt funding sources. For further information about APA Group's debt funding sources, refer to Section 4.6.

| | Senior ranking debt securities (e.g. US private placements, European Medium Term Notes ⁴ , Australian Medium Term Notes and bank borrowings) | Notes | APA Stapled Securities |
|--|---|---|--|
| Legal form | Debt securities. | Notes. | APA Stapled Securities. |
| Security | Typically unsecured. | Unsecured. | Not applicable. |
| Ranking | Senior ranking debt securities are typically unsubordinated, meaning that they rank ahead of all subordinated creditors and all classes of equity. | The Notes rank ahead of ordinary equity in APTPL, equally with Equal Ranking Obligations (being, broadly, any obligation which ranks or is expressed to rank pari passu with obligations under the Notes including the most junior preference shares in APTPL on issue ⁵) and behind all other creditors. Payments of all amounts due under the Notes are guaranteed by the APA Responsible Entity, as responsible entity of APT and APTIT on an unsecured and subordinated basis. Claims under the Guarantee rank ahead of APA Stapled Securities, equally with Guarantor Equal Ranking Obligations (being, broadly, any obligation which ranks or is expressed to rank pari passu with obligations under the Guarantee or claims under, or that are expressed to be treated as claims under, the most junior preference securities on issue ⁶) and behind all other creditors ⁷ . | APA Stapled Securities rank behind all other securities and obligations. |
| Term | Typically 3 to 15 years. | 60 years on the Maturity Date, unless redeemed earlier. | Perpetual (unless bought back). |
| Call date(s) (at issuer's discretion) | Usually limited and connected to specific events. | From the First Call Date, being 31 March 2018 (or earlier in certain circumstances). | Not applicable. |
| Payments | Typically, interest payments with no discretion to defer or cancel payments. | Interest Payments payable quarterly but may be deferred at APTPL's discretion. | Distributions, payable at the absolute discretion of the Board. |

⁴ European Medium Term Notes include the recent issues by APA Group of JPY10bn medium term notes and CAD300 million medium term notes.

⁵ Note, there are currently no preference shares on issue in APTPL.

⁶ Note, there are currently no preference securities on issue in either of APT or APTIT.

⁷ There are no restrictions in the Trust Deed or the Terms on APA Group incurring any debt obligations which rank in priority ahead of, equal with or behind the Notes in the future. If at any time APA Group incurred any obligations which were Guarantor Equal Ranking Obligations, then the Notes would rank equally with any such obligations.

| | Senior ranking debt securities (e.g. US private placements, European Medium Term Notes ⁴ , Australian Medium Term Notes and bank borrowings) | Notes | APA Stapled Securities |
|--|---|--|--|
| Payment amounts | Based on a floating rate plus a margin or fixed interest rate. | Based on a floating interest rate equal to the sum of the Bank Bill Rate plus the Margin. | Based on APA Group's available operating cash flow and the Board's prevailing distribution policy (though ultimately at the absolute discretion of the Board). |
| Payment accumulation | Typically, any unpaid interest payments are cumulative and compounding. | Any Optionally Deferred Interest Payments are cumulative and compounding. | Not applicable. |
| Participation in APA Group's profits on a winding-up | No. | No. | Yes. |
| Rights to be repaid at end of term | Yes. | Yes. | Not applicable. |
| Voting rights at a general meeting of APA Stapled Securityholders | No. | No. | Yes. |
| Transferability and liquidity | Yes, although typically not listed. Likely to be less liquid than APA Stapled Securities. | Yes, quoted on ASX. Offer size of \$350 million, with the ability to raise more or less. Likely to be less liquid than APA Stapled Securities. | Yes, quoted on ASX. Likely to be more liquid than Notes and senior ranking debt securities. |

1. INVESTMENT OVERVIEW

1.4 OVERVIEW OF APA GROUP

| Topic | Summary | Further Information |
|--|--|---|
| Overview | <ul style="list-style-type: none"> APA Group is Australia's largest⁸ natural gas infrastructure business, transporting about half the nation's natural gas usage through the assets it owns and/or operates. APA Group invests in various energy investment enterprises and provides asset management and operational services for the majority of these investments. APA Group is listed on the ASX with a market capitalisation of \$3.1 billion⁹ and is included in the S&P/ASX 100 index. | Section 3.1. |
| Strong financial profile and performance | <ul style="list-style-type: none"> APA Group has delivered stable and predictable cash flows principally derived from regulated and contracted revenues. APA Group has a diversified pro forma EBITDA by both asset and geography: no single asset in its portfolio or single region contributes more than 25% of EBITDA. | Section 3.1, Section 3.2 and Section 4. |
| Information about key financial ratios of APA Group | <ul style="list-style-type: none"> Key financial ratios for the APA Group are set out in Section 4.6. | Section 4.6. |
| Growth opportunities | <ul style="list-style-type: none"> A dynamic business, expanding and enhancing its unique asset portfolio to capture the growth in demand for natural gas in Australia. Currently over \$400 million capital expenditure is committed to organic growth projects. | Section 3. |
| Proven management expertise | <ul style="list-style-type: none"> APA Group has proven internal management expertise and industry know how. Assets owned and/or operated by APA Group have increased from \$1.4 billion since listing in June 2000 to approximately \$9 billion¹⁰ through organic growth and strategic acquisitions. APA Group has a track record of successfully integrating acquisitions. The most recent acquisitions were the Amadeus Gas Pipeline in the Northern Territory and Emu Downs wind farm in Western Australia. | Section 8.2. |
| HDUF Offer | <ul style="list-style-type: none"> On 14 December 2011, APA Group announced a conditional off-market takeover offer for all of the HDUF Stapled Securities that it did not then own. The HDUF Offer was made through APTPL. On 9 August 2012, APA Group announced an increase in the consideration. APA Group currently owns 20.7% of the HDUF Stapled Securities on issue. The consideration under the HDUF Offer, which remains conditional, is 0.390 APA Stapled Securities and \$0.62 cash for every one HDUF Stapled Security. The consideration will not be reduced for any HDUF distributions paid since the HDUF Offer was announced on 14 December 2011. However, the consideration will be reduced by the amount of any HDUF distribution which is paid to HDUF securityholders after 9 August 2012. The HDUF Offer is open until 4 September 2012 unless withdrawn or extended. | Section 3.7. |
| Infrastructure entity disclosures | <ul style="list-style-type: none"> APA Group is an "infrastructure entity" as that term is defined in ASIC Regulatory Guide 231. APA Group's website (at www.apa.com.au) contains the disclosures required by ASIC Regulatory Guide 231. Whilst these disclosures are aimed at holders of equity securities in the APA Group, some prospective investors may find them helpful when deciding whether to invest in the Notes. | |

⁸ APA Group is Australia's largest natural gas infrastructure business by length of high pressure natural gas transmission pipelines and volume of natural gas transported.

⁹ Based on the closing price of APA Stapled Securities on the day before the date of this Prospectus of \$4.85 and total APA Stapled Securities currently on issue of 644,485,583.

¹⁰ APA Group owns and operates approximately \$4.2 billion of its own assets. APA Group also operates assets of approximately \$4.7 billion owned by some of its energy investments (Envestra, SEA Gas Pipeline, GDI (EII), Energy Infrastructure Investments, and Ethane Pipeline Income Fund). The asset values are based on pro forma historical financial information for FY2011.

1.5 KEY RISKS ASSOCIATED WITH NOTES

| Topic | Summary | Further Information |
|--|--|--------------------------------|
| Notes are subordinated obligations | <ul style="list-style-type: none"> There may be a shortfall of funds to pay all amounts ranking senior to and equally with Notes or obligations under the Guarantee in an event of insolvency of APTPL and the winding-up of APT or APTIT. This would result in Holders not receiving any payment if claims ranking senior to Notes and Guarantee obligations were not satisfied in full, or otherwise not receiving a full return of any amounts due on the Notes but unpaid at that time. | Section 5.1.1 and Section 9.3. |
| Deferral of Interest Payments | <ul style="list-style-type: none"> APTPL may defer Interest Payments at its discretion. Deferral may have an adverse effect on the market price of Notes. Deferral will also be disadvantageous to Holders from the perspective of the timing of cash flows. | Section 2.3 and Section 5.1.2. |
| Notes are long-dated securities | <ul style="list-style-type: none"> Notes will mature after 60 years on the Maturity Date. Although APTPL may redeem Notes in certain circumstances prior to such date, APTPL is under no obligation to do so. APA Group intends (without thereby assuming a legal obligation) to retain Notes in its capital structure in circumstances where APA Group's credit profile is materially worse than as at the date of this Prospectus, unless it elects to replace Notes with a new issue of hybrid or other securities which are ascribed at least an equal equity credit from S&P. | Section 5.1.3. |
| APTPL may redeem Notes under certain limited circumstances | <ul style="list-style-type: none"> If redeemed early, the Redemption Amount may be less than the current market value of Notes at the time of redemption. Timing of redemption of Notes may be unfavourable having regard to a Holder's individual financial circumstances or tax position. | Section 5.1.4. |
| Holdings have no rights to request an early redemption | <ul style="list-style-type: none"> Holdings have no right to request redemption of Notes prior to the Maturity Date. | Section 5.1.5. |
| No limitation on issuing senior or equal ranking securities | <ul style="list-style-type: none"> The APA Group has a significant amount of prior ranking debt on issue at present. APA Group is not restricted under the Terms from issuing equal or further senior ranking securities or from incurring any such other debt obligations which may reduce the amount (if any) recoverable by Holders in an event of insolvency of APTPL or a winding-up of APT and APTIT if it were to occur. | Section 5.1.6. |
| Changes in Interest Rate | <ul style="list-style-type: none"> The Interest Rate is calculated by reference to the Bank Bill Rate, which is influenced by a number of factors and may fluctuate over time. The Interest Rate may become less attractive compared to rates of return available on other securities or financial products. | Section 5.1.7. |
| Risks related to the market generally | <ul style="list-style-type: none"> The market price of Notes may fluctuate and trade below the Issue Price due to various factors, including investor perceptions, economic conditions, interest rates and credit spreads. Holdings who wish to sell their Notes may be unable to do so at an acceptable price, if at all. The market for Notes may be less liquid than the market for APA Stapled Securities. The liquidity of the Notes may be further impacted by any repurchase of Notes after the First Call Date. | Section 5.2. |

1. INVESTMENT OVERVIEW

1.6 KEY RISKS ASSOCIATED WITH APA GROUP

| Topic | Summary | Further Information |
|------------------------------------|---|---------------------|
| Economic regulation | <ul style="list-style-type: none"> Approximately 45% of APA Group's pro forma revenue for the 2011 financial year (excluding pass-through revenue) was earned on assets subject to pricing regulation by independent national and state economic regulators. This proportion did not increase materially in the 2012 financial year. This pricing regulation provides for the regulator to determine the price and other terms for services. Costs could materially change within a regulatory pricing period for a particular asset resulting in adverse impacts on earnings for that asset and potentially indirectly affecting APTPL and the APA Responsible Entity's ability to meet their respective payment obligations under the Notes and Guarantee. Changes to the regulatory framework may also adversely affect APA Group's earnings and/or financial position and performance (and therefore potentially indirectly affect APTPL and the APA Responsible Entity's ability to meet their respective payment obligations under the Notes and Guarantee). For example, the AEMC is currently considering proposals for changes to the National Gas Rules which, if adopted, may have an adverse revenue impact on APA Group's regulated assets. | Section 5.3.1.1. |
| Bypass and competitive risk | <ul style="list-style-type: none"> Bypass and competitive risk occurs when a new transmission pipeline offers gas transportation service to the same end market serviced by existing pipelines. This risk is particularly applicable to the Moomba Sydney Pipeline and the Parmelia Gas Pipeline. APA Group's future earnings could be reduced (and therefore potentially indirectly affect APTPL and the APA Responsible Entity's ability to meet their respective payment obligations under the Notes and Guarantee) if customers purchased gas transportation services from new pipelines that bypass APA Group's existing pipelines. | Section 5.3.1.2. |
| Gas demand risk | <ul style="list-style-type: none"> The volume of gas that is transported by APA Group is dependent on end user demand, which is dependent on a number of variables including the relative price of gas and its competitive position with other energy sources. If the demand for gas weakens, it may reduce the demand for future contracted pipeline capacity and adversely impact APA Group's future revenue, profits and financial position (and therefore potentially indirectly affect APTPL and the APA Responsible Entity's ability to meet their respective payment obligations under the Notes and Guarantee). | Section 5.3.1.3. |
| Operational risk | <ul style="list-style-type: none"> APA Group is exposed to a number of operational risks such as equipment failures or breakdowns, rupture of pipelines, information technology systems failures or breakdowns, employee or equipment shortages, contractor default or other unplanned interruptions. Operational disruption, or the cost of repairing or replacing damaged assets, could adversely impact APA Group's earnings (and therefore potentially indirectly affect APTPL and the APA Responsible Entity's ability to meet their respective payment obligations under the Notes and Guarantee). | Section 5.3.2.1. |

| Topic | Summary | Further Information |
|--|---|---------------------|
| Contract renewal risk | <ul style="list-style-type: none"> A large part of APA Group's revenues are the subject of long term revenue contracts with end customers. Due to a range of factors including customer demand risk, gas supply risk, counterparty credit risk, bypass and competitive risk, APA Group may not be successful in recontracting the available pipeline capacity when it comes due for contract renewal. If APA Group is unable to recontract the available pipeline capacity when it comes due for renewal, it will adversely impact APA Group's future revenue, profits and financial position (and therefore potentially indirectly affect APTPL and the APA Responsible Entity's ability to meet their respective payment obligations under the Notes and Guarantee). | Section 5.3.1.10. |
| Construction and development risk | <ul style="list-style-type: none"> APA Group's capital expenditure on growth projects is expected to be significant. In certain circumstances, APA Group sets the commercial terms with its customers based on expected capital expenditure costs. Should these costs exceed those estimates used in finalising commercial terms with customers, it may adversely impact APA Group's future profits and financial position (and therefore potentially indirectly affect APTPL and the APA Responsible Entity's ability to meet their respective payment obligations under the Notes and Guarantee). | Section 5.3.2.5. |
| HDUF Offer risks | <ul style="list-style-type: none"> There is a risk that APA Group will not acquire the remaining securities in HDUF at the end of the bid period under the HDUF Offer. If you believe that a Combined Group would enhance APTPL's or the APA Responsible Entity's ability to meet its obligations under the Notes and/or Guarantee, you may consider this to be an adverse event. Should APA Group's bid for HDUF be successful, there is a risk that synergy benefits reasonably expected through the integration of APA Group and HDUF may not be realised at all or not realised to their full extent, or that they may be realised over a longer period of time than anticipated. There is also a risk that the performance of HDUF will not meet the expectations of the APA Group over time. This may, in turn, affect APTPL or APA Group's ability to meet its obligations under the Notes and/or the Guarantee. There is also a risk that implementation and other one-off costs may be substantial or greater than reasonably anticipated. This could have a material adverse impact on the Combined Group's financial position and performance (and therefore potentially indirectly affect APTPL and the APA Responsible Entity's ability to meet their respective payment obligations under the Notes and Guarantee). The ACCC has provided clearance for the proposed HDUF Offer having accepted an undertaking from APA Group to divest the MAPS business. There are risks associated with the ACCC undertaking and the divestment of the MAPS business which could materially and adversely affect the APA Group's operations and/or financial position and performance. | Section 5.4. |

1. INVESTMENT OVERVIEW

1.7 FURTHER INFORMATION ABOUT THE OFFER

| Topic | Summary | Further Information |
|--|---|---|
| When is the Offer Period? | <ul style="list-style-type: none"> The key dates, including details of the Offer period, are set out on page 2. Further details are included in Section 6. | Key Dates. Section 6. |
| Is there a minimum amount to be raised? | <ul style="list-style-type: none"> No. The Offer is for the issue of Notes to raise \$350 million, with the ability to raise more or less. | |
| Is the Offer underwritten? | <ul style="list-style-type: none"> No. However, the Joint Lead Managers have agreed, under the Offer Management Agreement, to provide settlement support for the obligations of confirmed applicants under the Bookbuild. | Refer to Section 9.2 for further detail on the terms of the Offer Management Agreement. |
| What is the pro forma balance sheet of APA Group and relevant ratios following the Offer? | <ul style="list-style-type: none"> Refer to Section 4. | |
| How is the Offer structured and who can apply? | <ul style="list-style-type: none"> The Offer comprises: <ul style="list-style-type: none"> an APA Securityholder Offer made to Eligible Securityholders; a Broker Firm Offer made to Australian and New Zealand resident retail clients of Syndicate Brokers; an Institutional Offer to Institutional Investors; and a General Offer made to members of the general public who are resident in Australia or New Zealand. | Section 6.1. |
| Who is an Eligible Securityholder? | <ul style="list-style-type: none"> A registered holder of APA Stapled Securities with a registered address in Australia or New Zealand at 7.00pm Sydney time on 8 August 2012. | |
| How can I apply? | <ul style="list-style-type: none"> Broker Firm Applicants should contact their Syndicate Broker. APA Securityholder Applicants and General Applicants should complete an electronic or paper copy of the Application Form and pay the application monies either electronically or by cheque or money order. | Section 6.2. |
| What is the allocation policy? | <ul style="list-style-type: none"> The allocation policy for Broker Firm Applicants will be determined by the Syndicate Brokers. Allocations for APA Securityholder Applicants and General Applicants will be determined by APTPL after the Closing Date. Allocations will be made to Institutional Investors and Syndicate Brokers under the Bookbuild. After the close of the APA Securityholder Offer and General Offer, allocations will be made to APA Securityholder Applicants and General Applicants. APA Securityholder Applicants will be given a priority allocation over General Applicants. APA Group will endeavour to satisfy all APA Securityholder Applications. | Section 6.2. |
| Is there a minimum application size? | <ul style="list-style-type: none"> Your application must be for a minimum of 50 Notes (\$5,000). If your application is for more than 50 Notes, then you must apply in incremental multiples of 10 Notes – that is, for incremental multiples of \$1,000. | Section 6.2. |

| Topic | Summary | Further Information |
|--|---|---------------------|
| Is brokerage, commission or stamp duty payable? | <ul style="list-style-type: none"> No brokerage, commission or stamp duty is payable by you on your application. You may be required to pay brokerage if you sell your Notes on ASX after Notes have been quoted on ASX. | Section 6.1. |
| What are the tax implications of investing in Notes? | <ul style="list-style-type: none"> A general description of the Australian and New Zealand taxation consequences of investing in Notes is set out in Section 7. That discussion is in general terms and is not intended to provide specific advice in relation to the circumstances of any particular investor. Accordingly, investors should seek independent advice in relation to their individual tax position. | Section 7. |
| When will I receive confirmation that my application has been successful? | <ul style="list-style-type: none"> If you are an applicant in the APA Securityholder Offer, General Offer or Broker Firm Offer, you will be able to call the APA Notes Offer Information Line on 1800 992 312 (within Australia) or +61 2 8280 7132 (outside Australia) (Monday to Friday – 8.30am to 5.30pm Sydney time) from the Issue Date to confirm your allocation. Applicants under the Broker Firm Offer will also be able to confirm their allocation through the Syndicate Broker from whom they received their allocation. | Section 6.2. |
| When will Notes be issued? | <ul style="list-style-type: none"> APA Group expects the Notes to be issued on 18 September 2012. | Key Dates. |
| When will Notes begin trading? | <ul style="list-style-type: none"> APA Group expects that Notes will begin trading on 19 September 2012 on a deferred settlement basis. | Key Dates. |
| When will Holding Statements be despatched? | <ul style="list-style-type: none"> APA Group expects that Holding Statements will be despatched by 21 September 2012. | Key Dates. |
| Where can I find more information about this Prospectus or the Offer? | <ul style="list-style-type: none"> If you have any questions in relation to the Offer, please call the APA Notes Offer Information Line on 1800 992 312 (within Australia) or +61 2 8280 7132 (outside Australia) (Monday to Friday – 8.30am to 5.30pm Sydney time), or go to www.apanotesoffer.com.au. If you are a Broker Firm Applicant, you should contact your Syndicate Broker. | Section 6. |

1. INVESTMENT OVERVIEW

1.8 KEY INFORMATION ABOUT PEOPLE, INTEREST AND BENEFITS

| Topic | Summary | Further Information |
|--|---|---------------------|
| Who are the APTPL directors? | <ul style="list-style-type: none">• Leonard Bleasel AM (Chairman).• Michael McCormack.• Steven Crane.• John Fletcher.• Russell Higgins AO.• Patricia McKenzie.• Muri Muhammad.• Robert Wright. | Section 8.1. |
| Who are the senior management team? | <ul style="list-style-type: none">• Michael McCormack (Managing Director and Chief Executive Officer).• Peter Fredricson (Chief Financial Officer).• Ross Gersbach (Chief Executive Strategy and Development).• Rob Wheals (Group Executive Transmission).• John Ferguson (Group Executive Networks).• Kevin Lester (Group Executive Infrastructure Development).• Stephen Ohl (Group Executive Strategic Projects).• Peter Wallace (Group Executive Human Resources).• Mark Knapman (Company Secretary). | Section 8.2. |
| What significant benefits and interests are payable to directors and other persons associated with the Offer or APA Group? | <ul style="list-style-type: none">• Directors – Directors’ fees.• Management – Remuneration.• Advisers and other service providers – Fees for services. | Section 8.3. |
| How will the expenses of the Offer be paid? | <ul style="list-style-type: none">• The total expenses of the Offer are expected to be approximately \$12.5 million, and will be paid out of the proceeds of the Offer. | Section 8.4. |

1.9 WHAT SHOULD YOU DO?

| Topic | Summary |
|---|---|
| Read this Prospectus in full | <ul style="list-style-type: none">• If you are considering applying for Notes under the Offer, this document is important and should be read in its entirety. |
| Determine if you are eligible to apply | <ul style="list-style-type: none">• Refer to Section 1.7 above. |
| Consider and consult | <ul style="list-style-type: none">• Consider all risks and other information regarding an investment in Notes in light of your particular investment objectives and circumstances.• If you do not understand any part of this Prospectus, or are in any doubt as to whether to invest in Notes or not, it is recommended that you seek professional guidance from your stockbroker, solicitor, accountant or other independent and qualified professional adviser before deciding whether to invest. |
| Complete and submit your Application Form | <ul style="list-style-type: none">• The application process varies depending on whether you participate in the Institutional Offer, Broker Firm Offer, APA Securityholder Offer or General Offer.• The Offer may close early so you are encouraged to consider submitting your application as soon as possible after the Opening Date. |



Brooklyn City Gate, Victoria

2. ABOUT NOTES

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2. ABOUT APA SUBORDINATED NOTES

2.1 GENERAL

| Topic | Summary | Further Information |
|---|---|--|
| 2.1.1 What are Notes? | <ul style="list-style-type: none"> Notes are long-dated, unsecured, subordinated, cumulative notes to be issued by APTPL, which will mature on the Maturity Date unless redeemed before that date. Notes entitle Holders to receive floating rate, cumulative Interest Payments payable quarterly in arrear, subject to the right of APTPL to optionally defer such Interest Payments. Notes are not under the Terms or the Trust Deed convertible into APA Stapled Securities or any other securities. | Clause 1 of the Terms. |
| 2.1.2 What is the Offer? | <ul style="list-style-type: none"> The Offer is for the issue of Notes to raise \$350 million, with the ability to raise more or less. | Section 6. |
| 2.1.3 What am I required to pay? | <ul style="list-style-type: none"> The Issue Price is \$100 per Note. This is also the Face Value per Note. Applications must be for a minimum of 50 Notes (\$5,000). If your application is for more than 50 Notes, then you must apply in incremental multiples of 10 Notes – that is, incremental multiples of \$1,000. | Section 6.2. Clause 1.2 of the Terms. |
| 2.1.4 Why is APA Group issuing Notes of this nature? | <ul style="list-style-type: none"> The proceeds of the Offer will be used to support APA Group's ongoing investment in the growth of its infrastructure assets, and for general corporate purposes (including for the acquisition of HDUF if it proceeds). APA Group expects that Notes will provide an amount of equity credit for quantitative purposes for one Rating Agency until the First Call Date (being 31 March 2018), and for another until the 50th anniversary of the Issue Date (expected to be 18 September 2062). This is explained further in 2.1.5 below. APA Group also expects that Notes will provide some qualitative support to its capital management strategy until redemption, having regard to the Notes' subordinated ranking, long tenor and interest deferral features. In APA Group's financial statements, Notes will be classified as debt until redemption. APA Group believes that hybrid securities that are ascribed equity credit by S&P (such as the Notes) are an effective capital management tool and intends to utilise such instruments as a key feature of its capital structure going forward. The issue of Notes will help support APA Group's credit profile by optimising its cost of capital, diversifying its funding sources, improving financial flexibility and extending its debt maturity profile. | Section 4 and Section 9.3. |
| 2.1.5 What is equity credit classification? | <ul style="list-style-type: none"> The equity credit classification of an instrument provides an indication of the extent to which a Rating Agency treats an instrument wholly or partially as equity rather than entirely as debt when evaluating the quantitative aspects of an issuer's corporate credit profile. An equity credit classification is not a credit rating. APA Group expects that both S&P and Moody's will treat the Notes 50% as equity and 50% as debt in assessing the credit profile of the APA Group. | |
| 2.1.6 What is the term and maturity of Notes? | <ul style="list-style-type: none"> 60 years (maturing on the Maturity Date), unless redeemed before that date. The circumstances in which APTPL may redeem Notes before the Maturity Date are described in Section 2.4. APTPL may elect to redeem Notes at its option on the First Call Date or any Interest Payment Date thereafter. | Clauses 4.1 and 4.2 of the Terms. |
| 2.1.7 Will the Notes be quoted on ASX? | <ul style="list-style-type: none"> APTPL has applied for Notes to be quoted on ASX and they are expected to trade under ASX code "AQHHA". | Section 6.3.3. |
| 2.1.8 Will Notes be rated by a credit Rating Agency? | <ul style="list-style-type: none"> No. The Notes will not be rated. | |

2.2 INTEREST PAYMENTS

| Topic | Summary | Further Information | | | | | | | | | | | | | | | | | | | | | | | | | | |
|--|---|------------------------|----------------------|-------------|-----------------|-----------------------------------|------------------------|-----------------------------|-----|------|-----|------|-----|------|-----|------|-----|------|-----|------|-----|------|-----|------|-----|------|-----|-----------------------------|
| 2.2.1 What are Interest Payments? | <ul style="list-style-type: none"> Interest Payments are floating rate, cumulative interest payments payable quarterly in arrear, subject to the right of APTPL to optionally defer such Interest Payments. | Clause 3 of the Terms. | | | | | | | | | | | | | | | | | | | | | | | | | | |
| 2.2.2 Will Interest Payments be franked or unfranked? | <ul style="list-style-type: none"> Unfranked. Interest Payments will not have any franking credits attached to them. | Section 7. | | | | | | | | | | | | | | | | | | | | | | | | | | |
| 2.2.3 How will the Interest Rate be calculated? | <ul style="list-style-type: none"> The Interest Rate will be calculated as follows until the Step-Up Date (see below): Interest Rate = Bank Bill Rate + Margin where: Bank Bill Rate means the Bank Bill Rate on the first Business Day of the Interest Period; and Margin will be determined under the Bookbuild and is expected to be in the range of 4.50% to 4.70% per annum. As an example, assuming the Bank Bill Rate for the first Interest Period is 3.64% per annum and the Margin is 4.50% per annum: <table border="1" style="margin-left: 20px;"> <tr> <td>Bank Bill Rate</td> <td>3.64% per annum</td> </tr> <tr> <td>plus Margin</td> <td>4.50% per annum</td> </tr> <tr> <td>Illustrative Interest Rate</td> <td>8.14% per annum</td> </tr> </table> The Margin will increase by 1.00% per annum from the Step-Up Date if Notes have not been redeemed before the applicable date. It should be noted that, to assist you to complete your tax return, interest scheduled to be paid for the Interest Period ending 30 June will include Interest payable up to (and including) 30 June and, if 30 June is not a Business Day, will be paid on the immediately preceding Business Day. | Bank Bill Rate | 3.64% per annum | plus Margin | 4.50% per annum | Illustrative Interest Rate | 8.14% per annum | Clause 3.2(a) of the Terms. | | | | | | | | | | | | | | | | | | | | |
| Bank Bill Rate | 3.64% per annum | | | | | | | | | | | | | | | | | | | | | | | | | | | |
| plus Margin | 4.50% per annum | | | | | | | | | | | | | | | | | | | | | | | | | | | |
| Illustrative Interest Rate | 8.14% per annum | | | | | | | | | | | | | | | | | | | | | | | | | | | |
| 2.2.4 What is the Bank Bill Rate? | <ul style="list-style-type: none"> The Bank Bill Rate is a benchmark interest rate for the Australian money market commonly used by major Australian financial institutions to lend cash to each other over a 90 day period. This rate changes to reflect the supply and demand within the cash market. The graph below illustrates the movement in the Bank Bill Rate over the last 10 years. The rate on 8 August 2012 was 3.64% per annum. <p>90 DAY BBSW</p> <table border="1" style="margin-left: 20px;"> <caption>Approximate 90 Day BBSW Rates</caption> <thead> <tr> <th>Financial Year</th> <th>Approximate Rate (%)</th> </tr> </thead> <tbody> <tr><td>2001</td><td>5.5</td></tr> <tr><td>2002</td><td>5.5</td></tr> <tr><td>2003</td><td>6.0</td></tr> <tr><td>2004</td><td>6.0</td></tr> <tr><td>2005</td><td>6.5</td></tr> <tr><td>2006</td><td>7.0</td></tr> <tr><td>2007</td><td>8.5</td></tr> <tr><td>2008</td><td>3.5</td></tr> <tr><td>2009</td><td>5.0</td></tr> <tr><td>2010</td><td>5.5</td></tr> <tr><td>2011</td><td>5.0</td></tr> <tr><td>2012</td><td>3.6</td></tr> </tbody> </table> | Financial Year | Approximate Rate (%) | 2001 | 5.5 | 2002 | 5.5 | 2003 | 6.0 | 2004 | 6.0 | 2005 | 6.5 | 2006 | 7.0 | 2007 | 8.5 | 2008 | 3.5 | 2009 | 5.0 | 2010 | 5.5 | 2011 | 5.0 | 2012 | 3.6 | Clause 3.2(a) of the Terms. |
| Financial Year | Approximate Rate (%) | | | | | | | | | | | | | | | | | | | | | | | | | | | |
| 2001 | 5.5 | | | | | | | | | | | | | | | | | | | | | | | | | | | |
| 2002 | 5.5 | | | | | | | | | | | | | | | | | | | | | | | | | | | |
| 2003 | 6.0 | | | | | | | | | | | | | | | | | | | | | | | | | | | |
| 2004 | 6.0 | | | | | | | | | | | | | | | | | | | | | | | | | | | |
| 2005 | 6.5 | | | | | | | | | | | | | | | | | | | | | | | | | | | |
| 2006 | 7.0 | | | | | | | | | | | | | | | | | | | | | | | | | | | |
| 2007 | 8.5 | | | | | | | | | | | | | | | | | | | | | | | | | | | |
| 2008 | 3.5 | | | | | | | | | | | | | | | | | | | | | | | | | | | |
| 2009 | 5.0 | | | | | | | | | | | | | | | | | | | | | | | | | | | |
| 2010 | 5.5 | | | | | | | | | | | | | | | | | | | | | | | | | | | |
| 2011 | 5.0 | | | | | | | | | | | | | | | | | | | | | | | | | | | |
| 2012 | 3.6 | | | | | | | | | | | | | | | | | | | | | | | | | | | |
| | <ul style="list-style-type: none"> The above graph is for illustrative purposes only and does not indicate, guarantee or forecast the actual Bank Bill Rate. The actual Bank Bill Rate for the first and any subsequent Interest Periods may be higher or lower than the rates in the above graph. | | | | | | | | | | | | | | | | | | | | | | | | | | | |

2. ABOUT APA SUBORDINATED NOTES

| Topic | Summary | Further Information | | | | | | | | | | | | |
|---|---|--|-----------------|------------------------------|------------|---|------|----------------|-------|-------|--|--|---------------|-----------------------------|
| 2.2.5 How will Interest Payments be calculated for each Interest Period? | <ul style="list-style-type: none"> Interest payments scheduled to be paid on each Interest Payment Date will be calculated using the following formula: $\frac{\text{Face Value} \times \text{Interest Rate} \times N}{365}$ Where: Face Value means \$100 per Note; Interest Rate means the rate (expressed as a percentage per annum) calculated as set out in Section 2.2.3; and N means the number of days in the Interest Period calculated as set out in the Terms. Following the example above, if the Interest Rate was 8.14% per annum, then the Interest Payment on each Note for an Interest Period would be calculated as follows: <table border="0" data-bbox="395 772 1137 918"> <tr> <td>Illustrative Interest Rate</td> <td style="text-align: right;">8.14% per annum</td> </tr> <tr> <td>Multiplied by the Face Value</td> <td style="text-align: right;">x \$100.00</td> </tr> <tr> <td>Multiplied by the number of days in the Interest Period</td> <td style="text-align: right;">x 91</td> </tr> <tr> <td>Divided by 365</td> <td style="text-align: right;">÷ 365</td> </tr> <tr> <td colspan="2"><hr/></td> </tr> <tr> <td>Illustrative Interest Payment for an Interest Period per Note</td> <td style="text-align: right;">\$2.03</td> </tr> </table> The above example is for illustrative purposes only and does not indicate, guarantee or forecast the actual Interest Payment for the first or any subsequent Interest Period. Actual Interest Payments may be higher or lower than this example. The Interest Rate for the first Interest Period will be set on the Issue Date and will include the Margin to be determined under the Bookbuild. | Illustrative Interest Rate | 8.14% per annum | Multiplied by the Face Value | x \$100.00 | Multiplied by the number of days in the Interest Period | x 91 | Divided by 365 | ÷ 365 | <hr/> | | Illustrative Interest Payment for an Interest Period per Note | \$2.03 | Clause 3.2(a) of the Terms. |
| Illustrative Interest Rate | 8.14% per annum | | | | | | | | | | | | | |
| Multiplied by the Face Value | x \$100.00 | | | | | | | | | | | | | |
| Multiplied by the number of days in the Interest Period | x 91 | | | | | | | | | | | | | |
| Divided by 365 | ÷ 365 | | | | | | | | | | | | | |
| <hr/> | | | | | | | | | | | | | | |
| Illustrative Interest Payment for an Interest Period per Note | \$2.03 | | | | | | | | | | | | | |
| 2.2.6 When are the Interest Payment Dates? | <ul style="list-style-type: none"> Interest Payments are scheduled to be paid quarterly in arrears on the Interest Payment Dates (being 31 December, 31 March, 30 June and 30 September of each year). Other than for 30 June if any of these dates are not Business Days, then the payment will occur on the next Business Day. No additional amounts will be paid in respect of any such delay. The first Interest Payment Date will be 31 December 2012. The relevant Interest Period for the first Interest Payment Date will run on and from the Issue Date until (and including) 31 December 2012. It should be noted that to assist you to complete your tax return, interest scheduled to be paid for any Interest Period ending 30 June will include interest payable up to and including 30 June and if 30 June is not a Business Day will be paid on the immediately preceding Business Day. | Clauses 3.2, 17.1 and 17.2 of the Terms. | | | | | | | | | | | | |
| 2.2.7 How will Interest Payments be paid to Holders? | <ul style="list-style-type: none"> Interest Payments will be paid in Australian dollars by direct credit into an account denominated in Australian dollars at a financial institution notified by the Holder to the Registry no later than the Record Date (or such other date determined in APTPL's discretion). | Clause 5.1 of the Terms. | | | | | | | | | | | | |

2.3 DEFERRAL OF INTEREST PAYMENTS

| Topic | Summary | Further Information |
|--|---|-----------------------------|
| 2.3.1 Can APTPL defer Interest Payments in any circumstances? | <ul style="list-style-type: none"> • Yes. APTPL may optionally defer Interest Payments at APTPL's discretion. | Clause 3.3 of the Terms. |
| 2.3.2 When is APTPL required to pay Optionally Deferred Interest Payments? | <ul style="list-style-type: none"> • APTPL will be required to pay any or all Optionally Deferred Interest Payments upon the earlier of: <ul style="list-style-type: none"> - the date on which the Issuer elects to pay the relevant Optionally Deferred Interest Payment at its discretion on the giving of at least five and not more than 15 Business Days prior notice to the Holders and the Trustee; - the date on which the APA Responsible Entity: <ul style="list-style-type: none"> + declares or pays any dividend, interest or distribution on Guarantor Equal Ranking Obligations or on APA Stapled Securities; or + redeems, reduces, cancels, purchases or buys-back any Guarantor Equal Ranking Obligations or APA Stapled Securities; - the Maturity Date; and - the date on which all Notes are otherwise redeemed. | Clause 3.4 of the Terms. |
| 2.3.3 Are Optionally Deferred Interest Payments cumulative? | <ul style="list-style-type: none"> • Yes. Optionally Deferred Interest Payments are cumulative and compounding. • Optionally Deferred Interest Payments will accrue interest at the Interest Rate applicable to the Notes from time to time, up to but excluding the date of actual payment of that Optionally Deferred Interest Payment. This amount will be calculated on a daily basis and compounded quarterly on each Interest Payment Date. | Clause 3.3(a) of the Terms. |
| 2.3.4 What are the consequences of Optionally Deferred Interest Payments for APT and APTIT? | <ul style="list-style-type: none"> • If APTPL has elected to defer any Interest Payments (in whole or in part) and the Interest Payment has not been paid in full within 20 Business Days after the relevant Interest Payment Date on which it would otherwise have been due, the APA Responsible Entity must not: <ul style="list-style-type: none"> - declare or pay any dividend, interest or distribution on Guarantor Equal Ranking Obligations or on APA Stapled Securities; or - redeem, reduce, cancel, purchase or buy-back any Guarantor Equal Ranking Obligations or APA Stapled Securities, until the date on which all Optionally Deferred Interest Payments have been paid in full. <p>These restrictions do not apply to any payment made in respect of Guarantor Equal Ranking Obligations, provided that payments are pro rata with payments made under the Guarantee in relation to the Notes.</p> <p>The above restrictions will apply to any entity that becomes a head listed entity within the APA Group.</p> | Clause 3.5 of the Terms. |

2. ABOUT APA SUBORDINATED NOTES

2.4 REDEMPTION

| Topic | Summary | Further Information |
|--|---|---|
| 2.4.1 When can APTPL redeem Notes? | <ul style="list-style-type: none"> • APTPL may elect to redeem Notes at its option on: <ul style="list-style-type: none"> - the First Call Date; or - any Interest Payment Date thereafter. • APTPL may also elect to redeem Notes if any of the following (summarised below in Section 2.4.7) occur: <ul style="list-style-type: none"> - a Capital Event; - a Tax Event; or - a Change of Control Event. | Clauses 4.2, 4.3 and 17.2 of the Terms. |
| 2.4.2 What will happen on the First Call Date? | <ul style="list-style-type: none"> • APTPL may, but is not obliged to, redeem Notes on the First Call Date. • APTPL expects that Notes will cease to provide equity credit for quantitative purposes for one Rating Agency after the First Call Date. APA Group also expects that Notes will provide some qualitative support to its capital management strategy until redemption, having regard to the Notes' subordinated ranking, long tenor and interest deferral features. • APTPL will consider a broad range of factors when evaluating the role of Notes in its ongoing capital management strategy, including whether to redeem Notes on the First Call Date or at any other time prior to the Maturity Date. Such factors may include the level of equity credit support provided by Notes, as well as APA Group's financial position, operational performance, funding requirements and access to capital in the financial markets from time to time. • APA Group intends (without thereby assuming a legal obligation) to retain Notes in its capital structure in circumstances where APA Group's credit profile is materially worse than as at the date of this Prospectus, unless it elects to replace Notes with a new issue of hybrid or other securities which are ascribed at least an equal equity credit from S&P. | Clause 4.2 of the Terms. Section 2.1.5. |
| 2.4.3 What will happen on the Maturity Date? | <ul style="list-style-type: none"> • Unless previously redeemed, all outstanding Notes will be redeemed on the Maturity Date. | Clauses 4.1 and 17.2 of the Terms. |
| 2.4.4 What am I entitled to receive on redemption of Notes? | <ul style="list-style-type: none"> • Holders are entitled to receive the sum of: <ul style="list-style-type: none"> - 100% of the Face Value of each Note being redeemed (i.e. \$100 per Note) in all cases except where Notes are being redeemed before the First Call Date pursuant to the occurrence of a Capital Event, in which case Holders will receive 101% of the Face Value of each Note being redeemed (i.e. \$101 per Note); - all Optionally Deferred Interest Payments in respect of that Note that remain unpaid; and - any accrued but unpaid Interest payment in respect of that Note for the final Interest Period in which the redemption date falls. <p>The aggregate of these amounts is called the Redemption Amount.</p> | Clauses 1.2, 4 and 17.2 of the Terms. Refer to Section 2.5.4 for information on what may be received if an event of insolvency occurs. |
| 2.4.5 Can I request redemption before the Maturity Date? | <ul style="list-style-type: none"> • No, Holders do not have a right to request redemption of Notes. | Clause 4.4 of the Terms. |
| 2.4.6 What will happen if there is a Change of Control Event? | <ul style="list-style-type: none"> • The Margin will increase by an additional 3.00% per annum if the following criteria are satisfied: <ul style="list-style-type: none"> - a change of control of APA Group occurs (see Section 2.4.7 below); and - APTPL has not given notice electing to redeem all of the Outstanding Notes within 6 months of the date on which the change of control occurs. | Clauses 3.6 and 4.3 of the Terms. |

| Topic | Summary | Further Information |
|--|--|----------------------------------|
| <p>2.4.7 What is a Change of Control Event, Capital Event or Tax Event?</p> | <ul style="list-style-type: none"> • A summary of these events, which give APTPL the right to redeem Notes is as follows: <ul style="list-style-type: none"> – a Change of Control Event will occur if: <ul style="list-style-type: none"> + APTPL is no longer a Subsidiary of the APA Responsible Entity, as responsible entity and trustee of either APT or APTIT; or + a takeover bid for APA Stapled Securities is, or becomes, unconditional but excluding circumstances where the bidder (together with its associates) has before the offer period in respect of the takeover bid, a relevant interest in more than 50% of the APA Stapled Securities on issue; + a Relevant Scheme (being an informal trust scheme by way of resolution under item 7 of section 611 of the Corporations Act, a scheme of arrangement or a similar arrangement) results in a person having a relevant interest in more than 50% of the APA Stapled Securities that will be on issue after the Relevant Scheme is implemented and this Relevant Scheme is approved by resolution at the necessary securityholder meetings and becomes unconditional but excluding circumstances where the person (together with its associates) has, at the time the Relevant Scheme was proposed, a relevant interest in more than 50% of the APA Stapled Securities on issue; or + a Destapling Event occurs (being broadly a destapling of any of the listed entities that comprise the APA Group so that, based on the current APA Group structure, a unit in APT is no longer stapled to a unit in APTIT). <p>However, a Change of Control Event will not have occurred if the event that would otherwise constitute a Change of Control Event occurs as part of a Solvent Reorganisation;</p> <ul style="list-style-type: none"> – a Capital Event will occur if Notes will no longer be eligible for the same or higher category of equity credit from a Rating Agency as was initially attributed to the Notes by that Rating Agency at the time of issue, as a result of a change in that Rating Agency's assessment criteria. Equity credit is explained in Section 2.1.5; and – a Tax Event will occur, in summary, if as a result of a Change of Law after the Issue Date: <ul style="list-style-type: none"> + any Interest Payment would not be deductible for tax purposes; or + APTPL or the APA Responsible Entity has or becomes obliged to pay, as a gross-up for any withholding taxes in accordance with the Terms, an Additional Amount or Guarantor Additional Amount (as relevant) that is at least 30% (or other percentage which is the corporate tax rate then prevailing in the Relevant Jurisdiction). | <p>Clause 17.2 of the Terms.</p> |
| <p>2.4.8 Can APA Group buy Notes?</p> | <ul style="list-style-type: none"> • Yes. From the First Call Date, APTPL or any Related Entity of APTPL may purchase or procure others to purchase beneficially for its account Notes in any manner and at any price subject to any applicable laws and Listing Rules. Such acquired Notes may be surrendered for cancellation or held or resold. | <p>Clause 4.5 of the Terms.</p> |

2. ABOUT APA SUBORDINATED NOTES

2.5 SECURITY AND RANKING

| Topic | Summary | Further Information |
|--|--|--------------------------|
| 2.5.1 Notes are described as “unsecured”. What does this mean? | <ul style="list-style-type: none"> Repayment of the Face Value (or other money owing in respect of Notes) is not secured by a mortgage, charge or other security over any of APA Group’s assets. Notes are “unsecured notes” for the purposes of the Corporations Act (section 283BH). | Clause 1.1 of the Terms. |
| 2.5.2 Notes are described as “guaranteed”. What does this mean? | <ul style="list-style-type: none"> Notes are issued with the benefit of the guarantee set out in the Trust Deed pursuant to which the Guarantor being: <ul style="list-style-type: none"> the APA Responsible Entity in its capacity as trustee and responsible entity of APT; and the APA Responsible Entity in its capacity as trustee and responsible entity of APTIT, guarantees, on an unsecured and subordinated basis, payment to each Holder of all amounts at any time due for payment by the Issuer in respect of Notes on and subject to the terms of the Guarantee. Claims of Holders against the APA Responsible Entity in respect of Notes will, in the event of a winding-up of APT and APTIT, be subordinated in right of payment to the claims of all creditors of APT and APTIT other than Guarantor Equal Ranking Obligations in respect of APT or APTIT (as applicable). Guarantor Equal Ranking Obligations include any obligations expressed to rank pari passu with obligations under the Guarantee and claims under, or that are expressed to be treated as claims under, the most junior preference securities issued by APT or APTIT. The terms of the Guarantee do not restrict a Guarantor from being a guarantor in respect of other liabilities of the APA Group and claims against a Guarantor arising from these liabilities may rank ahead of claims under the Guarantee. | Clause 1.8 of the Terms. |
| 2.5.3 Notes are described as “subordinated.” What does this mean and how will Notes rank in (A) an event of insolvency; or (B) a winding-up of APT and APTIT? | <ul style="list-style-type: none"> Claims of Holders in respect of Notes rank behind claims of all creditors of APTPL (including any other creditors who are subordinated creditors, and claims of creditors mandatorily preferred by law) except holders of Equal Ranking Obligations from time to time (there being no such obligations at the date of this Prospectus). As described in Section 2.5.2, the Notes are guaranteed. Obligations under the Guarantee are subordinated in right of payment to the claims of all creditors of the APA Responsible Entity, as responsible entity of APT and APTIT, other than Guarantor Equal Ranking Obligations (there being no such obligations at the date of this Prospectus). APA Group is not restricted under the Terms or the Trust Deed from creating further senior or equal ranking obligations in the future. Accordingly, the amount which may be paid to a Holder by APTPL and by the APA Responsible Entity in respect of a Note may not be the Redemption Amount (described in Section 2.4.4) but a lesser amount determined in the manner described in Section 2.5.4. | Clause 2.1 of the Terms. |

| Topic | Summary | Further Information |
|--|---|-------------------------------|
| <p>2.5.4 What will be payable to Holders if (A) there is an event of insolvency affecting APTPL; or (B) the winding-up of APT or APTIT?</p> | <ul style="list-style-type: none"> • If there is an event of insolvency of APTPL, then Notes rank as if they are the most junior class of preference securities in APTPL on issue at that time, that is: <ul style="list-style-type: none"> - ahead of equity of APTPL; - equally with Equal Ranking Obligations; and - behind all creditors and all other classes of securities. • Any shortfall will be payable by the APA Responsible Entity, in its capacity as responsible entity of APT and APTIT as Guarantor under and subject to the terms of the Guarantee. • Obligations under the Guarantee will rank, in an event of a winding-up of APT or APTIT as if they were the most junior class of preference securities on issue at that time, that is: <ul style="list-style-type: none"> - ahead of APA Stapled Securities; - equally with Guarantor Equal Ranking Obligations; and - behind all creditors and all other classes of securities of APT and APTIT (as applicable). • This means that the amount payable to Holders on a winding-up of APT and APTIT will effectively be the amount determined by a formula (which, when added to the amount received from APTPL, could be less than the Redemption Amount per Note). That formula will calculate the amount Holders would receive if the APA Responsible Entity, as responsible entity of APT and APTIT, first fully repaid all creditors of APT and APTIT (including liabilities preferred by law but excluding any equal ranking obligations of APT and APTIT) and all classes of securities issued by APT and APTIT, except for APA Stapled Securities and Guarantor Equal Ranking Obligations, before meeting obligations under the Guarantee and Guarantor Equal Ranking Obligations. • Accordingly where there is a winding-up of APT and APTIT, there is a risk that Holders will not receive the Redemption Amount in full, or at all. | <p>Clause 2 of the Terms.</p> |

