

WHAT'S IN THE PIPELINE?



**GROWTH
SECURITY
VALUE**



GROWTH

Enhancing our gas infrastructure portfolio

APA is the largest transporter of natural gas across Australia, owning and operating over 12,700 kilometres of gas pipelines and transporting more than half the natural gas used in the country.¹ We are committed to sustainable and profitable growth. By continuing to enhance and develop our infrastructure portfolio off the back of the increasing demand for gas, we will not only meet the needs of our customers in major and emerging markets, we will also continue to increase the returns our securityholders receive through distributions and capital growth.

SECURITY

Direct management and operational control

We have a low risk approach to business. In excess of 90 per cent of APA's revenue is derived from regulated assets and from long-term contracts with large creditworthy customers. Many of our gas infrastructure assets and investments are connected to each other, providing robust revenue and operating synergies. 1,200 highly skilled and experienced people work hard to safely operate and maintain our energy assets and investments. That combination of stability, skill, synergy and scale ensures reliable service and consistent financial performance.

VALUE

Pursuing opportunities and protecting investor interests

With our interest in, and operation of more than \$8 billion of energy infrastructure assets, we are responsible for delivering cleaner and sustainable energy across the country. Consistent, strong business and market performance is a hallmark of APA. We create value by looking for opportunities to deliver superior solutions in a dynamic energy market, by optimising the use of our assets, and by developing infrastructure that meets Australia's growing energy needs. At the same time, we protect our investors' interests through prudent risk management.

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¹ ABARE, "Energy in Australia 2011", March 2011; APA data

WHAT DID 2011 BRING?

APA has a well positioned portfolio of energy infrastructure and investments in Australia, managed and operated by skilled and experienced people. By continuing to expand and extend our asset footprint, we are delivering value to our customers and creating solutions that are responsive to their needs.

KEY FINANCIAL DEVELOPMENTS

	2011 \$ million	2010 \$ million	Change %
FINANCIAL RESULTS			
Revenue	1,102.0	989.5	11.4
Revenue excluding pass-through	720.3	659.5	9.2
EBITDA	492.1	460.0	7.0
Profit after tax and minorities	108.5	100.4	8.1
Operating cash flow	290.0	267.8	8.3
FINANCIAL POSITION			
Total assets	5,428	4,982	9.0
Debt	3,240	3,157	2.6
Securityholders' equity	1,668	1,395	19.6
FINANCIAL RATIOS			
Operating cash flow per security (cents)	52.6	51.9	1.4
Earnings per security (cents)	19.7	19.4	1.3
Distribution per security (cents)	34.4	32.75	5.0
Distribution payout ratio	65.7%	64.4%	
Gearing (net debt to net debt plus equity)	66.2%	69.8%	
Interest cover ratio (times)	2.03	2.11	

KEY BUSINESS DEVELOPMENTS

COMPLETED

- Young Wagga looping project in New South Wales
- Augmentation of the northern section of the Victorian Transmission System
- New lateral on the Roma Brisbane Pipeline

CONTINUING

- Expansion of Moomba Sydney Pipeline
- Expansion of the southern section of the Victorian Transmission System
- Extension of APA Gas Network, Queensland

NEW

- Acquisition of Amadeus Gas Pipeline
- Acquisition of Emu Downs wind farm and adjacent development site
- Increased interest in the SEA Gas Pipeline, Hastings Diversified Utilities Fund and Envestra Limited

COMING UP

- Expansion of Roma Brisbane Pipeline
- Expansion of Mondarra Gas Storage Facility

OTHER

- Major national initiatives, including customer management and finance systems, operational excellence across transmission and network operations
- Successful refinancing and funding activities

SUSTAINED GROWTH FOR OUR SECURITYHOLDERS

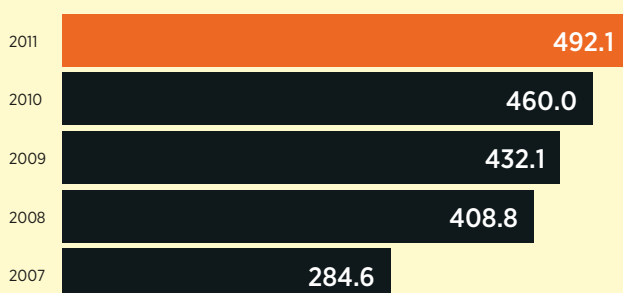
EBITDA²

\$492M

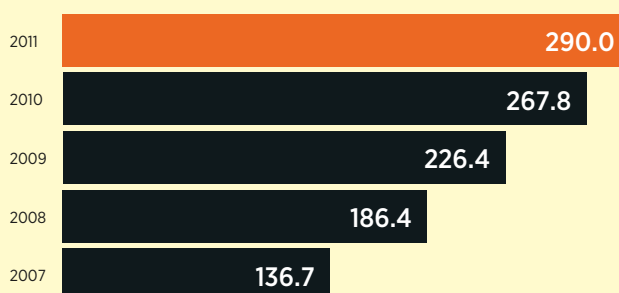
OPERATING CASH FLOW

\$290M

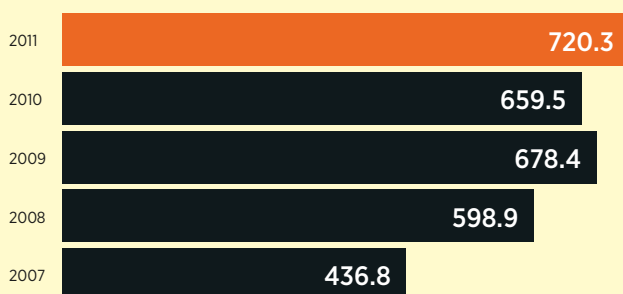
EBITDA² (\$M)



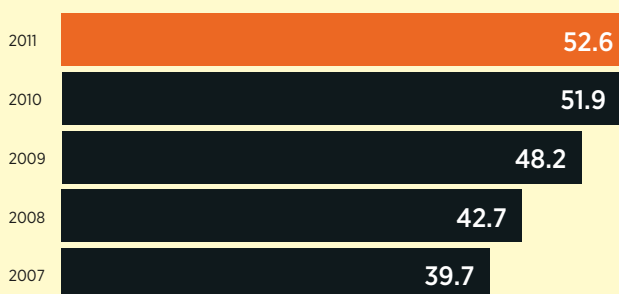
OPERATING CASH FLOW (\$M)



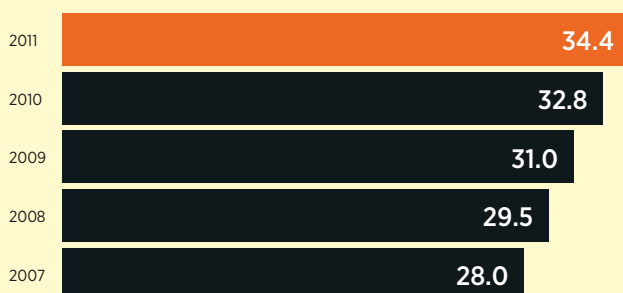
TOTAL REVENUE EXCLUDING PASS-THROUGH² (\$M)



