

**ACCEPT**

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

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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))

This Second Supplementary Bidder's Statement supplements,  
and is to be read together with, the Bidder's Statement and the  
First Supplementary Bidder's Statement.

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(Sydney time) on 31 March 2012, unless extended or withdrawn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 second supplementary bidder's statement ("**Second 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**") on 15 December 2011, in relation to the offer by APT Pipelines Limited ("**Offer**") for all of the stapled securities in Hastings Diversified Utilities Fund.

A supplementary bidder's statement was lodged with ASIC on 3 January 2012 ("**First Supplementary Bidder's Statement**").

Unless the context requires otherwise, defined terms in the Bidder's Statement have the same meaning in this Second Supplementary Bidder's Statement. This Second Supplementary Bidder's Statement prevails to the extent of any inconsistency with the Bidder's Statement or the First Supplementary Bidder's Statement.

A copy of this Second Supplementary Bidder's Statement was lodged with ASIC on 31 January 2012. Neither ASIC nor any of its officers takes any responsibility for the contents of this Second Supplementary Bidder's Statement.

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## Key dates

### **14 December 2011**

Announcement Date

### **15 December 2011**

Date of the Bidder's Statement

### **3 January 2012**

Date of Offer

### **31 January 2012**

Date of this Second Supplementary Bidder's Statement

### **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Closing date (unless extended or withdrawn)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.

## Executive Summary

This Second Supplementary Bidder's Statement has been prepared to provide you with information that addresses APA Group's concerns in relation to the information provided in the Target's Statement. It also provides further information on reasons why you should accept APA Group's Offer.

The first section of this document addresses a number of serious flaws and deficiencies in the Target's Statement prepared by the HDUF Responsible Entity for HDUF Securityholders. In APA Group's opinion, the Target's Statement:

- does not appropriately substantiate claims that the Offer undervalues HDUF;
- fails to provide clarity on the value impact of current and future Performance Fees payable to the HDUF Responsible Entity;
- does not provide important material information about the Mezzanine Debt arrangements;
- fails to provide certainty around delivery of potential growth opportunities; and
- does not accurately portray the performance of HDUF relative to APA Group and the relevant benchmark.

APA Group's full explanation of these issues is set out on pages 2 to 7 of this document.

The second section of this document provides further information and additional reasons why you should accept APA Group's Offer. In accepting APA's Offer, HDUF Securityholders will also have the opportunity to benefit from:

- consistent delivery of APA Group's strategy;
- APA Group's robust financing capability;
- the self-managed and transparent structure of the Combined Group, free from external management fees; and
- the scale and diversity of the Combined Group, while retaining exposure to the HDUF Group assets.

These benefits are discussed on pages 9 to 11 of this document.

APA Group encourages all HDUF Securityholders to read this Second Supplementary Bidder's Statement together with the Bidder's Statement and First Supplementary Bidder's Statement for further information 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 back cover or as set out in your enclosed personalised Acceptance Form.

If you have any questions or require additional assistance please contact the APA Information line on 1800 129 431 (within Australia), or +61 8280 7731 (outside Australia), or consult your professional adviser.

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# 1. APA Group Response to HDUF Target's Statement:

APA Group has identified what it believes are **a number of serious flaws and deficiencies** in the Target's Statement prepared by the HDUF Responsible Entity for HDUF Securityholders.

In APA Group's view, the Target's Statement:

- 1.** **Does not** appropriately substantiate claims that the Offer undervalues HDUF
- 2.** **Fails to** provide clarity on the value impact of current and future Performance Fees
- 3.** **Does not** provide important material information about Mezzanine Debt arrangements
- 4.** **Fails to** provide certainty around the delivery of potential growth opportunities
- 5.** **Does not** accurately portray the performance of HDUF relative to APA Group and the relevant benchmark
- 6.** Contains other **incorrect** or **inaccurate** statements

The following pages of this Second Supplementary Bidder's Statement set out the details underpinning APA Group's views on the Target's Statement.

