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Hastings Diversified Utilities Fund (HDF)

Hastings Funds Management Limited (ABN 27 058 693 388) as responsible entity of HDUF Epic Trust (ARSN 109 770 961), HDUF Finance Trust (ARSN 109 770 765) and HDUF Further Investments Trust (ARSN 109 897 921), collectively Hastings Diversified Utilities Fund (HDF)

Supplementary Target's Statement

Your Independent Directors unanimously recommend that you

ACCEPT

The APA Group Offer

In the absence of a superior proposal

HDF Securityholders can call the HDF Securityholder Information Line on 1800 815 610 (a toll-free line for calls made from within Australia) or +61 2 8256 3357 (for calls made from outside Australia)

Important notices

Nature of this document

This document is a supplementary target's statement under section 644 of the *Corporations Act 2001* (Cth) (**Supplementary Target's Statement**).

It is the fifth supplementary target's statement (**Fifth Supplementary APA Group Target's Statement**) issued by Hastings Funds Management Limited (ABN 27 058 693 388) as responsible entity of HDUF Epic Trust (ARSN 109 770 961), HDUF Finance Trust (ARSN 109 770 765) and HDUF Further Investments Trust (ARSN 109 897 921), collectively Hastings Diversified Utilities Fund (**HDF**), in relation to the off-market takeover bid for all of the stapled securities in HDF by APT Pipelines Limited (ABN 89 009 666 700) (a wholly owned subsidiary of Australian Pipeline Trust (ARSN 091 678 778) and a member of APA Group) (**APA Group**). This Fifth Supplementary APA Group Target's Statement supplements, and should be read together with, HDF's APA Group target's statement dated 20 January 2012 (**Original APA Group Target's Statement**) and first supplementary APA Group target's statement dated 22 February 2012 (**First Supplementary APA Group Target's Statement**) and second supplementary APA Group target's statement dated 23 April 2012 (**Second Supplementary APA Group Target's Statement**) and third supplementary APA Group target's statement dated 15 May 2012 (**Third Supplementary APA Group Target's Statement**) and fourth supplementary APA Group target's statement dated 13 July 2012 (**Fourth Supplementary APA Group Target's Statement**).

A copy of this Supplementary Target's Statement was lodged with ASIC and given to the ASX on 4 September 2012. Neither ASIC nor the ASX nor any of their respective officers take any responsibility for the content of this Supplementary Target's Statement.

Disclaimer as to forward looking statements

Some of the statements appearing in this Supplementary Target's Statement may be in the nature of forward looking statements. You should be aware that such statements are only predictions and are subject to inherent risks and uncertainties. Those risks and uncertainties include factors and risks specific to the industry in which HDF operates as well as general economic conditions, prevailing exchange rates and interest rates and conditions in the financial markets. Actual events or results may differ materially from the events or results expressed or implied in any forward looking statement. None of HDF, HDF's officers and employees, HFML, HFML's officers and employees or any persons named in this Supplementary Target's Statement with their consent or any person involved in the preparation of this Supplementary Target's Statement, makes 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, except to the extent required by law. You are cautioned not to place undue reliance on any forward looking statement. The forward looking statements in this Supplementary Target's Statement reflect views held only as at the date of this Supplementary Target's Statement.

Defined terms

Other than the terms defined in Section 7 of this Supplementary Target's Statement or unless the context otherwise requires, terms defined in the Original APA Group Target's Statement or the Original Pipeline Partners Australia Target's Statement have the same meaning when used in this Supplementary Target's Statement.

This Supplementary Target's Statement prevails to the extent of any inconsistency with the Original APA Group Target's Statement, First Supplementary APA Group Target's Statement, Second Supplementary APA Group Target's Statement, Third Supplementary APA Group Target's Statement and the Fourth Supplementary APA Group Target's Statement.

No account of personal circumstances

This Supplementary Target's Statement does not take into account your individual objectives, financial situation or particular needs. It does not contain personal advice. Your Directors encourage you to seek independent financial, taxation and legal advice before making a decision as to whether or not to accept the APA Group Offer.

Key dates

Date of this Supplementary Target's Statement	4 September 2012
Close of the APA Group Offer Period	7pm (Sydney time) on 18 September 2012 (unless extended or withdrawn)

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Chairman's letter

Dear HDF Securityholder,

ACCEPT the APA Group Offer for HDF

On 17 August 2012, APA Group announced a further increase in its takeover offer for all of your HDF Stapled Securities.

The APA Group Offer price is now dependent on the level of ownership of HDF that APA Group achieves. The APA Group Offer price comprises either:

- \$0.80 cash and 0.390 APA Stapled Securities for each HDF Stapled Security, if APA Group acquires a relevant interest in at least 90% (by number) of HDF Stapled Securities and therefore becomes entitled to proceed to compulsory acquisition (**APA Group 90% Offer Price**); or
- \$0.72 cash and 0.390 APA Stapled Securities for each HDF Stapled Security, if APA Group is not entitled to proceed to compulsory acquisition but the APA Group Offer becomes unconditional (**APA Group Minimum Offer Price**).

Based on the closing price of APA Stapled Securities on 31 August 2012, the implied value of the APA Group 90% Offer Price equates to \$2.68 per HDF Stapled Security and the implied value of the APA Group Minimum Offer Price equates to \$2.60 per HDF Stapled Security.¹

HDF Securityholders should be aware that the Pipeline Partners Australia Offer lapsed on 31 August 2012 and can no longer be accepted by HDF Securityholders (although, neither Pipeline Partners Australia nor any of its consortium members is precluded from making a new bid for HDF). If you accepted the Pipeline Partners Australia Offer prior to it lapsing on 31 August 2012, you may now accept the revised APA Group Offer.

Your Independent Directors have carefully considered the revised APA Group Offer in light of the choices currently available to HDF Securityholders. The Independent Directors consider the APA Group Offer represents a significant increase to the initial APA Group offer (which was not recommended), and that it now adequately reflects the strategic value of HDF's assets. As a result of the improved value of the APA Group Offer, your Independent Directors now unanimously recommend that you ACCEPT the APA Group Offer in the absence of a superior proposal, noting that the Pipeline Partners Australia Offer lapsed on 31 August 2012.