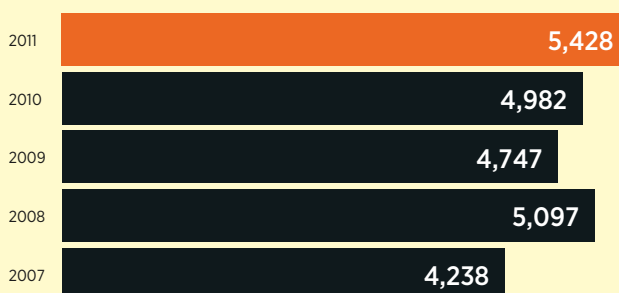
OPERATING CASH FLOW PER SECURITY (CENTS)



DISTRIBUTIONS PER SECURITY (CENTS)



TOTAL ASSETS (\$M)



² Revenue and EBITDA (earnings before interest, tax, depreciation and amortisation) include significant items

CHAIRMAN'S REPORT: CONTINUING TO PURSUE OUR OBJECTIVE

During the 2011 financial year, APA has maintained its strategy of growing its core business of gas infrastructure profitably and sustainably, and of further enhancing value through related projects and investments.

I am pleased to report APA has delivered another solid performance, with growth in all our key financial measures, and an enhanced portfolio of energy infrastructure and investments. Operating profit for the 2011 financial year of \$109 million and operating cash flow of \$290 million were both 8 per cent above last year. Earnings before interest, tax, depreciation and amortisation (EBITDA) increased by 7 per cent to \$492 million.

INCREASING SECURITYHOLDER VALUE

APA has entered its second decade with the same objective of delivering superior value to securityholders. This year, the board declared a final distribution of 17.9 cents per security, taking the total distribution for the year to 34.4 cents – an increase on last year, and the seventh consecutive year of increasing distributions. APA has never cut its distribution. As in past years, this year's distributions are well covered by operating cash flow, with operating cash flow per security of 52.6 cents.

In the 2011 financial year, APA delivered total securityholder return³ of 23.1 per cent. Over the last eleven years, the return to securityholders has averaged 16.2 per cent per annum, outperforming the broader market and our utility peers.

FUNDING THE GROWTH OF OUR VALUE ADDING PORTFOLIO

APA's performance is driven by our strategy of expanding and enhancing our energy infrastructure portfolio by developing the organic growth opportunities surrounding our assets and through prudent acquisitions.

Our growth funding requirements this year totaled \$498 million, 47 per cent more than last year. They included funding of the expansion of our gas infrastructure portfolio and increasing our interests in a number of energy investments.

Expansion of our pipeline and distribution assets, including the acquisition of the Amadeus Gas Pipeline in the Northern Territory, required expenditure of \$164 million, which was largely underwritten by long term contracts or regulatory arrangements.

A further \$114 million was spent increasing our energy investments, including our interests in the SEA Gas Pipeline, Envestra Limited and Hastings Diversified Utilities Fund.

Consistent with our growth and energy investment strategy, we acquired the Emu Downs wind farm and development site in Western Australia for \$172 million. This investment now provides us with secure revenue under long term agreements with highly credit worthy energy retailers, and further opportunity to enhance our adjacent gas assets by developing supportive gas-fired power generation.

Over the coming years we expect these growth projects and acquisitions to contribute additional operating cash flows and increase EBITDA.

³ Total securityholder return is the total return of a security to an investor that includes both capital gains and reinvested distributions

Looking ahead, we will continue the expansion projects on our pipelines and we will progress the development and expansion of the Mondarra Gas Storage Facility in Western Australia.

As in previous years, funding for growth came from cash, equity and debt. Equity of \$52 million was sourced through this year's Distribution Reinvestment Plan. A further \$300 million was raised through an institutional placement, made at the same time as APA acquired the Emu Downs wind farm. Debt increased by \$83 million.

Our balance sheet remains strong and well positioned for growth. We have maintained both of our investment grade credit ratings. In July 2010 we issued \$300 million of 10 year Australian dollar bonds, and in June 2011 replaced maturing debt with \$225 million of new 3 year bank debt facilities. We have commenced work on our 2012 refinancing obligations with the aim of extending the maturity of our debt and diversifying our sources of funds.

BOARD COMPOSITION

APA's board saw a number of changes this year, with the resignation of George Ratilal and the appointment of Steven Crane and Patricia McKenzie. George has been a valuable member of the board and I am pleased he remains an alternate director for Muri Muhammad. Steven and Patricia add to the board's business and energy regulatory experience.

In addition to the board's regular meetings and committee meetings, we participated in strategy and planning reviews, visited our Queensland and West Australian operations, and met with commercial and operational management throughout the year. I thank all my fellow directors for their service and dedication.

OUTLOOK

With Australia's increasing demand for energy, in particular natural gas, APA is well positioned to grow sustainably and deliver secure and reliable financial performance.

For the 2012 financial year, barring unforeseen circumstances, APA expects total distributions per security to be at least equal to total distributions per security for the 2011 financial year, again fully covered by operating cash flow.

On behalf of the board, I thank our Managing Director Mick McCormack, his leadership team and APA's people, who have contributed to the financial performance and growth of the company.