# 1.

## Claims that the Offer undervalues HDUF are not appropriately substantiated

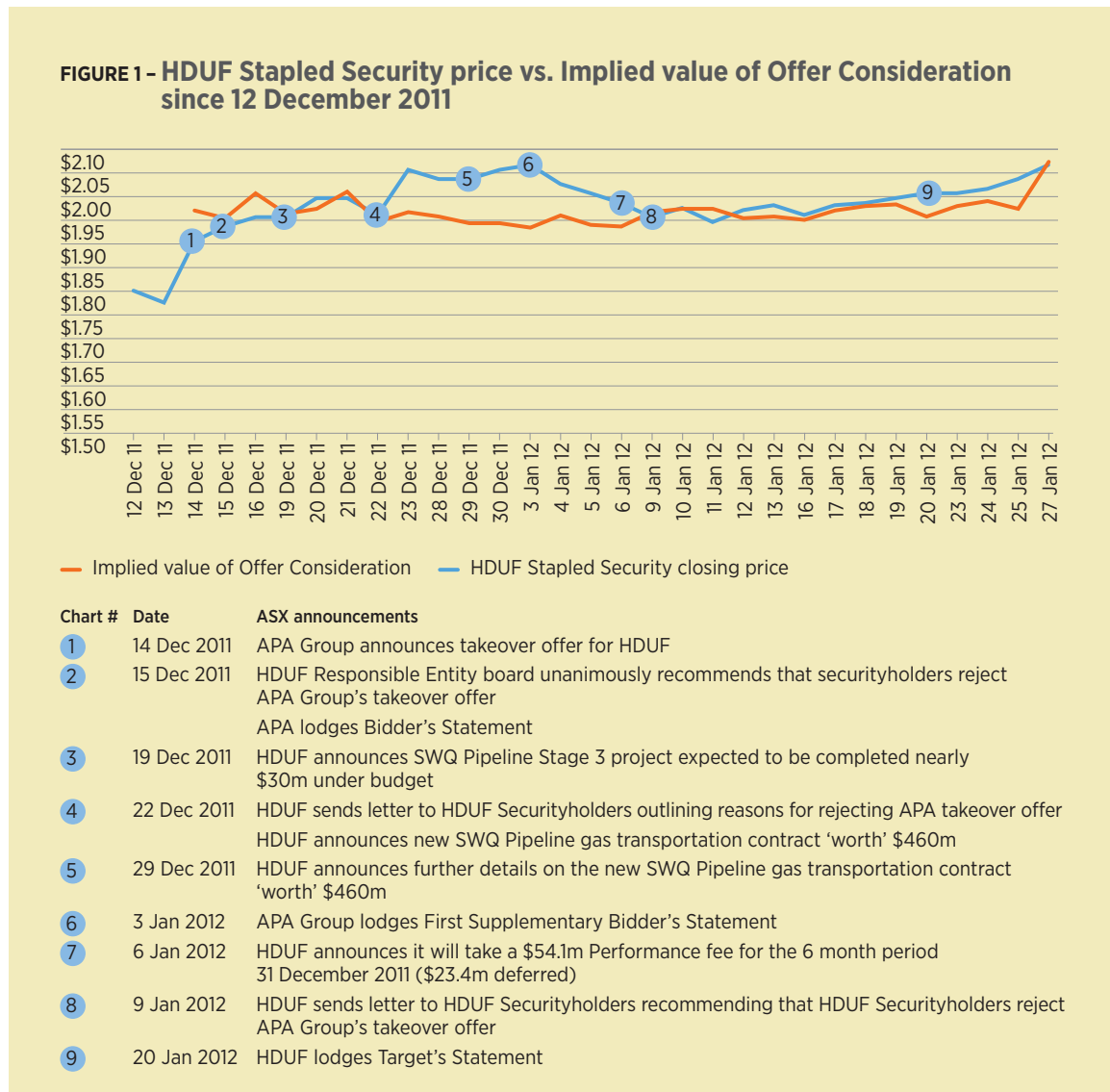
Despite numerous assertions that the Offer undervalues HDUF, the directors of the HDUF Responsible Entity (Hastings Funds Management Limited) have failed to appropriately substantiate their claim.

- Assertions in the Target’s Statement suggest that the directors of the HDUF Responsible Entity hold a firm view of the value of HDUF Stapled Securities
- The directors of the HDUF Responsible Entity have neither provided their view of value nor sought the views of an independent expert to provide a detailed analysis on the value of HDUF Stapled Securities. This is inconsistent with market practice to support statements on undervalue

In addition, the directors of the HDUF Responsible Entity have failed to provide adequate information on key items that directly impact the value of HDUF Stapled Securities including:

- Performance Fees (as outlined in point 2 on page 3)
- Mezzanine Debt (as outlined in point 3 on page 4)
- Growth opportunities (as outlined in point 4 on page 5)

As shown in Figure 1 below, the HDUF Stapled Security price has largely tracked the implied value of the Offer since the Announcement Date, despite a number of announcements that could be expected to have a material impact on the HDUF Stapled Security price.



The market price of HDUF Stapled Securities is indicative of where the market sees the value of the business and is not materially different to the implied value of APA Group’s Offer.

# 2.

## No clarity provided on the value impact of current or future Performance Fees to be paid to HDUF Responsible Entity

### Impact on value

The pro forma HDUF income statements highlight that the payment of the Performance Fee of \$57.3m by HDUF to the HDUF Responsible Entity contributes to HDUF making a pro forma operating loss after tax of \$31.1m for 2011.<sup>1</sup>

The ongoing payments of a Performance Fee are likely to continue to impact HDUF's operating profit and have a negative impact on the value of HDUF Stapled Securities in the future.

No guidance is provided in the Target's Statement on the circumstances under which the deferred \$23.4m<sup>2</sup> component of the Performance Fee will be paid or the HDUF Responsible Entity's intentions as to whether future Performance Fees will be taken in cash or scrip.<sup>3</sup>