You should be aware that the Independent Directors' recommendation of the APA Group Offer is subject to no superior proposal emerging. If you accept the APA Group Offer now, you will lose your right to accept any potential higher competing offer from a third party (subject to withdrawal rights that may be available in limited circumstances). Although there is currently no competing offer for HDF that is open for acceptance, the Independent Directors continue to seek to maximise value for HDF Securityholders.

In making this recommendation, your Independent Directors have considered the following key supporting reasons:

- The implied value of the revised APA Group Offer reflects a significant premium to the historical trading levels of HDF Stapled Securities. In particular, based on the closing price of APA Stapled Securities on 31 August 2012, the implied value of the APA Group 90% Offer Price reflects:
 - a 51.4% premium to the closing price of \$1.77 per HDF Stapled Security on 13 December 2011; and
 - a 61.7% premium to the three month VWAP of \$1.66 per HDF Stapled Security up to and including 13 December 2011;

and the implied value of the APA Group Minimum Offer Price reflects:

- a 46.9% premium to the closing price of \$1.77 per HDF Stapled Security on 13 December 2011; and
- a 56.9% premium to the three month VWAP of \$1.66 per HDF Stapled Security up to and including 13 December 2011.

HDF Securityholders should be aware that there is no guarantee or certainty that they will receive the APA Group 90% Offer Price.

¹ The value of the consideration under the APA Group Offer will be reduced by the amount of any HDF distribution paid to HDF Securityholders after 8 August 2012.

- The implied values of both the APA Group 90% Offer Price and the APA Group Minimum Offer Price² reflect a premium relative to the revised Pipeline Partners Australia Offer Price that lapsed on 31 August 2012 and the APA Group Offer is presently the highest value choice available to all HDF Securityholders.
- The scrip component of the APA Group Offer allows HDF Securityholders to retain exposure to the majority of HDF's assets and the energy infrastructure sector more broadly.
- In the absence of the APA Group Offer or any other potential superior proposal if such a proposal were to eventuate, the market price for HDF Stapled Securities could trade below the implied values of the APA Group 90% Offer Price and/or the APA Group Minimum Offer Price.
- The implied values of both the APA Group 90% Offer Price and the APA Group Minimum Offer Price³ fall within the value range of HDF, including a premium for control, determined by the independent expert of \$2.30 to \$2.69 per HDF Stapled Security in an independent expert report released to ASX on 3 August 2012 as part of the Original Pipeline Partners Australia Target's Statement.

HDF Securityholders should be aware that the price of APA Stapled Securities, and therefore the value of both the APA Group 90% Offer Price and the APA Group Minimum Offer Price, will fluctuate over time. There are also a number of other risks associated with holding APA Stapled Securities, and HDF Securityholders should be aware of the tax consequences of accepting the APA Group Offer. More detail about the risks and tax consequences of accepting the APA Group Offer is provided in APA Group's Fifth Supplementary Bidder's Statement and in Sections 5 and 6 of this Supplementary Target's Statement.

I encourage you to read this Supplementary Target's Statement in its entirety and APA Group's Fifth Supplementary Bidder's Statement which you will have already received and consider the APA Group Offer having regard to your own personal risk profile, investment strategy and tax circumstances.

To ACCEPT the APA Group Offer, you should carefully follow the instructions outlined on page 1 of APA Group's Fifth Supplementary Bidder's Statement and complete the applicable Acceptance Form enclosed with it. The APA Group Offer is scheduled to close at 7 pm (Sydney time) on 18 September 2012, unless extended or withdrawn.

If you have any further enquiries in relation to the APA Group Offer, please contact the HDF Securityholder Information Line on 1800 815 610 (toll-free in Australia) or +61 2 8256 3357 (outside Australia).

Yours sincerely,



Alan Cameron AO
Chairman
Hastings Funds Management Limited

² In the case of both the APA Group 90% Offer Price and the APA Group Minimum Offer Price, based on the closing price of APA Stapled Securities on 31 August 2012.

³ In the case of both the APA Group 90% Offer Price and the APA Group Minimum Offer Price, based on the closing price of APA Stapled Securities on 31 August 2012.

Independent Directors' recommendation

The Independent Directors are Alan Cameron AO, James Evans, James McDonald and Stephen Gibbs.

Each of your Independent Directors recommends that you ACCEPT the APA Group Offer in the absence of a superior proposal.

James McDonald is the only Director who has a relevant interest in HDF Stapled Securities. Mr McDonald presently intends to ACCEPT the APA Group Offer in relation to those HDF Stapled Securities, in the absence of a superior proposal.

You should read this Supplementary Target's Statement and APA Group's Fifth Supplementary Bidder's Statement before making a decision on whether to accept the APA Group Offer.

Non-independent directors

The non-independent directors are Andrew Day, Liam Forde and Victoria Poole.

For the reasons set out in the Original Pipeline Partners Australia Target's Statement, the non-independent directors do not consider it appropriate for them to make, and they decline to make, a recommendation as to whether HDF Securityholders should accept the APA Group Offer.