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



Len Bleasel AM
Chairman



Len Bleasel AM
Chairman

2011 TOTAL SECURITYHOLDER RETURN

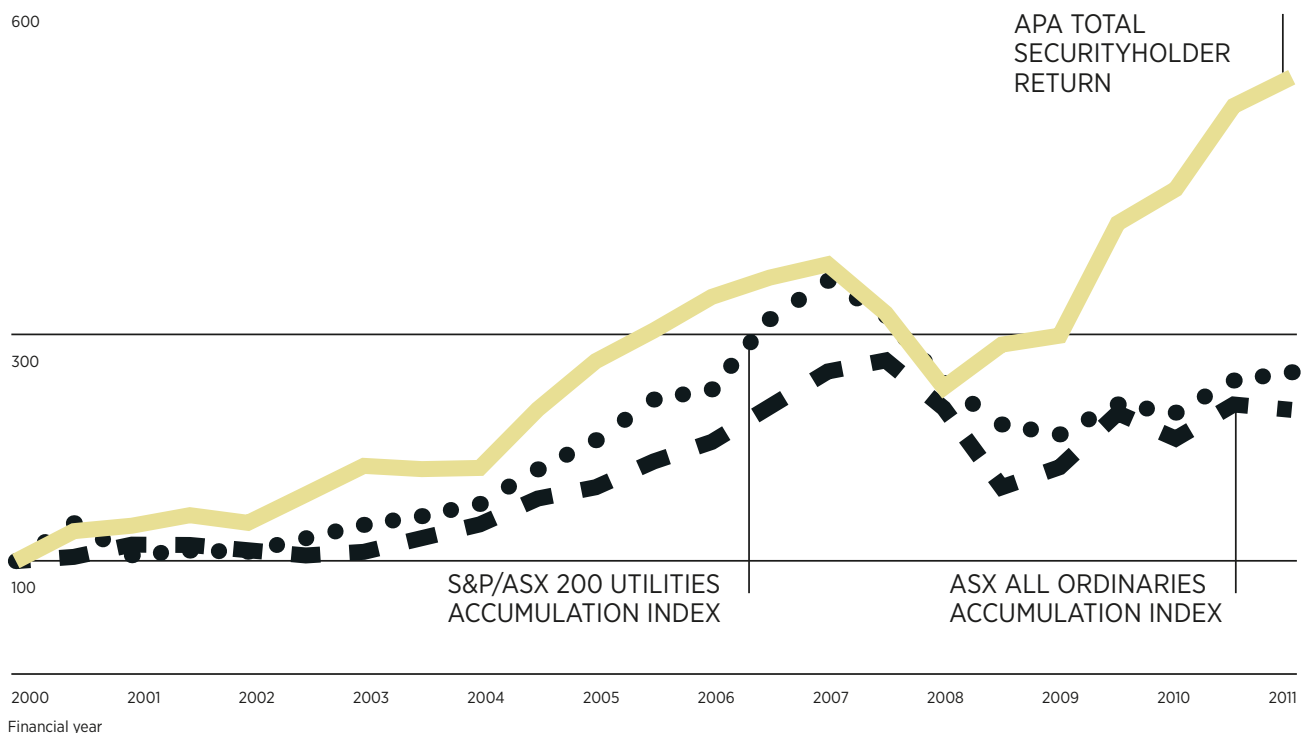
23.1%

"over the last eleven years the return to securityholders has averaged 16.2 per cent per annum"

TOTAL SECURITYHOLDER RETURN

(Total return indexed to 100 from date of APA listing, 13 June 2000, to 30 June 2011)

2000-2011



MANAGING DIRECTOR'S REPORT:

CONVERTING OPPORTUNITIES INTO PROFITABLE PROJECTS

APA's energy infrastructure portfolio is located across Australia. Our scale and geographic positioning gives us unique opportunities to expand and enhance our gas pipelines and networks in line with the increasing demand for gas. We are growing our business to deliver energy safely, reliably and efficiently, while providing our customers optimal energy solutions.



Mick McCormack
Managing Director and Chief Executive Officer

This year, we have again built on our history of strong performance, financially and operationally. We've adhered to our strategy of growing and increasing the value of our energy infrastructure portfolio with secure revenue commitments, and have effectively responded to the challenges brought on by floods and cyclones.

GROWTH AND VALUE

Australia's demand for natural gas is increasing, driven largely by investments in new gas-fired power generation and by carbon reducing policies. While the final form of the carbon tax and emissions policy is yet to be decided, it is influencing investment decisions in favour of gas and renewables. Gas is a readily available fuel source, and gas-fired electricity generation is a proven and well advanced technology. It is relatively simple to support renewable energy such as wind and solar with gas-fired generation. Domestic gas use is also forecast to double within 20 years.⁴

We have expanded our energy infrastructure portfolio in response to our customers' requirements. This has included the capacity expansion and extension of our pipelines in Queensland, New South Wales and Victoria. We also acquired the Amadeus Gas Pipeline in the Northern Territory which we previously leased.

⁴ ABARE, "Australian energy projections to 2029-30", March 2010

Working with our customers to develop energy solutions has led to commitments to expand the Roma Brisbane Pipeline and the Mondarra Gas Storage Facility in Western Australia.

We further increased our investment in Western Australia, acquiring the Emu Downs wind farm. On its own, Emu Downs is a sound financial investment with long term revenue agreements, and a well understood operations profile and wind resource. However, as energy demand increases, we will be able to use the wind farm and our adjacent gas infrastructure to provide renewable generation and supporting gas generation. This not only provides potential growth, but also increases the value of APA's existing assets.

We also increased our equity interest in the SEA Gas Pipeline, Envestra Limited and Hastings Diversified Utilities Fund, consistent with our investment strategy.

SOLID FINANCIAL PERFORMANCE

Our solid financial result was driven by the recent expansions on our pipelines, growth in gas volumes, and our investments. In addition, the geographic diversity of our businesses and assets contributed to the consistent financial performance.

Our Energy Infrastructure business – primarily our gas transmission and distribution assets – recorded an EBITDA increase of 4 per cent to \$424 million, due mainly to the increased performance of the east coast assets. This was offset somewhat by reduced regulatory tariffs on the Goldfields Gas Pipeline.

The Asset Management business contributed EBITDA of \$39 million, an increase of 20 per cent on last year, generated by increased fees and additional third party work.

The 42 per cent increase in Energy Investments EBITDA to \$27 million was due to the increased interest in, and improved performance of these investments.

SAFETY, RELIABILITY AND SECURITY

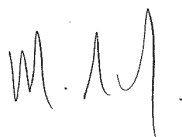
APA was not immune to the challenges of the weather events which affected Australians across the country. The Roma Brisbane Pipeline and APA Gas Network in Brisbane and Toowoomba experienced some damage as a result of flooding in January 2011. Our people responded in accordance with well developed emergency plans, and were supported by their colleagues in other states.

I am proud of how APA's people responded to this and other similar situations. Their skills, ingenuity and attitude contributed to the safety of the community, as well as the timely repair of affected assets such that there was minimal disruption to gas supply.

The safety of our people is a high priority and so it is disappointing to report that our lost time injury rate has increased to 6.2, up from 4.9. Whilst the majority of these lost time injuries were minor in nature, we have commenced a program to prevent such injuries in future. We remain committed to our long term goal of 'Zero Harm', and minimising the environmental impact of our activities.

LOOKING FORWARD

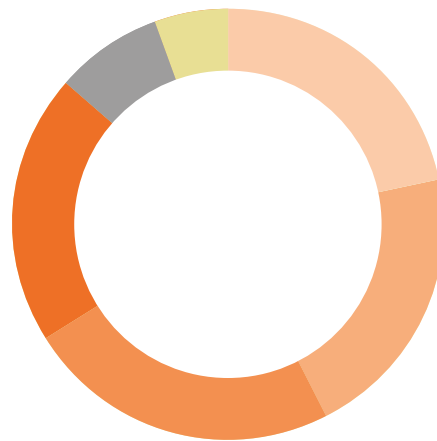
APA is well positioned to continue growing sustainably for the next decade and well into the future. We are converting many unique, and attractive investment opportunities into profitable projects using our internal expertise, our people and systems, and our financial capability.



