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APA Group



Australian Pipeline Ltd  
ACN 091 344 704

Australian Pipeline Trust  
ARSN 091 678 778

APT Investment Trust  
ARSN 115 585 441

3 January 2012

The Manager

Company Announcements Office  
Australian Securities Exchange  
4<sup>th</sup> Floor, 20 Bridge Street  
Sydney NSW 2000

#### Electronic Lodgement

Dear Sir/Madam

#### **APT Pipelines Limited - Takeover bid for Hastings Diversified Utilities Fund ("Offer") - despatch of Bidder's Statement**

In accordance with section 633(1) item 8 of the Corporations Act, we advise that APT Pipelines Limited (ABN 89 009 666 700) (a company wholly owned by Australian Pipeline Trust (ARSN 091 678 778)) has today completed the despatch of its bidder's statement ("**Bidders Statement**") relating to the Offer, as required by section 633(1) Item 6 of the Corporations Act.

The Offer is dated 3 January 2012.

Please find attached a copy of the Bidder's Statement and the first supplementary bidder's statement as sent to holders of Hastings Diversified Utilities Fund stapled securities.

Yours faithfully

**Mark Knapman**  
Company Secretary

**ACCEPT**

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**THE  
OFFER  
BY APA GROUP  
TO ACQUIRE  
ALL OF YOUR  
STAPLED SECURITIES  
IN:  
HASTINGS DIVERSIFIED  
UTILITIES FUND (HDUF)**

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Offer by APT Pipelines Limited (Bidder)  
(ABN 89 009 666 700)  
(a company wholly owned by Australian Pipeline Trust  
(ARSN 091 678 778))

The Offer is dated 3 January 2012 and will close at 7.00pm  
(Sydney time) on 31 March 2012, unless extended or withdrawn

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# This is an important document and requires your immediate attention

If you are in any doubt as to how to act, you should consult your professional adviser.

Please call the **APA Offer Information Line** on **1800 129 431 (callers in Australia)** or **+61 2 8280 7731 (callers outside Australia)** between 8.30am and 5.30pm (Sydney time) on Business Days if you require any assistance.

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## Key dates

**14 December 2011**  
Announcement Date

**15 December 2011**  
Date of this Bidder's Statement

**3 January 2012**  
Date of Offer

**31 March 2012, 7.00pm**  
Closing Date  
(unless extended or withdrawn)

**Note:** the Closing Date for the Offer may change as permitted by the Corporations Act.

This Offer is given by the Bidder under Part 6.5 of the Corporations Act.

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## How to accept the Offer

**You may accept the Offer at any time during the Offer Period in the manner specified below. How you accept the Offer depends on whether your HDUF Stapled Securities are in an Issuer Sponsored Holding or a CHES Holding. Your personalised Acceptance Form outlines which type of holding you have.**

### **If you hold your HDUF Stapled Securities in an Issuer Sponsored Holding (your SRN starts with an "I")**

To accept the Offer, you must complete, sign and return the enclosed personalised Acceptance Form in accordance with the instructions on it and return it to the address indicated on the form (and set out below) before the end of the Offer Period.

### **If you hold your HDUF Stapled Securities in a CHES Holding (your HIN starts with an "X")**

To accept the Offer you must comply with the ASX Settlement Operating Rules by doing one of the following:

- instruct your Controlling Participant (usually your broker) to initiate acceptance of the Offer in sufficient time for the Offer to be accepted before the end of the Offer Period;
- complete and sign the accompanying personalised Acceptance Form and send it (together with all other documents required by the instructions on the form) directly to your Controlling Participant in sufficient time for the Offer to be accepted before the end of the Offer Period with instructions to initiate acceptance of the Offer on your behalf; or
- complete, sign and return your personalised Acceptance Form in accordance with the instructions on it and lodge it by returning it to an address indicated on the form (and set out below) so that your acceptance is received before 7.00pm (Sydney time) on the second last Business Day of the Offer Period. This will authorise the Bidder to instruct your broker or other Controlling Participant to initiate acceptance of the Offer on your behalf.

The postal and delivery addresses for completed Acceptance Forms are:

#### **By post**

Link Market Services Limited  
Hastings Diversified Utilities Fund Takeover  
Locked Bag A14  
SYDNEY SOUTH NSW 1235

#### **By hand**

Link Market Services Limited  
Hastings Diversified Utilities Fund Takeover  
Level 12, 680 George Street  
SYDNEY NSW 2000

Full details on how to accept the Offer are set out in section 9.4. If you have any questions about the Offer, please call the APA Offer Information Line on 1800 129 431 (callers in Australia) or +61 2 8280 7731 (callers outside Australia) between 8.30am and 5.30pm (Sydney time) on Business Days.

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# Chairman's letter

## Offer for your HDUF Stapled Securities



“I am pleased to offer you a substantial premium for your HDUF Stapled Securities and an opportunity to join existing APA Securityholders in owning Australia's largest natural gas infrastructure business.”

Len Bleasel AM  
APA Group Chairman

### Dear HDUF Securityholder

On behalf of the board of APA Group, I am pleased to offer you a substantial premium for your HDUF Stapled Securities and an opportunity to join existing APA Securityholders in owning Australia's largest natural gas infrastructure business.

#### An attractive Offer

For each of your HDUF Stapled Securities, we are offering \$0.50 cash and 0.326 APA Stapled Securities. This implies a value of \$2.00 per HDUF Stapled Security.<sup>1</sup>

The implied value represents a premium of 12.6% to the 5 day VWAP and a premium of 20.6% to the 3 month VWAP of HDUF Stapled Securities, in each case on the day before the Announcement Date.<sup>2</sup>

#### Additional benefits of the Offer

The Offer provides you with the opportunity to become an investor in a significantly larger entity offering the benefits of scale and diversity to its customers and you as a securityholder, while retaining exposure to HDUF Group assets.

As each HDUF pipeline can be connected to one or more of the APA Group pipelines, HDUF's assets form a natural fit with APA Group's existing infrastructure. The Combined Group will be a bigger and broader energy infrastructure business, with a clear strategic focus on natural gas transmission and will be able to provide enhanced services to its customers to better meet their requirements. It will own and/or operate over 15,000 kilometres of natural gas pipelines across mainland Australia, more than six times the approximately 2,445 kilometres of natural gas pipelines owned by HDUF.

Since listing in 2000, APA has maintained its objective of enhancing value to APA Securityholders by delivering consistent and superior securityholder returns relative to HDUF and the market.<sup>3</sup> In addition, APA Group has a self-managed and transparent structure, free from external management fees. Our extensive expertise and industry knowledge will be applied in managing and operating the assets of the Combined Group.

Consistent strong business performance is a hallmark of APA Group. This has been achieved by enhancing the value of our asset portfolio through a combination of organic growth in our core gas infrastructure business and via targeted acquisitions.

This strategy has culminated in APA Group being Australia's largest natural gas infrastructure business transporting about half of all natural gas used in Australia. With Australia's increasing demand for energy, and natural gas in particular, the Combined Group will be well positioned to grow sustainably and deliver secure and reliable financial performance to the benefit of APA Securityholders.

#### Other information about the Offer

The Offer is subject to a number of conditions, including a 90% minimum acceptance condition and ACCC approval. The conditions are contained in section 10 of this Bidder's Statement.

APA Group currently holds a relevant interest in 20.7% of HDUF Stapled Securities.

I encourage all HDUF Securityholders to read this Bidder's Statement for more details about the Offer and APA Group.

The Offer is open for your acceptance until 31 March 2012 unless extended or withdrawn. If you wish to accept the Offer, please follow the instructions on the inside front cover or as set out in your personalised Acceptance Form. If you have any questions or require additional assistance, please contact the APA Offer Information Line on **1800 129 431** (within Australia), or **+61 2 8280 7731** (outside Australia), or consult your professional adviser.

As Chairman of the Board of the responsible entity of APA, I am excited by the future for the Combined Group and look forward to receiving your acceptance and welcoming you as an APA Securityholder.

Yours sincerely,

A handwritten signature in black ink, appearing to read "L. Bleasel". The signature is fluid and cursive.

Len Bleasel AM  
APA Group Chairman

1 Based on the closing price of APA Stapled Securities on the day before the Announcement Date of \$4.60. Foreign Securityholders will not be provided with APA Stapled Securities. See section 9.5.3 for further information.  
2 Based on a 5 day VWAP of HDUF Stapled Securities of \$1.78 and 3 month VWAP of \$1.66, in each case on the day before the Announcement Date.  
3 Comparison to the market is based on the S&P/ASX 200 Accumulation Index since June 2000 (APA Stapled Security listing date) and comparison to HDUF is since December 2004 (HDUF Stapled Security listing date). See section 2 of the "Overview of the Offer" section for further details.

# Important notices

**The Offer described within this Bidder's Statement is given by APT Pipelines Limited (ABN 89 009 666 700) (a company wholly owned by Australian Pipeline Trust (ARSN 091 678 778)) (Bidder) under Part 6.5 of the Corporations Act and sets out certain disclosures required by the Corporations Act together with the terms of the Offer to acquire your HDUF Stapled Securities.**

A copy of this Bidder's Statement was lodged with ASIC on 15 December 2011. Neither ASIC nor any of its officers take any responsibility for the content of this Bidder's Statement.

## Defined terms

Capitalised terms and certain abbreviations used in this Bidder's Statement are defined in the glossary in section 13. Unless the contrary intention appears, the context requires otherwise or words are defined in section 13, words and phrases in this Bidder's Statement have the same meaning and interpretation as in the Corporations Act.

Unless otherwise indicated, all references to sections are references to sections of this Bidder's Statement.

## Investment advice

The information in this Bidder's Statement is general information only and does not take into account your individual objectives, financial situation or needs. You should consider whether the information in this Bidder's Statement is appropriate for you in light of your objectives, financial situation and needs. Accordingly, before making a decision whether or not to accept the Offer, you may wish to consult with your professional adviser.

## Forward looking statements

This Bidder's Statement contains certain forward looking statements which have not been based solely on historical facts, but are rather based on the Bidder's and the APA Responsible Entity's current expectations about future events and results. These forward looking statements are, however, subject to risks, uncertainties and assumptions which could cause actual events or results to differ materially from the expectations described in such forward looking statements. These factors include, amongst other things the risks identified in section 8 as well as other matters not yet known to APA Group or not currently considered material by the Bidder or the APA Responsible Entity. Actual events or results may differ materially from the events or results expressed or implied in any forward looking statement and deviations are both normal and to be expected. Except to the extent required by law, none of the Bidder, the Board, nor any member of APA Group or their respective officers or employees, any persons named in this Bidder's Statement with their consent or any person involved in the preparation of this Bidder's Statement, make any representation or warranty (express or implied) as to the accuracy or likelihood of fulfilment of any forward looking statement, or any events or results expressed or implied in any forward looking statement.

## Information on HDUF Group

The information on HDUF Group and HDUF Stapled Securities and HDUF Group's business contained in this Bidder's Statement has been prepared based on a review of publicly available and limited non-public information and should not be considered

comprehensive. Information in this Bidder's Statement concerning HDUF Group, HDUF Stapled Securities and HDUF Group's business has not been independently verified by the Bidder or the APA Responsible Entity. Subject to the Corporations Act, none of the Bidder, 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.

Further information relating to HDUF Group's business may be included in HDUF's target statement which HDUF must provide to HDUF Securityholders in response to this Bidder's Statement.

## Privacy

The Bidder has collected your information from the register of HDUF Securityholders for the purpose of making this Offer and, if accepted, administering your holding of HDUF Stapled Securities. The Corporations Act requires the names and addresses of HDUF Securityholders to be held in a public register. Your information may be disclosed on a confidential basis to the Bidder and its related bodies corporate and external service providers, and may be required to be disclosed to regulators such as ASIC. The registered address of the Bidder is Level 19, HSBC Building, 580 George Street, Sydney NSW 2000.

## Notice to Foreign Securityholders

APA Stapled Securities will only be issued under the Offer to HDUF Securityholders with registered addresses in Australia or New Zealand.

Foreign Securityholders will not be entitled to APA Stapled Securities as part of the Offer Consideration. Instead, the APA Stapled Securities to which they would otherwise be entitled will be issued to the Nominee. Those APA Stapled Securities will be offered for sale and the net proceeds provided to the Foreign Securityholders in Australian dollars in accordance with section 9.5.3 and subject to the restrictions set out in section 9.5.8.

The distribution of this Bidder's Statement outside Australia or New Zealand may, in some countries, be restricted by law or regulation. Accordingly, persons who come into possession of this Bidder's Statement should inform themselves of, and observe, those restrictions.

The Offer is being proposed and will be conducted in accordance with the laws in force in Australia and with the Listing Rules. The disclosure requirements in relation to the Offer in Australia will differ from those applying in other jurisdictions (including the United States). The financial statements included in this Bidder's Statement have been prepared in accordance with generally accepted accounting principles in Australia that will differ from those in other jurisdictions (including the United States). Because substantially all of the Directors and the assets

# Contents of this Bidder's Statement

of APA Group are located in Australia, investors resident in places other than Australia and New Zealand may have difficulties in enforcing their rights and any claims they may have arising under the laws of the jurisdiction in which they are resident (including, for United States investors, the United States federal securities laws) against APA, the Board or any of the officers or employees of APA Group. It may be difficult to compel the Bidder and its affiliates to subject themselves to a judgment of a court outside Australia.

This Bidder's Statement is neither an Offer to sell to nor a solicitation of an offer to buy securities (as such terms are defined under the US Securities Act) from Foreign Securityholders. The APA Stapled Securities to be issued pursuant to the Offer have not been, and will not be, registered under the US Securities Act or the securities laws of any United States state or other jurisdiction and therefore may not be offered or sold to persons resident in or located in the United States without registration or an applicable exemption from the registration requirements of the US Securities Act.

None of the US Securities Exchange Commission, any United States state securities commission or any other United States regulatory authority has passed comment upon or endorsed the merits of the Offer or the accuracy, adequacy or completeness of this Bidder's Statement. Any representation to the contrary is a criminal offence.

In making the Offer available to persons in New Zealand, the Bidder is relying on an exemption contained in the New Zealand Securities Act (Overseas Companies) Exemption Notice 2002 in relation to prospectus and investment statement requirements in New Zealand.

## Updated information

Information contained in this Bidder's Statement is subject to change from time to time. This information may be updated and made available to you on APA Group's website at [www.apa.com.au](http://www.apa.com.au) where that information is not of a kind that is required to be included in a supplementary Bidder's Statement (that is, where that information is not material). Requests for free hard copies of any updated information may be made by contacting the APA Offer Information Line on 1800 129 431 (callers in Australia) or +61 2 8280 7731 (callers outside Australia) between 8.30am and 5.30pm (Sydney time) on Business Days.

## Enquiries

If you are in any doubt as to how to deal with this Bidder's Statement, you should consult your professional adviser.

If you have any questions about the Offer, please call the APA Offer Information Line on 1800 129 431 (callers in Australia) or +61 2 8280 7731 (callers outside Australia) between 8.30am and 5.30pm (Sydney time) on Business Days.

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# Overview of the Offer

**For each HDUF Stapled Security, you will receive \$0.50 cash + 0.326 APA Stapled Securities.<sup>4</sup>**

The Offer Consideration implies a value of **\$2.00** per HDUF Stapled Security, comprising:  
**\$0.50 cash;** and  
**0.326 APA Stapled Securities** being an implied value of **\$1.50.<sup>5</sup>**

This implied value **represents a premium** of:

- **12.6%** to the 5 day VWAP of HDUF Stapled Securities on the day before the Announcement Date of \$1.78; and
- **20.6%** to the 3 month VWAP of HDUF Stapled Securities on the day before the Announcement Date of \$1.66.

The value of APA Stapled Securities and therefore the implied value of the Offer Consideration are subject to change over the Offer Period as a result of movements in the APA Stapled Security price.

## FIGURE 1 - Impact of distributions on the Offer Consideration

<b>HDUF distributions</b>	<p>If you continue to hold HDUF Stapled Securities on the record date for any HDUF distribution, then you will receive that distribution from HDUF.</p> <p>However, the value of the Offer Consideration will be reduced by the amount of any HDUF distribution which is paid to HDUF Securityholders after the Announcement Date.</p>
<b>APA distributions</b>	<p>If you accept the Offer, you will be entitled to receive any distributions paid to APA Stapled Securityholders for each APA Stapled Security you receive as part of the Offer Consideration where the APA Stapled Security is issued before the relevant record date for that distribution.</p> <p>You will not receive any FY2012 interim APA distribution for the half year ending 31 December 2011 because the APA Stapled Securities forming part of the Offer Consideration will not be issued before the record date (30 December 2011) for that distribution.</p> <p>See questions 13 and 14 in “Frequently Asked Questions” for more information.</p>

<sup>4</sup> Foreign Securityholders will not be entitled to receive APA Stapled Securities. Instead, the APA Stapled Securities to which they would otherwise be entitled will be sold by the Nominee and the net proceeds paid to them. See section 9.5.3 for further information.

<sup>5</sup> Based on the closing price of APA Stapled Securities on the day before the Announcement Date of \$4.60.

### Value of the Offer Consideration

Figure 2 below shows how the implied value of the Offer Consideration varies with changes in the APA Stapled Security price. It also shows the corresponding impact on the premium to the 5 day and 3 month VWAPs of HDUF Stapled Securities on the day before the Announcement Date.

Figure 2 is designed to assist HDUF Securityholders in assessing the value of the Offer Consideration at different APA Stapled Security prices. It does not provide a forecast of the price at which APA Stapled Securities will trade on any relevant market including the ASX.

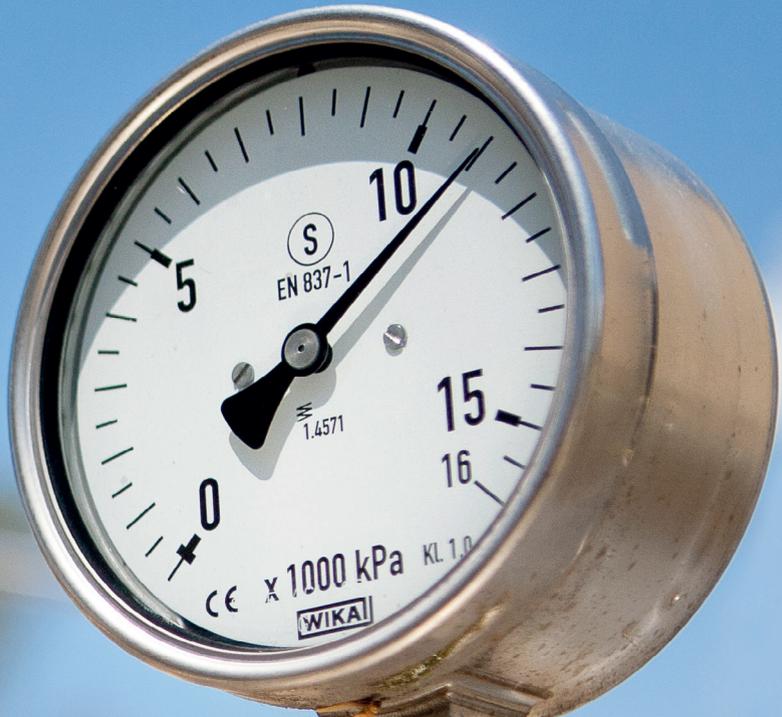
The Bidder is not obliged to make any adjustment to the Offer Consideration if the value of APA Stapled Securities changes during the Offer Period. Accordingly, market fluctuations could favourably or adversely affect the implied value of the Offer Consideration at any particular time.

**FIGURE 2 - Offer Consideration**

APA Stapled Security price	Implied value of the Offer Consideration			Implied premium of the Offer Consideration <sup>6</sup>	
	Value of APA Stapled Security	Cash	Total Offer Consideration	To 5 day VWAP of HDUF Stapled Securities	To 3 month VWAP of HDUF Stapled Securities
\$4.30	\$1.40	\$0.50	\$1.90	7.1%	14.7%
<b>\$4.32 3 month VWAP on the day before the Announcement Date</b>	\$1.41	\$0.50	\$1.91	7.5%	15.1%
\$4.40	\$1.43	\$0.50	\$1.93	8.9%	16.7%
\$4.50	\$1.47	\$0.50	\$1.97	10.7%	18.6%
<b>\$4.60 closing price on the day before the Announcement Date</b>	<b>\$1.50</b>	<b>\$0.50</b>	<b>\$2.00</b>	<b>12.6%</b>	<b>20.6%</b>
<b>\$4.63 5 day VWAP on the day before the Announcement Date</b>	\$1.51	\$0.50	\$2.01	13.2%	21.3%
\$4.70	\$1.53	\$0.50	\$2.03	14.4%	22.6%
\$4.80	\$1.56	\$0.50	\$2.06	16.3%	24.5%
\$4.90	\$1.60	\$0.50	\$2.10	18.1%	26.5%

As noted above, the value of the Offer Consideration will be reduced by the amount of any HDUF distribution which is paid to HDUF Securityholders after the Announcement Date.

<sup>6</sup> VWAP is on the day before the Announcement Date. As VWAP figures have been rounded to 2 decimal places, the percentages shown above may vary marginally from calculated percentages.



# Accept APA Group's offer and have the opportunity to:

1. Receive a **substantial premium** for your HDUF Stapled Securities<sup>7</sup>
2. Gain exposure to APA Group, which has achieved **superior total securityholder return** in excess of HDUF and the market<sup>8</sup>
3. Benefit from **quality management**, energy **industry know-how** and robust **financial capability**
4. Benefit from the **self-managed** and **transparent structure** of the Combined Group, which is **free from external management fees**
5. Become an investor in a **significantly larger entity** offering the **benefits of scale and diversity**, while **retaining exposure to HDUF assets**

For the reasons set out above, the Offer provides you with the opportunity to realise greater value from your investment in HDUF today, and potentially benefit from your investment in a larger national energy infrastructure business in the future.<sup>9</sup>

In deciding whether to accept this Offer, you should also consider:

- That the Bidder already holds a 20.7% interest in HDUF, reducing the likelihood of alternate bids
- That the Bidder believes the HDUF Stapled Security price is likely to fall, in the absence of an alternate bid, if the Offer is not successful

In particular, you should consider the risk factors that may affect the APA Group, the Combined Group, that arise from the Offer, and that relate to the general economy and securities market. These are set out in full in section 8 and some are summarised at the end of this overview section.

<sup>7</sup> Premium of 12.6% based on the 5 day VWAP of HDUF Stapled Securities of \$1.78 and premium of 20.6% based on the 3 month VWAP of \$1.66 to the closing price of APA Stapled Securities of \$4.60, in each case on the day before the Announcement Date. See Figure 2 of this overview section which shows variations in the premium at different prices for APA Stapled Securities.

<sup>8</sup> Based on total securityholder return and Compound Annual Growth Rate comparisons between APA Group, HDUF and the S&P/ASX 200 Accumulation Index since HDUF listed in December 2004. Total securityholder return is the capital appreciation of the company's security price, adjusted for capital management (such as security splits or consolidations) and assuming reinvestment of distribution at the declared distribution rate per security. The period analysed is from 10 December 2004 up to and including the day before the Announcement Date.

<sup>9</sup> Foreign Securityholders will not be entitled to receive APA Stapled Securities. Instead, the APA Stapled Securities to which they would otherwise be entitled will be sold by the Nominee and the net proceeds paid to those Foreign Securityholders. See section 9.5.3 for further information.

# Who is APA Group?

- **Australia's largest<sup>10</sup> natural gas infrastructure business**, transporting about half of the nation's natural gas usage through the assets it owns or operates
- **Owner or operator of approximately \$9 billion of energy infrastructure<sup>11</sup>**, located in every state and territory in mainland Australia
- Listed on the ASX with a **market capitalisation of over \$2.94 billion<sup>12</sup>**
- Investor in various **energy investment** enterprises and provider of **asset management** and operational services for the majority of these investments
- An entity that has delivered **stable and predictable cash flows** derived from regulated and contracted revenues
- An entity with a **diversified funding structure**, which has been strongly supported by debt and equity markets
- A **dynamic business**, expanding and enhancing its unique asset portfolio to meet the growth in demand for natural gas in Australia
- A **self-managed** infrastructure entity with a **highly skilled and experienced workforce** of over 1,200 employees

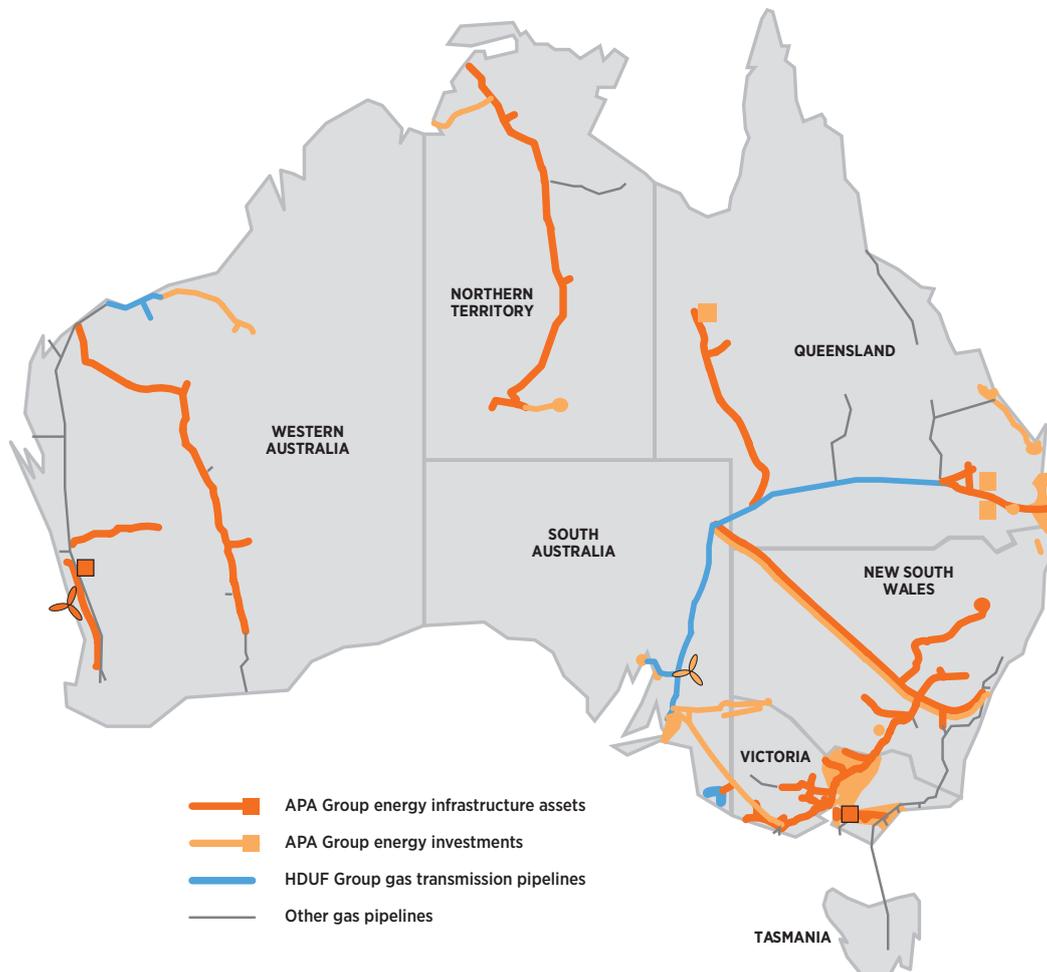


<sup>10</sup> APA Group is Australia's largest natural gas infrastructure business by length of high pressure natural gas transmission pipelines and volume of natural gas transported.

<sup>11</sup> APA Group owns and operates its own assets of \$4.2 billion. APA Group also operates assets of approximately \$4.7 billion owned by some of its energy investments (Envestra, SEA Gas Pipeline, Allgas Distribution Network, Energy Infrastructure Investments, and Ethane Pipeline Income Fund). The asset values are based on pro forma historical financial information.

<sup>12</sup> Based on the closing price of APA Stapled Securities on the day before the Announcement Date of \$4.60 and the total number of APA Stapled Securities currently on issue of 639,334,625.

**FIGURE 3 – APA Group assets and investments**



As well as pipelines owned directly, the map includes the pipelines of HDUF Group because APA Group already holds 20.7% of HDUF. Figure 3 also includes the pipelines of APA Group's other energy investments outlined below.

APA Group owns and operates assets in the following three key segments:

**Energy infrastructure**

- 10,170 km<sup>13</sup> of high pressure natural gas transmission pipelines across mainland Australia
- Gas storage facilities in Western Australia and Victoria
- Power generation assets in Western Australia and Queensland

**Energy investments** include equity interests in:

- Gas distribution networks – Envestra (33%) and Allgas Distribution Network (20%)<sup>14</sup>
- Gas pipelines – SEA Gas Pipeline (50%), Ethane Pipeline Income Fund (6%) and HDUF (20.7%)<sup>15</sup>
- Energy Infrastructure Investments (20%) and EI12 (20%)

**Asset management**

APA Group provides some or all of the corporate, operating, commercial and maintenance services of Envestra, Allgas, SEA Gas Pipeline, Ethane Pipeline Income Fund, Energy Infrastructure Investments and EI12.

Further details on the business of APA Group are set out in section 1. Each of these assets and investments are contained in section 1.5.1.

<sup>13</sup> Represents the length of high pressure natural gas transmission pipelines 100% owned by APA Group.

<sup>14</sup> Allgas owns gas distribution networks in south east Queensland. On the Announcement Date, APA announced the sale of the Allgas Distribution Network into an APA Group minority-owned unlisted investment vehicle, with each of Marubeni Corporation and RREEF holding a 40% interest and APA Group retaining the remaining 20% interest. The sale is expected to settle prior to the end of December 2011.

<sup>15</sup> The Bidder has a relevant interest in 20.7% of HDUF Stapled Securities, having acquired an additional 7,280,283 securities since the last substantial shareholding notice lodged with the ASX on 30 November 2010. At the time of lodging the substantial shareholding notice, the Bidder held a relevant interest of 19.77%.

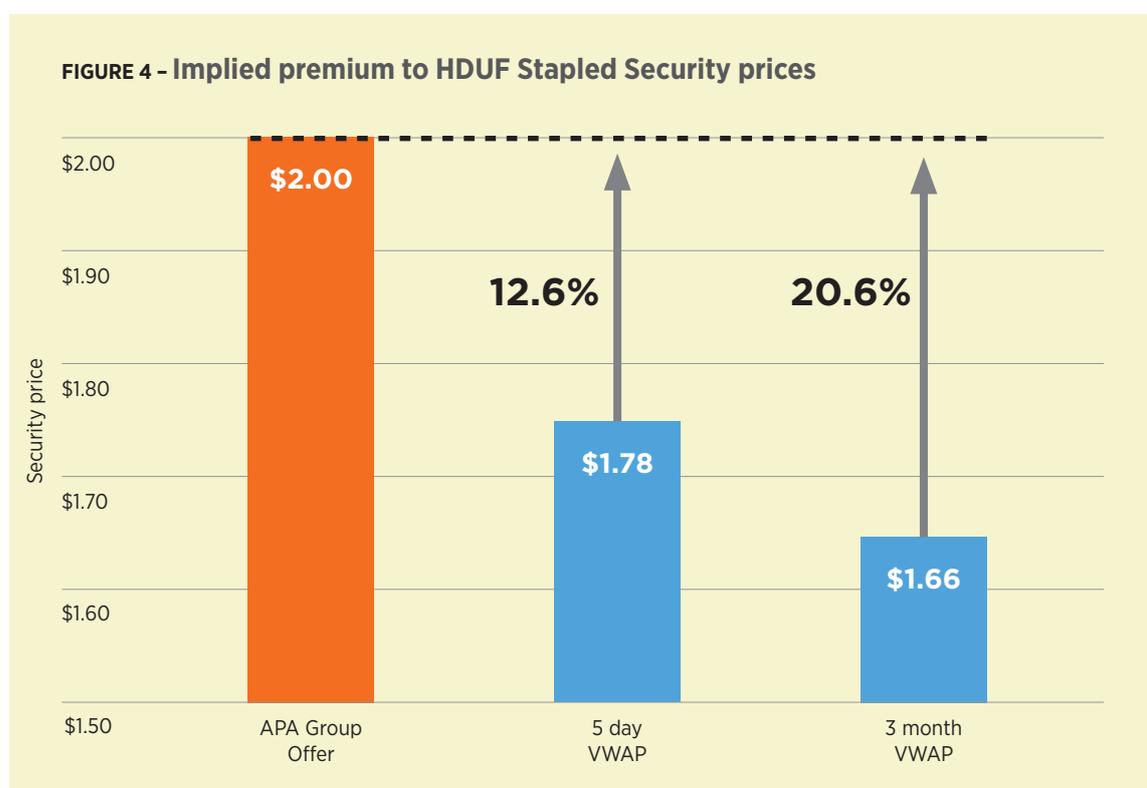
# Why you should accept the Offer

Accept APA Group's offer and have the opportunity to:

## 1. Receive a substantial premium for your HDUF Stapled Securities

As can be seen from Figure 4 below, the implied value of the Offer Consideration of \$2.00<sup>16</sup> reflects:

- a 12.6% premium to the 5 day VWAP of HDUF Stapled Securities on the day before the Announcement Date of \$1.78; and
- a 20.6% premium to the 3 month VWAP of HDUF Stapled Securities on the day before the Announcement Date of \$1.66.



The implied premium at different prices for APA Stapled Securities is set out in Figure 2 of this overview section.

The Bidder believes that the HDUF Stapled Security price is likely to fall, in the absence of an alternate bid, if the Offer is not successful.

The Bidder currently holds a 20.7% interest in HDUF, reducing the likelihood of alternate bids.

Since news of APA Group's ownership of HDUF Stapled Securities was first publicly announced, there has been speculation regarding APA Group's position as a potential acquirer of all of the HDUF Stapled Securities. In the opinion of the Bidder, this speculation has meant that the price of HDUF Stapled Securities has generally traded at price levels above the price at which those HDUF Stapled Securities would trade in the absence of this speculation as to a possible takeover offer by APA Group.

<sup>16</sup> The implied value of the Offer Consideration is based on the closing price of APA Stapled Securities on the day before the Announcement Date of \$4.60.

## 2.

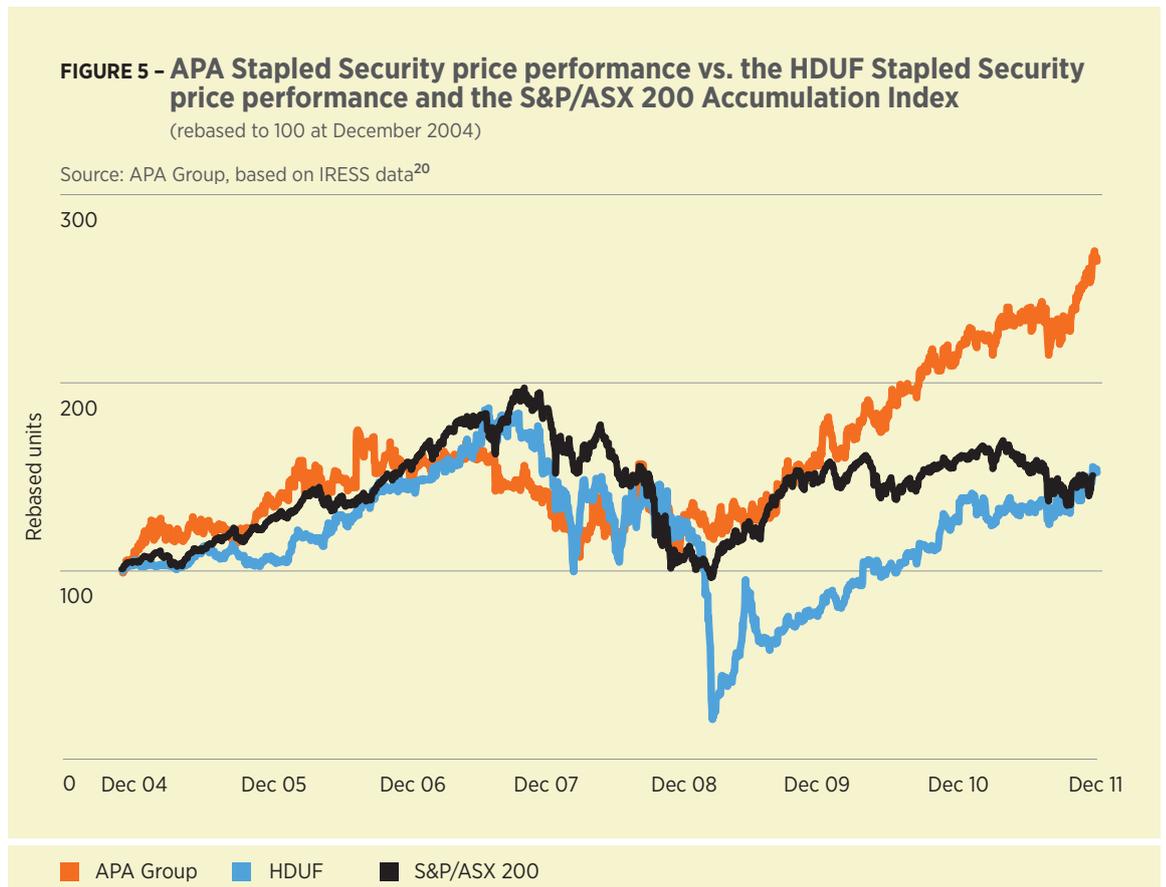
## Gain exposure to APA Group, which has achieved superior total securityholder return in excess of HDUF and the market

### 2.1 APA Group has a proven track record of delivering securityholder value

#### 2.1.1 Total securityholder return since HDUF listing

As can be seen from Figure 5 below, since HDUF's listing on the ASX in December 2004, APA has delivered a total securityholder return of 163%, representing a Compound Annual Growth Rate of 15%. During the same period, HDUF achieved a total securityholder return of only 51% representing a Compound Annual Growth Rate of 6%.<sup>17</sup>

During the same period, the S&P/ASX 200 Accumulation Index<sup>18</sup> achieved a total return of only 46% representing a Compound Annual Growth Rate of 6%.<sup>19</sup>



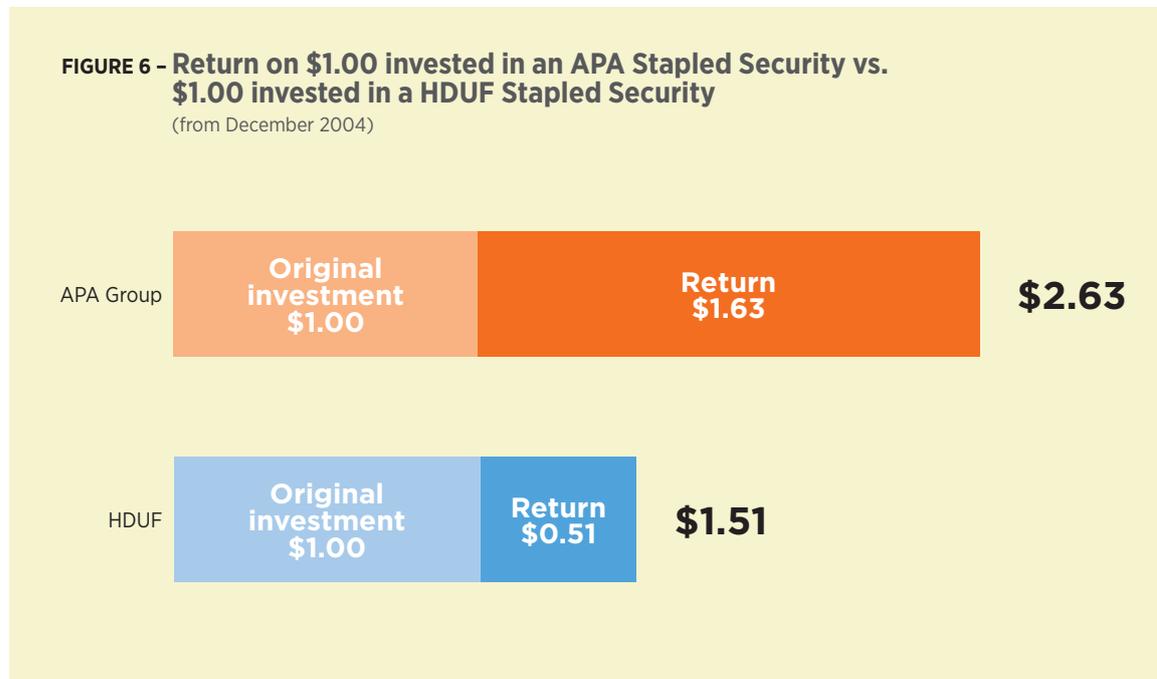
<sup>17</sup> Total securityholder return and Compound Annual Growth Rate calculations use figures from APA and HDUF as at the day before the Announcement Date.