1 Recent developments

Since the release of the Original Pipeline Partners Australia Target's Statement on 3 August 2012, the following events have occurred:

- On 6 August 2012, the Independent Directors announced that they would grant APA Group appropriate due diligence. APA Group also agreed to provide HDF with confidential information in relation to its financial position and outlook.
- On 9 August 2012, APA Group announced an increase in its takeover offer for HDF to \$0.62 in cash and 0.390 APA Stapled Securities for each HDF Stapled Security, subject to the consideration being reduced by any further HDF distributions paid to HDF Securityholders during the offer period, but with no reduction for any HDF distributions paid prior to 9 August 2012. At the time, the implied value of the offer was \$2.51 per HDF Stapled Security, based on the closing price of \$4.85 for APA Stapled Securities on 8 August 2012. APA Group also announced, amongst other things, an intention to waive the 90% minimum ownership condition once it obtained a relevant interest in more than 70% of HDF Stapled Securities.
- On 10 August 2012, the Independent Directors advised that they had reviewed the revised takeover offer from APA Group that was announced on 9 August 2012. As a result of their review, the Independent Directors advised Pipeline Partners Australia that APA Group's revised offer was superior to the Pipeline Partners Australia takeover offer at the time of \$2.325 cash per HDF Stapled Security. Pipeline Partners Australia had until midnight (AEST) on Tuesday, 14 August 2012 to either provide an equivalent or superior outcome for HDF Securityholders relative to the revised APA Group offer, in accordance with the terms of the Takeover Bid Implementation Deed between HDF and Pipeline Partners Australia, before the Independent Directors were entitled to withdraw their recommendation of the Pipeline Partners Australia Offer.
- On 15 August 2012, Pipeline Partners Australia announced an increase in its all cash takeover offer price to \$2.43 per HDF Stapled Security, subject to the right to deduct from the offer price the amount of any further distributions determined or declared by HDF to which a HDF Securityholder is entitled. On the same day, the Independent Directors announced that, after having carefully considered both Pipeline Partners Australia's and APA Group's takeover offers, they continued to recommend that HDF Securityholders accept Pipeline Partners Australia's offer in the absence of a superior proposal and subject to the independent expert continuing to conclude that the Pipeline Partners Australia Offer was fair and reasonable.
- On 17 August 2012, APA Group announced an increase in its takeover offer for HDF to either:
 - \$0.80 in cash and 0.390 APA Stapled Securities for each HDF Stapled Security, if APA Group acquires a relevant interest in at least 90% (by number) of HDF Stapled Securities and therefore becomes entitled to proceed to compulsory acquisition (**APA Group 90% Offer Price**); or
 - \$0.72 in cash and 0.390 APA Stapled Securities for each HDF Stapled Security, if APA Group is not entitled to proceed to compulsory acquisition but the APA Group Offer becomes unconditional (**APA Group Minimum Offer Price**).

At the time, the implied value of the APA Group 90% Offer Price was \$2.63 per HDF Stapled Security, and the implied value of the APA Group Minimum Offer Price was \$2.55 per HDF Stapled Security based on the closing price of APA Stapled Securities on 16 August 2012. The offer consideration will be reduced by any further HDF distributions paid to HDF Securityholders during the offer period, but there would be no reduction for any HDF distributions paid prior to 8 August 2012. APA Group also announced that it intended to waive the conditions of its offer relating to change of control and other matters pertaining to HDF's financing arrangements.

On the same day, the Independent Directors advised that they had reviewed APA Group's increased takeover offer for HDF and, as a result of their review, had advised Pipeline Partners Australia that the revised APA Group Offer was superior to Pipeline Partners Australia's all cash takeover offer of \$2.43 per HDF Stapled Security.

- On 20 August 2012, Pipeline Partners Australia announced that it had no intention of exercising its right to match APA Group's revised offer in accordance with the terms of the Takeover Bid Implementation Deed. The Pipeline Partners Australia's offer price remained at \$2.43 cash per HDF Stapled Security.
- On 21 August 2012, the Independent Directors advised that they had assessed APA Group's revised offer and unanimously recommended that HDF Securityholders accept the APA Group Offer in the absence of a superior proposal. As a result, the Independent Directors withdrew their recommendation that HDF Securityholders accept the Pipeline Partner Australia Offer of \$2.43 cash per HDF Stapled Security. In accordance with the Takeover Bid Implementation Deed, the withdrawal of the Independent Directors' recommendation to accept the Pipeline Partner Australia Offer triggered a break fee of \$12,322,525 (excluding GST) which was paid to Pipeline Partners Australia on 28 August 2012.
- On 27 August 2012, APA Group released its Fifth Supplementary Bidder's Statement and extended its offer period until 7pm (Sydney time) on 18 September 2012.
- On 31 August 2012 the Pipeline Partners Australia Offer lapsed at 7pm (Melbourne time).

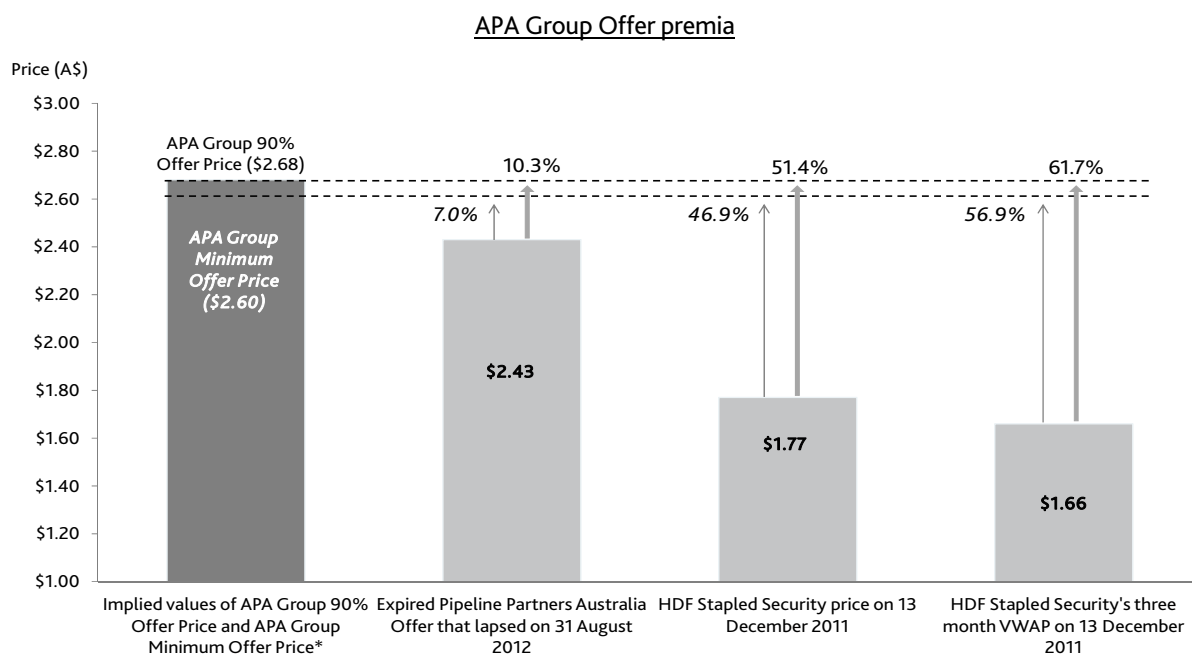
2 Key reasons to ACCEPT the APA Group Offer

Your Independent Directors unanimously recommend that you ACCEPT the APA Group Offer in the absence of a superior proposal.