2. ABOUT APA SUBORDINATED NOTES

| Topic | Summary | Further Information | | | | | | | | | | | | | | | |
|--|---|---|-----------------------------|--|---------------------------|----------------|------|---|-----------------------------|---------|--------------|----------------------------|---------------|--------|---|-----------------------------|--|
| 2.5.5 Illustration of ranking of APA Group's obligations in respect of existing debt instruments, hybrid instruments and equity upon a winding-up of APT and APTIT. | <p>The table below illustrates how Notes would rank upon a concurrent winding-up of APT and APTIT and liquidation of APTPL against obligations of APTPL, APT and APTIT in respect of existing debt instruments, ordinary equity in APTPL and the APA Stapled Securities. This is a simplified capital structure and does not specifically identify every type of security issued by APA Group or every potential claim against APTPL, APT and APTIT in a liquidation/winding-up.</p> <table border="1" data-bbox="379 607 1137 936"> <thead> <tr> <th data-bbox="379 607 435 674"></th> <th data-bbox="443 607 547 674">Type</th> <th data-bbox="555 607 954 674">Existing debt instruments, hybrid instruments and equity</th> <th data-bbox="962 607 1137 674">Amount drawn¹</th> </tr> </thead> <tbody> <tr> <td data-bbox="379 696 435 779" rowspan="2">HIGHER RANKING</td> <td data-bbox="443 696 547 779">Debt</td> <td data-bbox="555 696 954 808">US private placements, European Medium Term Notes, Australian Medium Term Notes and bank borrowings</td> <td data-bbox="962 696 1137 779">\$2.99 billion¹</td> </tr> <tr> <td data-bbox="443 819 547 853">Hybrids</td> <td data-bbox="555 819 954 853">Notes</td> <td data-bbox="962 819 1137 853">\$350 million²</td> </tr> <tr> <td data-bbox="379 864 435 936">LOWER RANKING</td> <td data-bbox="443 864 547 936">Equity</td> <td data-bbox="555 864 954 936">APA Stapled Securities and ordinary equity in APTPL</td> <td data-bbox="962 864 1137 936">\$1.61 billion³</td> </tr> </tbody> </table> <p data-bbox="379 954 1137 1043">Note 1: Amount drawn is based on 8 August 2012 numbers (see Section 4.6). Assuming the HDUF Offer had been implemented, the amount of drawn debt (based on the drawn debt balances shown in the HDUF Supplementary Target's Statement dated 3 August would have been \$4.31 billion. See further Section 4.6.</p> <p data-bbox="379 1048 1137 1081">Note 2: The amount issued under the Offer may be higher or lower than this amount.</p> <p data-bbox="379 1086 1137 1097">Note 3: Based on unaudited numbers.</p> <p data-bbox="379 1115 1137 1171">Holders are not creditors of APT and APTIT's Subsidiaries (other than APTPL) but of APTPL, APT and APTIT only.</p> <p data-bbox="379 1176 1137 1406">On a concurrent liquidation of APTPL and winding-up of APT and APTIT, Holders would, subject to the rights of holders of higher ranking debt, have access as creditors of the APA Responsible Entity, as responsible entity of APT and APTIT, and APTPL to the shares and other interests the APA Responsible Entity and APTPL hold in their Subsidiaries at the time. However, returns to APTPL, APT and APTIT as holders of those shares and other interests would be made only once creditors of the relevant Subsidiaries were satisfied in full.</p> | | Type | Existing debt instruments, hybrid instruments and equity | Amount drawn ¹ | HIGHER RANKING | Debt | US private placements, European Medium Term Notes, Australian Medium Term Notes and bank borrowings | \$2.99 billion ¹ | Hybrids | Notes | \$350 million ² | LOWER RANKING | Equity | APA Stapled Securities and ordinary equity in APTPL | \$1.61 billion ³ | |
| | Type | Existing debt instruments, hybrid instruments and equity | Amount drawn ¹ | | | | | | | | | | | | | | |
| HIGHER RANKING | Debt | US private placements, European Medium Term Notes, Australian Medium Term Notes and bank borrowings | \$2.99 billion ¹ | | | | | | | | | | | | | | |
| | Hybrids | Notes | \$350 million ² | | | | | | | | | | | | | | |
| LOWER RANKING | Equity | APA Stapled Securities and ordinary equity in APTPL | \$1.61 billion ³ | | | | | | | | | | | | | | |

2.6 OTHER

| Topic | Summary | Further Information |
|--|--|--|
| 2.6.1 Can APA Group issue further Notes or other instruments? | <ul style="list-style-type: none"> • APA Group reserves the right to issue further Notes or other instruments upon such terms as to ranking (including those that rank ahead of Notes), distributions or interest, conversion, redemption and otherwise as APA Group may determine at the time of issue. • Notes do not confer on Holders any right to subscribe for new securities in APA Group, or to participate in any bonus issues. | <p>Clause 8 of the Terms.</p> <p>Clause 7 of the Terms.</p> |
| 2.6.2 What voting rights do Notes carry at meetings of holders of APA Stapled Securities? | <ul style="list-style-type: none"> • Holders have no voting rights at meetings of holders of APA Stapled Securities. | <p>Clause 7 of the Terms.</p> |
| 2.6.3 What is an Event of Default? | <ul style="list-style-type: none"> • An Event of Default will occur, in summary, if: <ul style="list-style-type: none"> – there is a failure to pay an amount owing under the Notes within 30 days of its due date; or – a Winding-up Event has occurred in respect of APTPL, APT or APTIT other than for the purposes of a Solvent Reorganisation. • It will not be an Event of Default if a non-payment occurs in order to comply with law or if an Interest Payment is deferred in accordance with the Terms. | <p>Clause 9 of the Terms.</p> <p>Clause 17.2 of the Terms.</p> |
| 2.6.4 What will happen if an Event of Default occurs? | <ul style="list-style-type: none"> • If an Event of Default occurs, the Trustee may, and must if so directed by a Special Resolution of the Holders or so requested in writing by the Holders of at least 25% of the total Face Value of the Notes (subject to the terms of the Trust Deed and the Terms), notify APTPL that the Redemption Amount on Notes is immediately due and payable, (in respect of a payment default) institute proceedings for the winding-up of APTPL and/or prove in the winding-up (if so ordered) of APTPL for the amount payable under the Terms. • The Trustee does not have the power under the Terms or the Trust Deed to take proceedings to enforce any payment obligation of APTPL or the APA Responsible Entity (other than for the winding-up of APTPL). • An Event of Default may also trigger cross-default provisions in APA Group's other contracts and debt facilities. • Generally, only the Trustee (and not a Holder) has the right to enforce any right or remedy under or in respect of Notes unless the Trustee having become bound to proceed fails to do so within 14 days and the failure is continuing. | <p>Clauses 9.1 and 9.2 of the Terms.</p> |

2. ABOUT APA SUBORDINATED NOTES

| Topic | Summary | Further Information |
|---|--|-------------------------------------|
| 2.6.5 Can APTPL amend the Terms? | <ul style="list-style-type: none"> • Yes. Subject to complying with all applicable laws and the Terms, APTPL may amend the Terms, the Trust Deed or the Guarantee without the consent of Holders if the amendment, in the opinion of APTPL or the APA Responsible Entity (as applicable) is: <ul style="list-style-type: none"> - made to cure any ambiguity or correct a manifest error; - of a formal, minor or technical nature; - necessary to comply with any law; - necessary or expedient for the purposes of enabling the Notes to be listed for quotation or to retain quotation on any stock exchange or offered for subscription or for sale under the laws of a place and is not in the opinion of APTPL materially prejudicial to the interest of Holders generally; - necessary to comply with the Listing Rules or the listing or quotation requirements of any stock exchange and is not in the opinion of APTPL materially prejudicial to the interest of Holders generally; or - not otherwise in APTPL's opinion materially prejudicial to Holders generally, provided that: <ul style="list-style-type: none"> - following the amendment, the Notes must have a level of "equity credit" ascribed to them by S&P which is the same as or higher than the level of "equity credit" that was ascribed to the Notes immediately prior to the amendment; - the amendment would not give rise to a Tax Event; and - any amendments which will have an adverse effect on the Trustee's rights and obligations under the transaction documents must be approved by the Trustee. • APTPL may also amend the Terms if the amendment has been approved by Special Resolution of Holders provided that any amendments which will have an adverse effect on the Trustee's rights and obligations under the transaction documents must also be approved by the Trustee. | Clauses 10.1 and 10.2 of the Terms. |
| 2.6.6 Can the Issuer change? | <ul style="list-style-type: none"> • Subject to certain requirements and the Issuer being satisfied that the interests of the Holders will not be materially prejudiced by the substitution, the Issuer may, with agreement with the Trustee but without the consent or approval of Holders, substitute in its place any Related Entity as the principal debtor in respect of the Notes in accordance with the Terms and the Trust Deed. | Clause 11 of the Terms. |
| 2.6.7 Can the Guarantor change and/or be released? | <ul style="list-style-type: none"> • The Guarantor may change whenever there is a Solvent Reorganisation of the APA Group that leads to a change in the top listed entity or entities in the APA Group. • Generally, in those circumstances, the Guarantor might change so that only those entities who are the top listed entity or entities in the APA Group act as Guarantor under the Guarantee (and any entity that ceases to be such an entity might be released under the Guarantee). • Investors should also note that under the Guarantee, the APA Responsible Entity, as responsible entity of APTIT, may be released from the Guarantee if units in APT and units in APTIT are destapled so that they no longer trade together provided that there is a top listed entity or entities who remain Guarantor. | |



Watson Regulator Station, Canberra

3. ABOUT APA GROUP

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3. ABOUT APA GROUP

The Notes are issued by APTPL, a member of the APA Group. However, given a) APTPL is a treasury/investment company and not an operating entity, and b) the Notes are guaranteed by the APA Responsible Entity in its capacity as trustee of APT and APTIT, the Board considers that it is the credit profile of APA Group which is most relevant to assessing whether to invest in Notes. Accordingly, this Section 3 sets out general information about the business of the APA Group. Similarly, Section 4 sets out pro forma and historical financial information about the APA Group.

3.1 APA GROUP SUMMARY

APA Group is Australia's largest natural gas infrastructure business¹¹. It owns and/or operates approximately \$9 billion¹² of energy infrastructure, which includes over 12,800 kilometres of gas transmission pipelines that span every state and territory on mainland Australia and deliver about half the nation's natural gas usage. It also has ownership interests in, and operates, the Envestra and the Allgas¹³ gas distribution networks, which together have approximately 25,000 kilometres of gas mains and approximately 1.2 million gas consumer connections. APA Group also owns other energy infrastructure assets such as gas storage facilities and a wind farm.

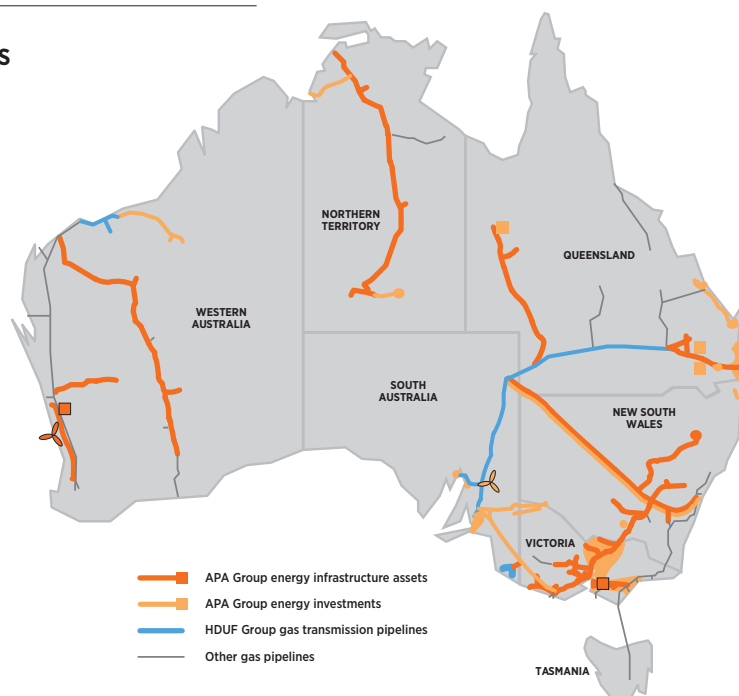
In addition to Envestra and GDI (EII), which owns the Allgas Distribution Network, APA Group also has equity interests in a number of energy infrastructure assets, including SEA Gas

Pipeline, Energy Infrastructure Investments, EII2 and the Ethane Pipeline Income Fund. Further, APA Group holds a 20.7% interest in HDUF and currently has an outstanding takeover bid to acquire all stapled securities of HDUF. The HDUF Offer closes on 4 September 2012 unless withdrawn or extended prior to that date.

APA Group has direct management and operational control over its assets and the majority of its investments and employs over 1,400 employees across Australia.

APA Group is listed on ASX and is included in the S&P ASX 100 Index. Since listing in June 2000, its market capitalisation has increased six-fold to over \$3.1 billion¹⁴, and it has achieved an aggregate total return to APA Group Securityholders of approximately 616%¹⁵.

FIGURE 3.1
APA GROUP ASSETS AND INVESTMENTS



As well as pipelines owned directly, Figure 3.1 also includes the pipelines of HDUF Group, in which APA Group already holds 20.7%. Figure 3.1 also includes the pipelines of APA Group's other energy investments outlined previously.

Note, the HDUF pipelines included in Figure 3.1 include MAPS. As described in Section 3.7, APA Group has given an undertaking to the ACCC to cause the divestiture of the MAPS business to a purchaser approved by the ACCC. This is to occur when APA Group has removed the HDUF responsible entity and appointed a new APA Group nominated responsible entity.

11 APA Group is Australia's largest natural gas infrastructure business by length of high pressure natural gas transmission pipelines and volume of natural gas transported

12 APA Group owns and operates approximately \$4.2 billion of its own assets. APA Group also operates assets of approximately \$4.7 billion owned by some of its energy investments (Envestra, SEA Gas Pipeline, GDI (EII), Energy Infrastructure Investments, and Ethane Pipeline Income Fund). The asset values are based on pro forma historical financial information for FY2011.

13 GDI (EII) owns the Allgas Distribution Network. APA Group has a 20% interest in GDI (EII).

14 Based on the closing price of APA Stapled Securities on the day before the date of this Prospectus of \$4.85 and total APA Stapled Securities currently on issue of 644,485,583.

15 Total APA Stapled Securityholder return is the capital appreciation of the APA Stapled Security price, adjusted for capital management (such as security splits or consolidations) and assuming reinvestment of distributions at the declared distribution rate per APA Stapled Security. The period analysed is from 12 June 2000 up to and including the day before the date of this Prospectus.

3.2 INDUSTRY OVERVIEW

3.2.1 Natural gas consumption and reserves

Natural gas supplies 23% of Australia's primary energy, which was 1,372 petajoules in 2009-2010. In 2010, the Australian Bureau of Agricultural and Resource Economics forecasted that natural gas consumption is expected to almost double to 2,575 petajoules by 2029-2030. The anticipated growth of natural gas consumption is driven in part by the Australian government's policies to reduce greenhouse gas emissions.

3.2.2 Overview of economic regulation in Australia

A national regulatory regime which provides mechanisms for third party access, regulatory pricing principles, regulatory governance and access dispute resolution is encapsulated in the National Gas Law and National Gas Rules. The objective of the regime is to promote efficient investment in, and efficient operation and use of, natural gas services for the long term interests of consumers of natural gas. The economic regulation aspects of the regime apply to most gas distribution networks and a number of gas transmission pipelines in Australia, being those that have a degree of market power and do not otherwise operate in a competitive environment.

The regime provides for two forms of regulation based on a pipeline's relative market power:

- (a) **Light regulation:** applies to pipelines that exhibit a degree of market power, derived through their natural monopoly characteristics, but not sufficient to warrant full regulation. Under light regulation, contractual terms (including price) are negotiated between the service provider and customer. If terms of access cannot be agreed, the matter can be referred to the regulator to arbitrate the access dispute; and
- (b) **Full regulation:** generally, applies to pipelines and networks that have a higher degree of market power derived from the natural monopoly nature of the assets. The full regulation regime provides for the regulator to determine price and other terms of access for standard ("reference") services as part of an Access Arrangement process. The regulatory regime is designed such that the asset owner has a reasonable opportunity to recover at least the efficient costs of owning and operating a pipeline to provide the reference services, including the benchmark cost of capital, regulatory depreciation, operating costs and "stay in business" capital taking into account forecast growth. Access Arrangement periods usually run for five years.

The AER is responsible for the economic regulation for gas transmission and distribution pipelines in all states except Western Australia, where the Economic Regulation Authority is the relevant regulator.

3.2.3 Contracted and regulated revenue

APA Group derives its revenue streams through a mix of regulated returns, long term negotiated revenue contracts and investments. Earnings are underpinned by strong cash flows generated from high quality, well positioned, geographically diversified assets and a small portfolio of creditworthy customers.

Approximately 45% of APA Group's pro forma revenue (excluding pass-through revenue) for the financial year ended 30 June 2011 was generated from assets subject to full regulation. This proportion did not increase materially in the 2012 financial year. Approximately 17% of APA Group's pro forma revenue came from haulage contracts on assets subject to full regulation, and these contracts have set terms, including price for the life of the contract, thereby limiting APA Group's exposure to decisions made by the regulator. The remaining 55% of APA Group's pro forma revenue is generated from sources that are subject to light regulation or not subject to economic regulation. This revenue is not directly impacted by decisions made by regulators.

Revenue generated from non-full regulation assets is derived from assets which are either subject to light regulation, or assets that are not the subject of economic regulation. Revenue from these assets is generally derived under medium to long term contractual services arrangements.

In addition, APA Group receives revenue from its energy investments and from asset management services. Energy investments and asset management services accounted for 6% and 11% of pro forma revenue (excluding pass-through revenue) respectively for the financial year ended 30 June 2011. It is not expected that these figures will be materially different for the financial year ended 30 June 2012.

3. ABOUT APA GROUP

3.3 PRINCIPAL ACTIVITIES OF APA GROUP

3.3.1 Overview

APA Group is a major participant in developing, owning and operating natural gas transportation infrastructure across Australia. Operations are reported in three principal business segments:

- (a) Energy infrastructure;
- (b) Energy investments; and
- (c) Asset management.

| Business Segment | Description |
|------------------------------|--|
| Energy Infrastructure | <ul style="list-style-type: none"> • APA Group is Australia's largest natural gas transmission pipeline infrastructure owner with a presence in each mainland Australian state and territory. The pipelines connect major gas fields in Australia with major markets giving APA Group a mix of new and existing market opportunities throughout Australia. • APA Group's pipelines have access to high growth sectors of the Australian natural gas market, namely power generation and industrial and commercial customers. APA Group manages, operates and maintains all its energy infrastructure assets:¹⁶ <ul style="list-style-type: none"> – Gas transmission pipelines: 12 high pressure gas transmission pipelines totalling approximately 10,170 kilometres; – Gas storage: Mondarra Gas Storage Facility in Western Australia and Dandenong LNG Storage Facility in Victoria; and – Power generation: 80MW Emu Downs wind farm in Western Australia. |
| Energy Investments | <ul style="list-style-type: none"> • APA Group has equity interests in a number of energy infrastructure companies, which comprise: <ul style="list-style-type: none"> – Gas distribution networks: Envestra¹⁷ (33% interest) and GDI (EII) (20% interest); – Gas pipelines: SEA Gas Pipeline¹⁸ (50% interest), Ethane Pipeline Income Fund¹⁹ (6% interest) and HDUF (20.7% interest); – Energy infrastructure: Energy Infrastructure Investments²⁰ (20% interest) and EII2²¹ (20% interest); and – Power stations: Diamantina Power Station in Queensland, currently under construction (50% interest) and AGL (50% interest). |
| Asset Management | <ul style="list-style-type: none"> • APA Group provides commercial, operating services and/or asset maintenance services to the majority of its energy investments for appropriate fees. • Assets under management include: <ul style="list-style-type: none"> – Envestra and Allgas has distribution networks: 25,000 kilometres of gas mains and 1.2 million gas consumer connections – Gas transmission pipelines: Envestra's 1,118 kilometres of pipelines; Telfer Gas Pipeline and lateral (488 kilometres); Bonaparte Gas Pipeline (286 kilometres) and Wickham Point Pipeline (13 kilometres) – Electricity transmission cables: Murraylink (176 kilometres) and Directlink (63 kilometres) – Gas-fired power stations: Daandine power station (27MW) and X41 power station (32MW) – Gas processing facilities: Kogan North (12 TJ/day) and Tipton West (29TJ/day) |

3.3.2 Description of APA Group's energy infrastructure assets

APA Group's energy infrastructure assets are tabled in Figure 3.2 below. No single asset accounted for more than 25% of APA Group's EBITDA in the 2011 financial year. The position is not expected to be materially different for the financial year ending 30 June 2012.

¹⁶ Excluding the recently acquired Emu Downs wind farm and Central Ranges Pipeline and Central Ranges Network, which are operated under existing agreements in place at the time of acquisition of the assets.

¹⁷ Envestra is Australia's largest gas distribution company with over 22,000 km of gas mains and 1.1 million gas consumers.

¹⁸ SEA Gas Pipeline transports gas from the Otway and Bass Basins back to Victoria and South Australia.

¹⁹ Ethane Pipeline Income Fund owns the Ethane Pipeline.

²⁰ Energy Infrastructure Investments is an unlisted investment vehicle that holds annuity style energy infrastructure assets. APA Group is the operator of those assets.

²¹ EII2 is an unlisted investment vehicle established to hold the North Brown Hill wind farm in South Australia.

FIGURE 3.2

APA GROUP ENERGY INFRASTRUCTURE ASSETS

| State/Territory | Asset | Ownership | Length/Capacity | Year commissioned | Regulatory status ²² |
|-----------------|--|-----------|--|---|--|
| Vic and SA | Victorian Transmission System | 100% | 1,842km across Victoria | Late 1960s with ongoing extensions | Full regulation |
| | Dandenong LNG Storage Facility | 100% | 12,000 tonnes LNG storage | 1980 | Not regulated |
| | SESA Pipeline | 100% | 45km Poolaijelo to Ladbroke Grove | 2005 | Not regulated |
| NSW | Moomba Sydney Pipeline | 100% | 2,028km Moomba to Sydney, Laterals and NSW – Vic Interconnect | 1976 with extensions in 1980s and 1990s | Not regulated to Marsden Light regulation downstream of Marsden |
| | Central West Pipeline | 100% | 255km Marsden to Dubbo | 1998 | Light regulation |
| | Central Ranges Pipeline | 100% | 294km Dubbo to Tamworth | 2006 | Full regulation |
| WA and NT | Goldfields Gas Pipeline ²³ | 88.2% | 1,590km Yarraloola to Kalgoorlie mainline, Laterals and Kalgoorlie Kambalda pipeline | 1996 | Full regulation (Kalgoorlie to Kambalda Pipeline is subject to Light regulation) |
| | Parmelia Gas Pipeline | 100% | 446km Dongara to Pinjarra | 1972 | Not regulated |
| | Mondarra Gas Storage Facility | 100% | Depleted gas reservoir currently under expansion | 1994 | Not regulated |
| | Mid West Pipeline | 50% | 362km Geraldton to Windimurra | 1999 | Not regulated |
| | Emu Downs wind farm | 100% | 80MW | 2006 | Not regulated |
| | Amadeus Gas Pipeline | 100% | 1,671km Amadeus Basin to Darwin | 1986 | Full regulation |
| Qld | Carpentaria Gas Pipeline ²⁴ | 100% | 944km Ballera to Mount Isa | 1998 | Light regulation |
| | Roma Brisbane Pipeline ²⁵ | 100% | 582km Wallumbilla to Brisbane, including the Peat Lateral | 1969 | Full regulation |
| | Berwyndale Wallumbilla Pipeline | 100% | 112km Berwyndale to Wallumbilla | 2009 | Not regulated |

22 Assets marked with “Not regulated” are not currently subject to economic regulation under the relevant regulatory regime.

23 Includes APA Group’s wholly-owned laterals and the Kalgoorlie to Kambalda Pipeline.

24 Includes Cannington Lateral.

25 Includes Peat Lateral.

3. ABOUT APA GROUP

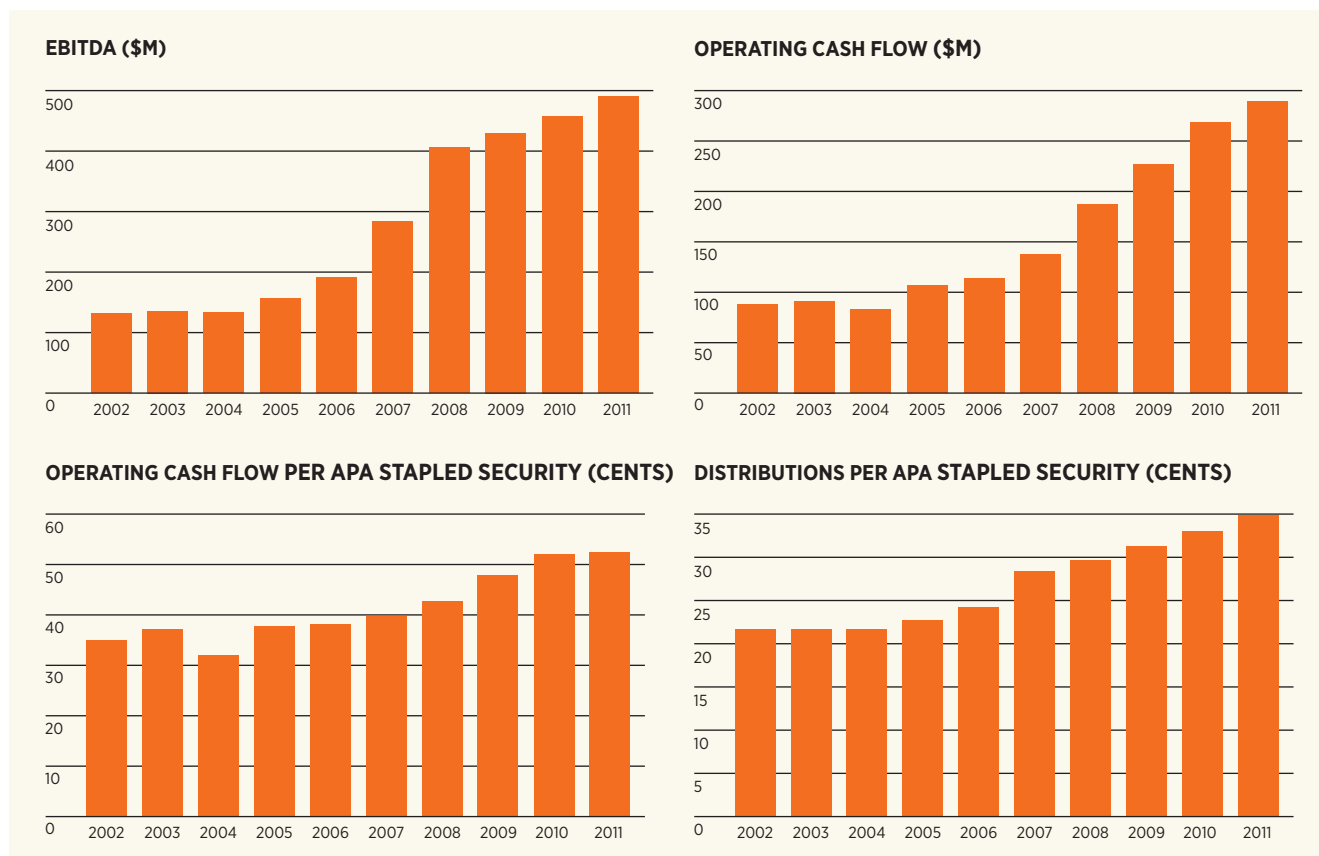
3.4 FINANCIAL HIGHLIGHTS

APA Group has a track record of delivering consistent financial performance and superior returns to APA Securityholders.

3.4.1 APA Group's 10-year historical financial performance

FIGURE 3.3

ILLUSTRATIVE TRENDS IN EBITDA, OPERATING CASH FLOW, OPERATING CASH FLOW PER APA STAPLED SECURITY AND DISTRIBUTIONS PER APA STAPLED SECURITY²⁶



3.5 APA GROUP OBJECTIVES

APA Group's objective to maximise the value of APA Group for its investors is supported by its strategy to:

- (a) focus on expanding and enhancing its natural gas infrastructure portfolio to meet the increasing demand for natural gas services. This involves acquisition, organic expansion and development of gas infrastructure, including gas transmission pipelines and associated gas storage facilities;
- (b) capture revenue and operational synergies from its significant asset base. APA Group is developing services across multiple assets and actively pursuing group wide initiatives to ensure best in class systems and practices are used throughout its asset portfolio;

- (c) pursue asset development opportunities which leverage APA Group's existing assets and utilise the depth of its comprehensive asset management and operational skills;
- (d) enhance APA Group's services to customers, including the development of more flexible and tailored services to better satisfy customer requirements; and
- (e) strengthen financial capability.

This strategy has been relatively unchanged since listing.

²⁶ The charts in Figure 3.3 are based on historical financial performance and are different from the pro forma information contained in Section 4.2. These charts do not reflect APA Group's sale of an 80% interest in Allgas and other adjustments made to the pro forma information (as described in Section 4.2).

Consistent with this strategy, over the past five years, APA Group has commenced or completed over \$1 billion of growth projects and acquisitions, including:

- (a) pipeline acquisitions: Central Ranges Pipeline (2008), Berwyndale Wallumbilla Pipeline (2009) and Amadeus Gas Pipeline (2011);
- (b) pipeline expansions and developments: Victorian Transmission System (2008-2012), Moomba Sydney Pipeline (2008-2012), Goldfields Gas Pipeline (2009, 2012-2014), Carpentaria Gas Pipeline (2009), Young Wagga Looping (2010), Roma Brisbane Pipeline (2010-2012), and Bonaparte Gas Pipeline and Wickham Point Pipeline (2008-2009 – partially divested into Energy Infrastructure Investments);
- (c) gas storage: Mondarra Gas Storage Facility expansion (2011-2013);
- (d) energy infrastructure: EII2 (North Brown Hill wind farm) (20%), Emu Downs wind farm acquisition (2011) and Diamantina Power Station development (2011-2013) (50%).

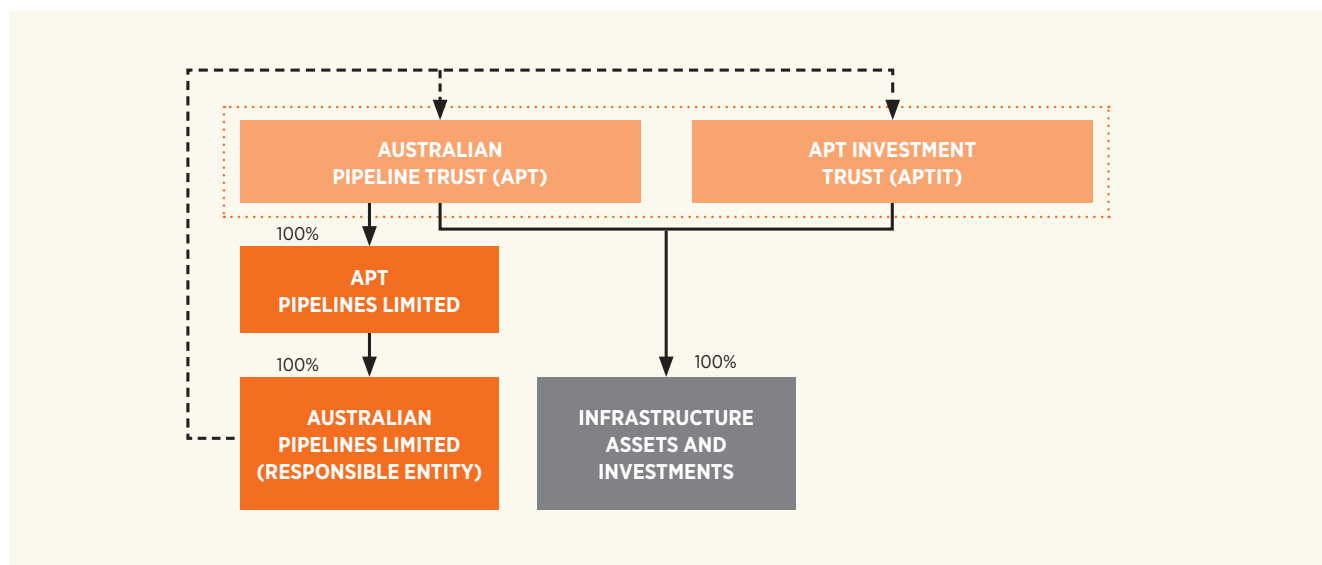
At the same time, APA Group’s focus on maximising business value has involved partially divesting annuity style infrastructure assets and recycling capital into the higher growth portfolio assets within APA Group, while retaining longer term operatorship of those divested assets.

3.6 OWNERSHIP STRUCTURE AND MANAGEMENT

APA Group comprises two trusts, APT and APTIT which are registered managed investment schemes regulated by the Corporations Act. Units in APT are “stapled” to units in APTIT on a one to one basis so that one APT Unit and one APTIT Unit form a single stapled security which trades on ASX (ticker “APA”).

APT and APTIT are required by the Corporations Act to have a responsible entity which performs the role of trustee of these trusts. APL, a member of the APA Group, acts in a trustee capacity in its role as the APA Responsible Entity. The APA Responsible Entity and its officers must act in the best interests of APA Securityholders.

FIGURE 3.4
APA GROUP SECURITYHOLDERS



The Board comprises eight directors, the majority of whom (including the Chairman) are independent. Details of APA Group’s corporate governance policies are available on APA Group’s website at www.apa.com.au.

The character of distributions from the two trusts differs and that affords flexibility with respect to returns to APA Securityholders on their investment in APA Group. APT generally provides post-tax distributions whilst APTIT provides pre-tax distributions, and both may include a tax deferred component.

The APA Responsible Entity holds 100% of the shares in APTPL on trust for APT. APTPL in turn holds 100% of the shares in the APA Responsible Entity.

As well as being the holding company for the APA Responsible Entity, the principal activities of APTPL are to manage the treasury activities (being the sole corporate borrower on behalf of APA Group), advancing borrowings to companies within APA Group and being the parent investment company for APT.

3. ABOUT APA GROUP

3.7 HDUF OFFER AND THE COMBINED GROUP

On 14 December 2011, APA Group announced an off-market takeover offer for all of the HDUF Stapled Securities that it did not then own. The HDUF Offer was made through APTPL. APA Group currently owns 20.7% of the HDUF Stapled Securities on issue. The HDUF Offer is open until 4 September 2012 unless extended or withdrawn. The HDUF Offer is currently subject to a number of conditions.

3.7.1 Overview of HDUF Group and its principal activities

HDUF is an investment vehicle managed by Hastings Funds Management Limited, a subsidiary of Westpac Banking Corporation. HDUF comprises HDUF Epic Trust, HDUF Finance Trust and HDUF Further Investments Trust. HDUF is listed on ASX.

HDUF Group's investment portfolio currently comprises 100% ownership of Epic, a large Australian gas transmission company.

3.7.2 Epic

Epic consists of three natural gas transmission pipeline systems - the MAPS, the SWQ Pipeline and the Pilbara Pipeline System.

MAPS

The MAPS is a 1,184 kilometre pipeline (including Laterals) with a current partly compressed capacity of approximately 240 terajoules per day. The pipeline provides gas transmission to Adelaide and South Australian regional centres from the Cooper Basin production and processing facilities at Moomba. The pipeline also provides gas transmission from the coal seam gas fields of south east Queensland via the SWQ Pipeline. The undertaking given by APA Group to the ACCC requires that APA Group must, from when APA Group has removed their responsible entity and appointed a new APA Group nominated responsible entity, cause the divestiture of the MAPS business to a purchaser approved by the ACCC.

SWQ Pipeline

The SWQ Pipeline (including QSN Link) is an approximately 937 kilometre pipeline with a current partly compressed capacity of approximately 385 terajoules per day (having increased following the completion of the SWQ Pipeline expansion). The SWQ Pipeline enables gas to be supplied from the coal seam gas fields of south east Queensland to power stations in regional Queensland and to the Mount Isa market, and also to the south eastern Australia gas markets.

This occurs via the Carpentaria Pipeline (owned by APA Group) and through connections at Moomba into the Moomba Sydney Pipeline (owned by APA Group). Gas is then on-shipped to New South Wales and through Epic's MAPS to South Australian markets.

Pilbara Pipeline System

The Pilbara Pipeline System includes four connected pipelines with a mainline uncompressed capacity of approximately 180 terajoules per day. These pipelines enable the supply of gas from Woodside's North West Shelf processing facility on the Burrup Peninsula onto Dampier to Bunbury Natural Gas Pipeline at Karratha for onshipping to Perth as well as to be delivered to users in Port Hedland.

3.7.3 Current HDUF Offer status

The HDUF Offer is open until 4 September 2012 unless extended or withdrawn and is currently subject to a number of conditions, however APTPL has reserved the right to waive these conditions. Further details of the HDUF Offer are set out in APTPL's bidder's statement (as supplemented) which is available on APA's website, www.apa.com.au, and on the ASX website.

On 19 July 2012, the ACCC announced that it would not oppose the proposed acquisition by APA Group of HDUF, on the basis of its acceptance of the undertaking from APA Group to divest the MAPS business. The undertaking requires that APA Group must, from when APA Group has removed the HDUF responsible entity and appointed a new APA nominated responsible entity, cause the divestiture of the MAPS business to a purchaser approved by the ACCC.

3.7.4 Combined Group - APA Group and HDUF financial information

If APA acquires a relevant interest in at least 90% of the HDUF Stapled Securities APA will be entitled to compulsorily acquire any outstanding HDUF Stapled Securities. Following completion of compulsory acquisition, HDUF will become a 100% wholly owned subsidiary of APA Group.

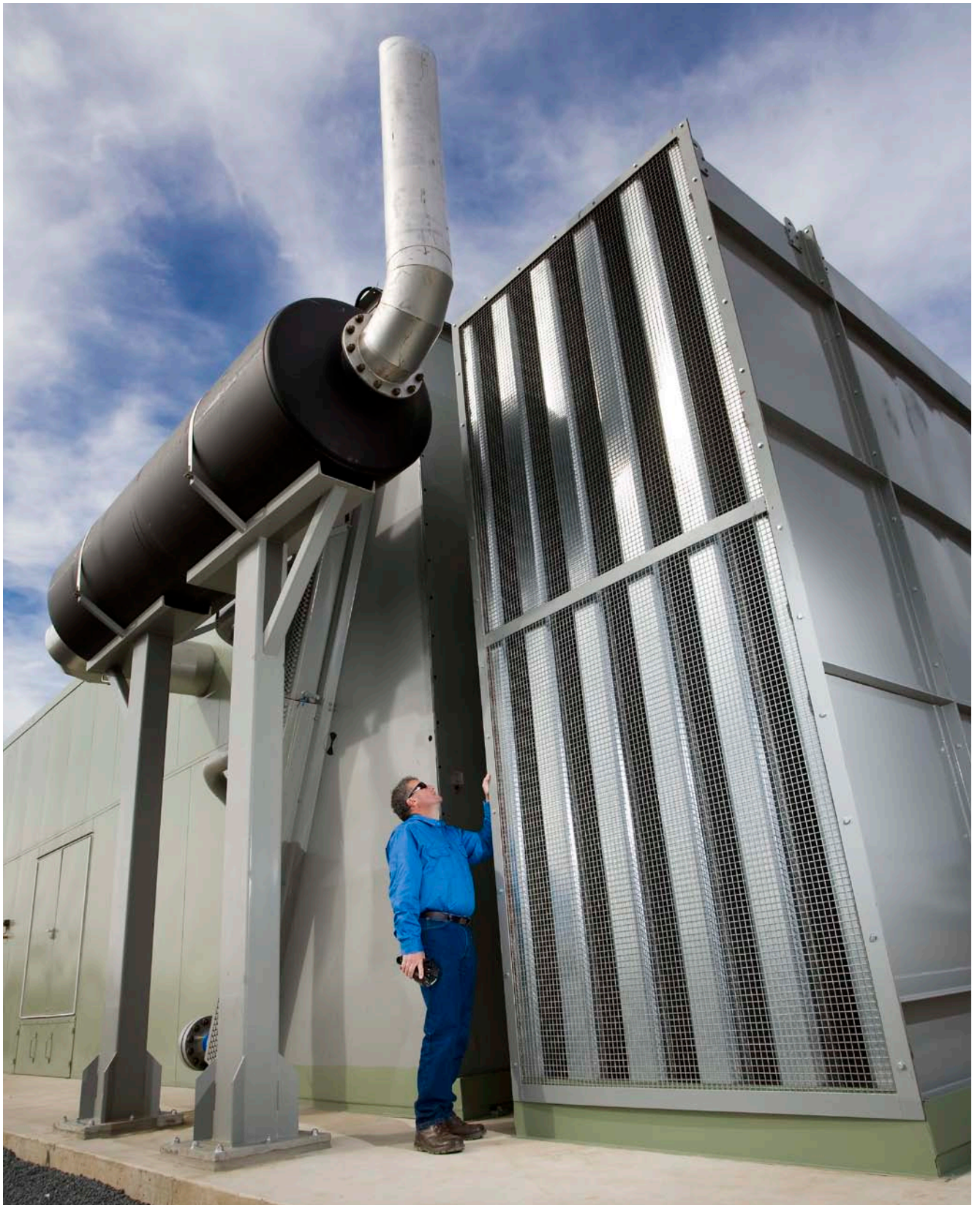
APA Group has indicated its intention that on obtaining a relevant interest in at least 70% of all the HDUF Stapled Securities APA Group will waive its 90% minimum ownership condition.

This means that the outcome of the HDUF Offer may be that HDUF becomes a part-owned controlled entity (where the APA Group holds 50.1% or more (but less than 100%) of HDUF).

Section 4.4 of this Prospectus contains details of the Combined Group pro forma historical financial information, assuming:

- (a) that APA Group acquires 100% of HDUF under the HDUF Offer; and
- (b) that APA Group acquires 50.1% of HDUF under the HDUF Offer.

Section 4.4 of this Prospectus does not include any financial information for the scenario in which the APA Group retains a less than 50.1% stake in HDUF at the conclusion on the HDUF Offer. In those circumstances APA Group will be a minority holder in HDUF.



Culcairn Compressor Station, New South Wales

4. FINANCIAL INFORMATION

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4. FINANCIAL INFORMATION

The Notes are issued by APTPL, a member of the APA Group. However, given a) APTPL is a treasury/investment company and not an operating entity, and b) the Notes are guaranteed by the APA Responsible Entity in its capacity as trustee of APT and APTIT, the Board considers that it is the credit profile of APA Group which is most relevant to assessing whether to invest in Notes. Accordingly, this Section 4 includes pro forma and historical financial information about the APA Group. Similarly, Section 3 sets out general information about the business of the APA Group.

4.1 INTRODUCTION

Pro forma financial information has been presented in this Section reflecting:

- the impact of the Offer on APA Group's consolidated financial position on a stand-alone basis together with other relevant pro forma adjustments to APA Group's financial position and performance (Section 4.2);
- pro forma adjustments to the HDUF Group. The HDUF Offer remains open on lodgement of this Prospectus and funds raised from this Offer may be used, in part, to fund the acquisition of the HDUF Group. Accordingly, pro forma historical financial information for the HDUF Group has been included in this Prospectus (Section 4.3);
- the impact of the HDUF Offer on the APA Group providing investors with an indication of the scale and size of the Combined Group (see Section 4.4) considering two acquisition scenarios:
 - (1) APA Group acquires 100% of HDUF Group;
 - (2) APA Group acquires 50.1% of HDUF Group; and
- two of APA Group's key financial ratios which are relevant to investors in the Notes (see Section 4.5).

The Investigating Accountants have been appointed to prepare an Investigating Accountants' Report based on a review of the above detailed pro forma financial information. The Investigating Accountants' Report is set out in Appendix C.

4.2 APA GROUP PRO FORMA HISTORICAL FINANCIAL INFORMATION

4.2.1 Summary APA Group pro forma historical financial information

This Section 4.2 contains a summary of the following APA Group pro forma historical financial information:

- (1) pro forma historical consolidated income statements for the six months ended 31 December 2011 ("HY2012") and the financial years ended 30 June 2011 ("FY2011") and 30 June 2010 ("FY2010");
- (2) pro forma historical consolidated balance sheet of APA Group as at 31 December 2011; and
- (3) pro forma historical consolidated statements of operating cash flow for HY2012, FY2011 and FY2010.

4.2.2 Basis of preparation

APA Group's reported income statements, balance sheet and cash flows are disclosed in the annual report of APA Group for FY2011, which includes comparatives for FY2010, and in the interim financial report of APA Group for HY2012, both of which can be found at www.apa.com.au. During HY2012, APA Group completed the following significant transactions:

- (1) the sale of 80% of the Allgas Distribution Network on 16 December 2011 and the retention of a 20% equity accounted investment in the unlisted investment vehicle GDI (EII) which owns the Allgas Distribution Network; and
- (2) the refinancing of \$1.45 billion of debt facilities on 3 November 2011.

In order to illustrate the financial effect of the above transactions, APA Group's reported income statements and cash flows for HY2012, FY2011 and FY2010 have been adjusted as if the sale of 80% of the Allgas Distribution Network occurred on 1 July 2009.

APA Group's reported balance sheet as at 31 December 2011 has been adjusted to reflect the repayment of the borrowings that were shown as a current liability at 31 December 2011 as if this had occurred on 31 December 2011. Further information on the pro forma adjustments is provided in the explanatory notes accompanying each table below.