<sup>18</sup> Similar to the calculation of total securityholder return, the S&P/ASX 200 Accumulation Index takes into account the notional security price movements, adjustment for capital management (such as security splits and consolidations) and assuming reinvestment of distributions at the declared distribution rate per security of the stocks that comprise the S&P/ASX 200 over a period of time.

<sup>19</sup> Total securityholder return and Compound Annual Growth Rate calculations use the S&P/ASX 200 Accumulation Index as at the day before the Announcement Date.

<sup>20</sup> IRESS has not consented to the use of this reference.

Using total securityholder return achieved since HDUF listing as a basis for comparison, as can be seen in the graph below, a \$1.00 investment in APA Group in December 2004 would be worth \$2.63 today. This is compared to a \$1.00 investment in HDUF during the same period, which would today be worth \$1.51.<sup>21</sup>

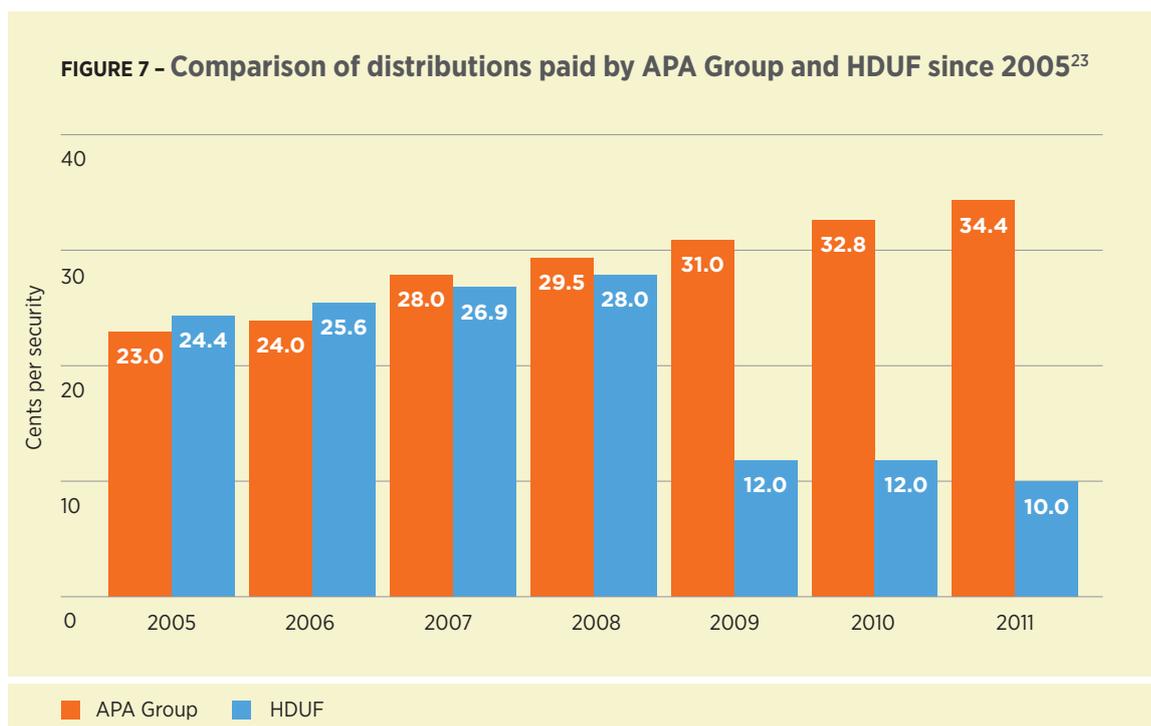


<sup>21</sup> Total securityholder return uses figures from APA and HDUF as at the day before the Announcement Date.

### 2.1.2 Solid distribution track record

As can be seen from Figure 7 below, APA Group has a solid and consistent distribution record which has increased from 23.0 cents per APA Stapled Security in 2005 to 34.4 cents in 2011, representing a Compound Annual Growth Rate of 6%.

Against this, HDUF's distribution has been reduced from 24.4 cents per HDUF Stapled Security in 2005 to 10.0 cents in 2011,<sup>22</sup> representing a Compound Annual Growth Rate of -12%.



APA Group confirms its guidance that the total distributions per APA Stapled Security for FY2012 will at least equal the total distributions for FY2011 (which totalled 34.4 cents per APA Stapled Security). The FY2012 interim distribution for the 6 months ending 31 December 2011 will be 17.0 cents per APA Stapled Security and, based on the distribution guidance, the final distribution for the 6 months ending 30 June 2012 will be at least 17.4 cents per APA Stapled Security.

APA will not issue APA Stapled Securities to HDUF Securityholders as part of the Offer Consideration before the record date for the interim distribution (that date being 30 December 2011). Therefore, HDUF Securityholders will not be in a position to receive APA's interim distribution of 17.0 cents for the year ending 30 June 2012.

However, HDUF Securityholders will be entitled to receive any final distribution declared by APA in respect of any APA Stapled Securities that are issued to them as part of the Offer Consideration between the dates of 1 January 2012 and 30 June 2012. The final distribution is expected to be paid in September 2012.

If the Bidder acquires all of the HDUF Stapled Securities, APA's distributions will continue to be covered by operating cash flows. 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 its securityholders.

<sup>22</sup> APA Group has a financial year end of 30 June compared to a HDUF financial year end of 31 December. For clarity and in order to provide a basis of comparison, the historical figures for APA Group and HDUF are based on figures as at their respective financial year end dates.

<sup>23</sup> APA Group has a financial year end of 30 June compared to a HDUF financial year end of 31 December. For clarity and to provide a basis of comparison, the historical figures for APA Group and HDUF are based on figures as at their respective financial year end dates. HDUF issued approximately 277 million new securities in July 2009 as part of a 1-for-1 non-renounceable pro-rata entitlement offer and institutional placement.

# 3. Benefit from quality management, energy industry know-how and robust financial capability

## 3.1 APA Group has proven management expertise, consistently delivering on APA Group's strategy

APA Group has proven management expertise and industry know-how with:

- Assets owned or operated by APA Group having increased from \$1.4 billion since listing in June 2000 to approximately \$9 billion<sup>24</sup> through organic growth and strategic acquisitions
- Extensive experience in the pipeline industry as owner and operator of an infrastructure business
- A national team of in excess of 1,200 employees working closely with assets and customers
- The ability to respond to the dynamics of the gas market, by developing innovative solutions and new services for customers
- 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
- The successful development and expansion of assets, including construction of new pipelines and capacity expansion of existing pipelines
- Consistent strong business performance, adhering to strategy and generating value for customers and securityholders

## 3.2 APA Group has robust financing capability

APA Group has robust financing capability which enables it to competitively fund current and future growth opportunities for APA Group.

APA Group has a diversified funding structure, strongly supported by debt and equity markets, as seen in its recent financing transactions over the last 18 months:

- Issued \$300 million 10 year, fixed-rate Australian dollar Medium Term Notes in July 2010<sup>25</sup>
- Raised \$300 million in equity in June 2011 to fund the Emu Downs wind farm acquisition and partially fund organic growth projects<sup>26</sup>
- Executed four 3-year \$75 million bilateral debt facilities in June and August 2011<sup>27</sup> and a further \$150 million 5-year bilateral bank facility in October 2011<sup>28</sup>
- Executed \$1.45 billion of syndicated bank debt facilities in November 2011 to refinance a \$900 million maturity in June 2012 and \$515 million facility maturing in July 2013<sup>29</sup>

All the above debt raisings were completed on market competitive terms.

After the acquisition by the Bidder of HDUF, the Combined Group will have a Gearing Ratio of around 65%. The Gearing Ratio is provided to give an indication of the extent to which APA Group is funded by debt.

<sup>24</sup> APA Group owns and operates its own assets of \$4.2 billion. APA Group also operates assets of approximately \$4.7 billion owned by some of its energy investments (Envestra, SEA Gas Pipeline, Allgas Distribution Network, Energy Infrastructure Investments and Ethane Pipeline Income Fund). The asset values are based on pro forma historical financial information.

<sup>25</sup> APA Group ASX announcement, 15 July 2010.

<sup>26</sup> APA Group ASX announcement, 23 June 2011.

<sup>27</sup> APA Group ASX announcement, 1 July 2011.

<sup>28</sup> APA Group ASX announcement, 13 October 2011.

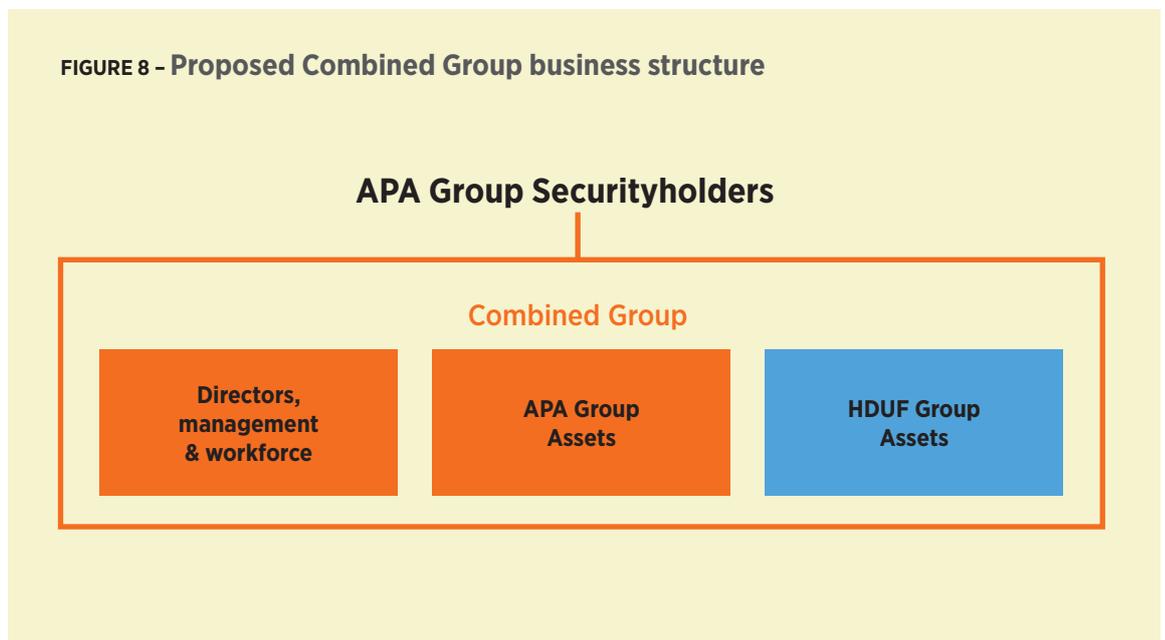
<sup>29</sup> APA Group ASX announcement, 3 November 2011.

# 4.

## Benefit from the self-managed and transparent structure of the Combined Group, which is free from external management fees

### 4.1 Transparent business structure

APA Group has a transparent structure, with the directors, management and employees being part of the self-managed APA Group. It is intended that the Combined Group will include HDUF Group assets as shown in Figure 8 below.



### 4.2 Free from external management fees

APA Group has no fee 'leakage' to external managers. Consequently APA Securityholders benefit from the full financial performance of the business (after allowing for APA Group's internal management costs).

Parties external to HDUF have benefited from HDUF's performance. To date, HDUF Securityholders have received a total of approximately \$317 million in distributions against management fees of approximately \$37 million and Performance Fees of \$43 million<sup>30</sup> paid to the HDUF Responsible Entity which is not owned by HDUF Securityholders. These management and Performance Fee payments of over \$80 million represent a fee leakage equivalent to 25% of total distribution payments to HDUF Securityholders.

Furthermore, any increase in the price of HDUF Stapled Securities as a result of the announcement of this Offer will mean that the HDUF Responsible Entity will be entitled to substantial additional Performance Fees. It is a condition of the Offer that the HDUF Responsible Entity advise the ASX that there will be a restriction on the timing and amount of the Performance Fees received by it and that the Performance Fee will be satisfied wholly by the issue of HDUF Stapled Securities in lieu of cash payments (see section 12.6.2).

<sup>30</sup> Figures based on HDUF published accounts since listing in December 2004. Performance fees have historically been paid to the HDUF Responsible Entity in HDUF Stapled Securities at a price of \$2.56.

# 5. Become an investor in a significantly larger entity offering the benefits of scale and diversity, while retaining exposure to HDUF assets

## 5.1 Opportunity to be part of a bigger and broader energy infrastructure business

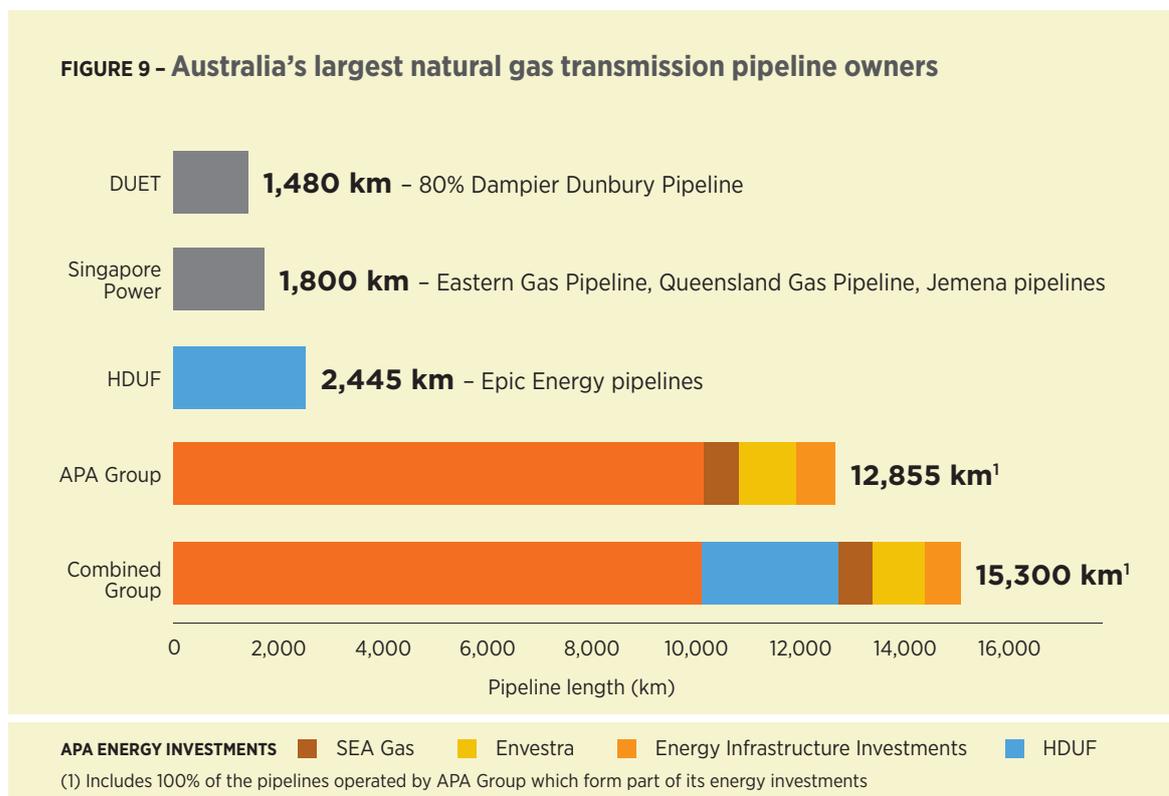
The Offer provides an opportunity for HDUF Securityholders to join APA Securityholders and be part of a bigger and broader energy infrastructure business.<sup>31</sup> This offers the benefits of scale and diversity, whilst still retaining exposure to HDUF Group assets.

APA Group is focussed on delivering value to customers and creating responsive solutions to their needs.

### 5.1.1 Australia's largest gas pipeline owner and operator

APA Group owns and operates over 12,800 kilometres<sup>32</sup> of gas transmission pipelines. APA Group benefits from the scale of its portfolio as well as the industry know-how it has developed and retained in operating these assets.

The Combined Group will own an unrivalled interconnected gas infrastructure footprint in Australia and will own and/or operate over 15,000 kilometres<sup>33</sup> of gas transmission pipelines, enhancing its ability to transport gas from all connected major gas fields to all connected major gas markets across the country. These assets are well positioned to grow in line with the increasing demand for natural gas in Australia.



<sup>31</sup> Foreign Securityholders will not be entitled to receive APA Stapled Securities. Instead, the APA Stapled Securities to which they would otherwise be entitled will be sold by the Nominee and the net proceeds paid to them. See section 9.5.3 for further information.

<sup>32</sup> This does not include the proportional ownership of HDUF pipelines through the 20.7% relevant interest held by the Bidder. This includes pipelines operated by APA Group which are owned by one of its energy investment entities.

<sup>33</sup> This includes pipelines operated by APA Group which are owned by one of its energy investment entities.

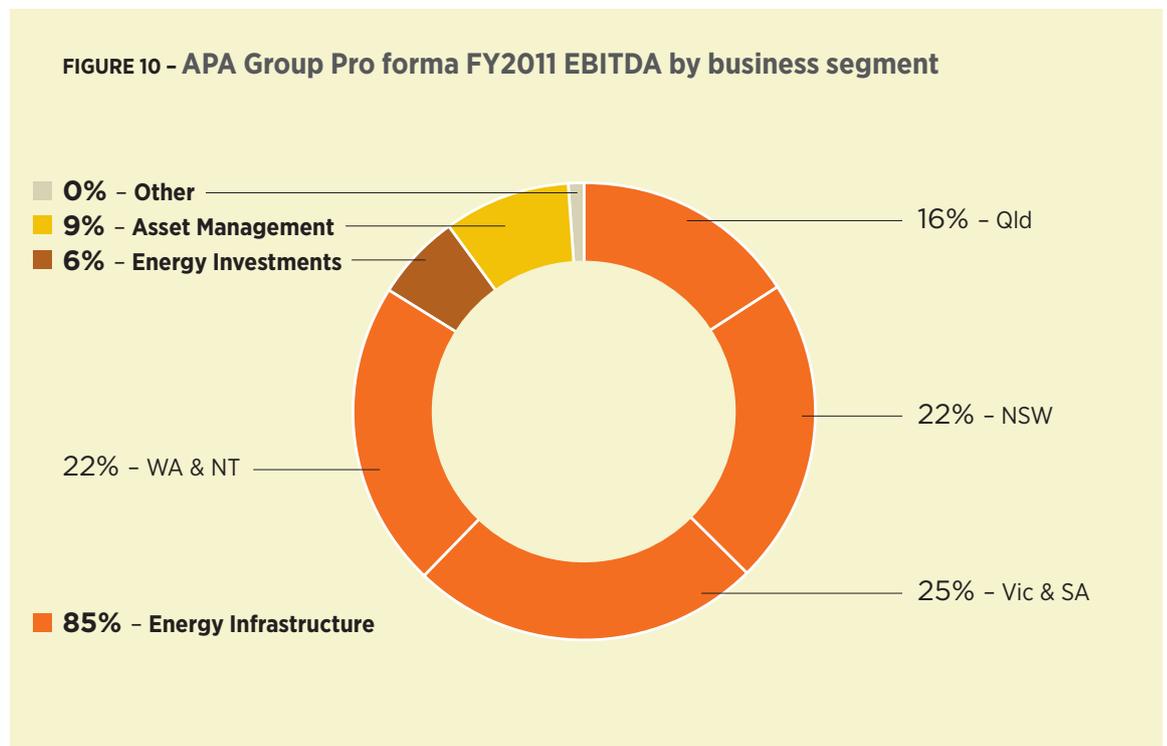
APA Group has long term relationships with large energy retailers, gas producers and major mining companies. Coupled with HDUF's existing customers, the Combined Group will benefit from a customer base that comprises a majority of Australia's major gas energy users. The combined customer base will benefit through the Combined Group's ability to provide a service that efficiently satisfies gas demand requirements sourced from multiple gas supply points across multiple pipelines.

### 5.1.2 Diversified sources of EBITDA

APA Group also has a diversified pro forma EBITDA by both asset and geography:

- No single asset in its portfolio contributes more than 25% of EBITDA
- No single region contributes more than 25% of EBITDA

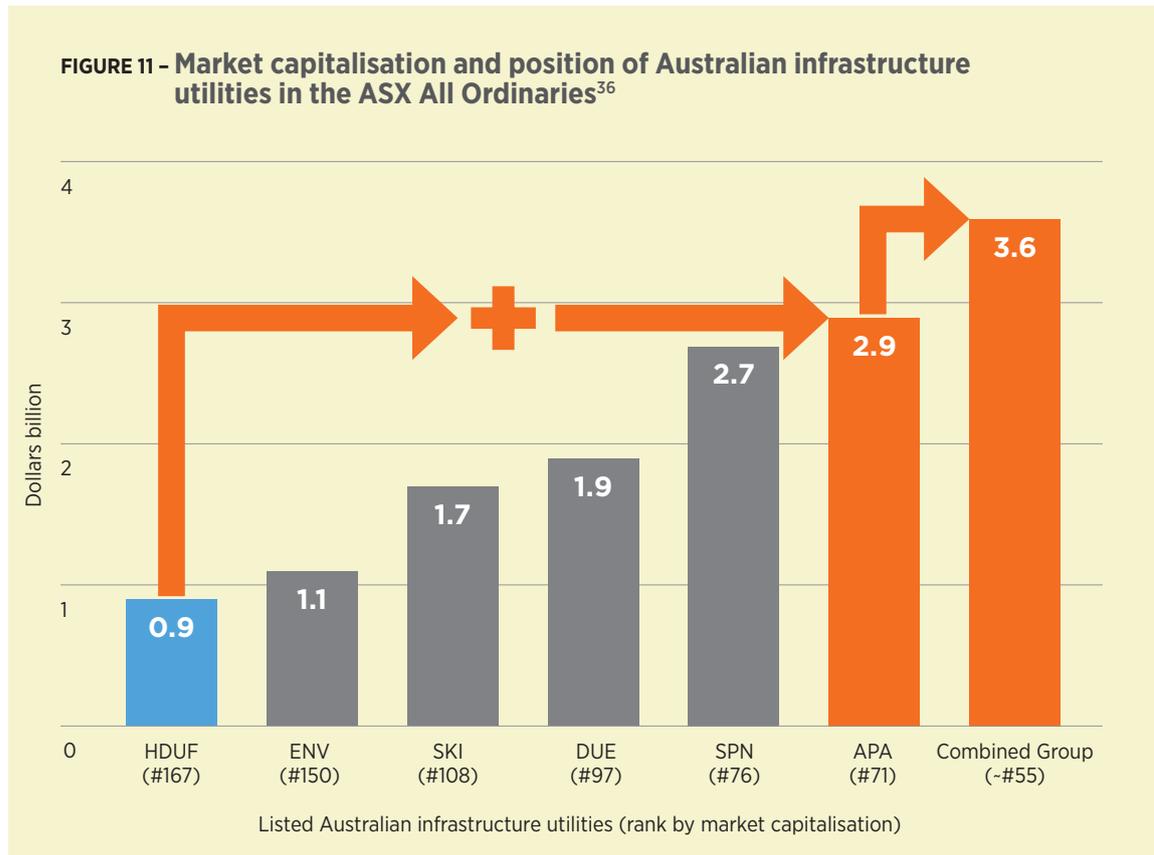
The Combined Group should continue to deliver the benefits from its size and diversity to its customers and APA Securityholders.



Further details on APA Group's pro forma historical financial information are set out in section 1.10.

### 5.1.3 A larger Combined Group by market capitalisation

HDUF has a market capitalisation of \$0.9 billion.<sup>34</sup> The Combined Group, with an estimated market capitalisation of \$3.6 billion,<sup>35</sup> is expected to be between the 55th and 60th largest entity in the ASX All Ordinaries.



<sup>34</sup> Based on the 5 day VWAP of HDUF Stapled Securities on the day before the Announcement Date of \$1.78 and HDUF Stapled Securities on issue of 530,001,072.

<sup>35</sup> The expected total securities on issue for the Combined Group is the sum of the existing number of APA Stapled Securities on issue (639,334,625) and the APA Stapled Securities expected to be issued to HDUF Securityholders as consideration and any APA Stapled Securities issued to the HDUF Responsible Entity under the Offer. The Combined Group market capitalisation is calculated by multiplying the expected total securities on issue by the closing price of APA Stapled Securities on the day before the Announcement Date of \$4.60.

<sup>36</sup> ASX All Ordinaries Position based on closing market capitalisation as at 9 December 2011.

# Key risks and other considerations

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## Key risks

The following is a summary of risk factors which you should consider in deciding whether to accept this Offer. This list is not exhaustive and is not a substitute for a careful reading of section 8 which describes both these risk factors, and other risk factors in detail. These risks could have an impact on the value of an investment in the Combined Group, or in some cases, the Offer proceeding.

### Economic regulation

Approximately 45% of APA Group's pro forma revenue for FY2011 (revenue excluding pass-through revenue) was earned on assets subject to pricing regulation by independent national and state energy regulators. 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 resulting in adverse impacts on earnings. Changes to the regulatory framework may also adversely affect APA Group's earnings and/or financial position and performance. This risk is addressed in more detail in section 8.2.1.1.

### Bypass and competitive risk

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 if customers purchased gas transportation services from new pipelines rather than from APA Group's existing pipelines. This risk is addressed in more detail in section 8.2.1.2.

### Gas demand risk

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 will adversely impact APA Group's future revenue, profits and financial position. This risk is addressed in more detail in section 8.2.1.3.

### Operational risk

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. This risk is addressed in more detail in section 8.2.2.1.

### Counterparty change of control risk

HDUF Group Entities may be parties to agreements that contain pre-emptive rights or change of control provisions that may be triggered if the Bidder acquires HDUF Stapled Securities representing a majority of the voting rights of HDUF. If triggered, these provisions could have negative financial consequences. This risk is addressed in more detail in section 8.3.1.

### Integration and synergy risks

There is a risk that synergy benefits reasonably expected through the integration of APA Group and HDUF Group 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. These risks are addressed in more detail in section 8.3.2.

### Fluctuation in the market value of APA Stapled Securities

The Offer Consideration includes a specified number of APA Stapled Securities as opposed to a number of APA Stapled Securities totalling a specified market value. APA Group is not obliged to make any adjustment to the Offer Consideration payable if the value of APA Stapled Securities changes during the Offer Period. Accordingly, market fluctuations could adversely affect the value of the Offer Consideration. This risk is addressed in more detail in section 8.4.2.

### ACCC risk

The Offer is subject to the ACCC notifying the Bidder in writing that it does not propose to take any action in relation to the Offer. The Bidder intends to engage with the ACCC to consider any competition concerns that may be identified and if considered necessary, potential undertakings or remedies may be proffered by relevant APA Group Entities. Notwithstanding such engagement, there is a risk that the ACCC may refuse to provide a "no action" assurance in respect of the Offer. In this case the Offer may not proceed. This risk is addressed in more detail in section 8.4.3.

### **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, by-pass 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. This risk is also set out in section 8.2.1.10.

### **Risk in relation to Offer conditions**

This Offer includes a number of conditions that require HDUF to provide information and confirmation in relation to the business, assets and financial arrangements of the HDUF Group through announcements to the ASX. It also requires the HDUF Responsible Entity to announce that it will accept a lower Performance Fee than that to which it may otherwise be entitled and receive the Performance Fees in HDUF Stapled Securities.

The Bidder does not know if HDUF and HDUF Responsible Entity will make such announcements.

If these conditions are not satisfied or waived by the Bidder, then the Offer will not become unconditional.

This risk is addressed in more detail in section 8.4.5.

## **Other considerations**

In addition to risks described above and set out in full in section 8, HDUF Securityholders should also consider the following information.

### **Payment of distributions**

There is a timing difference that exists between the current timetable for the payment of distributions by APA Group and HDUF. Currently, APA Group pays distributions to APA Group Securityholders on a half yearly basis compared to HDUF that pays distributions to HDUF Securityholders on a quarterly basis.

See question 14 in "Frequently Asked Questions" for more information on distributions on APA Stapled Securities.

### **Conditions**

This Offer is subject to a number of conditions including:

- a minimum acceptance condition of 90%;
- ACCC and FIRB approval;
- HDUF making announcements to the ASX providing confirmation in relation to the status of certain business, assets and financing arrangements, including the security arrangements in the HDUF Group's financial arrangements (including for the Mezzanine Debt) and whether any of the existing debt of the HDUF Group may become repayable early in connection with the Offer; and
- the HDUF Responsible Entity making an announcement to the ASX in relation to the restriction on the timing and amount of Performance Fees and that the Performance Fees are to be satisfied by the issue of HDUF Stapled Securities.

The conditions are set out in full in section 10. There is a risk that some of these conditions may not be satisfied and the Offer will not become unconditional.

### **No CGT roll-over relief**

HDUF Securityholders should note that no CGT roll-over relief will be available for HDUF Securityholders who accept the Offer. See section 7 for further information.

# Frequently asked questions

This section provides summary answers to some key questions that you may have in relation to the Offer. However, you should read this Bidder's Statement in full before deciding whether to accept the Offer.

Question	Answer	Where to find more information
<b>General</b>		
<b>1 What is the Offer?</b>	<p>This Bidder's Statement relates to an offer by the Bidder to acquire all of your HDUF Stapled Securities.</p> <p>The Offer relates to HDUF Stapled Securities that exist or will exist as at the Register Date. Subject to obtaining a relief instrument from ASIC in a form acceptable to the Bidder, the Offer also extends to all HDUF Stapled Securities that are issued between the Announcement Date and the end of the Offer Period in connection with the payment of a Performance Fee to the HDUF Responsible Entity.</p>	Section 9 provides further information in relation to the Offer.
<b>2 What will I receive if I accept the Offer?</b>	<p>If you accept the Offer, you will be provided with:</p> <ul style="list-style-type: none"> <li>• \$0.50 cash; and</li> <li>• 0.326 APA Stapled Securities,</li> </ul> <p>for each of your HDUF Stapled Securities, unless you are a Foreign Securityholder.</p> <p>If you are a Foreign Securityholder you will not be provided with APA Stapled Securities.</p> <p>The value of the Offer Consideration will be reduced by the amount of any HDUF distribution which is paid to HDUF Securityholders after the Announcement Date.</p>	<p>Section 9.2.1 provides further information in relation to the Offer Consideration.</p> <p>Frequently asked question 16 below and sections 9.5.3 and 9.5.8 provide further information for Foreign Securityholders.</p> <p>Frequently asked question 13 below and sections 9.2.4, 9.5.6 and 9.5.7 provide further information in relation to adjustments to the value of the Offer Consideration.</p>
<b>3 What are APA Stapled Securities?</b>	APA Stapled Securities consist of one APT Unit and one APTIT Unit, stapled together and jointly quoted on the ASX.	Section 12.4 provides further information in relation to APA Stapled Securities.
<b>Accepting the Offer</b>		
<b>4 Can I accept the Offer for part of my holding?</b>	No, you cannot accept the Offer for part of your holding. You may only accept the Offer for all of your HDUF Stapled Securities.	Section 9.1 provides further information in relation to accepting your holding.
<b>5 Can I withdraw my acceptance?</b>	<p>You cannot withdraw your acceptance unless a withdrawal right arises under the Corporations Act.</p> <p>A withdrawal right will arise if each of the following is satisfied:</p> <ul style="list-style-type: none"> <li>• the bid is subject to a Defeating Condition (see section 10);</li> <li>• the Bidder varies the Offer under the bid in a way that postpones, for more than one month, the time when the Bidder has to meet its obligations under the Offer; and</li> <li>• you are entitled to be given a notice of the variation under the Corporations Act.</li> </ul>	Section 9.7.1 provides further information in relation to your ability to withdraw your acceptance.

## Frequently asked questions continued

Question	Answer	Where to find more information
6 Does a cooling off period apply to acceptances of the Offer?	No. Cooling off rights do not apply to acceptances made under the Offer. This means that, in most circumstances, you cannot withdraw your acceptance of the Offer.	
7 Can the Offer Period be extended?	Yes, the Offer Period may be extended at the Bidder's election. You will be provided with written notice of any extension.	Section 9.3 provides further information in relation to extension of the Offer Period.
8 When will I be provided with the Offer Consideration?	<p>If you accept the Offer, you will be provided with the Offer Consideration to which you are entitled on or before the earlier of:</p> <ul style="list-style-type: none"> <li>• one month after receipt of your acceptance, or if the Offer is subject to conditions when you accepted, within one month after the Offer becomes unconditional; and</li> <li>• 21 days after the end of the Offer Period,</li> </ul> <p>provided that the Offer has become unconditional.</p> <p>Foreign Securityholders will be provided with part of their Offer Consideration at a different time.</p>	<p>Section 9.5.1 provides further information in relation to when you will be provided with the Offer Consideration.</p> <p>Section 9.5.3 provides further information for payments to Foreign Securityholders.</p>
9 Do I have to pay brokerage fees?	<p>No, unless you are a Foreign Securityholder, in which case brokerage will be payable in respect of the APA Stapled Securities sold under the Nominee facility and will be deducted from the proceeds of sale.</p> <p>If the Offer becomes or is declared unconditional, the Bidder will pay a commission to brokers who solicit acceptances of the Offer from their clients. A fee of 0.75% of the value of the Offer Consideration is payable for each parcel of HDUF Stapled Securities held by Retail HDUF Securityholders who accept the Offer, and will be subject to minimum payments of \$50 and maximum payments of \$750 for each acceptance. This amount is paid by the Bidder to brokers only and the law requires that no part of the fee can be passed on or paid to HDUF Securityholders. The payment is not deducted from the proceeds due to you under the Offer.</p>	Section 9.5.3 provides further information for payments to Foreign Securityholders.
10 Do I have to pay stamp duty?	No.	Section 7 provides further information in relation to stamp duty.
11 What are the taxation implications of acceptance?	<p>A general summary of the likely taxation consequences of accepting the Offer for individual HDUF Securityholders who are resident in Australia for taxation purposes is set out in section 7.</p> <p>This summary is general only and is not intended to provide Australian taxation advice in respect of the particular circumstances of any HDUF Securityholder. You should seek your own taxation advice.</p>	Section 7 provides further information in relation to your taxation implications.
12 What if the conditions of the Offer are not satisfied or waived?	If the Offer closes with conditions remaining unsatisfied or not waived, the Offer will lapse, and acceptances will be cancelled. This means that the Offer will not proceed and you will continue to hold your HDUF Stapled Securities.	Section 9.6 provides further information in relation to the satisfaction and waiver of the Offer conditions.

Question	Answer	Where to find more information
<b>Other questions</b>		
<b>13 What will happen to my HDUF distributions if I accept the Offer?</b>	<p>If you continue to hold HDUF Stapled Securities on the record date for any distribution then you will receive that distribution from HDUF.</p> <p>However, the value of the Offer Consideration will be reduced by the amount of any HDUF distribution which arises or accrues after the Announcement Date.</p>	Sections 9.2.4, 9.5.6 and 9.5.7 provide further information in relation to distributions.
<b>14 If I accept the Offer, what distributions will I be entitled to on my APA Stapled Securities?</b>	<p>The APA Stapled Securities issued under the Offer will rank equally with existing APA Stapled Securities for distributions and other rights from the date of issue.</p> <p>Distributions on APA Stapled Securities are generally made half yearly (as opposed to quarterly in respect of HDUF Stapled Securities) for the 6 month periods ending 30 June and 31 December and are generally paid during September and March respectively.</p> <p>You will not receive any FY2012 interim APA distribution for the 6 months ending 31 December 2011 because the APA Stapled Securities forming part of the Offer Consideration will not be issued before the record date (30 December 2011) for that distribution.</p>	Sections 4.4.2 and 9.2.1 provide further information in relation to distributions in respect of APA Stapled Securities.
<b>15 Can I sell my HDUF Stapled Securities on market?</b>	Yes, you can sell your HDUF Stapled Securities on market at any time rather than accept the Offer. You will be required to pay standard brokerage fees if you sell your HDUF Stapled Securities on market.	
<b>16 What if I am a Foreign Securityholder?</b>	<p>If you are a Foreign Securityholder and you accept the Offer, you will not be provided with APA Stapled Securities.</p> <p>Instead, the APA Stapled Securities to which you would otherwise be entitled will be issued to the Nominee. Those APA Stapled Securities will be offered for sale and the net sale proceeds will be provided to you in Australian currency.</p>	Sections 9.5.3 and 9.5.8 provide further information for Foreign Securityholders.
<b>17 What if I have other questions in relation to the Offer?</b>	If you have any questions about the Offer, please call the APA Offer Information Line on 1800 129 431 (callers in Australia) or +61 2 8280 7731 (callers outside Australia) between 8.30am and 5.30pm (Sydney time) on Business Days.	

# 1 Information on APA Group

## 1.1 APA Group summary

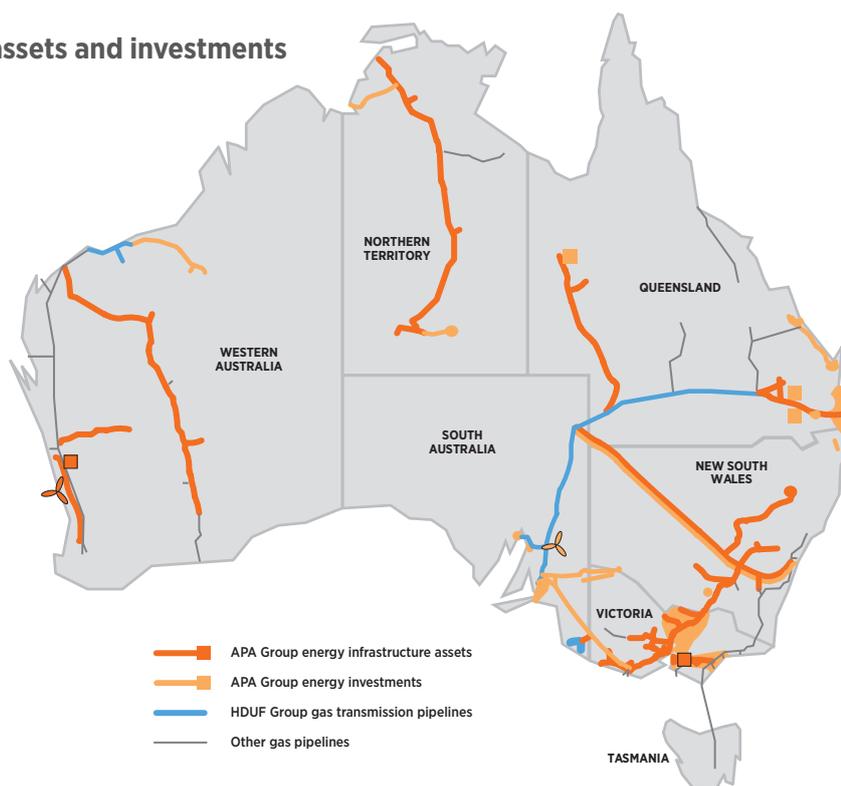
APA Group is Australia's largest natural gas infrastructure business. It owns and/or operates approximately \$9 billion<sup>37</sup> of energy infrastructure, which includes over 12,800 kilometres of gas transmission pipelines that span every state and territory on mainland Australia and deliver about half the nation's natural gas usage. It also has an ownership interest in, and operates, the Envestra and Allgas 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 related energy infrastructure assets such as gas storage facilities and a wind farm.