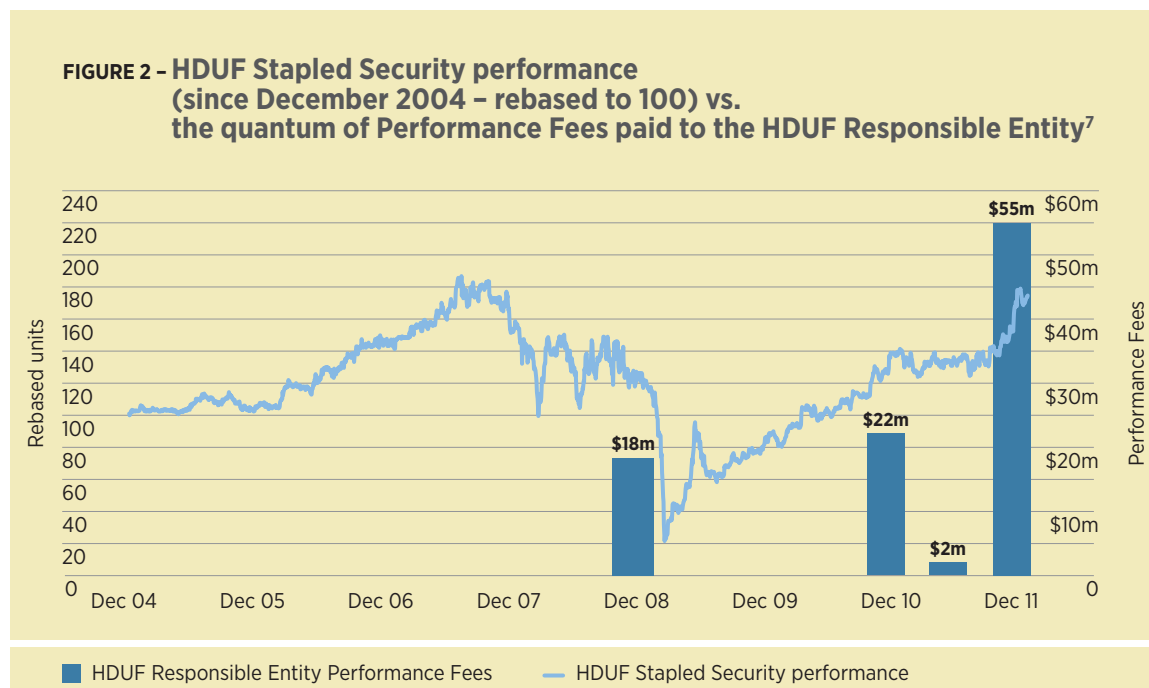
### Conflict of interest

The decision of the HDUF Responsible Entity to take \$31.5m<sup>4</sup> in Performance Fees in cash rather than HDUF Stapled Securities evidences the conflict of interest between the HDUF Responsible Entity and the interests of HDUF Securityholders.

The HDUF Responsible Entity has previously advised that it is in HDUF Securityholders' interests to permit it to take its Performance Fees in HDUF Stapled Securities to ensure that its interests were aligned with those of HDUF Securityholders. It is possible that the HDUF Responsible Entity will take both the deferred and any future Performance Fees in cash which:

- Is inconsistent with the stated position of HDUF's Chairman on 7 March 2011,<sup>5</sup> that taking performance fees in HDUF Stapled Securities rather than cash ensures that '*Hastings' interests are more closely aligned with the interests of securityholders*'
- Given HDUF Group's current level of operating cashflow, seems inconsistent with the reasons given for announcing a cut in distributions in February 2011 – '*consistent with the policy only to pay distributions from highly certain operating cash flows*'<sup>6</sup>

Figure 2 below highlights the lack of alignment between the Performance Fee and the performance of HDUF Stapled Securities over the long term, where performance fees have been paid even when the HDUF Stapled Security price has traded below the initial public offering price of \$2.56.



1 Page 50 of the Target's Statement.  
 2 Pages 45, 50 of the Target's Statement.  
 3 The HDUF Responsible Entity has not disclosed its intentions in respect of payment by cash or scrip of any future Performance Fees. In March 2011, HDUF Securityholders approved a resolution enabling the HDUF Responsible Entity to take this fee in scrip in respect of any period ending on or after 31 December 2010 up to and including 31 December 2013. The Performance Fee for 31 December 2010 and 30 June 2011 have both been taken in scrip. Following the announcement of the Offer, the HDUF Responsible Entity departed from this practice and elected to take the portion of the Performance Fee which accrued before 14 December 2011 in cash.  
 4 Pages 45, 50 of the Target's Statement.  
 5 HDUF General Meeting – Chairman's Address Transcript dated 7 March 2011.  
 6 HDUF Annual Report 2010.  
 7 HDUF Stapled Security performance shows the capital appreciation of the market price of HDUF Stapled Securities, adjusted for capital management (such as entitlement offers, security splits and consolidations) and assuming reinvestment of distributions at the declared distribution per security.

# 3.

## Material information on Mezzanine Debt arrangements is not provided

Condition (i) of the Offer requires the HDUF Responsible Entity to disclose information on existing financing arrangements and the associated cost of refinancing.

The Target's Statement notes that condition (i) of the Offer 'will not be satisfied' by HDUF.<sup>8</sup> APA Group believes for the reasons set out below that this information should be available to the HDUF Responsible Entity and should be disclosed.

The Target's Statement asserts APA Group cannot 'guarantee' it will be able to refinance Epic Energy's debt.<sup>9</sup> APA Group is however confident in its ability to refinance all of the HDUF Group's senior debt and the finance lease. APA Group expects the HDUF Group's senior debt to involve terms consistent with normal market practice and APA Group has a demonstrated record of refinancing such facilities in the past.

APA Group's main concern relates to the Mezzanine Debt where the HDUF Responsible Entity has not provided any material information.

APA Group considers that there is a material likelihood that the Mezzanine Debt may contain onerous conditions because of statements by HDUF management in reference to the Mezzanine Debt that '*essentially it could be considered a bond*'<sup>10</sup> – suggesting that any refinancing would require make-whole payments which could involve prepayment of part or all of the interest expected over the duration of the loan or other break fees consistent with early repayment of bonds.