The historical financial information below relates to APA Group on a stand-alone basis and accordingly does not reflect any impact of the HDUF Offer. The pro forma financial effect of the HDUF Offer is set out in Section 4.4.

4.2.3 APA Group's pro forma historical income statements

APA GROUP PRO FORMA HISTORICAL INCOME STATEMENT

for the six months ended 31 December 2011

| A\$'000 | HY2012 REPORTED | PRO FORMA ADJUSTMENTS | HY2012 PRO FORMA |
|--|--------------------|--------------------------|---------------------|
| Operating revenue excluding pass-through revenue | 372,529 | (29,163) | 343,366 |
| Share of net profits of joint venture entities accounted for using the equity method | 16,340 | (194) | 16,146 |
| Other income (including investment income) | 8,264 | - | 8,264 |
| Operating pass-through revenue | 130,873 | 17,432 | 148,305 |
| Total revenue excluding interest income | 528,006 | (11,925) | 516,081 |
| Asset operation and management expenses | (63,416) | 17,627 | (45,789) |
| Other pipeline costs – pass-through | (130,873) | (17,432) | (148,305) |
| Employee benefit expense | (48,707) | 3,296 | (45,411) |
| Other expenses | (6,118) | - | (6,118) |
| EBITDA | 278,892 | (8,434) | 270,458 |
| Finance costs | (134,147) | 16,331 | (117,816) |
| Finance income | 2,446 | - | 2,446 |
| Depreciation and amortisation expense | (56,265) | 5,913 | (50,352) |
| Profit before tax | 90,926 | 13,810 | 104,736 |
| Income tax expense | (24,906) | (1,012) | (25,918) |
| Minority interest other than APTIT equity holders | (3) | - | (3) |
| Profit after tax including interests of APTIT equity holders | 66,017 | 12,798 | 78,815 |

APA GROUP PRO FORMA HISTORICAL INCOME STATEMENT

for the year ended 30 June 2011

| A\$'000 | FY2011 REPORTED | PRO FORMA ADJUSTMENTS | FY2011 PRO FORMA |
|--|--------------------|--------------------------|---------------------|
| Operating revenue excluding pass-through revenue | 667,209 | (55,059) | 612,150 |
| Share of net profits of joint venture entities accounted for using the equity method | 23,876 | 562 | 24,438 |
| Other income (including investment income) | 16,239 | - | 16,239 |
| Operating pass-through revenue | 381,733 | 39,868 | 421,601 |
| Total revenue excluding interest income | 1,089,057 | (14,629) | 1,074,428 |
| Asset operation and management expenses | (82,190) | 15,109 | (67,081) |
| Other pipeline costs – pass-through | (381,733) | (39,868) | (421,601) |
| Employee benefit expense | (114,923) | 6,350 | (108,573) |
| Other expenses | (18,102) | - | (18,102) |
| EBITDA | 492,109 | (33,038) | 459,071 |
| Finance costs | (260,004) | 35,481 | (224,523) |
| Finance income | 12,932 | - | 12,932 |
| Depreciation and amortisation expense | (100,350) | 12,676 | (87,674) |
| Profit before tax | 144,687 | 15,119 | 159,806 |
| Income tax expense | (35,862) | (4,535) | (40,397) |
| Minority interest other than APTIT equity holders | (316) | - | (316) |
| Profit after tax including interests of APTIT equity holders | 108,509 | 10,584 | 119,093 |

4. FINANCIAL INFORMATION

APA GROUP PRO FORMA HISTORICAL INCOME STATEMENT

for the year ended 30 June 2010

| A\$'000 | FY2010 REPORTED | PRO FORMA ADJUSTMENTS | FY2010 PRO FORMA |
|--|--------------------|--------------------------|---------------------|
| Operating revenue excluding pass-through revenue | 622,771 | (53,963) | 568,808 |
| Share of net profits of joint venture entities accounted for using the equity method | 13,687 | 240 | 13,927 |
| Other income (including investment income) | 9,224 | - | 9,224 |
| Operating pass-through revenue | 329,942 | 41,952 | 371,894 |
| Total revenue excluding interest income | 975,624 | (11,771) | 963,853 |
| Asset operation and management expenses | (75,959) | 15,089 | (60,870) |
| Other pipeline costs – pass-through | (329,942) | (41,952) | (371,894) |
| Employee benefit expense | (97,859) | 8,010 | (89,849) |
| Other expenses | (11,889) | - | (11,889) |
| EBITDA | 459,975 | (30,624) | 429,351 |
| Finance costs | (243,235) | 35,481 | (207,754) |
| Finance income | 13,866 | - | 13,866 |
| Depreciation and amortisation expense | (91,426) | 16,182 | (75,244) |
| Profit before tax | 139,180 | 21,039 | 160,219 |
| Income tax expense | (38,672) | (6,311) | (44,983) |
| Minority interest other than APTIT equity holders | (150) | - | (150) |
| Profit after tax including interests of APTIT equity holders | 100,358 | 14,728 | 115,086 |

4.2.4 Pro forma adjustments

The following pro forma adjustments have been made to APA Group's reported income statements for HY2012, FY2011 and FY2010:

| A\$'000 | HY2012 PRO FORMA ADJUSTMENTS | FY2011 PRO FORMA ADJUSTMENTS | FY2010 PRO FORMA ADJUSTMENTS |
|--|------------------------------------|------------------------------------|------------------------------------|
| Allgas Distribution Network results ¹ | (13,429) | (22,465) | (16,290) |
| Equity accounting (loss)/profit for residual investment in Allgas Distribution Network ¹ | (194) | 562 | 240 |
| Profit on sale of the Allgas Distribution Network of \$12.1 million less transaction costs of \$22.5 million resulting in a reported loss of \$10.4 million ² | 10,435 | - | - |
| APA Group as operator of the Allgas Distribution Network ³ | | | |
| • Pass-through revenue | 17,432 | 39,868 | 41,952 |
| • Pass-through costs | (17,432) | (39,868) | (41,952) |
| • Operator fee | 667 | 1,541 | 1,608 |
| Interest reduction - Allgas Distribution Network proceeds ⁴ | 16,331 | 35,481 | 35,481 |
| Profit before tax | 13,810 | 15,119 | 21,039 |
| Income tax expense ⁵ | (1,012) | (4,535) | (6,311) |
| Total pro forma adjustments | 12,798 | 10,584 | 14,728 |

(1) the reported income statements for HY2012, FY2011 and FY2010 reflected 100% of the results of the Allgas Distribution Network up to the date of sale (16 December 2011). Post the sale of an 80% interest in this business, APA Group accounts for its residual investment as an investment in an associate. The adjustment removes the 100% result contributed in HY2012, FY2011 and FY2010. This is replaced by the pro forma equity accounted share of net profit after tax of the associate. The net profit after tax of the associate has been derived from the historical earnings of this business before interest and tax with pro forma interest calculated based on the debt structure of the unlisted vehicle and pro forma tax effect at 30%;

(2) the reported income statement for HY2012 includes a loss of \$10.4 million (classified as a significant item) being the profit on divestment of the Allgas Distribution Network business of \$12.1 million offset by transaction costs of \$22.5 million. The significant item has been removed from the HY2012 reported income statement on the basis that it is considered to be non-recurring;

(3) the increase in 'pass-through revenue', 'pass-through costs' and operator fees relating to the appointment of APA Group as the operator of the Allgas Distribution Network as if this appointment had occurred on 1 July 2009;

(4) it has been assumed that the proceeds received on the sale of the Allgas Distribution Network business (\$478.4 million) have been utilised to reduce borrowings with effect from 1 July 2009. Accordingly, the pro forma adjustments reflect an interest saving of \$35.5 million in each of FY2011 and FY2010 and an interest saving of \$16.3 million for HY2012; and

(5) income tax expense on the pro forma adjustments has been reflected at a rate of 30% less permanent differences.

4. FINANCIAL INFORMATION

4.2.5 APA Group's pro forma historical balance sheet

APA GROUP'S PRO FORMA HISTORICAL BALANCE SHEET

| A\$'000 | 31 DEC 2011 REPORTED | DEBT RECLASSIFICATION PRO FORMA ADJUSTMENT | SUBORDINATED NOTES PRO FORMA ADJUSTMENT | 31 DEC 2011 PRO FORMA |
|---|-------------------------|---|--|--------------------------|
| Current assets | | | | |
| Cash and cash equivalents | 364,975 | (230,000) | 337,500 | 472,475 |
| Receivables, inventories and other current assets | 182,697 | - | - | 182,697 |
| Total current assets | 547,672 | (230,000) | 337,500 | 655,172 |
| Non-current assets | | | | |
| Property, plant and equipment | 3,332,666 | - | - | 3,332,666 |
| Equity accounted investments | 522,293 | - | - | 522,293 |
| Receivables and other financial assets | 290,033 | - | - | 290,033 |
| Goodwill and other intangible assets | 600,638 | - | - | 600,638 |
| Total non-current assets | 4,745,630 | - | - | 4,745,630 |
| Total assets | 5,293,302 | (230,000) | 337,500 | 5,400,802 |
| Current liabilities | | | | |
| Trade and other payables | 132,805 | - | - | 132,805 |
| Provisions | 54,369 | - | - | 54,369 |
| Borrowings and other financial liabilities | 276,281 | (230,000) | - | 46,281 |
| Total current liabilities | 463,455 | (230,000) | - | 233,455 |
| Non-current liabilities | | | | |
| Provisions | 49,722 | - | - | 49,722 |
| Deferred tax liabilities | 299,650 | - | - | 299,650 |
| Borrowings and other financial liabilities | 2,832,255 | - | 337,500 | 3,169,755 |
| Total non-current liabilities | 3,181,627 | - | 337,500 | 3,519,127 |
| Total liabilities | 3,645,082 | (230,000) | 337,500 | 3,752,582 |
| Net assets | 1,648,220 | - | - | 1,648,220 |
| Equity | | | | |
| APT: | | | | |
| Issued capital | 1,161,353 | - | - | 1,161,353 |
| Reserves | 60,821 | - | - | 60,821 |
| Retained earnings | 29,034 | - | - | 29,034 |
| Equity attributable to APA Group Securityholders | 1,251,208 | - | - | 1,251,208 |
| Minority interests | | | | |
| APTIT | 396,916 | - | - | 396,916 |
| Other minority interest | 96 | - | - | 96 |
| Total minority interest | 397,012 | - | - | 397,012 |
| Total equity | 1,648,220 | - | - | 1,648,220 |

4.2.6 Pro forma adjustments

The following pro forma adjustments have been made to APA Group's reported balance sheet as at 31 December 2011:

- (1) reflecting the \$350 million raised from the issue of the Notes less transaction costs estimated to be \$12.5 million recognised within non-current borrowings. However as noted in Section 1.1, APA Group has the ability to raise more or less than \$350 million under the Offer. If APA Group raises more or less than \$350 million, the actual amounts raised under the Offer will differ from those shown above. The proceeds raised from the Offer will be used to support APA Group's ongoing investment in the growth of its infrastructure assets (including for the acquisition of HDUF, if it proceeds), and for general corporate purposes; and
- (2) reflecting the settlement of \$230 million of current borrowings which were repaid on 9 January 2012 by drawing funds from cash reserves. This pro forma adjustment does not affect net assets.

The net effect of the above adjustments is no impact on the net assets.

The Allgas Distribution Network was divested on 16 December 2011 and hence there is no need to reflect any pro forma adjustments to the 31 December 2011 APA Group balance sheet in respect of the divestment.

4.2.7 APA Group's pro forma historical cash flows

APA Group has presented cash flow information below which is in abbreviated form and not a full cash flow statement as would be required to be disclosed in its interim and annual financial statements. The APA Responsible Entity considers that for purposes of this Prospectus it would be more meaningful to provide the following information on APA Group's operating cash flows and capital expenditure that has been extracted from APA Group cash flow statements for HY2012, FY2011 and FY2010.

APA GROUP PRO FORMA HISTORICAL CASH FLOWS

for the six months ended 31 December 2011

| A\$'000 | HY2012 REPORTED | PRO FORMA ADJUSTMENTS | HY2012 PRO FORMA |
|--|--------------------|--------------------------|---------------------|
| Receipts from customers | 550,715 | (11,445) | 539,270 |
| Payments to suppliers and employees | (301,540) | (5,461) | (307,001) |
| Dividends received | 22,588 | - | 22,588 |
| Proceeds from repayment of finance leases | 1,464 | - | 1,464 |
| Interest received | 2,871 | - | 2,871 |
| Interest and other costs of finance paid | (118,991) | 16,331 | (102,660) |
| Income tax paid | - | - | - |
| Responsible entity fees paid and other operating expenses paid | - | - | - |
| Net cash provided by operating activities | 157,107 | (575) | 156,532 |
| Net capital expenditure | (92,778) | 8,404 | (84,374) |

APA GROUP PRO FORMA HISTORICAL CASH FLOWS

for the financial year ended 30 June 2011

| A\$'000 | FY2011 REPORTED | PRO FORMA ADJUSTMENTS | FY2011 PRO FORMA |
|--|--------------------|--------------------------|---------------------|
| Receipts from customers | 1,165,338 | (20,203) | 1,145,135 |
| Payments to suppliers and employees | (704,597) | (19,838) | (724,435) |
| Dividends received | 45,890 | - | 45,890 |
| Proceeds from repayment of finance leases | 6,748 | - | 6,748 |
| Interest received | 6,162 | - | 6,162 |
| Interest and other costs of finance paid | (229,954) | 35,481 | (194,473) |
| Income tax paid | 442 | - | 442 |
| Responsible entity fees paid and other operating expenses paid | - | - | - |
| Net cash provided by operating activities | 290,029 | (4,560) | 285,469 |
| Net capital expenditure | (230,786) | 20,987 | (209,799) |

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APA GROUP PRO FORMA HISTORICAL CASH FLOWS

for the financial year ended 30 June 2010

| A\$'000 | FY2010 REPORTED | PRO FORMA ADJUSTMENTS | FY2010 PRO FORMA |
|--|--------------------|--------------------------|---------------------|
| Receipts from customers | 1,055,107 | (16,487) | 1,038,620 |
| Payments to suppliers and employees | (615,697) | (15,527) | (631,224) |
| Dividends received | 38,143 | - | 38,143 |
| Proceeds from repayment of finance leases | 2,875 | - | 2,875 |
| Interest received | 18,003 | - | 18,003 |
| Interest and other costs of finance paid | (230,670) | 35,481 | (195,189) |
| Income tax paid | - | - | - |
| Responsible entity fees paid and other operating expenses paid | - | - | - |
| Net cash provided by operating activities | 267,761 | 3,467 | 271,228 |
| Net capital expenditure | (135,426) | 21,006 | (114,420) |

4.2.8 Pro forma adjustments

The following pro forma adjustments have been made to APA Group's reported cash flows disclosed in the above tables for HY2012, FY2011 and FY2010:

| A\$'000 | HY2012 PRO FORMA ADJUSTMENTS | FY2011 PRO FORMA ADJUSTMENTS | FY2010 PRO FORMA ADJUSTMENTS |
|--|------------------------------------|------------------------------------|------------------------------------|
| Allgas Distribution Network operating cashflows ¹ | (17,573) | (41,582) | (33,622) |
| APA Group as operator of the Allgas Distribution Network ² | | | |
| • Pass-through revenue | 17,432 | 39,868 | 43,560 |
| • Pass-through costs | (17,432) | (39,868) | (43,560) |
| • Operator fee | 667 | 1,541 | 1,608 |
| Interest reduction – Allgas Distribution Network proceeds ³ | 16,331 | 35,481 | 35,481 |
| Total pro forma adjustments | (575) | (4,560) | 3,467 |
| Allgas Distribution Network capital expenditure ¹ | 8,404 | 20,987 | 21,006 |

(1) the exclusion of the operating cash flows and payments for property, plant and equipment of Allgas Distribution Network for HY2012, FY2011 and FY2010 as if the sale of this business had occurred on 1 July 2009;

(2) inclusion of pro forma cash receipts and payments from the appointment of APA Group as the operator of the Allgas Distribution Network business; and

(3) it has been assumed that the proceeds received on sale of the Allgas Distribution Network business have been utilised to reduce borrowings with effect from 1 July 2009. Accordingly, the pro forma adjustments reflect an interest saving of \$35.5 million in each of FY2011 and FY2010 and an interest saving of \$16.3 million for HY2012.

4.3 HDUF GROUP PRO FORMA HISTORICAL FINANCIAL INFORMATION

4.3.1 Summary HDUF Group pro forma historical financial information

This Section 4.3 contains a summary of the following HDUF Group pro forma historical financial information:

- (1) pro forma historical consolidated income statements HY2012, FY2011 and FY2010;
- (2) pro forma historical consolidated balance sheet of HDUF Group as at 31 December 2011; and
- (3) pro forma historical consolidated statements of operating cash flow for HY2012, FY2011 and FY2010.

4.3.2 Basis of preparation

The historical financial information presented for HDUF Group in this Section 4.3 has been prepared based on a review of publicly available information and should not be considered comprehensive.

Information in this Prospectus concerning HDUF Group's businesses has not been independently verified by APTPL or the APA Responsible Entity. Subject to the Corporations Act, none of APTPL, the Board, nor any member of APA Group or their respective officers or employees make any representation or warranty (express or implied) as to the accuracy or completeness of this information.

HDUF is a listed disclosing entity for the purposes of the Corporations Act and, as such is subject to regular reporting and disclosure obligations. Information about HDUF (including information concerning the financial position and affairs of HDUF Group) may be obtained from either HDUF's website at www.hfm.com.au/asxlisted/funds/hduf or the ASX website at www.asx.com.au. HDUF is required to lodge various documents with ASIC. Copies of documents lodged with ASIC by HDUF may be obtained from an ASIC office.

The historical financial information below relates to HDUF Group on a stand-alone basis and accordingly does not reflect any financial effects from the HDUF Offer which are set out in Section 4.4. The historical financial information below has been derived from information reported by HDUF Group in its annual reports for the years ended 31 December 2011, 31 December 2010 and 31 December 2009, and its half year reports for the six months ended 30 June 2011, 30 June 2010 and 30 June 2009. These reports can be found at www.hfm.com.au/funds/hduf.

In order to provide comparability to APA Group's financial performance, cash flows and financial position, HDUF Group's reported financial information has been adjusted and presented as follows:

- (1) for financial performance and cash flows, to a 31 December half year basis, by deducting financial performance and cash flows for the six months to 30 June 2011 as disclosed in the half year report prepared by HDUF from the financial performance and cash flows for the full year ended 31 December 2011;
- (2) for financial performance and cash flows, to a 30 June financial year basis, by deducting financial performance and cash flows for the six months to 30 June 2010 and 30 June 2009 as disclosed in those half year reports prepared by HDUF from the financial performance and cash flows for the full years ended 31 December 2010 and 31 December 2009, respectively, and adding the financial performance and cash flows for the six months to 30 June 2011 and 30 June 2010, respectively, as disclosed in those half year reports prepared by HDUF;
- (3) for financial position, the balance sheet as at 31 December 2011 as disclosed in HDUF's annual report for the year ended 31 December 2011 has been used;
- (4) certain line items have been reclassified to align with the disclosures made by APA Group. These reclassifications do not affect EBITDA, profit after tax, net assets or key financial ratios; and
- (5) certain pro forma adjustments have been made to reflect the effect of the divestment of HDUF Group's interest in South East Water, which was divested by HDUF on 20 December 2010, and other adjustments to eliminate one-off items.

The pro forma historical financial information presented for HDUF Group in this Section 4.3 cannot be taken to provide a true and fair view of financial performance, cash flows or the financial position of HDUF Group for the periods presented. APTPL has not had sufficient access to the financial records of HDUF to determine whether additional pro forma adjustments need to be made to restate HDUF Group's financial information as if it had always used a June year end basis for reporting purposes and as if it had used APA Group's accounting policies and classifications. Refer to the notes following each table below for explanations of pro forma adjustments made.

4. FINANCIAL INFORMATION

4.3.3 Pro forma historical income statements for HDUF Group

HDUF GROUP PRO FORMA HISTORICAL INCOME STATEMENT

for the six months ended 31 December 2011

| A\$'000 | HY2012 RECLASSIFIED | PRO FORMA ADJUSTMENTS | HY2012 PRO FORMA |
|--|------------------------|--------------------------|---------------------|
| Operating revenue | 69,771 | - | 69,771 |
| Other income | 421 | - | 421 |
| Total Revenue excluding interest income | 70,192 | - | 70,192 |
| Asset operation and management expenses | (6,443) | - | (6,443) |
| Employee benefit expense | (9,198) | - | (9,198) |
| Other expenses | (62,656) | - | (62,656) |
| EBITDA | (8,105) | - | (8,105) |
| Finance costs | (41,180) | - | (41,180) |
| Finance income | 8,103 | - | 8,103 |
| Depreciation and amortisation expense | (10,895) | - | (10,895) |
| Profit/(loss) before tax | (52,077) | - | (52,077) |
| Income tax expense | (4,862) | - | (4,862) |
| Profit/(loss) after tax | (56,939) | - | (56,939) |

Source: HDUF Group, restated by APA Group

HDUF GROUP PRO FORMA HISTORICAL INCOME STATEMENT

for the year ended 30 June 2011

| A\$'000 | FY2011 RECLASSIFIED | PRO FORMA ADJUSTMENTS | FY2011 PRO FORMA |
|--|------------------------|--------------------------|---------------------|
| Operating revenue | 140,919 | - | 140,919 |
| Other income ¹ | (41,389) | 41,389 | - |
| Total Revenue excluding interest income | 99,530 | 41,389 | 140,919 |
| Asset operation and management expenses | (16,713) | - | (16,713) |
| Employee benefit expense | (16,178) | - | (16,178) |
| Other expenses | (38,194) | (991) | (39,185) |
| EBITDA | 28,445 | 40,398 | 68,843 |
| Finance costs | (39,626) | 7,094 | (32,532) |
| Finance income | 18,089 | (9,922) | 8,167 |
| Depreciation and amortisation expense | (21,908) | - | (21,908) |
| Profit/(loss) before tax | (15,000) | 37,570 | 22,570 |
| Income tax expense | (12,032) | (1,845) | (13,877) |
| Profit/(loss) after tax | (27,032) | 35,725 | 8,693 |

Source: HDUF Group, restated by APA Group

(1) Includes gains/(losses) on the investment in South East Water and associated derivatives.

HDUF GROUP PRO FORMA HISTORICAL INCOME STATEMENT

for the year ended 30 June 2010

| A\$'000 | FY2010 RECLASSIFIED | PRO FORMA ADJUSTMENTS | FY2010 PRO FORMA |
|--|------------------------|--------------------------|---------------------|
| Operating revenue | 126,694 | - | 126,694 |
| Other income ¹ | (47,840) | 47,840 | - |
| Total Revenue excluding interest income | 78,854 | 47,840 | 126,694 |
| Asset operation and management expenses | (12,793) | - | (12,793) |
| Employee benefit expense | (16,431) | - | (16,431) |
| Other expenses | (11,239) | - | (11,239) |
| EBITDA | 38,391 | 47,840 | 86,231 |
| Finance costs | (44,830) | 14,188 | (30,642) |
| Finance income | 15,773 | (5,986) | 9,787 |
| Depreciation and amortisation expense | (21,169) | - | (21,169) |
| Profit/(loss) before tax | (11,835) | 56,042 | 44,207 |
| Income tax expense | (7,283) | (4,242) | (11,525) |
| Profit/(loss) after tax | (19,118) | 51,800 | 32,682 |

Source: HDUF Group, restated by APA Group

(1) Includes gains/(losses) on the investment in South East Water and associated derivatives.

4.3.4 Reclassifications and pro forma adjustments

An explanation of the reclassifications and pro forma adjustments that have been made to the reported results is detailed below:

- (1) Reclassifications: all gains and losses on financial derivatives excluding those relating to South East Water have been reclassified from revenue and offset against finance costs.
- (2) Pro forma adjustments

| | HY2012 PRO FORMA ADJUSTMENTS A\$'000 | FY2011 PRO FORMA ADJUSTMENTS A\$'000 | FY2010 PRO FORMA ADJUSTMENTS A\$'000 |
|---|---|---|---|
| South East Water results ¹ | - | 31,467 | 41,854 |
| Profit on sale of fixed assets ² | - | (10,265) | - |
| Impairment charge ³ | - | 9,274 | - |
| Interest expense reduction ⁴ | - | 7,094 | 14,188 |
| Profit before tax | - | 37,570 | 56,042 |
| Income tax expense ⁵ | - | (1,845) | (4,242) |
| Total pro forma adjustments | - | 35,725 | 51,800 |

(1) The South East Water investment was divested by HDUF Group on 20 December 2010. These pro forma adjustments remove the results contributed by this investment and also the net impact of the divestment. The information has been derived from segment note disclosures in HDUF's financial statements.

(2) The gain on the partial disposal of the Burrup Extension Pipeline has been removed.

(3) The impairment charge recorded in respect of the Pilbara Pipeline has been removed.

(4) It has been assumed that the proceeds received on the divestment of the South East Water investment of \$190.7 million have been utilised to reduce borrowings with effect from 1 July 2009 to date of divestment (20 December 2010) using an assumed average cost of borrowings. Accordingly, the pro forma adjustments reflect a reduction in interest expense of \$14.2 million for FY2010 and \$7.1 million for FY2011.

(5) Income tax expense on the pro forma adjustments other than the South East Water results has been recognised at the rate of 30%.

4. FINANCIAL INFORMATION

4.3.5 Pro forma historical balance sheet for HDUF Group

HDUF GROUP PRO FORMA HISTORICAL BALANCE SHEET

| A\$'000 | 31 DEC 2011 REPORTED | PRO FORMA ADJUSTMENTS | 31 DEC 2011 PRO FORMA |
|---|-------------------------|--------------------------|--------------------------|
| Current assets | | | |
| Cash and cash equivalents | 299,795 | (208,000) | 91,795 |
| Receivables, inventories and other current assets | 20,613 | - | 20,613 |
| Total current assets | 320,408 | (208,000) | 112,408 |
| Non-current assets | | | |
| Property, plant and equipment | 1,551,681 | - | 1,551,681 |
| Equity accounted investments | - | - | - |
| Receivables and other financial assets | 16,310 | - | 16,310 |
| Goodwill and other intangible assets | - | - | - |
| Total non-current assets | 1,567,991 | - | 1,567,991 |
| Total assets | 1,888,399 | (208,000) | 1,680,399 |
| Current liabilities | | | |
| Trade and other payables | 103,453 | - | 103,453 |
| Provisions | 2,940 | - | 2,940 |
| Borrowings and other financial liabilities | 63,225 | (58,149) | 5,076 |
| Total current liabilities | 169,618 | (58,149) | 111,469 |
| Non-current liabilities | | | |
| Provisions | 1,444 | - | 1,444 |
| Deferred tax liabilities | 12,833 | (24,279) | (11,446) |
| Borrowings and other financial liabilities | 1,246,231 | (68,922) | 1,177,309 |
| Total non-current liabilities | 1,260,508 | (93,201) | 1,167,307 |
| Total liabilities | 1,430,126 | (151,350) | 1,278,776 |
| Net assets | 458,273 | (56,650) | 401,623 |
| Equity | | | |
| Issued capital | 882,943 | - | 882,943 |
| Reserves | (62,433) | 62,433 | - |
| Accumulated losses | (362,237) | (119,083) | (481,320) |
| Total equity | 458,273 | (56,650) | 401,623 |

Source: HDUF Group, restated by APA Group

Pro forma adjustments

Pro forma adjustments made to the balance sheet are to reflect the estimated fees, swap break and make whole costs incurred subsequent to 31 December 2011 in respect of the refinancing of all HDUF Group debt facilities. The adjustment is based on the cost of \$208 million announced by HDUF in their February 2012 results presentation.

| | A\$'000 |
|---|----------------|
| Settlement of fees, swap break and make whole costs | 208,000 |
| Less: Accrual for derivative liabilities recognised at 31 December 2011 | (127,071) |
| | 80,929 |
| Less: Income tax benefit thereon | (24,279) |
| | 56,650 |
| Recycling of hedge reserve to income statement | 62,433 |
| | 119,083 |

4.3.6 Pro forma historical operating cash flows

HDUF GROUP PRO FORMA HISTORICAL OPERATING CASH FLOWS

for the six months ended 31 December 2011

| A\$'000 | HY2012 RECLASSIFIED | PRO FORMA ADJUSTMENTS | HY2012 PRO FORMA |
|--|------------------------|--------------------------|---------------------|
| Receipts from customers | 76,302 | - | 76,302 |
| Payments to suppliers and employees | (25,030) | - | (25,030) |
| Dividends received | - | - | - |
| Proceeds from repayment of finance leases | 619 | - | 619 |
| Interest received | 10,293 | - | 10,293 |
| Interest and other costs of finance paid | (19,363) | - | (19,363) |
| Income tax paid | (126) | - | (126) |
| Responsible entity fees paid and other operating expenses paid | (3,377) | - | (3,377) |
| Net cash provided by operating activities | 39,318 | - | 39,318 |
| Net capital expenditure | (185,361) | - | (185,361) |

Source: HDUF Group, restated by APA Group

HDUF GROUP PRO FORMA HISTORICAL OPERATING CASH FLOWS

for the year ended 30 June 2011

| A\$'000 | FY2011 RECLASSIFIED | PRO FORMA ADJUSTMENTS | FY2011 PRO FORMA |
|--|------------------------|--------------------------|---------------------|
| Receipts from customers | 157,079 | - | 157,079 |
| Payments to suppliers and employees | (51,202) | - | (51,202) |
| Dividends received | - | - | - |
| Proceeds from repayment of finance leases | 1,050 | - | 1,050 |
| Interest received | 15,494 | (9,922) | 5,572 |
| Interest and other costs of finance paid | (27,652) | 7,094 | (20,558) |
| Income tax paid | 142 | - | 142 |
| Responsible entity fees paid and other operating expenses paid | (10,251) | - | (10,251) |
| Net cash provided by operating activities | 84,660 | (2,828) | 81,832 |
| Net capital expenditure | (488,062) | - | (488,062) |

Source: HDUF Group, restated by APA Group

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HDUF GROUP PRO FORMA HISTORICAL OPERATING CASH FLOWS

for the year ended 30 June 2010

| A\$'000 | FY2010 RECLASSIFIED | PRO FORMA ADJUSTMENTS | FY2010 PRO FORMA |
|--|------------------------|--------------------------|---------------------|
| Receipts from customers | 134,755 | - | 134,755 |
| Payments to suppliers and employees | (39,373) | - | (39,373) |
| Dividends received | - | - | - |
| Proceeds from repayment of finance leases | 807 | - | 807 |
| Interest received | 14,037 | (5,986) | 8,051 |
| Interest and other costs of finance paid | (33,168) | 14,188 | (18,980) |
| Income tax paid | (103) | - | (103) |
| Responsible entity fees paid and other operating expenses paid | (3,483) | - | (3,483) |
| Net cash provided by operating activities | 73,472 | 8,202 | 81,674 |
| Net capital expenditure | (182,832) | - | (182,832) |

Source: HDUF Group, restated by APA Group

4.3.7 Reclassifications and pro forma adjustments

An explanation of the reclassifications and pro forma adjustments that have been made is detailed below:

- (1) Reclassifications: receipts from customers includes 'other income received', which was separately classified in the HDUF Group reported cash flow statement.
- (2) Pro forma adjustments

| A\$'000 | HY2012 OPERATING CASH FLOW PRO FORMA ADJUSTMENTS | FY2011 OPERATING CASH FLOW PRO FORMA ADJUSTMENTS | FY2010 OPERATING CASH FLOW PRO FORMA ADJUSTMENTS |
|---|---|---|---|
| South East Water interest income ¹ | | (9,922) | (5,986) |
| Interest payments reduction ² | - | 7,094 | 14,188 |
| Total pro forma adjustments | - | (2,828) | 8,202 |

- (1) The South East Water investment was divested by HDUF Group on 20 December 2010. This adjustment removes the operating cash flow (interest income) received from this investment. In making this adjustment it has been assumed that the interest income is received in the same financial period as it is earned.
- (2) It has been assumed that the proceeds received on the divestment of the South East Water investment of \$190.7 million have been utilised to reduce borrowings with effect from 1 July 2009 to date of divestment (20 December 2010) using an assumed average cost of borrowings. Accordingly, the pro forma adjustments reflect a reduction in interest paid of \$14.2 million for FY2010 and \$7.1 million for FY2011.

4.4 COMBINED GROUP PRO FORMA HISTORICAL FINANCIAL INFORMATION

4.4.1 Combined Group overview

This Section 4.4 contains pro forma historical financial information which has been prepared to illustrate the pro forma historical financial information of the Combined Group. The pro forma historical financial information has been prepared to provide investors with an indication of the scale and size of the Combined Group and the illustrative financial effect on APA Group of successfully completing the HDUF Offer. It does not necessarily illustrate the financial information that would have been prepared had APTPL acquired HDUF Group on or before 31 December 2011.

The pro forma historical financial information set out in this Section should be read in conjunction with the risk factors set out in Section 5, other information contained in this Prospectus and the accounting policies of APA Group and HDUF Group as disclosed in their most recent financial reports.

The pro forma historical financial information contained in this Section 4.4 has been derived from the financial statements of APA Group and HDUF Group which were prepared in accordance with the recognition and measurement principles of Australian Accounting Standards. It is presented in an abbreviated form and does not contain all the disclosures that are usually provided in an annual report prepared in accordance with the Corporations Act.

The HDUF Group historical financial information used in the preparation of this Section 4.4 is based on a review of publicly available information.

4.4.2 Assumptions regarding capital structure

For the purposes of considering the effect of the HDUF Offer on the capital structure of APA Group, the Combined Group pro forma historical financial information has been prepared considering two acquisition scenarios:

- (1) APA Group acquires 100% of HDUF Group;
- (2) APA Group acquires 50.1% of HDUF Group.

The assumed exchange ratio for each HDUF Stapled Security for each APA Stapled Security is 0.390. The table below has been calculated assuming an APA Stapled Security price of \$4.85. The number of outstanding HDUF Stapled Securities that has been assumed for the purpose of calculating the consideration is 420,233,736 which is derived as follows:

| | |
|--|---------------|
| HDUF Stapled Securities on issue as at the date of this Prospectus | 530,001,072 |
| Less: HDUF Stapled Securities held by APA Group at date of Offer | (109,767,336) |
| | 420,233,736 |

The cash component of the consideration under the HDUF Offer is assumed to be \$0.62.

The purchase consideration will be comprised as follows:

| | 50.1% | 100% |
|--------------------------------------|---------|---------|
| Cash (A\$'000) | 96,573 | 260,545 |
| APA Stapled Securities to be issued | | |
| Value (A\$'000) | 294,626 | 794,872 |
| Number of stapled securities ('000s) | 60,748 | 163,891 |

APA Group has been in discussions with the ACCC in connection with the HDUF Offer. On 19 July 2012 the ACCC announced that it would not oppose the proposed acquisition by APA Group of HDUF, on the basis of an undertaking from APA Group to divest the MAPS business.

Due to an inability to obtain detailed financial information in relation to the MAPS business, no pro forma adjustments have been reflected in the Combined Group pro forma historical information in respect of the proposed divestment. The net proceeds (after transaction costs) from this divestment will be applied in the reduction of borrowings.

4.4.3 Sources of information and pro forma adjustments

The unaudited pro forma historical financial information presented in this Section 4.4 is compiled using the following sources:

- (1) for APA Group, the pro forma income statements and operating cash flows for HY2012, FY2011 and FY2010 and the pro forma balance sheet as at 31 December 2011 presented in Section 4.2;
- (2) for HDUF Group, the pro forma income statements and operating cash flows for HY2012, FY2011 and FY2010 and the pro forma balance sheet as at 31 December 2011 presented in Section 4.3; and
- (3) the pro forma transactions to illustrate the financial effect of the completion of the HDUF Offer utilising, in part, funds raised under this Offer.

4. FINANCIAL INFORMATION

4.4.4 Combined Group pro forma historical financial information

COMBINED GROUP PRO FORMA INCOME STATEMENTS

for HY2012, FY2011 and FY2010

| A\$'000 | HY2012 APA GROUP PRO FORMA | HY2012 HDF GROUP PRO FORMA | PRO FORMA TRANSACTIONS (100%) | HY2012 PRO FORMA COMBINED GROUP (100%) | PRO FORMA TRANSACTIONS (50.1%) | HY2012 PRO FORMA COMBINED GROUP (50.1%) |
|---|----------------------------------|----------------------------------|-------------------------------------|--|--------------------------------------|---|
| Operating revenue | 491,671 | 69,771 | - | 561,442 | - | 561,442 |
| Other income | 24,410 | 421 | (5,488) | 19,343 | (5,488) | 19,343 |
| Total revenue | 516,081 | 70,192 | (5,488) | 580,785 | (5,488) | 580,785 |
| Asset operation and management expenses | (194,094) | (6,443) | - | (200,537) | - | (200,537) |
| Employee benefit expense | (45,411) | (9,198) | - | (54,609) | - | (54,609) |
| Other expenses | (6,118) | (62,656) | 59,677 | (9,097) | - | (68,774) |
| EBITDA | 270,458 | (8,105) | 54,189 | 316,542 | (5,488) | 256,865 |
| Finance costs | (117,816) | (41,180) | (9,692) | (168,688) | (3,593) | (162,589) |
| Finance income | 2,446 | 8,103 | - | 10,549 | - | 10,549 |
| Depreciation and amortisation expense | (50,352) | (10,895) | (3,562) | (64,809) | (3,562) | (64,809) |
| Profit before tax | 104,736 | (52,077) | 40,935 | 93,594 | (12,643) | 40,016 |
| Income tax expense | (25,918) | (4,862) | (12,281) | (43,061) | 3,793 | (26,987) |
| Minority interest other than APTIT equity holders interest | (3) | - | - | (3) | 29,657 | 29,654 |
| Profit after tax including interests of APTIT equity holders | 78,815 | (56,939) | 28,654 | 50,530 | 20,807 | 42,683 |

| A\$'000 | FY2011 APA GROUP PRO FORMA | FY2011 HDF GROUP PRO FORMA | PRO FORMA TRANSACTIONS (100%) | FY2011 PRO FORMA COMBINED GROUP (100%) | PRO FORMA TRANSACTIONS (50.1%) | FY2011 PRO FORMA COMBINED GROUP (50.1%) |
|---|----------------------------------|----------------------------------|-------------------------------------|--|--------------------------------------|---|
| Operating revenue | 1,033,751 | 140,919 | - | 1,174,670 | - | 1,174,670 |
| Other income | 40,677 | - | (10,903) | 29,774 | (10,903) | 29,774 |
| Total revenue | 1,074,428 | 140,919 | (10,903) | 1,204,444 | (10,903) | 1,204,444 |
| Asset operation and management expenses | (488,682) | (16,713) | - | (505,395) | - | (505,395) |
| Employee benefit expense | (108,573) | (16,178) | - | (124,751) | - | (124,751) |
| Other expenses | (18,102) | (39,185) | 31,399 | (25,888) | - | (57,287) |
| EBITDA | 459,071 | 68,843 | 20,496 | 548,410 | (10,903) | 517,011 |
| Finance costs | (224,523) | (32,532) | (19,385) | (276,440) | (7,185) | (264,240) |
| Finance income | 12,932 | 8,167 | - | 21,099 | - | 21,099 |
| Depreciation and amortisation expense | (87,674) | (21,908) | (7,005) | (116,587) | (7,005) | (116,587) |
| Profit before tax | 159,806 | 22,570 | (5,894) | 176,482 | (25,093) | 157,283 |
| Income tax expense | (40,397) | (13,877) | 1,768 | (52,506) | 7,528 | (46,746) |
| Minority interest other than APTIT equity holders interest | (316) | - | - | (316) | (1,891) | (2,207) |
| Profit after tax including interests of APTIT equity holders | 119,093 | 8,693 | (4,126) | 123,660 | (19,456) | 108,330 |

| A\$'000 | FY2010 APA GROUP PRO FORMA | FY2010 HDUF GROUP PRO FORMA | PRO FORMA TRANSACTIONS (100%) | FY2010 PRO FORMA COMBINED GROUP (100%) | PRO FORMA TRANSACTIONS (50.1%) | FY2010 PRO FORMA COMBINED GROUP (50.1%) |
|---|---|--|--|---|---|--|
| Operating revenue | 940,702 | 126,694 | - | 1,067,396 | - | 1,067,396 |
| Other income | 23,151 | - | (3,929) | 19,222 | (3,929) | 19,222 |
| Total revenue | 963,853 | 126,694 | (3,929) | 1,086,618 | (3,929) | 1,086,618 |
| Asset operation and management expenses | (432,764) | (12,793) | - | (445,557) | - | (445,557) |
| Employee benefit expense | (89,849) | (16,431) | - | (106,280) | - | (106,280) |
| Other expenses | (11,889) | (11,239) | 5,164 | (17,964) | - | (23,128) |
| EBITDA | 429,351 | 86,231 | 1,235 | 516,817 | (3,929) | 511,653 |
| Finance costs | (207,754) | (30,642) | (19,385) | (257,781) | (7,185) | (245,581) |
| Finance income | 13,866 | 9,787 | - | 23,653 | - | 23,653 |
| Depreciation and amortisation expense | (75,244) | (21,169) | (7,744) | (104,157) | (7,744) | (104,157) |
| Profit before tax | 160,219 | 44,207 | (25,894) | 178,532 | (18,858) | 185,568 |
| Income tax expense | (44,983) | (11,525) | 7,768 | (48,740) | 5,657 | (50,851) |
| Minority interest other than APTIT equity holders | (150) | - | - | (150) | (13,603) | (13,753) |
| Profit after tax including interests of APTIT equity holders | 115,086 | 32,682 | (18,126) | 129,642 | (26,804) | 120,964 |

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4.4.5 Pro forma transactions to derive the Combined Group pro forma income statements

The following pro forma transactions have been made to the income statements of the Combined Group as if they had applied from 1 July 2009:

| A\$'000 | HY2012 PRO FORMA ADJUSTMENT (100%) | HY2012 PRO FORMA ADJUSTMENT (50.1%) | FY2011 PRO FORMA ADJUSTMENT (100%) | FY2011 PRO FORMA ADJUSTMENT (50.1%) | FY2010 PRO FORMA ADJUSTMENT (100%) | FY2010 PRO FORMA ADJUSTMENT (50.1%) |
|---|---|--|---|--|---|--|
| Responsible entity management and performance fees ¹ | 59,677 | - | 31,399 | - | 5,164 | - |
| HDUF distributions to APA ² | (5,488) | (5,488) | (10,903) | (10,903) | (3,929) | (3,929) |
| Depreciation on fair value uplift to property, plant and equipment ³ | (3,562) | (3,562) | (7,005) | (7,005) | (7,744) | (7,744) |
| Interest on acquisition borrowings ⁴ | (9,692) | (3,593) | (19,385) | (7,185) | (19,385) | (7,185) |
| Profit before tax | 40,935 | (12,643) | (5,894) | (25,093) | (25,894) | (18,858) |
| Income tax expense ⁵ | (12,281) | 3,793 | 1,768 | 7,528 | 7,768 | 5,657 |
| Minority interest in HDUF profit after tax ⁶ | - | 29,657 | - | (1,891) | - | (13,603) |
| Total pro forma adjustments | 28,654 | 20,807 | (4,126) | (19,456) | (18,126) | (26,804) |

100% of HDUF Group acquired

- (1) Management fees and performance fees – Under the 100% scenario the fees previously paid to the responsible entity of the trusts that comprise HDUF are assumed to be removed on the basis that management will be internalised following the acquisition by APA Group. In the 50.1% scenario the management fees and performance fees have not been adjusted and are reflected based on the existing arrangements within HDUF Group.
- (2) Removal of the distributions received by APA Group from HDUF in relation to its existing 20.7% investment in HDUF.
- (3) Increase in depreciation expense consistent with the uplift on property, plant and equipment from the book value recorded by HDUF Group to estimated fair value based on provisional accounting for the acquisition.
- (4) It has been assumed that the cash component of the HDUF Offer consideration has been funded by increased borrowings with effect from 1 July 2009. Accordingly, the pro forma adjustments reflect an increase in interest expense for HY2012, FY2011 and FY2010.
- (5) Income tax expense on the pro forma adjustments has been recognised at the rate of 30%.

50.1% of HDUF Group acquired

- (6) As above, but also recognising the 49.9% minority interest's share of HDUF Group's profit for the year. This assumes that with a 50.1% ownership interest APA Group will have the capacity to control HDUF Group and therefore will be required to consolidate HDUF Group in accordance with Australian Accounting Standards.

4.4.6 APA Group statutory results for FY2012 and FY2013

The Combined Group pro forma income statements do not reflect a number of one-off impacts of the HDUF Offer as follows:

- (1) transaction costs totalling \$17.7 million for 100% scenario and \$6.9 million for 50.1% scenario will be expensed. These costs will be funded from existing cash reserves;
- (2) a one-off gain of approximately \$127.0 million will be recorded in relation to the increase in the fair value of APA Group's previously held 20.7% interest in HDUF Stapled Securities;
- (3) the results for the period will only include the acquisition of HDUF Group from the date the bidder obtains control; and
- (4) as detailed in Section 4.2 the APA Group pro forma income statements do not reflect the profit on sale of APA Group's 80% interest in the Allgas Distribution Network of \$12.1 million less transaction costs of \$22.5 million resulting in a reported loss of \$10.4 million. Accordingly the Combined Group pro forma income statements also do not reflect this.

The above amounts will be reflected in the statutory accounts of APA Group for the financial year ended 30 June 2012 ("FY2012") (item 4 above) and for the financial year ending 30 June 2013 ("FY2013") (items 1, 2 and 3 above).

4.4.7 Synergies

No pro forma adjustments have been made for potential synergy benefits as APA Group has not had access to sufficient information to identify, confirm and quantify all available synergies, or to assess any costs to be incurred to achieve the synergies.