In addition to the Envestra and Allgas gas distribution networks, APA Group also has equity interests in a number of energy infrastructure enterprises, including SEA Gas Pipeline, Energy Infrastructure Investments, EI12 and the Ethane Pipeline Income Fund. Further, APA Group holds a 20.7% interest in HDUF.<sup>38</sup>

APA has direct management and operational control over its assets and the majority of its investments, employing over 1,200 employees across Australia.

APA is listed on the 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 \$2.94 billion,<sup>39</sup> and it has achieved an aggregate total return to APA Securityholders of approximately 495%.<sup>40</sup>

**FIGURE 1 - APA Group assets and investments**



As well as pipelines owned directly, Figure 1 above also includes the pipelines of HDUF Group because APA Group already holds 20.7% of HDUF. Figure 1 also includes the pipelines of APA Group's other energy investments outlined above.

APA Group is headquartered in Sydney.

<sup>37</sup> APA Group owns and operates its own assets of \$4.2 billion. APA Group also operates assets of approximately \$4.7 billion owned by some of its energy investments (Envestra, SEA Gas Pipeline, Allgas Distribution Network, Energy Infrastructure Investments, and Ethane Pipeline Income Fund). The asset values are based on pro forma historical financial information.

<sup>38</sup> The Bidder has a relevant interest in 20.7% of HDUF Stapled Securities, having acquired an additional 7,280,283 securities since the last substantial shareholding notice lodged with the ASX on 30 November 2010. At the time of lodging the substantial shareholding notice, the Bidder held a relevant interest of 19.77%.

<sup>39</sup> Based on the closing price of APA Stapled Securities on the day before the Announcement Date of \$4.60 and total APA Stapled Securities currently on issue of 639,334,625.

<sup>40</sup> Total securityholder return is the capital appreciation of the company's security price, adjusted for capital management (such as security splits or consolidations) and assuming reinvestment of distributions at the declared distribution rate per security. The period analysed is from 12 June 2000 up to and including the day before the Announcement Date.

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## 1.2 Natural gas consumption and reserves

Natural gas supplies 23% of Australia's primary energy, which was 1,372 PJ in 2009-2010. In 2010, the Australian Bureau of Agricultural and Resource Economics forecasted that in the next 20 years, natural gas consumption is expected to double to 2,575 PJ 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.

## 1.3 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 except those that operate in a competitive environment and have minimal market power.

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 5 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.

## 1.4 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.

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. Approximately 17% of this pro forma revenue came from haulage contracts that 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 this 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.

## 1.5 Principal activities of APA Group

### 1.5.1 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.

# 1 Information on APA Group continued

**FIGURE 2 - APA Group principal business segments**

Business Segment	Description
Energy infrastructure	<p>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.</p> <p>APA Group's pipelines have access to high growth sectors of the Australian natural gas market, namely power generation and industrial and commercial customers.</p> <p>APA Group manages, operates and maintains all its energy infrastructure assets:<sup>41</sup></p> <ul style="list-style-type: none"> <li>• Gas transmission pipelines: 12 high pressure gas transmission pipelines totalling approximately 10,170 km</li> <li>• Gas storage: Mondarra Gas Storage Facility in Western Australia and Dandenong LNG Storage Facility in Victoria</li> <li>• Power generation: 80MW Emu Downs wind farm in Western Australia and Diamantina power station in Queensland (under construction)</li> </ul>
Energy investments	<p>APA Group has equity interests in a number of energy infrastructure enterprises, which comprise:</p> <ul style="list-style-type: none"> <li>• Gas distribution networks: Envestra<sup>42</sup> (33% interest) and Allgas (20% interest)</li> <li>• Gas pipelines: SEA Gas Pipeline<sup>43</sup> (50% interest), Ethane Pipeline Income Fund<sup>44</sup> (6% interest) and HDUF (20.7% interest)</li> <li>• Energy infrastructure: Energy Infrastructure Investments<sup>45</sup> (20% interest) and EII2<sup>46</sup> (20% interest)</li> </ul>
Asset management	<p>APA Group provides commercial, operating services and/or asset maintenance services to the majority of its energy investments for appropriate fees.</p>

41 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.

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

43 Sea Gas Pipeline transports gas from the Otway and Bass Basins to Victoria and South Australia.

44 Ethane Pipeline Income Fund owns the Ethane Pipeline.

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

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

## 1.5.2 Description of APA Group's energy infrastructure assets

APA Group's energy infrastructure assets are tabled in Figure 3 below. No single asset accounted for more than 25% of APA Group's FY2011 EBITDA.

**FIGURE 3 - APA Group energy infrastructure assets**

State/ Territory	Asset	Ownership	Length /Capacity	Year commissioned	Regulatory status <sup>47</sup>
<b>VIC and SA</b>	Victorian Transmission System	100%	1,842 km 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%	45 km Poolaijelo to Ladbroke Grove	2005	Not regulated
<b>NSW</b>	Moomba Sydney Pipeline	100%	2,028 km Moomba to Sydney, Laterals and NSW-Vic Interconnect	1976	Not regulated to Marsden  Light regulation downstream of Marsden
	Central West Pipeline	100%	255 km Marsden to Dubbo	1998	Light regulation
	Central Ranges Pipeline	100%	294 km Dubbo to Tamworth	2006	Full regulation
<b>WA and NT</b>	Goldfields Gas Pipeline <sup>48</sup>	88.2%	1,590 km Yarraloola to Kalgoorlie mainline, Laterals and Kalgoorlie Kambalda pipeline	1996	Full regulation (Kalgoorlie Kambalda Pipeline is subject to Light regulation)
	Parmelia Gas Pipeline	100%	446 km Dongara to Pinjarra	1972	Not regulated
	Mondarra Gas Storage Facility	100%	Depleted gas reservoir currently under expansion	1994	Not regulated
	Mid West Pipeline	50%	362 km Geraldton to Windimurra	1999	Not regulated
	Emu Downs wind farm	100%	80MW	2006	Not regulated
	Amadeus Gas Pipeline	100%	1,671 km Amadeus Basin to Darwin	1986	Full regulation
<b>QLD</b>	Carpentaria Gas Pipeline <sup>49</sup>	100%	944 km Ballera to Mount Isa	1998	Light regulation
	Roma Brisbane Pipeline <sup>50</sup>	100%	582 km Wallumbilla to Brisbane	1969	Full regulation
	Berwyndale Wallumbilla Pipeline	100%	112 km Berwyndale to Wallumbilla	2009	Not regulated

<sup>47</sup> Assets marked with "Not regulated" in the "Regulatory status" column are not currently subject to economic regulation under the regulatory regime set out in section 1.3.

<sup>48</sup> Includes APA's wholly-owned Laterals and the Kalgoorlie to Kambalda Pipeline.

<sup>49</sup> Includes Cannington Lateral.

<sup>50</sup> Includes Peat Lateral.

# 1 Information on APA Group continued

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## 1.5.3 APA Group's major energy infrastructure assets

### 1.5.3.1 Victorian Transmission System

The Victorian Transmission System comprises around 1,850 kilometres of natural gas transmission pipelines in Victoria, serving approximately 1.4 million residential consumers and over 43,000 industrial and commercial users, as well as power stations. Almost all the natural gas consumed in Victoria is transported through the Victorian Transmission System. Gas is primarily sourced from Esso's Longford gas treatment plant in south east Victoria (which processes gas from offshore Gippsland Basin gas fields), the Otway Basin gas fields and underground storage in southwest Victoria as well as some gas from New South Wales via the NSW-Vic Interconnect. APA Group also owns and operates the Dandenong LNG Storage Facility east of Melbourne, which supplies natural gas during periods of peak demand, as well as providing security of supply services for the Victorian Transmission System.

The Victorian Transmission System provides services under the terms of its Access Arrangement. While APA Group owns and maintains the Victorian Transmission System, it is operated by the AEMO under a market based centrally co-ordinated carriage system.

### 1.5.3.2 Moomba Sydney Pipeline

The Moomba Sydney Pipeline together with APA Group's Central West and Central Ranges pipelines transports natural gas to cities and regional centres through New South Wales and into the Australian Capital Territory. The mainline runs from the Moomba gas hub to Sydney, delivering gas from the Cooper Basin and Queensland's Surat Basin.

Since the completion of the NSW-Vic Interconnect in 1998, the Moomba Sydney Pipeline system has been linked to Victoria's gas transmission network, allowing bi-directional gas flow between the two states.

The mainline is currently in its fourth year of a five year \$100 million expansion, increasing the pipeline's transportation and storage Capacity. In 2010, a 61 kilometre section of the Young to Wagga Wagga Lateral was looped, providing additional storage Capacity for electricity generation in the region.

### 1.5.3.3 Goldfields Gas Pipeline

The Goldfields Gas Pipeline transports gas from the Carnarvon Basin and Northwest Shelf producers to mining customers in the Pilbara, Murchison and Goldfields mining regions of Western Australia for industrial use and power generation.

The mainline runs from Yarraloola to Kalgoorlie and Laterals extend to a number of mining operation sites. The Goldfields Gas Pipeline assets include maintenance bases at Karratha, Newman, Leinster and Kalgoorlie. The system includes six compressor stations, with the two newest compressor stations completed in 2009. APA owns 88.2% of the Goldfields Gas Pipeline, with the other 11.8% owned by joint venture partner, Alinta DEWAP Pty Limited.

APA Group also owns 100% of six Laterals totalling 163 kilometres connecting to the mainline including Kalgoorlie to Kambalda pipeline and Murrin Murrin Lateral.

### 1.5.3.4 Carpentaria Gas Pipeline

The Carpentaria Gas Pipeline includes the Cannington Lateral, the Mica Creek metering facility and Mount Isa Town Lateral. The pipeline, commissioned in 1998, transports natural gas from Ballera in south west Queensland to customers in Mount Isa and the surrounding Carpentaria mineral province. Customers of the pipeline include the Incitec Pivot fertiliser plant at Phosphate Hill, the BHP Billiton mine at Cannington (via the Cannington Lateral) and the Mica Creek power station in Mount Isa which serves the local population centres and Xstrata's Mount Isa mining operations.

APA Group is developing a 242 MW gas-fired power station at Mount Isa jointly with AGL to supply the future power needs of Xstrata and Ergon Energy.<sup>51</sup>

### 1.5.3.5 Roma Brisbane Pipeline

The Roma Brisbane Pipeline transports natural gas from the regional gas hub at Wallumbilla near Roma to Brisbane and other regional centres along the pipeline route. The pipeline has undergone significant expansion since the early 1980s to cater to increased demand. Capacity has been increased by installing six compressor stations with almost the entire pipeline duplicated by Looping. Additional inlets have also been added to receive coal seam gas from new production areas.

A \$50 million expansion of the Roma Brisbane Pipeline, which will increase its Capacity by a further 10%, is currently underway.

Associated with the pipeline is the Peat Lateral, which transports natural gas from the Peat and Scotia gas fields to the pipeline. The Roma Brisbane Pipeline interconnects with two other pipelines at the Wallumbilla hub – the SWQ Pipeline, which runs from Wallumbilla to Ballera, and the Queensland Gas Pipeline, which runs from Wallumbilla to Rockhampton via Gladstone.

Historically, large industrial customers and retailers have been the major users, and more recently, large customers include gas-fired electricity generators.

<sup>51</sup> APA Group has entered into a contract with Mount Isa Mines Limited, a member of the Xstrata group. APA Group has also entered into a contract with Ergon Energy Queensland Pty Ltd, which is subject to Ministerial approval by 31 December 2011.

## 1.6 Financial highlights

### 1.6.1 Financial results

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

For FY2011, the **pro forma financial results** of APA Group were as follows:

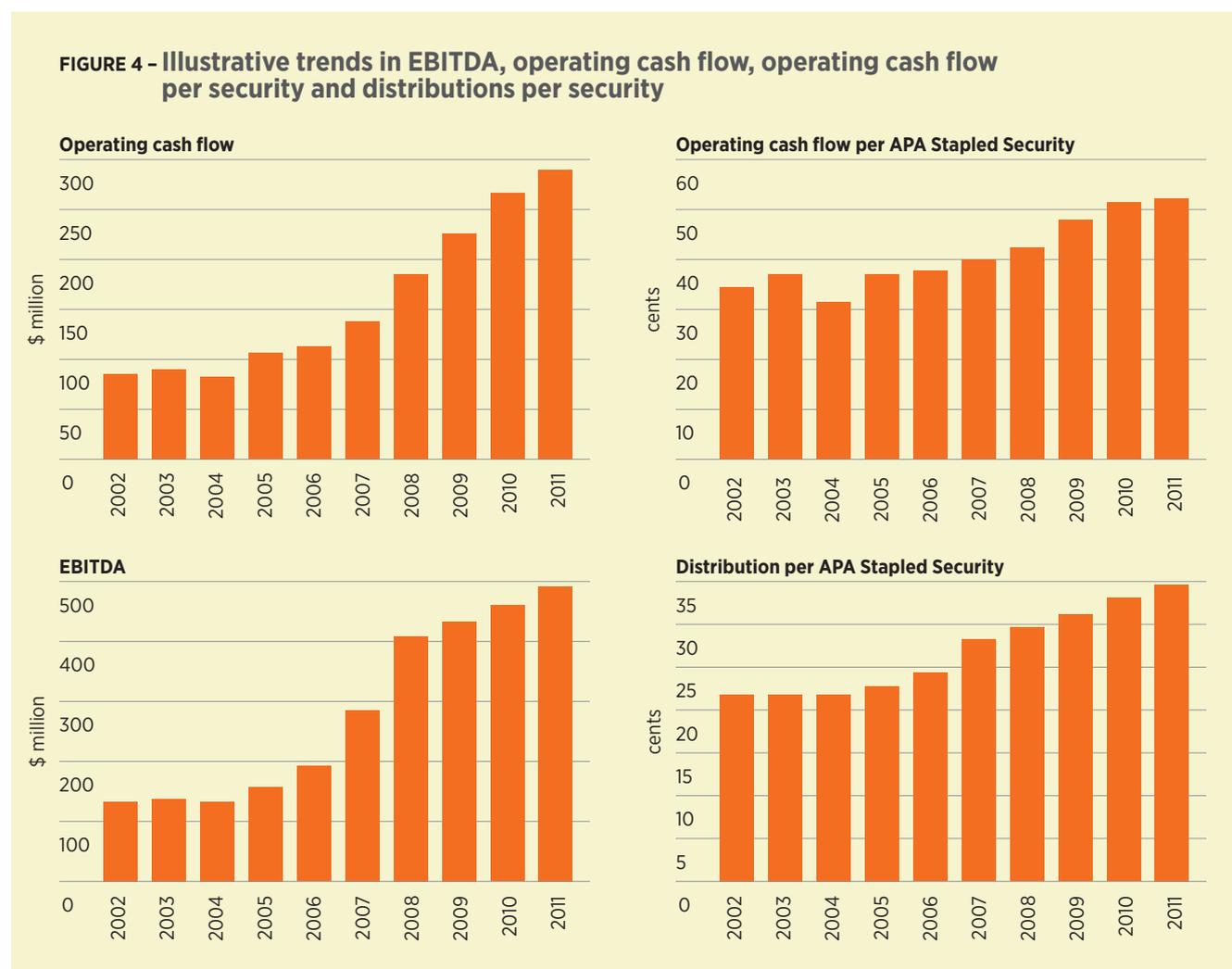
- (a) revenue (excluding pass-through and finance income) of \$652.8 million (FY2010: \$592.0 million), an increase of 10.3%;
- (b) EBITDA of \$459.1 million (FY2010: \$429.4 million), an increase of 6.9%;
- (c) profit after income tax and minorities (including Significant Items) of \$119.1 million (FY2010: \$115.1 million), an increase of 3.5%; and
- (d) operating cash flow<sup>52</sup> of \$285.5 million (FY2010: \$271.2 million), an increase of 5.3%.

The details of the pro forma financial results, including the basis of calculation, are included in section 1.10.

The latest published financial statements of APA Group are the financial statements for FY2011, released on 24 August 2011.

The charts in Figure 4 below illustrate trends in reported EBITDA, operating cash flow, operating cash flow per security and distributions.

### 1.6.2 APA Group's 10 year historical financial performance



The charts in Figure 4 above are based on historical financial performance and are different from the pro forma information contained in section 1.10. 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 1.10).

52 Operating cash flow - net cash from operations after interest and tax payments.

# 1 Information on APA Group continued

## 1.6.3 Financial capability

APA Group has demonstrated a track record of maintaining strong balance sheet metrics, as measured by its net debt as a percentage of net debt plus equity (“Gearing Ratio”), and the consolidated cash flow available to service debt for a financial year divided by the interest expense for that year (“Interest Cover Ratio”). The Gearing Ratio gives an indication of the extent to which APA Group is funded by debt. The Interest Cover Ratio gives an indication of APA Group’s ability to meet its interest payments from cashflows. APA Group targets a medium term Gearing Ratio range of 65-70% and as at 30 June 2011, it had a Gearing Ratio of 66.2% and an Interest Cover Ratio of 2.03 times.

APA Group’s debt totalling \$3.2 billion as at 30 June 2011 was diversified both in terms of debt sources and also maturity profile. Subsequent to 30 June 2011, APA Group has refinanced some \$1.45 billion of syndicated bank debt facilities and entered into new bilateral facilities totalling \$450 million. The sources of existing debt facilities include banks, debt capital markets and the market for US Private Placement Notes. APA Group has a well managed debt maturity profile, with refinancing obligations spread over the next 11 years to 2022. APA Group has no debt maturities falling due until September 2013, when \$113 million of US Private Placement market debt will be due. As at the date of this Bidder’s Statement, APA Group has some \$330 million available in committed undrawn facilities to fund further operations and growth of the business.

A summary of APA Group’s facilities post refinancing is set out in Figure 5 below. Figure 5 is as at the date of this Bidder’s Statement. It does not reflect the use of proceeds from APA Group’s sale of an 80% interest in Allgas.

**FIGURE 5 - APA Group facilities**

Facility	Facility amount \$million	Tenor
2003 US private placement	394	10, 12 and 15 year tranches maturing September 2013, 2015 and 2018
2007 US private placement	811	10, 12 and 15 year tranches maturing May 2017, 2019 and 2022
2009 US private placement	185	7 and 10 year tranches maturing July 2016 and 2019
2010 Medium Term Notes	300	10 year tranche maturing July 2020
2011 Bilateral borrowings	300	3 years maturing July and August 2014
	150	5 years maturing October 2015
2011 Syndicated facility	1,450	2, 3 and 4 year equal tranches maturing November 2013, 2014 and 2015
<b>Total Available Facilities</b>	<b>3,590</b>	

## 1.7 APA Group distributions

On 27 October 2011 APA Group announced at its Annual General Meeting that it expects total distributions per APA Stapled Security for FY2012 to be at least equal to total distributions per APA Stapled Security for FY2011, that is, at least 34.4 cents per APA Stapled Security. Further guidance on distributions for the Combined Group is set out in section 4.4.2.

- (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.

Consistent with this strategy, over the past 4 years, APA Group has commenced or completed over \$900 million of growth projects and acquisitions, including:

## 1.8 Objectives

APA Group is Australia’s largest natural gas infrastructure owner.

APA Group’s objective to maximise value 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;

- (a) pipeline acquisitions: Central Ranges Pipeline (2008), Berwyndale Wallumbilla Pipeline (2009) and Amadeus Gas Pipeline (2011);
- (b) pipeline expansions: Victorian Transmission System, Moomba Sydney Pipeline (2008-2012), Goldfields Gas Pipeline (2009), Carpentaria Gas Pipeline (2009), Young Wagga Looping (2010) and Roma Brisbane Pipeline (2010-2012);
- (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 secure annuity style infrastructure assets and recycling capital into the higher growth portfolio assets within APA Group.

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## 1.9 Ownership structure and management

### 1.9.1 Legal framework

APA 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 the ASX.

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

The Board comprises eight directors, the majority of whom (including the Chairman) are independent. Under the constitution of APL, Petronas Australia may appoint one director to the Board for so long as it holds at least 10% of the issued APA Stapled Securities. Details of APA Group’s corporate governance policies are available on APA Group’s website at [www.apa.com.au](http://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.

### 1.9.2 Substantial holder

Petronas Australia is the only current substantial holder of APA Stapled Securities, holding 17.4% of issued APA Stapled Securities. Petronas Australia has been a substantial holder since listing, with an initial holding of 10% and has participated in all major equity raisings since listing (other than share purchase plans and some dividend reinvestment plans), including a number of placements and rights issues.

Petronas is the national petroleum corporation of Malaysia and is wholly owned by the Government of Malaysia. Petronas, together with its subsidiaries and associated companies, is a fully integrated oil and gas company engaged in a broad spectrum of upstream and downstream oil and gas and petrochemical operations. Petronas has been involved in the Australian natural gas transmission industry since 1994, initially through its interest in the Moomba Sydney Pipeline.

### 1.9.3 Board and management

Brief profiles of the Directors are set out in Figure 6 below:

**FIGURE 6 – Director profiles**

Name	Biography
<b>Leonard Bleasel AM</b> <b>FAICD FAIM</b> <i>Independent Chairman</i> Appointed 28 August 2007 Appointed Chairman 30 October 2007	<p>Leonard (Len) Bleasel is a 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.</p> <p>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 Chief Executive Officer from 1990 to 2001.</p> <p>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, a director of St George Bank Limited and Gas Valpo (Chile) and Vice President of the Royal Blind Society.</p> <p>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.</p>
<b>Michael McCormack</b> <b>BSurv GradDipEng</b> <b>MBA FAICD</b> <i>Managing Director</i> Appointed 1 July 2006	<p>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 energy infrastructure sector in Australia, with particular focus on gas pipeline and distribution infrastructure, where he has worked on the development, construction and operation of new and existing pipelines and distribution networks across Australia.</p> <p>Mick is a director of Envestra and the Australian Pipeline Industry Association.</p>

# 1 Information on APA Group continued

Name	Biography
<p><b>Steven Crane</b>  <b>BComm FAICD SFFin</b>  <i>Independent Director</i>                      Appointed 1 January 2011</p>	<p>Steven Crane has over 30 years' experience in the financial services industry. Steven's background is in investment banking, having previously been Chief Executive Officer of ABN AMRO Australia (now RBS Group Australia) and BZW Australia.</p> <p>Steven has considerable experience as a non-executive director of listed entities. He is currently a director of Bank of Queensland Limited and Transfield Services Limited, Chairman of NIB Holdings Limited, and was formerly Chairman of Adelaide Managed Funds Limited and Investa Property Group Limited. Steven also previously served as a director of Adelaide Bank Limited, Foodland Associated Limited and APA Ethane Limited, the responsible entity of Ethane Pipeline Income Fund.</p> <p>Steven is a member of the Audit and Risk Management Committee and the Remuneration Committee of APA.</p>
<p><b>John Fletcher</b>  <b>BSc MBA FAICD</b>  <i>Independent Director</i>                      Appointed                      27 February 2008</p>	<p>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 as Chief Financial Officer. He is currently a director of Sydney Water. 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.</p> <p>John was previously an AGL appointed director of Australian Pipeline Limited from 2000 to 2005.</p> <p>John is the Chairman of the Remuneration Committee and a member of the Audit and Risk Management Committee of APA.</p>
<p><b>Russell Higgins AO</b>  <b>BEC FAICD</b>  <i>Independent Director</i>                      Appointed                      7 December 2004</p>	<p>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 1996 to 2002 and Chairman of the Australian Government's Energy Task Force from 2003 to 2004.</p> <p>Russell is a director of Telstra Corporation Limited, Argo Investments Limited, Ricegrowers Limited (trading as SunRice) and St James Ethics Foundation. He is the Chairman of the Global Carbon Capture and Storage Institute and the CSIRO Energy Transformed Flagship Advisory Committee. He is a former Chairman of the Snowy Mountains Council and the Australian Government's Management Improvement Advisory Committee and a former director of Australian Biodiesel Group Limited, Export Finance and Insurance Corporation, CSIRO, Austrade, the Australian Industry and Development Corporation as well as a former member of the Australian Government's Joint Economic Forecasting Group. In 2006-07, he was a member of the Prime Ministerial Task Group on Emissions Trading.</p> <p>Russell is Chairman of the Health Safety and Environment Committee and a member of the Audit and Risk Management Committee of APA.</p>
<p><b>Patricia McKenzie</b>  <b>LLB MAICD</b>  <i>Independent Director</i>                      Appointed 1 January 2011</p>	<p>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 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.</p> <p>Patricia is a member of the Health Safety and Environment Committee and the Remuneration Committee of APA.</p>
<p><b>Muri Muhammad</b>  <b>MSc</b>  <i>Director</i>                      Appointed 8 March 2000</p>	<p>Muri Muhammad retired from Petronas in August 2002 and was reappointed as Petronas' Adviser, Gas Business in the President's Office until 30 March 2005. He brings 30 years' experience in the chemicals and petroleum industry as well as expertise in the domestic and international gas transmission and distribution, gas utilisation, cogeneration and conversion businesses where he has held various senior executive positions.</p> <p>Muri was Petronas' Vice President for Gas Business from 1998 until his retirement and held several directorships, some as Chairman, of a number of Petronas' subsidiaries and associate companies in Malaysia and abroad. He currently sits on the boards of gas transmission companies Transportadora de Gas Del Norte of Argentina, Petronas Gas Berhad of Malaysia, and Papua New Guinea's national petroleum and minerals corporation, Petromin PNG Holdings Limited. He was also a member of the Malaysian Energy Commission, a Malaysian Government regulatory body.</p> <p>Muri is a member of the Remuneration Committee and the Health Safety and Environment Committee of APA.</p>

Name	Biography
<b>Robert Wright</b> <b>BComm FCPA</b> <i>Independent Director</i> Appointed 11 February 2000	<p>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, RCL Group Limited and APA Ethane Limited, the responsible entity of Ethane Pipeline Income Fund and was previously Chairman of Dexion Limited.</p> <p>Robert is the Chairman of the Audit and Risk Management Committee and a member of the Health Safety and Environment Committee of APA.</p>
<b>George Ratilal</b> <b>MBA</b> <i>Alternate Director</i> Appointed 26 August 2010	<p>Manharlal (George) Ratilal is Executive Vice President (Finance) of Petronas. He is a member of Petronas' board and Executive Committee. Prior to joining Petronas in 2003, he was employed by a local Malaysian merchant bank for 18 years. During that time, George specialised in corporate finance where he advised on mergers and acquisitions and the capital markets.</p>

Brief profiles of the members of APA Group's senior management team are as follows:

### FIGURE 7 - Senior management profiles

Name	Biography
<b>Peter Fredricson</b> <i>Chief Financial Officer</i>	<p>Peter is responsible for all financial aspects of APA Group, including accounting and financial reporting, financial compliance and governance, taxation, treasury and capital management strategy. He is also responsible for investor relations and information technology.</p> <p>Peter 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.</p>
<b>Ross Gersbach</b> <i>Group Manager Commercial</i>	<p>Ross has responsibility for all commercial aspects of APA Group, including sales, strategic development and planning, economic regulation, investment management and corporate development.</p> <p>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.</p> <p>Ross is a director of Envestra.</p>
<b>Stephen Ohi</b> <i>Group Manager Operations</i>	<p>Stephen is responsible for the operational performance of all APA Group's assets and investments. This includes primary responsibility for the operation, contract management, project development and technical regulation of all pipeline and related assets.</p> <p>Stephen has over 35 years' experience in the petrochemical, oil and gas and pipeline industries of which 20 years has been spent managing and operating several assets owned by APA Group.</p>
<b>Mark Knapman</b> <i>Company Secretary</i>	<p>In addition to being responsible for the secretariat function, Mark oversees corporate governance and the legal, risk management and financial services compliance functions. He has extensive experience as a Company Secretary. He was Company Secretary and General Counsel of an ASX-listed company and Asia Pacific Legal Counsel and Company Secretary for a US multinational company prior to joining APA. Prior to those roles, he was a partner of an Australian law firm. Mark is a Fellow of the Chartered Institute of Company Secretaries and is admitted to practice as a solicitor.</p>
<b>Peter Wallace</b> <i>Group Manager Human Resources</i>	<p>Peter is responsible for managing the Human Resources function, which covers strategy and activities relating to our people and their employment at APA Group.</p> <p>Peter has filled senior human resources roles in Australia as well as the Asia-Pacific region 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.</p>

# 1 Information on APA Group continued

## 1.10 APA Group pro forma historical financial information

### 1.10.1 Summary APA Group pro forma historical financial information

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

- consolidated pro forma historical income statements for the financial years ended 30 June 2010 and 30 June 2011;
- consolidated pro forma historical balance sheet of APA Group as at 30 June 2011; and
- consolidated pro forma historical statements of operating cash flow for the years ended 30 June 2010 and 30 June 2011.

### 1.10.2 Basis of preparation

APA Group's reported income statements, balance sheet and cash flows are disclosed in the annual report of APA Group for the year ended 30 June 2011, which includes comparatives for the year ended 30 June 2010 and notes to the accounts, and can be found at [www.apa.com.au](http://www.apa.com.au). Subsequent to 30 June 2011, APA Group has announced the following significant transactions:

- the proposed sale of 80% of the Allgas Distribution Network which is expected to settle prior to the end of December 2011 and the retention of a 20% equity accounted investment in the unlisted investment vehicle which will own the Allgas Distribution Network; and
- the refinancing of \$165 million of bilateral debt facilities in July 2011 and the refinancing of \$1.45 billion of debt facilities on 3 November 2011. These facilities were used to settle the \$900 million of borrowings that were shown as a current liability at 30 June 2011.

In order to illustrate the financial effect of the above transactions, APA Group's reported income statements and cash flows for the years ended 30 June 2010 and 30 June 2011 have been adjusted as if the sale of 80% of the Allgas Distribution Network had occurred on 1 July 2009. APA Group's reported balance sheet as at 30 June 2011 has been adjusted to reflect the above transactions that occurred after 30 June 2011 as if they had occurred on 30 June 2011. Further information on each of 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 Offer. The pro forma financial effect of the Offer is set out in section 4.

#### 1.10.2.1 APA Group's pro forma historical income statement

A\$'000	FY2010 reported	Pro forma adjustments	FY2010 pro forma	FY2011 reported	Pro forma adjustments	FY2011 pro forma
Operating revenue excluding pass-through revenue	622,771	(53,963)	568,808	667,209	(55,059)	612,150
Share of net profits of joint venture entities accounted for using the equity method	13,687	240	13,927	23,876	562	24,438
Other income (including investment income)	9,224	-	9,224	16,239	-	16,239
Operating pass-through revenue	329,942	41,952	371,894	381,733	39,868	421,601
<b>Total revenue excluding interest income</b>	<b>975,624</b>	<b>(11,771)</b>	<b>963,853</b>	<b>1,089,057</b>	<b>(14,629)</b>	<b>1,074,428</b>
Asset operation and management expenses	(75,959)	15,089	(60,870)	(82,190)	15,109	(67,081)
Other pipeline costs – pass-through	(329,942)	(41,952)	(371,894)	(381,733)	(39,868)	(421,601)
Employee benefit expense	(97,859)	8,010	(89,849)	(114,923)	6,350	(108,573)
Other expenses	(11,889)	-	(11,889)	(18,102)	-	(18,102)
<b>EBITDA<sup>1</sup></b>	<b>459,975</b>	<b>(30,624)</b>	<b>429,351</b>	<b>492,109</b>	<b>(33,038)</b>	<b>459,071</b>
Finance costs	(243,235)	35,481	(207,754)	(260,004)	35,481	(224,523)
Finance income	13,866	-	13,866	12,932	-	12,932
Depreciation and amortisation expense	(91,426)	16,182	(75,244)	(100,350)	12,676	(87,674)
<b>Profit before tax</b>	<b>139,180</b>	<b>21,039</b>	<b>160,219</b>	<b>144,687</b>	<b>15,119</b>	<b>159,806</b>
Income tax expense	(38,672)	(6,311)	(44,983)	(35,862)	(4,535)	(40,397)
Minority interest other than APTIT equity holders	(150)	-	(150)	(316)	-	(316)
<b>Profit after tax including interests of APTIT equity holders</b>	<b>100,358</b>	<b>14,728</b>	<b>115,086</b>	<b>108,509</b>	<b>10,584</b>	<b>119,093</b>

(1) The pro forma adjustments to the income statements do not reflect the loss on sale of the 80% interest in the Allgas Distribution Network of \$3.2 million as it is considered to be non-recurring.

### 1.10.2.1.1 Significant Items

The following Significant Items are reflected in APA Group's FY2011 results detailed above:

	A\$'000
Equity accounted share of EII2 investment allowance benefit	9,839
Profit on sale of investment in CAMS	1,652
Transaction costs on acquisition of Emu Downs wind farm	(8,970)
<b>Significant items before tax</b>	<b>2,521</b>
Income tax	(2,953)
<b>Significant items after tax</b>	<b>(432)</b>

### 1.10.2.1.2 Pro forma adjustments

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

- (a) the reported income statements for FY2010 and FY2011 reflected 100% of the results of the Allgas Distribution Network. Post the sale of an 80% interest in this business, APA Group will account for its residual investment as an investment in an associate. The adjustment removes the 100% result contributed in FY2010 and FY2011. 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 proposed debt structure of the unlisted vehicle and pro forma tax effect at 30%;
- (b) the increase in 'pass through-revenue', 'pass-through costs' and management 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;
- (c) it has been assumed that the proceeds received on the 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 the years ended 30 June 2010 and 30 June 2011; and
- (d) income tax expense on the pro forma adjustments has been reflected at the rate of 30%.

# 1 Information on APA Group continued

## 1.10.2.2 APA Group's pro forma historical balance sheet

A\$'000	30 June 2011 reported	Debt reclassification pro forma	Acquisition of HDUF Group Securities	Allgas Distribution Networks pro forma	30 June 2011 pro forma
<b>Current assets</b>					
Cash and cash equivalents	95,368	-	(11,668)	-	83,700
Receivables, inventories and other current assets	160,131	-	-	(11,557)	148,574
<b>Total current assets</b>	<b>255,499</b>	<b>-</b>	<b>(11,668)</b>	<b>(11,557)</b>	<b>232,274</b>
<b>Non-current assets</b>					
Property, plant and equipment	3,768,342	-	-	(476,323)	3,292,019
Equity accounted investments	479,409	-	-	49,420	528,829
Receivables and other financial assets	216,108	-	11,668	-	227,776
Goodwill and other intangible assets	708,247	-	-	(104,847)	603,400
<b>Total non-current assets</b>	<b>5,172,106</b>	<b>-</b>	<b>11,668</b>	<b>(531,750)</b>	<b>4,652,024</b>
<b>Total assets</b>	<b>5,427,605</b>	<b>-</b>	<b>-</b>	<b>(543,307)</b>	<b>4,884,298</b>
<b>Current liabilities</b>					
Trade and other payables	137,998	-	-	(5,822)	132,176
Provisions	54,731	-	-	-	54,731
Borrowings and other financial liabilities	944,986	(900,000)	-	-	44,986
<b>Total current liabilities</b>	<b>1,137,715</b>	<b>(900,000)</b>	<b>-</b>	<b>(5,822)</b>	<b>231,893</b>
<b>Non-current liabilities</b>					
Provisions	31,642	-	-	-	31,642
Deferred tax liabilities	336,171	-	-	(57,226)	278,945
Borrowings and other financial liabilities	2,254,232	900,000	-	(477,060)	2,677,172
<b>Total non-current liabilities</b>	<b>2,622,045</b>	<b>900,000</b>	<b>-</b>	<b>(534,286)</b>	<b>2,987,759</b>
<b>Total liabilities</b>	<b>3,759,760</b>	<b>-</b>	<b>-</b>	<b>(540,108)</b>	<b>3,219,652</b>
<b>Net assets</b>	<b>1,667,845</b>	<b>-</b>	<b>-</b>	<b>(3,199)</b>	<b>1,664,646</b>
<b>Equity</b>					
APT:					
Issued capital	1,192,779	-	-	-	1,192,779
Reserves	54,899	-	-	-	54,899
Retained earnings	19,054	-	-	(3,199)	15,855
<b>Equity attributable to APA Securityholders</b>	<b>1,266,732</b>	<b>-</b>	<b>-</b>	<b>(3,199)</b>	<b>1,263,533</b>
<b>Minority interests</b>					
APTIT	400,830	-	-	-	400,830
Other minority interest	283	-	-	-	283
<b>Total minority interest</b>	<b>401,113</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>401,113</b>
<b>Total equity</b>	<b>1,667,845</b>	<b>-</b>	<b>-</b>	<b>(3,199)</b>	<b>1,664,646</b>

### 1.10.2.2.1 Pro forma adjustments

The following pro forma adjustments have been made to APA Group's reported balance sheet as at 30 June 2011:

- reflecting the \$477.1 million proceeds received on sale of the Allgas Distribution Network as a reduction of non-current borrowings, the derecognition of the assets and liabilities of the Allgas Distribution Network and replacing them with an equity accounted investment. This has the effect of decreasing net assets by \$3.2 million;
- reflecting the acquisition of a further 7,280,283 HDUF Group securities in July 2011 at a cost of \$11.7 million; and
- reflecting the debt re-financings which occurred in July 2011 and November 2011, which does not affect net assets but reclassifies \$900 million from current borrowings to non-current borrowings.

The net effect of the above adjustments is to decrease net assets by \$3.2 million.

### 1.10.2.3 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 annual financial statements. The APA Responsible Entity considers that for purposes of this Bidder's Statement it would be more meaningful to HDUF Securityholders 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 the years ended 30 June 2010 and 30 June 2011.

A\$'000	FY2010 reported	Pro forma adjustments	FY2010 pro forma	FY2011 reported	Pro forma adjustments	FY2011 pro forma
Receipts from customers	1,055,107	(16,487)	1,038,620	1,165,338	(20,203)	1,145,135
Payments to suppliers and employees	(615,697)	(15,527)	(631,224)	(704,597)	(19,838)	(724,435)
Dividends received	38,143	-	38,143	45,890	-	45,890
Proceeds from repayment of finance leases	2,875	-	2,875	6,748	-	6,748
Interest received	18,003	-	18,003	6,162	-	6,162
Interest and other costs of finance paid	(230,670)	35,481	(195,189)	(229,954)	35,481	(194,473)
Income tax paid	-	-	-	442	-	442
Responsible entity fees paid and other operating expenses paid	-	-	-	-	-	-
<b>Net cash provided by operating activities</b>	<b>267,761</b>	<b>3,467</b>	<b>271,228</b>	<b>290,029</b>	<b>(4,560)</b>	<b>285,469</b>
Net capital expenditure	(135,426)	21,006	(114,420)	(230,786)	20,987	(209,799)

#### 1.10.2.3.1 Pro forma adjustments

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

- the exclusion of the operating cash flows and payments for property, plant and equipment of Allgas Distribution Network for FY2010 and FY2011 as if the sale of this business had occurred on 1 July 2009;
- inclusion of pro forma cash receipts and payments from the appointment of APA Group as the operator of the Allgas Distribution Network business; and
- it has been assumed that the proceeds received on sale of the Allgas Distribution Network business of \$477.1 million have been utilised to reduce borrowings with effect from 1 July 2009. Accordingly, the pro forma adjustments reflect a reduction of interest paid by \$35.5 million in each of the years ended 30 June 2010 and 30 June 2011.