Key reasons why you should ACCEPT the APA Group Offer are discussed in detail below.

- The implied value of the APA Group Offer represents a significant premium to HDF Stapled Security prices prior to any takeover activity. In particular, based on the closing price of APA Stapled Securities on 31 August 2012:
 - The implied value of the APA Group 90% Offer Price represents a premium of:
 - 51.4% to the closing price of \$1.77 per HDF Stapled Security on 13 December 2011; and
 - 61.7% to the three month VWAP of \$1.66 per HDF Stapled Security up to and including 13 December 2011.
 - The implied value of the APA Group Minimum Offer Price represents a premium of:
 - 46.9% to the closing price of \$1.77 per HDF Stapled Security on 13 December 2011; and
 - 56.9% to the three month VWAP of \$1.66 per HDF Stapled Security up to and including 13 December 2011.

The implied values of both the APA Group 90% Offer Price and APA Group Minimum Offer Price, based on the closing price of APA Stapled Securities on 31 August 2012, reflect an attractive premium to HDF's undisturbed trading price in the absence of either the APA Group Offer and/or other corporate takeover activity, providing you with the highest value choice presently available for your HDF Stapled Securities.



* Calculated as the closing price of APA Stapled Securities as at 31 August 2012 multiplied by 0.390 + \$0.80 for the APA Group 90% Offer Price, and the closing price of APA Stapled Securities as at 31 August 2012 multiplied by 0.390 + \$0.72 for the APA Group Minimum Offer.

- The APA Group Offer represents the highest value choice currently available to all HDF Securityholders.

Absent the current corporate takeover activity, if HDF were to be internalised or if HDF were to undertake a re-structure of its management arrangements, HDF would still be expected to trade at a price below the implied value of the APA Group 90% Offer Price and the implied value of the APA Group Minimum Offer Price, even after taking into account any potential market re-rating of HDF.
- The scrip component of the APA Group Offer allows HDF Securityholders to retain their exposure to the energy infrastructure sector and provides HDF Securityholders with continued exposure to the majority of HDF's assets, in particular the SWQP. HDF Securityholders should note the risks associated with being issued with APA Stapled Securities as referred to in Section 5.6 of this Supplementary Target's Statement.

4. In the absence of the APA Group Offer or any other potential superior proposal if such a proposal were to eventuate, the market price for HDF Stapled Securities could trade below the implied values of the APA Group 90% Offer Price and/or the APA Group Minimum Offer Price.

The market price of HDF Stapled Securities has outperformed its peers in recent months and has generally traded at or above the implied value of the APA Group Offer since it was announced. Your Independent Directors believe that the market price of HDF Stapled Securities has been sensitive and responsive to the current corporate take-over activity, and it is likely that the trading price of HDF Stapled Securities since the announcement of the APA Group Offer reflected the possibility that a superior proposal could emerge, as occurred with the announcements of the revised Pipeline Partners Australia (which has now lapsed) and APA Group offers.

5. Based on the closing price of APA Stapled Securities on 31 August 2012, both the implied value of the APA Group 90% Offer Price of \$2.68 per HDF Stapled Security and the implied value of the APA Group Minimum Offer Price of \$2.60 per HDF Stapled Security are within the value range of HDF, which includes a premium for control, determined by the independent expert of \$2.30 to \$2.69 per HDF Stapled Security in an independent expert report released to ASX on 3 August 2012 as part of HDF's Original Pipeline Partners Australia Target's Statement.

3 Your choices as a HDF Securityholder

The Independent Directors unanimously recommend that you ACCEPT the APA Group Offer in the absence of a superior proposal. However, as a HDF Securityholder you have three choices currently available to you:

(a) ACCEPT the APA Group Offer

Details of how to ACCEPT the APA Group Offer are set out on page 1 of the Fifth Supplementary Bidder's Statement you would have recently received from APA Group.

If you accept the APA Group Offer, you will receive either:

- \$0.80 in cash and 0.390 APA Stapled Securities for each HDF Stapled Security, if APA Group acquires a relevant interest in at least 90% (by number) of the HDF Stapled Securities and therefore becomes entitled to proceed to compulsory acquisition (**APA Group 90% Offer Price**); or
- \$0.72 in cash and 0.390 APA Stapled Securities for each HDF Stapled Security, if APA Group is not entitled to proceed to compulsory acquisition but the APA Group Offer becomes unconditional (**APA Group Minimum Offer Price**).

HDF Securityholders should be aware that there is no guarantee or certainty that they will receive the APA Group 90% Offer Price.

The value of the consideration under the APA Group Offer will be reduced by the amount of any HDF distribution paid to HDF Securityholders after 8 August 2012.

If you accept the APA Group Offer, you will give up your right to sell your HDF Stapled Securities on ASX or otherwise deal with your HDF Stapled Securities while the APA Group Offer remains open, including the acceptance of any potential higher competing offer from another competing bidder if such a proposal were to eventuate, except in certain limited circumstances where withdrawal rights are available (see Section 9.7.1 of the APA Group Bidder's Statement).