4.4.8 Combined Group Pro forma consolidated balance sheet as at 31 December 2011 – 100% and 50.1% acquisition of HDUF Group

| A\$'000 | 31 DEC 2011 APA GROUP PRO FORMA | 31 DEC 2011 HDUF GROUP PRO FORMA | PRO FORMA TRANSACTIONS (100%) | 31 DEC 2011 PRO FORMA COMBINED GROUP (100%) | PRO FORMA TRANSACTIONS (50.1%) | 31 DEC 2011 PRO FORMA COMBINED GROUP (50.1%) |
|---|--|---|--|--|---|---|
| Current assets | | | | | | |
| Cash and cash equivalents | 472,475 | 91,795 | (289,371) | 274,899 | (111,682) | 452,588 |
| Receivables, inventories and other current assets | 182,697 | 20,613 | - | 203,310 | - | 203,310 |
| Total current assets | 655,172 | 112,408 | (289,371) | 478,209 | (111,682) | 655,898 |
| Non-current assets | | | | | | |
| Property, plant and equipment | 3,332,666 | 1,551,681 | 524,463 | 5,408,810 | 524,463 | 5,408,810 |
| Equity accounted investments | 522,293 | - | - | 522,293 | - | 522,293 |
| Receivables and other financial assets | 290,033 | 16,310 | (225,023) | 81,320 | (225,023) | 81,320 |
| Goodwill and other intangible assets | 600,638 | - | 387,221 | 987,859 | 281,737 | 882,375 |
| Total non-current assets | 4,745,630 | 1,567,991 | 686,661 | 7,000,282 | 581,177 | 6,894,798 |
| Total assets | 5,400,802 | 1,680,399 | 397,290 | 7,478,491 | 469,495 | 7,550,696 |
| Current liabilities | | | | | | |
| Trade and other payables | 132,805 | 103,453 | - | 236,258 | - | 236,258 |
| Provisions | 54,369 | 2,940 | - | 57,309 | - | 57,309 |
| Borrowings and other financial liabilities | 46,281 | 5,076 | - | 51,357 | - | 51,357 |
| Total current liabilities | 233,455 | 111,469 | - | 344,924 | - | 344,924 |
| Non-current liabilities | | | | | | |
| Provisions | 49,722 | 1,444 | - | 51,166 | - | 51,166 |
| Deferred tax liabilities | 299,650 | (11,446) | (40,703) | 247,501 | 134,426 | 422,630 |
| Borrowings and other financial liabilities | 3,169,755 | 1,177,309 | - | 4,347,064 | - | 4,347,064 |
| Total non-current liabilities | 3,519,127 | 1,167,307 | (40,703) | 4,645,731 | 134,426 | 4,820,860 |
| Total liabilities | 3,752,582 | 1,278,776 | (40,703) | 4,990,655 | 134,426 | 5,165,784 |
| Net assets | 1,648,220 | 401,623 | 437,993 | 2,487,836 | 335,069 | 2,384,912 |
| Equity | | | | | | |
| Issued capital | 1,161,353 | 882,943 | (99,227) | 1,945,069 | (596,520) | 1,447,776 |
| Reserves | 60,821 | - | (53,463) | 7,358 | (53,463) | 7,358 |
| Retained earnings | 29,034 | (481,320) | 590,683 | 138,397 | 601,447 | 149,161 |
| Equity attributable to APA Group Securityholders | 1,251,208 | 401,623 | 437,993 | 2,090,824 | (48,536) | 1,604,295 |
| Minority interests | | | | | | |
| APTIT | 396,916 | - | - | 396,916 | - | 396,916 |
| Other minority interest | 96 | - | - | 96 | 383,605 | 383,701 |
| Total minority interest | 397,012 | - | - | 397,012 | 383,605 | 780,617 |
| Total equity | 1,648,220 | 401,623 | 437,993 | 2,487,836 | 335,069 | 2,384,912 |

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4.4.9 Pro forma transactions to derive the Combined Group pro forma balance sheet

The following pro forma transactions have been made for purposes of illustrating the Combined Group balance sheet as if they had applied at 31 December 2011.

(1) Based on an implied HDUF Offer price of \$2.51 per HDUF Stapled Security, APA Group will acquire ownership of the HDUF Stapled Securities for a total consideration of \$1,055.4 million (100% scenario) or \$391.2 million (50.1% scenario). This will be funded by cash of \$260.5 million (100% scenario) or \$96.6 million in the 50.1% scenario and an issue of APA Stapled Securities of \$794.9 million or \$294.6 million respectively.

(2) Transaction costs for the acquisition of \$17.7 million in the 100% scenario or \$6.9 million in the 50.1% scenario will be expensed. This is shown as a decrease in retained earnings above. Costs associated with the securities issued of \$11.1 million in the 100% scenario and \$8.2 million in the 50.1% scenario are offset against equity.

It has been assumed that the total transaction costs of \$28.8 million in the 100% scenario or \$15.1 million in the 50.1% scenario will be funded from existing cash reserves.

(3) The purchase price accounting for the acquisition has been determined on a provisional basis by allocating the difference between the purchase consideration and the carrying values to property, plant and equipment and associated deferred tax balances with the remaining difference being allocated to goodwill.

The provisional purchase price accounting for the acquisition may be summarised as follows:

| A\$'000 | 100% | 50.1% |
|--|------------------|------------------|
| Book value of net assets acquired | 401,623 | 401,623 |
| Uplift in value of property, plant and equipment | 524,463 | 524,463 |
| Deferred tax related to increase in value of property, plant and equipment | (24,323) | (157,339) |
| Write back of deferred tax liability | 42,113 | - |
| Goodwill | 387,221 | 281,737 |
| | 1,331,097 | 1,050,484 |
| Less: Existing 20.7% ownership interest | (275,680) | (275,680) |
| Minority interest | | (383,605) |
| Purchase consideration | 1,055,417 | 391,199 |
| Purchase consideration comprised of: | | |
| • Cash | 260,545 | 96,573 |
| • APA Stapled Securities | 794,872 | 294,626 |
| | 1,055,417 | 391,199 |

The pro forma adjustments made to reflect the estimated financial effect from fair value accounting for the acquisition are illustrative only and are limited to property, plant and equipment, and the deferred tax impact from these allocations. APA Group has used an estimate of fair value allocation for these items based on publicly available information. APA Group has presented this illustrative allocation as it expects that a substantial proportion of the fair value acquired relative to HDUF Group's existing book carrying amounts will be allocated to tangible non-current assets.

Australian Accounting Standards require a full allocation of fair value acquired. APA Group will undertake a formal valuation of its acquisition price subsequent to the date when the acquisition completes. Accordingly the formal valuation may give rise to material differences in values allocated to the above balance sheet line items and may also give rise to fair value being allocated to other balance sheet line items including goodwill, which in turn may materially change the consequent profit after tax impact, but will not affect cash flows.

(4) Pro forma adjustments in respect of APA Group's existing 20.7% investment in HDUF.

The adjustments eliminate APA Group's existing 20.7% investment in HDUF which was recorded as another financial asset of \$225.0 million at 31 December 2011 and related deferred tax balances.

| A\$'000 | APA GROUP PRO FORMA | PRO FORMA TRANSACTIONS | COMBINED GROUP |
|--|------------------------|---------------------------|-------------------|
| Receivables and other financial assets | 225,023 | (225,023) | - |
| Deferred tax liabilities | (22,913) | 22,913 | - |
| Reserves | (53,463) | 53,463 | - |

(5) The HDUF Group's pro forma non-current borrowings totalling \$1,177.3 million have continued to be disclosed as a non-current liability in the Combined Group pro forma consolidated balance sheet. Although the terms of HDUF's financing arrangements are not known to APA Group, HDUF has publicly disclosed that the terms of the existing finance arrangements include market standard terms. Specifically, the terms include change of control provisions that provide lenders with the ability to review continuation of the facilities under a change of control. HDUF has disclosed that a change of control includes the situation of any person (alone or with associates) directly or indirectly acquiring a legal or beneficial interest or relevant interest in more than 75% of the securities in HDUF or HDUF Epic Trust or otherwise acquiring control of HDUF or HDUF Epic Trust. If these provisions are triggered and early repayment is demanded, then in addition to being required to repay the outstanding amount of principal and any accrued interest, it is possible certain additional payment obligations may

arise. The Target Statement issued by HDUF on 3 August 2012 in response to the takeover bid from Pipeline Partners Australia Pty Limited notes that if those provisions are triggered:

- it is likely that Epic Energy would be required to 'close out' its interest rate swap positions; and
- due to falls in interest rates, many of those swaps were 'out of the money' as at 30 June 2012, such that closing them out would be likely to crystallise a payment obligation (assuming interest rates remain at 30 June 2012 levels) of approximately \$30.8 million.

However, the Target Statement also goes on to note that as a result of closing out these swaps, the interest rates payable by Epic Energy under any replacement financing would, all other things being equal, be likely to be lower. Further, it is not known to APA Group whether the terms on which the HDUF Group's financing have been structured would affect HDUF Group becoming part of APA Group's financing arrangements. If such provisions do exist then it will be necessary for APA Group to negotiate with HDUF and its financiers to either ensure that those HDUF Group financings will remain available or APA will look to arrange its own replacement financing as appropriate.

(6) Issued capital reconciliation:

| A\$'000 | 31 DEC 2011 PRO FORMA COMBINED GROUP (100%) | 31 DEC 2011 PRO FORMA COMBINED GROUP (50.1%) |
|--|--|---|
| Issued capital: | | |
| • APA Group | 1,161,353 | 1,161,353 |
| • HDUF Group | 882,943 | 882,943 |
| APA Group securities issued as part of consideration for HDUF securities | 794,872 | 294,626 |
| Costs associated with issue of APA Group securities | (11,156) | (8,203) |
| Elimination of HDUF Group issued capital on consolidation | (882,943) | (882,943) |
| | 1,945,069 | 1,447,776 |

4.4.10 Combined Group pro forma operating cash flows for HY2012, FY2011 and FY2010

| A\$'000 | HY2012 APA GROUP PRO FORMA | HY2012 HDUF GROUP PRO FORMA | PRO FORMA TRANSACTIONS (100%) | HY2012 COMBINED GROUP PRO FORMA (100%) | PRO FORMA TRANSACTIONS (50.1%) | HY2012 COMBINED GROUP PRO FORMA (50.1%) |
|--|---|--|--|---|---|--|
| Cash flows from operating activities | | | | | | |
| Receipts from customers | 539,270 | 76,302 | - | 615,572 | - | 615,572 |
| Payments to suppliers and employees | (307,001) | (25,030) | - | (332,031) | - | (332,031) |
| Dividends received | 22,588 | - | (5,488) | 17,100 | (5,488) | 17,100 |
| Proceeds from repayment of finance leases | 1,464 | 619 | - | 2,083 | - | 2,083 |
| Interest received | 2,871 | 10,293 | - | 13,164 | - | 13,164 |
| Interest and other costs of finance paid | (102,660) | (19,363) | (9,692) | (131,715) | (3,593) | (125,616) |
| Income taxes paid | - | (126) | - | (126) | - | (126) |
| Responsible entity fees paid and other operating expenses paid | - | (3,377) | 3,377 | - | - | (3,377) |
| Net cash provided by operating activities | 156,532 | 39,318 | (11,803) | 184,047 | (9,081) | 186,769 |
| Net capital expenditure | (84,374) | (185,361) | - | (269,735) | - | (269,735) |

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| A\$'000 | FY2011 APA GROUP PRO FORMA | FY2011 HDUF GROUP PRO FORMA | PRO FORMA TRANSACTIONS (100%) | FY2011 COMBINED GROUP PRO FORMA (100%) | PRO FORMA TRANSACTIONS (50.1%) | FY2011 COMBINED GROUP PRO FORMA (50.1%) |
|--|----------------------------------|-----------------------------------|-------------------------------------|--|--------------------------------------|---|
| Cash flows from operating activities | | | | | | |
| Receipts from customers | 1,145,135 | 157,079 | - | 1,302,214 | - | 1,302,214 |
| Payments to suppliers and employees | (724,435) | (51,202) | - | (775,637) | - | (775,637) |
| Dividends received | 45,890 | - | (10,903) | 34,987 | (10,903) | 34,987 |
| Proceeds from repayment of finance leases | 6,748 | 1,050 | - | 7,798 | - | 7,798 |
| Interest received | 6,162 | 5,572 | - | 11,734 | - | 11,734 |
| Interest and other costs of finance paid | (194,473) | (20,558) | (19,385) | (234,416) | (7,185) | (222,216) |
| Income taxes paid | 442 | 142 | - | 584 | - | 584 |
| Responsible entity fees paid and other operating expenses paid | - | (10,251) | 10,251 | - | - | (10,251) |
| Net cash provided by operating activities | 285,469 | 81,832 | (20,037) | 347,264 | (18,088) | 349,213 |
| Net capital expenditure | (209,799) | (448,062) | - | (657,861) | - | (657,861) |

| A\$'000 | FY2010 APA GROUP PRO FORMA | FY2010 HDUF GROUP PRO FORMA | PRO FORMA TRANSACTIONS (100%) | FY2010 COMBINED GROUP PRO FORMA (100%) | PRO FORMA TRANSACTIONS (50.1%) | FY2010 COMBINED GROUP PRO FORMA (50.1%) |
|--|----------------------------------|-----------------------------------|-------------------------------------|--|--------------------------------------|---|
| Cash flows from operating activities | | | | | | |
| Receipts from customers | 1,038,620 | 134,755 | - | 1,173,375 | - | 1,173,375 |
| Payments to suppliers and employees | (631,224) | (39,373) | - | (670,597) | - | (670,597) |
| Dividends received | 38,143 | - | (3,929) | 34,214 | (3,929) | 34,214 |
| Proceeds from repayment of finance leases | 2,875 | 807 | - | 3,682 | - | 3,682 |
| Interest received | 18,003 | 8,051 | - | 26,054 | - | 26,054 |
| Interest and other costs of finance paid | (195,189) | (18,980) | (19,385) | (233,554) | (7,185) | (221,354) |
| Income taxes paid | - | (103) | - | (103) | - | (103) |
| Responsible entity fees paid and other operating expenses paid | - | (3,483) | 3,483 | - | - | (3,483) |
| Net cash provided by operating activities | 271,228 | 81,674 | (19,831) | 333,071 | (11,114) | 341,788 |
| Net capital expenditure | (114,420) | (182,832) | - | (297,252) | - | (297,252) |

4.4.11 Pro forma transactions to derive the Combined Group pro forma operating cash flows

The following pro forma transactions have been made for purposes of illustrating the Combined Group operating cash flows as if they had applied from 1 July 2009:

| A\$'000 | HY2012 OPERATING CASH FLOW PRO FORMA ADJUSTMENT (100%) | HY2012 OPERATING CASH FLOW PRO FORMA ADJUSTMENT (50.1%) | FY2011 OPERATING CASH FLOW PRO FORMA ADJUSTMENT (100%) | FY2011 OPERATING CASH FLOW PRO FORMA ADJUSTMENT (50.1%) | FY2010 OPERATING CASH FLOW PRO FORMA ADJUSTMENT (100%) | FY2010 OPERATING CASH FLOW PRO FORMA ADJUSTMENT (50.1%) |
|---|---|--|---|--|---|--|
| Responsible entity management fees ¹ | 3,377 | - | 10,251 | - | 3,483 | - |
| HDUF distributions to APA Group ² | (5,488) | (5,488) | (10,903) | (10,903) | (3,929) | (3,929) |
| Interest on acquisition borrowings ³ | (9,692) | (3,593) | (19,385) | (7,185) | (19,385) | (7,185) |
| Total pro forma adjustments | (11,803) | (9,081) | (20,037) | (18,088) | (19,831) | (11,114) |

(1) HDUF Responsible Entity management fees have been removed in the 100% acquisition scenario on the basis that external management fees will no longer be paid in a 100% acquisition scenario. In the 50.1% scenario the management fees and Performance Fees have not been adjusted and are reflected based on the existing arrangements within HDUF Group.

(2) Removal of distributions received by APA Group from HDUF in relation to its existing 20.7% investment in HDUF.

(3) Additional finance costs on increased borrowings used to fund the cash component of HDUF Offer consideration.

4.5 PRO FORMA FINANCIAL RATIOS

This Section contains information about two of APA Group's key financial ratios which are relevant to investors in the Notes. These two ratios which are prescribed in APA Group's syndicated bank debt facility are as follows:

- Gearing Ratio – calculated as Net Debt / (Net Debt + Net Worth)
- Interest Cover Ratio – calculated as Cash Flow Available for Debt Service / Net Interest Expense

Gearing Ratio

(Net Debt²⁷ / (Net Debt + Net Worth²⁸))

The Gearing Ratio indicates the extent to which assets of APA Group are funded by debt. Generally, a higher ratio indicates a greater use of borrowings to fund the business.

The Gearing Ratio is calculated, in accordance with APA Group's syndicated bank debt facility, as Net Debt to Net Debt plus Net Worth for the relevant period.

The tables below show the Gearing Ratio, as it would have been at 30 June 2010, 31 December 2010, 30 June 2011 and 31 December 2011, using numbers derived from the APA Group pro forma historical financial information and the Combined Group pro forma historical financial information set out in Sections 4.2 and 4.4 respectively. The Gearing Ratios for APA Group shown below may differ from the Gearing Ratios calculated for the purpose of compliance with the group's syndicated bank debt facility due to the pro forma adjustments made within this document.

| APA GROUP (A\$'000) | 30 JUN 2010 | 31 DEC 2010 | 30 JUN 2011 | 31 DEC 2011 |
|-------------------------|-------------|-------------|-------------|-------------|
| Net Debt | 2,602,995 | 2,682,710 | 2,672,662 | 2,751,322 |
| Net Worth | 1,335,266 | 1,348,709 | 1,611,455 | 1,585,296 |
| Net Debt plus Net Worth | 3,938,261 | 4,031,419 | 4,284,117 | 4,336,618 |
| Gearing Ratio (%) | 66.1 | 66.5 | 62.4 | 63.4 |

| COMBINED GROUP (100%) (A\$'000) | 30 JUN 2010 | 31 DEC 2010 | 30 JUN 2011 | 31 DEC 2011 |
|------------------------------------|-------------|-------------|-------------|-------------|
| Net Debt | 3,159,121 | 3,488,674 | 3,637,793 | 4,131,283 |
| Net Worth | 2,171,704 | 2,213,692 | 2,468,537 | 2,478,375 |
| Net Debt plus Net Worth | 5,330,825 | 5,702,366 | 6,106,330 | 6,609,658 |
| Gearing Ratio (%) | 59.3 | 61.2 | 59.6 | 62.5 |

27 Net Debt is defined as total current and non-current interest bearing liabilities, adjusted for any amounts arising on hedge relationships on those liabilities, less cash and cash equivalents.

28 Net Worth is defined as total equity including retained earnings but excluding any reserves.

4. FINANCIAL INFORMATION

| COMBINED GROUP (50.1%) (A\$'000) | 30 JUN 2010 | 31 DEC 2010 | 30 JUN 2011 | 31 DEC 2011 |
|---|--------------------|--------------------|--------------------|--------------------|
| Net Debt | 2,714,677 | 2,794,392 | 2,784,344 | 2,863,004 |
| Net Worth | 1,685,175 | 1,727,163 | 1,982,008 | 1,991,846 |
| Net Debt plus Net Worth | 4,399,852 | 4,521,555 | 4,766,352 | 4,854,850 |
| Gearing Ratio (%) | 61.7 | 61.8 | 58.4 | 59.0 |

The Gearing Ratios in the 50.1% scenario shown above are calculated on the assumption that HDUF's debt has no recourse to the Combined Group, thus HDUF is an excluded subsidiary (as defined in APA Group's syndicated facility agreement) for the purpose of the ratio calculation.

Interest Cover Ratio

(Cash Flow Available for Debt Service²⁹ / Net Interest Expense³⁰)

The Interest Cover Ratio provides information about APA Group's ability to meet its interest payments from operating cash flows and the risks associated with APA Group's level of borrowings. A low Interest Cover Ratio may indicate that a company could face difficulties in servicing the interest payable on its debt if earnings decrease or interest rates increase.

The Interest Cover Ratio is calculated, in accordance with APA Group's syndicated bank debt facility, as Cash Flow Available for Debt Service (as described above) for a twelve month period divided by Net Interest Expense for the twelve month period.

The tables below show the Interest Cover Ratio, as it would have been for the twelve month periods ended 30 June 2010, 31 December 2010, 30 June 2011 and 31 December 2011, using numbers derived from the APA Group pro forma historical financial information and the Combined Group pro forma historical financial information set out in Sections 4.2 and 4.4 respectively. The Interest Cover Ratios for APA Group shown below may differ from the Interest Cover Ratios calculated for the purpose of compliance with the group's syndicated bank debt facility due to the pro forma adjustments made within this document.

| APA GROUP TWELVE MONTHS ENDED (A\$'000) | 30 JUN 2010 | 31 DEC 2010 | 30 JUN 2011 | 31 DEC 2011 |
|--|--------------------|--------------------|--------------------|--------------------|
| Cash Flow Available for Debt Service | 436,988 | 450,478 | 452,146 | 473,790 |
| Interest paid | 213,839 | 225,971 | 229,750 | 215,593 |
| Interest received | (26,506) | (26,840) | (26,339) | (17,435) |
| Net Interest Expense | 187,333 | 199,131 | 203,411 | 198,158 |
| Interest Cover Ratio (times) | 2.3 | 2.3 | 2.2 | 2.4 |

| COMBINED GROUP (100%) TWELVE MONTHS ENDED (A\$'000) | 30 JUN 2010 | 31 DEC 2010 | 30 JUN 2011 | 31 DEC 2011 |
|--|--------------------|--------------------|--------------------|--------------------|
| Cash Flow Available for Debt Service | 524,454 | 537,096 | 541,485 | 567,874 |
| Interest paid | 263,866 | 287,292 | 281,667 | 286,370 |
| Interest received | (36,293) | (33,804) | (34,506) | (32,159) |
| Net Interest Paid | 227,573 | 253,488 | 247,161 | 254,211 |
| Interest Cover Ratio (times) | 2.3 | 2.1 | 2.2 | 2.2 |

| COMBINED GROUP (50.1%) TWELVE MONTHS ENDED (A\$'000) | 30 JUN 2010 | 31 DEC 2010 | 30 JUN 2011 | 31 DEC 2011 |
|---|--------------------|--------------------|--------------------|--------------------|
| Cash Flow Available for Debt Service | 462,824 | 471,893 | 470,005 | 489,711 |
| Interest paid | 221,024 | 233,156 | 236,935 | 222,778 |
| Interest received | (26,506) | (26,840) | (26,339) | (17,435) |
| Net Interest Paid | 194,518 | 206,316 | 210,596 | 205,343 |
| Interest Cover Ratio (times) | 2.4 | 2.3 | 2.2 | 2.4 |

29 Cash Flow Available for Debt Service is defined as earnings before interest, tax, depreciation and amortisation less stay in business capital expenditure and income tax.

30 Net Interest Expense is defined as all interest payments and net payments made under hedge agreements (other than realised swap losses) paid or payable by the APA Group in respect of current and non-current interest bearing liabilities, excluding establishment fees, charges and other up-front borrowing costs paid in connection with borrowings less:

- (a) earnings by way of interest receipts and net receipts under hedge agreements (other than realised swap gains) payable to the APA Group; and
- (b) any amount to the extent it is capitalised into the capital cost of an asset,

The Interest Cover Ratios in the 50.1% scenario shown above are calculated on the assumption that HDUF's debt has no recourse to the Combined Group, thus HDUF is an excluded subsidiary (as defined in APA Group's syndicated facility agreement) for the purpose of the ratio calculation.

4.6 DEBT MATURITY PROFILE

APA Group's drawn debt totalling \$2.99 billion as at 8 August 2012 was diversified both in terms of debt sources and also maturity profile. The sources of existing debt facilities include banks, the market for US private placement notes and other global debt capital markets. APA Group has a well-managed debt maturity profile, with refinancing obligations spread over the next ten years to 2022. APA Group has no debt maturities falling due until September 2013, when \$113 million equivalent of US private placement market debt will be due. As at the date of this Prospectus, APA Group has some \$1.0 billion available in cash and committed undrawn facilities to fund further operations and growth of the business.

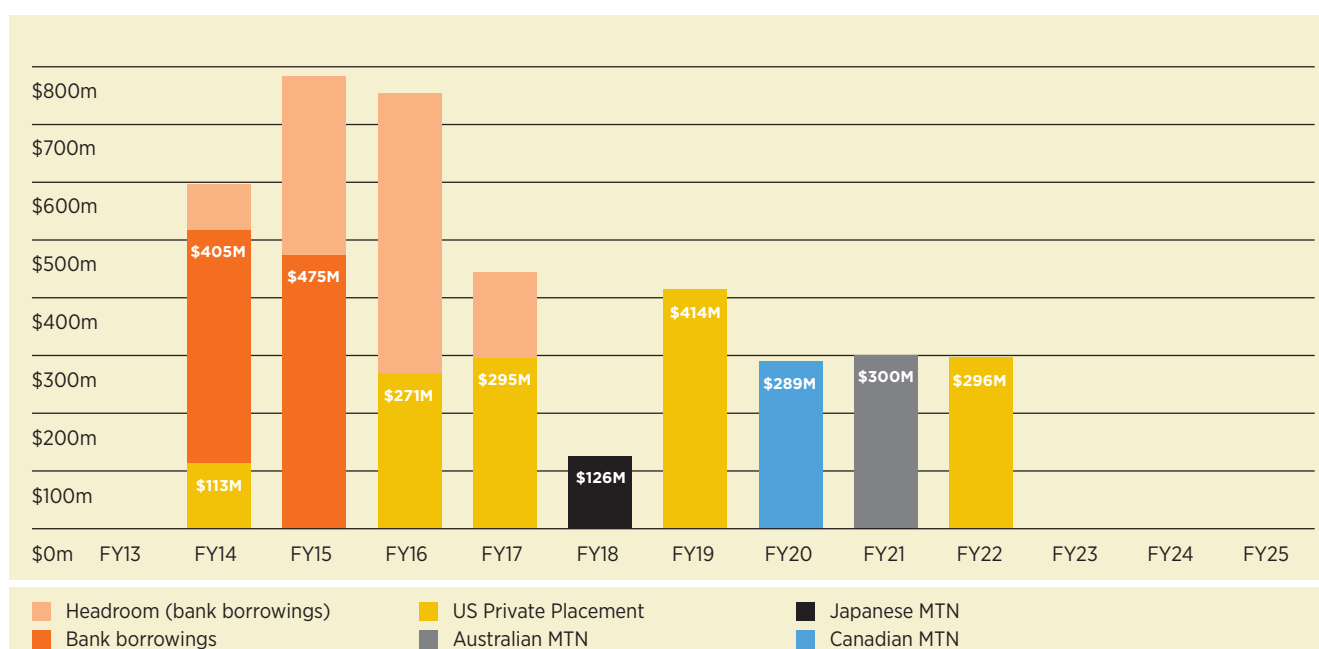
A summary of APA Group's facilities and the known facilities of HDUF, is set out below.

| FACILITY | FACILITY AMOUNT A\$MILLION | AMOUNT DRAWN | TENOR |
|-----------------------------------|----------------------------------|----------------------|---|
| 2003 US private placement | 394 | 394 | 10, 12 and 15 year tranches maturing September 2013, 2015 and 2018 |
| 2007 US private placement | 811 | 811 | 10, 12 and 15 year tranches maturing May 2017, 2019 and 2022 |
| 2009 US private placement | 185 | 185 | 7 and 10 year tranches maturing July 2016 and 2019 |
| 2010 A\$ Medium Term Notes | 300 | 300 | 10 year tranche maturing July 2020 |
| 2011 Bilateral borrowings | 300 | 75 | 3 years maturing July and August 2014 |
| | 150 | 0 | 5 years maturing October 2016 |
| 2011 Syndicated facility | 1,450 | 805 | 2, 3 and 4 year equal tranches maturing November 2013, 2014 and 2015 |
| 2012 JPY Medium Term Notes | 126 | 126 | 6.5 years maturing June 2018 |
| 2012 CAD Medium Term Notes | 289 | 289 | 7 years maturing July 2019 |
| Total APA Group Facilities | 4,005 | 2,985 | |
| HDUF Syndicated facilities | 1,325 | 1,325 ⁽¹⁾ | 18 month, 3 year and 4 year tranches maturing September 2013, March 2015 and March 2016 |
| HDUF Revolving facility | 50 | 0 ⁽¹⁾ | 3 years maturing March 2015 |
| Total Available Facilities | 5,380 | | |

(1) Amount drawn is based on the drawn debt balances shown in the HDUF Supplementary Target's Statement dated 3 August 2012.

4. FINANCIAL INFORMATION

MATURITY PROFILE OF DRAWN DEBT - 8 AUGUST 2012



4.7 DISTRIBUTION AND EBITDA GUIDANCE

4.7.1 Distribution guidance

APA Group's distributions have been well covered by operating cash flows. The APA Responsible Entity intends to continue this policy with a view to growing distributions in the longer term while balancing the funding needs of the business with the objective of growing returns to investors. The APA Responsible Entity's distribution policy objectives are set out below:

- distributions should continue to be sustainable over time and to be funded from operating cash flows;
- the growth in total distributions should ordinarily not exceed the growth in underlying total operating cash flows;
- consideration given to the ongoing capital markets environment and focus on maintaining APA Group's credit profile; and
- distributions should grow in step with the business and the demand on cash flow required to be reinvested in the business.

APA Group confirms its estimate, announced on 19 June 2012, that the total distributions per APA Stapled Security for FY2012 will be 35 cents per APA Stapled Security. The FY2012 interim distribution for HY2012 was 17.0 cents per APA Stapled Security and the estimated final distribution the 6 months ended 30 June 2012 is 18 cents per APA Stapled Security. If APTPL acquires all of the HDUF Stapled Securities, APA Group intends to continue its policy of ensuring all distributions are fully covered by operating cash flows while seeking to balance the funding requirements of a growing business with the objective of increasing distributions to APA Securityholders. The final distribution is expected to be paid in September 2012.

4.7.2 EBITDA guidance

On 24 August 2011, APA Group announced to ASX that it expects EBITDA for the 12 months to 30 June 2012 to be within the range of \$530 million to \$540 million.

The completion of the sale of 80% of the Allgas Distribution Network will not materially impact on that guidance. Excluding the effect of any acquisition of HDUF, APA Group confirms that its EBITDA for the year ended 30 June 2012 is still expected to be within the range of \$530 million to \$540 million.



Darwin City Gate, Northern Territory

5. INVESTMENT RISKS

| | |
|--|----|
| Risks associated with Notes | 64 |
| Risks related to the market for Notes generally | 66 |
| Risks associated with APA Group | 66 |
| Specific risk factors that may affect the Combined Group | 68 |

5. INVESTMENT RISKS

By investing in Notes you will be lending money to APA Group and may be exposed to a number of risks which can be broadly classified as risks associated with Notes, the market generally and APA Group.

This Section describes potential risks associated with APA Group's business and risks associated with an investment in Notes and APA Group. It does not purport to list every risk that may be associated with an investment in Notes now or in the future, and the occurrence or consequences of some of the risks described in this Section of the Prospectus are partially or completely outside the control of APA Group, its directors and senior management team.

The selection of risks has been based on an assessment of a combination of the probability of the risk occurring and impact of the risk if it did occur. This assessment is based on the knowledge of the directors as at the date of this Prospectus but there is no guarantee or assurance that the importance of different risks will not change or other risks emerge.

There can be no guarantee that APA Group will achieve its stated objective, that it will meet trading performance or financial results guidance that it may provide to the market, or that any forward looking statements contained in this Prospectus will be realised or otherwise eventuate. Investors should note that past performance is not a reliable indicator of future performance.

Before applying for Notes, you should satisfy yourself that you have a sufficient understanding of these matters and should consider whether Notes are a suitable investment for you, having regard to your own investment objectives, financial circumstances and taxation position. If you do not understand any part of this Prospectus or are in any doubt as to whether to invest in Notes or not, it is recommended that you seek professional guidance from your stockbroker, solicitor, accountant or other independent and qualified professional adviser before deciding whether to invest.

5.1 RISKS ASSOCIATED WITH NOTES

5.1.1 Notes are subordinated obligations

In an Event of Insolvency of APTPL, including a winding-up of APTPL involving a shortfall of funds, the amount (if any) which may be paid to Holders will be calculated as if Notes were the most junior class of preference securities on issue by APTPL at that time, that is:

- ahead of APTPL ordinary equity; and
- behind all creditors and all other classes of securities (except for any obligations that are equivalently subordinated and the most junior class of preference securities in APTPL, if any).

There may be a shortfall of funds to pay all amounts ranking senior to and equally with Notes if an Event of Insolvency of APTPL occurs. In that event, APA Responsible Entity as responsible entity of APT and APTIT would be obliged to pay any shortfall in accordance with and subject to the terms of the

Guarantee (including that such Guarantee is provided on a subordinated basis).

Obligations under the Guarantee will effectively rank, in the event of a winding-up of APT and APTIT, as if they were the most junior class of preference securities in that trust on issue at that time – that is:

- ahead of APA Stapled Securities; and
- behind all creditors and all other classes of securities (except for any obligations that are equivalently subordinated and the most junior class of preference securities in the relevant trust, if any).

There may be a shortfall of funds to pay all amounts ranking senior to and equally with APA Responsible Entity's obligations under the Guarantee. This would result in Holders not receiving any payment if claims ranking senior to Notes were not satisfied in full or otherwise not receiving a full return of capital and any interest due and unpaid at that time.

As noted in Section 2.5.5, Holders are not creditors of any entity in the APA Group other than APTPL, APT and APTIT.

5.1.2 Deferral of Interest Payments

APTPL has the right to defer Interest Payments at any time in its discretion. Deferral of Interest Payments may have an adverse effect on the market price of Notes and will also be disadvantageous to Holders from a cash flow timing perspective. As a result, the market price of Notes may become more volatile than the market price of other debt securities that are not subject to such payment deferral rights.

5.1.3 Notes are long-dated securities

Holders have no right to request redemption of Notes³¹. Holders may seek to sell Notes on ASX but there is no guarantee they will be able to do so at all, or do so at a price acceptable to the Holder. This may particularly be the case if Notes remain outstanding for a long period and APA Group's financial position or performance, or broader economic or market conditions, materially deteriorate. Therefore, Holders should be aware that they may be required to bear financial risks associated with an investment in long-dated securities. For example, holding a note for a significant period, potentially to maturity, exposes an investor over that period to one entity, and the risks associated with its operations, and to the likely risks associated with cyclical or volatile markets (including potentially depressed trading values and periods of illiquidity).

Notes will mature in 60 years on the Maturity Date. APTPL may redeem Notes in certain circumstances prior to this date, including from the First Call Date, being 31 March 2018 when APA Group expects that one Rating Agency will cease to treat Notes as having equity credit, and will treat Notes as debt, when evaluating the quantitative aspects of APA Group's corporate credit rating. However APA Group does expect that Notes will continue to provide some qualitative support to its capital management strategy until redemption, having regard

³¹ However, note that under clause 9.2(a) of the Terms if an event of default occurs and is subsisting, the Trustee may, and must (if so directed by a Special Resolution of the Holders or so requested in writing by at least 25% of the total Face Value of Notes then Outstanding) give notice to APTPL that the total Redemption Amount of the Notes is due and payable.

to the Notes' subordinated ranking, long tenor and interest deferral features.

APA Group intends (without thereby assuming a legal obligation) to retain the Notes in its capital structure in circumstances where APA Group's credit profile is materially worse than as at the date of this Prospectus, unless it elects to replace the Notes with a new issue of hybrid or other securities which are ascribed at least an equal equity credit from S&P.

5.1.4 APTPL may redeem Notes under certain circumstances

Notes may be redeemed at the option of APTPL:

- on the First Call Date; or
- any Interest Payment Date thereafter.

APTPL may also elect to redeem Notes if any of the following (summarised in Section 2.4.7) occur:

- a Change of Control Event;
- a Capital Event; or
- a Tax Event.

Notes will be redeemed at their Face Value of \$100 per Note (plus any accrued and outstanding interest and any outstanding Optionally Deferred Interest Payments) except where they are being redeemed on account of the occurrence of a Capital Event before the First Call Date, in which case Notes will be redeemed at \$101 per Note (plus any accrued and outstanding interest and any outstanding Optionally Deferred Interest Payments).

There is a risk that the relevant redemption amount may be less than the then current market value of Notes or the timing of such redemption may be unfavourable having regard to a Holder's individual financial circumstances or tax position.

5.1.5 No rights for Holders to request or require redemption

Holders have no right under the Terms to request or require redemption of their Notes, including where APTPL does not elect to redeem Notes following a Change of Control Event.

Holders can only realise their investment in Notes by a sale on ASX or a private sale. There is a risk that the sale price on ASX or under private sale will be less than the Issue Price or market value of Notes. Brokerage may also be payable if Notes are sold through a broker.

5.1.6 No limitation on issuing senior or equal ranking securities

There are no restrictions under the Terms on the amount of securities, guarantees or other liabilities which APA Group may issue or incur and which rank (legally or in effect) senior to, or equal with, the rights and claims of Holders in respect of Notes. If APA Group does issue such securities, guarantees or incur other liabilities, the amount (if any) recoverable by Holders on a winding-up of APT or APTIT or a liquidation of APTPL may be reduced.

5.1.7 Changes in Interest Rate

The Interest Rate is calculated for each Interest Period by reference to the Bank Bill Rate, which is influenced by a number of factors and may fluctuate over time. As the Interest Rate fluctuates, there is a risk that it may become less attractive compared to the rates of return available on other securities or financial products.

5.1.8 Modification, waivers and substitutions

APTPL may in certain circumstances amend the Terms without the consent of Holders (refer to clause 10.2 of the Terms). APTPL may also amend the Terms if the amendment has been approved by a Special Resolution of Holders (refer to clause 10.1 of the Terms). APTPL may also in certain circumstances substitute itself as the principal debtor under Notes without consent of Holders provided, along with other applicable conditions, APTPL is satisfied that the interests of Holders are not materially prejudiced by the substitution (refer to clause 11 of the Terms). There is a risk that an amendment or a substitution of APTPL as principal debtor under these powers will occur, and that Holders have concerns with this.

5.1.9 Australian tax consequences

A general description of the Australian taxation consequences of investing in Notes is set out in Section 7 (including taxation consequences that may arise if Interest Payments are deferred). That discussion is in general terms and is not intended to provide specific advice in relation to the circumstances of any particular Holder. Accordingly, Holders should seek independent advice in relation to their individual tax position. Holders should also be aware that future changes in Australian taxation law, including changes in interpretation or application of the law by the courts or taxation authorities in Australia, may affect the taxation treatment of an investment in Notes, or the holding and disposal of Notes.

5.1.10 New Zealand Investors' currency and tax risk

The denomination and currency for payment for Notes is Australian dollars and not New Zealand dollars. If you are a New Zealand resident, the Offer may involve a currency exchange risk. The value of the securities will go up or down according to changes in the exchange rate between Australian dollars and New Zealand dollars. These changes may be significant. Payments to Holders will be made in Australian dollars and Holders may incur fees in having the funds credited to a bank account in New Zealand in New Zealand dollars.

A general description of the New Zealand taxation consequences of investing in Notes is set out in Section 7. That discussion is in general terms and is not intended to provide specific advice in relation to the circumstances of any particular Holder. Accordingly, Holders should seek independent advice in relation to their individual tax position. Holders should also be aware that future changes in New Zealand taxation law, including changes in interpretation or application of the law by the courts or taxation authorities in New Zealand, may affect the taxation treatment of an investment in Notes, or the holding and disposal of Notes.

5. INVESTMENT RISKS

5.2 RISKS RELATED TO THE MARKET FOR NOTES GENERALLY

5.2.1 Market price

The market price of Notes may fluctuate due to various factors, including investor perceptions, worldwide economic conditions, interest rates, credit spreads, movements in the market price of APA Stapled Securities or senior or subordinated debt, and factors that may affect APA Group's financial position and trading results and other factors beyond the control of APA Group and its directors. Notes may trade at a market price below the Issue Price. As a result, Holders who wish to sell their Notes may be unable to do so at an acceptable price (if at all). Where markets are volatile, there is the potential for fluctuations in the price of securities, sometimes markedly and over a short period. Investing in volatile conditions implies a greater level of volatility risk for investors than an investment in a more stable market.

5.2.2 Liquidity

APTPL has applied for Notes to be listed on ASX. However, Notes may have no established trading market when issued, and one may never develop. If a market does develop, it may not be very liquid. Insufficient liquidity may have a severely adverse effect on the market price of Notes which may trade at a market price below their Issue Price. Holders may not be able to sell their Notes easily or at an acceptable price. The extent of liquidity may also affect the volatility of the market price of Notes. The liquidity of the Notes may be further impacted by any repurchase of Notes after the First Call Date.

5.2.3 Change in credit ratings

The APA Group has obtained credit ratings from Rating Agencies which could be reviewed, suspended or downgraded. The Rating Agencies could also change the methodologies by which they rate the APA Group. Even though Notes will not be rated, such changes may adversely impact the market price and liquidity of Notes. Further, APA Group's cost of funds, margins, access to capital markets and other aspects of its performance may also be affected if it fails to maintain its credit ratings which may in turn affect both APTPL and APA Group's ability to fulfil its obligations in respect of Notes.

5.3 RISKS ASSOCIATED WITH APA GROUP

5.3.1 Key business risks for APA Group

5.3.1.1 Economic regulation

Approximately 45% of APA Group's pro forma revenue (excluding pass-through revenue) for the financial year ended 30 June 2011 was earned on assets subject to pricing regulation by the independent national and state energy regulators. This proportion did not increase materially in the 2012 financial year.

Regulatory pricing periods generally run for five years and reflect the regulator's determination, amongst other matters, of APA Group's projected operating and capital costs, and weighted average cost of capital. However, costs can increase materially within a regulatory pricing period for a particular asset resulting in adverse impacts on earnings for that asset.

The price regulation outcomes determined by the AER under an Access Arrangement process for a full regulation asset may adversely affect APA Group's revenue in respect of that asset (to the extent revenue on a full regulation asset is not derived from a haulage contract that has its terms and conditions, including price, set for the period of the contract).

Changes to the regulatory framework including the National Gas Law and National Gas Rules may adversely affect APA Group's regulated assets. The AEMC is currently considering proposals for changes to the National Gas Rules which if adopted may have an adverse revenue impact on APA Group's regulated assets.

If APA Group is unable to efficiently manage the operating costs within its regulatory allowance, or if the regulator's projection of the operating costs, capital costs, taxation and weighted average costs of capital at the beginning of a pricing period is insufficient to meet the actual costs incurred, this may adversely affect APA Group's earnings and/or financial position and performance.

In addition, a number of APA Group's assets are subject to light regulation which, while not a price regulation regime, does enable the regulator to arbitrate any disputes with customers on price and other terms of access.

Additionally, under the National Gas Law, any person (including customers seeking access to a pipeline) may make an application that a pipeline become "covered" and subject to economic regulation. If a determination and decision is made for coverage it may limit APA Group's ability to negotiate tariffs and increase costs associated with regulation.

5.3.1.2 Bypass and competitive risk

Bypass and competitive risk occurs when a new transmission pipeline offers gas transportation services to the same end market serviced by existing pipelines. This risk is particularly applicable to the Moomba Sydney Pipeline and Parmelia Gas Pipeline. For example, the Eastern Gas Pipeline is a competitive pipeline to the Moomba to Sydney Pipeline, transporting gas from Victoria to the Sydney market. In the past there has been a proposal by a third party to build a gas transmission pipeline linking gas reserves in Queensland and New South Wales to New South Wales and Queensland markets respectively. Such a pipeline, if developed, may have competed with the Moomba Sydney Pipeline for delivery of gas into the Queensland and New South Wales markets. If such a bypass risk eventuates, APA Group's future earnings could be reduced if customers purchase gas transportation services from new pipelines rather than from APA Group's existing pipelines.

5.3.1.3 Gas demand risk

The volume of gas that is transported by APA Group is dependent on end-user demand. The relative price of gas and its competitive position with other energy sources (including electricity, coal, fuel oils, solar, wind and other alternate energy sources) may significantly change demand levels for APA Group's assets. The reduction in demand for APA Group's transmission services may also arise if the use of gas swap contracts by customers increases. Gas swap contracts involve customers "swapping" gas at specified delivery points so as to reduce the distance gas needs to be transported. Increased usage of such contracts may adversely affect future revenue. In addition, if APA Group's customers build gas storage facilities, this may increase the efficiency of gas use at a delivery point and as a result, reduce the demand for gas transmission.

The competitive position of gas and the actions of APA Group's customers cannot be predicted. If the demand for gas weakens,

it may reduce the future demand for pipeline capacity and adversely impact APA Group's future revenue, profits and financial position.

5.3.1.4 Gas supply risk

The availability of competitively priced gas is essential for ongoing use of gas transmission pipelines and distribution networks. If there is a shortage of competitively priced gas, either as a result of gas reserve depletion or the unwillingness or inability of gas production companies to produce gas, APA Group's revenue and the carrying value of APA's assets may be materially adversely affected.

5.3.1.5 Potential regulatory restrictions on future growth

APA Group's future acquisitions may be subject to ACCC approval such as, for example, the current HDUF Offer. The ACCC is responsible for administering the Competition and Consumer Act 2010 (Cth) and can take steps to prevent acquisitions from taking place if they are considered to substantially lessen competition in a market in Australia.

Adverse review, actions or decisions by the ACCC may limit the ability of APA Group to grow by acquisition, which may adversely affect APA Group's earnings and/or financial position and performance.

5.3.1.6 Counterparty risk

As part of its ongoing commercial activities, APA Group enters into transportation and asset management agreements with various third parties. If a counterparty to such an agreement is unable to meet its commitments to APA Group whether in whole or in part, there is a risk that future anticipated revenue would reduce unless and until APA Group is able to secure an alternative customer. Counterparty risk also arises when contracts are entered into for derivatives with financial institutions. APA Group's counterparty risk is reduced by implementation of credit policies that apply to transportation and derivative contracts. APA Group is also exposed to counterparty risk with respect to existing interest rate and foreign currency hedging arrangements. Exposures are regularly monitored in accordance with APA Group's treasury risk management policy.

The failure of a counterparty to a transportation or derivative contract could, however, materially and adversely affect APA Group's financial position and performance and/or credit rating.

5.3.1.7 Interest rates and refinancing risks

APA Group is exposed to movements in interest rates where funds are borrowed at a floating interest rate and are not effectively hedged or where fixed rate debt is being refinanced. There is a risk that adverse interest rate movements may affect APA Group's earnings, both directly (through increased interest payments) and indirectly (through the impact on asset carrying values).

APA Group has borrowings extending through to 2022. Access to continuing financing sources to extend and/or refinance debt facilities will be important. An inability to secure new debt facilities at a similar quantum and cost to existing debt facilities may materially and adversely affect APA Group's operations and/or financial position and performance.

5.3.1.8 Minority interest risk

APA Group has minority interests in a number of energy infrastructure enterprises and provides various services to these enterprises including one or more of corporate services, asset management, operation and/or maintenance services. As APA Group is not able to exercise control over the management or conduct of these enterprises, there is a risk that the decisions of these enterprises, including decisions relating to distributions or dividends, may not align with the interests or wishes of APA Group. Any decision by these enterprises to decrease or cease the payment of distributions or dividends, may adversely affect APA Group's financial position and performance.

5.3.1.9 Investment risk

From time to time, APA Group may acquire infrastructure and related assets or undertake additional or incremental investment in its existing assets. Recent examples of this include APA Group's acquisition of the Berwyndale Wallumbilla Pipeline in Queensland and Emu Downs Wind Farm in Western Australia. APA Group currently has an acquisition bid outstanding for HDUF which is scheduled to close on 4 September 2012 unless extended or withdrawn prior to that date. Although the Board and APA Group's senior management have considerable expertise in the assessment and structuring of such investments, and they engage external expert assistance as considered necessary, any final investment decision places considerable reliance on many assumptions.

There is a risk that these assumptions and forecasts (some of which may relate to time periods many years away) may ultimately not be realised. If these assumptions and forecasts are not realised or are realised only in part, this may adversely affect APA Group's financial position and performance. There is also a risk that APA Group may be unable to secure further appropriate infrastructure investments on suitable terms, thereby limiting its growth to organic growth.

5.3.1.10 Contract renewal risk

A large part of APA Group's revenues are the subject of long term negotiated revenue contracts with end customers. Due to a range of factors including customer demand risk, gas supply risk, counterparty risk, bypass and competitive risk, APA Group may not be successful in recontracting the available pipeline capacity when it comes due for contract renewal. If APA Group is unable to recontract the available pipeline capacity when it comes due for renewal, it may adversely impact APA Group's future revenue, profits and financial position.