### 1.10.3 Management commentary on the FY2011 results of APA Group

Pro forma revenue (excluding pass-through) increased by \$60.9 million to \$652.8 million, an increase of 10.3% on FY2010, while pro forma EBITDA increased by \$29.7 million to \$459.1 million, an increase of 6.9%.

The main factors which drove the increase in pro forma operating profit and pro forma EBITDA in FY2011 included:

- growth in Queensland and Victorian transmission pipeline revenue, offset somewhat by flood and cyclone damage repair costs in Queensland and Western Australia, and reduced revenue from Western Australian pipelines;
- growth in asset management third party work and revenue for managing Envestra's assets;
- increase in energy investments revenue due to an increase in APA's investment in HDUF and Envestra; and
- increase in debt costs due to an increase in debt margins which were experienced globally.

Earnings within the energy infrastructure segment are highly diversified by geographic end market and asset. As at FY2011, no single geographic end-market accounted for more than 25% of the energy infrastructure business segment underlying EBITDA.

APA Group pro forma operating profit after tax and minorities other than APTIT of \$119.1 million for FY2011, an increase of 3.5% compared with \$115.1 million for FY2010. More detailed commentary on APA Group's reported FY2011 financial performance can be found in the FY2011 annual report, the presentation to APA's Annual General Meeting held on 27 October 2011 and the Investor Presentation on 5 September 2011 provided on APA Group's website at [www.apa.com.au](http://www.apa.com.au).

### 1.10.4 Cash flows

Pro forma operating cash flow increased by 5.3% to \$285.5 million in FY2011.

APA Group's distributions for FY2011 totalled 34.4 cents per security, an increase of 5.0% or 1.65 cents on FY2010. The distribution payout ratio based on reported operating cash flow for FY2011 was 65.7% compared to 64.4% for FY2010.

## 2 Information about HDUF

### 2.1 Disclaimer

The information on HDUF, HDUF Stapled Securities and HDUF Group contained in this section 2 has been prepared based on a review of publicly available information and should not be considered comprehensive.

Information in this Bidder's Statement concerning HDUF Group's businesses has not been independently verified by the Bidder or the APA Responsible Entity. Subject to the Corporations Act none of the Bidder, 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.

Further information relating to HDUF Group's businesses may be included in HDUF's target statement which HDUF must provide to HDUF Securityholders in response to this Bidder's Statement.

### 2.2 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 the ASX.

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

### 2.3 Epic

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

#### 2.3.1 Moomba to Adelaide Pipeline System

The Moomba to Adelaide Pipeline System 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.

#### 2.3.2 SWQ Pipeline

The SWQ Pipeline (including QSN Link) is an approximately 935 kilometre pipeline with a current partly compressed Capacity of approximately 180 terajoules per day. This Capacity is to be increased to approximately 385 terajoules from January 2012 upon completion of the QSN3 expansion project. 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 Moomba to Adelaide Pipeline System to South Australian markets.

#### 2.3.3 Pilbara Pipeline System

The Pilbara Pipeline System includes four connected pipelines with a mainline uncompressed Capacity of approximately 180 terajoules per day. These pipelines connect to a number of customers including the Port Headland and Horizon Power power stations, Woodside's North West Shelf processing plant at Dampier and the Sons of Gwalia tantalum mine at Wodgina.

### 2.4 Historical financial information on HDUF Group

HDUF Group's last published reviewed financial statements are for the half year ended 30 June 2011, as lodged with the ASX on 29 August 2011.

The Bidder is not aware of any changes to HDUF's financial position since the release of these results other than announcements made by HDUF to the ASX up to the day before the Announcement Date.

### 2.5 Publicly available information about HDUF Group

HDUF is a listed disclosing entity for the purposes of the Corporations Act and as such is subject to regular reporting and disclosure obligations. Specifically, like all listed entities, HDUF is required, subject to certain exceptions, to continuously disclose to the market any information of which it is aware that a reasonable person would expect to have a material effect on the price or the value of HDUF Stapled Securities.

HDUF is required to lodge various documents with ASIC. Copies of documents lodged with ASIC by HDUF may be obtained from an ASIC office. Information about HDUF (including copies of the financial statements and 2010 annual report) may be obtained from either HDUF Group's website at [www.hfm.com.au/funds/hduf](http://www.hfm.com.au/funds/hduf) or the ASX website at [www.asx.com.au](http://www.asx.com.au).

### 2.6 Capital structure

According to documents lodged by HDUF with the ASX, the total number of HDUF Stapled Securities as at the day immediately before the date of this Bidder's Statement is 530,001,072 HDUF Stapled Securities.

## 2.7 Substantial holders

Based on APA Group's holding and on materials lodged with the ASX up to the day before the date of this Bidder's Statement, HDUF had received notifications from the following entities in accordance with section 671B of the Corporations Act in relation to substantial holdings.

**FIGURE 8 - HDUF substantial securityholders**

Securityholder	Number of HDUF Stapled Securities	Percentage
Bidder (APA Group)	109,767,286	20.7%
Orbis Investment Management (Australia) Pty Ltd and its related bodies corporate	57,082,092	10.77% <sup>53</sup>
BT Investment Management Limited, Westpac Banking Corporation and their associates	47,472,494	8.96% <sup>54</sup>

## 2.8 Details of relevant interests in HDUF Stapled Securities

Details of the Bidder's relevant interests in HDUF Stapled Securities are set out in Figure 9 below:

**FIGURE 9 - Bidder's relevant interests in HDUF Stapled Securities**

Class of securities	Total number in class	Relevant interest of the Bidder as at the date of this Bidder's Statement
HDUF Stapled Securities	530,001,072	109,767,286 (20.7%)

## 2.9 Details of relevant interest and voting power in HDUF

As at the date of this Bidder's Statement, the Bidder had a relevant interest in 109,767,286 HDUF Stapled Securities, and has voting power of 20.7%.

## 2.10 Consideration provided for HDUF Stapled Securities during previous four months

The Bidder and its associates have not acquired or disposed of any HDUF Stapled Securities during the four months before the date of this Bidder's Statement.

## 2.11 Inducing benefits given during previous four months

Except as set out in this Bidder's Statement, neither the Bidder nor any of its associates has, during the period of four months before the date of this Bidder's Statement, given, offered or agreed to give, a benefit to another person where the benefit was likely to induce the other person, or an associate, to:

- (a) accept an Offer; or
- (b) dispose of HDUF Stapled Securities,

which benefit was not offered to all holders of HDUF Stapled Securities under the Offer.

<sup>53</sup> Based on substantial holding notice dated 1 December 2010 adjusted for dilution since the substantial holding notice was issued.

<sup>54</sup> Based on substantial holding notice dated 21 March 2011 adjusted for dilution since the substantial holding notice was issued.

# 3 HDUF Group pro forma historical financial information

## 3.1 Summary HDUF Group pro forma historical financial information

This section 3 contains a summary of the following HDUF Group pro forma historical financial information:

- (a) Consolidated pro forma historical income statements for the years ended 30 June 2010 and 30 June 2011;
- (b) Consolidated pro forma historical balance sheet of HDUF Group as at 30 June 2011; and
- (c) Consolidated pro forma historical statements of operating cash flow for the years ended 30 June 2010 and 30 June 2011.

## 3.2 Basis of preparation

### 3.2.1 Introduction

The historical financial information presented for HDUF Group in this section 3 has been prepared based on a review of publicly available information and should not be considered comprehensive.

Information in this Bidder's Statement concerning HDUF Group's businesses has not been independently verified by the Bidder or the APA Responsible Entity. Subject to the Corporations Act, none of the Bidder, 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.

Further information relating to HDUF Group's businesses and issued securities may be included in HDUF Group's target statement in relation to the Offer.

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 Group's website at [www.hfm.com.au/funds/hduf](http://www.hfm.com.au/funds/hduf) or the ASX website at [www.asx.com.au](http://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 Offer which are set out in section 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 2010 and 31 December 2009, and its half year reports for the six months ended 30 June

2009, 30 June 2010 and 30 June 2011. These reports can be found at [www.hfm.com.au/funds/hduf](http://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:

- (a) 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 2009 and 30 June 2010 as disclosed in those half year reports prepared by HDUF Group from the financial performance and cash flows for the full years ended 31 December 2009 and 31 December 2010, respectively, and adding the financial performance and cash flows for the six months to 30 June 2010 and 30 June 2011, respectively, as disclosed in those half year reports prepared by HDUF Group;
- (b) for financial position, the balance sheet as at 30 June 2011 as disclosed in HDUF Group's half year report for the six months ended 30 June 2011 has been used;
- (c) 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
- (d) 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 Group 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 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. The Bidder has not had sufficient access to the financial records of HDUF Group 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 that follows for explanations of pro forma adjustments made.

### 3.2.2 Pro forma historical income statements for HDUF Group – June financial year basis

A\$'000	FY2010 reclassified	Pro forma adjustments	FY2010 pro forma	FY2011 reclassified	Pro forma adjustments	FY2011 pro forma
Operating revenue	126,694	-	126,694	140,919	-	140,919
Other income <sup>1</sup>	(47,840)	47,840	-	(41,389)	41,389	-
<b>Total revenue excluding interest income</b>	<b>78,854</b>	<b>47,840</b>	<b>126,694</b>	<b>99,530</b>	<b>41,389</b>	<b>140,919</b>
Asset operation and management expenses	(12,793)	-	(12,793)	(16,713)	-	(16,713)
Employee benefit expense	(16,431)	-	(16,431)	(16,178)	-	(16,178)
Other expenses	(11,239)	-	(11,239)	(38,194)	(991)	(39,185)
<b>EBITDA</b>	<b>38,391</b>	<b>47,840</b>	<b>86,231</b>	<b>28,445</b>	<b>40,398</b>	<b>68,843</b>
Finance costs	(44,830)	14,188	(30,642)	(39,626)	7,094	32,532
Finance income	15,773	(5,986)	9,787	18,089	(9,922)	8,167
Depreciation and amortisation expense	(21,169)	-	(21,169)	(21,908)	-	(21,908)
<b>Profit/(loss) before tax</b>	<b>(11,835)</b>	<b>56,042</b>	<b>44,207</b>	<b>(15,000)</b>	<b>37,570</b>	<b>22,570</b>
Income tax expense	(7,283)	(4,242)	(11,525)	(12,032)	(1,845)	(13,877)
<b>Profit/(loss) after tax</b>	<b>(19,118)</b>	<b>51,800</b>	<b>32,682</b>	<b>(27,032)</b>	<b>35,725</b>	<b>8,693</b>

Source: HDUF Group, restated by APA Group

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

### 3.2.3 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:

- 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.
- Pro forma adjustments.

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

(1) The South East Water investment was divested by HDUF Group on 20 December 2010. This pro forma adjustment removes the results contributed by this investment and also the net impact of the divestment. The information has been derived from segment note disclosures in the HDUF Group 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 South East Water investment of \$190.7 million have been utilised to reduce borrowing 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 the year ended 30 June 2010 and \$7.1 million for the year ended 30 June 2011.

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

### 3 HDUF Group pro forma historical financial information continued

#### 3.2.4 Pro forma historical balance sheet for HDUF Group – June 30 basis

A\$'000	30 June 2011 reported	Pro forma adjustments	30 June 2011 pro forma
<b>Current assets</b>			
Cash and cash equivalents	276,800	-	276,800
Receivables, inventories and other current assets	20,077	-	20,077
<b>Total current assets</b>	<b>296,877</b>	<b>-</b>	<b>296,877</b>
<b>Non-current assets</b>			
Property, plant and equipment	1,354,624	190,707	1,545,331
Equity accounted investments	-	-	-
Receivables and other financial assets	16,989	-	16,989
Goodwill and other intangible assets	-	-	-
<b>Total non-current assets</b>	<b>1,371,613</b>	<b>190,707</b>	<b>1,562,320</b>
<b>Total assets</b>	<b>1,668,490</b>	<b>190,707</b>	<b>1,859,197</b>
<b>Current liabilities</b>			
Trade and other payables	59,264	(2,083)	57,181
Provisions	2,791	-	2,791
Borrowings and other financial liabilities	31,913	-	31,913
<b>Total current liabilities</b>	<b>93,968</b>	<b>(2,083)</b>	<b>91,885</b>
<b>Non-current liabilities</b>			
Provisions	1,122	-	1,122
Deferred tax liabilities	22,084	-	22,084
Borrowings and other financial liabilities	978,755	190,707	1,169,462
<b>Total non-current liabilities</b>	<b>1,001,961</b>	<b>190,707</b>	<b>1,192,668</b>
<b>Total liabilities</b>	<b>1,095,929</b>	<b>188,624</b>	<b>1,284,553</b>
<b>Net assets</b>	<b>572,561</b>	<b>2,083</b>	<b>574,644</b>
<b>Equity</b>			
Issued capital	880,860	2,083	882,943
Reserves	(29,501)	-	(29,501)
Undistributed loss	(278,798)	-	(278,798)
<b>Total equity</b>	<b>572,561</b>	<b>2,083</b>	<b>574,644</b>

Source: HDUF Group, restated by APA Group

#### 3.2.5 Pro forma adjustments

The pro forma adjustments made to the balance sheet are to reflect the following:

	A\$'000
• Responsible entity fee accrued at 30 June 2011 that was subsequently settled for equity in HDUF Group.	2,083
• Estimated capital expenditure incurred subsequent to 30 June 2011 in respect of the SWQ Pipeline expansion project. The adjustment is based on the forecasted project cost of \$858 million announced by HDUF in December 2009 less capital under construction of \$667.3 million disclosed in HDUF's 30 June 2011 half year financial report. It has been assumed that the funds for this capital expenditure have been sourced from the designated borrowing facility available for this expansion project.	190,707

### 3.2.6 Pro forma historical statements of operating cash flows – June financial year basis

A\$'000	FY2010 reclassified	Pro forma adjustments	FY2010 pro forma	FY2011 reclassified	Pro forma adjustments	FY2011 pro forma
Receipts from customers	134,755	-	134,755	157,079	-	157,079
Payments to suppliers and employees	(39,373)		(39,373)	(51,202)		(51,202)
Dividends received	-	-	-	-	-	-
Proceeds from repayment of finance leases	807		807	1,050		1,050
Interest received	14,037	(5,986)	8,051	15,494	(9,922)	5,572
Interest and other costs of finance paid	(33,168)	14,188	(18,980)	(27,652)	7,094	(20,558)
Income tax paid	(103)	-	(103)	142	-	142
Responsible entity fees paid and other operating expenses paid	(3,483)	-	(3,483)	(10,251)	-	(10,251)
<b>Net cash provided by operating activities</b>	<b>73,472</b>	<b>8,202</b>	<b>81,674</b>	<b>84,660</b>	<b>(2,828)</b>	<b>81,832</b>
Net capital expenditure <sup>1</sup>	(182,832)	-	(182,832)	(488,062)	-	(488,062)

Source: HDUF Group, restated by APA Group

(1) Net capital expenditure in FY2011 included a significant proportion of expenditure in relation to the \$858 million SWQ Pipeline expansion project. These cashflows have not been adjusted for the accrual of the estimated capital expenditure incurred in respect of the expansion project subsequent to 30 June 2011.

### 3.2.7 Reclassifications and pro forma adjustments

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

(a) Reclassifications

- (i) 'Receipts from customers' includes 'other income received', which was separately classified in the HDUF reported cash flow statement.

(b) Pro forma adjustments

A\$'000	FY2010 operating cash flow pro forma adjustment	FY2011 operating cash flow pro forma adjustment
South East Water interest income <sup>1</sup>	(5,986)	(9,922)
Interest payments reduction <sup>2</sup>	14,188	7,094
<b>Total Pro forma adjustments</b>	<b>8,202</b>	<b>(2,828)</b>

(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 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 the year ended 30 June 2010 and \$7.1 million for the year ended 30 June 2011.

# 4 Combined Group pro forma historical financial information

## 4.1 Combined Group overview

This section 4 contains pro forma historical financial information which has been prepared to illustrate the historical financial information of the Combined Group. The pro forma historical financial information has been prepared to provide HDUF Securityholders with an indication of the scale and size of the Combined Group and the illustrative financial effect on APA Group of successfully completing the Offer. It does not necessarily illustrate the financial information that would have been prepared had the Bidder acquired HDUF Group on or before 30 June 2010.

The pro forma historical financial information set out in this section should be read in conjunction with the risk factors set out in section 8, other information contained in this Bidder's Statement 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 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 is based on a review of publicly available information.

The Investigating Accountant has been appointed to prepare an Investigating Accountants' Report on the Combined Group Pro forma Historical Financial Information. The Investigating Accountants' Report is set out in Appendix 1.

### 4.1.1 Assumptions regarding capital structure

For the purposes of considering the effect of the Offer on the capital structure of APA Group, the Combined Group Pro forma Historical Financial Information has been prepared considering two acquisition scenarios:

- (a) APA Group acquires 100% of HDUF Group;
- (b) APA Group acquires 50.1% of HDUF Group.

The combination of cash and APA Stapled Securities under the two scenarios is detailed in the table below.

The assumed exchange ratio for each stapled security in HDUF Group for each APA Stapled Security is 0.326. The table below has been calculated assuming an APA Stapled Security price of \$4.60. The number of outstanding HDUF Stapled Securities that has been assumed for the purpose of calculating the consideration is 442,671,939 which is derived as follows:

HDUF securities on issue as at the date of this Bidder's Statement	530,001,072
Pro forma adjustment in respect of the equity settlement of 31 December 2011 Performance Fee as a condition of the Offer	22,438,153
Less: securities held by APA Group as at the date of this Bidder's Statement	(109,767,286)
	442,671,939

The purchase consideration will be comprised as follows:

	50.1%	100%
Cash (A\$'000)	83,502	221,336
APA Stapled Securities to be issued		
Value (A\$'000)	250,440	663,831
Number of stapled securities ('000s)	54,444	144,311

## 4.2 Sources of information and pro forma adjustments

The unaudited pro forma historical financial information presented in this section 4 is compiled using the following sources:

- (a) for APA Group, the pro forma income statements and operating cash flows for the years ended 30 June 2010 and 30 June 2011 and the pro forma balance sheet as at 30 June 2011 presented in section 1.10;
- (b) for HDUF Group, the pro forma income statements and operating cash flows for the years ended 30 June 2010 and 30 June 2011 and the pro forma balance sheet as at 30 June 2011 presented in section 3.2.2 and 3.2.4; and
- (c) the pro forma transactions to illustrate the financial effect of the completion of the Offer.

## 4.3 Combined Group pro forma historical financial information

### 4.3.1 Combined Group pro forma income statements for FY2011 and FY2010 - 100% and 50.1% acquisition of HDUF Group

A\$'000	FY2011 APA Group pro forma	FY2011 HDUF 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
<b>Total revenue</b>	<b>1,074,428</b>	<b>140,919</b>	<b>(10,903)</b>	<b>1,204,444</b>	<b>(10,903)</b>	<b>1,204,444</b>
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)
<b>EBITDA</b>	<b>459,071</b>	<b>68,843</b>	<b>20,496</b>	<b>548,410</b>	<b>(10,903)</b>	<b>517,011</b>
Finance costs	(224,523)	(32,532)	(16,455)	(273,510)	(6,206)	(263,261)
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)
<b>Profit before tax</b>	<b>159,806</b>	<b>22,570</b>	<b>(2,964)</b>	<b>179,412</b>	<b>(24,114)</b>	<b>158,262</b>
Income tax expense	(40,397)	(13,877)	889	(53,385)	7,234	(47,040)
Minority interest other than APTIT equity holders interest	(316)	-	-	(316)	(1,891)	(2,207)
<b>Profit after tax including interests of APTIT equity holders</b>	<b>119,093</b>	<b>8,693</b>	<b>(2,075)</b>	<b>125,711</b>	<b>(18,771)</b>	<b>109,015</b>

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
<b>Total revenue</b>	<b>963,853</b>	<b>126,694</b>	<b>(3,929)</b>	<b>1,086,618</b>	<b>(3,929)</b>	<b>1,086,618</b>
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)
<b>EBITDA</b>	<b>429,351</b>	<b>86,231</b>	<b>1,235</b>	<b>516,817</b>	<b>(3,929)</b>	<b>511,653</b>
Finance costs	(207,754)	(30,642)	(16,455)	(254,851)	(6,206)	(244,602)
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)
<b>Profit before tax</b>	<b>160,219</b>	<b>44,207</b>	<b>(22,964)</b>	<b>181,462</b>	<b>(17,879)</b>	<b>186,547</b>
Income tax expense	(44,983)	(11,525)	6,889	(49,619)	5,364	(51,144)
Minority interest other than APTIT equity holders	(150)	-	-	(150)	(13,603)	(13,753)
<b>Profit after tax including interests of APTIT equity holders</b>	<b>115,086</b>	<b>32,682</b>	<b>(16,075)</b>	<b>131,693</b>	<b>(26,118)</b>	<b>121,650</b>

## 4 Combined Group pro forma historical financial information continued

### 4.3.1.1 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	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 <sup>1</sup>	31,399	-	5,164	-
HDUF distributions to APA <sup>2</sup>	(10,903)	(10,903)	(3,929)	(3,929)
Depreciation on fair value uplift to property, plant and equipment <sup>3</sup>	(7,005)	(7,005)	(7,744)	(7,744)
Interest on acquisition borrowings <sup>4</sup>	(16,455)	(6,206)	(16,455)	(6,206)
Profit before tax	(2,964)	(24,114)	(22,964)	(17,879)
Income tax expense <sup>5</sup>	889	7,234	6,889	5,364
Minority interest in HDUF profit after tax	-	(1,891)	-	(13,603)
<b>Total pro forma adjustments</b>	<b>(2,075)</b>	<b>(18,771)</b>	<b>(16,075)</b>	<b>(26,118)</b>

#### 100% of HDUF Group acquired

- (1) Management fees and performance fees – Under the 100% acquisition scenario the fees previously paid to the responsible entity are assumed to be removed on the basis that management will be internalised. 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 Group in relation to its existing 20.7% investment in HDUF Group.
- (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 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 each of the years ended 30 June 2010 and 30 June 2011.
- (5) Income tax expense on the pro forma adjustments has been recognised at the rate of 30%.

#### 50.1% of HDUF Group acquired

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.

### 4.3.1.2 APA Group statutory results for FY2012

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

- (a) transaction costs totalling \$16.2 million for 100% scenario and \$5.8 million in the 50.1% scenario will be expensed. These costs will be funded from existing cash reserves;
- (b) a one-off gain of approximately \$70.9 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;
- (c) the results for the period will only include the acquisition of HDUF Group from the date the Bidder obtains control; and
- (d) as detailed in section 1.10, APA Group pro forma income statements do not reflect the loss on sale of APA Group's 80% interest in the Allgas Distribution Network of \$3.2 million (based on 30 June 2011 pro forma balances). Accordingly the Combined Group pro forma income statements also do not reflect this. The actual profit on sale will differ as it will be determined by reference to the net assets of the Allgas Distribution Network at the date of sale.

The above amounts will be reflected in the FY2012 statutory accounts of APA Group.

### 4.3.1.3 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.

### 4.3.2 Combined Group Pro forma consolidated balance sheet as at 30 June 2011 – 100% and 50.1% acquisition of HDUF Group

A\$'000	30 June 2011 APA Group pro forma	30 June 2011 HDUF Group pro forma	Pro forma transactions (100%)	30 June 2011 pro forma Combined Group (100%)	Pro forma transactions (50.1%)	30 June 2011 pro forma Combined Group (50.1%)
<b>Current assets</b>						
Cash and cash equivalents	83,700	276,800	(26,174)	334,326	(12,820)	347,680
Receivables, inventories and other current assets	148,574	20,077	-	168,651	-	168,651
<b>Total current assets</b>	<b>232,274</b>	<b>296,877</b>	<b>(26,174)</b>	<b>502,977</b>	<b>(12,820)</b>	<b>516,331</b>
<b>Non-current assets</b>						
Property, plant and equipment	3,292,019	1,545,331	530,813	5,368,163	530,813	5,368,163
Equity accounted investments	528,829	-	-	528,829	-	528,829
Receivables and other financial assets	227,776	16,989	(173,597)	71,168	(173,597)	71,168
Goodwill and other intangible assets	603,400	-	6,138	609,538	79,380	682,780
<b>Total non-current assets</b>	<b>4,652,024</b>	<b>1,562,320</b>	<b>363,354</b>	<b>6,577,698</b>	<b>436,596</b>	<b>6,650,940</b>
<b>Total assets</b>	<b>4,884,298</b>	<b>1,859,197</b>	<b>337,180</b>	<b>7,080,675</b>	<b>423,776</b>	<b>7,167,271</b>
<b>Current liabilities</b>						
Trade and other payables	132,176	57,181	-	189,357	-	189,357
Provisions	54,731	2,791	-	57,522	-	57,522
Borrowings and other financial liabilities	44,986	31,913	-	76,899	-	76,899
<b>Total current liabilities</b>	<b>231,893</b>	<b>91,885</b>	<b>-</b>	<b>323,778</b>	<b>-</b>	<b>323,778</b>
<b>Non-current liabilities</b>						
Provisions	31,642	1,122	-	32,764	-	32,764
Deferred tax liabilities	278,945	22,084	(548)	300,481	151,758	452,787
Borrowings and other financial liabilities	2,677,172	1,169,462	221,336	4,067,970	83,502	3,930,136
<b>Total non-current liabilities</b>	<b>2,987,759</b>	<b>1,192,668</b>	<b>220,788</b>	<b>4,401,215</b>	<b>235,260</b>	<b>4,415,687</b>
<b>Total liabilities</b>	<b>3,219,652</b>	<b>1,284,553</b>	<b>220,788</b>	<b>4,724,993</b>	<b>235,260</b>	<b>4,739,465</b>
<b>Net assets</b>	<b>1,664,646</b>	<b>574,644</b>	<b>116,392</b>	<b>2,355,682</b>	<b>188,516</b>	<b>2,427,806</b>
<b>Equity</b>						
Issued capital	1,192,779	882,943	(229,112)	1,846,610	(639,573)	1,436,149
Reserves	54,899	(29,501)	12,035	37,433	12,035	37,433
Retained earnings	15,855	(278,798)	333,469	70,526	343,894	80,951
<b>Equity attributable to APA Securityholders</b>	<b>1,263,533</b>	<b>574,644</b>	<b>116,392</b>	<b>1,954,569</b>	<b>(283,644)</b>	<b>1,554,533</b>
<b>Minority interests</b>						
APTIT	400,830	-	-	400,830	-	400,830
Other minority interest	283	-	-	283	472,160	472,443
<b>Total minority interest</b>	<b>401,113</b>	<b>-</b>	<b>-</b>	<b>401,113</b>	<b>472,160</b>	<b>873,273</b>
<b>Total equity</b>	<b>1,664,646</b>	<b>574,644</b>	<b>116,392</b>	<b>2,355,682</b>	<b>188,516</b>	<b>2,427,806</b>

## 4 Combined Group pro forma historical financial information continued

### 4.3.2.1 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 30 June 2011. Scenarios showing the 100% and 50.1% HDUF Group acquisition are provided.

- (a) Based on an implied Offer price of \$2.00 per HDUF Stapled Security, APA Group will acquire ownership of the HDUF Group Stapled Securities for a total consideration of \$885.1 million (100% scenario) or \$333.9 million (50.1% scenario). This will be funded by borrowings of \$221.3 million (100% scenario) or \$83.5 million in the 50.1% scenario and an issue of APA Stapled Securities of \$663.8 million or \$250.4 million respectively (also refer to the sources and uses of funds in section 6).
- (b) Transaction costs for the acquisition of \$16.2 million in the 100% scenario or \$5.8 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 \$10.0 million in the 100% scenario and \$7.0 million in the 50.1% scenario are offset against equity.

It has been assumed that the total transaction costs of \$26.2 million in the 100% scenario or \$12.8 million in the 50.1% scenario will be funded from existing cash reserves.

- (c) 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	574,644	574,644
Uplift in value of property, plant and equipment	530,813	530,813
Deferred tax related to increase in value of property, plant and equipment	(24,323)	(159,245)
Write back of deferred tax liability	17,385	-
Goodwill	6,138	79,380
	1,104,657	1,025,592
Less: Existing 20.7% ownership interest	(219,490)	(219,490)
Minority interest	-	(472,160)
Purchase consideration	885,167	333,942
Purchase consideration comprised of:		
• Cash	221,336	83,502
• APA Stapled Securities	663,831	250,440
	885,167	333,942

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.

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

The adjustments eliminate APA Group's existing 20.7% investment in HDUF Group which was recorded as an other financial asset of \$173.6 million at 30 June 2011 and related deferred tax balances.

A\$'000	APA Group pro forma	Pro forma Transactions	Combined Group
Receivables and other financial assets	173,597	(173,597)	-
Deferred tax liabilities	(7,486)	7,486	-
Reserves	(17,466)	17,466	-

- (e) HDUF Group's pro forma non-current borrowings totalling \$1,139.9 million have continued to be disclosed as a non-current liability in the Combined Group pro forma consolidated balance sheet. It is not known whether HDUF Group's financing arrangements contain "change of control" provisions which would trigger an event of default or other consequences on a bidder acquiring a majority of the HDUF Stapled Securities or a change in the responsible entity. This may result in amounts owing under the financing arrangements becoming due and payable. The Bidder also does not know the terms on which HDUF Group's financing have been structured and whether or not there are terms of those financing arrangements, including the Mezzanine Debt, that would affect HDUF Group becoming part of APA Group's financing arrangements. The Bidder has made its Offer conditional on confirming that no such provisions exist, and on other change of control provisions (see section 10(i), 10(j) and 10(k)). If such provisions do exist, then it will be necessary for the Bidder to negotiate with HDUF and its financiers to either ensure that those HDUF Group financings will remain available or that new replacement financing can be arranged. However, the Bidder believes that it has reasonable grounds to expect to be able to organise replacement financing if it is able to understand the current HDUF Group financing arrangements, those arrangements are on customary commercial terms, there are no aggregate break costs of more than \$50 million and it is able to have satisfactory discussions with the existing HDUF Group financiers.
- (f) Issued capital reconciliation:

A\$'000	30 June 2011 pro forma Combined Group (100%)	30 June 2011 pro forma Combined Group (50.1%)
Issued capital:		
• APA Group	1,192,779	1,192,779
• HDUF Group	882,943	882,943
Equity settlement of responsible entity performance fee <sup>1</sup>	57,442	57,442
APA Group securities issued as part of consideration for HDUF securities	663,831	250,440
Costs associated with issue of APA Group securities	(10,000)	(7,070)
Elimination of HDUF Group issued capital on consolidation	(940,385)	(940,385)
	1,846,610	1,436,149

(1) The HDUF Responsible Entity is entitled to a Performance Fee, in addition to the standard management fee payable in circumstances where the security price of HDUF Group has outperformed the ASX Industrials Accumulation Index. This fee is payable at the end of each half year, as well as at the time of a change of responsible entity (for example following a change of control).

The Performance Fee is only able to be calculated accurately following the expiry of the period. A condition of the Offer (see section 10(s) ("payments to and undertakings by the HDUF Responsible Entity")) is that the performance fee for the period ended 31 December 2011 will be:

- a. no more than \$57.4 million provided on the following conditions:
  - i. \$26.6 million in accordance with the payment arrangements in the HDUF Constitutions; and
  - ii. \$30.8 million if, and only if, the Offer becomes unconditional; and
- b. satisfied wholly by the issue of HDUF Stapled Securities to the HDUF Responsible Entity at a minimum price of \$2.56 per security in lieu of cash payment.

### 4.3.3 Combined Group pro forma operating cash flows for FY2011 and FY2010 – 100% and 50.1% acquisition of HDUF Group

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%)
<b>Cash flows from operating activities</b>						
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)	(16,455)	(231,486)	(6,206)	(221,237)
Income taxes paid	442	142	-	584	-	584
Responsible entity fees paid and other operating expenses paid	-	(10,251)	10,251	-	-	(10,251)
<b>Net cash provided by operating activities</b>	<b>285,469</b>	<b>81,832</b>	<b>(17,107)</b>	<b>350,194</b>	<b>(17,109)</b>	<b>350,192</b>
Net capital expenditure <sup>1</sup>	(209,799)	(448,062)	-	(657,861)	-	(657,861)

(1) Net capital expenditure includes a significant proportion of expenditure in relation to the \$858 million SWQ Pipeline extension project in HDUF. These cashflows have not been adjusted for the accrual of the estimated capital expenditure incurred in respect of the expansion project subsequent to 30 June 2011.

## 4 Combined Group pro forma historical financial information continued

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%)
<b>Cash flows from operating activities</b>						
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)	(16,455)	(230,624)	(6,206)	(220,375)
Income taxes paid	-	(103)	-	(103)	-	(103)
Responsible entity fees paid and other operating expenses paid	-	(3,483)	3,483	-	-	(3,483)
<b>Net cash provided by operating activities</b>	<b>271,228</b>	<b>81,674</b>	<b>(16,901)</b>	<b>336,001</b>	<b>(10,135)</b>	<b>342,767</b>
Net capital expenditure	(114,420)	(182,832)	-	(297,252)	-	(297,252)

### 4.3.3.1 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	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 <sup>1</sup>	10,251	-	3,483	-
HDUF distributions to APA <sup>2</sup>	(10,903)	(10,903)	(3,929)	(3,929)
Interest on acquisition borrowings <sup>3</sup>	(16,455)	(6,206)	(16,455)	(6,206)
<b>Total pro forma adjustments</b>	<b>(17,107)</b>	<b>(17,109)</b>	<b>(16,901)</b>	<b>(10,135)</b>

(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 Group in relation to its existing 20.7% investment in HDUF Group.

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

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## 4.4 Forecast information

### 4.4.1 Combined Group forecasts

The APA Responsible Entity has given careful consideration as to whether forecast financial information in respect of the Combined Group can and should be included in this Bidder's Statement. In particular, the APA Responsible Entity has considered whether there is a reasonable basis for the preparation and disclosure in this Bidder's Statement of reliable, meaningful and relevant forecast financial information in this regard. The APA Responsible Entity has been substantially limited to publicly available information in respect of HDUF Group, and has not had access to detailed forecast information and underlying assumptions, nor has the APA Responsible Entity had access to HDUF Group management to discuss the basis of their assumptions. The APA Responsible Entity has also not been able to assess potential synergies from the acquisition or costs to be incurred to achieve synergies.

Accordingly, the APA Responsible Entity has concluded that forecast financial information for the Combined Group cannot be provided as the APA Responsible Entity does not have a reasonable basis for such forecasts as required by applicable law, regulatory guidance and practice, and therefore the forecasts would not be meaningful or material to HDUF Securityholders. Even if access to HDUF Group's management and detailed forecast information was permitted, it is unknown whether that information would meet the legal and regulatory requirements in relation to forecasts.

### 4.4.2 Distribution guidance

Since listing, APA'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:

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

APA confirms its guidance that the total distributions per APA Stapled Security for FY2012 will at least equal the total distributions for FY2011 (which totalled 34.4 cents per APA Stapled Security). The FY2012 interim distribution for the 6 months ending 31 December 2011 will be 17.0 cents per APA Stapled Security and, based on the distribution guidance, the final distribution for the 6 months ending 30 June 2012 will be at least 17.4 cents per APA Stapled Security. If the Bidder acquires all of the HDUF Stapled Securities, APA's distributions will continue to be covered by cash flows.

APA will not issue APA Stapled Securities to HDUF Securityholders as part of the Offer Consideration before the record date for the interim distribution (that date being 30 December 2011), and therefore, HDUF Securityholders will not be in a position to receive APA's interim distribution of 17.0 cents for the 6 months ending 30 June 2012.

However, HDUF Securityholders will be entitled to receive any final distribution declared by APA in respect of any APA Stapled Securities that are issued to them as part of the Offer Consideration between the dates of 1 January 2012 and 30 June 2012. The final distribution is expected to be paid in September 2012.

### 4.4.3 EBITDA guidance

On 24 August 2011, APA Group announced to the 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 business which is expected to settle prior to the end of December 2011 will not materially impact on that guidance. Excluding the effect of any acquisition of HDUF Group, 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.

APA Group expects that HDUF will disclose, in its target statement, its own expectations of HDUF Group's EBITDA for the financial year to 31 December 2012. Depending on the detail of that disclosure, it may be possible for APA to provide further guidance to the market on prospective EBITDA for the Combined Group after APA Group has had an opportunity to review that disclosure.

# 5 APA Group's intentions in relation to HDUF

## 5.1 Introduction

This section 5 sets out the intentions of the APA Responsible Entity (which are the same as the intentions of the Bidder) in relation to:

- (a) the continuation of the business of HDUF Group (including the continued operation of the HDUF managed investment scheme);
- (b) any major changes to be made to the operation of HDUF Group, including any redeployment of property of HDUF Group;
- (c) the future employment of the present employees of HDUF Group; and
- (d) any plan to remove the HDUF Responsible Entity and appoint a new responsible entity.

These intentions are based on the information concerning HDUF Group, its business and the general business environment which is known to the APA Responsible Entity and the Bidder as at the date of this Bidder's Statement.

Final decisions regarding the matters set out below will only be made by the APA Responsible Entity in the light of all material statements, facts and circumstances at the relevant time. Accordingly, HDUF Securityholders should be fully aware that the statements set out in this section 5 are statements of current intention only, which may change as new information becomes available to the APA Responsible Entity or as circumstances change.

At the end of the Offer Period, the APA Responsible Entity intends to undertake a detailed corporate, commercial, financial, strategic and operational review of HDUF Group in order to optimise operations and identify benefits of combined operations.

## 5.2 Intentions for HDUF as a wholly owned controlled entity

This section 5.2 describes the current intentions of the APA Responsible Entity if the Bidder has a relevant interest in 90% or more of the HDUF Stapled Securities and is entitled to proceed to compulsory acquisition of outstanding HDUF Stapled Securities.

### 5.2.1 Corporate matters

If it becomes entitled to do so the APA Responsible Entity intends to:

- (a) give notices to HDUF Securityholders to compulsorily acquire any outstanding HDUF Stapled Securities in accordance with section 661B of the Corporations Act;
- (b) if required to do so under section 662A of the Corporations Act, give notices to HDUF Securityholders

offering to acquire their HDUF Stapled Securities in accordance with section 662B of the Corporations Act;

- (c) at the conclusion of the compulsory acquisition process, arrange for HDUF to be removed from the official list of the ASX and commence the process to deregister HDUF as a registered managed investment scheme; and
- (d) have APL or another entity appointed as the new responsible entity of HDUF (and to rename HDUF in accordance with the HDUF Constitutions).

### 5.2.2 Intentions regarding assets and operations

It is the APA Responsible Entity's intention to continue the business of HDUF Group using APA Group's expertise to improve and further develop it. The APA Responsible Entity does not intend to redeploy any property of HDUF Group.

The APA Responsible Entity considers that the business of HDUF Group is a complimentary addition to APA Group, and will provide APA Group with capability that will allow it to provide a broader, more flexible and competitive range of services to customers.