Mick McCormack
Managing Director and Chief Executive Officer

**"we have expanded
our energy infrastructure
portfolio in response to
our customers' requirements"**

PORTFOLIO DIVERSITY – 2011 EBITDA



Energy Infrastructure	86.6%
QLD	21.8%
NSW	20.7%
VIC & SA	23.7%
WA & NT	20.4%
Asset Management	7.9%
Energy Investments	5.5%

GROWTH PLENTY MORE OPPORTUNITIES

We continue to respond to a growing and interconnected energy market. Demand for gas is rising, and we will use our scale prudently to keep pace with this growth.

CONSISTENTLY GROWING MARKET

A number of factors are driving the increase in gas demand, and consequently APA's organic growth, including Australia's continued GDP growth, renewed activity in the mining sector, and changes within the energy sector itself, in particular electricity generation.

The resolve to protect the environment and the shift towards reducing carbon emissions are also driving greater gas usage. The pricing of carbon emissions, for example, is favouring gas as a replacement for more carbon intensive fuels such as coal, making gas the transitional fuel of choice to contribute to a sustainable and cleaner energy supply for the country. Renewable energy generation technologies such as wind and solar are also looking to use gas to back up their generation profile, meaning gas-fired generation is increasing in priority as more renewable generation is installed. In addition, we are seeing retailers investing in gas-fired electricity generation and gas storage options to meet their market needs, in particular peak electricity demand.

EXPANDING OUR CAPACITY

All of this points to consistent and organic expansion over the medium to long term.

In line with those changes, APA has continued to enhance its gas infrastructure portfolio to provide increased supply capacity and to achieve the greatest flexibility possible in transporting gas for its customers in key markets.

Significant expansion developments this year have included:

- Completion of the Young Wagga looping project: This expansion provides both additional gas transportation and storage capacity in the southern section of the Moomba Sydney Pipeline System. It is also interconnected with the Victorian Transmission System, allowing APA customers to move gas easily from multiple sources;
- Completion of the northern augmentation of the Victorian Transmission System: This has increased peak capacity of the system in northern Victoria as well as enhancing the capacity to move gas between states, meaning greater security of supply and flexibility;
- Continued expansion of the Moomba Sydney Pipeline: As a result of work on the main pipeline and reconfiguration of existing compressors, there is more capacity and flexibility available to move gas to and through New South Wales; and
- Continued expansion of the APA Queensland Gas Network: Part of an ongoing expansion of our distribution system into new housing areas.

ROMA BRISBANE PIPELINE

We also continued our capacity expansion of the Roma Brisbane Pipeline. Constructed in 1969, the pipeline is one of Australia's oldest natural gas pipeline, and continues to be a vital piece of energy infrastructure in Queensland. The pipeline's capacity has been increased incrementally over the last 40 years in line with the growth in demand for gas and is now more than five times its original capacity.

Over the next 12 months we will again increase that capacity by approximately 10 per cent to meet the escalating demand for new gas transport services in Brisbane. The expansion will involve the installation of an additional compressor at the Dalby Compressor Station, duplication of a 6 kilometres section of the pipeline and works which will allow the pipeline operating pressure to be increased.

As with so much of the growth underway on APA's assets, the additional capacity has been substantially contracted under long term agreements - in the case of the Roma Brisbane Pipeline, with an energy retailer and a major industrial gas user.

AMADEUS GAS PIPELINE

Until recently APA managed and operated the Amadeus Gas Pipeline under a lease arrangement. During the year, we acquired the pipeline and associated assets at the end of the lease and entered into a long term gas transportation agreement with Power and Water Corporation, the Northern Territory's government owned electricity provider. This agreement, which underpins the acquisition, provides for services on the pipeline to meet the growing energy needs of the Northern Territory.

The acquisition also complements our interest in the Bonaparte and Wickham Point pipelines and reinforces operational synergies between the three assets, meaning we will be well placed to capture new growth opportunities in the Northern Territory as they arise.

EXPANDING THE MONDARRA GAS STORAGE FACILITY

In May 2011 APA entered into a long term commercial agreement with Western Australian electricity generator Verve Energy for gas storage services. This agreement led to further development and expansion of the Mondarra Gas Storage Facility in Western Australia. This facility, on APA's Parmelia Gas Pipeline near Dongara, forms part of APA's gas infrastructure in the Perth Basin region and its strategic location provides interconnection with both the Parmelia Gas Pipeline and the Dampier Bunbury Pipeline, which supplies much of the gas used in the south-west of the state.

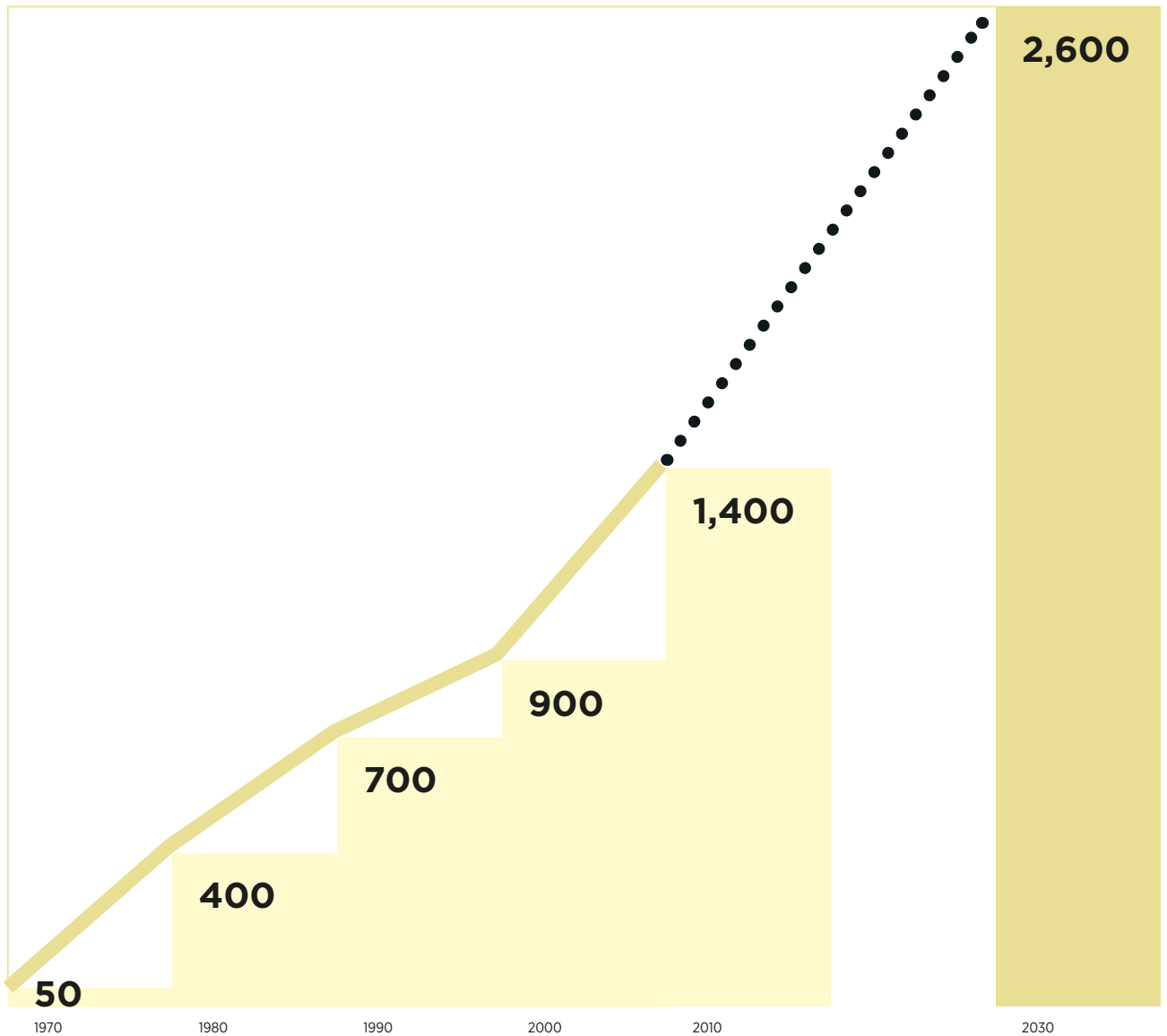
The expanded Mondarra facility will enhance APA's gas infrastructure portfolio. We expect to increase Mondarra's commercial storage capacity by more than five times to 15 PJ. Verve Energy has contracted for a substantial part of the increased capacity of the facility. Construction will take place over the next two years, with completion scheduled for early 2013.