The Target's Statement acknowledges that "change of control" terms apply to all HDUF Group debt and it "*is possible that certain additional payment obligations may arise*"<sup>11</sup> which would be payments in addition to the costs of closing out the interest rate swaps positions. The amount to be repaid as part of a refinancing of the Mezzanine Debt, whether or not as a result of a change of control, is likely to be material. In the opinion of APA Group, the relevant amount can be calculated by the HDUF Responsible Entity based on the terms and conditions of the Mezzanine Debt facility.

The Target's Statement reveals that since October 2011, HDUF has been in the process of refinancing its facilities.<sup>12</sup> Consequently, HDUF should know (or could readily ascertain) whether the Mezzanine Debt can be repaid, terminated or closed out in full and the costs of doing so.

APA Group's ability to refinance the Mezzanine Debt and the costs of that refinancing are dependent on the current terms of that debt. Once it is provided with the information that it seeks in relation to HDUF Group's existing financial arrangements, APA Group will update HDUF Securityholders on the methodology that it will put in place to refinance all HDUF Group debt including the Mezzanine Debt.

The potential for significant additional payment obligations in respect of the Mezzanine Debt has a serious impact on the value of HDUF. APA Group believes disclosure of details by the HDUF Responsible Entity in relation to the Mezzanine Debt and in particular the costs of early repayment of the Mezzanine Debt is material information which HDUF should give to all HDUF Securityholders.

8 Pages 3, 22 of the Target's Statement.

9 Pages 3, 24 of the Target's Statement.

10 HDUF Annual Results (Audio stream) 19 February 2010.

11 Page 37 of the Target's Statement.

12 Page 19 of the Target's Statement.

# 4.

## No certainty on the delivery of potential growth opportunities

Various references in the Target's Statement to past events create questions around HDUF management's ability to deliver and finance growth opportunities and investments in the future.

The HDUF Responsible Entity's comments in the Target's Statement referring to:

- 'strategically positioned to benefit'<sup>13</sup>
- 'significant opportunities available'<sup>14</sup>

are not supported by detail that explains why the potential growth opportunities are achievable and no information is provided to ascribe any value other than references to revenue growth potential. This is of particular concern given several notable instances where HDUF has failed to deliver value to HDUF Securityholders from growth opportunities.

Past examples of HDUF management's sub-optimal delivery of growth projects and investments include:

### **i. Onerous (in APA Group's view) funding structure of the SWQ Pipeline stage 3 expansion:**

The stage 3 expansion of the SWQ Pipeline has been financed partly with non-market standard Mezzanine Debt.

Interest capitalised during construction on the stage 3 expansion for the SWQ Pipeline was \$165.6m,<sup>15</sup> representing approximately 20.0% of the total estimated project cost of \$828m.<sup>16</sup>

This highlights the cost of the financing package organised in December 2009, which includes the Mezzanine Debt provided by the Government of Singapore Investment Corporation under the following terms:

- A \$226.1m<sup>17</sup> facility, maturing in December 2019
- An interest rate of 13.25%, with the principal outstanding growing annually at CPI<sup>18</sup>
- Cash warrants that are yet to be exercised but are responsible for a \$16.7m<sup>19</sup> unrealised loss in the HDUF Group's pro forma 2011 income statement and a current liability of approximately \$37m based on a closing HDUF Stapled Security price of \$2.06 as at 27 January 2012.

### **ii. Loss on the sale of South East Water:**

The proceeds of \$206m<sup>20</sup> from the sale of South East Water resulted in HDUF Group realising a loss on disposal of \$39.6m<sup>21</sup> in the year to 31 December 2010.

13 Page 14 of the Target's Statement.

14 Page 14 of the Target's Statement.

15 Footnote 7 on Page 50 of the Target's Statement.

16 Page 2 of the Target's Statement.

17 Page 54 of the Target's Statement.

18 HDUF ASX Announcement, 15 December 2009.

19 Page 50 of the Target's Statement.

20 Page 2 of HDUF Appendix 4E dated 24 February 2011.

21 Page 4 of HDUF Appendix 4E dated 24 February 2011.

## 5. Inaccurate portrayal of the performance of HDUF relative to APA Group

The correct total securityholder returns of APA Group and HDUF compared to the S&P/ASX200 Industrials Accumulation Index<sup>22</sup> and the S&P/ASX200 Accumulation Index<sup>23</sup> between December 2004 (the month of the HDUF initial public offering) and the Announcement Date are shown in Figure 3 below.

**FIGURE 3 - HDUF, APA Group, S&P/ASX200 Industrials Accumulation Index and S&P/ASX200 Accumulation Index returns since December 2004 to the Announcement Date**