### 5.2.3 Intentions regarding management and employees

The APA Responsible Entity will undertake a detailed review of the head office and operational functions of HDUF Group in order to optimise those functions and to evaluate any synergies that can be gained through combined operations. This review will include a review of human resource requirements. However, it is considered likely to result in the closure of HDUF Group's head office function in Melbourne. The head office of the Combined Group will be APA Group's head office in Sydney.

At this stage, the APA Responsible Entity is unable to formulate a firm view in relation to the employees of HDUF. However, it is likely that there will be some redundancies and the APA Responsible Entity will respect legal obligations regarding employment terms and conditions in place at the time of the Offer.

### 5.2.4 Ongoing HDUF Group funding agreements

Based on information announced by HDUF to the ASX, HDUF Group has external debt financing arrangements of approximately \$1.1 billion.

It is not known to the APA Responsible Entity whether HDUF Group's financing arrangements contain "change of control" provisions which would require consent from financiers before, or trigger an event of default or other consequences on, the Bidder acquiring a majority of the HDUF Stapled Securities or the change of the responsible entity. If there are such provisions, this may result in amounts owing under the financing arrangements becoming due and payable. The Bidder also does not know the terms on which HDUF Group's financing arrangements have been structured and whether or not there

are terms in those financing arrangements, including the Mezzanine Debt, that would affect HDUF Group becoming part of APA Group's financing arrangements.

It is for this reason the Bidder has made its Offer conditional on obtaining confirmation that no such provisions exist, as well as on other change of control provisions (see section 10(i), 10(j) and 10(k)). If such provisions do exist, then it will be necessary for the Bidder to negotiate with HDUF and its financiers to either ensure that those HDUF Group financings will remain available or that new replacement financing can be arranged. However, the Bidder believes that it has reasonable grounds to expect to be able to organise replacement financing if it is able to understand the current HDUF Group financing arrangements, those arrangements are on customary commercial terms, there are no aggregate break costs of more than \$50 million and it is able to have satisfactory discussions with the existing HDUF Group financiers.

### 5.3 Intentions for HDUF as a part owned entity

The Bidder reserves its right to declare the Offer free from the 90% minimum acceptance condition (or any other condition) of the Offer. However, it has made no decision as to whether it will do so.

This section 5.3 describes the APA Responsible Entity's intentions if HDUF were to be:

- (a) a part owned controlled entity (where the Bidder holds 50.1% or more); and
- (b) a part owned non controlled entity.

#### 5.3.2 Part owned controlled entity

In this circumstance, the APA Responsible Entity intends:

- (a) that HDUF's Group's current business will continue substantially in its current form;
- (b) to seek to implement the intentions as set out in sections 5.2 to the extent possible;
- (c) if it is in a position to do so, appoint APL or another entity as the new responsible entity of HDUF;
- (d) to review the ongoing suitability of HDUF for listing on the ASX. The APA Responsible Entity intends that HDUF continues to be listed on the ASX while it meets the ASX requirements for maintaining a listing; and

- (e) to continue to deal with its stake in HDUF with a view to maximising APA Securityholder returns. The Bidder reserves the right to, at some later time, acquire further HDUF Stapled Securities in a manner consistent with the Corporations Act.

#### 5.3.3 Part owned non-controlled entity

In the circumstance of HDUF being a part owned non-controlled entity the APA Responsible Entity:

- (a) does not expect to be in a position to give effect to all the intentions mentioned in section 5.2 and 5.3.2;
- (b) APA will continue to deal with any stake in HDUF (including any HDUF Stapled Securities acquired as a consequence of this Offer) with a view to maximising returns for APA Securityholders; and
- (c) if it is in a position to do so, appoint APL or another entity as the new responsible entity of HDUF.

### 5.4 Limitation on intentions

The implementation of the APA Responsible Entity's intentions in the event of less than 100% ownership of HDUF will be subject to the Corporations Act, the Listing Rules and the HDUF Constitutions, and to the obligation of the Directors to act in the best interest of HDUF and all HDUF Securityholders. In particular, if the Bidder obtains control (but not 100%) of HDUF, the "related party" provisions of Chapter 2E (applied by Part 5C.7) of the Corporations Act and of the Listing Rules will apply.

The APA Responsible Entity will only make a decision on its courses of action in these circumstances after it receives appropriate legal and financial advice on such matters where required, including in relation to any requirements for HDUF Securityholder approval.

# 6 Sources of consideration

## 6.1 Maximum funding obligation

The total Offer Consideration for the acquisition of HDUF Stapled Securities (excluding the HDUF Stapled Securities already owned by APA Group at the date of this Bidder's Statement) will be satisfied by the payment of cash and the issue of APA Stapled Securities.

The cash component of the Offer Consideration for the acquisition of the HDUF Stapled Securities to which the Offer relates is \$0.50 per HDUF Stapled Security.

The total cash amount that the Bidder would be required to pay to HDUF Securityholders under the Offer if it acquires all of the HDUF Stapled Securities currently on issue and those HDUF Stapled Securities issued during the Offer Period to the HDUF Responsible Entity in lieu of the Performance Fee is less than \$230 million.

## 6.2 Cash funding arrangements

### 6.2.1 Overview of APA Group's funding sources

To meet this funding obligation, the Bidder has available to it:

- (a) APA Group Finance Facilities, being existing syndicated and bilateral bank facilities, with an undrawn committed amount of \$330 million as at the date before the Announcement Date which is for general corporate purposes;
- (b) APA Group Cash Reserves of immediately available cash on hand of at least \$30 million as at the date before the Announcement Date; and
- (c) further cash proceeds of at least \$475 million from the settlement of the sale of 80% of Allgas which is expected to settle prior to the end of December 2011 and the funds used to repay current outstanding debt of APA Group.

Following the settlement of the Allgas transaction, the Bidder expects to have in excess of \$830 million in cash and available facilities to fund the cash portion of the Offer.

Set out below are further details on the APA Group Finance Facilities and the APA Group Cash Reserves.

### 6.2.2 APA Group Finance Facilities

The Bidder is the designated borrower of APA Group. In November 2011, the Bidder executed a \$1,450 million syndicated bank facility comprising the following three tranches:

- (a) Tranche A – 2 year revolving credit facility (\$483.333 million);
- (b) Tranche B – 3 year revolving credit facility (\$483.333 million); and
- (c) Tranche C – 4 year revolving credit facility (\$483.333 million).

Also in place are five recently executed bilateral bank facilities with commitments totalling \$450 million. These bilateral bank facilities comprise four 3 year facilities of \$75 million each and a 5 year facility of \$150 million.

These syndicated and bilateral bank facilities are currently undrawn to the extent of at least \$330 million.

The members of the syndicated bank facility are:

Australia and New Zealand Banking Group Limited;  
The Bank of Nova Scotia Asia Limited;  
The Bank of Tokyo-Mitsubishi UFJ, Ltd;  
BNP Paribas;  
Citibank N.A., Sydney Branch;  
Commonwealth Bank of Australia;  
DnB NOR Bank ASA, Singapore Branch;  
HSBC Bank Australia Limited;  
Mizuho Corporate Bank Ltd;  
National Australia Bank Limited;  
Oversea-Chinese Banking Corporation Limited;  
Royal Bank of Canada;  
The Royal Bank of Scotland plc, Australia Branch;  
Sumitomo Mitsui Banking Corporation, Sydney Branch; and  
Westpac Banking Corporation.

Bilateral banking facilities are provided by:

Australia and New Zealand Banking Group Limited – \$75 million;  
The Bank of Tokyo-Mitsubishi UFJ, Ltd – \$75 million;  
Commonwealth Bank of Australia – \$150 million;  
National Australia Bank Limited – \$75 million; and  
Westpac Banking Corporation – \$75 million.

The drawdown of funds under the APA Group Finance Facilities is subject to the following conditions precedent:

- (a) there being no default or event of default in existence or resulting from the borrowing of such funds;
- (b) there being no event or circumstance, either individually or in the aggregate, that has had or could reasonably be expected to have a "material adverse effect".

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The term “material adverse effect” means a material adverse effect on the ability of APA Group obligors (taken as a whole) to perform their obligations under the finance documents or a material adverse effect on the material remedies or rights of the finance parties under the finance documents. The other conditions precedent relate to limited representations and warranties and other procedural conditions precedent usual for facilities of this nature.

At the date of this Bidder’s Statement, neither the Bidder nor any other member of APA Group is aware of any reason why such conditions precedent will not be satisfied to allow the proceeds to be available to pay any amounts that the Bidder may be required to pay under the Offer as and when such amounts are due.

### **6.2.3 APA Group Cash Reserves**

The APA Group Cash Reserves consist of deposits with major commercial banks.

## **6.3 Sufficient cash consideration**

Having regard to the matters in this section 6, the Bidder believes that it continues to have access to funds in excess of the maximum cash amount that the Bidder may be required to pay under the Offer, as well as its costs associated with the Offer.

## **6.4 Scrip funding arrangements**

The Bidder and the APA Responsible Entity have entered into an agreement pursuant to which the APA Responsible Entity has agreed to, at the Bidder’s request, issue APA Stapled Securities on behalf of the Bidder to satisfy its commitments in relation to the APA Stapled Security component of the Offer Consideration. In addition, the APA Responsible Entity has agreed to, as soon as practicable, apply for official quotation of those APA Stapled Securities issued pursuant to the Offer on the ASX.

## **6.5 HDUF refinancing underwriting**

It is not known whether HDUF Group’s financing arrangements contain “change of control” provisions which would trigger an event of default or other consequences on a bidder acquiring a majority of the HDUF Stapled Securities or on a change of the responsible entity. This may result in amounts owing under the financing arrangements becoming due and payable. The Bidder also does not know the terms on which HDUF Group’s financing have been structured and whether or not there are terms in those financing arrangements, including the Mezzanine Debt, that would affect the HDUF Group becoming part of APA Group’s financing arrangements. The Bidder has made its Offer conditional on confirming that no such provisions exist, and on other change of control provisions (see section 10(i), 10(j) and 10(k)).

If such provisions do exist, then it will be necessary for the Bidder to negotiate with HDUF and its financiers to ensure either that those HDUF Group financings will remain available or that new replacement financing can be arranged. However, the Bidder believes that it has reasonable grounds to expect to be able to organise replacement financing if it is able to understand the current HDUF Group financing arrangements, those arrangements are on customary commercial terms, there are no aggregate break costs of more than \$50 million and it is able to have satisfactory discussions with the existing HDUF Group financiers.

# 7 Tax considerations for HDUF Securityholders



The Board of Directors

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Level 19, HSBC Building  
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Sydney NSW 2000

15 December 2011

Dear Directors

## **Tax Considerations for HDUF Securityholders**

This letter has been prepared for inclusion in the Bidder's Statement dated on or about 15 December 2011 in relation to the Offer. Capitalised terms in this letter have the same meaning as they do in the Bidder's Statement.

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 income tax, GST and stamp duty considerations for HDUF Securityholders who accept the Offer. In providing this opinion PricewaterhouseCoopers has relied upon certain facts set out in the Bidder's Statement that have not been independently reviewed or verified by PricewaterhouseCoopers.

The tax information provided below is intended as 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 resident individual HDUF Securityholders who hold their investment on capital account, and does not apply to HDUF Securityholders who are traders or are carrying on a business which includes deriving gains from the disposal of their HDUF Stapled Securities.

This guide is not intended to be, and should not be relied upon as, personal taxation or financial advice. Accordingly, HDUF Securityholders are recommended to seek professional tax advice in relation to their own position.

The information below is based on existing tax law and established interpretations as at the date of this letter. The tax law is complex and subject to change periodically as is their interpretation by the courts and the Australian Taxation Office (ATO) and state revenue authorities (SRA). We have not sought to have our opinion ruled upon by the ATO or any SRA and therefore there is a risk that the ATO or a SRA may not agree with our opinion or aspects of it.

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## **1 Taxation on disposal of HDUF Stapled Securities**

A HDUF Stapled Security consists of a unit in HDUF Epic Trust, HDUF Finance Trust and HDUF Further Investments Trust.

The Offer consists of an exchange of one HDUF Stapled Security for 0.326 APA Stapled Security plus cash of \$0.50.

Acceptance of the Offer will involve a disposal by HDUF Securityholders of a unit in HDUF Epic Trust, HDUF Finance Trust and HDUF Further Investments Trust ie. three disposals for CGT purposes. A CGT calculation will be required in respect of each unit held in HDUF Epic Trust, HDUF Finance Trust and HDUF Further Investments Trust.

As no CGT roll-over relief will be available, any resultant capital gain or loss will need to be taken into account in determining the net capital gain to be included in the assessable income of the HDUF Securityholder in the year of income in which the disposal occurs. A net capital loss may be carried forward until the HDUF Securityholder has realised capital gains against which the net capital loss can be offset.

The capital proceeds for the disposal of each HDUF Stapled Security should be the market value of the APA Stapled Security on the date of disposal plus the cash component of the Offer. The capital proceeds received must be apportioned between HDUF Epic Trust, HDUF Finance Trust and HDUF Further Investments Trust on a reasonable basis.

It should be noted that, depending on the date of acquisition and the period held of each HDUF Stapled Security, the CGT treatment may differ amongst individual HDUF Securityholders.

The capital gain or loss is calculated separately in respect of the units in HDUF Epic Trust, HDUF Finance Trust and HDUF Further Investments Trust as follows:

- The capital gain is the excess of the capital proceeds for the disposal over the cost base of the relevant units.
- The capital loss is the shortfall of the capital proceeds for the disposal below the cost base of the relevant units.
- If the units have been held for less than 12 months this is the amount of gain or loss included in the net capital gain calculation.
- If the units have been held for 12 months or more and there is a loss, similarly this loss is included in the net capital gain calculation.
- If the units have been held for 12 months or more and there is a gain, the gain is eligible for a CGT discount (being 50% of the gain for individuals).

The ATO measures the period of 12 months for this purpose exclusive of both the acquisition date and the disposal date.

## **2 Cost base of APA Stapled Securities**

Each APA Stapled Security consists of one APTIT Unit and one APT Unit.

The cost base of the APTIT Units and APT Units should be the market value of the HDUF Stapled Securities disposed of under the Offer, apportioned on a reasonable basis.

## 7 Tax considerations for HDUF Securityholders continued



We have been advised that APA will make information available on its website to assist HDUF Securityholders with the relative market value of each APTIT Unit and APT Unit. The date of disposal should also be the date of acquisition of the APTIT Units and APT Units.

### 3 Taxation of APA Stapled Securities

For tax purposes APTIT and APT are treated as separate entities and the holding of APTIT Units and APT Units are treated as separate investments.

#### 3.1 Tax treatment of APTIT

APTIT should not generally be liable for income tax in any income year provided unitholders are presently entitled to all of the income of the trust in each year (which is intended to be the case).

Based on information and the intention of the trustee as expressed to us, we do not believe that APTIT should be taxed in a similar manner to a company under the corporate unit trust provisions contained in Division 6B of Part III of the Income Tax Assessment Act or the public trading trust provisions in Division 6C of Part III of the Income Tax Assessment Act.

We note that the public trading trust test is an on-going one and the tax position of APTIT in any year will depend on its actual operations and activities in that year.

#### 3.2 Tax treatment of on-going APTIT distributions

APTIT Unitholders are liable to pay tax on the full amount of their share of the taxable income of APTIT in the year in which entitlement to income from the trust arises. An APTIT Unitholder's share of the taxable income of APTIT for the year ended 30 June must therefore be included as assessable income for the financial year ending on that date. This applies irrespective of whether distributions from APTIT are paid in a subsequent year.

Distributions from APTIT may include various components, the taxation treatment of which may differ. For example, a distribution from APTIT may include a tax-deferred component, a CGT concession component, as well as net capital gains.

Tax-deferred distributions are usually attributable to returns of capital, building allowances, tax depreciation and other tax timing differences. It is the practice of the Commissioner of Taxation to treat tax-deferred distributions as not assessable when received unless and until the total tax-deferred amounts received by an APTIT Unitholder exceeds the cost base of the units in the trust. For CGT purposes, amounts of tax-deferred distributions received reduce the cost base of units held for an APTIT Unitholder and therefore affect the APTIT Unitholder's capital gain/loss on disposal of their APTIT Units.

The CGT concession component of a distribution represents the CGT discount claimed by APTIT in respect of asset sales. The CGT concession component is not assessable when received by an APTIT Unitholder. Where an APTIT distribution includes a CGT concession component, there will be no reduction to the cost base of the APTIT Units held by an APTIT Unitholder for that component.

The capital gain component of an APTIT distribution must be included in an APTIT Unitholder's calculation of their net capital gain. Where the distributed capital gain includes a discounted capital gain component, an APTIT Unitholder is required to "gross up" that amount by the discount applied by the trust (ie 50%). The nominal capital gain (ie the whole amount of the gain prior to discounting) is then included in the calculation of an APTIT Unitholder's net capital gain. An APTIT Unitholder may be entitled in their own right to a CGT discount as an individual.

#### 3.3 Tax treatment of APT

APT is treated as a company for income tax purposes and therefore is considered a separate taxable entity from APT Unitholders. Furthermore, APT Units are treated for tax purposes as a share in a company (and not an interest in a trust) and APT Unitholders treated as shareholders.

#### 3.4 Distributions from APT

As a company for tax purposes, APT is liable to income tax at the corporate rate (currently 30%) on its taxable income. APT will generate franking credits for the amount of tax paid and franked dividends received and these credits may be used to frank distributions paid to APT Unitholders.



Distributions to APT Unitholders will be assessable as dividends paid to shareholders in a company, ie. distributions grossed up for any franking credits are included in the APT Unitholder's assessable income in the year in which the distributions are paid. The APT Unitholder is then allowed a tax offset equal to the franking credit.

Excess franking tax offsets (i.e. excess of franking tax offsets over tax payable) are refunded to individual APT Unitholders.

To the extent that distributions are unfranked, APT Unitholders will be assessed on the unfranked distribution received and there is no franking credit available.

We have been advised by APT that it does not expect to pay franked distributions in the immediate future.

There are a number of measures that may affect the ability of an APT Unitholder to use franking credits distributed, including the holding period rule. However, an exemption from the holding period rule applies where a shareholder is entitled to total franking credits of \$5,000 or less. The holding period rule requires APT Unitholders to hold the units at risk for more than 45 days during the relevant period. Given that these rules can be complex, APT Unitholders should be aware of and seek specific advice on their own position.

### *3.5 Return of capital by APT*

Amounts that are distributed to APT Unitholders may be treated as a return of capital and not assessable, but only to the extent that the amounts are not attributable to profits of APT. Such amounts will be treated as a reduction in the CGT cost base of the APT Unit. A capital gain will arise for the APT Unitholder to the extent that the return of capital (including any previous capital distributions, if relevant) exceeds the cost base of the APT Units.

### *3.6 Taxation on disposal of APA Stapled Securities*

The disposal of an APA Stapled Security involves a disposal of an APTIT Unit and an APT Unit ie. two disposals for CGT purposes. Broadly, APA Securityholders must include any realised capital gain or loss in the calculation of their net capital gain. A net capital gain will be included in the APA Securityholder's assessable income for that year. Please refer above to the calculation of the capital gain or loss on disposal.

## **4 Tax File Numbers**

HDUF Securityholders need not quote a Tax File Number (TFN) under the Offer. However, if a TFN is not quoted, or no appropriate TFN exemption information is provided, tax is required to be deducted from any income distribution entitlement or unfranked dividend paid at the highest marginal tax rate plus Medicare levy (currently 46.5%).

HDUF Securityholders that hold their investment as a part of their business may quote their Australian Business Number (ABN) instead of their TFN.

## **5 GST**

The disposal of HDUF Stapled Securities and issue of APA Stapled Securities to HDUF Securityholders should not be subject to GST.

## **6 Stamp Duty**

Under current law, no stamp duty should be payable by HDUF Securityholders on the disposal of HDUF Stapled Securities and issue of APA Stapled Securities. Stamp duty may be payable by APA (at law) in relation to the acquisition of HDUF Stapled Securities on which it has separately been advised.

Yours faithfully

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

**Steve Ford**  
Principal

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

**Mike Davidson**  
Partner

# 8 Risks

## 8.1 Introduction

In deciding whether or not to accept the Offer, you should read this entire Bidder's Statement carefully. You should also carefully consider the risk factors outlined in this section 8 and your personal circumstances. This section 8 is general only and does not take into account your individual objectives, financial situation or needs.

If the Offer becomes or is declared unconditional, HDUF Securityholders (other than Foreign Securityholders) who accept the Offer will be provided with APA Stapled Securities as part of the Offer Consideration. The value of the Offer Consideration to HDUF Securityholders will depend on the future value of APA Stapled Securities.

A number of risks and uncertainties, which are both specific to APA Group and of a more general nature, may affect the future operating and financial performance of APA Group and the value of APA Stapled Securities. HDUF Securityholders should also be aware that a number of the risk factors set out below are likely to be similar to those already faced by HDUF Group.

This section 8 outlines some of the:

- (a) specific risk factors associated with APA Group and the sector in which it operates (see section 8.2);
- (b) specific risk factors that may affect the Combined Group (see section 8.3);
- (c) risk factors that arise from the Offer (see section 8.4); and
- (d) risk factors that relate to the general economy and securities market (see section 8.5).

The risks identified in this Bidder's Statement are not necessarily exhaustive. APA Group gives no assurance or guarantee that the risks set out in this Bidder's Statement will not change or that additional risks which are not disclosed in this Bidder's Statement will not arise. There may be other material risks which are not disclosed in this Bidder's Statement because they have not been announced by HDUF to the ASX, are not known to APA Group or were not considered to be material at the date of this Bidder's Statement. APA Group employs various techniques it deems prudent to reduce or deal with risks including the use of insurance, though not all risks can be mitigated in whole or part.

## 8.2 Specific risk factors associated with APA Group and the sector in which it operates

APA Group owns and operates natural gas transmission and distribution assets, spanning every state and territory on mainland Australia. APA Group's current projects include the construction of new energy infrastructure assets as well as the expansion of some of its existing assets.

### 8.2.1 Key business risks for APA Group

#### 8.2.1.1 Economic regulation

Approximately 45% of APA Group's pro forma revenue (excluding passthrough 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. Regulatory pricing periods generally run for 5 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 change materially within a regulatory pricing period resulting in adverse impacts on earnings.

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 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. Further information about economic regulation is set out in section 1.3.

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.

### **8.2.1.2 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. There is also a proposal by a third party to build a gas transmission pipeline linking coal seam methane reserves in Queensland and New South Wales to New South Wales and Queensland markets respectively. Such a pipeline, if developed, may compete with the Moomba Sydney Pipeline for delivery of coal seam methane into the Queensland and New South Wales markets. If this 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.

### **8.2.1.3 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 will adversely impact APA Group's future revenue, profits and financial position.

### **8.2.1.4 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 assets may be materially adversely affected.

### **8.2.1.5 Potential regulatory restrictions on future growth**

APA Group is considered to be a foreign person for the purposes of the Foreign Acquisitions and Takeovers Act. Further, for the purposes of the Foreign Investment Policy, APA Group is a foreign government related entity. APA Group's status under the foreign investment regime as a foreign person and foreign government related entity is due to Petronas, a Malaysian company, owning more than 15% of APA Stapled Securities as at 30 June 2011. APA Group currently has a standing annual programme approval from FIRB for "business as usual" activities

involving the acquisition of interests in Australian urban land. The annual programme approval is renewed annually.

Further, as a foreign government related entity, under the Foreign Investment Policy, APA Group is required to notify the Treasurer through FIRB and a prior statement of no objection obtained in respect of the acquisition of any interest in Australian urban land outside of the annual programme approval or making of a direct investment in any entity or business which may include acquiring entities owning pipeline or other energy infrastructure assets. For instance, FIRB approval was necessary for the Emu Downs Wind Farm acquisition and in respect of the Diamantina Power Station project.

In addition, APA Group's future acquisitions may be subject to ACCC approval. 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 in the FIRB process or 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.

### **8.2.1.6 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.

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.

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.

### **8.2.1.7 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

## 8 Risks continued

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.

### 8.2.1.8 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.

### 8.2.1.9 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. 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.

### 8.2.1.10 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 will adversely impact APA Group's future revenue, profits and financial position.

## 8.2.2 Other risks related to the Australian gas transportation industry generally

### 8.2.2.1 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.

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.

### 8.2.2.2 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 regulation, 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 or granted (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.

### 8.2.2.3 Environmental risks

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.

#### **8.2.2.4 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 our current land access rights.

#### **8.2.2.5 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. 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.

#### **8.2.2.6 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 Bidder's Statement, the Bidder is not aware of any material litigation in respect of APA Group.

#### **8.2.2.7 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.

### **8.3 Specific risk factors that may affect the Combined Group**

In addition to the risk factors set out above in section 8.2, a number of which are risk factors likely to be similar to those already faced by HDUF Group, the following factors may affect the future operating and financial performance of the Combined Group.

HDUF Securityholders should note that the Bidder does not currently control, or have any involvement in, HDUF Group's operations. Accordingly, the Bidder and its advisers have relied primarily on HDUF having complied with its continuous disclosure obligations and some limited other information. Consequently, the Bidder 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.

#### **8.3.1 Counterparty change of control risk**

HDUF Group Entities may be parties to agreements that contain pre-emptive rights or change of control provisions that may be triggered if the Bidder acquires HDUF Stapled Securities representing a majority of the voting rights of HDUF or there is a change in the responsible entity of HDUF.

The operation of these change of control provisions, if triggered, could have negative consequences including enabling a counterparty to terminate a contract or requiring a HDUF Group Entity to renegotiate a contract or sell joint venture interests. These provisions may be waived with the consent of the counterparty and APA Group would consider seeking such waivers if it discovered that pre-emptive rights or change of control provisions affecting HDUF Group's assets or agreements would be triggered upon the Bidder obtaining control of HDUF or there is a change in the responsible entity of HDUF.

Further, the terms of HDUF Group's financing agreements may require consent from financiers prior to the Bidder acquiring HDUF Stapled Securities representing a majority of the voting rights in HDUF or there being a change in the responsible entity of HDUF. There is a risk that financier consent may not be obtained or waived, in which case an event of default, or other consequences, under the financing agreements may be triggered. This may result in amounts owing under the agreements becoming due and payable or exposure to additional requirements or restrictions.

This change of control risk is reduced through the Offer conditions requiring HDUF to make an announcement to the ASX that no such pre-emptive rights or change of control provisions exist and also requiring that no person exercises, or purports to exercise, or has any such rights under any agreement as a result of the Offer, the acquisition of HDUF Stapled Securities by the Bidder, the HDUF Responsible Entity ceasing to be the responsible entity of HDUF, or the appointment of APL, or another entity as the new responsible entity of HDUF. Notwithstanding these Offer conditions, the Bidder may waive these Offer conditions and negotiate with a person who purports to exercise these rights.

In the absence of appropriate waivers, the operation of any of these change of control provisions could adversely affect the operations and/or financial position and performance of the Combined Group.

## 8 Risks continued

### 8.3.2 Integration and synergy risks

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.

### 8.3.3 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 the Bidder 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.

### 8.3.4 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.

### 8.3.5 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.

## 8.4 Risk factors that arise from the Offer

### 8.4.1 APA Stapled Securities

Under the Offer, the Bidder will offer a significant number of APA Stapled Securities to HDUF Securityholders. If current HDUF Securityholders or current APA Securityholders do not wish to hold APA Stapled Securities and seek to sell them, this may adversely affect the value of APA Stapled Securities.

### 8.4.2 Fluctuation in the market value of APA Stapled Securities

The Offer Consideration includes a specified number of APA Stapled Securities as opposed to a number of APA Stapled Securities totalling a specified market value. The market value of APA Stapled Securities at the time at which they are provided to HDUF Securityholders may vary from their market value on the date that HDUF Securityholders accept the Offer.

APA Group is not obliged to make any adjustment in the Offer Consideration payable if the value of APA Stapled Securities changes during the Offer Period. Accordingly, market fluctuations could adversely affect the value of the Offer Consideration provided and the value of an accepting HDUF Securityholder's investment in APA Group.

### 8.4.3 ACCC risk

The Offer is subject to the ACCC notifying the Bidder in writing that it does not propose to take any action in relation to the Offer.

The ACCC may have competition concerns, particularly in relation to the aggregation of ownership and operation of pipeline assets out of Moomba and servicing Adelaide as a result of the Bidder's acquisition of HDUF. The ACCC will form a view on competition issues following its public market enquiries process. The Bidder engaged with the ACCC prior to the Announcement Date. If pursuant to market enquiries, any

competition concerns are identified by the ACCC, the Bidder will engage with the ACCC to address identified concerns and, if considered necessary, potential undertakings or remedies may be proffered by relevant APA Group Entities.

Notwithstanding such engagement, there is a risk that the ACCC may refuse to provide a “no action” assurance in respect of the Offer.

#### 8.4.4 The Bidder’s interest in HDUF

If the Offer results in the Bidder being entitled to a relevant interest in at least 90% of HDUF Stapled Securities, the Bidder will be able to compulsorily acquire any outstanding HDUF Stapled Securities so that HDUF will become a wholly owned entity of the Bidder. The Bidder reserves its right to declare the Offer free from the 90% minimum acceptance condition (or any other condition) of the Offer.

Therefore a risk exists that the final level of ownership acquired by the Bidder may be less than 90%. This would mean, in the event that HDUF is a partly owned controlled entity, that the APA Responsible Entity would not be in a position to give effect to its intentions set out in section 5.2 or, in the event that HDUF is not controlled by the APA Responsible Entity, its intentions set out in section 5.3.

#### 8.4.5 Satisfaction of conditions

This Bidder’s Statement includes a number of conditions that require HDUF to provide information and confirmation in relation to the business, assets and financial arrangements of HDUF Group through announcements to the ASX (see condition 10(j) (“HDUF announcement re change of control in financing arrangements”), condition 10(l) (“HDUF announcement re change of control”), 10(n) (“HDUF announcement re contractual milestones”) and condition 10(o) (“HDUF announcement re commencement of AGL gas transportation agreement”). This Bidder’s Statement also requires the HDUF Responsible Entity to announce that it will accept a lower Performance Fee than that to which it may otherwise be entitled, and receive the Performance Fee in HDUF Stapled Securities at a minimum issue price of \$2.56 per HDUF Stapled Security.

The Bidder does not know if HDUF is able to provide the information and confirmations sought in an announcement to the ASX and whether it would be prepared to do so. Further, the Bidder does not know if the HDUF Responsible Entity would be prepared to make the announcement in relation to future actions by it in relation to the Performance Fee referred to in condition 10(s) (“payments to and undertakings by the HDUF Responsible Entity”). Consequently, the inclusion of these conditions adds additional uncertainty as to whether the Offer will be successful.

The confirmations in respect of these matters are important to the Bidder’s assessment of HDUF. However, unless the information and confirmations have been provided earlier, the Bidder will review each of the conditions in the light of disclosure of the target’s statement to be issued by HDUF.

There are also conditions that no person in fact exercises rights in connection with a change of control (see section 10(k) (“change in control in financing arrangement”) and section 10(m) (“change of control”).

If these conditions are not satisfied or waived by the Bidder, then the Offer will not become unconditional.

#### 8.4.6 Taxation risks

The Australian tax consequences and risks of the Offer depend on the specific circumstances of each HDUF Securityholder. HDUF Securityholders should obtain their own professional taxation advice regarding the applicable law in respect of the Offer. A general summary of the main Australian taxation implications for particular HDUF Securityholders who accept the Offer is set out in section 7.

Should HDUF become wholly owned by APT (through the Bidder), APT as head company of the APT tax consolidated group will be deemed to have acquired the individual assets of HDUF Group. 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 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 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.

If APT (through the Bidder) holds less than 100% of the HDUF Stapled Securities there will be no step up or step down in the tax cost base of HDUF Group’s assets. HDUF will continue to use the existing tax cost base of its assets in its tax calculations.

Stamp duty will be payable by APA on the acquisition (through the Bidder) of the HDUF Stapled Securities if it acquires (including the existing holdings of the Bidder) 90% or more of the HDUF Stapled Securities. 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 the Bidder 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 the HDUF Stapled Securities.

## 8 Risks continued

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### 8.5 Risk factors that pertain to the general economy and securities market

Changes in global economic conditions (including changes in interest rates, inflation, foreign exchange rates and labour costs) as well as general trends in the Australian and overseas equity markets may affect the trading price of APA Stapled Securities on the ASX. One or more of these factors may cause APA Stapled Securities to trade below current prices and may adversely affect the operating and financial performance of the Combined Group. In addition, changes in the value of APA Stapled Securities may be unrelated or disproportionate to the actual operating performance of the Combined Group.

#### 8.5.1 Stock market fluctuations

The market price of APA Stapled Securities (including the APA Stapled Securities to be issued pursuant to the Offer) will be affected by the financial performance of APA Group and also varied and often unpredictable factors on the stock market generally. These factors include international share markets, interest rates, domestic and international economic conditions, investor sentiment, market supply and demand, and government taxation and other policy changes.

Additionally, APA Stapled Securities may trade at higher or lower prices than the price at the time of the Offer.

#### 8.5.2 Economic conditions

The operating and financial performance of APA Group is influenced by a variety of general economic and business conditions including the level of inflation, interest rates and exchange rates, government fiscal, monetary and regulatory policies. A prolonged deterioration in general economic conditions, including an increase in interest rates or a decrease in demand, could materially and adversely affect APA Group's operations and/or financial position and performance.

#### 8.5.3 Access to capital

APA Group relies on access to debt and equity financing. The ability to secure financing, or financing on acceptable terms may be materially adversely affected by volatility in the financial markets, globally or affecting a particular geographic region, industry or economic sector or by a downgrade in its credit rating. For these or other reasons, financing may be unavailable or the cost of financing may be significantly increased. Such inability to obtain, or increase to the costs of obtaining, financing could materially and adversely affect APA Group's operations and/or financial position and performance.

#### 8.5.4 Government policy and taxation

Changes in relevant taxation laws, interest rates, accounting standards, other legal, legislative and administrative regimes, and government policies, may have an adverse effect on the assets, operations and ultimately the financial performance of APA Group. These factors may ultimately affect APA Group's financial position and performance and the market price of APA Stapled Securities.

# 9 Terms of the Offer

## 9.1 Offer

The Bidder offers to acquire all of your HDUF Stapled Securities, together with all Rights attaching to them, on the terms and conditions set out in this section 9. This Offer relates to HDUF Stapled Securities that exist or will exist at the Register Date. Subject to obtaining a relief instrument from ASIC in a form acceptable to the Bidder, the Offer also extends to all HDUF Stapled Securities that are issued between the Announcement Date and the end of the Offer Period in respect of any Performance Fee payable to the HDUF Responsible Entity.

You may only accept this Offer in respect of all of your HDUF Stapled Securities in a holding. Different holdings may accept the Offer in different ways.

By accepting this Offer, you undertake to transfer to the Bidder the HDUF Stapled Securities to which this Offer relates and all Rights attached to those HDUF Stapled Securities (see sections 9.5.6 and 9.5.7).

## 9.2 Consideration

### 9.2.1 Offer Consideration

The Offer Consideration for each HDUF Stapled Security is:

- (a) \$0.50 cash; and
- (b) 0.326 APA Stapled Securities,

subject to possible adjustments as described in this section 9, unless you are a Foreign Securityholder.

In accordance with sections 9.2.3, 9.2.4, 9.5.6 and 9.5.7 the Bidder may adjust the Offer Consideration downwards in certain circumstances.

The APA Stapled Securities with which you will be provided as part of the Offer Consideration will be fully paid and from the date of issue rank equally for distributions and other rights with existing APA Stapled Securities.

### 9.2.2 Foreign Securityholders

If you are (or are acting as nominee, trustee or otherwise on behalf of) a Foreign Securityholder, you acknowledge and agree that you will not be entitled to receive APA Stapled Securities. Instead, the APA Stapled Securities to which you would otherwise be entitled will be issued to the Nominee. Those APA Stapled Securities will be offered for sale and the net proceeds provided to you in Australian dollars determined in accordance with section 9.5.3 and subject to the restrictions set out in section 9.5.8. The cash component of the Offer Consideration will be paid to you in accordance with section 9.5 (including section 9.5.2).

### 9.2.3 Fractional entitlements

Your aggregate entitlement to APA Stapled Securities will be calculated on the basis of multiplying the number of HDUF Stapled Securities in respect of which you have accepted the Offer by 0.326.

If this calculation results in an entitlement to a fraction of an APA Stapled Security, the aggregate number of APA Stapled Securities you are entitled to pursuant to this Offer will be rounded to the nearest whole number with fractions ending in 0.5 being rounded up. If the Bidder reasonably believes that an HDUF Securityholder's holdings have been manipulated to take advantage of any rounding (for example, by share splitting), then any fractional entitlement will be aggregated and rounded to the nearest whole number of APA Stapled Securities, with fractions ending in 0.5 being rounded up.

### 9.2.4 Distribution and entitlements

The Bidder will be entitled to all Rights declared, paid or made by the HDUF Responsible Entity or which arise or accrue after the Announcement Date in respect of the HDUF Stapled Securities acquired by the Bidder under this Offer.

If for any reason the Bidder does not receive any such Rights, the Bidder will, to the extent permitted by applicable law, be entitled to reduce the cash component payable pursuant to section 9.2.1 and/or the number of APA Stapled Securities to be issued pursuant to section 9.2.1 by the amount or value of those Rights as reasonably assessed by the Bidder.

## 9.3 Offer Period

This Offer will, unless withdrawn, remain open for acceptance during the period commencing on the date of this Offer, being 3 January 2012, and ending at 7.00pm (Sydney time) on:

- (a) 31 March 2012; or
- (b) any date to which the period of this Offer is extended in accordance with the Corporations Act,

whichever is the later.

## 9.4 How to accept this Offer

### 9.4.1 Acceptance Forms

Acceptances must be received in accordance with the instructions set out in your personalised Acceptance Form before the close of the Offer Period at 7.00pm (Sydney time) on 31 March 2012, unless extended. In the case of any acceptance in respect of a CHES Holding, your acceptance must be submitted in accordance with section 9.4.3.3).

## 9 Terms of the Offer continued

### 9.4.2 All of your holding

This Offer is for all of your HDUF Stapled Securities.

### 9.4.3 Acceptance procedure for HDUF Securityholders

The acceptance procedure will depend on whether your HDUF Stapled Securities are held in a CHESS Holding or an Issuer Sponsored Holding (your personalised Acceptance Form outlines which type of holding you have).

#### 9.4.3.1 If you hold your HDUF Stapled Securities in an Issuer Sponsored Holding (your SRN starts with an "I"):

to accept this Offer you must complete and sign your personalised Acceptance Form in accordance with the instructions on the form and lodge it by returning it (together with any other required documents described on the form) so that your acceptance is received before the end of the Offer Period.

#### 9.4.3.2 If your HDUF Stapled Securities are held in separate holdings:

if your HDUF Stapled Securities are in separate holdings, you will need to take action under sections 9.4.3.1 and/or 9.4.3.3 in relation to each holding if you wish to accept the Offer for all your HDUF Stapled Securities across those holdings.

#### 9.4.3.3 If you hold your HDUF Stapled Securities in a CHESS Holding (your HIN starts with an "X"):

you must comply with the ASX Settlement Operating Rules.

To accept this Offer in accordance with the ASX Settlement Operating Rules you have one of the following three choices:

- (a) instruct your Controlling Participant (usually your broker) to initiate acceptance of this Offer on your behalf in accordance with Rule 14.14 of the ASX Settlement Operating Rules in sufficient time for this Offer to be accepted before the end of the Offer Period; or
- (b) complete and sign your personalised Acceptance Form and send it (together with any other required documents described on the form) directly to your Controlling Participant (usually your broker) in sufficient time for this Offer to be accepted before the end of the Offer Period, with instructions to initiate acceptance of this Offer on your behalf in accordance with Rule 14.14 of the ASX Settlement Operating Rules before the end of the Offer Period; or
- (c) complete and sign your personalised Acceptance Form and send it to the Bidder at an address indicated in section 9.4.3.5 so that your Acceptance Form is received before 7.00pm (Sydney time) on the second last Business Day of the Offer Period. This will authorise the Bidder to instruct your Controlling Participant (usually your broker) to initiate acceptance of this Offer on your behalf.