Over the next two years APA expects to spend up to \$140 million to deliver this storage capacity and the service obligations under the Verve Energy foundation contract. The mutual benefit for both parties is that the contract provides Verve Energy with long term certainty in respect of gas storage services, and APA with long term revenue certainty that aligns responsibly with the capital investment. The Western Australian Government also recognises the major role the expanded Mondarra

AUSTRALIAN GAS CONSUMPTION

Petajoules (PJ)

1970-2030



Source: ABARE, "Australian energy statistics – energy update 2011", June 2011 and "Australian energy projections to 2029-2030", March 2010

facility will play in enhancing gas supply security for the state. In addition, the expanded Mondarra Gas Storage Facility will provide energy retailers, power generators, and industrial customers with supply options and flexibility to better manage their gas supply and demand portfolios.

OUTLOOK

Growth is a vital part of the changing profile of this business, and we are continuing to enlarge our network and enhance our assets to ensure

we can meet sustained projected increases in market demand. Our schedule of completed, continuing and committed expansions, and other gas related solutions, demonstrates our long and short term approach to expanding our gas infrastructure. We have a responsibility to pursue such growth, both to our customers and to our securityholders. At the same time, we have been careful to schedule our growth program, and to underpin it financially, so that we keep pace with the market.





ENERGY ACROSS THE ECONOMY



SECURITY

MEETING DEMANDS, SECURING SUPPLY

A lot can happen over the course of the lifetime of our assets. That's why we build and maintain them to be as resilient as possible. We fashion our business in the same way. Over our 11 year history, our core strategy hasn't changed. We have continued to grow what we do based on the same business and risk profile. We continue to invest carefully, underpinning our assets and growth with secure revenue streams. We maintain and operate our assets responsibly with our skilled and experienced workforce.

MAINTAINING SUPPLY

This year our philosophy of continuing to be a low risk business in the energy sector more than proved its worth. In the face of extreme weather events that included floods and cyclones in key markets, we maintained security of supply. One of the great advantages of having and maintaining such an interconnected and integrated network of assets is that it offers built-in flexibility, which is critical at such demanding times.

THE POWER OF PEOPLE

Having skilled and experienced people working within APA means we have the know-how to build, operate and maintain our assets. It also ensures we know what condition our assets are in, in almost real time, because all our developments, repairs and major maintenance are carried out by APA people. The combination of APA's scale and collective human resources enables us to deal with risks and capitalise on opportunities quickly and efficiently, without materially affecting or downgrading vigilance across the rest of the business. A good example of that was the Queensland flooding, where we channelled our most experienced people from across our national network to provide support and expertise in repairing and remediating the affected assets.

MINIMISING RISK EXPOSURE

It's impossible to avoid risk completely, but we have built astute minimisation of exposure into almost every aspect of what we do. For example, APA works to recontract spare capacity well ahead of contract expiry and we actively participate in the market to ensure gas continues to be considered as a viable option, even in situations like Mt Isa where the market may have access to potential alternative energy solutions. Overall, our geographical and portfolio diversity works to reduce the overall impact in the event of adverse effects in any one part of the business.

There's no denying that this is a capital intensive business, but we continue to reduce the risk of significant up front capital expenditure by entering into long term revenue contracts with creditworthy parties or including the capital within the regulatory pricing determinations. These strategies allow us to continue to expand the business without materially affecting our risk profile.

This approach of carefully minimising our risk through our investment approach is very much evidenced in the following agreements arranged this year:

- A 20 year agreement for storage capacity in the Mondarra Gas Storage Facility;

- A revenue contract for the remaining asset life of the Emu Downs wind farm (almost 20 years);
- A 22 year agreement for capacity on the Amadeus Gas Pipeline;
- A 15 year agreement for expanded capacity on the Roma Brisbane Pipeline; and
- Approved capital expenditure included in the Victorian Transmission System and APA Gas Network regulatory arrangements.

SECURING NEW INTERESTS

One of the great advantages of our scale is that growth is counter-balanced by built-in security. As Australia's gas demands increase, we expect the amount of gas flowing through our existing pipelines to also increase. That means of course that we will enhance the returns we gain from our infrastructure without changing our risk profile.

At the same time though, we recognise that passively allowing this to happen without continuing to increase our capabilities is a risk in itself. That's why, in addition to pairing capital expenditure with long term revenue contracts, we are increasing our ownership in specific investments where we see potential and correlation with our portfolio. This year, for example, we lifted our interest in the SEA Gas Pipeline from 33.3 per cent to 50 per cent, in the Hastings Diversified Utilities Fund from 16.8 per cent to 19.4 per cent, and in Envestra Limited from 31.7 per cent to 33.0 per cent.

**we have built astute
minimisation of exposure
into almost every aspect
of what we do**

VALUE

MAKING MORE OF WHAT WE'RE GOOD AT

Our core portfolio is gas infrastructure. Our strength lies in our scale and in the skills we have within the business to grow the business profitably by managing, operating, developing and enhancing the value of those assets. We also continue to look for ways to maintain and increase the value of our existing portfolio by providing bundled energy services where possible, that meet the needs of customers.