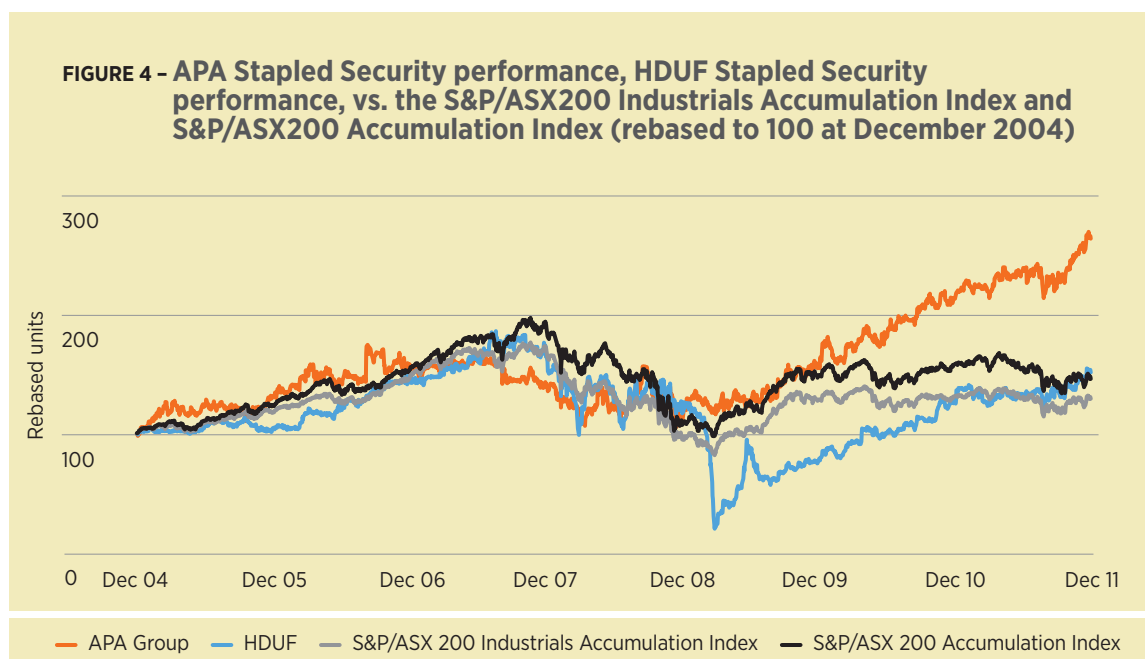
	APA Stapled Securities	HDUF Stapled Securities	S&P/ASX200 Industrials Accumulation Index	S&P/ASX200 Accumulation Index
Total Securityholder Return	163.3%	51.2%	28.9%	45.8%
Compound Annual Growth Rate	14.8% p.a.	6.1% p.a.	3.7% p.a.	5.5% p.a.

As shown in Figure 3 above and Figure 4 below, there is only ever one return value for an accumulation index over a fixed period of time. The returns presented by the HDUF Responsible Entity in the Target's Statement are inaccurate and misleading, where the value of the accumulation index is different over a fixed time period depending on whether the comparison was with APA Group on the one hand or HDUF on the other hand. The differences arise from adjustments that the HDUF Responsible Entity made to the calculation of the index and the returns of APA Group and HDUF which are incorrect representations of those items. As such, the figures presented in the Target's Statement do not properly reflect the comparative performance of APA Stapled Securities and HDUF Stapled Securities against the S&P/ASX200 Industrials Accumulation Index.

Further, the figures used by the HDUF Responsible Entity in the Target's Statement do not reflect actual returns likely to have been achieved by a majority of HDUF Securityholders.

This is because the adjustments made to the calculations by the HDUF Responsible Entity assume full-participation of an investor in entitlement offers conducted by HDUF. However:

- This adjustment assumes an investor has an unlimited capital base, which does not reflect reality
- In fact, a majority of HDUF retail investors on the register during HDUF's July 2009 one-for-one entitlement offer did not actually participate in the entitlement offer, with applications to accept the entitlement offer only representing approximately 20% of the total number of securities offered under the retail entitlement offer.<sup>24</sup>



The Target's Statement contains a number of incorrect or inadequate statements, which are addressed below:

22 The S&P/ASX 200 Industrials index is a market-capitalisation weighted and float-adjusted stock market index of Australian stocks listed on the Australian Securities Exchange from Standard & Poor's and is calculated for specific sector representation for the Australia index series - which is determined by the Global Industry Classification Standard.

23 The S&P/ASX 200 index is a market-capitalisation weighted and float-adjusted stock market index of Australian stocks listed on the Australian Securities Exchange from Standard & Poor's.

24 As per HDUF 31 July 2009 ASX Announcement, applications were received for only approximately 20% of the total number of securities offered under the retail component of the entitlement offer.



# 6.

## A number of incorrect or misleading statements are made

HDUF Statement	APA Group Facts
The timing of APA Group's Offer is 'highly opportunistic'. <sup>25</sup>	<p>APA Group has been a significant securityholder in HDUF since December 2009.</p> <p>During this time, HDUF Stapled Securities have traded as low as \$1.03, approximately half of the implied value of the Offer.</p> <p>It is therefore incorrect to state that APA Group's Offer is opportunistic.</p>
Each of the directors of the HDUF Responsible Entity who has a relevant interest in HDUF Stapled Securities presently intends to reject the Offer in relation to those HDUF Stapled Securities. <sup>26</sup>	<p>Only one HDUF Responsible Entity director holds HDUF Stapled Securities<sup>27</sup> and is therefore able to make this statement. This is therefore a misleading statement.</p>
HDUF's revenue growth profile will generate 'significantly stronger growth' <sup>28</sup> over the next 3 years compared to APA Group's revenue.	<p>This is incorrect.</p> <p>The Target's Statement shows that APA Group is likely to have a much more stable and consistent future revenue growth profile when compared to the volatile nature of HDUF's revenue growth profile, with HDUF's revenue growth per annum varying between 32.2% and (6.7%) over a four-year period.<sup>29</sup></p>
Strategic options available to APA Group may be restricted by FIRB due to the presence of Petronas on the APA Group register. <sup>30</sup>	<p>Petronas ownership has not historically restricted the strategic options of APA Group. APA Group has consistently obtained FIRB approval as required.</p>

25 Pages 2, 12 and 27 of the Target's Statement.

26 Page 4 of the Target's Statement.

27 Page 63 of the Target's statement discloses that James McDonald is the only HDUF Responsible Entity director that holds HDUF Stapled Securities. James McDonald holds 20,000 HDUF Stapled Securities.