9.4.3.4 **If you are a broker or another Participant:** to accept this Offer you must initiate acceptance in accordance with the requirements of the ASX Settlement Operating Rules before the end of the Offer Period.

#### 9.4.3.5 Postal and delivery addresses for Acceptance Forms:

##### By post

Link Market Services Limited  
Hastings Diversified Utilities Fund Takeover  
Locked Bag A14  
SYDNEY SOUTH NSW 1235

##### By hand

Link Market Services Limited  
Hastings Diversified Utilities Fund Takeover  
Level 12, 680 George Street  
SYDNEY NSW 2000

A reply paid envelope (not able to be used by HDUF Securityholders outside Australia) is enclosed for your convenience.

The transmission of your personalised Acceptance Form and other documents is at your own risk.

#### 9.4.3.6 Acceptance Form

Your personalised Acceptance Form which accompanies this Offer forms part of this Bidder's Statement. Subject to section 9.4.5, you must also comply with the requirements set out in your personalised Acceptance Form to accept this Offer.

### 9.4.4 Power of attorney, deceased estate

When accepting this Offer, you should also forward to the Bidder for inspection (at one of the addresses indicated in section 9.4.3.5):

- (a) if your personalised Acceptance Form is executed by an attorney – a certified copy of the power of attorney; or
- (b) if your personalised Acceptance Form is executed by the executor of a will or the administrator of the estate of a deceased HDUF Securityholder – a certified copy of the relevant grant of probate or letters of administration.

### 9.4.5 When acceptance is complete

Acceptance of this Offer will not be complete until the requirements of this section 9.4 have been met, including (where required) your Acceptance Form having been received at one of the addresses set out in section 9.4.3.5, provided that:

- (a) the Bidder may in its sole discretion and without notice to you waive any or all of those requirements at any time (including but not limited to requirements in relation to the manner or method of acceptance, or the deadline for receipt of acceptances specified under sections 9.4.1 and 9.4.3); and
- (b) where such requirements have been complied with in respect of some but not all of your HDUF Stapled Securities, the Bidder may, in its sole discretion, deem your acceptance of this Offer complete in respect of those HDUF Stapled Securities for which the

requirements have been complied with but not in respect of the remainder (unless the Bidder waives those requirements in accordance with section 9.4.5(a)).

Where the Bidder elects to waive any requirement of this section 9.4, your acceptance of this Offer will be complete regardless of any failure by you to comply with the waived requirement.

## 9.5 Provision of Offer Consideration

### 9.5.1 When Offer Consideration is provided

Subject to sections 9.5.3 and 9.5.5, if the contract resulting from your acceptance of this Offer becomes unconditional, you will be provided with the Offer Consideration to which you are entitled on or before the earlier of:

- (a) one month after receipt of your acceptance, or if the Offer is subject to conditions when you accepted, within one month after the Offer becomes unconditional; and
- (b) 21 days after the end of the Offer Period.

### 9.5.2 Payments of cash

Payment of cash to which you are entitled will be mailed by cheque (or otherwise as determined by the Bidder) in Australian currency. Cheques will be posted to you at your risk by pre-paid ordinary mail or by courier to the address set out in your personalised Acceptance Form or, if you have an overseas address, by pre-paid airmail post or by courier.

### 9.5.3 Payments to Foreign Securityholders

If you accept the Offer and are a Foreign Securityholder you will not be provided with APA Stapled Securities and:

- (a) the Bidder will arrange for the issue to the Nominee of the number of APA Stapled Securities to which you and all other Foreign Securityholders would otherwise have been entitled but for section 9.2.2;
- (b) the Bidder will cause the Nominee to offer for sale those APA Stapled Securities as soon as reasonably practicable after the end of the Offer Period in such a manner, at such a price and on such other terms and conditions as are determined by the Nominee;
- (c) the Bidder will cause to be provided to you the amount ascertained in accordance with the formula:

$$\frac{\text{Net proceeds of Sale x APA Stapled Securities}}{\text{Total Nominee APA Stapled Securities}}$$

where:

“Net Proceeds of Sale” means the amount which is received by the Nominee under section 9.5.3(b) for the sale of all APA Stapled Securities issued to it less brokerage, GST on that brokerage and other sale expenses;

“APA Stapled Securities” means the number of APA Stapled Securities which would but for section 9.2.2 have been allocated or issued to you; and

“Total Nominee APA Stapled Securities” means the total number of APA Stapled Securities allotted to the Nominee in accordance with section 9.5.3(a);

- (d) you will be provided with your share of the proceeds of this sale in Australian currency as determined in accordance with section 9.5.3(c);
- (e) payment will be made by cheque posted to you at your risk by pre-paid airmail post or courier to the address set out in your personalised Acceptance Form; and
- (f) interest will not be paid on your share of the proceeds of this sale, regardless of any delay in remitting these proceeds to you.

None of the Bidder, any member of APA Group or the Nominee makes any representations, warranty, undertaking or assurance as to the price that will be achieved for the sale of the APA Stapled Securities described in this section 9.5.3.

### 9.5.4 Issue price of APA Stapled Securities and statement of value

- (a) The issue price of APA Stapled Securities to be issued under the Offer will be equal to the weighted average traded price for an APA Stapled Security for all sales on the ASX for the period of 10 Business Days immediately preceding the Business Day before the relevant security is issued.
- (b) In the circumstances, if the APA Responsible Entity considers the period of 10 Business Days specified in paragraph (a) above is inappropriate, it can extend or reduce the period or change the timing of the period.
- (c) By accepting the Offer HDUF Securityholders are taken to submit, as a statement of current market value of HDUF Stapled Securities for the purposes of clause 4.3(b) of the APA Constitutions, the statement specified in section 12.4.3(b).

### 9.5.5 Where additional documents are required

Where your personalised Acceptance Form or any subsequent request from the Bidder requires additional documents to be given with your acceptance (such as a certified copy of any power of attorney, grant of probate or letters of administration, or any other document reasonably requested by the Bidder to give better effect to your acceptance):

- (a) if the documents are given with your acceptance, you will be provided with the Offer Consideration in accordance with section 9.5.1; or
- (b) if the documents are given after acceptance and before the end of the Offer Period and this Offer is subject to a Defeating Condition at the time that the Bidder is given the documents, you will be provided with the Offer Consideration by the end of whichever of the following periods ends earlier:
  - (i) one month after the contract resulting from your acceptance of this Offer becomes unconditional; and
  - (ii) 21 days after the end of the Offer Period; or

## 9 Terms of the Offer continued

- (c) if the documents are given after acceptance and before the end of the Offer Period and this Offer is unconditional at the time that the Bidder is given the documents, you will be provided with the Offer Consideration by the end of whichever of the following periods ends earlier:
- (i) one month after the Bidder is given the documents; and
  - (ii) 21 days after the end of the Offer Period; or
- (d) if the documents are given after the end of the Offer Period, you will be provided with the Offer Consideration within 21 days after the documents are given, but if at the time the Bidder is given the documents, the contract resulting from your acceptance of this Offer is still subject to one or more of the Specified Prescribed Conditions, you will be provided with the Offer Consideration within 21 days after that contract becomes unconditional.

If you do not provide the Bidder with the required additional documents within one month after the end of the Offer Period, the Bidder may, in its sole discretion, void the contract resulting from your acceptance of this Offer.

### 9.5.6 Where the Bidder is entitled to any Rights

If the Bidder becomes entitled to any Rights as a result of your acceptance of this Offer, it may require you to give the Bidder all documents necessary to vest those Rights in the Bidder or otherwise to give the Bidder the benefit or value of those Rights. If you do not give those documents to the Bidder, or if you have received the benefit of those Rights, then to the extent permitted by law the Bidder may reduce the cash component payable pursuant to section 9.2.1 and/or the number of APA Stapled Securities to be issued pursuant to section 9.2.1 by the amount or value of those Rights as reasonably assessed by the Bidder.

### 9.5.7 Rights generally

If:

- (a) you have (or any previous holder of your HDUF Stapled Securities has) received the benefit of any Rights (whether in respect of non-cash benefits or otherwise); or
- (b) you are (or any previous holder of your HDUF Stapled Securities is) entitled to receive the benefit of any Rights under the terms that provide for or otherwise apply to those Rights (for example, if the Right is to receive a distribution, if you are (or any previous holder of your HDUF Stapled Securities is) the registered holder of the security at the specified time for determining those entitled to the distribution); or
- (c) your HDUF Stapled Securities were issued (or otherwise came into existence) on or after the record date in respect of any Rights to HDUF Securityholders,

then:

- (d) in the case of Rights to non-cash benefits, the Bidder may deduct the value (as reasonably assessed by the Bidder) of such Rights from any Offer Consideration otherwise to be provided to you; or

- (e) in the case of Rights to cash benefits, the Bidder may deduct the amount of such Rights from any Offer Consideration otherwise to be provided to you.

If the Bidder does not, or cannot, make such a deduction, you must pay such value or amount to the Bidder.

### 9.5.8 Clearances for offshore residents

If, at the time of acceptance of this Offer, any consent, authority or clearance is required for you to be provided any Offer Consideration including, but not limited to consent, authority or clearance of:

- (a) the Minister for Foreign Affairs (whether under the Charter of the United Nations Act 1945 (Cth), the Charter of the United Nations (Dealing with Assets) Regulations 2008 or any other regulations made thereunder, or otherwise);
- (b) the Reserve Bank of Australia (whether under the Banking (Foreign Exchange) Regulations 1959 (Cth) or otherwise);
- (c) the Australian Taxation Office; or
- (d) any other person as required by any other Australian law, statute, regulation, order, rule, subordinate legislation or other document enforceable under any statute, regulation, rule or subordinate legislation that would make it unlawful for the Bidder to provide Offer Consideration for your acceptance of this Offer,

then acceptance of this Offer will not create or transfer to you any right (contractual or contingent) to be provided (and you will not be entitled to be provided) any Offer Consideration unless and until all such consents, authorities or clearances have been obtained by the Bidder.

## 9.6 Conditions of this Offer

### 9.6.1 Conditions

This Offer and the contract that results from acceptance of this Offer are subject to fulfilment of the conditions set out in section 10.

### 9.6.2 Nature of conditions

Each of the conditions set out in each paragraph and subparagraph of section 10:

- (a) constitutes and will be construed as a separate, several and distinct condition;
- (b) is a condition subsequent, with the exception of the condition specified in section 10(b), which is a condition precedent and any contract resulting from acceptance of this Offer will not become binding unless and until the condition in section 10(b) is fulfilled; and
- (c) until the expiration of the Offer Period (or in the case of the Specified Prescribed Conditions until three Business Days after the end of the Offer Period) will be for the benefit of the Bidder alone and may be relied upon only by the Bidder.

### 9.6.3 Foreign Acquisitions and Takeovers Act

The condition specified in section 10(b) is a condition precedent. Any contract resulting from acceptance of this Offer will not become binding unless and until the condition in section 10(b) is fulfilled or waived.

### 9.6.4 Effect of breach or non-fulfilment

The breach or non-fulfilment of any of the conditions subsequent set out in section 10 does not, until the end of the Offer Period, prevent a contract arising to acquire your HDUF Stapled Securities resulting from your acceptance of this Offer but, if at the end of the Offer Period (or, in the case of the Specified Prescribed Conditions at the end of three Business Days after the end of the Offer Period), in respect of any condition in section 10:

- (a) the Bidder has not declared this Offer (and it has not become) free from that condition; and
- (b) that condition has not been fulfilled,

all contracts resulting from the acceptance of the Offer and all acceptances that have not resulted in binding contracts are void. In such a case, the Bidder will notify ASX Settlement of the lapse of the Offer in accordance with Rule 14.19 of the ASX Settlement Operating Rules.

### 9.6.5 The Bidder may decide the Offer is free from all or any of the conditions

The Bidder may at any time at its sole discretion, but in compliance with the Corporations Act, declare the Offer free from all or any of the conditions set out in each paragraph and subparagraph of section 10 by notice in writing to HDUF:

- (a) in the case of the Specified Prescribed Conditions – not later than three Business Days after the end of the Offer Period; or
- (b) in any other case – not later than seven days before the end of the Offer Period.

### 9.6.6 Date for giving notice on status of conditions

The date for giving a notice on the status of the conditions as required by section 630(1) of the Corporations Act is 23 March 2012, subject to variation in accordance with section 630(2) of the Corporations Act in the event that the Offer Period is extended.

### 9.6.7 Best endeavours in relation to conditions

The Bidder will:

- (a) use its best endeavours to procure that the conditions in section 10(b), 10(c) and 10(d) are satisfied; and
- (b) not do or omit to do anything for the purpose of causing a breach of any such condition.

## 9.7 Effect of acceptance

### 9.7.1 Revocation of acceptance

Except as permitted otherwise by applicable law, once you have accepted this Offer, you will be unable to revoke your acceptance and the contract resulting from your acceptance will be binding on you. In addition, you will be unable to withdraw your acceptance of this Offer or otherwise dispose of your HDUF Stapled Securities, except as follows:

- (a) if, by the times specified in section 9.7.2, the conditions in section 10 have not all been fulfilled or waived, then this Offer will automatically terminate and you will retain your HDUF Stapled Securities; or
- (b) if the Offer Period is varied in a way that postpones for more than one month the time when the Bidder has to meet its obligations under the Offer and, at that time, this Offer is subject to one or more of the conditions in section 10, then you may be able to withdraw your acceptance in accordance with section 650E of the Corporations Act.

### 9.7.2 Times

The relevant times for the purposes of section 9.7.1 are:

- (a) in the case of the Specified Prescribed Conditions – three Business Days after the end of the Offer Period; and
- (b) in the case of all other Defeating Conditions in section 10 – the end of the Offer Period.

### 9.7.3 Your agreement

By signing and returning your personalised Acceptance Form, or otherwise accepting this Offer you will be deemed to have:

- (a) accepted this Offer (and each variation to this Offer) in respect of your HDUF Stapled Securities;
- (b) irrevocably authorised the Bidder to apply for the issue to your account of that number of APA Stapled Securities corresponding to your entitlement under this Offer at the date of application unless you are a Foreign Securityholder in which case you will have irrevocably authorised the Bidder to apply for the issue to the account of the Nominee of that number of APA Stapled Securities to which you would otherwise have been entitled;
- (c) except where you are (or are acting on behalf of) a Foreign Securityholder, agreed to accept the APA Stapled Securities to which you have become entitled by acceptance of this Offer subject to the APA Constitutions and have authorised the APA Responsible Entity to place your name on its register of APA Securityholders in respect of those APA Stapled Securities;
- (d) in accordance with sections 9.5.6 and 9.5.7 irrevocably authorised and directed HDUF to pay the Bidder or to account to the Bidder for all Rights in respect of your HDUF Stapled Securities subject, however, to any such Rights received by the Bidder being accounted for by the Bidder to you if this Offer is withdrawn or the contract formed by your acceptance of this Offer is rendered void;

## 9 Terms of the Offer continued

- (e) except where Rights have been paid or accounted for under section 9.7.3(d), irrevocably authorised the Bidder, to the extent permitted by law, to reduce the cash component payable pursuant to section 9.2.1 and/or the number of APA Stapled Securities to be issued pursuant to section 9.2.1 by the amount or value of those Rights as reasonably assessed by the Bidder;
- (f) irrevocably authorised the Bidder to alter your personalised Acceptance Form on your behalf by:
- (i) inserting correct details of your HDUF Stapled Securities (including details of a parcel of HDUF Stapled Securities required by section 9.10.4(b));
  - (ii) filling in any blanks remaining in your personalised Acceptance Form; and
  - (iii) rectifying any errors in, and omissions from, your personalised Acceptance Form,
- as may be necessary to make your personalised Acceptance Form a valid acceptance of this Offer and to enable registration of the transfer of your HDUF Stapled Securities to the Bidder, and agreed to provide any document reasonably requested by the Bidder to make your personalised Acceptance Form a valid acceptance of this Offer or to otherwise give better effect to your acceptance; and
- (g) if any of your HDUF Stapled Securities are in a CHESS Holding, irrevocably authorised the Bidder to:
- (i) instruct your Controlling Participant to initiate acceptance of this Offer in respect of all such HDUF Stapled Securities in accordance with the ASX Settlement Operating Rules; and
  - (ii) give any other instructions in relation to those HDUF Stapled Securities to your Controlling Participant on your behalf under the sponsorship agreement between you and the Controlling Participant;
- (h) agreed to indemnify the Bidder in respect of any claim or action against it or any loss, damage or liability whatsoever incurred by it as a result of you not producing your HIN or SRN or in consequence of the transfer of your HDUF Stapled Securities to the Bidder being registered by HDUF without production of your HIN or SRN;
- (i) irrevocably accepted this Offer in respect of all your HDUF Stapled Securities despite any difference between that number and the number of HDUF Stapled Securities shown in your personalised Acceptance Form;
- (j) agreed to the terms and conditions of this Offer and, subject to the Offer being declared free from the conditions set out in section 10 (or such conditions being satisfied or waived), agreed to transfer (or consented to the transfer in accordance with the ASX Settlement Operating Rules) to the Bidder your HDUF Stapled Securities;
- (k) represented and warranted to the Bidder, as a fundamental condition of the contract resulting from your acceptance of this Offer, that at the time of acceptance and at the time of transfer of your HDUF Stapled Securities to the Bidder:
- (i) you have paid to HDUF all amounts which are due for payment in respect of your HDUF Stapled Securities; and
  - (ii) all of your HDUF Stapled Securities are fully paid and free from all Encumbrances and restrictions on transfer of any nature; and
  - (iii) you have full power and capacity to sell and transfer those HDUF Stapled Securities; and
- (l) on this Offer or any contract resulting from acceptance of this Offer becoming unconditional:
- (i) irrevocably appointed the Bidder and each of its directors from time to time individually as your agent and attorney on your behalf to:
    - (A) attend and vote in respect of your HDUF Stapled Securities at all general meetings of HDUF; and
    - (B) receive from HDUF or any other party, and retain, any security certificates which were held by HDUF, or any other party; and
    - (C) sign all documents (including an instrument appointing one of the Bidder's directors as a proxy in respect of any or all of your HDUF Stapled Securities and any application to HDUF for a replacement certificate in respect of any security certificate which has been lost or destroyed) and resolutions relating to your HDUF Stapled Securities, and generally to exercise all powers and rights which you may have as a HDUF Securityholder and perform such actions as may be appropriate in order to vest good title in your HDUF Stapled Securities in the Bidder, and to have agreed that, in exercising such powers, any such director is entitled to act in the Bidder's interests as the beneficial owner and intended registered holder of your HDUF Stapled Securities; and
  - (ii) agreed not to vote in person at any general meeting of HDUF or to exercise (or purport to exercise) in person, by proxy or otherwise, any of the powers conferred on the directors of the Bidder by section 9.7.3(l)(i); and
  - (iii) irrevocably authorised the Bidder to notify HDUF on your behalf that your place of address for the purposes of serving notices upon you in respect of your HDUF Stapled Securities is the address specified by the Bidder in the notification; and
  - (iv) where, at that time, you have a right to be registered as a holder of the HDUF Stapled Securities the subject of your acceptance as the result of an on-market purchase (but are not a HDUF Securityholder):
    - (A) agreed to use best endeavours to procure the delivery of the HDUF Stapled Securities the subject of your acceptance to the Bidder in accordance with your acceptance (including giving the Bidder all documents necessary to vest those HDUF Stapled Securities in the Bidder or otherwise to give the Bidder the benefit or value of those HDUF Stapled Securities);
    - (B) agreed not to do or omit to do anything which may frustrate your acceptance of this Offer,

- or otherwise obstruct registration of the transfer of the HDUF Stapled Securities the subject of your acceptance to the Bidder;
- (C) irrevocably assigned to the Bidder all contractual rights and recourse against the vendor in respect of your on-market purchase which contractual rights and recourse may arise by reason of that person's failure to complete that trade;
  - (D) agreed to assign to the Bidder (without any further action being required) all rights in respect of your on-market purchase immediately on any failure by you to complete that trade, including irrevocably assigning to the Bidder the right to (at the Bidder's ultimate discretion) complete that trade on your behalf, and agreed that the Bidder may deduct from the Offer Consideration otherwise to be provided to you (pursuant to a valid acceptance of this Offer and the delivery of the HDUF Stapled Securities the subject of that acceptance) any amount paid by the Bidder in order to settle that on-market purchase on your behalf. If the Bidder does not, or cannot, make such a deduction, you must pay such amount to the Bidder; and
  - (E) agreed that if you are unable to assign to the Bidder any of the rights and recourse specified under section 9.7.3(l)(iv)(C) and (D), you will assign such rights and recourse as soon as you are legally able to; and
  - (v) if at the time of acceptance of this Offer your HDUF Stapled Securities are in a CHESS Holding, authorised, with effect from the date that this Offer or any contract resulting from acceptance of this Offer is declared free from all its conditions or those conditions are satisfied, the Bidder to cause a message to be transmitted to ASX Settlement in accordance with Rule 14.17.1 of the ASX Settlement Operating Rules so as to transfer all of your HDUF Stapled Securities to the Bidder's Takeover Transferee Holding. The Bidder will be so authorised even though at the time of such transfer it has not provided the Offer Consideration due to you.

By accepting this Offer you will be deemed to have agreed to the matters set out in this section 9.7.3, notwithstanding where this Offer has been caused to be accepted in accordance with the ASX Settlement Operating Rules.

## 9.8 Withdrawal

The Bidder may withdraw unaccepted Offers at any time with the written consent of ASIC and subject to the conditions (if any) specified in such consent.

## 9.9 Variation

The Bidder may vary this Offer in accordance with the Corporations Act.

## 9.10 Acceptances by transferees and nominees

### 9.10.1 Who may accept this Offer

During the Offer Period:

- (a) any person who is able to give good title to a parcel of your HDUF Stapled Securities may accept this Offer (if they have not already accepted an offer in the form of this Offer) as if an offer on terms identical with this Offer has been made to them; and
- (b) any person who holds one or more parcels of HDUF Stapled Securities as trustee, nominee, or otherwise on account of another person, may accept as if a separate and distinct offer had been made in relation to:
  - (i) each of those parcels; and
  - (ii) any parcel they hold in their own right.

### 9.10.2 Holding HDUF Stapled Securities

- (a) A person is taken to hold HDUF Stapled Securities if the person is, or has a right to be registered as, the holder of those HDUF Stapled Securities.
- (b) A person who has a right to be registered as a holder of HDUF Stapled Securities may accept this Offer by completing and signing the personalised Acceptance Form in accordance with the instructions on it and lodging it by returning it (together with all other documents required by the instructions on the personalised Acceptance Form) so that the acceptance is received before the end of the Offer Period.

### 9.10.3 Holding HDUF Stapled Securities on trust or as a nominee

A person is taken to hold HDUF Stapled Securities on trust for, as nominee for, or on account of, another person if they:

- (a) are entitled to be registered as the holder of particular HDUF Stapled Securities; and
- (b) hold their interest in the HDUF Stapled Securities on trust for, as nominee for, or on account of, that other person.

### 9.10.4 Effective acceptance

An acceptance of an Offer under section 9.10.1(b) is ineffective unless:

- (a) the person who holds on account of another person, gives the Bidder a notice stating that the HDUF Stapled Securities consist of a separate parcel; and
- (b) the acceptance specifies the number of HDUF Stapled Securities in that parcel.

References in this Offer to your HDUF Stapled Securities will be treated to relate to that separate parcel.

## 9 Terms of the Offer continued

### 9.10.5 Notice of acceptance

A notice under section 9.10.4(a) of these terms must be made:

- (a) if it relates to HDUF Stapled Securities entered on an ASX Settlement subregister – in an electronic form approved by the ASX Settlement Operating Rules; or
- (b) otherwise – in writing.

A person may, at the one time, accept for two or more parcels under this section 9.10 as if there had been a single offer for a separate parcel consisting of those parcels.

### 9.11 Official quotation of APA Stapled Securities

- (a) APA Group has been admitted to the official list of the ASX.
- (b) An application will be made within seven days of the date of this Bidder's Statement for granting of official quotation of the fully paid APA Stapled Securities to be issued as Offer Consideration. Official quotation is not guaranteed or automatic. If the APA Stapled Securities to be issued as Offer Consideration are accepted for official quotation on ASX, they will be able to be traded on ASX and will from their date of issue rank equally with the APA Stapled Securities then on issue.
- (c) In accordance with section 625(3) of the Corporations Act, this Offer is subject to a condition that application for admission to quotation of the APA Stapled Securities on the ASX issued under the Offer is made within seven days after the commencement of the bid period and admission to quotation is granted no later than seven days after the end of the Offer Period. This condition is not a condition for the purposes of the Corporations Act and is not of the same nature as the conditions set out in section 10. This Offer cannot be freed from this condition and no statements made by the Bidder can be taken to waive this condition. If this condition is not fulfilled all contracts resulting from the acceptance of this Offer will be void automatically.

### 9.12 Other matters

#### 9.12.1 Notices and other communications

Subject to the Corporations Act, a notice or other communication given by the Bidder to you in connection with this Offer shall be deemed to be duly given if it is in writing and:

- (a) is delivered at your address as recorded on the register of members of HDUF or the address shown in the personalised Acceptance Form; or
- (b) is posted to you by pre-paid ordinary mail or by courier, or in the case of an address outside Australia by pre-paid airmail post or by courier, to you at either of those addresses.

#### 9.12.2 Return of documents

If:

- (a) this Offer is withdrawn after your personalised Acceptance Form has been sent to the Bidder, but before it has been received; or
- (b) for any other reason the Bidder does not acquire the HDUF Stapled Securities to which your personalised Acceptance Form relates,

you may request the Bidder by notice in writing to despatch (at your risk) your personalised Acceptance Form together with all other documents forwarded by you, to your address as recorded on the register of members of HDUF. The documents can be despatched to your address as recorded on the register of members in accordance with section 9.12.1.

#### 9.12.3 Costs and expenses

All costs and expenses of the preparation, despatch and circulation of this Bidder's Statement and this Offer and any stamp duty payable in respect of a transfer of HDUF Stapled Securities in respect of which Offers are accepted, will be paid by the Bidder.

#### 9.12.4 Foreign laws

This Offer is not registered in any jurisdiction outside Australia (unless an applicable foreign law treats it as registered as a result of this Bidder's Statement being lodged with ASIC), and in making the Offer available to persons in New Zealand, the Bidder is relying on an exemption contained in the New Zealand Securities Act (Overseas Companies) Exemption Notice 2002 in relation to prospectus and investment statement requirements in New Zealand. It is your sole responsibility to satisfy yourself that you are permitted by any foreign law applicable to you to accept this Offer.

This Bidder's Statement is neither an offer to sell to nor a solicitation of an offer to buy securities (as such terms are defined under the US Securities Act) from Foreign Securityholders. The APA Stapled Securities to be issued pursuant to the Offer have not been, and will not be, registered under the US Securities Act or the securities laws of any United States state or other jurisdiction and therefore may not be offered or sold to persons resident in or located in the United States without registration or an applicable exemption from the registration requirements of the US Securities Act.

#### 9.12.5 Governing law

This Offer and any contract resulting from acceptance of it is governed by the law in force in New South Wales, Australia.

# 10 Conditions

The Offer and any contracts resulting from acceptance of the Offer is subject to fulfilment of the following conditions:

- (a) **(minimum ownership)** that during, or at the end of, the Offer Period, the number of HDUF Stapled Securities in which the Bidder and its associates together have relevant interests (disregarding any relevant interest that the Bidder has merely because of the operation of section 608(3) of the Corporations Act) is at least 90% of all the HDUF Stapled Securities;
- (b) **(Foreign Acquisitions and Takeovers Act)** that prior to the end of the Offer Period, the Treasurer does not object under the Foreign Investment Policy to the proposed acquisition by the Bidder of HDUF. The Treasurer is taken to have not objected if the Bidder receives written notification from or on behalf of the Treasurer to the effect that there are no objections to the acquisition of HDUF under the Foreign Investment Policy on an unconditional basis;
- (c) **(ACCC approval)** that before the end of the Offer Period, the Bidder has received written notification from the ACCC on an unconditional basis that it does not propose to take any action to intervene in the Offer;
- (d) **(other regulatory approvals)** that before the end of the Offer Period, all appropriate waiting and other time periods (including any extensions of such waiting and other time periods) under applicable laws or regulations of any relevant jurisdiction having expired, lapsed or been terminated (as appropriate) and all regulatory obligations in any relevant jurisdiction having been complied with in each case in respect of the Offer or any matter arising from the proposed acquisition of HDUF by the Bidder;
- (e) **(no restraining orders)** that between the Announcement Date and the end of the Offer Period:
  - (i) there is not in effect any preliminary or final decision, order or decree issued by a Public Authority; and
  - (ii) no application is made to any Public Authority (other than by any APA Group Entity), or action or investigation is announced, threatened or commenced by a Public Authority, in consequence of, or in connection with, the Offer (other than a determination by ASIC or the Takeovers Panel in exercise of the powers and discretions conferred by the Corporations Act), which:
    - (iii) restrains or prohibits (or if granted could restrain or prohibit), or otherwise materially adversely impacts on, the making of the Offer or the completion of any transaction contemplated by the Offer (whether subject to conditions or not) or the rights of the Bidder in respect of HDUF, HDUF Group or the HDUF Stapled Securities to be acquired under the Offer; or
    - (iv) requires the divestiture by the Bidder of any HDUF Stapled Securities, or the divestiture of any assets of HDUF Group, APA Group or otherwise;
- (f) **(no material adverse effect)** that no specified event occurs that will or is reasonably likely to have a material adverse effect on the assets and liabilities, financial position and performance, profits and losses or prospects of HDUF Group, including as a result of making the Offer or the acquisition of HDUF Stapled Securities pursuant to the Offer. For these purposes, a “specified event” is:
  - (i) an event or occurrence that occurs during the Offer Period;
  - (ii) an event or occurrence that occurs prior to the Offer Period but is only announced by HDUF to the ASX or in relation to which the Bidder otherwise becomes aware during or after the Announcement Date; or
  - (iii) an event or occurrence that will or is likely to occur following the Offer Period and which has not been announced by HDUF to the ASX prior to the Announcement Date;
- (g) **(no material acquisitions, disposals or new commitments)** that except for any proposed transaction announced by HDUF to the ASX before the Announcement Date, none of the following events occurs during the period from the Announcement Date to the end of the Offer Period:
  - (i) any HDUF Group Entity acquires, offers to acquire or lease or agrees to acquire or lease one or more companies, entities, securities, businesses or assets (or any interest in one or more companies, entities, securities, businesses or assets) for an amount in aggregate greater than \$20 million, other than in the ordinary course of business, or makes an announcement in relation to such an acquisition, offer or agreement;
  - (ii) any HDUF Group Entity disposes of or leases, offers to dispose of or lease or agrees to dispose of or lease one or more companies, entities, securities, businesses or assets (or any interest in one or more companies, entities, securities, businesses or assets) for an amount, or in respect of which the book value (as recorded in HDUF Group’s statement of financial position as at 30 June 2011) is, in aggregate, more than \$20 million other than in the ordinary course of business, or makes an announcement in relation to such a disposition, offer or agreement;
  - (iii) any HDUF Group Entity enters into, or offers to enter into or agrees to enter into, any agreement, joint venture, partnership, asset or profit sharing arrangement, management agreement, merger of businesses or of corporate entities or commitment which would require expenditure, or the foregoing of revenue, involving a commitment of or securities, assets or liabilities by any HDUF Group Entity of an amount which is, in aggregate, more than \$20 million, other than in the ordinary course of business, or makes an announcement in relation to such an entry, offer or agreement;

## 10 Conditions continued

- (iv) any HDUF Group Entity enters into any corporate transaction which would or would be likely to involve a material change in the manner in which any HDUF Group Entity conducts its business, the nature (including balance sheet classification), extent or value of any HDUF Group Entity's assets, or the nature (including balance sheet classification), extent or value of the liabilities of HDUF Group;
- (v) any HDUF Group Entity incurs, commits to, or brings forward the time for incurring or committing, or grants to another person a right the exercise of which would involve any HDUF Group Entity member incurring or committing to any capital expenditure or liability, or foregoing any revenue, for one or more related items or amounts of in aggregate more than \$20 million, except for the incurrence of any capital expenditure in accordance with the day to day operating activities of HDUF Group as conducted prior to the Announcement Date;
- (vi) any HDUF Group Entity waives any material third party default or accepts as a settlement or compromise of a material matter less than the full compensation due to any HDUF Group Entity; or
- (vii) any HDUF Group Entity enters, agrees to enter into or renews any contract of service or varies or agrees to vary any existing contract of service with any current or proposed responsible entity, director or manager or makes or agrees to make any substantial change to the basis or amount of remuneration except as required to satisfy the condition set out in section 10(s);
- (h) **(remuneration payment)** that after the Announcement Date and before the end of the Offer Period, no HDUF Group Entity pays or agrees to pay any retirement benefit or allowance to any responsible entity, current or proposed director, executive officer, manager or other employee, or makes or agrees to make any substantial change to the basis or amount of remuneration or the terms of redundancy or other employee entitlements of any current or proposed director, executive officer, manager or other employee (except as required by law or provided under any superannuation, provident or retirement scheme in effect on the Announcement Date or except as required to satisfy the condition set out in section 10(s));
- (i) **(HDUF announcement re security constraints in financing arrangements)** that no later than three Business Days before the Defeating Conditions Date, HDUF makes an announcement to the ASX that each:
  - (i) financing agreement or instrument, money borrowing or raising arrangement or other financing arrangement, liability, encumbrance or other security, guarantee, indemnity or other credit support arrangement; or
  - (ii) derivative or treasury transaction, agreement or arrangement,
    - (in each case regardless of form and including any similar arrangement) ("Financial Arrangement") to which any HDUF Group Entity is a party, or by or to which any HDUF Group Entity or any of its assets may be bound or be subject, may be repaid, terminated or otherwise closed-out in full with a complete release and discharge of all obligations and property of all HDUF Group Entities at any time by the relevant HDUF Group Entity with an aggregate repayment premium, break cost or close-out payment for all such Financial Arrangements of no more than \$50 million and, from such repayment, termination or close-out, there would be no material impediment to every HDUF Group Entity being able to:
      - (iii) provide guarantees to the providers of Financial Arrangements and to entities of APA Group if the Bidder acquires all of HDUF;
      - (iv) enter into a deed of cross guarantee with some or all of the entities of APA Group if the Bidder acquires all of HDUF; or
      - (v) form or be a member of a different tax consolidated group or enter into a tax sharing agreement or similar arrangement with respect to such a tax consolidated group;
- (j) **(HDUF announcement re change of control in financing arrangements)** that no later than three Business Days before the Defeating Conditions Date, HDUF makes an announcement on the ASX that no person may exercise or purport to exercise, or has stated an intention to exercise, any rights (whether subject to conditions or not) under any provision of any Financial Arrangement to which any HDUF Group Entity is a party, or by or to which any HDUF Group Entity or any of its assets may be bound or be subject, which could result in:
  - (i) any monies borrowed or raised by or any other monetary obligations of any HDUF Group Entity being or becoming payable or repayable or being capable of being declared payable or repayable immediately or earlier than the payment date stated in such Financial Arrangement or otherwise accelerated or any transaction being closed out or becoming capable of being closed out before the maturity date stated in such Financial Arrangement; or
  - (ii) the terms of any such Financial Arrangement being varied, modified, denied or terminated or operating in a manner that is adverse to the commercial interests of HDUF Group,as a result of the Offer, the acquisition of HDUF Stapled Securities by the Bidder, the HDUF Responsible Entity ceasing to be the responsible entity of HDUF, or the appointment of APL or another entity as the new responsible entity of HDUF;

(k) **(change of control in financing arrangements)** that after the Announcement Date and before the end of the Offer Period, no person exercises or purports to exercise, has stated an intention to exercise, or has any rights (whether subject to conditions or not) under any provision of any Financial Arrangement to which any HDUF Group Entity is a party, or by or to which any HDUF Group Entity or any of its assets may be bound or be subject, which could result in:

- (i) any monies borrowed or raised by or any other monetary obligations of any HDUF Group Entity being or becoming payable or repayable or being capable of being declared payable or repayable immediately or earlier than the payment date stated in such Financial Arrangement or otherwise accelerated or any transaction being closed out or becoming capable of being closed out before the maturity date stated in such Financial Arrangement; or
- (ii) the terms of any such Financial Arrangement being varied, modified, denied or terminated or operating in a manner that is adverse to the commercial interests of HDUF Group,

as a result of the Offer, the acquisition of HDUF Stapled Securities by the Bidder, the HDUF Responsible Entity ceasing to be the responsible entity of HDUF, or the appointment of APL or another entity as the new responsible entity of HDUF;

(l) **(HDUF announcement re change of control)** that no later than three Business Days before the Defeating Conditions Date, HDUF makes an announcement on the ASX that no person may exercise or purport to exercise, or has stated an intention to exercise, any rights (whether subject to conditions or not) under any provision of any agreement or other instrument, including an agreement for transportation of gas, to which any HDUF Group Entity is a party, or by or to which any HDUF Group Entity or any of its assets may be bound or be subject, which could result, to an extent which is material in the context of HDUF Group taken as a whole, in:

- (i) any such agreement or other instrument being terminated, varied or modified or any action being taken or arising thereunder;
- (ii) the interest of any HDUF Group Entity in any firm, joint venture, trust, corporation or other entity (or any arrangements relating to such interest) being terminated, varied or modified; or
- (iii) the business of any HDUF Group Entity with any other person being adversely affected,

as a result of the Offer, the acquisition of HDUF Stapled Securities by the Bidder, the HDUF Responsible Entity ceasing to be the responsible entity of HDUF, or the appointment of APL or another entity as the new responsible entity of HDUF;

(m) **(change of control)** that after the Announcement Date and before the end of the Offer Period, no person exercises or purports to exercise, has stated an intention to exercise, or has any rights (whether subject to conditions or not) under any provision of any agreement or other instrument, including an agreement for transportation of gas, to which any HDUF Group Entity is a party, or by or to which any HDUF Group Entity or any of its assets may be bound or be subject, which could result, to an extent which is material in the context of HDUF Group taken as a whole, in:

- (i) any such agreement or other instrument being terminated, varied or modified or any action being taken or arising thereunder;
- (ii) the interest of any HDUF Group Entity in any firm, joint venture, trust, corporation or other entity (or any arrangements relating to such interest) being terminated, varied or modified; or
- (iii) the business of any HDUF Group Entity with any other person being adversely affected,

as a result of the Offer, the acquisition of HDUF Stapled Securities by the Bidder, the HDUF Responsible Entity ceasing to be the responsible entity of HDUF, or the appointment of APL or another entity as the new responsible entity of HDUF;

(n) **(HDUF announcement re contractual milestones)** that no later than three Business Days before the Defeating Conditions Date, HDUF makes an announcement on the ASX to the effect that expansion of the SWQ Pipeline is progressing on time and on budget in line with statements previously announced by HDUF to the ASX on 29 August 2011 and is likely to meet or has met January 2012 contractual gas commitments as announced by HDUF to the ASX on 15 December 2009;

(o) **(HDUF announcement re commencement of AGL gas transportation agreement)** that no later than three Business Days before the Defeating Conditions Date, HDUF makes an announcement on the ASX to the effect that the gas transportation agreement entered into between Epic and AGL described in the HDUF announcement to the ASX on 13 July 2007 is expected to commence no later than January 2013 in line with HDUF's announcement to ASX on 17 December 2007;

(p) **(index decline)** that between the Announcement Date and the end of the Offer Period, the S&P ASX 200 Index does not fall to 3,800 or below and remain at or below that 3,800 level for at least 3 consecutive Business Days or until the Business Day immediately prior to the end of the Offer Period;

## 10 Conditions continued

- (q) **(Other Occurrences)** that during the period beginning on the Announcement Date and ending at the end of the Offer Period, none of the following events occur:
- (i) HDUF converts all or any of the HDUF Units into a larger or smaller number of HDUF Units;
  - (ii) HDUF or any other member of HDUF Group resolves to reduce its capital in any way or reclassifies, combines, splits, redeems or repurchases directly or indirectly any securities;
  - (iii) any HDUF Group Entity:
    - (A) enters into a withdrawal offer or buy-back agreement; or
    - (B) resolves to approve the terms of a withdrawal offer under the Corporations Act or the terms of a buy-back agreement under sections 257C(1) or 257D(1) of the Corporations Act;
  - (iv) any HDUF Group Entity issues HDUF Units or other securities other than the issue of HDUF Units to the HDUF Responsible Entity in respect of any Performance Fee payable to the HDUF Responsible Entity, or grants an option over HDUF Units or other securities, or agrees to make such an issue or grant such an option;
  - (v) any HDUF Group Entity issues, or agrees to issue, convertible notes or convertible units;
  - (vi) any HDUF Group Entity disposes, or agrees to dispose, of the whole, or a substantial part, of its business or property;
  - (vii) any HDUF Group Entity charges, or agrees to charge, the whole, or a substantial part, of its business or property;
  - (viii) any HDUF Group Entity resolves to be wound up;
  - (ix) a liquidator or provisional liquidator of any HDUF Group Entity is appointed;
  - (x) a court makes an order for the winding up of any HDUF Group Entity;
  - (xi) an administrator of any HDUF Group Entity is appointed under sections 436A, 436B or 436C of the Corporations Act (or its equivalent under any foreign law);
  - (xii) any HDUF Group Entity executes a deed of company arrangement (or its equivalent under any foreign law);
  - (xiii) a receiver or a receiver and manager (or their equivalents under any foreign law) is appointed in relation to the whole, or a substantial part, of the property of any HDUF Group Entity;
  - (xiv) any HDUF Group Entity makes any change to its constitution or other constituent documents or a meeting being convened to consider a resolution to change a constitution or any other constituent document of any HDUF Group Entity;
  - (xv) any HDUF Group Entity passes any special resolution;
  - (xvi) any of HDUF Finance Trust, HDUF Epic Trust or HDUF Further Investments Trust are terminated; or
  - (xvii) HDUF Responsible Entity effects or facilitates the resettlement of the property of any of HDUF Finance Trust, HDUF Epic Trust or HDUF Further Investments Trust.
- For the purposes of this section 10(q), a reference to an HDUF Group Entity acting or agreeing to act in a particular way is to be read, in relation to the HDUF Finance Trust, HDUF Epic Trust or HDUF Further Investments Trust, as either the HDUF Responsible Entity, in its capacity as responsible entity of the relevant trust, or (if relevant) the HDUF members acting or agreeing to act in that way;
- (r) **(Litigation)** that during the period beginning on the Announcement Date and ending at the end of the Offer Period no person announces, commences or threatens any litigation against an HDUF Group Entity (whether in aggregate or for any single litigation) which may or may reasonably result in a judgement against an HDUF Group Entity of more than \$5 million;
- (s) **(payments to and undertakings by the HDUF Responsible Entity)** that no later than three Business Days before the Defeating Conditions Date, the HDUF Responsible Entity makes an announcement on the ASX to the effect that:
- (i) the Performance Fee which will be accepted by the HDUF Responsible Entity for the period ended 31 December 2011 will be:
    - (A) no more than \$57.4 million provided on the following conditions:
      - (1) no more than \$26.6 million in accordance with the payment arrangements in the HDUF Constitutions; and
      - (2) no more than \$30.8 million if, and only if, the Offer becomes unconditional; and
    - (B) satisfied wholly by the issue of HDUF Stapled Securities issued at a minimum price of \$2.56 per HDUF Stapled Security in lieu of cash payment; and
  - (ii) no other Performance Fee will be accepted by the HDUF Responsible Entity in relation to any period subsequent to the period ending 31 December 2011 (including but not limited to a Performance Fee payable in connection with the HDUF Responsible Entity ceasing to be the responsible entity of HDUF) while:
    - (A) the Offer remains open; or
    - (B) any APA Group Entity has a relevant interest in more than 50% of the HDUF Stapled Securities.