CREATING NEW VALUE ADDED LINKAGES

Getting the best value from our gas infrastructure footprint and maintaining and increasing revenues from our assets is driving our involvement in facilitating gas-fired generation on or near our assets. By facilitating the development of gas-fired electricity generation at Mt Isa, for example, we aim to protect the value of the Carpentaria Gas Pipeline. Similarly, our expansion of the Mondarra Gas Storage Facility increases the significance and value of connection to the Parmelia Gas Pipeline in addition to providing a valuable service to our customers. The same strategy led us to invest in the Emu Downs wind farm this year.

In respect of electricity generation, gas and wind are linked, because a working partnership between intermittent wind generation and fast-start, gas-fired electricity generation helps ensure sustained electricity output. This is critically important in states like Western Australia because of the isolation and smaller scale of that state's integrated electricity network. As further wind generation is required to meet the government's renewable energy target, additional gas-fired generation will ultimately be required to maintain electricity supply-demand stability.

EMU DOWNS WIND FARM

Our investment in the Emu Downs wind farm and development site, 10 kilometres from APA's existing Parmelia Gas Pipeline and 200 kilometres north of Perth, makes financial sense. In fact, the risk profile is consistent with our gas infrastructure investments. We purchased it with long term revenue contracts for all the electricity and renewable energy certificates generated from the existing 80 MW wind farm, and we expect the investment to be operating cash flow per security accretive. In addition, we have extensive wind farm data for this site that provides a high level of certainty for its generating and operating performance. The investment also includes a 130 MW development site, which represents additional potential upside value.

The combination of our gas assets in the Perth Basin region – the Parmelia Gas Pipeline and the Mondarra Gas Storage facility – together with the Emu Downs assets, means we can develop wind generation and facilitate gas generation to deliver the energy solutions needed in Western Australia. This is a highly valuable and versatile, total energy solution that represents a win-win solution for APA and its customers.

OPERATING SMART

The Emu Downs acquisition is consistent with APA's strategy of leveraging its gas infrastructure portfolio to develop related energy projects and generating value within the business that is greater than

the sum of the parts. By developing and delivering services for energy users across assets, whether they are actually owned by us or by a third party, we have been able to expand our core business of gas transportation and storage services.

Part of being a smart operator is continuing to find and bring to market what customers need. By using our cross-functional and responsive teams to identify and create value opportunities, we meet market-based demands. We are developing flexible ways to move and store gas, both in our commercial arrangements and physically through our interconnected infrastructure, and as a result are delivering more value to our customers. APA, and ultimately investors too, benefit from the increasing revenues and the continual improvement of our operations. As the industry evolves, we want to be at the forefront in creating the future for energy markets.

Investing in gas-fired generation and wind farms is a considered strategy to add value to our uniquely located infrastructure across Australia, and so maximise the opportunity for returns to APA from a dynamic and fast growing sector.

**we are developing
flexible ways to
move and store gas**

LEADERSHIP TEAM

BROAD SKILLS, DEEP KNOWLEDGE

The strength of APA's leadership team – APA's board and senior management – lies in the combination of their diverse skills and collective experience as well as their deep knowledge of APA's assets and business.⁵

THIS EXPERIENCE INCLUDES:

- Senior leadership of publicly listed companies, including positions providing financial, organic growth and investment experience;
- Experience in the gas and energy industry, including knowledge of energy markets, operational issues and industry regulation;
- Strong understanding of sustainable development, including health safety and environmental practices and people development;
- Strong understanding of the workings of government and economic regulation of energy infrastructure in Australia.

Together, APA's board and senior management are successfully driving APA's strategic and prudent growth.

APA BOARD

- 1 LEONARD (LEN) BLEASEL AM**
Chairman
- 2 MICHAEL (MICK) MCCORMACK**
Managing Director and
Chief Executive Officer
- 3 STEVEN CRANE**
Director
- 4 JOHN FLETCHER**
Director
- 5 RUSSELL HIGGINS AO**
Director
- 6 PATRICIA MCKENZIE**
Director
- 7 MURI MUHAMMAD**
Director
- 8 ROBERT WRIGHT**
Director

SENIOR MANAGEMENT

- 1 MICHAEL (MICK) MCCORMACK**
Managing Director and
Chief Executive Officer
- 2 PETER FREDRICSON**
Chief Financial Officer
- 3 ROSS GERSBACH**
Group Manager Commercial
- 4 STEPHEN OHL**
Group Manager Operations
- 5 PETER WALLACE**
Group Manager Human Resources
- 6 MARK KNAPMAN**
Company Secretary

⁵ The biographies and qualifications of the APA board members and senior management are available online at www.apa.com.au

APA BOARD



SENIOR MANAGEMENT



CAPITAL MANAGEMENT

RESPONSIBLE USE OF CAPITAL

APA delivers competitive and consistent returns, in terms of capital growth and distributions, to our securityholders. We achieved total securityholder return for the year of 23 per cent. We look for responsible ways to enhance our ownership and operation of our gas infrastructure assets through a value adding approach.

There is no change to our funding strategy. We continue to fund our expansions and investments with a mixture of free cash flow, debt and equity, and in a way that preserves our investment grade credit ratings at BBB/Baa2 metrics or better.

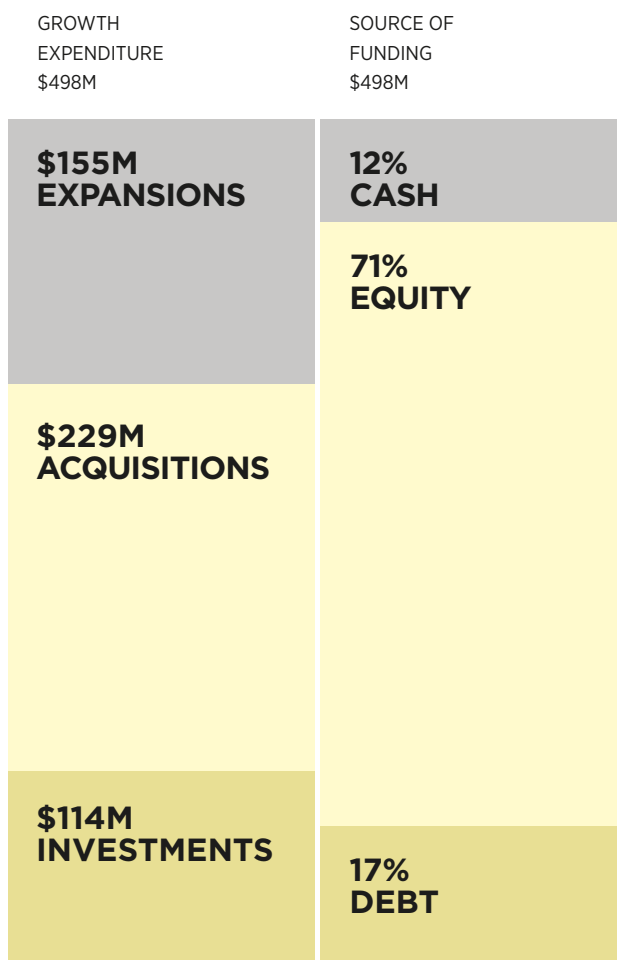
APA's portfolio of assets aligns with the organic growth opportunities that have seen the business consistently grow EBITDA. With the demand for gas continuing to climb, our total organic growth capital and investment expenditure for the 2011 financial year, and our committed expenditure into 2012, will be above \$600 million. This year's \$300 million institutional capital raising has contributed to the funding of these projects.