5.3.2 Other risks relating to the Australian gas transport industry generally

5.3.2.1 Operational risk

APA Group is exposed to a number of operational risks such as equipment failures or breakdowns, rupture of pipelines (including as a result of corrosion) with a risk of explosion, information technology systems failures or breakdowns, employee or equipment shortages, contractor default, unplanned interruptions including through industrial disputes or natural disasters, damage by third parties and unforeseen accidents. Operational disruption, or the cost of repairing or replacing damaged assets, could adversely impact APA Group's earnings. Insurance policies may only provide protection for some, but not all, of the costs that may arise from unforeseen events.

5. INVESTMENT RISKS

APA Group also faces the risk that it could be forced to suspend gas transportation due to a failure on the part of the producer of natural gas to maintain supply. The suspension of gas production from the supplier, or a suspension of gas transportation by APA Group, may adversely affect APA Group's earnings and/or financial position and performance.

5.3.2.2 *Operating licenses and authorisations*

In addition to economic regulation, the natural gas industry in Australia is regulated from an operational perspective. APA Group is directly or indirectly subject to a range of regulatory issues such as environmental laws and regulations, occupational health and safety requirements and technical and safety standards.

All pipeline, distribution and gas processing assets owned and/or operated by APA Group require compliance with relevant federal, state and territory laws, regulations or policies. Changes in any such laws, regulations or policies may have an adverse impact on APA Group's pricing, costs or compliance regimes, any of which could materially affect APA Group's operations, earnings and/or financial position and performance.

In some instances, assets owned and/or operated by APA Group are dependent on the granting and maintenance of appropriate licences, permits or regulatory consents. Although these authorisations may be renewed following expiry, granted or continued (as the case may be), there can be no guarantee that authorisations will be renewed, granted or continued, or renewed, granted or continued on no more onerous terms. Moreover, these authorisations are potentially subject to loss or forfeiture in the event of material non-compliance. Any failure to obtain or maintain necessary authorisations may adversely affect APA Group's operations and/or financial position and performance.

5.3.2.3 *Environmental risk*

National, state and territory environmental laws and regulations affect the operations of APA Group's assets. These laws and regulations set various standards regarding certain aspects of health and environmental quality, provide for penalties and other liabilities for the violation of such standards, and establish, in certain circumstances, obligations to remediate current facilities and locations where operations are, or were, previously conducted.

There is a risk that liability could be imposed on APA Group for damages, clean-up costs or penalties in the event of discharge of prohibited substances into the environment, environmental damage caused by APA Group or previous owners of property or assets acquired by APA Group, or other non-compliance with environmental laws and regulations. Increased costs associated with regulatory compliance and/or litigation could adversely affect APA Group's earnings and/or financial position and performance.

5.3.2.4 *Land leases*

APA Group's pipelines are primarily constructed and operated on land over which APA Group has an easement or on land that it leases from other entities. If APA Group loses any lease or easement rights or is otherwise required to relocate its pipelines, the operating business could be adversely affected.

APA Group's operations could also be negatively impacted if land access costs increase, including through rental increases, renewals of expiring agreements, prevention of easement encroachments or enforcement of current land access rights.

5.3.2.5 *Construction and development risk*

As part of growing its business, APA Group develops new assets and undertakes expansion to its existing assets. A recent example is APA Group's involvement in the development of the Diamantina Power Station at Mt Isa, which is a 50:50 joint venture with AGL. Development of APA Group's assets involves a number of typical construction risks including the failure to obtain necessary approvals, employee or equipment shortages, higher than budgeted construction costs and project delays, which may impact the commerciality and economics of the development or otherwise impact on APA Group's other assets. If these risks materialise, this may adversely affect APA Group's operations and/or financial position and performance.

5.3.2.6 *Disputes and litigation risks*

In the course of its operations, APA Group may be involved in disputes and litigation. There is a risk that material or costly disputes or litigation could affect APA Group's financial position and performance. As at the date of this Prospectus, APA Group is not aware of any litigation that is expected to have a material adverse effect on APA Group's operations and/or financial position or performance.

5.3.2.7 *Insurance*

There may be some circumstances where APA Group's insurance will not cover, or will not be adequate to cover, the consequences of adverse events arising from operations, or where APA Group may become liable for pollution or other operational hazards against which it cannot insure or may have elected not to have insured or keep insured on account of high premium costs or otherwise. In that event, APA Group could incur significant costs that may adversely affect APA Group's financial position and performance.

5.4 SPECIFIC RISK FACTORS THAT MAY AFFECT THE COMBINED GROUP

On 14 December 2011, APA Group announced an off-market takeover offer for all of the HDUF Stapled Securities that it did not then own. The HDUF Offer was made through APTPL. APA Group currently owns 20.7% of the HDUF Stapled Securities on issue. The HDUF Offer is currently open until 4 September 2012 unless extended or withdrawn.

If APA Group acquires additional HDUF Stapled Securities under the HDUF Offer then, in addition to the risk factors described in Sections 5.1, 5.2 and 5.3, the following factors may affect the future operating and financial performance of the Combined Group in the event that APA is successful in acquiring a controlling stake in HDUF under the current takeover offer.

APA Group does not currently control, or have any involvement in, HDUF Group's operations. Accordingly, APA Group and its advisers have relied primarily on HDUF having complied with its continuous disclosure obligations and some limited other information. Consequently, APA Group is not in a position to identify all of the material risks associated with HDUF nor, consequently, all of the material risks of the Combined Group.

5.4.1.1 Refinancing risk and counterparty change of control risk

Although the terms of HDUF's financing arrangements are not known to APA Group, HDUF has publicly disclosed that the terms of the existing finance arrangement include market standard terms. Specifically, the terms include change of control provisions that provide lenders with the ability to review continuation of the facilities under a change of control. HDUF has disclosed that a change of control includes the situation of any person (alone or with associates) directly or indirectly acquiring a legal or beneficial interest or relevant interest in more than 75% of the securities in HDUF or HDUF Epic Trust or otherwise acquiring control of HDUF or HDUF Epic Trust. If these provisions are triggered and early repayment is demanded, then in addition to being required to repay the outstanding amount of principal and any accrued interest, it is possible certain additional payment obligations may arise.

HDUF's target's statement dated 3 August 2012 in response to the takeover bid from Pipeline Partners Australia Pty Limited discloses that if these provisions are triggered, it is likely that Epic Energy would be required to close out certain interest rate swap positions which, based on the status of these positions, would be likely to crystallise a payment obligation of approximately \$30.8 million (based on interest rates at 30 June 2012). See note 5 in section 4.4.9 for further information.

There is also a risk that APA Group will be unable to arrange replacement financing as such financing is likely to involve co-ordination with the HDUF Group the existing financiers for a number of purposes including arrangements for repayment of existing financial arrangements, the release of existing security and the provision of guarantees by entities in the HDUF Group. This may adversely affect APA's and potentially HDUF's existing financing arrangements.

HDUF's target's statement dated 20 January 2012 in response to the HDUF Offer, discloses that the responsible entity of HDUF is not aware of any material contract or similar arrangement, to which a member of the HDUF Group is a party, which allows another party to exercise such rights as termination, variation or enforcement as a result of the HDUF Offer (other than in its financing arrangements).

The operation of any of these financing change of control provisions or other change of control provisions arising in the future could adversely affect the operations and/or financial position and performance of the Combined Group.

5.4.1.2 Integration and synergy risks

To date, APA Group has not had access to sufficient information to identify, confirm and quantify all available synergies, or to assess any costs to be incurred to achieve synergies. However, APA Group reasonably expects that various cost savings and synergy benefits may be obtained over time through the integration of APA Group and HDUF Group. Achievement of any synergies is not certain. There is a risk that synergies may not be realised at all or not realised to their full extent, or that they may be realised over a longer period of time than anticipated. There is also a risk that implementation and other one-off costs may be substantial or greater than reasonably anticipated. This

could have a material adverse impact on the Combined Group's financial position and performance.

The transition of information systems and data, technical, financial and legal information and resources may not proceed smoothly and may divert management's attention from managing APA Group's business. There may also be some employee resistance to changes as part of integration. There is a risk that revenue streams or operations could be disrupted or that costs associated with the transition may be greater than expected, which could adversely affect the Combined Group's financial position and performance.

5.4.1.3 Interest in HDUF

If the HDUF Offer results in APA Group being entitled to a relevant interest in at least 90% of HDUF Stapled Securities, APA Group will be able to compulsorily acquire any outstanding HDUF Stapled Securities so that HDUF will become a wholly owned entity of APA Group. APA Group has indicated its intention that on obtaining a relevant interest in at least 70% of the HDUF Stapled Securities it will waive its 90% minimum ownership condition. APA Group also reserves its right to declare the HDUF Offer free from this condition or any other condition of the HDUF Offer. Therefore a risk exists that the final level of ownership acquired by APA Group may be less than 90%. This would mean, in the event that HDUF is a partly owned controlled entity, that the APA Responsible Entity may not be in a position to give effect to its intentions for HDUF as a wholly owned controlled entity.

5.4.1.4 Loss of key staff

It is possible that there will be some unintended loss of key staff leading up to and following the acquisition by APA Group of a controlling interest in HDUF. If the Combined Group cannot attract or retain key staff, especially at the management and technical level, the Combined Group's operations may be adversely affected. This risk is likely to be reduced given the expected similarity in experience and resource profile of APA Group and HDUF Group.

5.4.1.5 Impairment of goodwill and other intangible assets

The financial statements of the Combined Group will be prepared in conformity with A-IFRS and consistent with the current accounting policies of APA Group. Under A-IFRS, intangible assets that have an indefinite useful life including goodwill, are not subject to amortisation and are reviewed annually for impairment. Individual assets that are subject to amortisation are reviewed for impairment whenever events or changes in circumstances indicate that the carrying amount of an individual asset may not be recoverable. Changes to the carrying amounts of intangible assets of the Combined Group could have an adverse impact on the reported financial performance of the Combined Group and, depending on the extent of the impact, could affect the amount of distributions paid by the Combined Group.

5.4.1.6 Risks associated with ACCC undertaking Price for sale of the MAPS business

The level of purchaser interest in the MAPS business and other market conditions may adversely affect the price at which the MAPS business can be sold. If the divestiture of the MAPS business is not completed within a certain time period, then the

5. INVESTMENT RISKS

APA Group must appoint and maintain a divestiture agent approved by the ACCC to effect the divestiture. The divestiture agent must then divest the MAPS business as quickly as possible to a purchaser approved by the ACCC. APA Group cannot impose any obligation on the divestiture agent to achieve a minimum price for the divestiture. If this takes place, it is also possible that the MAPS business will be sold at a price that is below the market value of the MAPS business. This could materially and adversely affect APA Group's financial position and performance.

No sale of MAPS business

There may be circumstances where APA Group is unable to comply with the requirements of its undertaking to the ACCC, for example if APA Group is unable to cause the sale of the MAPS business. In such circumstances, the ACCC may require APA Group to take action to address its competition concerns. This could materially and adversely affect APA Group's and potentially HDUF Group's operations and/or financial position and performance.

5.4.1.7 Accounting revisions may be required

HDUF has particular accounting policies and methods which are fundamental to how it records and reports its financial position and results of operations. The management of HDUF may have exercised judgement in selecting and applying certain accounting policies or methods which might have been reasonable under the circumstances yet might have resulted in reporting materially different outcomes than would have been reported under APA Group's policies and methods.

While no material differences between APA Group and HDUF Group policies and methods have been identified to date, there remains some uncertainty associated with the extent of the amount of any impact of any such differences. The integration of HDUF Group's accounting functions may lead to revisions of these accounting policies, which may adversely impact on the Combined Group's reported results of operations and/or financial position and performance.

5.4.1.8 Tax risks

Should HDUF become wholly owned by APT, APT as head company of the APT tax consolidated group will be deemed to have acquired the individual assets of HDUF. As a consequence, upon joining the APT tax consolidated group, APT will need to calculate its tax cost base for the individual assets of each member of the HDUF Group and this is broadly achieved by spreading the cost of acquiring each wholly owned entity to the underlying assets of those wholly owned subsidiaries. This may result in a "step-up" or "step-down" in the tax cost base of those assets depending on the circumstances.

Restrictions exist which may limit any potential tax uplift in the tax cost base of certain assets. Relevantly for HDUF Epic Trust's assets there is a restriction that the tax cost base of its assets which are held either on revenue account or as trading stock cannot exceed the greater of the asset's market value and its tax value immediately prior to joining the APA tax consolidated group.

Stamp duty will be payable by APA Group on the acquisition (through APTPL) of HDUF if it acquires (including existing holdings) 90% or more of HDUF Stapled Securities on issue. The duty payable will depend on a number of factors including the number of HDUF Stapled Securities acquired, when they are acquired and the market value of the relevant underlying assets held, or deemed to be held, by HDUF for stamp duty purposes.

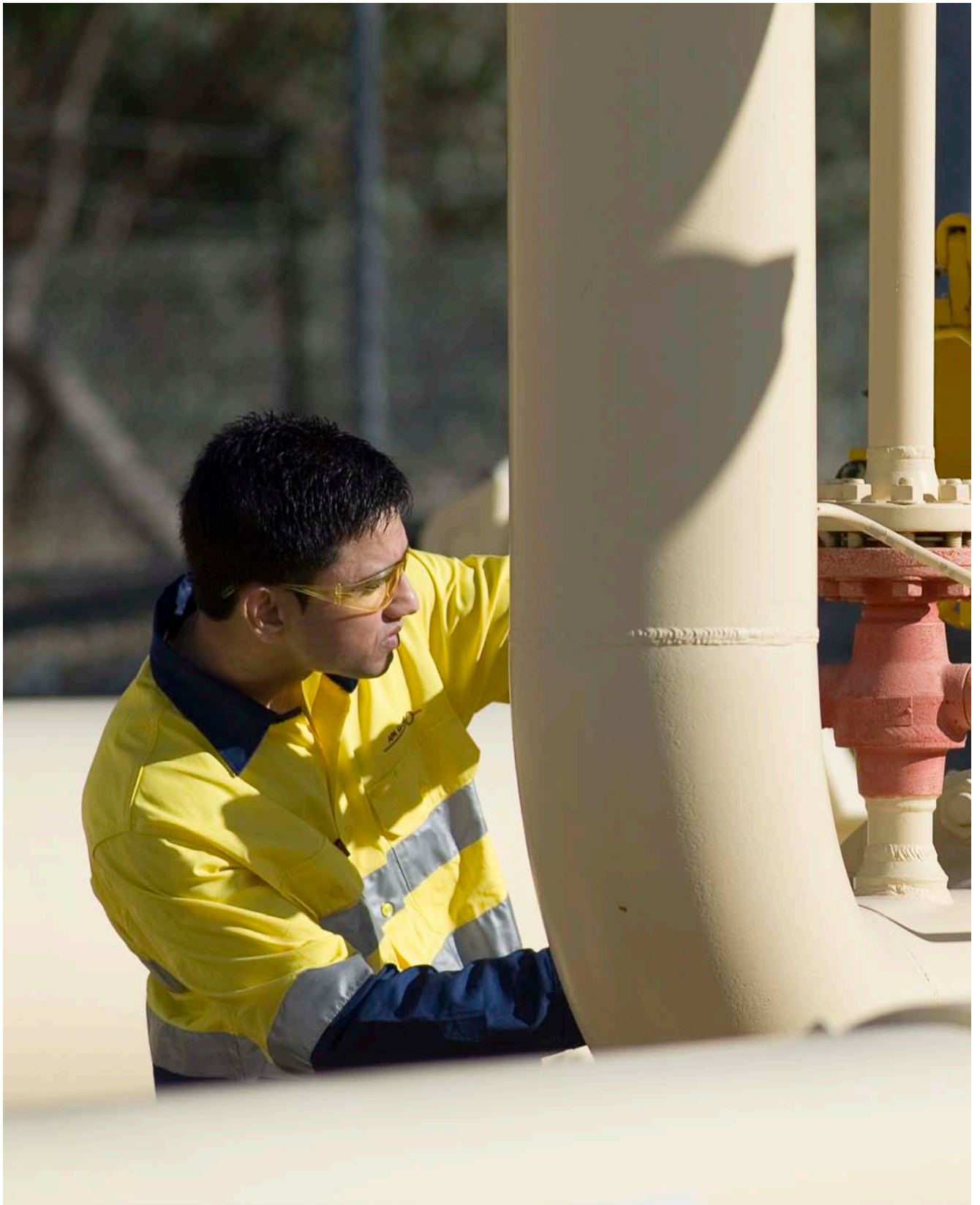
The estimated stamp duty payable by APTPL is \$10.2 million. This estimate includes stamp duty payable in a number of jurisdictions. This estimate of anticipated duty is based on publicly available information and on the expectation that any assessments made by the state revenue authorities will be consistent with the policy and practice applied in the past. Any change in the policy or practice associated with stamp duty legislation or factual circumstances may result in an increased stamp duty cost associated with the acquisition of HDUF Stapled Securities.

Capital gain on sale of MAPS business

The divestment of the MAPS business will be a taxable event. The tax treatment of any gain will depend on a number of factors including whether the APTPL holds 100% of the HDUF stapled securities at the time of the divestment and whether there are any tax losses which would be available to reduce the tax payable on any gain.

In the event that APTPL holds 50.1% or more but less than 100% of HDUF stapled securities at the time of divestment of the MAPS business, the HDUF Epic Group would realise a taxable gain if the proceeds from the divestment exceeds the tax cost base of the MAPS business. The tax payable on that gain will be reduced by any available tax losses of the HDUF Epic Group subject to the satisfaction of the same business test. The HDUF Epic Group had carried forward tax losses of approximately \$164 million as at 31 December 2011 and may generate additional tax losses for the year ended 31 December 2012. The actual amount of tax losses available to reduce any gain realised by the HDUF Group may be a higher or lower amount in the income year of any disposal. Based on the information available, it is likely that the HDUF Epic Group will be able to satisfy the same business test in order to utilise any available losses. However, this is not certain and will depend on all the facts and circumstances relevant to the business of the HDUF Epic Group, including the business carried on by the group both before and after the divestment of the MAPS business.

In the event that APTPL holds 100% of the HDUF stapled securities before divestment of the MAPS business, the HDUF Epic Group would become part of the APT tax consolidated group. Accordingly, the cost base of the MAPS Business would be reset. At the time of the divestment of the MAPS Business, APT would realise a taxable gain if the proceeds from the divestment exceed the reset tax cost base of the MAPS business.



Watson Regulator Station, Canberra

6. ABOUT THE OFFER

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6. ABOUT THE OFFER

Information about the Offer including the Offer key dates and the Offer Period is included in Section 1. This Section provides further information about the Offer, including how to apply.

6.1 THE OFFER

| Topic | Summary |
|--|---|
| How is the Offer structured? | <p>The Offer comprises:</p> <ul style="list-style-type: none"> • an APA Securityholder Offer made to Eligible Securityholders; and • a Broker Firm Offer made to Australian and New Zealand resident retail clients of Syndicate Brokers; • an Institutional Offer to certain Institutional Investors; • a General Offer made to members of the general public who are resident in Australia or New Zealand. |
| Is any brokerage, commission or stamp duty payable? | No brokerage, commission or stamp duty is payable by applicants on applications. You may be required to pay brokerage if you sell your Notes on ASX after Notes have been quoted on ASX. |
| Will application monies be held on trust? | All application monies received before Notes are issued will be held by APTPL on trust in an account established solely for the purpose of depositing application monies received. Any interest that accrues in that account will be retained by APTPL. After Notes are issued to successful applicants, the application monies held on trust will be payable to APTPL. |
| How will refunds (if any) be made? | <ul style="list-style-type: none"> • If you are not issued any Notes or you are issued fewer Notes than the number that you applied and paid for as a result of a scale back, all or some of your application monies (as applicable) will be refunded to you (without interest) as soon as practicable after the Issue Date. • If the Offer does not proceed for any reason, all applicants will have their application monies refunded (without interest) as soon as practicable. |
| Do I need to provide my TFN or ABN? | <ul style="list-style-type: none"> • You do not have to provide your TFN or ABN and it is not an offence if you fail to do so. However, APTPL may be required to withhold Australian tax at the maximum marginal tax rate on the amount of any Interest Payment unless you provide one of the following: <ul style="list-style-type: none"> – TFN; – TFN exemption number (if applicable); or – ABN (if Notes are held in the course of an enterprise carried on by you). • The collection and quotation of TFNs and ABNs are authorised, and their use and disclosure is strictly regulated, by tax laws and the Privacy Act. |
| How to obtain a copy of the Prospectus and Application Form? | <ul style="list-style-type: none"> • During the Exposure Period, an electronic version of this Prospectus (without an Application Form) will be available at www.apanotesoffer.com.au. Application Forms will not be made available until after the Exposure Period. • During the Offer Period, an electronic version of the Replacement Prospectus with an Application Form will be available at www.apanotesoffer.com.au and may be available through your Syndicate Broker. <p>Electronic access to this Prospectus</p> <ul style="list-style-type: none"> • The following conditions apply if this Prospectus is accessed electronically: <ul style="list-style-type: none"> – you must download the entire Prospectus; and – the Prospectus is available electronically to you only if you are accessing and downloading or printing the electronic copy of the Prospectus in Australia or New Zealand, or if you are an Eligible Securityholder. • During the Offer Period, if you are in Australia or New Zealand you can also request a free paper copy of the Replacement Prospectus and an Application Form by calling the APA Notes Offer Information Line on 1800 992 312 (within Australia) or +61 2 8280 7132 (outside Australia) (Monday to Friday – 8:30am to 5:30pm, Sydney time). • The Corporations Act prohibits any person from passing the Application Form on to another person unless it is attached to, or accompanied by, a printed copy of the Replacement Prospectus or the complete and unaltered electronic version of the Replacement Prospectus. • Your application will only be considered where you have applied pursuant to an Application Form (either electronic or paper) that was attached to, or accompanied by, a copy of the Replacement Prospectus, and have provided your application monies. |

6.2 HOW TO APPLY

| | APA Securityholder Offer | Broker Firm Offer | Institutional Offer | General Offer |
|---|---|--|--|--|
| Who can apply? | <p>APA Securityholder Applicant</p> <ul style="list-style-type: none"> that is, a holder of APA Stapled Securities at 7:00pm Sydney time on 8 August 2012 who is resident in Australia or New Zealand applying through the APA Securityholder Offer. | <p>Broker Firm Applicant</p> <ul style="list-style-type: none"> that is, a retail client of a Syndicate Broker who is resident in Australia or New Zealand invited to participate through the Broker Firm Offer. | <p>Institutional Investor</p> <ul style="list-style-type: none"> that is, an investor who is invited by a Joint Lead Manager to bid for Notes in the Bookbuild, who is applying through the Institutional Offer. | <p>General Applicant</p> <ul style="list-style-type: none"> that is, a member of the general public who is resident in Australia or New Zealand applying through the General Offer. |
| How many Notes can be applied for? | <ul style="list-style-type: none"> Your application must be for a minimum of 50 Notes (\$5,000). If your application is for more than 50 Notes, then you must apply in incremental multiples of 10 Notes – that is, for incremental multiples of \$1,000. | | | |
| When to apply? | <ul style="list-style-type: none"> Applications will only be accepted during the Offer Period, which is expected to open on 17 August 2012. The Closing Date for the APA Securityholder Offer is expected to be 5:00pm Sydney time on 10 September 2012. Your completed personalised paper APA Securityholder Application Form or online Application Form and application monies must be received by the Registry by the Closing Date. | <ul style="list-style-type: none"> Applications will only be accepted during the Offer Period, which is expected to open on 17 August 2012. The Closing Date for the Broker Firm Offer is expected to be 10:00am Sydney time on 17 September 2012. Your completed Application Form and application monies must be received by your Syndicate Broker in accordance with arrangements made between you and your Syndicate Broker. | <ul style="list-style-type: none"> The Bookbuild will be completed by 16 August 2012. | <ul style="list-style-type: none"> Applications will only be accepted during the Offer Period, which is expected to open on 17 August 2012. The Closing Date for the General Offer is expected to be 5:00pm Sydney time on 10 September 2012. Your completed paper Application Form or online Application Form and application monies must be received by the Registry by the Closing Date. |
| How to apply online? | <ul style="list-style-type: none"> You can apply online at www.apanotesoffer.com.au Instructions on how to complete your application are provided online. You will be asked to identify the holding that gives you the entitlement to apply by providing your SRN or HIN which can be found on your holding statement or payment advice. When applying online, you will be required to pay for Notes using Bpay®. | <ul style="list-style-type: none"> Contact your Syndicate Broker for instructions. | N/A | <ul style="list-style-type: none"> You can apply online at www.apanotesoffer.com.au Instructions on how to complete your application are provided online. When applying online, you will be required to pay for Notes using Bpay®. |

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| | APA Securityholder Offer | Broker Firm Offer | Institutional Offer | General Offer |
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| How to pay online? | <ul style="list-style-type: none"> • If you apply using an online Application Form, you must complete your application by making a Bpay® payment. • Once you have completed your online Application Form, you will be given a Bpay® biller code and unique Customer Reference Number for that application. Follow the Bpay® instructions below to complete your application. • If you do not make a Bpay® payment, your application will be incomplete and will not be accepted by APTPL. Your completed online Application Form and application monies must be received by the Registry by the Closing Date. | N/A | N/A | <ul style="list-style-type: none"> • If you apply using an online Application Form, you must complete your application by making a Bpay® payment. • Once you have completed your online Application Form, you will be given a Bpay® biller code and unique Customer Reference Number for that application. Follow the Bpay® instructions below to complete your application. • If you do not make a Bpay® payment, your application will be incomplete and will not be accepted by APTPL. Your completed online Application Form and application monies must be received by the Registry by the Closing Date. |

| | APA Securityholder Offer | Broker Firm Offer | Institutional Offer | General Offer |
|--------------------------|---|-------------------|---------------------|---|
| How to use Bpay®? | <p>Using the Bpay® details provided, you need to:</p> <ul style="list-style-type: none"> • access your participating Bpay® financial institution either through telephone banking or internet banking; • select Bpay® and follow the prompts; • enter the biller code supplied; • enter the unique Customer Reference Number supplied for each application; • enter the total amount to be paid which corresponds to the number of Notes you wish to apply for under each application (that is, a minimum of \$5,000 – 50 Notes, and incremental multiples of \$1,000 – 10 Notes). Note that your financial institution may apply limits on your use of Bpay® and that you should make enquiry about the limits that apply in your own personal situation; • select the account you wish your payment to be made from; and • record your Bpay® receipt number and date paid. Retain these details for your records. • Bpay® payments must be made from an Australian dollar account of an Australian financial institution. | N/A | N/A | <p>Using the Bpay® details provided, you need to:</p> <ul style="list-style-type: none"> • access your participating Bpay® financial institution either through telephone banking or internet banking; • select Bpay® and follow the prompts; • enter the biller code supplied; • enter the unique Customer Reference Number supplied for each application; • enter the total amount to be paid which corresponds to the number of Notes you wish to apply for under each application (that is, a minimum of \$5,000 – 50 Notes, and incremental multiples of \$1,000 – 10 Notes). Note that your financial institution may apply limits on your use of Bpay® and that you should make enquiry about the limits that apply in your own personal situation; • select the account you wish your payment to be made from; and • record your Bpay® receipt number and date paid. Retain these details for your records. • Bpay® payments must be made from an Australian dollar account of an Australian financial institution. |

6. ABOUT THE OFFER

| | APA Securityholder Offer | Broker Firm Offer | Institutional Offer | General Offer |
|---|---|---|---|--|
| How to apply using a paper Application Form? | <ul style="list-style-type: none"> You can request a paper copy of the Replacement Prospectus and your personalised APA Securityholder Application Form by calling the APA Notes Offer Information Line on 1800 992 312 (within Australia) or +61 2 8280 7132 (outside Australia) (Monday to Friday – 8:30am to 5:30pm, Sydney time). Instructions on how to complete your personalised Securityholder Application Form are set out on the Application Form. You will be required to pay for Notes by the Closing Date, expected to be 5.00pm Sydney time on 10 September 2012 by cheque(s) and/ or money order(s). You will be required to post your completed personalised paper APA Securityholder Application Form to the Registry. If you wish to pay by Bpay® you need to make an online application. | <ul style="list-style-type: none"> There will be paper Application Forms in the back of the Replacement Prospectus (that is expected to be available from 17 August 2012) that may be used by Broker Firm Applicants. General instructions on how to complete the paper Application Form are set out on the Application Form. You must contact your Syndicate Broker for their specific instructions on how to submit the Application Form and your application monies to your Syndicate Broker. You must not return your paper Application Form to the Registry. Your Syndicate Broker must have received your completed paper Application Form and application monies in time to arrange settlement on your behalf by the Closing Date for the Broker Firm Offer – expected to be 10:00am Sydney time on 17 September 2012; and will act as your agent in processing your paper Application Form and providing your application details and application monies to APTPL. | <ul style="list-style-type: none"> Application and settlement procedures for Institutional Investors will be advised by Macquarie. | <ul style="list-style-type: none"> There will be paper Application Forms in the back of the Replacement Prospectus (that is expected to be available from 17 August 2012) that should be used by General Applicants. You can request a paper copy of the Replacement Prospectus and paper Application Form by calling APA Notes Offer Information Line on 1800 992 312 (within Australia) or +61 2 8280 7132 (outside Australia) (Monday to Friday – 8:30am to 5:30pm, Sydney time). Instructions on how to complete the paper Application Form are set out on the Application Form. If applying using the Application Form, you will be required to pay for Notes using cheque(s) and/or money order(s) by the Closing Date, expected to be 5.00pm Sydney time on 10 September 2012. You will be required to post your completed paper Application Form to the Registry. If you wish to pay by Bpay® you need to make an online application. |

| | APA Securityholder Offer | Broker Firm Offer | Institutional Offer | General Offer |
|---|--|--|---------------------|---|
| What is the address of the Registry? | <ul style="list-style-type: none"> • Mailing address: APA Notes Offer C/- Link Market Services Limited Reply Paid 3560 Sydney NSW 2001 Australia. • Hand delivery address: APA Notes Offer C/- Link Market Services Limited 1A Homebush Bay Drive Rhodes NSW 2138 Australia. <i>(Please do not use this address for express post mailing).</i> • Please note that paper Application Forms and application monies will not be accepted at any other address or office and will not be accepted at APA Group’s registered office or any other APA Group office or at other offices or branches of the Registry. | N/A | N/A | <ul style="list-style-type: none"> • Mailing address: APA Notes Offer C/- Link Market Services Limited Reply Paid 3560 Sydney NSW 2001 Australia. • Hand delivery address: APA Notes Offer C/- Link Market Services Limited 1A Homebush Bay Drive Rhodes NSW 2138 Australia. <i>(Please do not use this address for express post mailing).</i> • Please note that paper Application Forms and application monies will not be accepted at any other address or office and will not be accepted at APA Group’s registered office or any other APA Group office or at other offices or branches of the Registry. |
| How to pay using a paper Application Form? | <ul style="list-style-type: none"> • If you apply under the APA Securityholder Offer using a personalised paper APA Securityholder Application Form, your completed Application Form must be accompanied by application monies in the form of cheque(s) and/or money order(s) drawn on an Australian dollar account of a financial institution and made payable to “APA Notes Offer”. • Cheque(s) should be crossed “Not Negotiable”. Cash payments will not be accepted. • You cannot pay by Bpay® if you apply under the APA Securityholder Offer using a personalised paper APA Securityholder Application Form. If you wish to pay by Bpay®, you will need to make an online application. • Your completed Personalised paper APA Securityholder Application Form and application monies must be received by the Registry by the Closing Date. | <ul style="list-style-type: none"> • You must contact your Syndicate Broker for information on how to submit the paper Application Form and your application monies to your Syndicate Broker. | N/A | <ul style="list-style-type: none"> • If you apply under the General Offer using a paper Application Form, your completed Application Form must be accompanied by application monies in the form of cheque(s) and/or money order(s) drawn on an Australian dollar account of a financial institution and made payable to “APA Notes Offer”. • Cheque(s) should be crossed “Not Negotiable”. Cash payments will not be accepted. • You cannot pay by Bpay® if you apply under the General Offer using a paper Application Form. If you wish to pay by Bpay®, you need to make an online application. • Your completed paper Application Form and application monies must be received by the Registry by the Closing Date. |

6. ABOUT THE OFFER

| | APA Securityholder Offer | Broker Firm Offer | Institutional Offer | General Offer |
|---------------------------------------|--|--|---|---|
| What is the allocation policy? | <ul style="list-style-type: none"> • APA Securityholder Applicants will be given a priority allocation over General Applicants. APA Group will endeavour to satisfy all APA Securityholder Applications. • Allocations for the APA Securityholder Offer and the General Offer will be determined by APA Group. • Allocations will be made to Institutional Investors and Syndicate Brokers under the Bookbuild. After the close of the APA Securityholder Offer and General Offer, allocations will be made to APA Securityholder Applicants and General Applicants. • APA Group (at its discretion) reserves the right to scale back applications from APA Securityholder Applicants and General Applicants. Any scale back will be announced on ASX on the day Notes commence trading on a deferred settlement basis – expected to be 19 September 2012. • APA Group, has absolute discretion to determine the method and extent of the allocation. <p>APA Group (at its discretion) and the Joint Lead Managers reserve the right to:</p> <ul style="list-style-type: none"> • allocate to any APA Securityholder Applicant or General Applicant all Notes for which they have applied; • reject any application by an APA Securityholder Applicant or a General Applicant; or • allocate to any APA Securityholder Applicant or General Applicant a lesser number of Notes than that applied for, including less than the minimum application of Notes or none at all. | <ul style="list-style-type: none"> • Allocations to Syndicate Brokers will be agreed by the Joint Lead Managers and APA Group following completion of the Bookbuild. • Allocations to Broker Firm Applicants by a Syndicate Broker are at the discretion of that Syndicate Broker. | <ul style="list-style-type: none"> • Allocations to Institutional Investors will be agreed by APA Group and the Joint Lead Managers following completion of the Bookbuild. | <ul style="list-style-type: none"> • APA Securityholder Applicants will be given a priority allocation over General Applicants. APA Group will endeavour to satisfy all APA Securityholder Applications. • Allocations for the APA Securityholder Offer and the General Offer will be determined by APA Group. • Allocations will be made to Institutional Investors and Syndicate Brokers under the Bookbuild. After the close of the APA Securityholder Offer and General Offer, allocations will be made to APA Securityholder Applicants and General Applicants. • APA Group (at its discretion) reserves the right to scale back applications from APA Securityholder Applicants and General Applicants. Any scale back will be announced on ASX on the day Notes commence trading on a deferred settlement basis – expected to be 19 September 2012. • APA Group, has absolute discretion to determine the method and extent of the allocation. <p>APA Group (at its discretion) and the Joint Lead Managers reserve the right to:</p> <ul style="list-style-type: none"> • allocate to any APA Securityholder Applicant or General Applicant all Notes for which they have applied; • reject any application by a APA Securityholder Applicant or a General Applicant; or • allocate to any APA Securityholder Applicant or General Applicant a lesser number of Notes than that applied for, including less than the minimum application of Notes or none at all. • No assurance is given that any APA Securityholder Applicant or General Applicant will receive an allocation. |

| | APA Securityholder Offer | Broker Firm Offer | Institutional Offer | General Offer |
|---|---|---|--|---|
| How will the final allocation policy be announced? | <ul style="list-style-type: none"> If you are an applicant in the APA Securityholder Offer or General Offer, you will be able to call the APA Notes Offer Information Line on 1800 992 312 (within Australia) or +61 2 8280 7132 (outside Australia) (Monday to Friday – 8:30am to 5:30pm, Sydney time) to confirm your allocation. It is expected that the basis of allocation will be advertised in The Sydney Morning Herald, The Melbourne Age, The Australian and The Australian Financial Review on or about 19 September 2012. However, if you sell Notes before receiving a Holding Statement, you do so at your own risk, even if you obtained details of your holding from the APA Notes Offer Information Line on 1800 992 312 (within Australia) or +61 2 8280 7132 (outside Australia) (Monday to Friday – 8:30am to 5:30pm, Sydney time). | <ul style="list-style-type: none"> Allocations to Syndicate Brokers will be advised to those brokers under the Bookbuild. Applicants under the Broker Firm Offer will also be able to confirm their firm allocation through the Syndicate Broker from whom they received their allocation. However, if you sell Notes before receiving a Holding Statement, you do so at your own risk, even if you confirmed your firm allocation through a Syndicate Broker. | <ul style="list-style-type: none"> Allocations to Institutional Investors will be advised to those investors under the Bookbuild. | <ul style="list-style-type: none"> If you are an applicant in the APA Securityholder Offer or General Offer, you will be able to call the APA Notes Offer Information Line on 1800 992 312 (within Australia) or +61 2 8280 7132 (outside Australia) (Monday to Friday – 8:30am to 5:30pm, Sydney time) to confirm your allocation. It is expected that the basis of allocation will be advertised in The Sydney Morning Herald, The Melbourne Age, The Australian and The Australian Financial Review on or about 19 September 2012. However, if you sell Notes before receiving a Holding Statement, you do so at your own risk, even if you obtained details of your holding from the APA Notes Offer Information Line on 1800 992 312 (within Australia) or +61 2 8280 7132 (outside Australia) (Monday to Friday – 8:30am to 5:30pm, Sydney time). |
| Who should I contact with an enquiry? | <p>You can call the APA Notes Offer Information Line on 1800 992 312 (within Australia) or +61 2 8280 7132 (outside Australia) (Monday to Friday – 8:30am to 5:30pm, Sydney time) if you:</p> <ul style="list-style-type: none"> have further questions on how to apply for Notes; require assistance to complete your Application Form; require additional copies of the Replacement Prospectus and Application Forms; or have any other questions about the Offer. <p>If you are unclear in relation to any matter relating to the Offer or are uncertain whether Notes are a suitable investment for you, you should consult your financial adviser or other professional adviser.</p> | <ul style="list-style-type: none"> If you have further questions about the Offer or your Broker Firm application, please call your Syndicate Broker. | <ul style="list-style-type: none"> Contact the Arranger or the other Joint Lead Managers. | <p>You can call the APA Notes Offer Information Line on 1800 992 312 (within Australia) or +61 2 8280 7132 (outside Australia) (Monday to Friday – 8:30am to 5:30pm, Sydney time) if you:</p> <ul style="list-style-type: none"> have further questions on how to apply for Notes; require assistance to complete your Application Form; require additional copies of the Replacement Prospectus and Application Forms; or have any other questions about the Offer. <p>If you are unclear in relation to any matter relating to the Offer or are uncertain whether Notes are a suitable investment for you, you should consult your financial adviser or other professional adviser.</p> |

6. ABOUT THE OFFER

6.3 OTHER INFORMATION

6.3.1 Bookbuild

As noted in Section 6.2, the Joint Lead Managers will conduct a Bookbuild to determine the Margin and firm allocations of Notes to Bookbuild participants. As part of the Bookbuild, certain Institutional Investors and Syndicate Brokers will be invited to lodge bids for Notes. On the basis of those bids, APA Group and the Joint Lead Managers will determine the Margin and the firm allocations of Notes to Syndicate Brokers. The Joint Lead Managers in consultation with APA Group will determine the firm allocations to certain Institutional Investors. Notes allocated during the Bookbuild will be issued pursuant to this Prospectus. The Margin set by the Bookbuild is expected to be announced on 17 August 2012 to ASX and included in the Replacement Prospectus.

6.3.2 Restrictions on distribution

No action has been taken to register or qualify this Prospectus, Notes or the Offer or otherwise to permit a public offering of Notes in any jurisdiction outside Australia or New Zealand. This Prospectus does not constitute an offer or invitation to subscribe for Notes in any jurisdiction in which, or to any person to whom, it would not be lawful to make such an offer or invitation or issue under this Prospectus. This Prospectus may not be released or distributed by you in the United States, and may only be distributed to persons to whom the Offer may lawfully be made in accordance with the laws of any applicable jurisdiction.

Hong Kong

This Prospectus has not been and will not be registered with the Registrar of Companies in Hong Kong and accordingly, except as mentioned below, this Prospectus may not be issued, circulated or distributed in Hong Kong nor accessed by persons in Hong Kong.

This Prospectus may only be issued, circulated or distributed to and accessed by persons in Hong Kong who are “professional investors” as defined in the Securities and Futures Ordinance (Cap. 571) of Hong Kong and any rules made under that Ordinance or otherwise to persons in circumstances which do not result in the document being a “prospectus” as defined in the Companies Ordinance (Cap. 32) of Hong Kong or which do not constitute the making of an invitation, offer or the sale of the Notes to the public within the meaning of that Ordinance.

Singapore

This Prospectus has not been registered as a prospectus with the Monetary Authority of Singapore, and Notes will only be offered in Singapore pursuant to exceptions under the Securities and Futures Act, chapter 289 of Singapore (the “**Securities and Futures Act**”). Accordingly, Notes may not be offered or sold or made the subject of an invitation for subscription or purchase nor may this Prospectus or any other document or material in connection with the offer or sale or invitation for subscription or purchase of any Notes be circulated or distributed, whether directly or indirectly, to any person in Singapore other than (a) to an institutional investor pursuant to section 274 of the Securities and Futures Act, (b) to a relevant person under section 275(1) of the Securities and Futures Act or to any person pursuant to section 275(1A) of the

Securities and Futures Act and in accordance with the conditions specified in section 275 of the Securities and Futures Act, or (c) otherwise pursuant to, and in accordance with the conditions of, any other applicable provision of the Securities and Futures Act. Where Notes are subscribed or purchased under section 275 of the Securities and Futures Act by a relevant person which is:

- a corporation (which is not an accredited investor (as defined in section 4A of the Securities and Futures Act)) the sole business of which is to hold investments and the entire share capital of which is owned by one or more individuals, each of whom is an accredited investor; or
- a trust (where the trustee is not an accredited investor) whose sole purpose is to hold investments and each beneficiary is an individual who is an accredited investor,

securities (as defined in section 239(1) of the Securities and Futures Act) of that corporation or the beneficiaries’ rights and interest (howsoever described) in that trust shall not be transferred for 6 months after that corporation or that trust has acquired Notes pursuant to an offer under section 275 of the Securities and Futures Act except: (i) to an institutional investor or to a relevant person defined in section 275(2) of the Securities and Futures Act or (in the case of such corporation) where the transfer arises from an offer referred to in section 276(3)(i)(B) of the Securities and Futures Act or (in the case of such trust) where the transfer arises from an offer referred to in section 276(4)(i)(B) of the Securities and Futures Act; or (ii) where no consideration is or will be given for the transfer; or (iii) where the transfer is by operation of law; or (iv) as specified in section 276(7) of the Securities and Futures Act.

Switzerland

Other than as set out in this Prospectus, this Prospectus not intended to constitute an offer or solicitation to purchase or invest in the Notes described herein. The Notes may not be publicly offered, sold or advertised, directly or indirectly, in, into or from Switzerland and will not be listed on the SIX Swiss Exchange or on any other exchange or regulated trading facility in Switzerland. Neither this Prospectus nor any other offering or marketing material relating to the Notes constitutes a “prospectus” as such term is understood pursuant to article 652a or article 1156 of the Swiss Code of Obligations or a listing prospectus within the meaning of the listing rules of the SIX Swiss Exchange or any other regulated trading facility in Switzerland, and neither this Prospectus nor any other offering or marketing material relating to the Notes may be publicly distributed or otherwise made publicly available in Switzerland.

United States of America

Notes have not been, and will not be, registered under the US Securities Act 1933 and may not be offered or sold in the United States or to, or for the account or benefit of, US Persons except in accordance with an exemption from, or in a transaction not subject to, the registration requirements of the US Securities Act 1933 and any other applicable securities laws. Each Broker Firm Applicant, and each person to whom the Institutional Offer is made under this Prospectus, will be taken to have represented, warranted and agreed as follows:

- they understand that Notes have not been, and will not be, registered under the US Securities Act 1933 or the securities law of any state of the United States and may not be offered, sold or resold in the United States except in a transaction exempt from, or not subject to, registration under the US Securities Act 1933 and any other applicable securities laws;
- if a person in a jurisdiction (outside Australia) referred to in this Section, they are a person to whom this Prospectus may be distributed, or Notes offered or sold, in accordance with this Section without lodgement, filing or registration of this Prospectus with any government authority of that jurisdiction;
- they are not in the United States or a US Person;
- they have not and will not send the Prospectus or any other material relating to the Offer to any person in the United States; and
- they will not offer or sell Notes in the United States or in any other jurisdiction outside Australia except in transactions exempt from, or not subject to, registration under the US Securities Act 1933 and in compliance with all applicable laws in the jurisdiction in which Notes are offered and sold.

This document does not constitute an offer to sell, or a solicitation of an offer to buy, securities in the United States. Any securities described in this document have not been, and will not be, registered under the US Securities Act 1933 and may not be offered or sold in the United States except in transactions exempt from, or not subject to, registration under the US Securities Act 1933 and applicable US state securities laws.

6.3.3 Application to ASX for quotation of Notes

APTPL has applied for quotation of Notes on ASX under the code "AQHHA". ASX takes no responsibility for this Prospectus or the investment to which it relates. The fact that ASX may quote Notes is not to be taken as an indication of the merits of Notes offered for subscription. If permission is not granted for the official quotation of Notes on ASX within three months after the date of this Prospectus, Notes will not be issued, and all application monies received by APTPL will be refunded without interest as soon as practicable in accordance with the requirements of the Corporations Act.

6.3.4 CHES and issuer sponsored holdings

APTPL has applied to participate in ASX's Clearing House Electronic Sub-register System ("CHES") and will comply with the Listing Rules and the ASX Settlement Operating Rules. CHES is an electronic transfer and settlement system for transactions in securities quoted on ASX under which transfers are effected in an electronic form. When Notes become approved financial products (as defined in the ASX Settlement Operating Rules), holdings will be registered in one of two sub-registers, an electronic CHES sub-register or an issuer sponsored sub-register. For all successful applicants, Notes of a Holder who is a participant in CHES or a Holder sponsored by a participant in CHES will be registered on the CHES subregister. All other Notes will be registered on the APTPL sponsored sub-register. Following completion of the Offer, Holders will be sent a Holding Statement that sets out the number of Notes that have been allocated to them. This statement will also provide details of a Holder's HIN for CHES holders or, where applicable, the SRN of issuer sponsored

holders. It is expected that Holding Statements for issuer sponsored Holders and confirmations for CHES holders will be despatched to successful applicants by 21 September 2012. Certificates will not be issued.

Holders will receive subsequent statements during the first week of the following month if there has been a change to their holding on the register and as otherwise required under the Listing Rules and the Corporations Act. Additional statements may be requested at any other time either directly through the Holder's sponsoring broker in the case of a holding on the CHES sub-register or through the Registry in the case of a holding on the APTPL sponsored sub-register. APTPL and the Registry may charge a fee for these additional issuer sponsored statements.

6.3.5 Deferred settlement trading and selling Notes on market

It is expected that trading of Notes on ASX will commence on or about 19 September 2012 on a deferred settlement basis. It is the responsibility of each person who trades in Notes to confirm their holding before trading. If you sell Notes before receiving a Holding Statement, you do so at your own risk. APTPL, the Registry and the Joint Lead Managers disclaim all liability, whether in negligence or otherwise, if you sell Notes before receiving your Holding Statement, even if you obtained details of your holding from the APA Notes Offer Information Line or confirmed your firm allocation through a Syndicate Broker. Notes are expected to commence trading on ASX on or about 24 September 2012 on a normal settlement basis.