# 11 Fees and other costs

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## 11.1 Consumer Advisory Warning

### Consumer Advisory Warning

#### Did you know?

Small differences in both investment performance and fees and costs can have a substantial impact on your long term returns.

For example, total annual fees and costs of 2% of your fund balance rather than 1% could reduce your final return by up to 20% over a 30 year period (for example, reduce it from \$100,000 to \$80,000).

You should consider whether features such as superior investment performance or the provision of better member services justify higher fees and costs.

You may be able to negotiate to pay lower contribution fees and management costs where applicable. Ask the fund or your financial adviser.

#### To find out more

If you would like to find out more, or see the impact of the fees based on your own circumstances, the **Australian Securities and Investments Commission (ASIC)** website ([www.moneysmart.gov.au](http://www.moneysmart.gov.au)) has a managed investment fee calculator to help you check out different fee options.

The law requires that the above standard Consumer Advice Warning be included at the beginning of the “Fees and expenses” section of this Bidder’s Statement.

Detailed information required by law about the fees and other costs related to APA Stapled Securities, APA Group and the Offer are provided in the section following.

## 11 Fees and other costs continued

### 11.2 Ongoing fees and expenses of APA

Figure 10 below shows fees and other costs that you may be charged. These fees and costs may be deducted from the returns on your investment or from the assets of APA as a whole. You should read all the information about fees and costs because it is important to understand their impact on your investment.

All fees and charges in Figure 10 are inclusive of GST and take into account expected input tax credits or reduced input tax credits for GST on fees and charges where applicable.

**FIGURE 10 - Fees and other costs**

Type of fee or cost	Amount	How and when paid
<b>Fees when your money moves in or out of APA</b>		
<b>Establishment fee</b> The fee to open your investment	Nil	N/A
<b>Contribution fee</b> The fee on each amount contributed to your investment either by you or your employer	Nil	N/A
<b>Withdrawal fee</b> The fees on each amount you take out of your investment	Nil	N/A
<b>Termination fee</b> The fee to close your investment	Nil	N/A
<b>Management costs</b>		
The fees and costs for managing your investment	<p>The APA Responsible Entity is entitled to a fee of 0.55% per annum of the value of APA's total assets, plus reimbursement of actual administration costs.</p> <p>However, the APA Responsible Entity has waived its right to receive this fee to the extent that it exceeds costs incurred by it in acting as the APA Responsible Entity for so long as it acts as the responsible entity of APT and APTIT.</p> <p>The total costs of the APA Responsible Entity are estimated to be \$3.2 million per annum (0.136%<sup>55</sup> per annum of the value of APA's net assets).<sup>56</sup></p>	The APA Responsible Entity management fee is calculated and accrued on a monthly basis on the last day of each month and is payable out of the assets of APA in arrears on a quarterly basis.
<b>Offer costs</b>		
Costs of the Offer	Estimated at \$26.2 million, i.e. \$556 for every \$50,000 invested in APA Stapled Securities. <sup>57</sup>	Payable out of the assets of APA. Refer to section 12.8 for more details about the fees and expenses of the offer.
<b>Service Fees</b>		
<b>Investment switching fee</b> The fee for changing investment options	Nil	N/A

55 This percentage fee is based on APA's combined pro forma net assets of \$2.4 billion and assumes that the Bidder acquires 100% of the HDUF Stapled Securities under the Offer. The fee, as a percentage, will be higher if the Bidder acquires less than 100% of the HDUF Stapled Securities under the Offer.

56 The APA Responsible Entity's management fee to which it would be entitled without the waiver is estimated to be approximately \$39 million (including GST).

57 Calculated on the same basis and subject to the same assumption set out in footnote 55 above.

### 11.2.1 Example of annual fees and costs relating to APA

Figure 11 below gives an example of how the fees and costs for APA can affect your investment over a one year period. You should use Figure 11 to compare this product with other managed investment products. All amounts are GST inclusive net of any reduced input tax credits.

**FIGURE 11 - Example of annual fees and costs**

Example		Balance of \$50,000 with a contribution of \$5,000 during the year <sup>58</sup>
Contribution fees	Nil	For every additional \$5,000 you put in, you will be charged \$0
<b>PLUS</b> Management costs	0.136% per annum	And, for every \$50,000 you have in APA, you will be charged \$68 each year
<b>Offer costs</b>	0.011%	\$556
<b>EQUALS</b> Cost of APA		If you had an investment of \$50,000 at the beginning of the year and you put in an additional \$5,000 during that year, you would be charged fees of \$624

## 11.3 Additional information on fees and expenses

### 11.3.1 APA Responsible Entity costs and expenses

The APA Responsible Entity, as the responsible entity of each of APT and APTIT, is entitled to be reimbursed for any costs or expenses it incurs in the proper performance of its duties or the exercise of its powers, in the course of its office or in relation to the management of APT and APTIT. Such expenses include registry and audit fees, taxes compliance costs, valuation fees and management fees.

### 11.3.2 Can the fees change?

The APA Constitutions contain provisions regarding the amount of management fees described above. Accordingly, the provisions regarding management fees to which the APA Responsible Entity is entitled may only change if the constitutions are amended. This will require a special resolution of APA Securityholders for each of APT and APTIT unless the APA Responsible Entity reasonably considers the change will not adversely affect members' rights. The APA Responsible Entity can, however, change the amount of this fee without the consent of APA Securityholders up to the maximum percentage specified in the APA Constitutions. Under the APA Constitutions, the maximum management fee that can be charged is 0.50% of total assets (excluding GST).

Although the APA Responsible Entity is entitled to receive the management fees out of APT and APTIT described above, the APA Responsible Entity has waived its right to receive this fee to the extent that it exceeds costs incurred by it in acting as the responsible entity of APT and APTIT. Accordingly, fees that the APA Responsible Entity is actually paid out of the assets of APA could also change if the APA Responsible Entity ceases to act as the responsible entity of APT and APTIT. APA Group currently has no intention of removing APL as the APA Responsible Entity and APL has no intention of retiring as the APA Responsible Entity.

### 11.3.3 How are fees paid?

APA Securityholders are not liable to pay any of the fees described in this section 11. Rather, they are paid by the APA Responsible Entity out of the assets of APA.

Further information on the APA Constitutions is set out in section 12.4.1.

## 11.4 Offer costs

The costs (inclusive of GST) associated with the Offer are:

- (a) Legal adviser costs – \$2.3 million;
- (b) Accounting and taxation adviser costs – \$0.9 million;
- (c) Investigating accountant costs – \$0.3 million;
- (d) Financial adviser costs – \$7.5 million;
- (e) Brokerage – \$3.5 million; and
- (f) Other costs (including stamp duty and other consulting costs) – \$11.7 million.

See section 12.8 for further information on expenses incurred in relation to the Offer.

The costs of the Offer as set out above will be borne by APT.

<sup>58</sup> The "charge" set out in this column is calculated based on APA's combined total pro forma net assets of \$2.4 billion and assumes that the Bidder acquires 100% of the HDUF Stapled Securities under the Offer. The fee will be higher if the Bidder acquires less than 100% of the HDUF Stapled Securities under the Offer. APA Securityholders are not liable to pay any of the fees described in this table. Rather they are paid by the APA Responsible Entity out of the assets of APA.

# 12 Other material information

## 12.1 Structure of the Offer

HDUF Stapled Securities transferred to the Bidder under the Offer will be held by the Bidder directly.

The APA Responsible Entity will issue the APA Stapled Securities under this Offer. The APA Responsible Entity's contact details are:

Australian Pipeline Limited  
Level 19  
HSBC Building  
580 George Street  
Sydney NSW 2000

## 12.2 Date for determining holders of HDUF Stapled Securities

For the purposes of section 633 of the Corporations Act, the date for determining the people to whom information is to be sent under items 6 and 12 of subsection 633(1) is the Register Date.

## 12.3 APA is required to disclose certain information to the ASX

APA Stapled Securities form part of the Offer Consideration, and accordingly the Corporations Act requires that this Bidder's Statement includes all information that would be required for a product disclosure statement for an offer of APA Stapled Securities.

APA is a listed disclosing entity for the purposes of the Corporations Act and, as such, it is subject to regular reporting and disclosure obligations. Specifically, like all listed entities, APA is required to continuously disclose to the market any information of which it is aware that a reasonable person would expect to have a material effect on the price or the value of APA Stapled Securities.

Copies of documents lodged with ASIC in relation to APA (not being documents referred to in section 1274(2)(a) of the Corporations Act) may be obtained from, or inspected at, an ASIC office.

The Bidder and the APA Responsible Entity will provide a copy of each of the following documents, free of charge, to any person on request during the Offer Period:

- (a) the most recent annual financial statement lodged with ASIC by APA for the year ending 30 June 2011;
- (b) any half year financial report lodged with ASIC by APA after 26 September 2011 and before the date of this Bidder's Statement; and
- (c) all continuous disclosure notices given by APA after 26 September 2011 and before the date of this Bidder's Statement.

Requests for free copies of these documents may be made by contacting the APA Offer Information Line on 1800 129 431 (callers in Australia) or +61 2 8280 7731 (callers outside Australia) between 8.30am and 5.30pm (Sydney time) on Business Days. In addition, copies of all documents lodged with the ASX in relation to APA Group can be inspected at the registered office of APA Group during normal business hours. APA Group's website at [www.apa.com.au](http://www.apa.com.au) also includes a wide range of information on APA Group (including copies of the above documents) and its activities. A list of announcements made by APA Group between 1 January 2011 and the day before the date of this Bidder's Statement appears in Schedule 1.

## 12.4 Summary of the rights and liabilities attaching to APA Stapled Securities

APA Stapled Securities consist of one APT Unit and one APTIT Unit, stapled together and jointly quoted on the ASX.

The rights and liabilities attaching to APA Stapled Securities are determined by the APA Constitutions, applicable law and the Listing Rules. The following is a summary of the rights and liabilities attaching to APA Stapled Securities. In the absence of any amendment to the APA Constitutions or change in applicable law or the Listing Rules, these rights and liabilities will attach to APA Stapled Securities issued under the Offer. It is not an exhaustive summary of the rights and liabilities attaching to APA Stapled Securities.

### 12.4.1 Summary of the APA Constitutions

Each of APT and APTIT are registered managed investment schemes. The APA Responsible Entity is the responsible entity for each of APT and APTIT. Both APT and APTIT are established under their respective constitutions which contain the main rules governing their operation. The Corporations Act, exemptions and declarations given by ASIC, the Listing Rules (subject to waivers), and the general law of trusts are also relevant to the rights and obligations of the APA Responsible Entity and of APA Securityholders (referred to as members for the purposes of the summary below).

The APA Responsible Entity must ensure that the APA Constitutions meet the requirements of the Corporations Act. The APA Responsible Entity may amend the APA Constitutions without member approval if it reasonably considers that the amendment will not adversely affect members' rights. Any other amendments must be by approval of a special resolution of members.

The key rights attaching to APTIT Units and the APT Units under the APA Constitutions and the Corporations Act are identical (except as set out in section 12.4.2) and for that reason have not been separately summarised. The main provisions of the APA Constitutions (which are governed by the laws of New South Wales) that deal with the rights and obligations of members are:

- (a) **units:** a fully paid APT Unit and APTIT Unit confers an undivided interest in APT and APTIT respectively. The APA Constitutions contemplate the issue of options, partly paid APT Units and partly paid APTIT Units;
- (b) **stapling:** the APA Constitutions provide for the Stapling of one APT Unit or one APTIT Unit to any other security or securities which the APA Responsible Entity in the future causes to be stapled to APT Units or APTIT Units. Where, as with APT Units and APTIT Units, Stapling occurs, members will be holders of the other stapled security and the stapled securities will be able to be traded only as a single stapled security on the ASX;<sup>59</sup>
- (c) **distributions:** subject to the terms of issue of particular APT Units or APTIT Units, members on the relevant trust's register at the end of a distribution period are entitled to a share in the relevant trust's income (and any capital which is to be distributed) proportionate to their holding. The distribution periods are the periods ending on 30 June and 31 December or such other dates as may be determined by the APA Responsible Entity. Outside of distributions to be paid at the end of distribution periods, the APA Responsible Entity may make distributions of capital and income in its discretion, unless distributions are to be reinvested. Generally, the APA Responsible Entity will pay them within three months of the end of the relevant distribution period;
- (d) **transfer:** while they are stapled, APT Units and APTIT Units may only be transferred as part of APA Stapled Securities. Unitholders may transfer APA Stapled Securities by proper transfer in the manner prescribed by the APA Responsible Entity. The APA Responsible Entity may refuse to register a transfer of APA Stapled Securities where the transfer is not in registerable form or where such a refusal is permitted by the Listing Rules or ASX. Subject to the Listing Rules and ASX Settlement Operating Rules, while APA is a listed entity, the Directors may suspend the registration of a transfer at such times and for such periods as deemed fit;
- (e) **no redemption:** there is no right of redemption of APT Units or APTIT Units. The APA Responsible Entity may only consolidate, subdivide, cancel or otherwise reorganise APT Units or APTIT Units if the trust, corporation or managed investment scheme whose securities are stapled to the APT Units or APTIT Units also consolidates, subdivides, cancels or otherwise reorganises the corresponding stapled securities;
- (f) **winding up:** if APT or APTIT is terminated and wound up, members are entitled to receive a share of the net proceeds of the realisation of all cash, investments, rights and other property of the relevant trust, proportionate to their holding, after adjustment for any unpaid amounts on the APT Units or APTIT Units (as relevant) and after the APA Responsible Entity has deducted its remuneration and costs and subject to any special rights or restrictions attached to any APA Stapled Securities or the direction in writing of all Unitholders. The APA Responsible Entity is also entitled to distribute assets to members in specie. Each of APT and APTIT terminate on the earlier of the date determined by the APA Responsible Entity, and the date on which they are otherwise terminated in accordance with the APA Constitutions or by law;
- (g) **members' liability:** for fully-paid units, a member's liability is limited under the APA Constitutions to the amount paid (or payable in the case of partly paid APT Units or APTIT Units) for their APT Units or APTIT Units;
- (h) **meetings:** members' rights to requisition, attend and vote at meetings are mostly prescribed by the Corporations Act. The APA Constitutions provide that the quorum for a meeting is, depending on the type of meeting, either ten or twenty members. While the APT Units are stapled to APTIT Units, meetings of APT and APTIT may be held concurrently. Each APT Unitholder and APTIT Unitholder is entitled to receive notice of, attend and (except in certain circumstances) vote at general meetings of APT and APTIT and to receive all notices, accounts and other documents required to be sent to APT Unitholders and APTIT Unitholders under the APA Constitutions or the Corporations Act; and
- (i) **voting:** at a general meeting of APT and APTIT, APT Unitholders and APTIT Unitholders present in person or by proxy, attorney or representative have one vote on a show of hands and one vote for each dollar of the value of APT and APTIT Units held on a poll. Voting on resolutions is by a show of hands unless a poll is demanded, except if the resolution is a special resolution, which must be decided on a poll.
- The APA Constitutions also deal with the powers, duties and liabilities of the APA Responsible Entity:
- (a) **powers:** generally, the APA Responsible Entity has all powers that it is possible to confer on a trustee and all powers incidental to ownership of the assets of APT or APTIT as though the APA Responsible Entity were the absolute and beneficial owner of those assets. In exercising its powers, the APA Responsible Entity may acquire or dispose of any real or personal property and borrow or raise money, encumber any asset of APT or APTIT, incur any liability, enter into joint venture arrangements or fetter any power;
- (b) **issues:** subject to the APA Constitutions, the Corporations Act and the Listing Rules, the APA Responsible Entity has power to issue APT Units or APTIT Units and options over APT Units or APTIT Units on such terms as it determines. Once APT Units are stapled to APTIT Units to form an APA Stapled Security, any issue of new APT Units must be matched by a corresponding issue of APTIT Units and stapled together. The APA Constitutions contain a number of limits as to the price at which units may be issued. Those limits are consistent with the Corporations

<sup>59</sup> A stapling deed has been entered into by the APA Responsible Entity in its capacity as the responsible entity of APT and APTIT under which it must consult and co-operate in respect of a number of matters. Under this deed, while APT and APTIT remain stapled the APA Responsible Entity must have regard to the interests of APA Securityholders as a whole and not only interests of unitholders of APT and APTIT considered separately.

## 12 Other material information continued

- Act (as modified by relevant ASIC class orders) and the Listing Rules;
- (c) **duties:** the APA Responsible Entity's duties are mainly contained in the Corporations Act;
- (d) **fees and expenses:** the APA Responsible Entity may recover out of each of APT and APTIT's assets, expenses properly incurred in the operation of APT and APTIT respectively. The APA Constitutions also authorise the APA Responsible Entity to receive fees calculated at the rate of 0.50% per annum of gross asset value of all cash, investments, rights and other property of each of APT and APTIT. These fees are payable quarterly and may be waived by the APA Responsible Entity;
- (e) **rights:** the APA Responsible Entity may also:
- take and act upon advice from professionals;
  - value the assets of APT and APTIT at any time (at market value unless it determines there is no market in respect of an asset or that the market value does not represent the fair value of the asset); and
  - hold APT Units or APTIT Units in any capacity, contract with any person (including itself, a member or any associate) and hold or deal in or have any other interest in an APT or APTIT asset.

The APA Responsible Entity is entitled to be indemnified out of the assets of APT and APTIT for any liability it incurs in properly performing or exercising any of its duties or powers in relation to APT and APTIT respectively. Requests for free copies of the APA Constitutions may be made by contacting the APA Offer Information Line on 1800 129 431 (callers in Australia) or +61 2 8280 7731 (callers outside Australia) between 8.30am and 5.30pm (Sydney time) on Business Days.

### 12.4.2 Directors of the APA Responsible Entity

In accordance with the provisions of a deed poll made in 2004 by the APA Responsible Entity in favour of the APT Unitholders for the time being and from time to time and pursuant to the provisions of the constitution of the APA Responsible Entity, the APA Responsible Entity has agreed to use its best endeavours:

- (a) to allow APT Unitholders to nominate a person to fill any vacancy on the board of the APA Responsible Entity which arises following the retirement of a director by rotation or who retires at an annual general meeting of the APA Responsible Entity having been appointed since the previous annual general meeting of the APA Responsible Entity by the directors of the APA Responsible Entity either to fill a casual vacancy on the board or as an addition to the board;
- (b) to procure that APT Unitholders are given an opportunity to approve any such nominations by resolution or postal ballot; and
- (c) if there are more nominations than vacancies, to procure that an election is held and those whose nominations are approved by the highest majorities are taken to have been approved for the purposes of filling the vacancies.

### 12.4.3 Valuation of APA Stapled Securities

- (a) The APA Responsible Entity has formed the view that, for the purposes of clause 4.3(b) of the APA Constitutions,

the current market value of 1 HDUF Stapled Security is equivalent to \$0.50 cash and 0.326 APA Stapled Securities (or such other amount as is announced by APA to the ASX on behalf of the APA Responsible Entity from time to time).

- (b) By accepting the Offer, HDUF Securityholders acknowledge that they are taken to submit, as a statement of current market value of HDUF Stapled Securities for the purposes of clause 4.3(b) of the APA Constitutions, the statement of value made by the APA Responsible Entity in section (12.4.3(a)) above.
- (c) The APA Responsible Entity has acknowledged that the statement of value in section 12.4.3(a) is acceptable to it, as required by clause 4.3(b) of the APA Constitutions.

### 12.4.4 Exercise of discretion

The APA Responsible Entity will prepare policies for the exercise of discretions relating to issue prices for APA Stapled Securities. Copies of those policies will be available on request by contacting the APA Offer Information Line on 1800 129 431 (callers in Australia) or +61 2 8280 7731 (callers outside Australia) between 8.30am and 5.30pm (Sydney time) on Business Days.

## 12.5 Regulatory matters

### 12.5.1 ASIC modifications and exemptions

ASIC has published various "Class Order" instruments providing for modifications and exemptions that apply generally to all persons, including the Bidder, in relation to the operation of Chapter 6 of the Corporations Act.

Among others, the Bidder has relied on the modification to section 636(3) of the Corporations Act set out in paragraph 11 of ASIC Class Order 01/1543 "Takeover Bids" to include, without obtaining specific consent, statements which are made in, or based on statements made in, any documents announced by HDUF to the ASX. Requests for free copies of these documents or publications may be made by contacting the APA Offer Information Line on 1800 129 431 (callers in Australia) or +61 2 8280 7731 (callers outside Australia) between 8.30am and 5.30pm (Sydney time) on Business Days.

The Bidder has applied to ASIC for relief to permit the Offer to extend to any HDUF Stapled Securities issued before the end of the Offer Period in respect of any Performance Fee payable to the HDUF Responsible Entity.

### 12.5.2 ACCC approval

The Offer is subject to the ACCC providing written notification to the Bidder before the end of the Offer Period on an unconditional basis that it does not propose to take any action to intervene in the Offer.

The Bidder's acquisition of HDUF gives rise to an aggregation of ownership and operation of a number of pipeline assets. The main areas of aggregation are the transmission pipelines servicing Adelaide (being the Moomba to Adelaide Pipeline System, owned and operated by HDUF Group, and the SEA Gas Pipeline, owned and operated by the SEA Gas Partnership in which APA has a 50% interest) and the transmission pipelines

connecting the Cooper Basin to a number of end markets (being the Moomba to Adelaide Pipeline System, SWQ Pipeline and QSN Link, owned and operated by HDUF Group, and the Moomba Sydney Pipeline owned and operated by APA Group).

The Bidder engaged with the ACCC prior to the Announcement Date. The ACCC indicated it was not in a position to determine whether the Offer raised competition concerns without the benefit of market enquiries. The ACCC will commence its market enquiries process upon or shortly after the Announcement Date.

If, pursuant to market enquiries, any competition concerns are identified by the ACCC, the Bidder will engage with the ACCC to address identified concerns and, if considered necessary, potential undertakings or remedies may be proffered by relevant APA Group Entities.

### 12.5.3 Other regulatory matters

The Bidder is a foreign person for the purposes of the Foreign Acquisitions and Takeovers Act. If the Bidder continues to hold more than 15% of HDUF, HDUF will similarly continue to be treated as a foreign person for the purposes of the Foreign Acquisitions and Takeovers Act.

The Bidder is a foreign government related entity for the purposes of the Foreign Investment Policy. If the Bidder continues to hold more than 15% of HDUF, HDUF will similarly continue to be treated as a foreign government related entity for the purposes of the Foreign Investment Policy.

The Bidder will lodge an application with FIRB prior to 16 December 2011 seeking a statement of no objection to the proposal. The outcome of this application is expected to be known by mid February 2012.

## 12.6 Status of key conditions

The Offer is subject to a number of conditions set out in section 10. Set out below is the status of the key conditions as at the day before the date of this Bidder's Statement. The Bidder will provide updates on any material developments relating to the status of these conditions through announcements to ASX.

### 12.6.1 Regulatory approvals

(a) **FIRB process** (section 10(b))

See section 12.5.3.

(b) **ACCC approval** (section 10(c))

See section 12.5.2.

### 12.6.2 Confirmation of HDUF Group Information and change of control

This Bidder's Statement includes a number of conditions that require HDUF to provide information and confirmation in relation to the business, assets and financial arrangements of HDUF Group through announcements to the ASX (see section 10(i) ("HDUF announcement re security constraints in financing arrangements"), section 10(j) ("HDUF announcement re change of control in financing arrangements"), section 10(l) ("HDUF

announcement re change of control"), section 10(n) ("HDUF announcement re contractual milestones") and section 10(o) ("HDUF announcement re commencement of AGL gas transmission agreement").

The Bidder does not know if HDUF is able to provide the information and confirmations sought in an announcement to the ASX and would be prepared to do so.

The confirmations in respect of these matters is important to the Bidder's assessment of HDUF. However, unless the information and confirmations have been provided earlier, the Bidder will review each of the conditions in the light of disclosure in the target's statement to be issued by HDUF although the Bidder reserves the right not to waive these conditions unless they are satisfied.

There are also conditions that no person in fact exercises rights in connection with a change of control (see section 10(k) ("change of control in financing arrangements") and section 10(m) ("change of control").

### 12.6.3 Confirmations by HDUF Responsible Entity

The Bidder is seeking confirmation by the HDUF Responsible Entity that it will accept a lower Performance Fee than that to which it may otherwise be entitled and receive any Performance Fee in HDUF Stapled Securities issued at a minimum price of \$2.56 per HDUF Stapled Security (section 10(s) ("payments to and undertakings by the HDUF Responsible Entity").

Under the terms of the HDUF Constitutions, a Performance Fee, amongst other fees, is payable to the HDUF Responsible Entity where the total return to HDUF Securityholders exceeds the return on the S&P/ASX 200 Industrials Accumulation Index. Generally, the value of any Performance Fee is calculated and becomes payable at the conclusion of each six month period.

The product disclosure statement of October 2004 for the initial public offering of HDUF allowed any Performance Fees payable to the HDUF Responsible Entity to be provided in HDUF Stapled Securities at the higher of the 15 day VWAP immediately before the date of issue and \$2.56. This arrangement applied to 31 December 2009. However, at a general meeting on 7 March 2011, approval of HDUF Securityholders was given for the issue of HDUF Stapled Securities to the HDUF Responsible Entity in lieu of cash payment of the Base Fee and any Performance Fee on the previous basis up to and including 31 December 2013. However, whether the Base Fee and the Performance Fee are provided in cash or HDUF Stapled Securities is at the election of the HDUF Responsible Entity.

The Bidder believes that the Performance Fee for the period ending 31 December 2011 will, as a result of the announcement of the Offer, be greater than the Performance Fee would have been in the absence of such an announcement. Assuming that the 15 Business Day average of the S&P/ASX 200 Industrials Accumulation Index as at 31 December 2011 is the same as the closing value of the S&P/ASX200 Industrials Accumulation Index was two days prior (being 12 December 2011) to the Announcement Date, the Performance Fee as at 31 December 2011 would be:

## 12 Other material information continued

- (a) \$26.6 million if the 15 Business Day average of the closing price of HDUF Stapled Securities prior to 31 December 2011 was based on the closing price of HDUF Stapled Securities two days prior to the Announcement Date; and
- (b) \$57.4 million if the 15 Business Day average of the closing price of HDUF Stapled Securities prior to 31 December 2011 was based on \$2.00 (equal to the Offer Consideration assuming an APA Stapled Security closing price of \$4.60 two days prior to the Announcement Date).

The Bidder also considers that the HDUF Responsible Entity should elect to receive the Performance Fee for the periods ending 31 December 2011 in HDUF Stapled Securities, consistent with previous practice, at a minimum issue price of \$2.56 per HDUF Stapled Security.

The Bidder believes that there should be no further Performance Fee paid to HDUF Responsible Entity while the Offer remains open or any APA Group Entity has a relevant interest in more than 50% of the HDUF Stapled Securities.

On this basis, the Bidder considers that the component of the Performance Fee that reflects the announcement of the Offer (ie approximately \$30.8 million, being \$57.4 million less \$26.6 million) should only be provided if the Offer becomes unconditional.

The Bidder does not know if the HDUF Responsible Entity will be prepared to make the announcement in relation to future actions by it in relation to the Performance Fee referred to in section 10(s) ("payments to and undertakings by the HDUF Responsible Entity").

### 12.7 Interests of Directors

#### 12.7.1 Interests of Directors in APA Stapled Securities

Figure 12 below shows the direct and indirect interests of the Directors in APA Stapled Securities at the day before the date of this Bidder's Statement.

**FIGURE 12 - Interests of Directors in APA Stapled Securities**

Director	Number of APA Stapled Securities held at the day before the date of Bidder's Statement
Leonard Bleasel AM	434,160
Steven Crane	100,000
John Fletcher	61,829
Russell Higgins AO	83,171
Patricia McKenzie	12,500
Muri Muhammad	42,818
George Ratilal	Nil
Robert Wright	35,643
Michael McCormack	188,490

#### 12.7.2 Interests of Directors in HDUF Stapled Securities

Figure 13 below shows the direct and indirect interests of the Directors in HDUF Stapled Securities at the day before the date of this Bidder's Statement.

**FIGURE 13 - Interests of Directors in HDUF Stapled Securities**

Director	Number of HDUF Stapled Securities held at the day before the date of Bidder's Statement
Leonard Bleasel AM	Nil
Steven Crane	Nil
John Fletcher	Nil
Russell Higgins AO	Nil
Patricia McKenzie	Nil
Muri Muhammad	Nil
George Ratilal	Nil
Robert Wright	Nil
Michael McCormack	Nil

## 12.8 Fees and expenses of the Offer

The fees outlined in Figure 14 below will be paid by APA Group for the following advisers.

**FIGURE 14 - Adviser fees**

Professional adviser	Role and entitlement to payment	Estimated payment (excluding disbursements and GST)	How and when paid
Mallesons	Legal adviser Mallesons is entitled to professional fees in accordance with its normal time-based charges.	Approximately \$2.3 million	In cash upon presentation of relevant invoices
PricewaterhouseCoopers	Accounting advice to APA Group and the preparation of HDUF Securityholder tax report. PricewaterhouseCoopers is entitled to professional fees in accordance with its normal time-based charges.	Approximately \$0.35 million in respect of accounting advice to APA Group and the HDUF Securityholder tax report included in section 7.	In cash upon presentation of relevant invoices
Investigating Accountant	Investigating Accountant The Investigating Accountant is entitled to professional fees in accordance with its normal time-based charges.	Approximately \$0.3 million	In cash upon presentation of relevant invoices
Macquarie	Financial adviser Macquarie is entitled to professional fees in accordance with an agreed success-based charge.	Maximum of \$7.5 million	In cash upon presentation of relevant invoices

## 12.9 Broker handling fee

If the Offer becomes or is declared unconditional, the Bidder will pay a commission to brokers who solicit acceptances of the Offer from their clients. The commission paid will be 0.75% of the value of the Offer Consideration payable for parcels of HDUF Stapled Securities held by Retail HDUF Securityholders (excluding Foreign Securityholders) who accept the Offer, and will be subject to minimum payments of \$50 and maximum payments of \$750 for each acceptance. This payment is not deducted from the proceeds due to you under the Offer.

Any commission payments will be paid only in respect of parcels of HDUF Stapled Securities held by Retail HDUF Securityholders who accept the Offer.

An acceptance by a broker constitutes a representation that neither the broker nor its associate is the accepting Retail HDUF Securityholder. This commission is payable to brokers only and is subject to the condition that no part of the fee will be able to be passed on or paid to HDUF Securityholders.

The commission arrangement will remain in place for the balance of the Offer Period and the amount of the commission offered will not be increased during the Offer Period.

The Bidder reserves its right to aggregate any acceptances in determining the commission payable to any broker if it reasonably believes a party has structured holdings to take advantage of the commission. The Bidder may, in its sole discretion, determine any disputes regarding whether a commission is payable.

Any commission liable to be paid in respect of an acceptance will (subject to the receipt of an Acceptance Form bearing the broker's stamp or, in the case of CHES Holdings, other written confirmation acceptable to the Bidder that the broker has initiated the acceptance), be paid by the Bidder within one month of the later of the date that Link Market Services receives a validly lodged broker claim form (see below), and the date of the close of the Offer.

No commission will be payable in respect of an acceptance that is withdrawn or that was initiated by Link Market Services receiving an Acceptance Form from a HDUF Securityholder.

A claim form submitted by a broker must be received within two weeks of the end of the Offer Period, and include the following details:

- (a) the broker's name, address, Participant identification number and contact name and phone number;
- (b) details of the registered name and address for each HDUF Securityholder to which the claim form relates, HIN or SRN for each HDUF Securityholder to which the claim form relates, and number of HDUF Stapled Securities accepted by each of those HDUF Securityholders; and
- (c) a representation that neither the broker nor its associate is the accepting HDUF Securityholder and that the fee will not be passed on or otherwise shared directly or indirectly with the HDUF Securityholder.

## 12 Other material information continued

### 12.10 Consents

#### 12.10.1 Statements based on documents announced by HDUF to the ASX

This Bidder's Statement includes statements which are made in, or based on statements made in, documents announced to the ASX. These documents are set out in Figure 15 below. No person who has made any of these statements has consented to the statement being included in or accompanying this Bidder's Statement in the form and context in which it is included. Requests for free copies of these documents may be made by contacting the APA Offer Information Line on 1800 129 431 (callers in Australia) or +61 2 8280 7731 (callers outside Australia) between 8.30am and 5.30pm (Sydney time) on Business Days.

#### FIGURE 15 - Statements based on documents announced by HDUF to the ASX

Document	Date announced to ASX
Annual Meeting Presentation	27/10/2011
ASX Announcement - Gas transmission agreement with Santos is now unconditional	21/09/2011
ASX Announcement - HDF achieves strong first half result with a positive outlook	29/08/2011
Report for the half year ended 30 June 2011	29/08/2011
Presentation - Results for the half year ended 30 June 2011	29/08/2011
HDF Annual Report 2010	30/03/2011
HDF General Meeting - Results of Resolution	07/03/2011
ASX Announcement - New conditional gas transportation agreement with Santos	25/10/2010
Report for the half year ended 30 June 2010	27/08/2010
Report for the half year ended 30 June 2009	28/08/2009
ASX Announcement - Epic Energy to commence a Front End Engineering and Design study on stage three expansion of the South West Queensland Pipeline	31/07/2008
Epic Energy commits to second stage expansion of the South West Queensland Pipeline	17/12/2007
Product Disclosure Statement	15/11/2004

#### 12.10.2 Consenting parties

Each of the parties named in Figure 16 below as consenting parties:

- has given and has not, before the date of this Bidder's Statement, withdrawn its written consent to be named in this Bidder's Statement in the form and context in which it is named;
- has given and has not, before the date of this Bidder's Statement, withdrawn its written consent to the inclusion of their respective statements and reports (where applicable) noted next to their names below, and the references to those statements and reports in the form and context in which they are included in this Bidder's Statement;
- does not make, or purport to make, any statement in this Bidder's Statement other than those statements referred to below in respect of that party's name (and consented to by that party); and
- to the maximum extent permitted by law, expressly disclaims and takes no responsibility for any statements in or omissions from this Bidder's Statement.

#### FIGURE 16 - Consenting parties

Consenting party	Statement
Mallesons	Role as legal adviser
PricewaterhouseCoopers	Report of PricewaterhouseCoopers included in section 7
Macquarie	Role as financial adviser
Investigating Accountant	Role as Investigating Accountant, in relation to the Investigating Accountants' Report and any statements based on that report, and references to the audited financial accounts of APA Group
Link Market Services	Role as registry
APA Responsible Entity	Statements made by it, or statements based on statements made by it, in this Bidder's Statement in the form and context in which they appear

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## 12.11 Social security and superannuation implications of the Offer

Acceptance of the Offer may have implications under your superannuation arrangements or on your social security entitlements. If you are in any doubt as to how this may affect you, you should seek specialist advice.