28 Page 23 of the Target's Statement.

29 Page 23 of the Target's Statement.

30 Page 24 of the Target's Statement.

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## 2. Reasons why you should ACCEPT APA Group's Offer

Further to the reasons in the Bidder's Statement...

**Accept APA Group's Offer** and have the opportunity to benefit from:

- 1. Consistent delivery** of APA Group's strategy
- 2. APA Group's robust financing capability**
- 3. The self-managed and transparent structure** of the Combined Group, **free from external management fees**
- 4. Benefits of scale and diversity**, while retaining exposure to HDUF Group assets

### Risks

In deciding whether to accept this Offer, you should also 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 risks are set out in detail in section 8 of the Bidder's Statement.

# 1.

## Consistent delivery of APA Group's strategy

APA Group has proven management expertise and industry know-how as demonstrated by its consistent ability to deliver strategic growth projects historically and since the Announcement Date.

Since listing 11 years ago, APA Group has maintained its strategy of optimising existing assets and pursuing the highest quality growth opportunities, and today is Australia's largest listed natural gas infrastructure business.

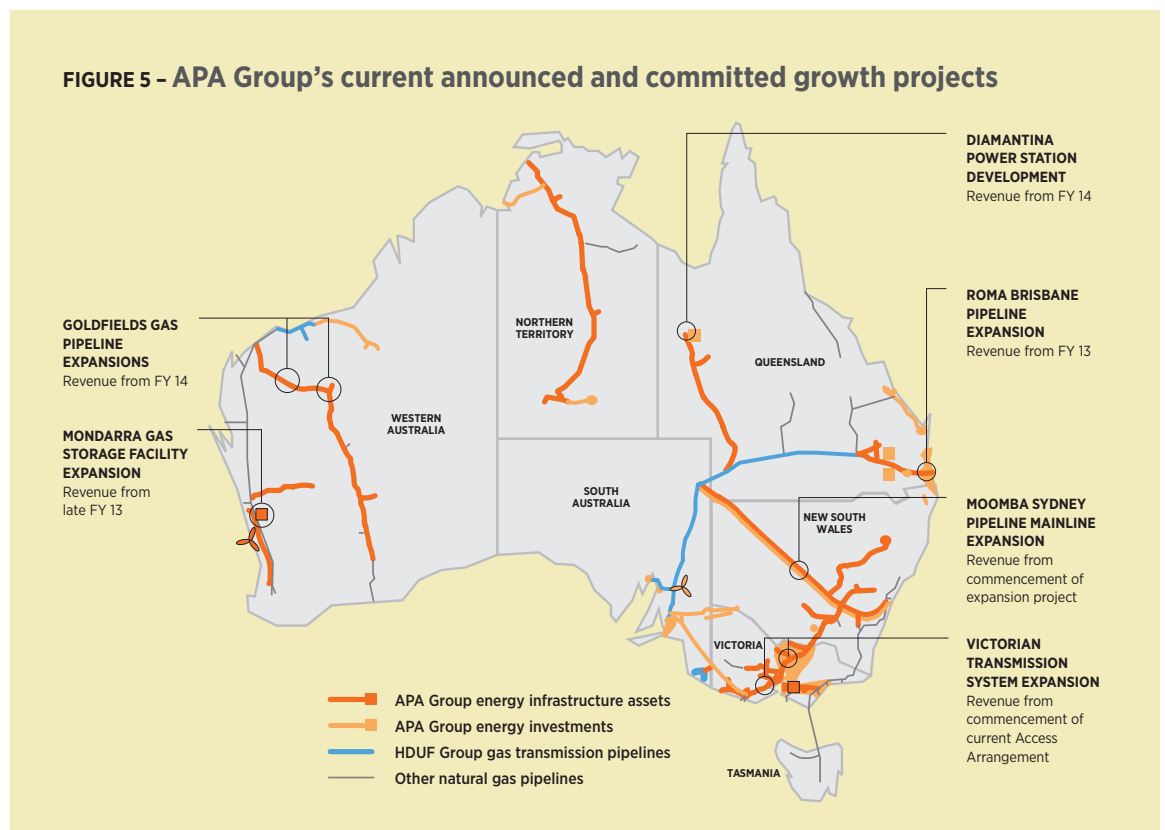
Over the last 4 years, APA Group has invested in the order of \$900 million on growth capital expenditure, and there continues to be significant investment opportunities to support the future growth of APA. These opportunities are due to the extensive gas pipeline portfolio APA Group has built.

Since the Announcement Date, APA Group has continued to deliver on growth projects including:

- Expansion of the Goldfields Gas Pipeline, delivering an additional 20TJ/day, underpinned by a new 20-year gas transportation agreement of Rio Tinto<sup>31</sup> and
- Further expansion of the Goldfields Gas Pipeline, delivering an additional 44TJ/day, underpinned by a 15-year gas transportation agreement with the Mount Newman Joint Venture – in which BHP Minerals Pty Ltd holds an 85% stake.<sup>32</sup>

APA Group remains focused on the \$400m of committed growth projects displayed in Figure 5 below.