Over the last four years APA has raised capital to fund its growth via the Distribution Reinvestment Plan (DRP) and the Security Purchase Plan (SPP). Just over \$200 million has been raised via three SPPs in that time. While such plans have tended to favour retail investors, our institutional capital raising this year somewhat redresses this shift, with today's retail share of APA ownership now similar to what it was four years ago.

We continue to see both the SPP and DRP as appropriate for raising equity over an extended period of time. Future equity raisings will look to balance the use of these methods with other options available, including rights issues where appropriate.

In terms of our debt servicing, we successfully refinanced a number of facilities this year in line with our capital management strategy of extending the term of our debt, diversifying sources of funds and managing costs. In addition to APA's issue of \$300 million of Australian dollar medium term notes in July 2010, we also successfully replaced debt maturing in July 2011 with three new bilateral bank facilities totalling \$225 million. Our refinancing program for the \$900 million bank debt facility maturing in June 2012 is well underway, in line with our conservative approach to financial risk management and in accordance with our capital management strategy.

FUNDING 2011 GROWTH



RELIABLE AND DYNAMIC: OUR 5 YEAR FINANCIAL SUMMARY

		2011	2010	2009	2008	2007
Financial performance						
Revenue	\$m	1,102.0	989.5	949.8	881.7	532.7
Revenue excluding pass-through	\$m	720.3	659.5	678.4	598.9	436.8
EBITDA	\$m	492.1	460.0	432.1	408.8	284.6
Depreciation and amortisation expense	\$m	(100.4)	(91.4)	(95.6)	(94.5)	(69.8)
EBIT	\$m	391.8	368.5	336.5	314.3	214.8
Interest expense	\$m	(247.1)	(229.4)	(221.7)	(224.1)	(135.5)
Tax expense	\$m	(35.9)	(38.7)	(35.9)	(23.0)	(22.5)
Minority interests	\$m	(0.3)	(0.2)	(0.1)	(0.1)	(0.1)
Profit after tax and minorities, including significant items	\$m	108.5	100.4	78.8	67.2	56.8
Significant items – after income tax	\$m	(0.4)	0.0	(21.0)	(4.2)	(7.8)
Profit after tax and minorities, excluding significant items	\$m	108.9	100.4	99.7	71.4	64.5
Financial position						
Total assets	\$m	5,428	4,982	4,747	5,097	4,238
Debt	\$m	3,240	3,157	3,057	3,401	2,720
Securityholders' equity	\$m	1,668	1,395	1,278	1,250	1,161
Cash flow and capital expenditure						
Operating cash flow	\$m	290.0	267.8	226.4	186.4	136.7
Capital expenditure	\$m	173.4	135.4	301.7	193.8	130.3
Investments and acquisitions	\$m	342.7	220.5	118.7	655.6	1,247.7
Key financial ratios						
Earnings per security	cents	19.7	19.4	22.7	18.3	17.0
Operating cash flow per security	cents	52.6	51.9	48.2	42.7	39.7
Distribution per security	cents	34.4	32.8	31.0	29.5	28.0
Gearing (net debt to net debt plus equity)	%	66.2	69.8	70.3	72.0	69.0
Interest cover ratio	times	2.0	2.1	2.1	1.9	2.0
Weighted average number of securities	m	551.2	516.2	485.1	450.3	379.6
EBITDA by segment						
Energy Infrastructure						
Queensland	\$m	106.8	103.3	97.6	95.8	72.4
New South Wales	\$m	101.3	96.8	83.4	63.4	53.3
Victoria and South Australia	\$m	115.9	105.7	105.1	83.6	62.3
Western Australia and Northern Territory	\$m	99.8	102.7	110.6	112.8	93.6
Asset Management	\$m	38.8	32.3	22.6	25.5	5.7
Energy Investments	\$m	27.1	19.1	11.6	5.0	0.0
Divested businesses (assets sold to EII)	\$m	-	-	13.4	28.4	9.5

SUSTAINABILITY

OBJECTIVES, PERFORMANCE AND KEY ACTIONS

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

Stakeholder strategic objectives	2011 performance	Actions for 2012
<h3>CUSTOMERS</h3> <p>We will deliver value to our customers and create responsive solutions to their needs by:</p> <ol style="list-style-type: none"> 1. Providing a market-leading service, including responding to critical events when our customers are negatively impacted. 2. Delivering value to customers by utilising the capacity of APA's assets. 3. Working with customers to provide optimal investment and energy market solutions to maintain a pipeline of growth projects. 	<p>Effective and timely response to pipelines and networks affected by extreme weather and flooding events. Pipeline damage and repair during the 2011 Queensland floods caused minimal disruptions to gas supply and all major repairs were completed within the year.</p> <p>Continued development of integrated customer management system.</p> <p>Developed unique gas storage solutions for customers as part of services on the Moomba Sydney Pipeline System.</p> <p>Ongoing commitment to expand infrastructure to meet additional transport and storage capacity requirements including the Roma Brisbane Pipeline, Victorian Transmission System and Mondarra Gas Storage Facility.</p>	<p>Respond to customer needs and continue to work with them to develop optimal energy solutions.</p> <p>Launch the integrated customer management system.</p> <p>Cost efficiency to meet customer growth requirements – maximising use of existing assets and profitably expanding APA's asset portfolio.</p> <p>Continue to develop flexible transportation and storage services.</p>
<h3>EMPLOYEES</h3> <p>We will provide a safe, stimulating and rewarding workplace where our employees can learn and grow by:</p> <ol style="list-style-type: none"> 1. Committing to a long-term LTI⁶ target of 'Zero Harm' by continually improving safety in the workplace. 2. Providing employees with a stimulating and rewarding environment such that they would recommend APA as a great place to work. 3. Providing learning and development programs to attract, retain and develop employees. 	<p>LTI of 6.2, higher than last year (2010: 4.9) and 2011 target of 4.0.</p> <p>Sponsorship of health focused activities for employees, including the Global Corporate Challenge.</p> <p>204 senior leaders participated in APA's Leadership Program and 123 supervisors participated in APA's Frontline Leadership Program.</p>	<p>LTI target of 3.2. Continue work injury prevention program.</p> <p>Develop an employee engagement survey tool.</p> <p>Continue technical, learning and development programs to all employees.</p>

⁶ Lost time injury frequency rate is measured as the number of lost time claims per million hours worked