## 12.12 Certain investment considerations

APA Group does not take account of labour standards or environmental, social or ethical considerations in considering investments. APA Group is, however, committed to operating in a safe and sustainable manner and to minimising the environmental impact of its activities. Further information is outlined on APA Group's website at [www.apa.com.au](http://www.apa.com.au).

## 12.13 Complaint handling procedures

The APT Constitution contains provisions which govern the procedures for dealing with complaints by APT Unitholders. The APTIT Constitution contains identical provisions.

The APA Responsible Entity has procedures in place to properly consider and deal with any complaints received from APT Unitholders and APTIT Unitholders in accordance with the applicable Australian standards on complaints handling. The APA Responsible Entity will use reasonable endeavours to deal with and resolve complaints within a reasonable time from the date of receipt of the complaint.

The APA Responsible Entity must record any APT Unitholder or APTIT Unitholder complaint and the date it was received in a register maintained for that purpose.

Complaints may be submitted in writing to:

### By post

Compliance Manager  
APA Group  
Level 19  
HSBC Building  
580 George Street  
Sydney NSW 2000

### By email

[APAfeedback@apa.com.au](mailto:APAfeedback@apa.com.au)

Alternatively, you may call the Compliance Manager on +61 2 9693 0000 between 8.30am and 5.00pm (Sydney time), Monday to Friday.

The complainant should provide the APA Responsible Entity with all relevant information that the APA Responsible Entity may require to properly deal with, and resolve the complaint.

The APA Responsible Entity will inform the complainant by notice in writing of its decision in relation to the complaint, the remedies (if any) and any avenues of appeal that may be available.

The APA Responsible Entity will provide the complainant with all reasonable assistance and information required for the purpose of making a complaint and understanding the complaints handling procedures adopted by the APA Responsible Entity.

If you are dissatisfied with the response or the complaint is not dealt with and resolved within 45 days, you may raise the matter directly with the Financial Ombudsman Service. Its contact details are:

Financial Ombudsman Service  
GPO Box 3  
Melbourne VIC 3001  
Telephone: 1300 780 808

The APA Responsible Entity is a member of the Financial Ombudsman Service Limited.

## 12.14 No other material information

Except as set out elsewhere in this Bidder's Statement, there is no other information that is:

- material to the making of a decision by a HDUF Securityholder whether or not to accept an Offer; and
- known to the Bidder,

and has not previously been disclosed to the HDUF Securityholders.

# 13 Glossary and interpretation

## 13.1 Definitions

<b>A\$, \$, ¢ and cents</b>	Australian currency, unless otherwise stated
<b>ACCC</b>	Australian Competition & Consumer Commission
<b>Acceptance Form</b>	The form of acceptance and transfer accompanying the Offer or any replacement or substitute acceptance form provided by or on behalf of the Bidder
<b>Access Arrangement</b>	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
<b>AEMC</b>	Australian Energy Market Commission
<b>AEMO</b>	Australian Energy Market Operator
<b>AER</b>	Australian Energy Regulator
<b>AGL</b>	AGL Energy Limited and any of its controlled entities
<b>A-IFRS</b>	Australian equivalent to International Financial Reporting Standards, as issued by the Australian Accounting Standards Board
<b>Allgas</b>	APT Allgas Energy Pty Limited
<b>Allgas Distribution Network</b>	Gas distribution networks in south-east Queensland owned by Allgas including the Brisbane/Gold Coast, Toowoomba and Oakey networks
<b>Amadeus Gas Pipeline</b>	A 1,671 km pipeline, 100% owned by APA Group, which transports gas to Darwin, Alice Springs and regional centres, located in the Northern Territory
<b>Announcement Date</b>	14 December 2011, being the date of announcement of the Offer
<b>APA</b>	The stapled entity comprising APT and APTIT
<b>APA Constitutions</b>	The APT Constitution and the APTIT Constitution
<b>APA Group</b>	APT, APTIT and each of the entities controlled by the APA Responsible Entity
<b>APA Group Cash Reserves</b>	Immediately available cash on hand of at least \$30 million
<b>APA Group Entity</b>	Any member of APA Group
<b>APA Group Finance Facilities</b>	The facilities described in section 6.2.2
<b>APA Responsible Entity</b>	APL in its capacity as responsible entity of APT and APTIT
<b>APA Securityholder</b>	The registered holder of an APA Stapled Security
<b>APA Stapled Security</b>	One APT Unit and one APTIT Unit, stapled together such that they must only be transferred together
<b>APL</b>	Australian Pipeline Limited (ABN 99 091 344 704, AFSL 239 927)
<b>APT</b>	Australian Pipeline Trust (ARSN 091 678 778), a registered managed investment scheme regulated by the Corporations Act
<b>APT Constitution</b>	The constitution of APT dated 18 February 2000 (as amended)
<b>APT Unit</b>	An ordinary unit in APT
<b>APT Unitholder</b>	A holder of an APT Unit
<b>APTIT</b>	APT Investment Trust (ARSN 115 585 441), a registered managed investment scheme regulated by the Corporations Act
<b>APTIT Constitution</b>	The constitution of APTIT dated 30 June 2005 (as amended)
<b>APTIT Unit</b>	An ordinary unit in APTIT
<b>APTIT Unitholder</b>	A holder of an APTIT Unit
<b>ASIC</b>	Australian Securities & Investments Commission
<b>ASX</b>	ASX Limited or the market conducted by it, as the context requires
<b>ASX Settlement</b>	ASX Settlement Pty Ltd

<b>ASX Settlement Operating Rules</b>	The operating rules of the settlement facility provided by ASX Settlement
<b>Base Fee</b>	The management fee as defined in the HDUF Constitutions
<b>Berwyndale Wallumbilla Pipeline</b>	The pipeline extending from the Berwyndale coal seam gas fields in the Surat basin to the Wallumbilla hub in Central Queensland
<b>Bidder</b>	APT Pipelines Limited (ABN 89 009 666 700), a company wholly owned by APT
<b>Bidder's Statement</b>	This document, being the statement of the Bidder under Part 6.5 Division 2 of the Corporations Act relating to the Offer
<b>Bidder's Takeover Transferee Holding</b>	The holding of HDUF Stapled Securities on the CHESSE subregister of HDUF established for the purposes of the Offer
<b>Board</b>	The board of Directors of the APA Responsible Entity unless otherwise indicated
<b>Business Day</b>	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.
<b>CAMS</b>	Campaspe Asset Management Services Pty Limited
<b>Capacity</b>	The maximum quantity of gas which a pipeline can transport from a receipt point to a delivery point under normal operating conditions and as currently configured
<b>Central Ranges Network</b>	Natural gas distribution network in the Central Ranges region, New South Wales 100% owned by APA Group
<b>Central Ranges Pipeline</b>	A 294 km pipeline extending from Dubbo to Tamworth in New South Wales
<b>Central West Pipeline</b>	A 255 km pipeline connected to the Moomba Sydney Pipeline at Marsden. It transports natural gas to regional towns in western New South Wales, terminating at Dubbo
<b>CGT</b>	Capital gains tax
<b>CHESSE</b>	Clearing House Electronic Subregister System which provides for electronic security transfers in Australia
<b>CHESSE Holding</b>	A holding of HDUF Stapled Securities on the CHESSE subregister of HDUF
<b>Closing Date</b>	31 March 2012, unless the Offer is extended or withdrawn in accordance with the Corporations Act
<b>Code</b>	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
<b>Combined Group</b>	APA Group following the acquisition by the Bidder of at least 50.1% of HDUF under the Offer, on the assumption that at this level of ownership APA Group will have the capacity to control HDUF Group
<b>Compound Annual Growth Rate</b>	The year-over-year growth rate of an investment over a specified period of time
<b>Controlling Participant</b>	The broker or other Participant who is designated as the controlling participant for securities in a CHESSE Holding in accordance with the ASX Settlement Operating Rules
<b>Corporations Act</b>	Corporations Act 2001 (Cth)
<b>Dandenong LNG Storage Facility</b>	A liquefied natural gas storage facility with capacity of 12,000 tonnes (0.7 PJ) located at the Dandenong City Gate on APA Group's Victorian Transmission System. Natural gas is liquefied into LNG at BOC's adjacent Cryocentre
<b>Defeating Conditions</b>	The conditions to the Offer set out in section 10
<b>Defeating Conditions Date</b>	23 March 2012 being the date specified in section 9.6.6 for giving notice as to the status of the Defeating Conditions as required by subsection 630(1) of the Corporations Act (subject to variation in accordance with section 630(2) of the Corporations Act if the Offer is extended)
<b>Diamantina Power Station</b>	242 MW gas fired power station being developed at Mt Isa, Queensland, 50% owned by APA Group
<b>Directors</b>	Directors of the APA Responsible Entity
<b>EBITDA</b>	Earnings before interest, income tax, depreciation and amortisation
<b>EI12</b>	EI1 2 Pty Limited
<b>Emu Downs wind farm</b>	A wind farm with capacity of 80 MW located 200 km north of Perth in Western Australia

## 13 Glossary and interpretation continued

<b>Encumbrances</b>	Any: (a) security for the payment of money or performance of obligations, including a mortgage, charge, lien, pledge, trust, option, right of pre-emption, power, title retention, or flawed deposit arrangement; or (b) right, interest or arrangement which has the effect of giving another person a preference, priority or advantage over creditors including any right of set-off; or (c) right that a person (other than the owner) has to remove something from land (known as a profit à prendre), easement, public right of way, restrictive or positive covenant, lease, or licence to use or occupy; or (d) third party right or interest or any right arising as a consequence of the enforcement of a judgment, or any agreement to create any of them or allow them to exist
<b>Energy Infrastructure Investments</b>	Energy Infrastructure Investments Pty Limited
<b>Envestra</b>	Envestra Limited
<b>Epic</b>	Epic Energy Holdings Pty Ltd
<b>Ethane Pipeline</b>	The Moomba to Sydney Ethane Pipeline conveys ethane from Moomba to the Qenos petrochemical facility in Port Botany
<b>Financial Arrangements</b>	Each: (a) financing agreement or instrument, money borrowing or raising arrangement or other financing arrangement, liability, encumbrance or other security, guarantee, indemnity or other credit support arrangement; or (b) derivative or treasury transaction, agreement or arrangement, (in each case regardless of form and including any similar arrangement)
<b>Financial Ombudsman Service</b>	Financial Ombudsman Service Limited
<b>FIRB</b>	Foreign Investment Review Board
<b>Foreign Acquisitions and Takeovers Act</b>	Foreign Acquisitions and Takeovers Act 1975 (Cth)
<b>Foreign Investment Policy</b>	The Australian Federal Government's Foreign Investment Policy
<b>Foreign Securityholder</b>	An HDUF Securityholder whose address shown in the register of HDUF Securityholders is a place outside Australia and its external territories or New Zealand, unless the APA Responsible Entity is satisfied that it is not precluded from lawfully issuing APA Stapled Securities either unconditionally or after compliance with conditions which the APA Responsible Entity regards as acceptable and not unduly onerous  For these purposes, Foreign Securityholder includes, among others, a resident of, or a person in, the United States (or a person that holds HDUF Stapled Securities on behalf of a resident or a person in the United States) who beneficially owns HDUF Stapled Securities. For the avoidance of doubt, such a holder will not be a Foreign Securityholder in respect of any other holding of HDUF Stapled Security that is separately noted on the register of members of HDUF if a resident of, or a person in, the United States does not beneficially own any HDUF Stapled Security in that separately noted holding
<b>FY2010</b>	The financial year to 30 June 2010
<b>FY2011</b>	The financial year to 30 June 2011
<b>FY2012</b>	The financial year to 30 June 2012
<b>Gearing Ratio</b>	Percentage of Net Debt over Net Debt plus equity subject to various adjustments
<b>GST</b>	Has the meaning it has in the GST Act
<b>GST Act</b>	The A New Tax System (Goods and Services Tax) Act 1999 (Cth)
<b>HDUF</b>	HDUF Finance Trust, HDUF Epic Trust and HDUF Further Investments Trust
<b>HDUF Constitutions</b>	The constitutions of each of HDUF Finance Trust, HDUF Epic Trust and HDUF Further Investments Trust
<b>HDUF Epic Trust</b>	HDUF Epic Trust (ARSN 109 770 961)
<b>HDUF Finance Trust</b>	HDUF Finance Trust (ARSN 109 770 765)
<b>HDUF Further Investments Trust</b>	HDUF Further Investments Trust (ARSN 109 897 921)

<b>HDUF Group</b>	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
<b>HDUF Group Entity</b>	Any member of HDUF Group
<b>HDUF Responsible Entity</b>	Hastings Funds Management Limited (ABN 27 058 693 388), in its capacity as responsible entity of HDUF
<b>HDUF Securityholder</b>	A holder of HDUF Stapled Securities
<b>HDUF Stapled Security</b>	One unit in each of HDUF Finance Trust, HDUF Epic Trust and HDUF Further Investments Trust, stapled together such that they must only be transferred together
<b>HDUF Units</b>	Units in each of HDUF Finance Trust, HDUF Epic Trust and HDUF Further Investments Trust
<b>HIN</b>	Holder Identification Number, which is the number that starts with an “X”, allocated by a Controlling Participant, to identify a HDUF Securityholder with a CHESS Holding
<b>Incitec Pivot</b>	Incitec Pivot Limited
<b>Income Tax Assessment Act</b>	Income Tax Assessment Act 1936 (Cth)
<b>Interest Cover Ratio</b>	The ratio of (i) consolidated cash flow available for debt service for the 12-month period ending on such date to (ii) interest expense for the 12-month period ending on such date, as defined within various financing agreements
<b>Investigating Accountant</b>	Deloitte Touche Tohmatsu
<b>Investigating Accountants’ Report</b>	The report of the Investigating Accountant as to the historical and pro forma historical financial information presented in this Bidder’s Statement, as set out in Appendix 1
<b>Issuer Sponsored Holding</b>	A holding of HDUF Stapled Securities on HDUF’s issuer sponsored subregister
<b>Lateral</b>	A branch pipeline linking a main pipeline to a market or end-user
<b>Link Market Services</b>	Link Market Services Limited
<b>Listing Rules</b>	The listing rules of the ASX
<b>LNG</b>	Liquefied natural gas
<b>Looping</b>	Increasing the Capacity of a pipeline by installation of a second pipeline, parallel to and joined with the original pipeline
<b>Macquarie</b>	Macquarie Capital (Australia) Limited
<b>Mallesons</b>	Mallesons Stephen Jaques
<b>Medium Term Notes</b>	10 year fixed-rate A\$ Medium Term Notes issued in July 2010
<b>Mezzanine Debt</b>	A subordinated debt facility provided by the Government of Singapore Investment Corporation at an interest rate of 13.25%, with the principal outstanding indexing at CPI announced by HDUF to ASX on 15 December 2009
<b>Mid West Pipeline</b>	A 362 km pipeline, 50% owned by APA Group, which transports gas from the Dampier to Bunbury Pipeline to power generators in the Windimurra and Mt Magnet region in Western Australia
<b>Mondarra Gas Storage Facility</b>	The APA Group owned underground gas storage facility near Dongara, 350 km north of Perth, Western Australia
<b>Moomba Sydney Pipeline</b>	Moomba Sydney Pipeline system in New South Wales, including Laterals and the NSW-Vic Interconnect
<b>MW</b>	Megawatt
<b>National Gas Law</b>	The gas law implemented under the National Gas (South Australia) Act 2008 in South Australia and which: <ul style="list-style-type: none"> <li>• is made applicable in each other Australian jurisdiction (except Western Australia) under the relevant mirror application legislation; and</li> <li>• in Western Australia, is amended by and applied under the National Gas Access (WA) Act 2009</li> </ul>
<b>National Gas Rules</b>	Has the meaning given to it in the National Gas Law
<b>Net Debt</b>	The sum of short term and long term borrowings less cash and cash equivalents
<b>Nominee</b>	The nominee for Foreign Securityholders as approved by ASIC
<b>North Brown Hill wind farm</b>	132 MW wind farm located at Hallett, South Australia, 20% owned by APA Group
<b>NSW-Vic Interconnect</b>	Pipeline joining New South Wales and Victoria extending from Barnawatha to Wagga Wagga.
<b>Offer</b>	The offer by the Bidder to each HDUF Securityholder to acquire all of their HDUF Stapled Securities on the terms and conditions set out in this Bidder’s Statement

## 13 Glossary and interpretation continued

<b>Offer Consideration</b>	\$0.50 cash and 0.326 APA Stapled Securities for each HDUF Stapled Security, subject to possible adjustments as set out in section 9.2.1, unless you are a Foreign Securityholder
<b>Offer Period</b>	The period during which the Offer will remain open for acceptance in accordance with section 9.3
<b>Other Occurrences</b>	The conditions referred to in section 10(q)
<b>Parmelia Gas Pipeline</b>	The pipeline extending from Dongara to Pinjarra in Western Australia
<b>Participant</b>	A participant under the ASX Settlement Operating Rules
<b>Partnership Agreement</b>	The Third Amended and Restated Partnership Agreement dated 29 June 2007
<b>Performance Fee</b>	The “Incentive Fee” as defined in the HDUF Constitutions
<b>Petronas</b>	Petroleum Nasional Berhad
<b>Petronas Australia</b>	Petronas Australia Pty Ltd
<b>PJ</b>	Petajoule (1 PJ = 0.92 Bcf)
<b>PricewaterhouseCoopers</b>	PricewaterhouseCoopers Securities Limited
<b>Public Authority</b>	Any governmental, semi-governmental, administrative, fiscal, judicial or quasi-judicial body, department, commission, authority, tribunal, agency or entity
<b>Queensland Gas Pipeline</b>	The 627 km Jemena owned Queensland Gas Pipeline links the Wallumbilla gas hub in south central Queensland to large industrial gas users in Gladstone and Rockhampton
<b>QSN Link</b>	An extension of the SWQ Pipeline, connecting coal seam gas suppliers in south east Queensland to southern markets
<b>QSN3</b>	An expansion project involving Looping of the SWQ Pipeline and QSN Link resulting in an increase in Capacity from 180 terajoules to 380 terajoules on completion
<b>Register Date</b>	The date set by the Bidder under section 633(2) of the Corporations Act, being 7.00pm (Sydney time) on 19 December 2011
<b>Retail HDUF Securityholder</b>	An HDUF Securityholder who is not a broker or an associate of a broker and holds less than 100,000 HDUF Stapled Securities as at the date the Offer is accepted
<b>Rights</b>	All accretions, rights or benefits of whatever kind attaching to or arising from HDUF Stapled Securities directly or indirectly at or after the Announcement Date, including, but not limited to, all distributions and all rights to receive any distributions, or to receive or subscribe for stock units, notes, bonds, options or other securities that are declared, paid or made by HDUF or any HDUF Group Entity
<b>Roma Brisbane Pipeline</b>	Roma Brisbane Pipeline, Queensland. See section 1.5.3.5
<b>Santos</b>	Santos Limited and any of its controlled entities
<b>SEA Gas Partners</b>	Each of APT SEA Gas SPV2 Pty Ltd, APT SEA Gas SPV3 Pty Ltd, ANP SEA Gas SPV2 Pty Ltd, ANP SEA Gas SPV3 Pty Ltd, REST SEA Gas SPV1 Pty Ltd, REST SEA Gas SPV2 Pty Ltd
<b>SEA Gas Partnership</b>	The partnership comprised of the SEA Gas Partners from time to time as constituted and governed by the Partnership Agreement
<b>SEA Gas Pipeline</b>	South East Australia Gas Pipeline
<b>SESA Pipeline</b>	The SESA Pipeline is connected to the SEA Gas pipeline and delivers gas to the Ladbroke area in South Australia
<b>Significant Items</b>	Those items which by their size, nature or incidence are relevant in explaining the financial performance of APA Group and as such are separately disclosed
<b>Specified Prescribed Condition</b>	The events or circumstances included in sections 10(q)(i) to 10(q)(xiii) which, in accordance with section 650F(1)(a) of the Corporations Act, entitle the Bidder to free the Offer, and the takeover contracts, from those conditions not later than 3 Business Days after the end of the Offer Period
<b>SRN</b>	A security reference number, which is the number which starts with an “I”, allocated by HDUF to identify a HDUF Stapled Security with an Issuer Sponsored Holding
<b>Stapling</b>	The stapling of units in two or more separate trusts so that those may not be traded separately and are quoted together on the ASX
<b>SWQ Pipeline</b>	The pipeline (incorporating the QSN Link) which provides a connection between gas producers in Bowen/Surat Basin in south eastern Queensland and customers in Mount Isa (through its connection to the Carpentaria Gas Pipeline) and south eastern Australian markets through the Moomba to Adelaide pipeline system and the Moomba Sydney Pipeline
<b>Treasurer</b>	Treasurer of the Commonwealth of Australia

<b>US Private Placement Notes</b>	The issue of debt securities to private institutional investors and insurance companies in the United States
<b>US Securities Act</b>	United States Securities Act of 1933 (as amended)
<b>VWAP</b>	Volume weighted average price for securities traded on ASX

## 13.2 General Interpretation

The following rules of interpretation apply unless the contrary intention appears or the context requires otherwise:

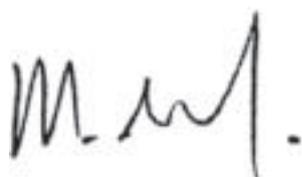
- (a) a reference to time is a reference to Sydney, Australia time;
- (b) headings are for convenience only and do not affect interpretation;
- (c) the singular includes the plural and conversely;
- (d) a reference to a section is to a section of this Bidder's Statement;
- (e) a gender includes all genders;
- (f) where a word or phrase is defined, its other grammatical forms have a corresponding meaning;
- (g) a reference to a person includes a body corporate, an unincorporated body or other entity and conversely;
- (h) a reference to a person includes a reference to the person's executors, administrators, successors, substitutes (including, but not limited to, persons taking by novation) and assigns;
- (i) a reference to any legislation or to any provision of any legislation includes any modification or re-enactment of it, any legislative provision substituted for it and all regulations and statutory instruments issued under it;
- (j) a reference to any instrument or document includes any variation or replacement of it;
- (k) a term not specifically defined in this Bidder's Statement has the meaning given to it (if any) in the Corporations Act or the ASX Settlement Operating Rules, as the case may be; and
- (l) a reference to a right or obligation of any two or more persons confers that right, or imposes that obligation, as the case may be, jointly and individually.

A reference to you is to a person to whom the Offer is made.

## 14 Approval of Bidder's Statement

The copy of this Bidder's Statement that is to be lodged with ASIC has been approved by an unanimous resolution passed by the directors of the Bidder.

Signed by Michael McCormack for and on behalf of the Bidder in accordance with section 351 of the Corporations Act.



Michael McCormack

Director

Date: 15 December 2011

# Schedule 1 – ASX announcements by APA Group since 1 January 2011

A summary of the ASX announcements made in relation to APA between 1 January 2011 and the date of this Bidder's Statement is set out below.

Date	Announcement
15/12/2011	Appendix 3B
15/12/2011	Change in substantial holding for HDF
15/12/2011	APA Group Bidder's Statement for HDF
15/12/2011	HDF: Rejection of the takeover offer by the APA Group
14/12/2011	HDF: APA announces takeover bid for HDF
14/12/2011	Takeover Offer for HDF and sale presentation
14/12/2011	Takeover Offer for HDF and sale of 80% of APA Gas Network
14/12/2011	Estimated interim distribution
28/11/2011	Sustainability Report 2011
03/11/2011	APA completes current debt refinancing program
27/10/2011	Annual Meeting Results of Resolutions and Proxy Information
27/10/2011	Annual Meeting Presentation
26/10/2011	Presentation – Enhancing portfolio value
13/10/2011	APA enters into new 5 year bilateral debt facility
06/10/2011	APA and AGL to build gas-fired power station in Mount Isa
06/10/2011	AGK: Long Term Energy Supply and Joint Development
06/10/2011	Trading Halt
26/09/2011	Notice of Annual Meeting and Proxy form
26/09/2011	2011 Annual Review / Annual Report / Newsletter
16/09/2011	Change of Director's Interest Notice – Mr Michael McCormack
16/09/2011	Change of Director's Interest Notice – Mr John Fletcher
16/09/2011	Change of Director's Interest Notice – Mr Leonard Bleasel
16/09/2011	Change of Director's Interest Notice – Mr Robert Wright
16/09/2011	Change of Director's Interest Notice – Mr Russell Higgins
15/09/2011	Appendix 3B
15/09/2011	2011 Tax Return Guide
13/09/2011	Distribution Reinvestment Plan Summary
08/09/2011	Change in Director's Interest Notice Ms Patricia McKenzie
05/09/2011	Presentation – Information and FY2011 result highlights
01/09/2011	Change of Director's Interest Notice Mr Leonard Bleasel
31/08/2011	Open Briefing interview with MD on Guidance and Outlook
30/08/2011	Change of Director's Interest Notice Mr Michael McCormack
26/08/2011	Nominations for position of director
24/08/2011	Correction to 2011 Full Year Results Media Release
24/08/2011	Final Distribution Information
24/08/2011	2011 Full Year Results Media Release
24/08/2011	2011 Full Year Results Presentation
24/08/2011	2011 Full Year Results
01/07/2011	Open Briefing on Capital Raising and Emu Downs acquisition

<b>Date</b>	<b>Announcement</b>
01/07/2011	Completion of the Emu Downs acquisition
01/07/2011	APA refinances bilateral debt facilities
30/06/2011	Cleansing Notice
28/06/2011	Appendix 3B
24/06/2011	APA successfully completes \$300m capital raising
23/06/2011	Presentation – APA acquisition and capital raising
23/06/2011	APA acquires wind farm and announces capital raising
23/06/2011	Trading Halt
22/06/2011	Constitutions of APT and APTIT
20/06/2011	APA estimated final distribution for FY2011
17/06/2011	AER issues final decision on APA Gas Network, Queensland
16/06/2011	APA acquires the Amadeus Gas Pipeline in the NT
26/05/2011	APA to expand its underground gas storage facility in WA
02/05/2011	Change in substantial holding for ENV
28/04/2011	APA expanding capacity of the Roma Brisbane Pipeline
21/03/2011	Change of Director's Interest Notice for Mr Robert Wright
21/03/2011	Change of Director's Interest Notice for Mr Michael McCormack
21/03/2011	Change of Director's Interest Notice for Mr Russell Higgins
21/03/2011	Change of Director's Interest Notice for Mr John Fletcher
21/03/2011	Change of Director's Interest Notice for Mr Leonard Bleasel
17/03/2011	Appendix 3B
17/03/2011	In the Pipeline
15/03/2011	Distribution Reinvestment Plan Summary
23/02/2011	Interim Distribution Information
23/02/2011	Media Release
23/02/2011	Interim Results Presentation
23/02/2011	Interim Financial Reports
17/02/2011	AXX: Access Arrangement Draft Decision APT Allgas
04/01/2011	Initial Director's Interest Notice

# Appendix 1 – Investigating Accountants’ Report



Deloitte Touche Tohmatsu  
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The Directors  
APT Pipelines Limited  
HSBC Building  
Level 19, 580 George Street  
Sydney NSW 2000

15 December 2011

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 (“Bidder” or “the Company”) to prepare this Investigating Accountants’ Report (“Report”) for inclusion in a Bidder’s Statement (“Bidder’s Statement”) to be issued by the Bidder in respect of the proposed acquisition of the stapled securities in Hastings Diversified Utilities Fund (“HDUF”) (the “Offer”).

Unless otherwise defined in this report, terms used in this report have the meanings given to them in the Glossary of the Bidder’s Statement.

### **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 1.10.2, 3.2 and 4.1 to 4.3 of the Bidder’s Statement:

#### a) APA Group Pro Forma Historical Financial Information

- The pro forma historical consolidated income statements of APA Group for the years ended 30 June 2011 and 30 June 2010;
- The pro forma historical consolidated balance sheet of APA Group as at 30 June 2011;
- The pro forma historical consolidated cash flow statements of APA Group for the 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 Bidder’s Statement, as contained in Section 1.10.2 of the Bidder’s Statement, together the “APA Group Pro Forma Historical Financial Information”.

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Member of Deloitte Touche Tohmatsu Limited.



The APA Group Pro Forma Historical Financial Information has been derived from the audited financial statements of the APA Group for the years ended 30 June 2010 and 30 June 2011, which were audited by Deloitte. The 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 years ended 30 June 2011 and 30 June 2010;
- The pro forma historical consolidated balance sheet of HDUF Group as at 30 June 2011;
- The pro forma historical consolidated cash flow statements of HDUF Group for the 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 Bidder's Statement.

as contained in Section 3.2 of the Bidder's Statement, 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 years ended 31 December 2010 and 31 December 2009 and the publicly available reviewed financial statements for the six months ended 30 June 2009, 30 June 2010 and 30 June 2011, which were audited and reviewed respectively by 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 years ended 30 June 2011 and 30 June 2010;
- The pro forma unaudited consolidated balance sheet of the Combined Group as at 30 June 2011;
- The pro forma unaudited consolidated cash flow statements of the Combined Group for the 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 Bidder's Statement.

as contained in Sections 4.1 to 4.3 of the Bidder's Statement, 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 4.3 of the Bidder's Statement.

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") is presented in an abbreviated form insofar as it does not include all of the disclosures required by AIFRS applicable to annual financial reports prepared in accordance with the Corporations Act 2001.

The Directors of the Bidder 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 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 in order to report whether anything has come to our attention which causes us to believe that the Pro Forma Historical Financial Information set out in the Bidder's Statement in Sections 1.10.2, 3.2 and 4.1 to 4.3, is not presented fairly in accordance with the basis of preparation as described in Sections 1.10.2, 3.2 and 4.1 to 4.3 of the Bidder's Statement.



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 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 30 June year-end basis;
- 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 2010 respective financial statements;
- A review of the pro forma adjustments and the assumptions on which they are based as described in Sections 1.10.2, 3.2 and 4.1 to 4.3 of the Bidder's Statement; 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.

### 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 set out in the Bidder's Statement in Sections 1.10.2, 3.2 and 4.1 to 4.3, is not presented fairly in accordance with the basis of preparation as described in Sections 1.10.2, 3.2 and 4.1 to 4.3 of the Bidder's Statement.

### 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 30 June 2011 would require comment on, or adjustments to, the information contained in Sections 1.10.2, 3.2 and 4.1 to 4.3 of the Bidder's Statement, 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 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 Bidder's Statement in the form and context in which it is so included, but has not authorised the issue of the Bidder's Statement. Accordingly, Deloitte Touche Tohmatsu makes no representation regarding, and takes no responsibility for, any other documents or material in, or omissions from, the Bidder's Statement.

Yours faithfully,

A handwritten signature in cursive script that reads "Deloitte Touche Tohmatsu".

**DELOITTE TOUCHE TOHMATSU**

A handwritten signature in cursive script that reads "G. Couttas".

**G Couttas**  
Partner  
Chartered Accountants



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# ACCEPT THE OFFER

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The Offer is dated 3 January 2012 and will close at 7.00pm  
(Sydney time) on 31 March 2012, unless extended or withdrawn

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This document is the first supplementary bidder's statement ("**First Supplementary Bidder's Statement**") to the Bidder's Statement dated 15 December 2011 ("**Bidder's Statement**") issued by APT Pipelines Limited ABN 89 009 666 700 (a company wholly owned by Australian Pipeline Trust (ARSN 091 678 778)) and lodged with the Australian Securities and Investments Commission ("**ASIC**"), in relation to the offer by APT Pipelines Limited ("**Offer**") for all the stapled securities in Hastings Diversified Utilities Fund. This First Supplementary Bidder's Statement supplements, and is to be read together with, the Bidder's Statement.

## FIRST SUPPLEMENTARY BIDDER'S STATEMENT

3 January 2012

in respect of the offer by APT Pipelines Limited ABN 89 009 666 700 (a company wholly owned by Australian Pipeline Trust (ARSN 091 678 778)) for all the stapled securities in Hastings Diversified Utilities Fund

Unless the context requires otherwise, defined terms in the Bidder's Statement have the same meaning in this First Supplementary Bidder's Statement. This First Supplementary Bidder's Statement prevails to the extent of any inconsistency with the Bidder's Statement.

A copy of this First Supplementary Bidder's Statement was lodged with ASIC on 3 January 2012. Neither ASIC nor any of its officers takes any responsibility for the contents of this First Supplementary Bidder's Statement.

### 1 Implied value of Offer Consideration

Since the lodgment of the Bidder's Statement on 15 December 2011, certain events have taken place which affect the Offer Consideration, and which may affect the implied value of the Offer Consideration.

#### *Payment of APA Group distribution for period ended 31 Dec 11*

As set out in the Bidder's Statement, HDUF Securityholders are not entitled to receive any FY2012 interim APA Group distribution (announced as 17 cents for the half year ending 31 December 2011) because the APA Stapled Securities forming part of the Offer Consideration will not be issued before the record date (30 December 2011) for that distribution (see page 4, "Overview of the Offer", FAQ 14 on page 23 and section 4.4.2 "Distribution guidance" on page 51). From 22 December 2011, APA Stapled Securities have been trading "ex" this distribution - that is, the securities are now trading without the right to receive the distribution (as the record date has now passed) and as such the value of the distribution is theoretically no longer included into the APA security price.

HDUF Securityholders should be aware that this occurrence may affect the trading price of APA Stapled Securities, which may in turn affect the implied value of the Offer Consideration provided under the Offer.

Under the Offer, you will receive \$0.50 cash and 0.326 APA Stapled Securities. If the closing price of APA Stapled Securities on the day before the announcement of \$4.60 had been adjusted for the full amount of the FY2012 interim APA Group distribution of 17 cents for the half year ending 31 December 2011 (that is, the price was actually \$4.43, representing \$4.60 less 17 cents), the headline value of the Offer would be \$1.94 per HDUF Stapled Security, and the amount payable to HDUF Security Holders after also adjusting for the HDUF interim distribution of 2.5 cents per HDUF Stapled Security would be \$1.92 (instead of the \$2.00 referred to the Bidder's Statement).

On the four trading days after going ex distribution (ie, from 22 December 2011), APA Stapled Securities have closed at \$4.50, \$4.56, \$4.53 and \$4.49 which are below the closing price of APA Stapled Securities on the day before the Announcement Date being \$4.60 on which the implied Offer value of \$2.00 in the Bidder's Statement is based.

During that four day period, APA Stapled Securities have also traded intra-day as high as \$4.68 on an ex distribution basis. APA Stapled Securities have also traded as low as \$4.48 (ex) during that four day period. These prices compare to the price of \$4.60 per APA Stapled Security on which the implied Offer value of \$2.00 in the Bidder's Statement is based.

As set out in the Bidder's Statement, APA Group is not obliged to make any adjustment to the Offer Consideration if the value of APA Stapled Securities changes during the Offer Period. Accordingly, market fluctuations could favourably or adversely impact the implied value of the Offer Consideration.

#### *Reduction in Offer Consideration due to HDUF Group Distribution*

As stated in the Bidder's Statement, the value of the Offer Consideration will be reduced by the amount of any HDUF distribution which is paid to HDUF Securityholders after the Announcement Date (pages 4 & 5, "Overview of the Offer").

On 19 December 2011, HDUF Group announced that it would make a distribution of 2.5 cents per HDUF Stapled Security for the period ending 31 December 2011. As a result, the Offer Consideration will be reduced by 2.5 cents per HDUF Stapled Security. HDUF Securityholders will still receive that 2.5 cents ordinary course distribution, but will do so directly from the HDUF Group as per previous distributions, rather than from APA as part of its Offer Consideration.

#### *APA Stapled Security price as at the date of this First Supplementary Bidder's Statement*

The closing price of APA Stapled Securities on Thursday 29 December 2011 was \$4.49, giving an implied value

of the Offer Consideration of \$1.94 (after the reduction of 2.5 cents to take into account the HDUF distribution announced on 19 December 2011). This reflects:

- a 9.2% premium to the 5 day VWAP of HDUF Stapled Securities on the day before the Announcement Date of \$1.78; and
- a 16.9% premium to the 3 month VWAP of HDUF Stapled Securities on the day before the Announcement Date of \$1.66.

## 2 No CGT rollover relief

HDUF Securityholders should be aware that no capital gains tax (CGT) roll-over relief will be available for HDUF Securityholders who accept the Offer. Further information is provided in the PricewaterhouseCoopers (PwC) report at section 7 of the Bidder's Statement. As no CGT roll-over relief will be available, any resultant capital gain or loss will need to be taken into account in determining the net capital gain to be included in the assessable income of the HDUF Securityholders in the year of income in which the disposal occurs.

Further, depending on the date of acquisition and the period each HDUF Stapled Security has been held, the CGT treatment may differ amongst individual HDUF Securityholders.

The Bidder's Statement does not take into account your individual taxation situation. Before making a decision whether or not to accept the Offer, you may wish to consult with your taxation or financial adviser.

## 3 Refinancing of HDUF Group debt

As set out in section 5.2.4 of the Bidder's Statement, the APA Responsible Entity is not aware of the terms on which HDUF Group's financing arrangements have been structured and whether or not there are terms in those financing arrangements, including the Mezzanine Debt, that would affect HDUF Group becoming part of APA Group's financing arrangements.

Therefore, the Offer is conditional on the Bidder obtaining confirmation of certain information in relation to the HDUF Group's financing arrangements, including whether any amounts may become payable as a result of the Bidder acquiring a majority of the HDUF Stapled Securities or the change of the responsible entity or whether or not there are any terms in those financing arrangements that would affect HDUF Group becoming part of APA Group's financing arrangements.

If such provisions do exist, then it will be necessary for the Bidder to negotiate with HDUF and its financiers to either determine that those HDUF Group financing arrangements will remain in place or to enable new replacement financing to be arranged by the Bidder. If necessary, the Bidder believes that it has reasonable grounds to expect to be able to organise replacement financing if it is able to understand the current HDUF Group financing arrangements, those arrangements are on customary commercial terms, there are no aggregate break costs of more than \$50 million and it is able to

have satisfactory discussions with HDUF and the existing HDUF Group financiers.

APA Group's statement that it has a reasonable basis to expect to be able to organise replacement financing is based on detailed discussions with a major Australian bank. The bank has not yet committed to provide a replacement financing facility and the terms of the replacement facility have not yet been agreed. If the Bidder does organise replacement financing and waives the condition referred to above, further details of the facilities and the effect of those facilities on the APA Group will be provided at that time.

The reason that the Bidder needs to understand the current HDUF Group financings is because any replacement financing is likely to involve co-ordination with the HDUF Group and 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.

If the conditions relating to the financial arrangements of the HDUF Group are not satisfied, and the Bidder is not able to organise replacement financing, those conditions may not be waived by the Bidder. In that case, the Offer may not become unconditional and therefore would not proceed.

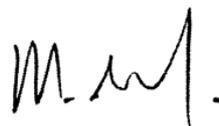
*APA Group refinancing of HDUF Group Debt - part control of 50% - 90%*

In the event that APA Group was to acquire more than 50%, but less than 90% of HDUF as a result of the Offer, APA Group expects that HDUF Group would continue to be a separate listed entity with minority securityholders. The replacement financing facilities referred to above that the Bidder is seeking to organise will only be available if APA Group acquires 90% or more of the HDUF Stapled Securities. Accordingly, it would be for the HDUF Group to manage its financing arrangements if any of the existing financing arrangements were affected by APA Group acquiring more than 50% but less than 90% of HDUF.

## 4 Authorisation

This copy of the First Supplementary Bidder's Statement that is to be lodged with ASIC has been approved by a unanimous resolution passed by the Board of directors of the Bidder.

**Signed** by Michael McCormack for and on behalf of the Bidder in accordance with section 351 of the Corporations Act.



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**Michael McCormack**  
Director