6.3.6 Discretion regarding the Offer

APTPL reserves the right not to proceed with the Offer at any time before the issue of Notes to successful applicants. APTPL may withdraw the Offer at any time before the issue of Notes to successful applicants. If the Offer, or any part of it, does not proceed, all relevant application monies will be refunded (without interest). APTPL and the Joint Lead Managers also reserve the right to close the Offer or any part of it early, extend the Offer or any part of it, accept late applications or bids either generally or in particular cases, reject any application or bid, or allocate to any applicant or bidder fewer Notes than applied or bid for. Investors should also note that no cooling off rights (whether by law or otherwise) apply to an investment in Notes. This means that, in most circumstances, applicants may not withdraw their applications once submitted.



Wollert Compressor Station, Victoria

7. AUSTRALIAN AND NEW ZEALAND TAXATION SUMMARY

7. AUSTRALIAN AND NEW ZEALAND TAXATION SUMMARY



The Board of Directors

APT Pipelines Limited
Level 19, HSBC Building
580 George Street
Sydney NSW 2000

9 August 2012

Dear Directors

AUSTRALIAN AND NEW ZEALAND TAXATION CONSEQUENCES OF INVESTING IN APA SUBORDINATED NOTES (NOTES)

This letter has been prepared for inclusion in the Prospectus dated on or about 9 August 2012 in relation to the Offer. Unless the context indicates otherwise, all capitalised terms in this letter have the same meaning as they do in the Prospectus.

This letter has been prepared for the Directors and should not be relied upon by any other party.

The purpose of this letter is to provide a broad summary of the Australian and New Zealand income tax, goods and services tax (**GST**) and stamp duty consequences regarding the issue of Notes by APTPL for inclusion in the Prospectus, based upon the terms and arrangements explained in the Prospectus.

The tax information provided below is intended to be a brief guide only and does not purport to be a complete analysis of the potential tax consequences of accepting the Offer. This information applies to Australian and New Zealand resident investors who hold the Notes on capital account and who are not associates of APTPL for the purposes of the tax laws. Tax considerations that may arise for Holders who are in the business of trading, dealing in securities or otherwise hold the Notes on revenue account have not been considered in this tax summary.

This summary only provides a guide to the general Australian and New Zealand income tax, GST and stamp duty consequences of investing in the Notes based on the existing tax laws and administrative practice as at the date of the Prospectus. The tax law is complex and subject to change periodically as is its interpretation by the courts and the ATO, state revenue authorities (**SRA**) and New Zealand Inland Revenue Department (**IRD**). We have not sought to have our opinion ruled upon by the ATO, any SRA or the IRD and therefore there is a risk that the ATO, a SRA or the IRD may not agree with our opinion or aspects of it.

This summary is necessarily general in nature and does not purport to be definitive advice, nor a complete analysis, to identify all potential tax consequences for Holders. The information contained in this summary is not intended to be, and should not be relied upon as, personal taxation or financial advice. The Australian and New Zealand income tax, GST and stamp duty treatment may vary according to individual circumstances, and each Holder should seek their own tax advice that is specific to their particular circumstances.

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1 AUSTRALIAN INCOME TAX CONSEQUENCES FOR HOLDERS

1.1 Interest Payments

Based on indicative benchmarking analysis, the Notes should be regarded as debt interests (and not equity interests) under Division 974 of the Tax Act. The Notes should also be financial arrangements under the Taxation of Financial Arrangements (TOFA) provisions in Division 230 of the Tax Act.

Australian residents

Interest Payments (including any Optionally Deferred Interest Payments) made in respect of the Notes should be included in the assessable income of the Holders. The year of income in which the Interest Payments should be included in each Holder's income tax returns will depend on whether the TOFA provisions apply to them.

The TOFA provisions will generally not apply to a financial arrangement of:

- individuals;
- superannuation funds and managed investment schemes if the value of their assets is less than \$100 million; or
- other entities (not individuals) who are below all of the following thresholds in a previous income year
 - aggregated turnover of less than \$100 million;
 - assets of less than \$300 million; and
 - financial assets of less than \$100 million;

unless the financial arrangement is a qualifying security under Division 16E of the Tax Act.

As the Notes should not be qualifying securities under Division 16E of the Tax Act, the TOFA provisions should not apply to the Notes for the above entities.

We note that there may be a contrary view that all Holders, including those who are not otherwise subject to the TOFA provisions should include Interest Payments in their assessable income on an accruals basis under the TOFA provisions. This is on the basis that the APTPL discretion to make a determination and defer Interest Payments makes the Notes qualifying securities. We do not believe that this contrary view is correct. However, if this view were correct, then all Holders would be subject to the TOFA rules.

i) Holders who are not subject to the TOFA rules

For Holders who are not otherwise subject to the TOFA provisions, the Interest Payments (including any Optionally Deferred Interest Payments) should generally be recognised in their income tax returns in the year of income in which the Interest Payments are received.

ii) Holders who are subject to the TOFA rules

For Holders who are subject to TOFA, the default position should be to include the Interest Payments in their income tax returns on a compounding accruals basis over the term of the Notes. However, Holders may elect to be taxed pursuant to various elective regimes under TOFA. Due to the complexities within the TOFA provisions, Holders should seek tax advice specific to their circumstances in relation to the application of the elective regimes. The application of the TOFA rules may result in income being taxed to a Holder for an income year prior to receipt of the interest income, including circumstances where there is any Optionally Deferred Interest Payment.

Non-residents

Where:

- A Holder is a non-resident; and
- The Holder does not hold the Notes through a permanent establishment in Australia,

the Interest Payments (including any Optionally Deferred Interest Payments) received in respect of the Notes should not be included in the Australian assessable income of the Holder.



Normally, Interest Payments made to such non-residents would be subject to Australian withholding tax. However, it is anticipated that the Notes will be issued in a manner that will cause the Interest Payments to be exempt from Australian withholding tax under section 128F of the Tax Act.

The exemption will not apply in respect of the Notes if, at the time of issue, APTPL knows or has reasonable grounds to suspect that the Notes, or interests in the Notes, are being or will be acquired directly or indirectly by an associate of APTPL that is not a resident of Australia (or who is a resident of Australia acting through a permanent establishment outside Australia), other than in the capacity of a dealer, manager or underwriter in relation to a placement of the Notes or in the capacity of a clearing house, custodian, funds manager or responsible entity of a registered scheme (an **Offshore Associate**). We understand that APTPL will take all reasonable steps to ensure that no Notes are acquired by an Offshore Associate.

If the exemption under section 128F of the Tax Act does not apply and an Interest Payment to a non-resident Holder is subject to withholding tax, the amount of the Interest Payment will be increased so that the net amount received by the Holder is equal to the amount that would have been received if withholding tax had not applied, subject to certain restrictions.

If a non-resident Holder does hold the Notes through a permanent establishment in Australia, then Interest Payments will be included in the assessable income of the Holder for Australian taxation purposes. Interest withholding tax will not apply to Interest Payments paid to such a Holder.

1.2 Disposal, redemption or transfer of Notes

Australian residents

i) Holders who are not subject to the TOFA rules

If an Australian resident Holder disposes of, transfers or redeems the Notes, and the proceeds of disposal or redemption exceed the cost base of the Notes, the resulting gain should generally be assessable income of the Holder in the income year in which the sale takes place. The gain will be taxed in the same way as ordinary income and should not be a capital gain. Therefore, even if the Holder holds the Notes for greater than 12 months prior to disposal or redemption, the Holder should not be entitled to apply the capital gains discount in respect of the gain and should not be entitled to apply any capital losses against the gain.

Conversely, if the proceeds of disposal, transfer or redemption are less than the cost of the Notes, the resulting loss may be deductible to the Holder in the income year in which the sale takes place. However, a loss on disposal or redemption will not be deductible if, broadly:

- the Notes were acquired otherwise than in the ordinary course of trading on a securities market; and
- the disposal or redemption occurs because of an apprehension or belief that APTPL is unable or unwilling to discharge its liability to pay amounts under the Notes.

In which case, the Holder should realise a capital loss on the disposal or transfer of the Notes.

For a Holder that acquires Notes under this Prospectus, the cost of a Note will include its Issue Price.

Generally, the proceeds of disposal would include the gross amount received by the Holder in respect of the disposal of the Notes. If the Notes are redeemed by APTPL, the proceeds for redemption for calculating a gain or loss should exclude any amount referable to an Interest Payment (including any Optionally Deferred Interest Payments). Any amounts referable to an Interest Payment (including any Optionally Deferred Interest Payments) would be included separately in the assessable income of the Holder, as outlined above.

ii) Holders who are subject to the TOFA rules

Holders who are subject to the TOFA rules should treat the Notes as a financial arrangement pursuant to those rules.

The TOFA rules require a balancing adjustment to be made when the Holder disposes of, transfers or redeems the Notes to bring to account any outstanding gains or losses from the Notes. Generally, the balancing adjustment should give rise to either an assessable or deductible amount for the Holder, having regard to the total Interest Payments (including any Optionally Deferred Interest Payments) and proceeds received in respect of the Notes, as well as any assessable amount previously brought to account under the TOFA provisions and the cost of the Notes.



An assessable or deductible balancing adjustment should be included in the assessable income of the Holder in the income year in which the disposal or redemption takes place.

Regard should be had to a number of considerations when calculating the balancing adjustment, including, amongst other things, whether the Holder has made a choice to be taxed under the elective regimes under the TOFA provisions. Due to the complexities within the TOFA provisions, Holders should seek tax advice specific to their circumstances.

Non-residents

Any gain arising to a non-resident Holder from a disposal, transfer or redemption of the Notes should only be subject to Australian tax if:

- the non-resident Holder is a resident of a country with which Australia has concluded a comprehensive double tax treaty and the Notes are held through a permanent establishment in Australia; or
- the non-resident Holder is not a resident of a country with which Australia has concluded a comprehensive double tax treaty and the gain has an Australian source. The source of a gain on disposal of a security is determined by weighing all of the relevant factors, including the location of the security, the place at which the contract to sell the security is concluded and the place at which the decision to sell the security is made. Holders in this position should seek tax advice specific to their circumstances to determine the source of any gains realised in respect of the Notes. For example, the Commissioner of Taxation has concluded in a non-binding Interpretative Decision that the source of a gain arising from the sale of securities listed on the ASX is in Australia on the basis that contracts for the sale of such securities are made in Australia by the relevant stockbroker on behalf of the vendor.

Generally, the proceeds of disposal would include the gross amount received by the Holder in respect of the disposal of the Notes. If the gain is subject to Australian tax, it will be taxed in the same way as ordinary income and will not be a capital gain. In addition, depending on whether the Holder is subject to the TOFA provisions, either the Australian tax law relating to “traditional securities” or TOFA may apply (see 1.2(i) and (ii) above). Therefore, even if the Holder holds the Notes for greater than 12 months prior to disposal or redemption, the Holder should not be entitled to apply the capital gains discount in respect of the gain and should not be entitled to apply any capital losses against the gain. Finally, a non-resident should not realise a capital loss in respect of the disposal, redemption or transfer of the Notes.

If the Notes are redeemed by APTPL, the redemption proceeds should exclude any amount referable to an Interest Payment (including any Optionally Deferred Interest Payments). Provided that the Holder does not hold the Notes through a permanent establishment in Australia, the amount referable to an Interest Payment (including any Optionally Deferred Interest Payments) should not be subject to Australian income tax or withholding tax (see 1.3 below).

On 21 June 2012, the Australian Government introduced into Parliament Tax Laws Amendment (Investment Manager Regime) Bill 2012. Under this Bill, gains and losses in respect of certain financial arrangements of an Investment Manager Regime foreign fund (as defined) that is taken to have a permanent establishment in Australia solely because of its use of an Australian based agent, manager or service provider will be exempt or disregarded. This Bill was passed by the House of Representatives on 27 June 2012 and was also introduced into the Senate on that date. Investors should seek their own advice specific to their circumstances in relation to the application of these provisions (assuming the Bill is enacted in its current form).

We note that the Australian Government has also announced a broader exemption for certain foreign managed funds to exempt from Australian taxation gains or losses from portfolio interests in certain financial arrangements. To date, no legislation has been introduced to give effect to this proposal. Once again, such investors should seek their own tax advice specific to their particular circumstances.



1.3 Redemption of the Notes – final Interest Payment

APTPL may redeem all Notes on or after the First Call Date (or earlier in certain circumstances). Each Note will be redeemed for an amount equal to its Face Value of \$100 (or \$101 if redeemed prior to the First Call Date due to a Capital Event) together with any accrued but unpaid interest for the Interest Period in which the Redemption Date falls and any outstanding Optionally Deferred Interest Payments.

Australian residents

i) Holders who are not subject to the TOFA rules

Any accrued Interest in respect of the final Interest Period and any outstanding Optionally Deferred Interest Payment received by the Holders will constitute assessable income of the Holders. The Holders should recognise these amounts as interest in their income tax returns for the income year in which the redemption takes place.

ii) Holders who are subject to the TOFA rules

Any accrued Interest in respect of the final Interest Period and any outstanding Optionally Deferred Interest Payments received by the Holders should be included as part of the interest received to calculate the assessable or deductible balancing adjustment (see 1.2 above).

Non-residents

Where:

- a Holder is a non-resident; and
- the Holder does not hold the Notes through a permanent establishment in Australia,

the payment of any accrued interest in respect of the final Interest Period and any outstanding Optionally Deferred Interest Payments received in respect of the Notes should not be included in the assessable income of the Holder for Australian income tax purposes. It is anticipated that the Notes will be issued in a manner that will cause Interest Payments to be exempt from Australian withholding tax under section 128F of the Tax Act. Consequently, these amounts should also not be subject to Australian withholding tax.

If a non-resident Holder does hold the Notes through a permanent establishment in Australia, then the payment of any accrued interest for the final Interest Period and any outstanding Optionally Deferred Interest Payment will be included in the assessable income of the Holder for Australian taxation purposes.

1.4 Provision of TFN and/or ABN

The Taxation Administration Act 1953 (Cth) imposes withholding tax (currently at the rate of 46.5%) on the payment of interest on certain types of loans or investments, such as the Notes unless the Holder has quoted a TFN or ABN or proof of a relevant exemption.

However, where a Holder has provided APTPL with their TFN or, in certain circumstances, their ABN, or has notified APL that they are exempt from providing this information, APTPL should not be required to withhold any amount on account of tax from payments of Interest to the Holder.

A Holder is not required to provide their TFN or ABN to APTPL.

If Interest Payments are exempt from Australian interest withholding tax under section 128F of the Tax Act (see 1.1 above), then non-Australian resident Holders who do not hold their Notes through a permanent establishment in Australia should not be subject to any withholding tax under these rules.



2 AUSTRALIAN GST CONSEQUENCES FOR HOLDERS

2.1 The buying and selling of Notes is not subject to GST

For Australian GST purposes, the buying and selling of the Notes is treated as an input taxed financial supply. This means that GST is not charged or recoverable on these supplies. Accordingly, the following will not be subject to GST:

- The issue, redemption or sale of the Notes by APTPL;
- The subscription (applying to buy) for, and any subsequent disposal (sale or withdrawal) of the Notes by a Holder, should this occur; or
- The payment of Interest Payments on the Notes.

If a non-resident Holder purchases the Notes, these supplies will not be subject to GST.

2.2 Claiming GST on acquisitions

Holders should seek their own advice as to whether GST costs they incur, in relation to acquiring the Notes, are recoverable.

3 AUSTRALIAN STAMP DUTY CONSEQUENCES FOR HOLDERS

Under current law, no stamp duty will be payable on the acquisition, redemption or transfer of Notes by the Holder provided that the Notes are quoted on the ASX and the Notes are 'debt interests' (refer to section 1.1 above).

4 NEW ZEALAND INCOME TAX, GST AND STAMP DUTY CONSEQUENCES FOR HOLDERS

The Notes should be characterised as debt interests (and not equity interests) for New Zealand tax purposes. In general terms, New Zealand holders who are not tax exempt will be taxable on the Interest Payments, any gains on disposal of the Notes, and any foreign exchange movements arising from the fact that the Notes are denominated in Australian dollars.

For New Zealand resident holders and New Zealand branch holders that acquire their Notes for the purposes of the business which they carry on through their New Zealand "fixed establishment" (together **NZ Holders**), the Notes will be "Financial Arrangements" and subject to the New Zealand financial arrangement rules in the Income Tax Act 2007 (NZ). The financial arrangement rules may also apply to certain non-resident Holders who are trustees of a trust which has a New Zealand resident settlor.

4.1 Interest Payments

Under the financial arrangement rules, "cash basis" NZ Holders will be taxable, at their relevant marginal tax rate, on interest paid or credited to them on the Notes in the applicable income year that the interest is paid. Broadly, a cash-basis NZ Holder is a person who, in an income year:

- derives income and expenditure under financial arrangements of NZ\$100,000 or less; or
 - has entered into financial arrangements, the aggregate absolute value of which is NZ\$1 million or less;
- and provided that in each case, in the particular income year, the difference between income calculated by applying a spreading method (set out below) and income calculated on a cash receipts basis is not greater than NZ\$40,000.

For NZ Holders that do not meet the cash-basis criteria above, income and expenditure in respect of the Notes, including that arising from foreign exchange movements, must be spread over the term of the Notes using a spreading method prescribed in the financial arrangement rules. This method may depend on whether or not the NZ Holder applies International Financial Reporting Standards accounting to prepare financial statements.

Tax is payable on income allocated to each income year using the chosen spreading method at the NZ Holder's marginal tax rate. Specific tax advice should be sought regarding the tax implications of any Optionally Deferred Interest Payments.



4.2 Disposal, redemption or transfer of Notes

All NZ Holders (whether cash-basis or not) will be required to perform a base price adjustment in the income year in which the Notes mature, are redeemed, or if the NZ Holder transfers the Notes. The base price adjustment is a wash up calculation which brings to account any income which has not been accounted for over the term of the Notes under the applicable spreading method.

Any gains derived, for example due to the transfer of Notes, or foreign exchange movements, will be brought to account under the financial arrangement rules and included in the Holder's taxable income. Where the NZ Holder incurs a loss through the base price adjustment calculation, the loss may be deductible in specific circumstances.

A NZ Holder will not be able to claim a deduction for any loss of principal that arises from a decline in credit worthiness of the Issuer, or the occurrence of an event that reduces or cancels the obligations of the Issuer unless the NZ Holder carries on the business of dealing in or holding financial arrangements that are the same as or similar to the Notes, and other specific requirements are met. Specific advice should be obtained in that instance.

4.3 No New Zealand GST and stamp duty

The Notes are not subject to New Zealand GST and New Zealand does not impose stamp duties on the issue, subscription or transfer of debt securities.

4.4 New Zealand provisional tax

As the Interest Payments should not be subject to Australian withholding tax, NZ Holders should consider whether the income from the Notes will trigger obligations under the provisional tax rules in their specific circumstances.

DISCLAIMER

The information contained in this summary does not constitute "financial product advice" within the meaning of the Corporations Act 2001. The PricewaterhouseCoopers partnership which is providing this advice is not licensed to provide financial product advice under the Corporations Act 2001. To the extent that this document contains any information about a "financial product" within the meaning of the Corporations Act 2001, taxation is only one of the matters that must be considered when making a decision about the relevant financial product. This material has been prepared for general circulation and does not take into account the objectives, financial situation or needs of any particular Holder.

Accordingly, all individual Holders should, before acting on this material, consider taking advice from a person who is licensed to provide financial product advice under the Corporations Act 2001. All individual Holders should, before acting on this material, also consider the appropriateness of this material having regard to their objectives, financial situation and needs and consider obtaining independent financial advice. If this material relates to the acquisition or possible acquisition of a particular financial product, a Holder should obtain any relevant disclosure document prepared in respect of that product and consider that document before making any decision about whether to acquire the product.

Yours sincerely

A handwritten signature in black ink that reads 'Steve Ford'.

Steve Ford
Principal

A handwritten signature in black ink that reads 'Michael Davidson'.

Michael Davidson
Partner



Young-Wagga looping, New South Wales

8

KEY PEOPLE, INTERESTS AND BENEFITS

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8. KEY PEOPLE, INTERESTS AND BENEFITS

This Section provides information about the directors and key managers of APA Group (including APTPL), the interests of people involved in the Offer and any benefits they may receive.

8.1 BOARD OF DIRECTORS

The directors of APTPL (being the same as the directors of APL) bring to the Board relevant expertise and skills, including industry and business knowledge, financial management and corporate governance expertise.



Leonard Bleasel AM

FAICD FAIM

Independent Chairman

Appointed 28 August 2007

Appointed Chairman

30 October 2007

- Leonard (Len) Bleasel is a lead non-executive director of QBE Insurance Group Limited and a director of O'Connell Street Associates Pty Limited. He is Chairman of the Taronga Conservation Society Australia and Chairman of the Advisory Council for RBS Group (Australia) Pty Limited.
- Len had a long career in the energy industry before retiring from management in 2001. He started his career in AGL in 1958 and worked in a variety of roles, culminating in the position of Managing Director and CEO from 1990 to 2001.
- Len's past appointments have included Chairman of Foodland Associated Limited, ABN AMRO Australia Holdings Pty Limited, Solaris Power, the Australian Gas Association, Natural Gas Corporation Holdings Ltd (New Zealand), Elgas Ltd, Auscom Holdings Pty Ltd, Industrial Pipe Systems Pty Ltd and East Australian Pipeline Ltd, director of St George Bank Limited and Gas Valpo, (Chile), and Vice President of the Royal Blind Society.
- Len was awarded an AM in the General Division of the Order of Australia for services to the Australian gas and energy industries and the community.



Michael McCormack

BSurv GradDipEng MBA FAICD

Managing Director

Appointed 1 July 2006

- Michael (Mick) McCormack has been Chief Executive Officer of APA Group since 1 July 2005 and Managing Director since 1 July 2006.
- Mick has over 25 years' experience in the gas infrastructure sector in Australia and his career has encompassed all aspects of the sector including commercial development, design, construction and operation and management of most of Australia's natural gas pipelines and gas distribution systems.
- Mick is a director of Envestra Limited and the Australian Pipeline Industry Association.



Steven Crane

BComm FAICD SFFin

Independent Director

Appointed 1 January 2011

- Steven Crane has over 30 years' experience in the financial services industry. His background is in investment banking, having previously been Chief Executive Officer of ABN AMRO Australia (now RBS Group Australia) and BZW Australia.
- Steven has considerable experience as a non-executive director of listed entities. He is currently Chairman of nib holdings limited, a director of Bank of Queensland Limited and Transfield Services Limited, and a member of the Advisory Council for RBS Group (Australia) Pty Limited. He was formerly Chairman of Adelaide Managed Funds Limited and Investa Property Group Limited and formerly a director of Adelaide Bank Limited, Foodland Associated Limited and APA Ethane Limited, the responsible entity of Ethane Pipeline Income Fund.
- Steven is a member of the Audit and Risk Management Committee and the Remuneration Committee.



John Fletcher

BSc MBA FAICD

Independent Director

Appointed 27 February 2008

- John Fletcher has over 35 years' experience in the energy industry, having held a number of executive positions in AGL prior to his retirement in 2003, including Chief Financial Officer. John has previously been a director of Integral Energy, Natural Gas Corporation Holdings Ltd (New Zealand), Foodland Associated Limited and Alinta Energy Group. He brings a wide commercial and financial practical knowledge to the Board.
- John was previously an AGL appointed director of Australian Pipeline Limited from 2000 to 2005. He is also a director of Sydney Water.
- John is the Chairman of the Remuneration Committee and a member of the Audit and Risk Management Committee.

8. KEY PEOPLE, INTERESTS AND BENEFITS

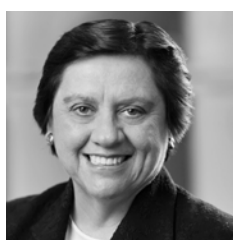


Russell Higgins AO
BEC FAICD

Independent Director

Appointed 7 December 2004

- Russell Higgins has extensive experience both locally and internationally in the energy sector and in economic and fiscal policy. He was Secretary and Chief Executive Officer of the Department of Industry, Science and Resources from 1997 to 2002 and Chairman of the Australian Government's Energy Task Force from 2003 to 2004.
- Russell is a director of Telstra Corporation Limited and Argo Investments Limited. He is the Chairman of the Global Carbon Capture and Storage Institute and the CSIRO Energy Transformed Flagship Advisory Committee, and a director of Ricegrowers Limited (trading as Sunrice) and the St James Ethics Foundation. He is a former Chairman of the Snowy Mountains Council and the Australian Government's Management Improvement Advisory Committee and a former director of Australian Biodiesel Group Limited, EFIC, CSIRO, Austrade, the Australian Industry and Development Corporation, as well as a former member of Australian Government's Joint Economic Forecasting Group. In 2006-07 he was a member of the Prime Ministerial Task Group on Emissions Trading.
- Russell is Chairman of the Health Safety and Environment Committee and a member of the Audit and Risk Management Committee.



Patricia McKenzie
LLB MAICD

Independent Director

Appointed 1 January 2011

- Patricia McKenzie has considerable expertise and experience in energy market regulation and, as a qualified solicitor, extensive corporate legal experience. She was formerly a director of Australian Energy Market Operator Limited (AEMO), the national energy market operator for electricity and gas, and the Chief Executive Officer of Gas Market Company Limited, the market administrator for retail competition in the gas industry in New South Wales and the Australian Capital Territory. Patricia is also Chair of Diabetes Australia Limited and a director of the National Health Call Centre Network Limited.
- Patricia is a member of the Health Safety and Environment Committee and the Remuneration Committee.



Muri Muhammad
MSc

Director

Appointed 8 March 2000

- Muri Muhammad retired from Petroliaam Nasional Berhad (Petronas) in August 2002 and was reappointed as Petronas' Adviser, Gas Business in the President's Office until 30 March 2005. He brings 30 years' experience in the chemicals and petroleum industry as well as expertise in the domestic and international gas transmission and distribution, gas utilisation, cogeneration and conversion businesses where he has held various senior executive positions.
- Muri was Petronas' Vice President for Gas Business from 1998 until his retirement and held several directorships, some as Chairman, of a number of Petronas' subsidiaries and associate companies in Malaysia and abroad. He currently sits on the boards of gas transmission company Petronas Gas Berhad of Malaysia, and Papua New Guinea's national petroleum and minerals corporation, Petromin PNG Holdings Limited. He was also a member of the Malaysian Energy Commission, a Malaysian Government regulatory body.
- Muri is a member of the Remuneration Committee and the Health Safety and Environment Committee.
- Muri has given notice (as at 25 July 2012) of his resignation from the Boards of APTPL and APL, with effect from 24 October 2012.



Robert Wright
BCom FCPA

Independent Director

Appointed 11 February 2000

- Robert Wright has over 30 years' financial management experience, having held a number of Chief Financial Officer positions, including Finance Director of David Jones Limited. He is currently the Chairman of SAI Global Limited, Super Retail Group Limited and APA Ethane Limited, the responsible entity of Ethane Pipeline Income Fund and was previously Chairman of Dexion Limited and RCL Group Limited.
- Robert is the Chairman of the Audit and Risk Management Committee and a member of the Health Safety and Environment Board Committee.

8.2 MANAGEMENT

APA Group has an experienced management team with strong strategic, operational and financial management skills and a track record of successfully executing projects.

APA Group's senior management team (being the senior management team of APTPL) is set out below.



Michael McCormack
BSurv GradDipEng MBA FAICD
Managing Director and
Chief Executive Officer

- See Section 8.1



Peter Fredricson
BCom CA
Chief Financial Officer

- Peter is responsible for all financial aspects of APA Group, including accounting and financial reporting, financial compliance and governance, taxation, treasury, balance sheet management and capital strategy, and insurance and risk. He is also responsible for both Investor Relations and Information Technology.
- Peter joined APA Group in June 2009. He has considerable expertise in the listed energy infrastructure sector and over 20 years' experience in senior financial roles in financial services and investment banking organisations across Australia, New Zealand and Asia.



Ross Gersbach
BBus MAICD
Chief Executive Strategy
and Development

- Ross has responsibility for further enhancing APA's portfolio of assets that complement the value of its infrastructure, including APA's investments in gas-fired and wind power generation, and the operation and development of these assets. He is responsible for APA's Energy Investments, group strategy, regulatory and government affairs, environmental development and mergers and acquisitions.
- Ross was previously a director of APA Group from 2004 to 2008. He joined the management team in April 2008 where he was responsible for all commercial aspects of APA Group. Ross has over 20 years' experience in senior positions across a range of energy related sectors, covering areas such as infrastructure investments, mergers and acquisitions and strategic developments. In addition he has extensive commercial experience and has managed a portfolio of infrastructure assets in the natural gas and electricity distribution network sector.
- Ross is a director of Envestra Limited.



Rob Wheals
BCom CA MAICD
Group Executive
Transmission

- Rob is responsible for the commercial and operational performance of APA Group's transmission and gas storage assets.
- Rob joined APA Group in September 2008. During this time he has been responsible for managing APA's pipeline revenue contracts and customers on a national basis. This has included the organic expansion of APA's gas transmission and storage portfolio, totalling in excess of \$500 million of capital projects over this time.

8. KEY PEOPLE, INTERESTS AND BENEFITS



John Ferguson

MIGEAust

Group Executive Networks

- John is responsible for the operation and management of APA Group's minority owned gas distribution assets – Envestra Limited and Gas Distribution Investments – covering 25,000 kilometres of gas distribution pipelines and 1.2 million gas users in eastern Australia.
- John joined APA Group in October 2008, continuing his 30 year career in the gas infrastructure business, covering operations, network development and gas marketing.

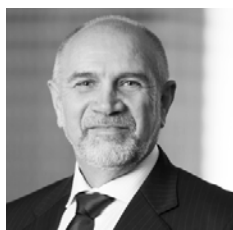


Kevin Lester

BEng(Civil) MIEAust GAICD

*Group Executive
Infrastructure Development*

- Kevin is responsible for engineering services and the delivery of APA's infrastructure expansion projects. This also includes primary responsibility for the operation, asset management, project development and technical regulation of all pipeline and related assets.
- Kevin joined APA in August 2012 continuing a career in the management of major infrastructure projects, including energy infrastructure. He is a director and President of the Australian Pipeline Industry Association.

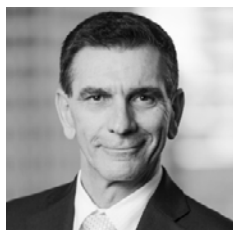


Stephen Ohl

*BEng(Mech) GradDipMngt
MIEAust CPEng FAICD*

*Group Executive Strategic
Projects*

- Stephen is responsible for the management of APA's major capital works projects, including the Mondarra Gas Storage Facility expansion and the Diamantina Power Station.
- Stephen joined APA Group in May 2005 and had the responsibility for the operational performance of all APA Group's assets and investments. He has over 35 years' experience in the petrochemical, oil and gas and pipeline industries including more than 20 years managing and operating assets now owned by APA Group.

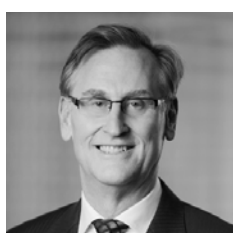


Peter Wallace

BA MAICD MAHRI

*Group Executive Human
Resources*

- Peter is responsible for managing the Human Resources function, which covers strategy and activities relating to APA Group's people and their employment at APA Group.
- Peter joined APA in April 2011. Previously he has filled senior Human Resources roles in Australia as well as in Asia/Pacific and the United States, and has a strong background in business integration and business growth. He has over 32 years' experience in heavy manufacturing, minerals, steel, steel distribution and related building and construction sectors.



Mark Knapman

BCom LLB FCIS FCSA

Company Secretary

- In addition to being responsible for the secretariat function, Mark oversees corporate governance and the legal, internal audit and financial services compliance functions.
- Mark joined APA in July 2008. He has extensive experience as a Company Secretary. He was Company Secretary and General Counsel of an ASX-listed company and Asia Pacific Legal Counsel and Company Secretary for a US multinational company prior to joining APA Group. Prior to those roles, he was a partner of an Australian law firm.
- Mark holds degrees in law and commerce and a Graduate Diploma in Applied Corporate Governance. He is a Fellow of the Chartered Institute of Company Secretaries and is admitted to practice as a solicitor.

8.3 INTERESTS AND BENEFITS

8.3.1 Directors and management

Other than as set out in this Prospectus, no director holds, at the time of lodgement of this Prospectus with ASIC, or has held in the two years before lodgement of this Prospectus with ASIC, an interest in:

- the formation or promotion of APTPL;
- the Offer; or
- any property acquired or proposed to be acquired by APTPL in connection with its formation or promotion or with the Offer.

Other than as set out in this Prospectus, no amount (whether in cash, securities or otherwise) has been paid or agreed to be paid, nor has any benefit been given, or agreed to be given to any director or proposed director:

- to induce a person to become, or qualify as, a director; or
- for services provided by a director or proposed director in connection with the formation or promotion of APTPL or the Offer.

Interest in APA Stapled Securities

The directors at the date of this Prospectus had the following relevant interests in issued securities of APA Group.

| Director/Position | Fully paid Stapled Securities |
|--------------------|-------------------------------|
| Leonard Bleasel AM | 443,093 |
| Michael McCormack | 195,264 |
| Steven Crane | 100,000 |
| John Fletcher | 63,298 |
| Russell Higgins AO | 86,160 |
| Patricia McKenzie | 12,500 |
| Muri Muhammad | 42,818 |
| Robert Wright | 36,924 |
| Total | 980,057 |

The directors hold no other rights or options over APA Stapled Securities or any securities in APTPL. There are no contracts to which a director is party or under which the director is entitled to a benefit that confer a right to call for or deliver APA Stapled Securities.

Directors' fees

Directors are not paid a fee for being directors of Subsidiaries of the APA Group, including APTPL.

Directors are paid a fee for being directors of the APA Responsible Entity. For further information about remuneration paid to directors of the APA Responsible Entity, see the remuneration report in APA Group's directors' report for the year ended 30 June 2011³². Total non-executive director remuneration for the financial year ended 30 June 2011 was \$1,017,444.

Participation in the Offer

Directors (and their associates) may participate in the issue of Notes.

8.3.2 Professionals

Macquarie has acted as Arranger for the Offer, and Macquarie, Credit Suisse (Australia) Limited, RBS Morgans Limited, RBS Equity Capital Markets (Australia) Limited, Morgan Stanley Australia Securities Limited and Evans and Partners Pty Limited have acted as Joint Lead Managers for the Offer, in respect of which they will receive the fees described in Section 9.2. The Joint Lead Managers will be responsible for paying to the Syndicate Brokers and the New Zealand Lead Managers a selling fee of 1.00% of the value of Notes allocated to them in the Bookbuild (funded by APTPL).

First NZ Capital Securities Limited, Forsyth Barr Limited and Macquarie Capital (New Zealand) Limited have acted as New Zealand Lead Managers, in respect of which they will receive a selling fee of 1.00% of the value of Notes allocated to them. In addition Forsyth Barr Limited will receive a fee of \$100,000.

PricewaterhouseCoopers has acted as APA Group's Australian and New Zealand tax adviser in relation to the Offer and has prepared the taxation summary in Section 7. In respect of this work, PricewaterhouseCoopers will be paid approximately \$0.3 million (excluding GST) for work performed by it up until the date of this Prospectus. Further amounts may be paid to PricewaterhouseCoopers in accordance with its time-based charges.

Deloitte Touche Tohmatsu ("Deloitte") has acted as APA Group's accounting adviser and provided due diligence services on certain financial disclosures in relation to the Offer. In respect of this work Deloitte will be paid approximately \$0.3 million (excluding disbursements and GST) for work performed by it up until the date of this Prospectus. Further amounts may be paid to Deloitte in accordance with its time-based charges.

32 See remuneration report contained within APA Group's 2011 Full Year results, released on 24 August 2011.

8. KEY PEOPLE, INTERESTS AND BENEFITS

King & Wood Mallesons has acted as APA Group's Australian legal adviser. In respect of this work King & Wood Mallesons will be paid approximately \$0.7 million (excluding GST) for work performed by it up until the date of this Prospectus. Further amounts may be paid to King & Wood Mallesons in accordance with its time-based charges.

Chapman Tripp has acted as APA Group's New Zealand legal adviser. In respect of this work Chapman Tripp will be paid approximately \$0.1 million (excluding GST) for work performed by it up until the date of this Prospectus. Further amounts may be paid to Chapman Tripp in accordance with its time-based charges.

The Trust Company (Australia) Limited will be paid the fees as described in Section 9.1 in respect of acting as Trustee in respect of Notes.

Certain institutional investors have committed to the Joint Lead Managers to apply for Notes. The Joint Lead Managers will pay these institutional investors:

- (a) 0.50% of the amount they commit to; and
- (b) a further 0.25% of the amount allocated to them.

Except as set out in this Prospectus, no:

- person named in this Prospectus as performing a function in a professional, advisory or other capacity in connection with the preparation of this Prospectus; or
- Joint Lead Manager,

holds at the time of lodgement of this Prospectus with ASIC, or has held in the last two years before lodgement of this Prospectus with ASIC, an interest in:

- the formation or promotion of APTPL;
- the Offer; or
- any property acquired or proposed to be acquired by APTPL in connection with the formation or promotion of APTPL or the Offer,

nor has anyone paid or agreed to pay or given or agreed to give any benefit to such persons in connection with the formation or promotion of APTPL or the Offer.

8.4 EXPENSES OF THE OFFER

The total expenses of the Offer will be paid out of the proceeds of the Offer. Assuming the Offer raises \$350 million, then the net proceeds of the Offer are expected to be \$337.5 million and the total expenses of the Offer (including fees payable to the Joint Lead Managers, legal, accounting, tax, marketing, administrative fees, as well as printing, advertising and other expenses related to this Prospectus and the Offer) are expected to be \$12.5 million. All of these expenses have been, or will be, borne by APTPL.



Wilton Meter Station, New South Wales

9. ADDITIONAL INFORMATION

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9. ADDITIONAL INFORMATION

This Section provides information about a number of other matters not covered elsewhere in this Prospectus.

9.1 SUMMARY OF TRUST DEED AND GUARANTEE

APTPL and the APA Responsible Entity have entered into a Trust Deed constituted under New South Wales law, with The Trust Company (Australia) Limited as the Trustee. The Terms and the Guarantee are set out as schedules to the Trust Deed. APTPL will provide a copy of the Trust Deed upon request free of charge to potential investors during the period until the Issue Date and thereafter to Holders.

The Trustee has agreed to act as the trustee of the assets and rights held on trust for Holders (as described below) pursuant to the terms of the Trust Deed (the “Trust”). Notes are issued subject to the terms and conditions contained in the Trust Deed.

The Interest Payments on Notes are obligations of APTPL and are guaranteed on an unsecured and subordinated basis by the APA Responsible Entity. The obligation to redeem Notes in accordance with their Terms is a direct obligation of APTPL. Neither the Trustee nor any of its directors, employees, officers, affiliates, agents, advisers, intermediaries, or related bodies corporate guarantees the redemption of or prepayment of the Face Value of Notes.

The Trustee is not responsible for monitoring any breach of the Trust Deed, the occurrence of any Event of Default under the Trust Deed, APTPL's compliance with the Trust Deed or APA Group's businesses except as required by law. In this regard, the Trustee is subject to certain statutory duties imposed on it under Chapter 2L of the Corporations Act including to:

- i. exercise reasonable diligence to ascertain whether:
 - a. the property of APTPL, APA and APTPL that is or should be available will be sufficient to repay the amounts lent by Holders in respect of Notes; and
 - b. APTPL, APA and APTPL has breached the Terms, the Trust Deed or the provisions of Chapter 2L of the Corporations Act; and
- ii. unless the Trustee is satisfied the breach is not materially prejudicial to the Holders, do everything in its power to ensure APTPL remedies such a breach.

The following is a summary only of the principal provisions of the Trust Deed.

Appointment of Trustee and declaration

The Trustee has been appointed under the Trust Deed and holds on trust for Holders:

- a trust settlement sum of \$10.00;
- all money received by the Trustee in its capacity as trustee of the Trust;
- the right to enforce APTPL's obligations to pay amounts payable under Notes and under the Trust Deed;
- the right to enforce all other duties of APTPL under the Terms, the provisions of the Trust Deed and Chapter 2L of the Corporations Act; and

- any other property and benefits which the Trustee from time to time receives or holds on such trust (including, without limitation, the benefit of any covenants, undertakings, representations, warranties, rights, powers, benefits or remedies in favour of the Trustee under the Trust Deed and any other transaction documents).

APTPL undertakings

APTPL has undertaken to the Trustee that it will, amongst other things:

- pay any amounts due and payable in respect of Notes to the Trustee (or directly to the Holders if directed to do so by the Trustee); and
- comply with its obligations under the Terms, the Corporations Act (including Chapter 2L) and any conditions imposed by ASX in connection with the Notes.

Guarantee

Under the terms of the Guarantee, the guarantor from time to time (“**Guarantor**”) guarantees to each Holder, on an unsecured and subordinated basis, payment of all amounts then due for payment or which will or may become due for payment or which remain unpaid by the Issuer.

The current Guarantor is the APA Responsible Entity in its capacity as responsible entity of APT and APTIT.

The claims of Holders against a Guarantor in respect of the Notes will, in the event of a winding-up of that Guarantor, be subordinated in right of payment to the claims of all senior ranking creditors of that Guarantor. Each Holder agrees that it may not exercise any voting rights as a creditor in any administration which follows an event of insolvency in respect of a Guarantor until after all Guarantor Senior Creditors have been paid in full.

A Guarantor will be released without the approval of the Holders in certain circumstances and provided that there are no principal and interest in respect of Notes outstanding following an Event of Default. These circumstances relate to specific corporate reorganisation events (including Destapling Event and certain circumstances following a Solvent Reorganisation) and generally require that the head listed entity or entities in the APA Group from time to time become or remain Guarantors under the Guarantee.

Trustee Limitation of Liability

The Trustee is not liable to APTPL, the APA Responsible Entity, Holders or any other person in any capacity other than as Trustee of the Trust. The Trustee's liability is further limited to and can be enforced against the Trustee only to the extent to which it can be satisfied out of the assets of the Trust which it is actually indemnified, but only to the maximum extent permitted by section 283DB of the Corporations Act and except to the extent that there is a reduction in the extent of the Trustee's indemnification from the assets of the Trust as a result of Trustee's fraud, gross negligence or wilful default or a breach of section 283DA(a), (b) or (c) of the Corporations Act (“**Trustee Default**”).

Action by Trustee

The Trustee is required, at all times, to act in accordance with its obligations under the Terms, the Trust Deed, the Corporations Act and applicable law.

Subject to the Terms and to section 283DA(h) of the Corporations Act, the Trustee must take action to enforce its rights and the rights of Holders under the Trust Deed (including the Guarantee) and the Terms in accordance with their terms where all the following conditions are met and is not required to act in accordance with any direction from the Holders or any of them or by a resolution of the Holders (passed by a majority vote) unless:

- the Trustee is requested to take action by Holders who hold between them at least 25% of the total Face Value of the Notes then Outstanding or it has been so directed by a Special Resolution of the Holders;
- it is indemnified to its reasonable satisfaction against actions to which it may be liable and costs which it may incur and all management time spent by employees or officers of the Trustee in relation to such action which will be charged at the Trustee's standard hourly rates prevailing from time to time as notified to the Issuer; and
- the action is permitted under the Trust Deed (including the Guarantee) and the Terms.

Direct action by Holder

No Holder is entitled to proceed directly against APTPL or the APA Responsible Entity to enforce any right, power or remedy in connection with any Note, unless the Trustee, having become bound to proceed, fails to do so within 14 days and such failure is continuing, in which case any such Holder may itself institute proceedings against APTPL or the APA Responsible Entity in accordance with the Terms.

Even if action is taken by the Trustee in accordance with the Terms, the Trust Deed, the Corporations Act or applicable law, there can be no guarantee that such action will ensure the performance of all (or any) of APTPL's obligations under the Terms.

Fees and expenses

Under the Trust Deed, APTPL (and failing which, the APA Responsible Entity) will pay the Trustee by way of a fee for its services such amounts (exclusive of GST) as may be agreed between APTPL and the Trustee. The agreed fee is an annual fee of up to \$20,000 (exclusive of GST) indexed for inflation. APTPL will also pay to the Trustee:

- its reasonable costs, charges and expenses incurred in connection with the negotiation, preparation and execution of the Trust Deed (including the Guarantee) and the Terms;
- all losses, costs, charges and expenses and other liabilities it incurs for exercising, enforcing or preserving, or attempting to exercise, enforce or preserve, rights under the Trust Deed (including the Guarantee) and the Terms;

- all losses, costs, charges and expenses and other liabilities it suffers or properly incurs which arise out of, or in the course of, acting as the trustee of the Trust, except where such expenses are incurred by the Trustee as a direct result of a Trustee Default;
- costs, charges and expenses it incurs as the result of an Event of Default and these costs, charges and expenses would not have been incurred had there not been an Event of Default in which case the Trustee has the discretion to demand such costs, charges and expenses are recovered at an hourly rate, provided these costs, charges and expenses are reasonably and properly incurred by or on behalf of the Trustee.

Retirement and removal

The Trustee may retire by giving written notice to APTPL, which will not be effective until 60 days after the date of the notice has passed (or such other period as the Trustee and APTPL may agree) and provided that the appointment of a new trustee is effective. The Trustee may be removed by APTPL if, amongst other things:

- the Trustee is in material breach of its obligations under the Trust Deed (including the Guarantee) or the Terms and has not rectified the breach within 7 Business Days of receiving a notice from APTPL specifying the breach and requesting that it be remedied;
- a Trustee Default has occurred and is continuing;
- the Trustee becomes subject to an insolvency event (such as being placed in liquidation, being wound-up or dissolved or a receiver being appointed to it);
- the Trustee is no longer permitted to act as trustee under the Corporations Act;
- any licence, consent, authorisation or similar thing the Trustee is required to hold to carry out its obligations under the Trust Deed is revoked or not renewed;
- APTPL is authorised or requested to do so by a meeting of the Holders; or
- APTPL reasonably believes that the Trustee has ceased to exist, has not been validly appointed, cannot be a trustee under section 283AC of the Corporations Act or has failed or refused to act as trustee.

APTPL may appoint a new trustee following the retirement or removal of the Trustee. However if 60 days (or such other period as the Trustee and APTPL may agree) after the Trustee has given notice in writing to APTPL of its desire to retire, a new Trustee has not been appointed, the retiring Trustee may appoint (or, in its discretion, apply to the court for the appointment of) an eligible trustee (being a body corporate eligible to act as a trustee for the purposes of sections 283AA and 283AC of the Corporations Act) as the new Trustee and any such appointment will be effective without the approval of the Issuer or the Holders being required but the Trustee may otherwise call a meeting of Holders for the purpose of appointing, by the passing of a resolution of the Holders (passed by a majority vote), a person nominated either by the Trustee or by any Holder as the new Trustee.

9. ADDITIONAL INFORMATION

Substituted Issuer

APTPL may substitute itself as principal debtor under the Trust Deed. It may only do so with the agreement of the Trustee, if APTPL is satisfied that the interests of Holders will not be materially prejudiced by the substitution, a substitution deed is entered into by APTPL whereby the substitute entity agrees to be bound by the Trust Deed and Terms and certain other conditions are met.