Stakeholder strategic objectives	2011 performance	Actions for 2012
<h2>ENVIRONMENT</h2> <p>We will continue to deliver an environmentally responsible, safe and essential service by:</p> <ol style="list-style-type: none"> 1. Contributing to policy and responding to climate change initiatives to promote the use of gas as essential to a cleaner energy mix. 2. Including the environment in all investment and procurement decision-making, complying with our emissions reporting obligations, and conserving and rehabilitating the natural state of the land we disturb. 3. Evaluating complementary clean energy projects. 	<p>Engaged with government at federal and state levels to promote the role of gas in the carbon-constrained economy, directly and via industry associations.</p> <p>Contributed to the federal government's review of carbon emissions and energy measurement methods.</p> <p>Investment in renewable generation – Emu Downs wind farm and North Brown Hill wind farm.</p>	<p>Contribute to carbon policy discussions and promote the role of gas in emission reduction.</p> <p>Contribute to the review of the National Greenhouse and Energy Reporting (Measurement) Determination.</p> <p>Formulate a water management strategy.</p> <p>Participate in the Australian Pipeline Industry Association (APIA) Carbon and Energy Efficiency Opportunities Program.</p> <p>Evaluate energy project opportunities arising from the shift to renewable energy, particularly projects that enhance APA's current assets.</p>
<h2>COMMUNITY</h2> <p>We will positively engage the communities within which we operate by:</p> <ol style="list-style-type: none"> 1. Building long-term strategic community relationships to maintain community support and goodwill for APA's activities. 2. Increasing employee connection with local communities through sponsorships, employee volunteering and giving programs targeting our vulnerable communities. 	<p>\$50,000 donated to the Queensland Premiers 2011 Flood Campaign.</p> <p>Implemented APA's Building Brighter Futures community program (giving program) including a commitment to support NAPCAN, Exodus Foundation and Clontarf Foundation. Total of \$99,500 was gifted to support local community based programs.</p> <p>Employee participation in community fund-raising events together with APA matching funds raised up to \$4,000 per event. Total of \$11,511 was raised.</p>	<p>Enhance APA's Community Investment Program.</p> <p>Ongoing support for APA's Building Brighter Futures community program.</p> <p>Ongoing financial support for employee participation in community events.</p>
<h2>INVESTORS</h2> <p>We will continue to be a reliable and attractive investment that delivers superior returns for securityholders by:</p> <ol style="list-style-type: none"> 1. Achieving reliable and sustainable earnings growth by focusing on long-term revenue and costs. 2. Maintaining a strong and robust balance sheet. 3. Identifying and evaluating additional attractive infrastructure-style investments in related energy businesses. 	<p>Total securityholder return of 23.1% for 2011.</p> <p>Maintained investment grade credit ratings (BBB/Baa2).</p> <p>Successful debt raising of \$300 million MTN, \$225 million bank facilities, replacing bank facilities maturing in 2011.</p> <p>Successful capital raising of \$352 million, through operation of the DRP and institutional placement.</p> <p>\$498 million of organic growth capital expenditure, acquisitions and investments.</p>	<p>Maintain investment grade credit ratings.</p> <p>Continue to evaluate additional revenue streams in related energy businesses.</p>

INFORMATION FOR OUR SECURITYHOLDERS

CALENDAR OF EVENTS

Final distribution FY2011 record date	30 June 2011
Final distribution FY2011 payment date	15 September 2011
Annual meeting	27 October 2011
Interim result announcement	23 February 2012*
Interim distribution FY2012 record date	31 December 2011*
Interim distribution FY2012 payment date	16 March 2012*

*Subject to change

ANNUAL MEETING DETAILS

Date: 27 October 2011

**Venue: State Room, Level 2, Hilton Hotel Sydney
488 George Street, Sydney NSW**

Time: 10.30am

Registration commences at 10.00am

ASX LISTING

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

APA GROUP RESPONSIBLE ENTITY AND REGISTERED OFFICE

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

SECURITYHOLDER DETAILS

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

Securityholders with enquiries should also contact the APA Group registry.

APA GROUP REGISTRY

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

DISTRIBUTION PAYMENTS

Distributions will be paid semi-annually in March and September. Securityholders will receive annual tax statements with the final distribution in September.

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

ONLINE ANNUAL REVIEW, ANNUAL REPORT AND SUSTAINABILITY REPORT

APA Group's 2011 Annual Review, Annual Report and Sustainability Report are available at www.apa.com.au.

ONLINE INFORMATION

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

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

ELECTRONIC COMMUNICATION

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

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

DISCLAIMER

Australian Pipeline Limited (ACN 091 344 704) is the responsible entity of Australian Pipeline Trust (ARSN 091 678 778) and APT Investment Trust (ARSN 115 585 441) (APA Group).

Please note that Australian Pipeline Limited is not licensed to provide financial product advice in relation to securities in APA Group. This publication does not constitute financial product advice and has been prepared without taking into account your objectives, financial situation or particular needs. Before relying on any statements contained in this publication, including forecasts and projections, you should consider the appropriateness of the information, having regard to your own objectives, financial situations and needs and consult an investment adviser if necessary.

Whilst due care and attention have been used in preparing this publication, certain forward looking statements are made in this publication which are not based on historical fact and necessarily involve assumptions as to future events and analysis, which may or may not be correct. These forward looking statements should not be relied upon as an indication or guarantee of future performance.

OUR ASSETS AND INVESTMENTS



ENERGY INFRASTRUCTURE

Queensland

- Roma Brisbane Pipeline
- Carpentaria Gas Pipeline
- APA Gas Network
- Berwyndale Wallumbilla Pipeline

New South Wales

- Moomba Sydney Pipeline
- Central West Pipeline
- Central Ranges Pipeline
- NSW interconnect with Victoria

Victoria

- Victorian Transmission System
- Dandenong LNG Facility

South Australia

- SESA Pipeline
- Goldfields Gas Pipeline (88.2%)
- Mid West Pipeline (50%)
- Parmelia Gas Pipeline
- Mondarra Gas Storage Facility
- Kalgoorlie Kambalda Pipeline
- Emu Downs wind farm

Northern Territory

- Amadeus Gas Pipeline

ASSET MANAGEMENT

Commercial and/or operational services to:

- Energy Infrastructure Investments
- Envestra Limited
- Ethane Pipeline Income Fund
- SEA Gas Pipeline
- E112
- other third parties

ENERGY INVESTMENTS

- Envestra Limited (33.0%)
Gas distribution networks and pipelines (SA, Vic, Qld, NSW & NT)
- SEA Gas Pipeline (50%)
- Energy Infrastructure Investments (19.9%)
Annuity gas pipelines, electricity transmission, small gas-fired power stations and gas processing plants
- Ethane Pipeline Income Fund
- ETI2 (20.2%)
North Brown Hill wind farm
- Hastings Diversified Utilities Fund (19.4%)

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