These projects are all underpinned by firm contracts or regulatory arrangements, providing confidence in APA Group's ability to generate value for APA Group Securityholders.



31 APA Group ASX announcement on 22 December 2011.

32 APA Group ASX announcement on 23 January 2012.

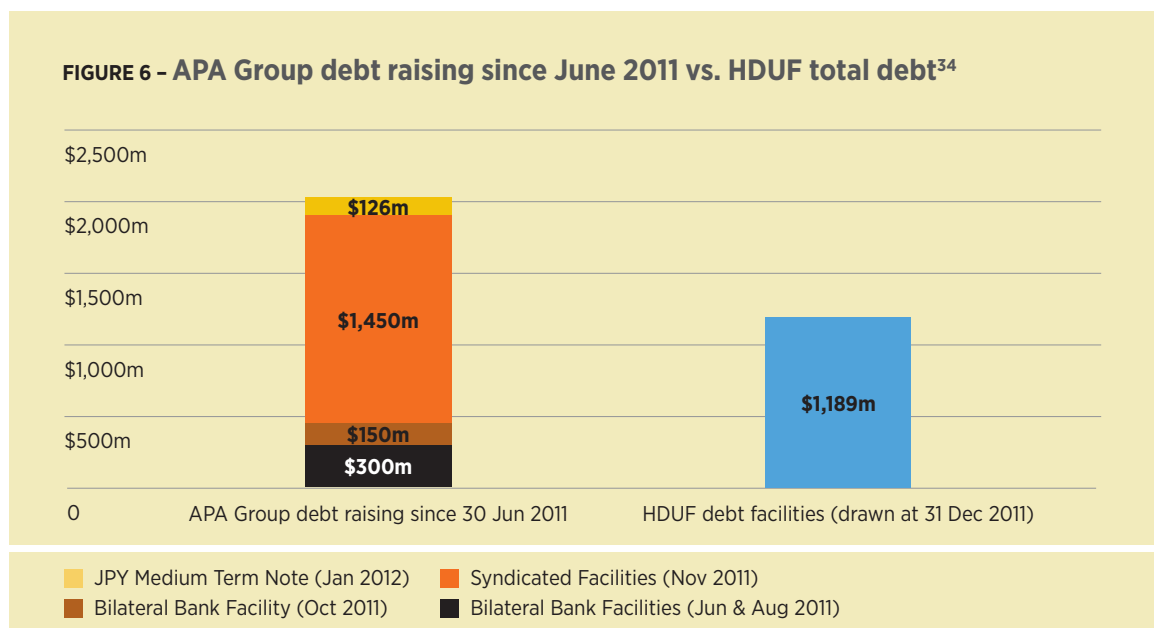
## 2.

### APA Group's robust financing capability

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

As shown in Figure 6 below, since 30 June 2011, APA Group has secured in excess of \$2 billion in new bank facilities and medium term note issues, highlighting APA Group's ongoing ability to access capital markets. APA Group has a number of programs available through which it is able to raise debt funding to complete ongoing refinancing of its debt obligations. Along with the very strong support that APA Group maintains within the Australian bank syndication and bilateral markets, APA Group has Australian medium term notes, Euro medium term notes and USD 144A programs in place. Each of these programs gives APA Group access to the world's largest debt capital markets within which to undertake ongoing refinancing of its debt obligations.

Since the Announcement Date, APA Group has further demonstrated its financing capability, issuing a JPY10billion (A\$126m) medium term note, with a maturity of 22 June 2018<sup>33</sup> at competitive market rates. This facility continues the strategy of extending the average length of APA Group's debt maturity profile to better align with the long term nature of APA Group's assets.



## 3.

### The self-managed and transparent structure of the Combined Group

APA Group has a transparent structure, with the directors, management and employees being part of the self-managed APA Group.

Since listing in 2004, the HDUF Responsible Entity has charged HDUF with total fees of approximately \$135m, comprising approximately \$98m of Performance Fees (including the currently deferred \$23.4m Performance Fee) and approximately \$37m in management fees. APA Group pays no such fees. This means that more funds remain in the APA Group business and are available for all APA Securityholders.

In addition, APA Group is focussed on being the owner and/or operator of approximately \$9 billion of energy infrastructure,<sup>35</sup> as opposed to the HDUF Responsible Entity which is a manager of a variety of infrastructure investments and alternative debt.

<sup>33</sup> APA Group ASX announcement on 24 January 2012.

<sup>34</sup> Page 54 of the Target's Statement.

<sup>35</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.

# 4.

## Benefits of scale and diversity, while retaining exposure to HDUF Group assets

The Offer provides an opportunity for HDUF Securityholders to join APA Securityholders and be part of a bigger and broader energy infrastructure business.<sup>36</sup>

This offers the benefits of scale and diversity, whilst still retaining exposure to HDUF Group assets.