Meetings

A meeting of Holders has the power to:

- by ordinary resolution, give directions to the Trustee as to, or authorise, ratify or confirm anything the Trustee has done or omitted to do in respect of, the performance or exercise of any of its duties, rights, powers and remedies under the Trust Deed (including the Guarantee) or Notes;
- by Special Resolution;
- approve the release of the Trustee from liability for anything done or omitted to be done by the Trustee or any other person;
- approve any act taken or to be taken by the trustee; and
- approve alterations to the Trust Deed.

Each Holder is entitled to one vote on a show of hands. On a poll, each Holder is entitled to one vote for each Note with respect to which it is the Registered Holder.

9.2 SUMMARY OF OFFER MANAGEMENT AGREEMENT

Overview

APTPL and the Joint Lead Managers entered into the Offer Management Agreement on 9 August 2012. Under the Offer Management Agreement, APTPL appointed Macquarie, Credit Suisse (Australia) Limited, RBS Morgans Limited, RBS Equity Capital Markets (Australia) Limited, Morgan Stanley Australia Securities Limited and Evans and Partners Pty Limited as Joint Lead Managers of the Offer, and Macquarie as Arranger and Settlement Agent. The following is a summary only of the principal provisions of the Offer Management Agreement. Under the Offer Management Agreement, the Joint Lead Managers have agreed to use their reasonable endeavours to procure offers to subscribe for Notes in accordance with this Prospectus and the timetable set out in the Offer Management Agreement, including by conducting the Bookbuild described in this Prospectus, and to manage the Offer. Macquarie and the other Joint Lead Managers will provide settlement support for the settlement obligations under the Institutional Offer and the Broker Firm Offer.

Fees

The estimated aggregate fees payable by APTPL to the Joint Lead Managers under the Offer Management Agreement are approximately \$7.8 million (exclusive of GST), making certain assumptions as to the allocations of Notes between the APA Securityholder Offer, General Offer, Broker Firm Offer and Institutional Offer. The actual amount payable will not be known until the allotment of Notes. In addition, APTPL must pay each Joint Lead Manager for all reasonable travel costs, expenses and disbursements, including (in some circumstances) legal costs and disbursements, incurred by the Joint Lead Manager in relation to the Offer.

Representations, warranties and undertakings

APTPL gives various representations, warranties and undertakings to the Joint Lead Managers, including that this Prospectus and the Replacement Prospectus comply with all applicable laws, including the Corporations Act and the Listing Rules. APTPL also represents and warrants that, with the exception of Notes, it shall not make, agree to make or announce any issue of any equal ranking, preference, subordinated debt or hybrid securities, excluding securities that are unlisted or not capable of being listed, without the prior written consent of the Joint Lead Managers (which shall not be unreasonably withheld or delayed) during the period commencing on the date of the Offer Management Agreement and ending 60 days after the date the Notes are allotted.

Indemnity

APTPL and the APA Responsible Entity agree to indemnify the Joint Lead Managers and certain parties affiliated with them against claims, demands, damages, losses, costs, expenses or liabilities incurred in connection with the Offer. This indemnity does not apply to claims, demands, damages, losses, costs, expenses or liabilities to the extent to which that loss is finally judicially determined to have been caused directly by the fraud, recklessness, wilful misconduct or negligence of the relevant person.

Termination events

Any Joint Lead Manager may terminate its obligations under the Offer Management Agreement, by giving notice in writing to APTPL, the APA Responsible Entity and the other Joint Lead Managers before the Notes are allotted, if any one or more of the following events occurs:

- (a) this Prospectus or the Replacement Prospectus does not comply with the Corporations Act, the Listing Rules or any other applicable laws;
- (b) the New Zealand opt-in notice or notice of replacement offer document filed with the NZRFSP does not comply with the NZ securities laws or any other applicable laws;
- (c) a step specified in the timetable is delayed for more than 2 Business Days without the prior written approval of the Joint Lead Managers (such approval not to be unreasonably withheld or delayed);
- (d) a supplementary prospectus is, in the reasonable opinion of the Joint Lead Managers, required to avoid committing an offence under the Corporations Act;
- (e) any of the following notifications are made:
 - (i) ASIC issues an order under section 739 of the Corporations Act where such notice, interim order or order does not become public and is withdrawn within two Business Days after it is commenced;
 - (ii) an application is made by ASIC for an order under Part 9.5 of the Corporations Act in relation to this Prospectus or the Replacement Prospectus or ASIC commences any investigation or hearing under Part 3 of the Australian Securities and Investments Commission Act 2001 (Cth) in relation to this Prospectus or the Replacement Prospectus;

- (iii) certain persons give a notice under section 733(3) of the Corporations Act or certain persons who have previously consented to the inclusion of their name in this Prospectus, the Replacement Prospectus or any supplementary prospectus or to be named in this Prospectus, the Replacement Prospectus or any supplementary prospectus withdraw that consent; or
- (iv) certain persons give a notice under section 730 of the Corporations Act in relation to this Prospectus, the Replacement Prospectus or any supplementary prospectus;
- (f) the average mid-rate for the iTraxx Australia Index of a term of 5 years closes 0.45% or more above its level on the Business Day that is immediately before the date of the Offer Management Agreement at 4:00pm on two consecutive Business Days;
- (g) the S&P/ASX 200 Index:
 - (i) closes on 2 consecutive Business Days at a level that is 12.5% or more below the level of that index as at the close of business on the Business Day prior to the date of the Offer Management Agreement; or
 - (ii) closes at a level that is 15% or more below the level of that index as at the close of business on the Business Day prior to the date of the Offer Management Agreement;
- (h) any credit rating assigned to APTPL at the date of the Offer Management Agreement by S&P or Moody's is downgraded;
- (i) the APA Responsible Entity ceases to hold all necessary authorisations required by it to be the responsible entity of APT and APTIT, or it ceases to be the responsible entity of APT or APTIT, or APT or APTIT ceases to be a registered managed investment scheme under the Corporations Act; or
- (j) certain other customary events occur including, in summary, a certificate is not given by APTPL or the APA Responsible Entity when required, APA Group ceases to be admitted to the official list of ASX or the APA Stapled Securities cease trading on ASX, quotation approval for the Notes is refused or withdrawn by ASX, APTPL withdraws the Offer or insolvency of APTPL or any of its material subsidiaries.

Any Joint Lead Manager may also terminate its obligations under the Offer Management Agreement if any of the following events occurs provided that, that Joint Lead Manager has reasonable grounds to believe and does believe that the event or a series of events together: (a) has or will have a material adverse effect on the success or settlement of the Offer, or the ability of the Joint Lead Manager to market or promote or settle the Offer, or (b) has given or there is a reasonable possibility that it could give rise to a contravention or involvement in a contravention by that Joint Lead Manager of the Corporations Act or any other applicable law or regulation or to a liability for that Joint Lead Manager under any applicable law or regulation:

- (a) any information supplied by APTPL to the Joint Lead Managers in relation to the APA Group or the Offer is misleading or deceptive or is likely to mislead or deceive;
- (b) a representation or warranty made by APTPL or the APA Responsible Entity to the Joint Lead Managers is not true or correct;

- (c) APTPL or the APA Responsible Entity fails to perform or observe any of its obligations or undertakings under the Offer Management Agreement;
- (d) any member of the APA Group contravenes the Corporations Act, the Competition and Consumer Act 2010 (Cth) or the Australian Securities and Investments Commission Act 2001 (Cth) (or any regulation under any of those acts) or the NZ Securities Laws, their respective constitutions or any Listing Rule;
- (e) any adverse change occurs in the financial position of the APA Group;
- (f) any director of APTPL or the APA Responsible Entity is charged with an indictable offence or is disqualified from managing a corporation under section 206A of the Corporations Act; or
- (g) certain other customary events occur being, in summary, a suspension of trading of all securities on certain stock exchanges, hostilities not presently existing commence in certain countries, a general moratorium on commercial banking activities in certain countries, a change of law in Australia or New Zealand which relates to the Offer, a change in senior management of APTPL or the APA Responsible Entity, a misleading certificate, disclosure or opt-in notice or quotation approval for the Notes is subject to conditions (other than customary conditions).

9.3 REPLACEMENT CAPITAL STATEMENT

APTPL believes that hybrid securities that are ascribed equity credit by S&P (such as the Notes) are an effective capital management tool and intends to utilise such instruments as a key feature of its capital structure going forward.

Accordingly, in the event that APTPL elects to redeem or repurchase the Notes prior to the Maturity Date under clauses 4.2 or 4.5 of the Terms as set out in Appendix A, the company intends to support its credit profile by funding any such redemption or repurchase out of the proceeds of another hybrid or other securities offering, on the terms set out below.

APTPL intends (without thereby assuming a legal obligation) that while the Notes are ascribed a level of equity credit by S&P, APTPL will redeem or repurchase Notes under clauses 4.2 or 4.5 of the Terms as set out in Appendix A only to the extent the aggregate Face Value of Notes to be redeemed or repurchased does not exceed the net proceeds received by APTPL or another wholly owned APA Group entity, during the 360 day period prior to such redemption or repurchase, from certain securities offerings.

Such offerings must involve the sale or issuance by APTPL or any other APA Group entity to third party purchasers of securities which are ascribed by S&P a level of equity credit that is equal to or greater than the equity credit S&P ascribed to Notes to be redeemed or repurchased at the time of their issuance (but taking into account any changes in hybrid capital methodology or the interpretation thereof since the issuance of Notes). The intention described above does not apply where APTPL believes that the APA Group's credit profile is substantially the same or better than at the date of this Prospectus, and APTPL believes that the APA Group's credit profile would not be materially adversely affected as a result of any such redemption or repurchase.

9. ADDITIONAL INFORMATION

9.4 CONSENTS TO BE NAMED AND DISCLAIMERS OF RESPONSIBILITY

Each of the parties referred to in the following table (except as discussed below it):

- has given and has not, before the lodgement of this Prospectus with ASIC, withdrawn its written consent to be named in this Prospectus in the form and context in which it is named;
- has not made any statement in this Prospectus or any statement on which a statement made in this Prospectus is based; and
- does not cause or authorise the issue of the Prospectus, and to the maximum extent permitted by law, expressly disclaims and takes no responsibility for any statements in or omissions from this Prospectus.

| Role | Consenting parties |
|---|--|
| Arranger and Settlement Agent | Macquarie |
| Joint Lead Managers | Macquarie, Credit Suisse (Australia) Limited, RBS Morgans Limited, RBS Equity Capital Markets (Australia) Limited, Morgan Stanley Australia Securities Limited and Evans and Partners Pty Limited. |
| New Zealand Lead Managers | First NZ Capital Securities Limited, Forsyth Barr Limited and Macquarie Capital (New Zealand) Limited |
| Legal Adviser (Australia) | King & Wood Mallesons |
| Legal Adviser (New Zealand) | Chapman Tripp |
| Auditor | Deloitte Touche Tohmatsu |
| Investigating Accountants | Deloitte Touche Tohmatsu |
| Tax Adviser (Australia and New Zealand) | PricewaterhouseCoopers |
| Registry | Link Market Services Limited |
| Trustee | The Trust Company (Australia) Limited |

No Rating Agency has made any statement in this Prospectus, or any statement on which a statement made in this Prospectus is based, nor has any Rating Agency caused or authorised the issue of the Prospectus or accepted any responsibility for any statements in or omissions from this Prospectus.

PricewaterhouseCoopers has given and has not, before the lodgement of this Prospectus with ASIC, withdrawn its written consent to be named in this Prospectus as Australian and New Zealand Tax Adviser and for the inclusion of statements by it, consisting of the taxation summary in Section 7 of this Prospectus in the form and context in which it appears in Section 7.

Deloitte has given and has not, before the lodgement of this Prospectus with ASIC, withdrawn its consent to be named in this Prospectus as Investigating Accountants and for the inclusion of statements by it, consisting of the Investigating Accountants' Report in Appendix C of this Prospectus in the form and context in which it appears in Appendix C.

9.5 PRIVACY

APTPL collects personal information from you in order to process your application, administer your investment and keep in touch with you about your investment.

APTPL may disclose this information on a confidential basis to its subsidiaries and companies, as well as agents, contractors and third party service providers that provide services on its behalf (for example, the Registry and a printing firm or mailhouse engaged to print and mail statements to you).

If you used a financial adviser who recommended your investment in Notes then details of your investment may be provided to that adviser.

APTPL will also disclose your information if required to do so by law or if you consent to or request the disclosure.

If you think APTPL's records of your personal information are incorrect or out of date, it is important that you contact APTPL so that your records can be corrected. You may (subject to permitted exceptions) access the personal information APTPL holds on you at any time by contacting the Registry in writing. APTPL is permitted to charge a fee for such access but does not intend to do so.

You may choose not to give your personal information or to limit the information you provide to APTPL. Depending on the type of information you withhold, APTPL may not be able to process your application efficiently (if at all), or make payments to you.

9.6 ASX CONFIRMATION

APTPL has applied for in principle confirmation that ASX will classify Notes as debt securities.

9.7 PHOTOGRAPHS AND DIAGRAMS

The assets depicted in photographs in this Prospectus are assets or investments of APA Group unless otherwise stated. Diagrams appearing in this Prospectus are illustrative only and may not be drawn to scale. Unless otherwise stated, all data contained in charts, graphs and tables is based on information available at the date of the Prospectus.

9.8 GOVERNING LAW

This Prospectus and the contracts that arise from the acceptance of the applications and bids under this Prospectus are governed by the laws applicable in New South Wales and each applicant for Notes under this Prospectus and each applicant submits to the exclusive jurisdiction of the courts of New South Wales.

9.9 COPIES OF DOCUMENTS

APA Group will provide a copy of each of the following documents, free of charge, to any person on request between the date of issue of this Prospectus and the Issue Date:

- the annual financial report for the 12 months ended 30 June 2011, being the annual financial report most recently lodged by APA Group with ASIC;
- the half year report for the 6 months ended 31 December 2011, being the half year report most recently lodged by APA Group with ASIC; and
- any continuous disclosure notices given to the ASX by APA Group after the lodgement of the annual financial report referred to above and before the date of lodgement of this Prospectus with ASIC.

The above information may be obtained from the APA Group website at www.apa.com.au.

If you would like to receive a copy of any of these documents or publications, please contact the APA Notes Offer Information Line on 1800 992 312 (within Australia) or +61 2 8280 7132 (outside Australia) (Monday to Friday – 8.30am to 5.30pm Sydney time) during the Offer Period.

9.10 STATEMENT OF DIRECTORS

This Prospectus is authorised by each director who consents to its lodgement with ASIC and its issue.



Brooklyn City Gate, Victoria

APPENDIX

A.

**NOTES
TERMS**

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A. NOTES TERMS

1 FORM, TITLE AND GUARANTEE

1.1 Form

APA Subordinated Notes are unsecured and subordinated debt obligations of the Issuer. APA Subordinated Notes are constituted under, and issued according to, the Trust Deed, and take the form of entries in the Register.

APA Subordinated Notes are unsecured notes for the purposes of section 283BH of the Corporations Act.

1.2 Face Value

Each Note will have a face value (**Face Value**) of \$100.

1.3 Currency

APA Subordinated Notes are denominated in Australian dollars.

1.4 Issue

The Issuer may issue APA Subordinated Notes at any time to any person at an issue price of \$100 per Note (or such other price as the Issuer may choose). The issue price must be paid in full on application.

1.5 Title

An entry in the Register is conclusive evidence that the person is the absolute owner of APA Subordinated Notes subject to correction for fraud or error. Except as required by law, the Issuer, the Guarantors, the Trustee and the Registrar must treat the person entered in the Register as the absolute owner of APA Subordinated Notes.

This clause 1.5 applies whether or not an APA Subordinated Note is overdue and despite any notice of ownership, trust or interest in the APA Subordinated Note.

1.6 No certificates

No certificates will be issued to Holders unless the Issuer determines that certificates should be available or are required by any applicable law.

1.7 Joint holders

Where two or more persons are entered in the Register as the joint holders of an APA Subordinated Note then they are taken to hold the APA Subordinated Note as joint tenants with rights of survivorship, but the Registrar is not bound to register more than three persons as joint holders of an APA Subordinated Note.

1.8 Guarantee

APA Subordinated Notes are issued with the benefit of the guarantee set out in the Trust Deed pursuant to which the Guarantors guarantee, on a subordinated basis, payment to each Holder of all amounts at any time due for payment by the Issuer in respect of APA Subordinated Notes on and subject to the terms of the Guarantee.

2 RANKING

2.1 Subordination and ranking

The Holder Claims are subordinated to the claims of Senior Creditors in that if, at any time, an Event of Insolvency occurs in relation to the Issuer, the amount payable to the Holders under this clause 2 will only be paid after the debts owing to all Senior Creditors have been paid in full.

Holder Claims will at all times rank *pari passu* and without any preference among themselves and *pari passu* and without any preference among the rights and claims of holders of Equal Ranking Obligations.

To give effect to the intended ranking if, at any time, an Event of Insolvency occurs in relation to the Issuer, the amount payable by the Issuer to a Holder under or in relation to these Terms or the Trust Deed (in lieu of any other payment by the Issuer to the Holder under or in relation to these Terms or the Trust Deed), shall be the amount that would have been payable to the Holder of such APA Subordinated Notes if, immediately prior to and throughout any administration which follows such Event of Insolvency, such Holder was the holder of Notional Preference Shares.

For the purpose only of that calculation, Holders will be deemed to hold one preference share of \$1.00 each in the capital of the Issuer ranking equally with the Notional Preference Shares for each \$1.00 of any amount that would otherwise be payable to that Holder under these Terms or the Trust Deed including without limitation, the Face Value and any interest which is due and payable but has not otherwise been paid to that Holder.

For the avoidance of doubt, nothing in these Terms should be construed as, or results in, a Holder actually holding Notional Preference Shares (or any interest in them) or the Issuer agreeing to issue Notional Preference Shares to any person.

2.2 Holder acknowledgments

Each Holder acknowledges and agrees that:

- (a) the claims of Senior Creditors to which it is subordinated include each Senior Creditor's entitlement to interest under section 563B of the Corporations Act and it does not have, and waives to the maximum extent permitted by law, any entitlement to interest under section 563B of the Corporations Act;
- (b) the debt subordination effected by this clause 2 is not affected by any act or omission of the Issuer or any Senior Creditor which might otherwise affect it at law or in equity;
- (c) to the maximum extent permitted by applicable law, it may not exercise or claim (nor will the Trustee exercise or claim on its behalf) any right of set-off or counterclaim in respect of any amount owed by it to the Issuer against any amount owed to it by the Issuer in respect of APA Subordinated Notes and it shall waive and be deemed to have waived such rights of set-off or counter-claim;

A. NOTES TERMS

- (d) it must pay or deliver to the liquidator any amount or asset received on account of its claim in the winding-up of the Issuer in respect of APA Subordinated Notes in excess of its entitlement under this clause 2;
- (e) it may not exercise any voting rights as a creditor in any administration which follows an Event of Insolvency until after all Senior Creditors have been paid in full or otherwise in a manner inconsistent with the subordination contemplated in this clause 2; and
- (f) this clause 2 is a debt subordination for the purposes of section 563C of the Corporations Act.

3 INTEREST

3.1 Interest

Subject to these Terms, the Issuer shall pay interest in respect of a Note on an Interest Payment Date to the person recorded as Holder on the Record Date in respect of that Interest Payment Date.

3.2 Interest amount

- (a) The amount of an Interest Payment payable in respect of a Note on an Interest Payment Date is calculated according to the following formula:

$$\text{Interest Payment} = \frac{\text{Interest Rate} \times \text{Face Value} \times N}{365}$$

where:

Interest Rate (expressed as a percentage per annum) is calculated according to the following formula:

$$\text{Interest Rate} = \text{Bank Bill Rate} + \text{Margin}$$

where:

Bank Bill Rate (expressed as a percentage per annum) means, in respect of an Interest Period, the average mid-rate for bills of a term of 90 days which average rate is displayed on Reuters page BBSW (or any page which replaces that page) on:

- (i) in the case of the first Interest Period, the Issue Date; and
- (ii) in the case of any other Interest Period, the first Business Day of that Interest Period,

or if there is a manifest error in the calculation of that average rate or that average rate is not displayed by 10.30am (Sydney time) on that date, the rate specified in good faith by the Issuer at or around that time on that date having regard, to the extent possible, to:

- (iii) the rates otherwise bid and offered for bills of that term or for funds of that tenor displayed on Reuters page BBSW (or any page which replaces that page) at that time on that date; or

- (iv) if bid and offer rates for bills of that term are not otherwise available, the rates otherwise bid and offered for funds of that tenor at or around that time on that date;

Margin (expressed as a percentage per annum) means, in respect of an Interest Period:

- (i) for each Interest Period commencing on a date before the Step-Up Date, the Initial Margin;
- (ii) for each Interest Period commencing on or after the Step-Up Date, the Step-Up Margin,

in each case subject to adjustment in accordance with clause 3.6;

Face Value is the Face Value of each Note; and

N means the number of days in the applicable Interest Period.

- (b) Interest accrues daily and is payable to Holders in arrear on the relevant Interest Payment Date subject to these Terms.
- (c) If any Interest Payment Date falls on a calendar day which is not a Business Day, the payment of interest will be postponed to the next calendar day which is a Business Day unless the Interest Payment Date is 30 June in each year in which case the payment will be made on the immediately preceding Business Day.

3.3 Optional deferral of Interest Payments

- (a) The Issuer may determine in its sole discretion not to pay all or part of the Interest Payment payable on an Interest Payment Date. If the Issuer so determines, the Interest Payment (or part thereof) will not be due and payable and will not be paid other than in accordance with clause 3.4 and will constitute an **Optionally Deferred Interest Payment**.

Additional interest will accrue on each Optionally Deferred Interest Payment:

- (i) at the same Interest Rate as applies to APA Subordinated Notes from time to time in accordance with clause 3.2; and
- (ii) from (and including) the date on which (but for such deferral) the Optionally Deferred Interest Payment would otherwise have been due to (but not including) the date on which the Optionally Deferred Interest Payment is paid,

and will be added to the Optionally Deferred Interest Payment (and thereafter accumulate additional interest accordingly) on each Interest Payment Date. Each Optionally Deferred Interest Payment and additional interest thereon will be payable in accordance with clause 3.4.

- (b) The Issuer will notify the Holders and the Trustee of any determination not to pay all or part of the Interest Payment falling due on an Interest Payment Date not less than 10 Business Days prior to the relevant Interest Payment Date. Deferral of Interest Payments pursuant to this clause 3.3 will not constitute an Event of Default or a default of the Issuer or a breach of its obligations under these Terms or the Trust Deed or for any other purpose.

3.4 Payment of Optionally Deferred Interest Payments

- (a) Subject to clause 3.4(b), the Issuer may elect to pay any Optionally Deferred Interest Payment at any time by giving at least five and no more than 15 Business Days prior notice to the Holders and the Trustee.
- (b) An Optionally Deferred Interest Payment will become due and payable, and the Issuer must pay the Optionally Deferred Interest Payment, on the date which is the earliest of:
 - (i) the date on which the Issuer elects to pay the relevant Optionally Deferred Interest Payment at its discretion in accordance with clause 3.4(a);
 - (ii) the date on which the APA Listed Security Issuer (or in the case of an APA Security Listed Issuer that is a trust, the trustee of that trust) does any of the things described in clauses 3.5(a) and 3.5(b);
 - (iii) the Maturity Date; and
 - (iv) the date on which all APA Subordinated Notes are otherwise redeemed.

3.5 Dividend and capital restrictions

If some or all of an Interest Payment is deferred under clause 3.3 and the Interest Payment has not been paid in full within 20 Business Days after the relevant Interest Payment Date on which it would otherwise have been due, the APA Listed Security Issuer (or in the case of an APA Security Listed Issuer that is a trust, the trustee of that trust) must not:

- (a) declare or pay any dividend, interest or distribution on Guarantor Equal Ranking Obligations or on the ordinary shares of, or on the ordinary units of, any APA Listed Security Issuer (as relevant); or
- (b) redeem, reduce, cancel, purchase or buy-back (or procure the redemption, reduction, cancellation, purchase or buy-back of) any Guarantor Equal Ranking Obligations or the ordinary shares of, or the ordinary units of, any APA Listed Security Issuer (as relevant),

until the date on which all Optionally Deferred Interest Payments have been paid in full.

The restrictions in this clause 3.5 do not apply to any payment made in respect of Guarantor Equal Ranking Obligations, provided that payments are *pro rata* with payments made under the Guarantee in relation to the APA Subordinated Notes.

3.6 Increase in Margin upon a Change of Control Event

Unless an irrevocable notice under clause 4.3 in relation to a Change of Control Event to redeem all APA Subordinated Notes has been given to Holders and the Trustee by the Issuer pursuant to clause 12 by the Change of Control End Date, the then prevailing Margin will increase by 3.00% per annum with effect from (and including) the first Interest Period to commence after the Change of Control End Date.

The occurrence of the Change of Control Event will be notified by the Issuer to the Holders and the Trustee no later than the 15th Business Day following the relevant Change of Control Event and, unless the APA Notes are to be Redeemed in accordance with clause 4.3 as a consequence of the Change of Control Event, the increase in margin will be notified to the Holders and the Trustee no later than the 15th Business Day following the Change of Control End Date.

4 REDEMPTION AND PURCHASE

4.1 Maturity

Unless redeemed earlier in accordance with these Terms and subject to applicable laws, APA Subordinated Notes will be redeemed on the Maturity Date at their Redemption Amount.

4.2 Early redemption at the option of the Issuer

Subject to applicable laws, the Issuer may redeem all APA Subordinated Notes (in whole but not in part) on the First Call Date or on any Interest Payment Date after that date at their Redemption Amount, by giving at least 30 but no more than 60 calendar days' irrevocable notice of redemption to the Holders and the Trustee.

4.3 Early redemption due to the occurrence of an event

- (a) If a Change of Control Event, a Tax Event or a Capital Event occurs, the Issuer may, subject to applicable laws, redeem all APA Subordinated Notes (in whole but not in part), in each case at their Redemption Amount, by giving at least 30 but no more than 60 calendar days' irrevocable notice of redemption to the Holders and the Trustee.
- (b) A notice of redemption may only be given:

- (i) in the case of a Tax Event:

- (A) if prior to the giving of any notice of redemption, the Issuer has obtained and delivered to the Trustee, an opinion of a reputable legal or tax adviser confirming:

- (aa) the non-deductibility of interest on the APA Subordinated Notes described in sub-paragraph (a)(i) of the definition of Tax Event; or
- (ab) that the Issuer or a Guarantor (as applicable) has or will become obliged to pay the Additional Amounts or Guarantor Additional Amounts in question as a result of an event described in sub-paragraph (a)(ii)(A) or (a)(ii)(B) of the definition of Tax Event; and

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- (B) if the Tax Event arises from a requirement to pay Additional Amounts as described in sub-paragraph (a)(ii)(A) or (a)(ii)(B) of the definition of Tax Event, no earlier than 45 calendar days prior to the earliest calendar day on which the Issuer would be for the first time obliged to pay the Additional Amounts in question on payments due in respect of APA Subordinated Notes or the Guarantor would be required to pay the Guarantor Additional Amounts in question on payments due in respect of Guarantee;
- (ii) in the case of a Change of Control Event, the notice of redemption is given no later than the date falling six calendar months after the date on which the Change of Control Event occurred (the **Change of Control End Date**); and
- (iii) in all other cases, simultaneously with or after a notification to the Holders by the Issuer that a Tax Event or Capital Event has occurred.

4.4 No early redemption at the option of Holders

Without prejudice to clause 9.2, a Holder may not require the Issuer to redeem all or some of the APA Subordinated Notes held by that Holder before their Maturity Date.

4.5 Purchase of APA Subordinated Notes

The Issuer or any Related Entity of the Issuer may, subject to applicable laws, at any time on or after the First Call Date purchase or procure others to purchase beneficially for its account, APA Subordinated Notes in any manner and at any price. Such acquired APA Subordinated Notes may be surrendered for cancellation or held or resold.

4.6 Interest on unpaid Redemption Amounts

When any APA Subordinated Notes become due for redemption and the Redemption Amount is not paid on the Redemption Date, from the Redemption Date until the actual payment of the Redemption Amount to, or to the order of, the Trustee, interest on the Redemption Amount will accrue at the Interest Rate determined from time to time in accordance with clause 3.2 (except that any determination of the Bank Bill Rate required for the purposes of clause 3.2 will be by the Trustee or a calculation agent appointed by it) and such interest will be payable in accordance with clause 3.2 (without double counting) until APA Subordinated Notes are finally redeemed.

4.7 Cancellations

All APA Subordinated Notes which are (a) redeemed or (b) purchased by or on behalf of the Issuer or any Related Entity of the Issuer and which the Issuer elects to cancel will promptly be cancelled, and accordingly may not be held, reissued or resold.

5 PAYMENTS

5.1 Method of payment

Any amount which is payable to Holders in respect of APA Subordinated Notes in accordance with these Terms will be paid without set-off or counterclaim by direct credit to a nominated account denominated in Australian dollars at a financial institution notified by the relevant Holder to Issuer and the Registry:

- (a) in the case of interest payments, no later than the Record Date; and
- (b) in the case of any other amount in respect of APA Subordinated Notes, at least eight calendar days before the day on which the relevant payment is scheduled.

5.2 Uncompleted payments

If:

- (a) a Holder has not notified the Issuer and the Registry of an Australian dollar bank account maintained in Australia with a financial institution to which payments in respect of the APA Subordinated Notes may be credited; or
- (b) the transfer of any amount for payment to the credit of the nominated account does not complete for any reason,

the Issuer will send a notice to the address most recently notified by the Holder advising of the uncompleted payment. In that case, the amount of the uncompleted payment will be held as a deposit in a non-interest bearing, special purpose account maintained by the Issuer or the Registrar until the first to occur of the following:

- (i) the Holder nominates a suitable Australian dollar account maintained in Australia with a financial institution to which the payment may be credited;
- (ii) claims may no longer be made in respect of that amount, in which case the moneys shall be paid to and be the property of the Issuer; or
- (iii) the Issuer becomes entitled or obliged to deal with the amount in accordance with the law relating to unclaimed moneys.

No additional interest or any Additional Amounts are payable in respect of any delay in payment pursuant to this clause 5.2.

5.3 Payments on Business Days

- (a) Except in respect of a payment due or to be made on 30 June in each year, if a payment:
- (i) is due on an APA Subordinated Note on a day which is not a Business Day, then the due date for payment will be postponed to the next day that is a Business Day; or
- (ii) is to be made to an account on a Business Day on which banks are not open for general banking business in the place in which the account is located, then the due date for payment will be the next day on which banks are open for general banking business in that place, and in either case, the Holder is not entitled to any additional payment in respect of that delay.

- (b) If a payment is to be made on 30 June in any year and:
 - (i) that day is not a Business Day, then the payment will be made on the immediately preceding Business Day; or
 - (ii) in respect of amounts to be made to an account that day, that day is not a Business Day on which banks are not open for general banking business in the place in which the account is located, then the payment will be made on the immediately preceding day on which banks are open for general banking business in that place.

5.4 Payments subject to applicable laws

Payments in respect of APA Subordinated Notes are subject in all cases to any fiscal or other laws and regulations applicable in the place of payment.

5.5 Time limit on payments

A claim against the Issuer for payment under these Terms is void, to the fullest extent permitted by applicable law, unless made within 10 years (in the case of a Redemption Amount) or five years (in case of an Interest Payment or other payment) after the relevant due date for payment.

6 TAXATION AND GROSS-UP

6.1 Payment without withholding

All payments in respect of APA Subordinated Notes by or on behalf of the Issuer, will be made free and clear of, and without withholding or deduction for, or on account of, Taxes imposed, levied, collected, withheld or assessed by or on behalf of the Relevant Jurisdiction, unless the withholding or deduction of the Taxes is required by law. In that event, the Issuer will pay such additional amounts (**Additional Amounts**) as may be necessary in order that the net amounts received by the Holders after the withholding or deduction will equal the respective amounts which would otherwise have been receivable in respect of APA Subordinated Notes in the absence of the withholding or deduction. However, no Additional Amounts will be payable in relation to any payment in respect of any APA Subordinated Notes:

- (a) to, or to a third party on behalf of, a Holder who is liable for the Taxes in respect of such APA Subordinated Notes by reason of their having some connection with the Relevant Jurisdiction other than the mere holding of APA Subordinated Notes;
- (b) to, or to a third party on behalf of, a Holder who is liable for the Taxes in respect of APA Subordinated Notes by reason of that person being an associate of the Issuer for the purposes of section 128F of the Tax Act;
- (c) to, or to a third party on behalf of, a Holder who could lawfully avoid (but has not so avoided) the deduction or withholding by complying or procuring that any third party complies with any statutory requirements or by making or procuring that any third party makes a declaration of non-residence or other similar claim for exemption to any tax authority in the place where payment in respect of the relevant APA Subordinated Notes is made; or

- (d) to, or to a third party on behalf of, a Holder who has not supplied to the Registry an appropriate tax file number, an Australian business number or exemption details, to the extent that such information would have reduced or eliminated the relevant Taxes.

6.2 Additional Amounts

Any reference in these Terms to any amounts in respect of APA Subordinated Notes (including in relation to any Optionally Deferred Interest Payments and any additional interest accumulated on them under clause 3.3) includes a reference to any Additional Amounts which may be payable under this clause 6.

7 NO OTHER RIGHTS

APA Subordinated Notes confer no rights on a Holder:

- (a) to vote at any meeting of shareholders or other Security holders of the Issuer, any Guarantor or any APA Listed Security Issuer (other than any meeting of holders of the APA Subordinated Notes);
- (b) to subscribe for new Securities or to participate in any bonus issues of securities of the Issuer, any Guarantor or any APA Listed Security Issuer; or
- (c) to otherwise participate in the profits or property of the Issuer, any Guarantor or any APA Listed Security Issuer, except as expressly set out in these Terms, the Guarantee or the Trust Deed.

8 FURTHER ISSUES

Subject to applicable law, there are no restrictions under these Terms or the Trust Deed on the Issuer, any Guarantor or any APA Listed Security Issuer incurring any debt obligations or issuing any shares or other Securities, whether subordinated or not or ranking in priority ahead of, equal with or behind APA Subordinated Notes or the Guarantee (including without limitation any APA Subordinated Notes that rank *pari passu* with APA Subordinated Notes and are consolidated and form a single series with APA Subordinated Notes) or upon such terms as to ranking, dividends or interest, conversion, redemption and otherwise as the Issuer, the Guarantor or the APA Listed Security Issuer (as relevant) may determine at the time of issue.

9 EVENTS OF DEFAULT

9.1 Events of Default

An **Event of Default** occurs if:

- (a) the Issuer does not pay any Redemption Amount, Interest Payment or Optionally Deferred Interest Payment which is due and payable in respect of the APA Subordinated Notes in full within 30 days of its due date; or
- (b) a Winding Up Event occurs in respect of the Issuer or a Guarantor, other than for the purposes of a Solvent Reorganisation,

except that each of the following does not constitute an Event of Default:

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- (c) the non-payment by the Issuer of any amount due and payable in respect of any of the APA Subordinated Notes:
- (i) in order to comply with any fiscal or other law or regulation or with the order of any court of competent jurisdiction, in each case applicable to such payment; or
 - (ii) (subject as provided in the Trust Deed) in cases of doubt as to the validity or applicability of any such law, regulation or order, in accordance with advice given by a reputable law firm as to such validity or applicability; or
- (d) for the avoidance of doubt, the deferral of any Interest Payment under clause 3.

For these purposes, a **Winding Up Event** occurs in respect of an entity:

- (i) if that entity is a company not acting in its capacity as the responsible entity of a registered managed investment scheme (a **Scheme**), if an order is made (other than an order successfully appealed or permanently stayed within 60 days) by a State or Federal Court in the Commonwealth of Australia or a resolution is passed by the shareholders of the entity for the winding-up of the entity; or
- (ii) if that entity is acting in its capacity as the responsible entity of Scheme, if:
 - (A) the Scheme is validly terminated by the responsible entity of the Scheme in accordance with the Scheme's constitution; or
 - (B) an order is made (other than an order successfully appealed or permanently stayed within 60 days) by a State or Federal Court in the Commonwealth of Australia for the winding-up of the Scheme, an extraordinary resolution is passed by the Scheme members for the winding-up of the Scheme or the responsible entity otherwise validly commences winding up the Scheme in accordance with the Corporations Act.

9.2 Consequences of an Event of Default

If an Event of Default occurs and while it is subsisting, the Trustee may, and must if so directed by a Special Resolution of the Holders or so requested in writing by the holders of at least 25% of the total Face Value of APA Subordinated Notes then Outstanding (subject in each case to clause 1.3 ("*Enforcement on direction*") and clause 6.4 ("*No obligation to act*") of the Trust Deed):

- (a) give notice to the Issuer that the total Redemption Amount of APA Subordinated Notes is due and payable (and that amount will immediately become due and payable when the notice is served);

- (b) in the case of an Event of Default under clause 9.1(a), institute proceedings for the winding up of the Issuer; and/or
- (c) prove in a winding up of the Issuer for the amount payable under these Terms.

9.3 Enforcement by the Trustee

The Trustee may at any time, at its discretion and without further notice, institute such proceedings against the Issuer or a Guarantor as it may think fit to enforce any term or condition binding on the Issuer or a Guarantor under these Terms, the Guarantee or the Trust Deed, except that (without prejudice to clause 9.2) the Trustee must not institute any proceedings or take any steps to enforce any payment obligation of the Issuer or a Guarantor under or arising from these Terms, the Guarantee or the Trust Deed, including, without limitation, payment of any principal or interest in respect of the APA Subordinated Notes, any Redemption Amount, Interest Payment, Optionally Deferred Interest Payment, Additional Amount or Guarantor Additional Amount, and including damages awarded for the breach of any obligations, and in no event shall the Issuer, by virtue of the institution of any such proceedings or steps, be obliged to pay any sum or sums in cash or otherwise, sooner than the same would otherwise have been payable under these Terms or the Guarantee.

9.4 Trustee not bound to enforce

The Trustee shall not in any event be bound to take any action referred to in clause unless:

- (a) it shall have been so requested by Holders holding between them at least 25% of the total Face Value of the APA Subordinated Notes then Outstanding or it shall have been so directed by a Special Resolution of the Holders;
- (b) it shall have been indemnified as contemplated by clause 1.3(b) ("*Enforcement on direction*") and clause 6.4 ("*No obligation to act*") of the Trust Deed; and
- (c) the action is permitted under these Terms, the Guarantee and the other provisions of the Trust Deed.

9.5 No other remedies against the Issuer or the Guarantors

Except as permitted by this clause 9 (including, without limitation, any rights or remedies of the Trustee under clause 9.3), no remedy against the Issuer or a Guarantor shall be available to the Trustee or the Holders in respect of any breach by the Issuer or a Guarantor of any of its obligations under these Terms, the Guarantee or the Trust Deed, other than payment of the costs, charges, liabilities, expenses or remuneration of the Trustee.

9.6 Limitations on Holders' right to enforce

No Holder shall be entitled to proceed directly against the Issuer or a Guarantor to enforce any right or remedy under or in respect of any Note or the Guarantee unless the Trustee, having become bound so to proceed, fails so to do within 14 days and the failure is continuing, in which case any such Holder may, upon giving an indemnity satisfactory to the Trustee, in the

name of the Trustee (but not otherwise), itself institute proceedings against the Issuer or the relevant Guarantor for the relevant remedy to the same extent (but not further or otherwise) that the Trustee would have been entitled to do so.

10 AMENDMENTS AND MEETINGS

10.1 Amendments with Holder approval

At any time and from time to time, but subject to compliance with applicable laws, the Issuer or the Guarantors (as applicable) may amend these Terms, the Guarantee or the Trust Deed if such amendment is authorised by a Special Resolution of the Holders or if otherwise permitted by clause 10.2 provided that any amendments which will have an adverse effect on the Trustee's rights and obligations under the Transaction Documents must also be approved by the Trustee.

10.2 Amendments without Holder approval

At any time, but subject to compliance with applicable laws, the Issuer or the Guarantors (as applicable) may, without the consent or approval of Holders or the Trustee, amend these Terms, the Guarantee or the Trust Deed in accordance with the Trust Deed if the Issuer is or the Guarantors are (as applicable) of the opinion that such amendment is:

- (a) made to cure any ambiguity or correct a manifest error;
- (b) of a formal, minor or technical nature;
- (c) necessary to comply with the provisions of any statute or the requirements of any statutory authority;
- (d) necessary or expedient for the purpose of enabling the APA Subordinated Notes to be:

- (i) listed for quotation, or to retain quotation, on any stock exchange; or
- (ii) offered for subscription or for sale under the laws for the time being in force in any place,

and is not in the opinion of the Issuer materially prejudicial to the interests of Holders generally;

- (e) necessary to comply with the Listing Rules or the listing or quotation requirements of any stock exchange on which the Issuer may propose to seek a listing or quotation of the APA Subordinated Notes and is not in the opinion of the Issuer materially prejudicial to the interests of Holders generally; or
- (f) is not otherwise in the opinion of the Issuer materially prejudicial to the interests of Holders generally,

provided that:

- (i) if an equity credit was applicable to the APA Subordinated Note at the time of amendment, then following such amendment the APA Subordinated Note will have a level of "equity credit" ascribed to them by Standard & Poor's which is the same as or a higher category of "equity credit" than that which was ascribed to APA Subordinated Notes immediately prior to such amendment;
- (ii) such amendment would not give rise to a Tax Event; and

- (iii) any amendments which will have an adverse effect on the Trustee's rights and obligations under the Transaction Documents must be approved by the Trustee.

10.3 Amendment binding

Any amendment of these Terms in accordance with this clause 10 is binding on the Trustee and all Holders.

10.4 Meetings of Holders

The Trust Deed contains provisions for convening meetings of the Holders.

10.5 No consent of Senior Creditors

Nothing in these Terms requires the consent of any Senior Creditor or holder of any Equal Ranking Obligation to any amendments made in accordance with this clause 10.

10.6 Holder approval not required

The approval of Holders is not required to amend or terminate any registry agreement or other deed or agreement (other than these Terms, the Guarantee and the Trust Deed) in respect of any APA Subordinated Notes.

11 ISSUER SUBSTITUTION

The Issuer may agree with the Trustee, without the consent or approval of Holders, to the substitution in place of the Issuer (or of any previous substitute under this clause) of any Related Entity as the principal debtor in respect of the APA Subordinated Notes under these Terms and the Trust Deed (the **Substituted Issuer**), subject to:

- (a) the Issuer being satisfied that the interests of the Holders will not be materially prejudiced by the substitution; and
- (b) the execution of a deed, the giving of undertakings and compliance with other applicable conditions set out in clause 11 ("*Substitution of Issuer*") of the Trust Deed.

If the conditions set out in paragraphs (a) and (b) are satisfied, the Trustee must agree to a substitution proposed by the Issuer.

12 NOTICES

12.1 Service of notices

- (a) Without limiting anything else in these Terms, a notice may be given by the Issuer to any Holder, or in the case of joint Holders to the Holder whose name appears first in the Register:

- (i) personally;
- (ii) by leaving it at the Holder's address as shown on the Register;
- (iii) by sending it by prepaid post (airmail if posted to a place outside Australia) to the Holder's address as shown on the Register;
- (iv) so long as the APA Subordinated Notes are quoted on the ASX, by a market release to ASX, other than notices to be given in relation to:

A. NOTES TERMS

(A) an early redemption of APA Subordinated Notes in accordance with clauses 4.2 or 4.3; or

(B) a specific Holder only and not to Holders generally and which contain information specific to that Holder (including notice given under clause 5.2); or

(v) in any case, by other electronic means determined by the Issuer.

If the notice is signed, the signature may be original or printed.

(b) Where a notice is given by the Issuer to Holders generally, a copy of the notice must also be given to ASX and the Trustee.

(c) A notice given by a Holder to the Issuer, a Guarantor or the Trustee must:

- (i) be in writing; and
- (ii) be left at, or sent by prepaid post (airmail if posted from a place outside Australia) to the address below or the address last notified by the Issuer, the Guarantor or the Trustee, or sent by facsimile transmission to the fax number below or the fax number last notified by the Issuer, the Guarantor or the Trustee:

Issuer:

APT Pipelines Limited
Level 19
580 George Street
Sydney NSW 2000
Facsimile: +61 2 9693 0093
Attention: Company Secretary

Each Guarantor:

Australian Pipeline Limited
(as trustee of APT and APTIT)
Level 19
580 George Street
Sydney NSW 2000
Facsimile: +61 2 9693 0093
Attention: Company Secretary

Trustee:

The Trust Company (Australia) Limited
Level 15
20 Bond Street
Sydney NSW 2000
Facsimile: +61 2 8295 8659
Attention: Head of Structured Services

12.2 When notice considered to be received

Any notice is taken to be given:

- (a) if served personally or left at the intended recipient's address, when delivered;
- (b) if sent by post, on the second Business Day after it is mailed in a prepaid envelope to the intended recipient's address;

- (c) if sent by facsimile or other electronic transmission, on production of a report by the sending machine or other system by which the transmission is sent indicating that the transmission has been made in its entirety to the correct fax number or other transmission address and without error; or
- (d) if by a market release to ASX, when the market release is made on ASX.

12.3 Notice to transferor bind transferee

Every person who, by operation of law, transfer or other means, becomes entitled to be registered as the holder of any APA Subordinated Notes is bound by every notice which, prior to the person's name and address being entered in the Register, was properly given to the person from whom the person derived title to those APA Subordinated Notes.

12.4 Service on deceased Holders

A notice served in accordance with this clause 12 is (despite the fact that the Holder is dead and whether or not the Issuer has notice of the Holder's death) considered to have been properly served in respect of any APA Subordinated Notes, whether held solely or jointly with other persons by the Holder, until some other person is registered in the Holder's place as the Holder or joint Holder. The service is sufficient service of the notice or document on the Holder's personal representative and any person jointly interested with the Holder in APA Subordinated Notes.

13 TRANSFER OF APA SUBORDINATED NOTES

13.1 Forms of transfer

A Holder may transfer any APA Subordinated Notes the Holder holds by:

- (a) where APA Subordinated Notes are quoted on ASX, a Proper ASTC Transfer or any other method of transferring or dealing in APA Subordinated Notes introduced by ASX or operating in accordance with the operating rules of a clearing and settlement facility (as that term is defined in the Corporations Act), the ASX Settlement Operating Rules or the Listing Rules and, in any such case, recognised under the Corporations Act; or
- (b) otherwise, a written instrument of transfer in any usual form or in any other form approved by either the Issuer or the Trustee, that is otherwise permitted by law.

A Holder may not transfer part of an APA Subordinated Note.

13.2 Registration of transfer

A transferor of APA Subordinated Notes remains the owner of APA Subordinated Notes transferred until the transfer is registered and the name of the transferee is entered in the Register in respect of APA Subordinated Notes.

14 NON-RESIDENT HOLDERS

- (a) Where APA Subordinated Notes are held by, or on behalf of, a person resident outside the Commonwealth of Australia, then, despite anything else to the contrary contained in or implied by these Terms, it is a condition precedent to any right of the Holder to receive payment of any monies in

respect of those APA Subordinated Notes that all necessary authorisations (if any) and any other statutory requirements which may then be in existence are obtained at the cost of the Holder and satisfied.