Further, if you accept the APA Group Offer, you may be liable to pay CGT or income tax on the disposal of your HDF Stapled Securities which may have financial consequences for some HDF Securityholders (refer to Section 6 of this Supplementary Target's Statement for details of the tax consequences of the APA Group Offer).

Institutional Acceptance Facility

Professional investors (as defined in section 9 of the *Corporations Act 2001* (Cth)) (**Eligible Institutional Securityholders**) should note that APA Group has established an institutional acceptance facility in order to facilitate receipt of acceptances of the APA Group Offer from Eligible Institutional Securityholders (**Institutional Acceptance Facility**). HDF Securityholders who are not Eligible Institutional Securityholders will not be able to participate in the Institutional Acceptance Facility.

Further details regarding the Institutional Acceptance Facility are set out in Section 4 of the Fifth Supplementary Bidder's Statement.

(b) Sell your HDF Stapled Securities on market

If you have not already accepted the APA Group Offer, you can still sell your HDF Stapled Securities on market for cash.

On 31 August 2012 the price of HDF Stapled Securities closed at \$2.61, a 0.4% premium to the implied value of the APA Group Minimum Offer Price of \$2.60 per HDF Stapled Security⁴ and a 2.6% discount to the implied value of the APA Group 90% Offer Price of \$2.68 per HDF Stapled Security.⁵ The latest price for HDF Stapled Securities may be obtained from the ASX website www.asx.com.au.

HDF Securityholders who sell their HDF Stapled Securities on market:

- may be liable for CGT or income tax on the sale;

⁴ Based on the closing price of APA Stapled Securities on 31 August 2012.

⁵ Based on the closing price of APA Stapled Securities on 31 August 2012.

- may incur a brokerage charge; and
- will not receive the benefits of any potential higher offer from APA Group or a superior competing offer.

(c) Do nothing

HDF Securityholders who do not wish to accept the APA Group Offer or sell their HDF Stapled Securities on market should do nothing.

However, you should note that if APA Group acquires a relevant interest in:

- at least 90% of HDF Stapled Securities on issue, and the other defeating conditions of the APA Group Offer are either satisfied or waived, APA Group will be entitled to compulsorily acquire the securities it does not already own; or
- more than 50% but less than 90% of HDF Stapled Securities on issue, and the other defeating conditions of the APA Group Offer are either satisfied or waived, HDF Securityholders who do not accept the APA Group Offer will become minority securityholders in HDF.

4 Frequently asked questions

This section answers some commonly asked questions about the APA Group Offer. It is not intended to address all relevant issues for HDF Securityholders. This section should be read together with all other parts of this Supplementary Target's Statement.

Question

Answer

1 What is the APA Group Offer?

The current APA Group Offer comprises either:

- \$0.80 in cash and 0.390 APA Stapled Securities for each HDF Stapled Security, if APA Group acquires a relevant interest in at least 90% (by number) of the HDF Stapled Securities and therefore becomes entitled to proceed to compulsory acquisition (**APA Group 90% Offer Price**). This equates to an implied value of \$2.68 per HDF Stapled Security, based on the closing price of APA Stapled Securities on 31 August 2012; or
- \$0.72 in cash and 0.390 APA Stapled Securities for each HDF Stapled Security, if APA Group is not entitled to proceed to compulsory acquisition but the APA Group Offer becomes unconditional (**APA Group Minimum Offer Price**). This equates to an implied value of \$2.60 per HDF Stapled Security, based on the closing price of APA Stapled Securities on 31 August 2012.

The conditions of the APA Group Offer are set out in Section 10 of the APA Group Bidder's Statement and are summarised in Section 5.3 of this Supplementary Target's Statement.

Further details relating to the APA Group Offer are set out in Section 5.1 of this Supplementary Target's Statement and in the Fifth Supplementary Bidder's Statement you would have recently received.

2 When does the APA Group Offer close?

The APA Group Offer is scheduled to close at 7pm (Sydney time) on 18 September 2012. You should note that the APA Group Offer Period can be extended as permitted by the Corporations Act. See Section 5.9 of this Supplementary Target's Statement for details of the circumstances in which the APA Group Offer Period can be extended.

Question	Answer
<p>3 What choices do I have as a HDF Securityholder?</p>	<p>As a HDF Securityholder, you have the following 3 choices in respect of the APA Group Offer:</p> <ul style="list-style-type: none"> • ACCEPT the APA Group Offer. Your Independent Directors recommend that you ACCEPT the APA Group Offer in the absence of a superior proposal. Eligible Institutional Securityholders can participate in the Institutional Acceptance Facility. HDF Securityholders who are not Eligible Institutional Securityholders will not be able to participate in the Institutional Acceptance Facility; • sell your HDF Stapled Securities on ASX (unless you have previously accepted the APA Group Offer and you have not validly withdrawn your acceptance); or • do nothing. <p>There are implications in relation to each of the above choices. A summary of these implications is set out in Section 3 of this Supplementary Target's Statement.</p>
<p>4 What are your Independent Directors recommending?</p>	<p>Your Independent Directors unanimously recommend that you ACCEPT the APA Group Offer in the absence of a superior proposal.</p> <p>If there is a change to this recommendation or any material development in relation to the APA Group Offer, HFML will inform you.</p> <p>Each of the non-independent directors, Liam Forde, Andrew Day and Victoria Poole, have abstained from making any recommendation as to whether HDF Securityholders should accept the APA Group Offer due to a potential conflict of interest.</p>
<p>5 What do the Directors intend to do with their HDF Stapled Securities?</p>	<p>The sole Director who has a relevant interest in HDF Stapled Securities intends to ACCEPT the APA Group Offer in the absence of a superior proposal in relation to those HDF Stapled Securities that he owns or controls.</p>

Question**Answer**

6 Why should I ACCEPT the APA Group Offer?

Your Independent Directors are unanimously recommending that you ACCEPT the APA Group Offer in the absence of a superior proposal because:

- the implied value of the APA Group Offer⁶ reflects a significant premium to HDF Stapled Security prices prior to any takeover activity;
- the APA Group Offer represents the highest value choice currently available to all HDF Securityholders;
- the scrip component of the APA Group Offer allows HDF Securityholders to retain their exposure to the energy infrastructure sector and provides HDF Securityholders with continued exposure to the majority of HDF's assets, in particular the SWQP;
- in the absence of the APA Group Offer or any other potential superior proposal if such a proposal were to eventuate, the market price for HDF Stapled Securities could trade below the implied values of the APA Group 90% Offer Price and/or the APA Group Minimum Offer Price; and
- the implied value of the APA Group 90% Offer Price of \$2.68 per HDF Stapled Security⁷ and the implied value of the APA Group Minimum Offer Price of \$2.60 per HDF Stapled Security⁸ are within the value range of HDF, which includes a premium for control, determined by the independent expert of \$2.30 to \$2.69 per HDF Stapled Security in an independent expert report released to ASX on 3 August 2012 as part of HDF's Original Pipeline Partners Australia Target's Statement.

Further details as to why you should ACCEPT the APA Group Offer are set out in the "Key reasons to ACCEPT the APA Group Offer" section of this Supplementary Target's Statement.

7 How do I ACCEPT the APA Group Offer?

To accept the APA Group Offer, refer to page 1 of the Fifth Supplementary Bidder's Statement, as well as the instructions on the applicable Acceptance Form enclosed with the Fifth Supplementary Bidder's Statement.

⁶ Based on the closing price of APA Stapled Securities on 31 August 2012 and constituting either the APA Group Minimum Offer Price or the APA Group 90% Offer Price.

⁷ Based on the closing price of APA Stapled Securities on 31 August 2012.

⁸ Based on the closing price of APA Stapled Securities on 31 August 2012.

Question	Answer
8 What is the Institutional Acceptance Facility?	<p>APA Group has established an institutional acceptance facility in order to facilitate receipt of acceptances of the APA Group Offer from Eligible Institutional Securityholders.</p> <p>HDF Securityholders who are not Eligible Institutional Securityholders will not be able to participate in the Institutional Acceptance Facility.</p> <p>Section 4 of the Fifth Supplementary Bidder's Statement explains how the Institutional Acceptance Facility operates and how Eligible Institutional Securityholders can participate in the Institutional Acceptance Facility.</p>
9 The Pipeline Partners Australia Offer lapsed on 31 August 2012. If I previously accepted the Pipeline Partners Australia Offer can I now accept the APA Group Offer?	<p>Given that the Pipeline Partners Australia offer has now lapsed, if you previously accepted the Pipeline Partners Australia Offer, you may now accept the APA Group Offer.</p>
10 Can I accept the APA Group Offer for part of my holdings?	<p>No. You cannot accept the APA Group Offer for part of your holdings. You may only accept the APA Group Offer for all of the HDF Stapled Securities held by you.</p>
11 What is the status of the Pipeline Partners Australia Offer?	<p>The Pipeline Partners Australia Offer lapsed on 31 August 2012. Neither Pipeline Partners Australia nor any of its consortium members is precluded from making a new bid for HDF.</p>
12 What are the consequences of accepting the APA Group Offer now, while it remains conditional?	<p>If you accept the APA Group Offer, unless withdrawal rights are available and you exercise those rights, you will give up your right to sell your HDF Stapled Securities on ASX or otherwise deal with your HDF Stapled Securities while the APA Group Offer remains open.</p> <p>While the APA Group Offer remains conditional, you will not be paid consideration under the APA Group Offer. You should take into account the possibility that there may be a delay in certain conditions being satisfied, or even that a condition may not be satisfied or waived (refer to Section 5.5 of this Supplementary Target's Statement for further detail).</p>
13 What are the consequences of the APA Group Offer becoming unconditional?	<p>If you accept the APA Group Offer after it becomes unconditional or the APA Group Offer becomes unconditional after you have accepted, you will be entitled to receive the consideration paid under the APA Group Offer.</p> <p>If you accept the APA Group Offer after it becomes unconditional or the APA Group Offer becomes unconditional after you have accepted, you may receive the consideration under the APA Group Minimum Offer Price before APA Group acquires a relevant interest in 90% of HDF Stapled Securities. If APA Group then acquires a relevant interest in 90% of HDF Stapled Securities, you will receive the additional consideration offered under the APA Group 90% Offer Price (an extra \$0.08 cash for each HDF Stapled Security).</p>

Question	Answer
14 Can I withdraw my acceptance once I have accepted the APA Group Offer?	<p>You only have limited rights to withdraw your acceptance of the APA Group Offer.</p> <p>You may only withdraw your acceptance of the APA Group Offer if APA Group varies the APA Group Offer in a way that postpones, for more than one month, the time when APA Group needs to meet its obligations under the APA Group Offer. This will occur if APA Group extends the APA Group Offer Period by more than one month and the APA Group Offer is still subject to conditions.</p>
15 What offer consideration do I receive if I have accepted a previous APA Group Offer?	<p>All HDF Securityholders who have accepted previous APA Group Offers will be entitled to the benefit of any higher APA Group Offer consideration.</p>
16 What are the tax implications of accepting the APA Group Offer?	<p>A general outline of the tax implications of accepting the APA Group Offer is set out in Section 6 of this Supplementary Target's Statement. You should be aware that CGT roll-over relief will not be available for HDF Securityholders who accept the APA Group Offer.</p> <p>As the outline is a general outline only, HDF Securityholders are encouraged to seek their own specific professional advice as to the taxation implications applicable to their circumstances.</p>
17 When will I receive the APA Group Offer consideration if I accept the APA Group Offer?	<p>In the usual case, you will be issued your consideration on or before the later of:</p> <ul style="list-style-type: none"> • one month after the date the APA Group Offer becomes or is declared unconditional; and • one month after the date you accept the APA Group Offer if the APA Group Offer is, at the time of acceptance, unconditional, <p>but, in any event (assuming the APA Group Offer becomes or is declared unconditional), no later than 21 days after the end of the APA Group Offer Period.</p> <p>However, there are certain exceptions to the above timetable for the issuing of consideration. Full details of when you will be issued your consideration are set out in Section 9.5 of the APA Group Bidder's Statement.</p>
18 What happens if I do nothing?	<p>If you do nothing in relation to the APA Group Offer, you will remain a HDF Securityholder.</p> <p>If APA Group acquires 90% or more of HDF Stapled Securities and the APA Group Offer becomes unconditional, APA Group intends to compulsorily acquire your HDF Stapled Securities. See Section 5.8 of this Supplementary Target's Statement for further details.</p> <p>If APA Group acquires between 50.1% and 90.0% of HDF Stapled Securities and the APA Group Offer becomes unconditional, you will be a minority securityholder in HDF. The implications of being a minority securityholder are described in Section 5.7 of this Supplementary Target's Statement.</p>