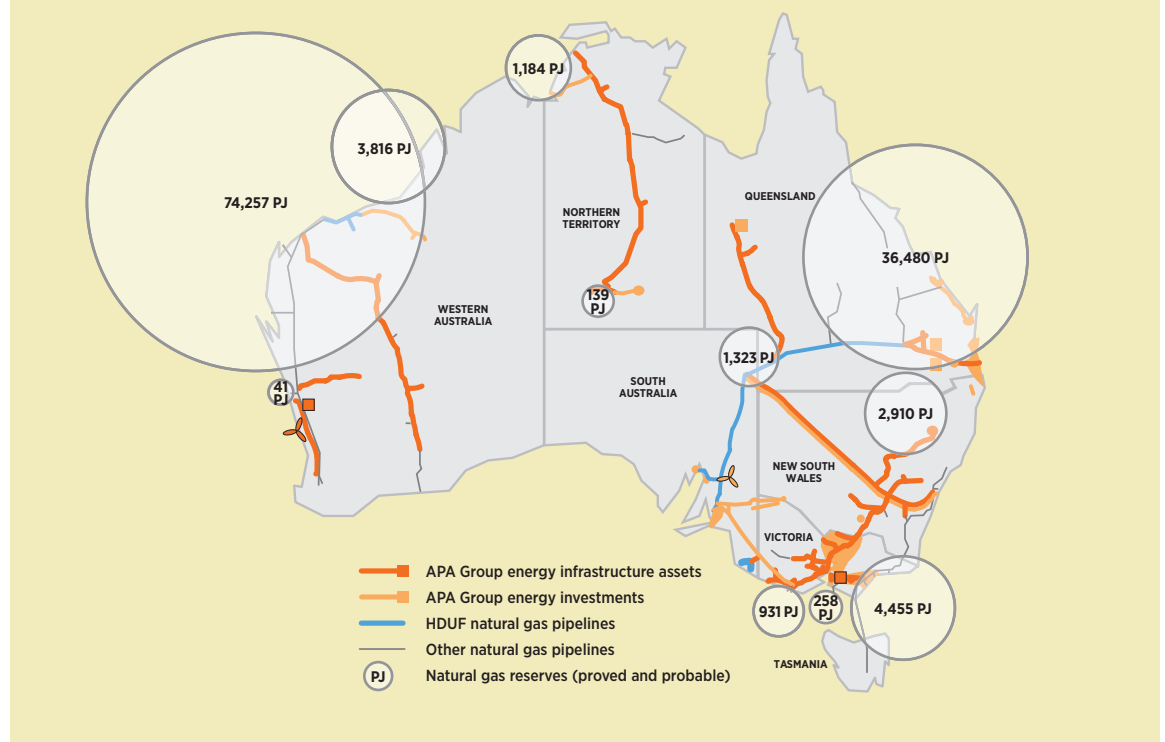
The Combined Group will own an unrivalled interconnected gas infrastructure footprint in Australia and will own and/or operate over 15,000 kilometres of gas transmission pipelines,<sup>37</sup> enhancing its ability to transport gas from all connected major gas fields to all connected major gas markets across the country.

This is particularly important and beneficial at a time when the demand for natural gas in Australia is forecast to double over the next 20 years.<sup>38</sup> This provides APA Group alone and as part of the Combined Group, access to a broad range of growth and investment opportunities, as shown in Figure 7 below.

Most importantly, while exposed to the growing gas market nationwide, APA Group will pursue projects that are expected to generate value for its securityholders and create responsive solutions to its customers' needs. This means investing in opportunities that capture revenue and operational synergies, utilise and build upon APA Group's existing knowledge and skills base and offer long-term stable cash flows, further strengthening APA Group's financial position.

**FIGURE 7 - APA Group exposure to major gas production sources**

Source: APA data; EnergyQuest November 2011



<sup>36</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 of the Bidder's Statement for further information.

<sup>37</sup> This includes pipelines operated by APA Group which are owned by one of its energy investment entities.

<sup>38</sup> Section 1.2, page 25 of the Bidder's Statement - ABARE, "Australian energy projections to 2029-30", March 2010.

### 3. Consents

This Second Supplementary 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 8 below. No person who has made any of these statements has consented to the statement being included in or accompanying this Second Supplementary 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 8 - Statements based on documents announced by HDUF to the ASX**

<b>Document</b>	<b>Date announced to ASX</b>
Target's Statement	20/01/2012
Hastings Performance Fee	06/01/2012
Appendix 4D - Report for the half year ended 30 June 2011	29/08/2011
HDF Annual Report 2010	30/03/2011
HDF General Meeting - Chairman's Address	07/03/2011
HDF General Meeting - Results of Resolution	07/03/2011
Appendix 4E - Report for the year ended 31 December 2010	24/02/2011
HDF Notice of Meeting	09/02/2011
Presentation Results for the year ended 31 December 2009	19/02/2010
HDF and Epic Energy execute financing for SWQP expansion	15/12/2009
HDF closes \$250m equity capital raising	31/07/2009
Disclosure Document	15/11/2004

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## 4. 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 enclosed personalised Acceptance Form outlines which type of holding you have. This is the same form that was provided to you with the Bidder's Statement and First Supplementary Bidder's Statement on or about 3 January 2012.

If you have already accepted the Offer, you do not need to complete and return the enclosed personalised Acceptance Form.

**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 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 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 of the Bidder's Statement. 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.**

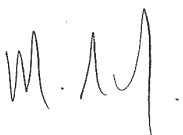
If you are in any doubt as to how to act, you should consult your professional adviser.

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## 5. Authorisation

This copy of the Second 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.



**Michael McCormack**  
Director

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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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[WWW.APA.COM.AU](http://WWW.APA.COM.AU)