- (b) For the purposes of clause 14(a), authorisation includes any consent, authorisation, registration, filing, lodgement, permit, franchise, agreement, notarisation, certificate, permission, licence, approval, direction, declaration, authority or exemption from, by or with any government or any government agency.

15 CHESS AND ASX

15.1 CHESS

While APA Subordinated Notes remain in CHESS, the rights of a person holding an interest in, and all dealings in relation to, APA Subordinated Notes are subject to the rules and regulations of CHESS.

15.2 Quotation

The Issuer must use all reasonable endeavours and furnish all such documents, information and undertakings as may be reasonably necessary in order to procure, at its own expense, that APA Subordinated Notes are quoted by ASX and to maintain quotation for so long as any APA Subordinated Notes remain on issue.

16 GOVERNING LAW

- (a) These Terms are governed by the law in force in the state of New South Wales, Australia.
- (b) The Issuer, the Trustee and each Holder submits to the non-exclusive jurisdiction of the courts of New South Wales, Australia in connection with matters concerning APA Subordinated Notes or these Terms. The Issuer, the Trustee and each Holder waives any right they have to an objection to an action being brought in those courts, or to claim that the action has been brought in an inconvenient forum, or to claim those courts do not have jurisdiction.

17 INTERPRETATION AND DEFINITIONS

17.1 Interpretation

In these Terms:

- (a) headings (including those in brackets at the beginning of paragraphs) are for convenience only and do not affect the interpretation of these terms;
- (b) words importing the singular include the plural and vice versa;
- (c) words importing a gender include any gender;
- (d) a reference to a person includes a natural person, any company, partnership, joint venture, association, corporation or other body corporate and any government or semi-government agency;
- (e) a reference to a person includes a reference to the person's executors, administrators, successors and permitted assigns and substitutes;

- (f) a reference to any statute or regulation includes all statutes and regulations amending, consolidating or replacing it, whether passed by the same or another government agency with legal power to do so, and a reference to a statute includes all regulations, proclamations, ordinances and by-laws issued under that statute;
- (g) a reference to a document includes an amendment, or supplement to, or replacement or novation of, that document;
- (h) unless otherwise stated, where the day on or by which any thing is to be done, or payment is to be made, is not a Business Day, that thing must be done, or payment must be made, on or by the next succeeding Business Day;
- (i) a reference to a body including a commission or an exchange, whether statutory or not, which ceases to exist or whose functions or powers are transferred to another body, is a reference to the body which replaces it or substantially succeeds to its powers and functions;
- (j) references to sums of money are to amounts in Australian dollars;
- (k) a reference to a thing or things after the words "include" or "including" or similar expressions is not limited to that thing or those things;
- (l) a calculation, determination, election or decisions made under these Terms, will (in the absence of fraud or manifest error) be binding upon the Issuer, the Guarantor, the Trustee and all Holders;
- (m) if a calculation is required under these Terms, the calculation will be rounded to four decimal places, provided that any amount to be paid to a Holder will be rounded down to the nearest whole cent; and
- (n) the word "amend" includes modify, vary, cancel, amend, waive or add to;
- (o) another grammatical form of a defined word or expression has a corresponding meaning;
- (p) a reference to a document includes all schedules or annexes to it;
- (q) unless otherwise specified, a reference to a clause or paragraph is to a clause or paragraph of these Terms;
- (r) unless otherwise specified, a reference to time is to Sydney, Australia time;
- (s) the meaning of general words is not limited by specific examples introduced by including, for example or similar expressions;
- (t) any agreement, representation, warranty or indemnity by two or more parties (including where two or more persons are included in the same defined term) binds them jointly and severally;
- (u) an Event of Default is subsisting if it has not been remedied or waived in writing.

A. NOTES TERMS

17.2 Definitions

Unless the context otherwise requires, the following terms will have the following meanings in these Terms:

Additional Amounts means additional amounts payable by the Issuer under clause 6.1.

APA Group means:

- (a) before any Solvent Reorganisation, the Issuer, APT, APTIT, the APA Responsible Entity and each of the entities controlled by the APA Responsible Entity; and
- (b) after any Solvent Reorganisation, the APA Listed Security Issuers and each of the entities controlled by the APA Listed Security Issuers or, if an APA Listed Security Issuer is a trust, the trustee of the APA Listed Security Issuer.

APA Listed Securities means:

- (a) before any Solvent Reorganisation, one APT Unit and one APTIT Unit, stapled together such that they may only be transferred together; and
- (b) after any Solvent Reorganisation, such other Security (or, if stapled together such that they may only be transferred together, Securities) in the parent entity of the APA Group (or where Securities in such entity are stapled to Securities issued by another entity, Securities in the parent entity and in that other entity) as may be listed on ASX or another recognised securities exchange and which is recognised as the primary listing of ordinary Securities in that entity or entities provided that where the Solvent Reorganisation is a destapling of APT and APTIT, the “parent entity” of the APA Group will be APT.

APA Listed Securityholder means the registered holder of an APA Listed Security.

APA Listed Security Issuer means each entity or entities in which the APA Listed Securities are issued.

APA Responsible Entity means Australian Pipeline Limited (ABN 99 091 344 704) in its capacity as trustee and responsible entity of APT and APTIT.

APA Subordinated Notes means the subordinated notes issued by the initial Issuer to which these Terms apply, as described in clause 1.1.

APT means Australian Pipeline Trust (ARSN 091 678 778), a regulated managed investment scheme regulated by the Corporations Act.

APT Unit means an ordinary unit in APT.

APTIT means APT Investment Trust (ARSN 115 585 441), a regulated managed investment scheme regulated by the Corporations Act.

APTIT Unit means an ordinary unit in APTIT.

ASX means ASX Limited (ABN 98 008 624 691) or the market operated by it, as the context requires.

ASX Settlement means ASX Settlement Pty Limited (ABN 49 008 504 532).

ASX Settlement Operating Rules means the operating rules of ASX Settlement.

Australian Accounting Standards means accounting principles and practices applying by law and otherwise generally accepted in Australia at the relevant time, consistently applied.

Bookbuild means the process, described in the Prospectus, to be conducted by, or on behalf of the Issuer whereby certain institutional investors and brokers who wish to obtain a firm allocation of APA Subordinated Notes (whether for themselves or for their clients) lodge bids for APA Subordinated Notes.

Business Day has the meaning given to that term in the Listing Rules.

Capital Event means the Issuer has been notified by any Rating Agency, or has become aware following a publication by any Rating Agency, of a change in its assessment criteria such that APA Subordinated Notes will no longer be eligible for the same or higher category of “equity credit” (or any similar nomenclature that is being used by that Rating Agency at the relevant time) as was initially attributed to APA Subordinated Notes by that Rating Agency at the time of issue of APA Subordinated Notes, as notified from time to time to the Issuer by that Rating Agency.

Change of Control End Date has the meaning given in clause 4.3(b)(ii).

Change of Control Event means that:

- (a) an event occurs, as a result of which, the Issuer is no longer a Subsidiary of an APA Listed Security Issuer; or
- (b) any of the following occur:
 - (i) a takeover bid under chapter 6 of the Corporations Act is made to acquire all or some of the APA Listed Securities on issue and the offer under such takeover bid is, or becomes, unconditional and the bidder has at any time during the offer period a relevant interest in more than 50% of the APA Listed Securities on issue, excluding circumstances where the bidder together with its associates (as defined in section 12 of the Corporations Act) had a relevant interest in 50% or more of the APA Listed Securities before the offer period; or
 - (ii) all of the following occur:

- (A) one or more Guarantors proposes for consideration by holders of APA Listed Securities an informal trust scheme by way of a resolution under item 7 of section 611 of the Corporations Act, a scheme of arrangement or a similar arrangement (“**Relevant Scheme**”) which, if approved and implemented, will result in a person having a relevant interest in more than 50% of the APA Listed Securities that will be on issue after the Relevant Scheme is implemented, excluding circumstances where that person together with its associates (as defined in section 12 of the Corporations Act) had a relevant interest in 50% or more of the APA Listed Securities at the time the Relevant Scheme was proposed;
- (B) resolutions necessary to implement the Relevant Scheme are approved; and
- (C) implementation of the Relevant Scheme has become unconditional; or

(iii) a Destapling Event occurs.

However, it will not be a Change of Control Event if the event that would otherwise constitute a Change of Control Event occurs as part of a Solvent Reorganisation.

Change of Law means:

- (a) any amendment to, or change in, the laws (or any rules or regulations under them) of the Relevant Jurisdiction which is enacted, promulgated, issued or becomes effective;
- (b) any amendment to, or change in, an official interpretation of any laws, rules or regulations by any legislative body, court, governmental agency or regulatory authority (including the enactment of any legislation and the publication of any judicial decision or regulatory determination) which is enacted, promulgated, issued or becomes effective; or
- (c) any generally applicable official interpretation or pronouncement that provides for a position with respect to such laws or regulations that differs from the previous generally accepted position which is issued or announced,

on or after the Issue Date.

CHESS means the Clearing House Electronic Subregister System operated by ASX or its affiliates.

Corporations Act means the Corporations Act 2001 (Cth).

Destapling Event means, for so long as the APA Listed Securities comprise stapled Securities, that at least one of the Securities that comprise the APA Listed Securities is destapled so that, after the destapling, the destapled Security can be traded separately to all other such Securities.

However, it is not a Destapling Event if immediately following the destapling, all of the Securities which previously comprised the APA Listed Securities are restapled so that a set proportion

or number of each such Security cannot be transferred by a holder without a set proportions or numbers of all other such Securities being transferred at the same time and to the same transferee. This is the case even if:

- (a) the respective proportions or numbers of each Security that comprise the APA Listed Securities are different to the proportions or numbers that applied immediately prior to the destapling; and/or
- (b) additional Securities are also stapled to the Securities that comprise the APA Listed Securities immediately prior to the destapling.

Equal Ranking Obligations means:

- (a) any obligation in relation to claims of holders of Securities issued by the Issuer which claims rank or are expressed to rank *pari passu* with Holder Claims under these Terms and the Trust Deed; or
- (b) any obligation in relation to claims of holders of Securities issued by the Issuer, which claims are under, or are expressed to be treated as, Notional Preference Shares if at any time an Event of Insolvency occurs in relation to the Issuer.

Event of Default has the meaning given in clause 9.1.

Event of Insolvency means:

- (a) in respect of the Issuer, the appointment of an administrator, a liquidator, provisional liquidator or other similar officer in respect of the Issuer or any corporate action is taken by the Issuer to appoint such a person;
- (b) in respect of a Guarantor other than a Trustee Guarantor, the appointment of an administrator, a liquidator, provisional liquidator or other similar officer in respect of the Guarantor or any corporate action is taken by the Guarantor to appoint such a person; and
- (c) in respect of a Trustee Guarantor, the winding up, termination or dissolution of the relevant Guarantor Trust.

Face Value has the meaning given in clause 1.2.

First Call Date means 31 March 2018.

Guarantee means the guarantee entered into in respect of the APA Subordinated Notes by the Guarantors under the Trust Deed.

Guaranteed Money means, at any time, all amounts then due for payment or which will or may become due for payment or which remain unpaid, by the Issuer to a Holder or the Trustee including any amount which was not paid by the Issuer in accordance with these Terms and any amount which is due for payment or which will or may become due for payment or which remain unpaid by the Issuer under these Terms.

A. NOTES TERMS

Guarantor means, subject to the terms of the Guarantee, each entity being a “Guarantor” as defined in and for the purposes of the Guarantee from time to time, being as at the Issue Date each of:

- (a) Australian Pipeline Limited (ABN 99 091 344 704) in its capacity as trustee and responsible entity of Australian Pipeline Trust (ARSN 091 678 778); and
- (b) Australian Pipeline Limited (ABN 99 091 344 704) in its capacity as trustee and responsible entity of APT Investment Trust (ARSN 115 585 441).

Guarantor Additional Amount has the meaning given to the term in the Guarantee.

Guarantor Equal Ranking Obligations means:

- (a) any obligation in relation to claims of holders of Securities (where a Guarantor is not a Trustee Guarantor) or units or interests in the relevant Guarantor Trust (where a Guarantor is a Trustee Guarantor) issued by the Guarantor, or where a Guarantor is a Trustee Guarantor any other claim against the Trustee Guarantor in its capacity as trustee of a Guarantor Trust, which claims rank or are expressed to rank *pari passu* with Holder Guarantee Claims under the Guarantee; or
- (b) any obligation in relation to claims of holders of Securities (where a Guarantor is not a Trustee Guarantor) or units or interests in the relevant Guarantor Trust (where a Guarantor is a Trustee Guarantor) issued by the Guarantor, or where a Guarantor is a Trustee Guarantor any other claim against the Trustee Guarantor in its capacity as trustee of a Guarantor Trust, which claims are under, or are expressed to be treated as, Notional Preference Securities if at any time an Event of Insolvency occurs in relation to the Guarantor.

Guarantor Senior Creditors means:

- (a) creditors of the Guarantor who are unsubordinated creditors of the Guarantor; and
- (b) creditors of the Guarantor whose claims are or are expressed to be subordinated to the claims of other creditors of the Guarantor (other than holders of Guarantor Equal Ranking Obligations).

Guarantor Trust means in the case of a Trustee Guarantor, the trust or trusts in respect of which it enters into the Guarantee.

Holder in these Terms means a person who is entered into the Register as the holder of an APA Subordinated Note.

Holder Claims means the rights and claims of the Trustee (in respect of APA Subordinated Notes) and of the Holders in respect of APA Subordinated Notes.

Holder Guarantee Claims means the rights and claims of the Trustee (in respect of Guaranteed Money) and of the Holders in respect of Guaranteed Money.

Holding Entity means, in relation to an entity (the **Relevant Person**), an entity of which the Relevant Person is a Subsidiary.

Initial Margin means the margin (expressed as a percentage per annum) determined by the Issuer (or another party on its behalf) on the basis of the bids made under the Bookbuild.

Interest or Interest Payment means the interest payable on a Note on the Interest Payment Date, as calculated in accordance with clause 3.2.

Interest Payment Date means:

- (a) in respect of the first Interest Payment Date, 31 December 2012; and
- (b) otherwise, 31 March, 30 June, 30 September and 31 December in each year until APA Subordinated Notes are redeemed.

Interest Period means:

- (a) in respect of the first interest period and the first Interest Payment Date, the period from (and including) the Issue Date to (and including) the first Interest Payment Date; and
- (b) in respect of each subsequent interest period and each subsequent Interest Payment Date, the period from (but excluding) the immediately preceding Interest Payment Date to (and including) that Interest Payment Date

Interest Rate has the meaning specified in clause 3.2.

Issue Date means the date the APA Subordinated Notes are issued.

Issuer means APT Pipelines Limited (ABN 89 009 666 700) or any Related Entity which is substituted for APT Pipelines Limited (ABN 89 009 666 700) under clause 11 and the Trust Deed.

Issuer Ordinary Shares means ordinary shares in the capital of the Issuer.

Listing Rules means the listing rules of ASX.

Margin has the meaning specified in clause 3.2.

Maturity Date means 30 September 2072.

Moody's means Moody's Investors Service, Inc. (or any of its Subsidiaries or any successor in business thereto from time to time).

Notional Preference Shares means an actual or notional class of preference shares in the capital of the Issuer ranking junior to the claims of Senior Creditors and having an equal right to return of assets in the winding up to, and so ranking *pari passu* with, the most junior class or classes of preference shares in the capital of the Issuer from time to time and which have a right to a return of assets in the winding up over, and so rank junior to the holders of all other classes of issued shares for the time being in the capital of the Issuer other than, Issuer Ordinary Shares.

Notional Preference Securities means in respect of a Guarantor:

- (a) other than in the case of a Trustee Guarantor, an actual or notional class of preference shares in the capital of the company ranking junior to the claims of the Guarantor Senior Creditors and having an equal right to return of assets in the winding up to, and so ranking equally with, the most junior class or classes of preference shares in the capital of the company from time to time and which have a right to a return of assets in the winding up ahead of, and so rank junior to the holders of all other classes of issued shares for the time being in the capital of the company other than, the ordinary shares in the capital of the company; and
- (b) in the case of a Trustee Guarantor, beneficiaries of the relevant Guarantor Trust whose rights and claims against the assets of the trust would rank junior to the claims of the Guarantor Senior Creditors and having an equal right to the distribution of assets in the winding up, dissolution or termination of the trust and so ranking equally with, the most junior class or classes of preference unit or interest in the trust and which have a right to distribution of assets in the winding up, dissolution or termination of the trust ahead of, and so rank junior to the holders of all other classes of units or interest for the time being of the trust, other than the ordinary unit or residual interest.

Optionally Deferred Interest Payment has the meaning specified in clause 3.3(a) and will, where relevant, include any amount of additional interest accrued thereon in accordance with clause 3.3(a)(ii).

Outstanding means an APA Subordinated Note that has not been cancelled or redeemed by the Issuer and is not held by or on behalf of the Issuer, or any Related Entity of the Issuer.

Proper ASTC Transfer has the meaning given in the Corporations Regulations 2001 (Cth).

Prospectus means a prospectus to be issued by the initial Issuer in respect of a public offer of APA Subordinated Notes.

Rating Agency means each of Standard & Poor's and Moody's.

Record Date means, in relation to any date on which the Issuer is obliged to make an interest payment to a Holder in relation to a Note, at the close of business on the eighth calendar day before the relevant interest payment date or such other date as the Issuer determines in its absolute discretion (subject to compliance with the Listing Rules) and notifies to Holders by a market release to ASX by the time required by the Listing Rules, (or if no such time is required by the Listing Rules, at least six Business Days before the specified record date). If the Record Date is changed because of a requirement of ASX, the Issuer will give notice of the changed Record Date to all Holders by issuing a market release to ASX.

Redemption Amount in respect of an APA Subordinated Note means the sum of:

- (a) 100% of the Face Value;
- (b) all Optionally Deferred Interest Payments in respect of that APA Subordinated Note that remain unpaid at the Redemption Date; and
- (c) any accrued but unpaid interest for the Interest Period in which the Redemption Date falls determined in accordance with clause 4.6 calculated up to (but excluding) the Redemption Date as if that date were an Interest Payment Date,

except, in a redemption before the First Call Date for a Capital Event notified to Holders and the Trustee under clause 4.3, paragraph (a) of this definition will be 101% of the Face Value.

Redemption Date means the day on which APA Subordinated Notes become due for redemption in accordance with these Terms.

Registrable Transfer Document has the meaning given in the ASX Settlement Operating Rules.

Register means the register of APA Subordinated Notes maintained by or on behalf of the Issuer. The term Register includes:

- (a) any sub-register maintained by, or on behalf of the Issuer under the Corporations Act, the Listing Rules or the rules and regulations of CHES; and
- (b) any branch register, provided that, in the event of any inconsistency, the principal register will prevail over any sub-register or branch register.

Registry means Link Market Services Limited (ABN 54 083 214 537) or such successor registrar as the Issuer may appoint.

Related Entity means, in relation to an entity (the **Relevant Person**):

- (a) a Holding Entity of the relevant person;
- (b) a Subsidiary of the relevant person; and
- (c) a Subsidiary of a Holding Entity of the relevant person.

A. NOTES TERMS

Relevant Jurisdiction means:

- (a) the Commonwealth of Australia or any State or Territory of Australia; or
- (b) in the event of any substitution, Solvent Reorganisation or other corporate action resulting in the Issuer being incorporated in any other jurisdiction, that other jurisdiction or any political subdivision or any authority of that jurisdiction having power to tax.

Relevant Scheme has the meaning given in the definition of Solvent Reorganisation.

Reorganisation has the meaning given in paragraph (b) of the definition of Solvent Reorganisation in these Terms.

Security has the meaning given in section 92(3) of the Corporations Act.

Senior Creditors means:

- (a) creditors of the Issuer who are unsubordinated creditors of the Issuer; and
- (b) creditors of the Issuer whose claims are or are expressed to be subordinated to the claims of other creditors of the Issuer (other than holders of Equal Ranking Obligations and holders of ordinary shares of the Issuer).

Solvent Reorganisation means with respect to the Issuer or one or more APA Listed Security Issuers, a solvent winding-up, deregistration, dissolution, scheme of arrangement (or other arrangement), Top-Hatting, informal trust scheme, Destapling Event or other reorganisation of (as relevant) the Issuer or one or more APA Listed Security Issuers which either:

- (a) in the case of a Guarantor, results in a release of the Guarantor under clause 12 ("*Release of Guarantor*") of the Guarantee; or
- (b) otherwise, is solely for the purposes of a consolidation, amalgamation, merger, reconstruction or other reorganisation ("**Reorganisation**"), the terms of which have been approved by the holders of (as relevant) the Issuer Ordinary Shares or APA Listed Securities or by a court of competent jurisdiction under which:
 - (i) in the case of a Reorganisation affecting the Issuer, the continuing or resulting corporation effectively assumes or retains the obligations of the Issuer under these Terms and the Trust Deed; or
 - (ii) in the case of a Reorganisation affecting any APA Listed Security Issuers:
 - (A) where the Reorganisation involves a Top-Hatting, the entity or entities referred to in item (a)(ii) or (b)(ii) (as relevant) of the definition of Top-Hatting effectively assume the obligations under the Guarantee;
 - (B) where the Reorganisation involves a Destapling Event, the event occurs as part of a Top-Hatting which complies with paragraph (A) above; and

(C) in all other circumstances, either or both of the following occurs:

- (aa) the continuing or resulting corporations or other entities effectively assume or retain the obligations under the Guarantee; or
- (ab) an entity or entities having the controlling interest after the Reorganisation (whether directly or indirectly through interposed entities), in all, or substantially all, of the undertaking of the APA Listed Security Issuers (as they existed immediately before the Reorganisation), effectively assume the obligations under the Guarantee.

Special Resolution means a resolution approved by not less than 75% of all votes cast by Holders present and entitled to vote on the resolution.

Standard & Poor's means Standard & Poor's (Australia) Pty Ltd (or any of its Subsidiaries or any successor in business thereto from time to time).

Step-Up Date means 31 March 2038.

Step-Up Margin means the margin which is the Initial Margin plus 1.00% per annum.

Subsidiary has, in relation to an entity, the meaning given to that term in the Corporations Act but so that:

- (a) an entity will also be deemed to be a "Subsidiary" of an entity if that entity is required by the accounting standards to be consolidated with that entity;
- (b) a trust may be a "Subsidiary", for the purpose of which any units or other beneficial interests will be deemed shares; or
- (c) a corporation or trust may be a "Subsidiary" of a trust if it would have been a Subsidiary if that trust were a corporation.

Tax Act means the Income Tax Assessment Act 1936 of Australia.

Tax Event means that:

- (a) as a result of a Change of Law:
 - (i) interest paid by the Issuer on APA Subordinated Notes would no longer, or will no longer within 90 calendar days of the date of the opinion referred to in clause 4.3(b)(i)(A), be fully deductible (or the entitlement to make such deduction would or will be materially reduced) for the Issuer or the income tax consolidated group of which the Issuer is a member for corporate income tax purposes in the Relevant Jurisdiction; or
 - (ii) in respect of an amount (the **Relevant Amount**):

- (A) the Issuer has or will become obliged to pay an Additional Amount that is at least 30% (or other percentage which is the corporate tax rate then prevailing in the Relevant Jurisdiction) of the Relevant Amount; or
 - (B) a Guarantor would be or would become obliged to pay a Guarantor Additional Amount that is at least 30% (or other percentage which is the corporate tax rate then prevailing in the Relevant Jurisdiction) of the Relevant Amount if the Guarantee were called; and
- (b) the non-deductibility of interest on the APA Subordinated Notes referred to in sub-paragraph (a)(i) or any requirement to pay an Additional Amount referred to in sub-paragraph (a)(ii)(A) or (a)(ii)(B) cannot be avoided by the Issuer (or where applicable, the Guarantor) taking reasonable measures available to it.

Taxes means taxes, levies, imposts, charges and duties (including stamp and transaction duties) imposed by any authority together with any related interest, penalties, fines and expenses in connection with them, except if imposed on, or calculated having regard to, the net income of the Holder.

Terms means these terms and conditions of APA Subordinated Notes.

Top-Hatting means a Reorganisation under which either of the following occurs:

- (a) after the Reorganisation APA Listed Securityholders cease to hold all of the Securities that comprise APA Listed Securities before the Reorganisation (the **Original Securities**) in circumstances in which:
 - (i) if APA Listed Securityholders obtain Securities of more than one class or Securities in more than one entity (each such type of security a “**Security Type**”) after the Reorganisation, the Security Types which APA Listed Securityholders obtain under the Reorganisation are stapled to one another so that a set number or proportion of each such Security cannot be transferred by a holder without a set number or proportion of all other such Securities being transferred at the same time and to the same transferee; and
 - (ii) the entity or entities in which APA Listed Securityholders hold Securities after the Reorganisation, when taken together (if relevant), hold (legally or beneficially) all or substantially all of the Original Securities after the Reorganisation (either directly or indirectly through interposed entities); and
- (b) after the Reorganisation, APA Listed Securityholders cease to hold some but not all of the Original Securities which comprised APA Listed Securities before the Reorganisation in circumstances in which:

- (i) if APA Listed Securityholders hold Securities of more than one Security Type after the Reorganisation, the Security Types which APA Listed Securityholders retain together with the Security Types that they obtain under the Reorganisation are stapled to one another so that a set number or proportion of each such Security cannot be transferred by a holder without a set proportion of all other such Securities being transferred at the same time and to the same transferee; and
- (ii) the entity or entities in which APA Listed Securityholders hold Securities after the Reorganisation, when taken together (if relevant), hold (legally or beneficially) all or substantially all of the Original Securities after the Reorganisation (either directly or indirectly through interposed entities) other than those Original Securities which they retain.

For the purposes of this definition a reference to an entity that is a trust holding securities, is a reference to the trustee of that trust, in its capacity as such.

Trust Deed means the trust deed dated on or about 9 August 2012 between the Issuer, the Guarantors and the Trustee as trustee for the Holders (as amended).

Trustee means The Trust Company (Australia) Limited (ABN 21 000 000 993) and includes any successor.

Trustee Guarantor means each Initial Guarantor and each such Guarantor which enters into or accedes to the Guarantee as trustee of a trust with its rights limited to the assets of that trust.

Winding Up Event has the meaning given in clause 9.1.



Energy Infrastructure Investments - gas power generation, Queensland

APPENDIX

B.

GLOSSARY

B. GLOSSARY

| Defined Terms | Definition |
|-------------------------------------|---|
| \$ | The lawful currency of Australia. |
| ABN | Australian Business Number. |
| ACCC | Australian Competition and Consumer Commission. |
| Access Arrangement | An arrangement for access to a price regulated pipeline or distribution network covered by the Code setting out the terms and conditions including price, at which third parties can acquire services on the pipeline or network. |
| AEMC | Australian Energy Market Commission. |
| AER | Australian Energy Regulator. |
| A-IFRS | The Australian International Financial Reporting Standards. |
| Allgas Distribution Network | Gas distribution networks in south-east Queensland owned by Allgas. |
| APA | APA Group. |
| APA Group | Will be, on the date the Notes are issued, APT, APTIT, the APA Responsible Entity and each of the entities controlled by the APA Responsible Entity. Refer to the Terms for a detailed description of the APA Group. |
| APA Responsible Entity | APL in its capacity as responsible entity of APT and APTIT. |
| APA Securityholder | The registered holder of an APA Stapled Security. |
| APA Securityholder Applicant | An Eligible Securityholder who applies under the APA Securityholder Offer. |
| APA Securityholder Application Form | The application form for an Eligible Securityholder attached to or accompanying the Replacement Prospectus (including the electronic form provided by an online application facility). |
| APA Securityholder Offer | The invitation to Eligible Securityholders to apply for Notes under this Prospectus. |
| APA Stapled Security | One APT Unit and one APTIT Unit, stapled together such that they must only be transferred together. |
| APL | Australian Pipeline Limited (ABN 99 091 344 704, AFSL 239 927). |
| Application Form | The application form attached or accompanying the Replacement Prospectus (including the electronic form provided by an online application facility). |
| APT | Australian Pipeline Trust (ARSN 091 678 778), a registered managed investment scheme regulated by the Corporations Act. |
| APTIT | APT Investment Trust (ARSN 115 585 441), a registered managed investment scheme regulated by the Corporations Act. |
| APTPL | APT Pipelines Limited (ABN 89 009 666 700). |
| Arranger | Macquarie |
| ASIC | Australian Securities and Investment Commission. |
| ASX | ASX Limited (ACN 008 624 691) or the market operated by it, as the context requires. |
| ASX Settlement Operating Rules | The settlement rules of ASX Settlement Pty Ltd (ACN 008 504 532). |
| ATO | The Australian Taxation Office. |

B. GLOSSARY

| Defined Terms | Definition |
|--|---|
| Australian Accounting Standards | All of the following: <ul style="list-style-type: none"> • the accounting standards as defined in section 9 of the Corporations Act; • the requirements of the Corporations Act for the preparation and content of accounts; and • generally accepted accounting principles and practices consistently applied in Australia, including any domestically accepted international accounting standards, except principles and practices that are inconsistent with those referred to in paragraph the first two bullets of this definition. |
| Australian Medium Term Notes | Means notes issued under APA Group's Australian medium term note program. |
| Bank Bill Rate | A benchmark interest rate for the Australian money market commonly used by major financial institutions to lend short-term cash to each other over a 90 day period, as more particularly defined in clause 3.2 of the Terms. |
| Board | As the context requires, the board of APL and/or APTPL. |
| Bookbuild | The process described in Section 6.3.1 to determine the Margin. |
| Broker Firm Applicant | An Australian or New Zealand resident retail client of a Syndicate Broker invited to participate through their Broker Firm Offer. |
| Broker Firm Offer | The Offer of Notes under this Prospectus to retail clients, of Syndicate Brokers, resident in Australia and New Zealand who have received a firm allocation from the Broker. |
| Business Day | Monday to Friday inclusive, except New Year's Day, Good Friday, Easter Monday, Christmas Day, Boxing Day, and any other day that ASX declares is not a Business Day. |
| CHESS | Clearing House Electronic Sub-register System operated in accordance with the Corporations Act. |
| Closing Date | The last date by which applications must be lodged for the Offer, being: <ul style="list-style-type: none"> • 5:00pm Sydney time on 10 September 2012 for the APA Securityholder Offer and General Offer (unless varied); and • 10:00am Sydney time on 17 September 2012 for the Broker Firm Offer (unless varied). |
| Code | The National Third Party Access Code for Natural Gas Pipeline Systems as changed from time to time in accordance with the Gas Pipelines Access Law. |
| Combined Group | APA Group following the acquisition by APTPL of up to 100% of HDUF under the HDUF Offer. |
| Corporations Act | Corporations Act 2001 (Cth). |
| EBITDA | Earnings before interest, income tax, depreciation and amortisation. |
| Eligible Securityholder | A registered holder of APA Stapled Securities with a registered address in Australia or New Zealand at 7:00pm Sydney time on 8 August 2012 excluding any person who is either in the United States or is acting as a nominee of behalf of a person in the United States. |
| Envestra | Envestra Limited (ACN 078 551 685). |
| equity credit | See Section 2.1.5. |
| European Medium Term Notes | Means notes issued under APA Group's European medium term note program. |
| Exposure Period | The 7 day period after the date this Prospectus was lodged with ASIC during which the Corporations Act prohibits the processing of applications for Notes (which may be extended to 14 days). |
| Face Value | \$100 per Note. |
| GDI (EII) | GDI (EII) Pty Limited (ACN 154 766 524). |
| General Applicant | A member of the general public who is resident in Australia or New Zealand and who applies under the General Offer excluding any person who is either in the United States or is acting as a nominee of behalf of a person in the United States. |

| Defined Terms | Definition |
|--|---|
| General Offer | The invitation to members of the general public who are resident in Australia and New Zealand to apply for Notes under this Prospectus. |
| Guarantor | Has the meaning it is given in Section 9.1. |
| GST | Means Australian Goods and Services Tax. |
| HDUF | HDUF Finance Trust, HDUF Epic Trust and HDUF Further Investments Trust. |
| HDUF Epic Group | Epic Energy Holdings Limited tax consolidated group. |
| HDUF Epic Trust | HDUF Epic Trust (ARSN 109 770 961). |
| HDUF Finance Trust | HDUF Finance Trust (ARSN 109 770 765). |
| HDUF Further Investments Trust | HDUF Further Investments Trust (ARSN 109 897 921). |
| HDUF Group | HDUF Finance Trust, HDUF Epic Trust, HDUF Further Investments Trust and each of the entities controlled by the HDUF Responsible Entity or any replacement responsible entity in such capacity and, where the context requires, the HDUF Responsible Entity and any replacement responsible entity of HDUF. |
| HDUF Group Entity | Any member of HDUF Group. |
| HDUF Offer | The offer by APA Group to each HDUF Stapled Securityholder to acquire all of their HDUF Stapled Securities on the terms and conditions set out in this Bidder's statement dated 3 January 2012, and subsequent supplementary bidder's statements. |
| HDUF Responsible Entity | Hastings Fund Management Limited (ABN 27 058 693 388), in its capacity as responsible entity of HDUF. |
| HDUF Stapled Securities | One unit in each of HDUF Finance Trust, HDUF Epic Trust and HDUF Further Investments Trust, stapled together such that they may only be transferred together. |
| HIN | Holder Identification Number for Notes (when issued) held on the CHESSE sub-register. |
| Holder | A person registered in the Register as a holder of Notes. |
| Holding Statement | A statement issued to Holders by the Registry which sets out details of Notes issued to them under the Offer. |
| Institutional Investor | An investor to whom offers or invitations in respect of Notes can be made without the need for a lodged prospectus (or other formality, other than a formality which APA Group is willing to comply with), including in Australia persons to whom offers or invitations can be made without the need for a lodged prospectus under section 708 of the Corporations Act and who has been invited by the Joint Lead Managers to bid for Notes in the Bookbuild. |
| Institutional Offer | The offer to Institutional Investors who have been invited by the Joint Lead Managers to bid for Notes in the Bookbuild. |
| Investigating Accountants | Deloitte Touche Tohmatsu |
| Investigating Accountants' Report | The report contained in Appendix C of this Prospectus. |
| Issue Price | The issue price for Notes under this Prospectus, being \$100 per Note. |
| Joint Lead Managers | Macquarie, Credit Suisse (Australia) Limited (ACN 007 016 300), RBS Morgans Limited (ACN 010 669 726), RBS Equity Capital Markets (Australia) Limited (ACN 000 757 111), Morgan Stanley Australia Securities Limited (ACN 078 652 276) and Evans and Partners Pty Limited (ACN 125 338 785). |
| Listing Rules | The listing rules of ASX. |
| Macquarie | Macquarie Capital (Australia) Limited (ABN 79 123 199 548, AFSL 314416). |
| MAPS | Moomba to Adelaide Pipeline System. |

| Defined Terms | Definition |
|-----------------------------------|--|
| Margin | The margin to be determined under the Bookbuild, as may be increased pursuant to the Terms. |
| Moody's | Moody's Investors Service Pty Limited ACN 003 399 657 or any of its affiliates. |
| National Gas Law | The gas law implemented under the National Gas (South Australia) Act 2008 in South Australia and which: <ul style="list-style-type: none"> • is made applicable in each other Australian jurisdiction (except Western Australia) under the relevant mirror application legislation; and • in Western Australia, is amended by and applied under the National Gas Access (WA) Act 2009. |
| National Gas Rules | Has the meaning given to it in the National Gas Law. |
| Notes | Notes with terms and conditions set out in Appendix A. |
| NZRFSP | New Zealand Registrar of Financial Service Providers. |
| Offer | The Offer by APTPL of Notes under this Prospectus to raise \$350 million with the ability to raise more or less. |
| Offer Management Agreement | The offer management agreement entered into between APTPL, APA Responsible Entity and the Joint Lead Managers, as described in Section 9.2. |
| Offer Period | The period from the Opening Date to the Closing Date. |
| Opening Date | The day the Offer opens, being 17 August 2012, unless varied. |
| Privacy Act | Privacy Act 1988 (Cth). |
| Prospectus | This document (including the electronic form of this Prospectus), as supplemented or replaced. |
| Register | The official register of Notes (if issued) maintained by the Registry on APA Group's behalf and including any sub-register established and maintained in CHESS. |
| Registry | Link Market Services Limited (ABN 54 083 214 537) or any other registry that APA Group appoints to maintain the Register. |
| Replacement Prospectus | The replacement prospectus which is expected to be lodged on or about 17 August 2012. |
| SRN | Securityholder Reference Number for Notes (when issued) held on any APA Group sponsored sub-register. |
| S&P | Standard & Poor's (Australia) Pty Ltd (ACN 007 324 852) or any of its affiliates. |
| Syndicate Broker | Joint Lead Managers and any other participating organisation of ASX selected by the Joint Lead Managers to participate in the Bookbuild (including any affiliate of the Joint Lead Managers). |
| Terms | Terms and conditions of Notes as set out in Appendix A. |
| TFN | Tax File Number. |
| Trust Deed | The deed dated 9 August 2012 between APTPL, the APA Responsible Entity and the Trustee governing the issue of Notes described in Section 9.1. |
| Trustee | The Trust Company (Australia) Limited (ABN 21 000 000 993). |
| US Person | Has the meaning given in Regulation S of the US Securities Act 1933. |



Dandenong LNG storage facility, Victoria

APPENDIX

C.

**INVESTIGATING
ACCOUNTANTS'
REPORT**

C. INVESTIGATING ACCOUNTANTS' REPORT



Deloitte Touche Tohmatsu
ABN 74 490 121 060

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The Directors

APT Pipelines Limited
HSBC Building
Level 19, 580 George Street
Sydney NSW 2000

9 August 2012

Dear Directors

INVESTIGATING ACCOUNTANTS' REPORT ON PRO FORMA HISTORICAL FINANCIAL INFORMATION

INTRODUCTION

Deloitte Touche Tohmatsu (“**Deloitte**”) has been engaged by the Directors of APT Pipelines Limited (“**Issuer**” or “**the Company**”) to prepare this Investigating Accountants' Report (“**Report**”) on the Pro forma Historical Financial Information (defined below) included in a prospectus dated on or about 9 August 2012 (“**Prospectus**”) to be issued by the Issuer in respect of an offer of APA Group Subordinated Notes (the “**Offer**”).

Unless otherwise defined in this report, terms used in this report have the meanings given to them in the Glossary of the Prospectus.

PRO FORMA HISTORICAL FINANCIAL INFORMATION

Deloitte has been requested to prepare a report in relation to the following pro forma historical financial information, as set out in Sections 4.2, 4.3, 4.4 and 4.5 of the Prospectus:

a) APA Group Pro forma Historical Financial Information

- The pro forma historical consolidated income statements of APA Group for the six months ended 31 December 2011 and the financial years ended 30 June 2011 and 30 June 2010;
- The pro forma historical consolidated balance sheet of APA Group as at 31 December 2011;
- The pro forma historical consolidated cash flow statements of APA Group for the six months ended 31 December 2011 and the financial years ended 30 June 2011 and 30 June 2010;
- Relevant notes to the above pro forma historical financial information of APA Group; and
- The pro forma adjustments and the assumptions on which they are based as described in the Prospectus,

as contained in Section 4.2 of the Prospectus, together the “**APA Group Pro forma Historical Financial Information**”.

Deloitte refers to one or more of Deloitte Touche Tohmatsu Limited, a UK private company limited by guarantee, and its network of member firms, each of which is a legally separate and independent entity. Please see www.deloitte.com/au/about for a detailed description of the legal structure of Deloitte Touche Tohmatsu Limited and its member firms.

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Member of Deloitte Touche Tohmatsu Limited.



The APA Group Pro forma Historical Financial Information has been derived from the reviewed financial statements of the APA Group for the six months ended 31 December 2011 and the audited financial statements of the APA Group for the financial years ended 30 June 2011 and 30 June 2010, which were reviewed or audited by Deloitte. The review and audit reports issued by Deloitte to the unitholders of the APA Group relating to those financial statements were unqualified.

b) HDUF Group Pro forma Historical Financial Information

- The pro forma historical consolidated income statements of HDUF Group for the six months ended 31 December 2011 and the financial years ended 30 June 2011 and 30 June 2010;
- The pro forma historical consolidated balance sheet of HDUF Group as at 31 December 2011;
- The pro forma historical consolidated cash flow statements of HDUF Group for the six months ended 31 December 2011 and the financial years ended 30 June 2011 and 30 June 2010;
- Relevant notes to the above pro forma historical financial information of HDUF Group; and
- The pro forma adjustments and the assumptions on which they are based as described in the Prospectus,

as contained in Section 4.3 of the Prospectus, together the “**HDUF Group Pro forma Historical Financial Information**”.

The HDUF Group Pro forma Historical Financial Information has been derived from the publicly available audited financial statements of the HDUF Group for the financial years ended 31 December 2011, 31 December 2010 and 31 December 2009 and the publicly available reviewed financial statements for the six months ended 30 June 2011, 30 June 2010 and 30 June 2009, which were audited and reviewed respectively by PriceWaterhouseCoopers (“**PwC**”). The audit and review reports issued by PwC to the unitholders of the HDUF Group relating to those financial statements were unqualified.

c) Combined Group Pro forma Historical Financial Information

- The pro forma unaudited consolidated income statements of the Combined Group for the six months ended 31 December 2011 and the financial years ended 30 June 2011 and 30 June 2010;
- The pro forma unaudited consolidated balance sheet of the Combined Group as at 31 December 2011;
- The pro forma unaudited consolidated cash flow statements of the Combined Group for the six months ended 31 December 2011 and the financial years ended 30 June 2011 and 30 June 2010;
- Relevant notes to the above pro forma historical financial information of the Combined Group; and
- The pro forma adjustments and the assumptions on which they are based as described in the Prospectus,

as contained in Section 4.4 of the Prospectus, together the “**Combined Group Pro forma Historical Financial Information**”.

The Combined Group Pro forma Historical Financial Information has been derived from the APA Group Pro forma Historical Financial Information and the HDUF Group Pro forma Historical Financial Information, after reflecting the pro forma adjustments described in Section 4.4 of the Prospectus.

d) Financial Ratios

- Gearing Ratio as at 30 June 2010, 31 December 2010, 30 June 2011 and 31 December 2011 based on the APA Group Pro forma Historical Financial Information;
- Gearing Ratio as at 30 June 2010, 31 December 2010, 30 June 2011 and 31 December 2011 based on the Combined Group Pro forma Historical Financial Information;
- Interest Cover Ratio for the twelve months ended 30 June 2010, 31 December 2010, 30 June 2011 and 31 December 2011 based on the APA Group Pro forma Historical Financial Information; and
- Interest Cover Ratio for the twelve months ended 30 June 2010, 31 December 2010, 30 June 2011 and 31 December 2011 based on the Combined Group Pro forma Historical Financial Information.



The financial ratios referred to above (“Financial Ratios”) have been prepared on the basis of the definitions set out in Section 4.5 of the Prospectus and have been derived from the APA Group Pro forma Historical Financial Information and the Combined Group Pro forma Historical Financial Information.

The APA Group Pro forma Historical Financial Information, the HDUF Group Pro forma Historical Financial Information and the Combined Group Pro forma Historical Financial Information (together the “Pro forma Historical Financial Information”) and the Financial Ratios are presented in an abbreviated form insofar as they do not include all of the disclosures required by A-IFRS applicable to annual financial reports prepared in accordance with the Corporations Act 2001.

The directors of the Issuer are responsible for the preparation and presentation of the Pro forma Historical Financial Information, including the APA Group Pro forma Historical Financial Information, the HDUF Group Pro forma Historical Financial Information and the Combined Group Pro forma Historical Financial Information and the Financial Ratios including the determination of the pro forma adjustments and the assumptions on which they have been based.

SCOPE

We have reviewed the Pro forma Historical Financial Information and the Financial Ratios in order to report whether anything has come to our attention which causes us to believe that the Pro forma Historical Financial Information and the Financial Ratios set out in the Prospectus in Sections 4.2, 4.3, 4.4 and 4.5 are not presented fairly in accordance with the basis of preparation as described in Sections 4.2, 4.3, 4.4 and 4.5 of the Prospectus.

Our review has been conducted in accordance with Australian Standard on Review Engagements (ASRE) 2405 “*Review of Historical Financial Information Other than a Financial Report*”. We have made such enquiries and performed such procedures as we, in our professional judgement, considered reasonable in the circumstances, including:

- Analytical procedures on the Pro forma Historical Financial Information;
- A review of the extraction of the APA Group Pro forma Historical Financial Information and the HDUF Group Pro forma Historical Financial Information from the reviewed and audited APA Group financial statements and the publicly available HDUF Group financial statements respectively for the relevant periods, including a review of the preparation of the HDUF Group Pro forma Historical Financial Information on a 31 December six month period end and 30 June year-end basis;
- A review of the Financial Ratios in order to report whether anything has come to our attention which causes us to believe that the Financial Ratios are not calculated in accordance with the definitions set out in Section 4.5 of the Prospectus;
- A review of work papers, accounting records and other documents;
- A comparison of the accounting policies adopted by APA Group and HDUF Group as disclosed in the 30 June 2011 and 31 December 2011 respective financial statements;
- A review of the pro forma adjustments and the assumptions on which they are based as described in Sections 4.2, 4.3 and 4.4 of the Prospectus; and
- Enquiry of the directors and management of APA Group.

These procedures do not provide all the evidence that would be required in an audit, thus the level of assurance provided is less than given in an audit. We have not performed an audit and, accordingly, we do not express an audit opinion on the Pro forma Historical Financial Information and the Financial Ratios.



REVIEW STATEMENT

Based on our review, which is not an audit, nothing has come to our attention which causes us to believe that the Pro forma Historical Financial Information and the Financial Ratios set out in the Prospectus in Sections 4.2, 4.3, 4.4 and 4.5 are not presented fairly in accordance with the basis of preparation as described in Sections 4.2, 4.3, 4.4 and 4.5 of the Prospectus.

SUBSEQUENT EVENTS

Apart from the matters dealt with in this Report, and having regard for the scope of our Report, nothing has come to our attention that would cause us to believe that matters arising after 31 December 2011 would require comment on, or adjustments to, the information contained in Sections 4.2, 4.3, 4.4 and 4.5 of the Prospectus, or would cause such information to be misleading or deceptive.

INDEPENDENCE AND DISCLOSURE OF INTEREST

Deloitte Touche Tohmatsu does not have any interest in the outcome of the Offer other than the preparation of this Report and the provision of other related services in relation to the Offer and APA Group's takeover bid in respect of HDUF Group for which normal professional fees will be received. Deloitte Touche Tohmatsu is the auditor of the APA Group.

CONSENT

Deloitte Touche Tohmatsu has consented to the inclusion of this Investigating Accountants' Report in the Prospectus in the form and context in which it is so included, but has not authorised the issue of the Prospectus. Accordingly, Deloitte Touche Tohmatsu makes no representation regarding, and takes no responsibility for, any other documents or material in, or omissions from, the Prospectus.

Yours faithfully,

DELOITTE TOUCHE TOHMATSU

G Coultas
Partner
Chartered Accountants

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APA Group Subordinated Notes Prospectus for an
Offer of Notes at each to raise \$350 million
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