Question	Answer
19 Do I pay brokerage or stamp duty if I accept?	<p>You will not pay stamp duty on the disposal of your HDF Stapled Securities or on your acquisition of APA Stapled Securities under the APA Group Offer if you accept the APA Group Offer.</p> <p>You will not pay brokerage 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 APA Group Offer becomes or is declared unconditional, APA Group will pay a commission to brokers who solicit acceptances of the APA Group Offer from their clients. A fee of 0.75% of the value of the APA Group Offer is payable for each parcel of HDF Stapled Securities held by Retail HDF Securityholders who accept the APA Group Offer, and will be subject to minimum payments of \$50 and maximum payments of \$750 for each acceptance. This amount is paid by APA Group to brokers only and the law requires that no part of the fee can be passed on or paid to HDF Securityholders. The payment is not deducted from the proceeds due to you under the APA Group Offer.</p>
20 If I remain a HDF Securityholder will I be entitled to receive the HDF September 2012 quarterly distribution?	<p>If you continue to hold HDF Stapled Securities on the record date for HDF's September 2012 quarterly distribution, then you will receive that distribution from HDF. However, the value of the consideration for the APA Group Offer will be reduced by the amount of any HDF distribution which is paid to HDF Securityholders after 8 August 2012.</p>
21 If I accept the APA Group Offer, will I be entitled to APA Group's financial year 2013 interim distribution?	<p>If the APA Group Offer is accepted, and the offer consideration is paid on or before 31 December 2012, HDF Securityholders who continue to hold APA Stapled Securities at that date will also receive APA Group's financial year 2013 interim distribution. As disclosed in the Fifth Supplementary Bidder's Statement, the interim distribution is likely to be in the order of at least 17 cents per APA Stapled Security, equal to approximately 6.6 cents per HDF Stapled Security.</p>
22 What if I am a Foreign Securityholder?	<p>If you are a Foreign Securityholder and you accept the APA Group Offer, you will not be provided with 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 sale proceeds will be provided to you in Australian currency.</p>
23 Is there a number that I can call if I have further queries in relation to the APA Group Offer?	<p>If you have any further queries in relation to the APA Group Offer, you can call the HDF Information Line on 1800 815 610 (a toll free line for calls made from inside Australia) or +61 2 8256 3357 (for calls made from outside Australia). Calls to these numbers may be recorded.</p>

5 Other material information

5.1 Summary of the APA Group Offer

On 17 August 2012, APA Group announced an increased takeover offer that is based on the level of ownership of HDF it achieves. The APA Group Offer comprises either:

- \$0.80 in cash and 0.390 APA Stapled Securities for each HDF Stapled Security, if APA Group acquires a relevant interest in at least 90% (by number) of the HDF Stapled Securities and therefore becomes entitled to proceed to compulsory acquisition (**APA Group 90% Offer Price**); or
- \$0.72 in cash and 0.390 APA Stapled Securities for each HDF Stapled Security, if APA Group is not entitled to proceed to compulsory acquisition but the APA Group Offer becomes unconditional (**APA Group Minimum Offer Price**).

Based on the closing price of \$4.82 for APA Stapled Securities on 31 August 2012, the implied value of the APA Group 90% Offer Price is \$2.68 and the APA Group Minimum Offer Price is \$2.60.

The value of the consideration under the APA Group Offer will be reduced by the amount of any HDF distribution paid to HDF Securityholders after 8 August 2012.

APA Group has accepted a court enforceable undertaking to divest MAPS should its takeover offer be successful. The timeline for the divestiture of MAPS in accordance with the undertaking is confidential and is not publically known. Please refer to Section 3 of the Fifth Supplementary Bidder's Statement for a description of the key risks associated with the divestiture of MAPS.

The APA Group Offer is open for acceptance until 7pm (Sydney time) on 18 September 2012, unless extended or withdrawn. The circumstances in which the APA Group Offer may be extended or withdrawn are summarised in Sections 9.3 and 9.8 of the APA Group Bidder's Statement.

As at 31 August 2012, APA Group has received acceptances in respect of approximately 1.10% of HDF Stapled Securities, giving APA Group a total relevant interest of approximately 21.81% in HDF Stapled Securities.

5.2 Value of the APA Group Offer

The consideration offered for HDF Stapled Securities under the APA Group Offer is comprised substantially of APA Stapled Securities, the value of which is not certain and subject to market fluctuations. Based on the closing price of APA Stapled Securities of \$4.82 on 31 August 2012, the implied value of the APA Group 90% Offer Price is \$2.68 and the implied value of the APA Group Minimum Offer Price is \$2.60.

APA's Stapled Security price has ranged from \$3.83 to \$5.27 over the 12 months to 31 August 2012. Between the announcement of the revised APA Group Offer on 17 August 2012 and 31 August 2012, the price of APA Stapled Securities has increased by \$0.17 from \$4.65 to \$4.82. The APA Group Offer is open until 18 September 2012 (unless extended or withdrawn), exposing HDF Securityholders to risks associated with fluctuations in the market price of APA Stapled Securities over this period.

The table below indicates the implied values of the APA Group 90% Offer Price and APA Group Minimum Offer Price for a range of APA Stapled Security prices.

APA Stapled Security Price	Value of 0.390 APA Stapled Securities	APA Group Minimum Offer Price Cash Component	APA Group 90% Offer Price Cash Component	APA Group Minimum Offer Price	APA Group 90% Offer Price
\$4.35	\$1.70	\$0.72	\$0.80	\$2.42	\$2.50
\$4.40	\$1.72	\$0.72	\$0.80	\$2.44	\$2.52
\$4.45	\$1.74	\$0.72	\$0.80	\$2.46	\$2.54
\$4.50	\$1.76	\$0.72	\$0.80	\$2.48	\$2.56
\$4.55	\$1.77	\$0.72	\$0.80	\$2.49	\$2.57
\$4.60	\$1.79	\$0.72	\$0.80	\$2.51	\$2.59
\$4.65	\$1.81	\$0.72	\$0.80	\$2.53	\$2.61
\$4.70	\$1.83	\$0.72	\$0.80	\$2.55	\$2.63
\$4.75	\$1.85	\$0.72	\$0.80	\$2.57	\$2.65
\$4.80	\$1.87	\$0.72	\$0.80	\$2.59	\$2.67
\$4.82	\$1.88	\$0.72	\$0.80	\$2.60	\$2.68
\$4.85	\$1.89	\$0.72	\$0.80	\$2.61	\$2.69
\$4.90	\$1.91	\$0.72	\$0.80	\$2.63	\$2.71
\$4.95	\$1.93	\$0.72	\$0.80	\$2.65	\$2.73
\$5.00	\$1.95	\$0.72	\$0.80	\$2.67	\$2.75

5.3 Conditions of the APA Group Offer

The remaining conditions of the APA Group Offer are set out in Section 1 of the Fifth Supplementary Bidder's Statement you would have recently received. The APA Group Offer was initially subject to 19 conditions when announced on 14 December 2011. If all of those conditions are not satisfied, or waived by APA Group before the end of the APA Group Offer Period, the APA Group Offer will lapse and no consideration will be received by HDF Securityholders who have accepted the APA Group Offer.

Since the APA Group Offer was originally announced, 9 of the conditions to the offer have been waived or satisfied, being:

- Condition (b): FIRB approval;
- Condition (c): ACCC approval;
- Condition (i): Disclosure of repayment rights and break costs in financing arrangements, and confirmation that the break costs do not exceed \$50 million;
- Conditions (j) and (k): Change of control implications for financing arrangements and material contracts;
- Conditions (l) and (m): Change of control implications of the APA Group Offer for material contracts, other than financing arrangements;
- Condition (n): Confirmation of progress of SWQP Stage 3 Expansion; and
- Condition (o): Confirmation of status of agreement with AGL.

The APA Group Offer continues to remain subject to 10 other conditions, being:

- Condition (a): 90% minimum acceptance;
- Condition (d): Other regulatory clearances;
- Condition (e): No restraining orders issued by a public authority in connection with the APA Group Offer;
- Condition (f): No material adverse event;
- Condition (g): No material acquisitions, disposals or new commitments;
- Condition (h): No retirement payments;
- Condition (p): S&P/ASX 200 Index does not fall to 3,800 or below for certain periods;
- Condition (q): No "other occurrences" occur;
- Condition (r): No material litigation against HDF; and
- Condition (s): HDF agrees to reduce performance fee entitlements.

APA Group's intentions in relation to specific conditions

APA Group has stated that it will waive Condition (a) if it were to acquire a relevant interest in more than 70% of HDF

Stapled Securities.

APA Group has also stated that it will waive Condition (s) if HFML announces that the performance fee which will be accepted by HFML for the half-year period ending 30 June 2012 will not exceed \$50 million and HFML will not accept any performance fee for any period commencing on or after 1 July 2012, while the APA Group Offer remains open or APA Group has a relevant interest in more than 50% of HDF Stapled Securities.

Finally, APA Group has stated that it does not intend to rely on any of the breaches of the other conditions that had occurred as at the date of the Fifth Supplementary Bidder's Statement to end the APA Group Offer where APA Group was already aware of those breaches.

5.4 Likelihood of satisfaction of conditions

As at the date of this Supplementary Target's Statement, HDF:

- is not aware of any act, omission, event or fact that would result in the breach or non-satisfaction of the outstanding conditions listed above; and
- is not in a position to state whether any of the outstanding conditions of the APA Group Offer will be satisfied.

5.5 Implications of conditions not being satisfied

Any conditions of the APA Group Offer which are not satisfied (or triggered, as appropriate) may be waived by APA Group.

If any condition of the APA Group Offer is not satisfied (or has been breached) and has not been waived, APA Group will have a choice either to declare the APA Group Offer unconditional and proceed with the acquisition of HDF Stapled Securities under the APA Group Offer or allow the APA Group Offer to lapse on the basis that the conditions have not been satisfied.

5.6 Risks associated with being issued with APA Stapled Securities

HDF Securityholders who receive APA Stapled Securities as part of the APA Group Offer consideration will be exposed to a number of market and business risks. HDF Securityholders should refer to Section 8 of APA Group Bidder's Statement and pages 23 and 24 of the Fifth Supplementary Bidder's Statement for details of the risks arising from receiving APA Stapled Securities as part of the APA Group Offer.

As set out in the Fifth Supplementary Bidder's Statement, there is uncertainty about the sale price that may be received from the sale of MAPS under the court enforceable undertaking with the ACCC if and when such a sale eventuates. HDF Securityholders should refer to Section 3 of the Fifth Supplementary Bidder's Statement for further detail on the risks associated with APA Group's ACCC undertaking to divest MAPS.

5.7 Consequences of remaining a minority HDF Securityholder

A summary of the risks that HDF Securityholders are exposed to relating to HDF, its business and assets is contained in Section 5.9 of the Original APA Group Target's Statement and Section 5.7 the Original Pipeline Partners Australia Target's Statement. Outlined below are the possible consequences of remaining a minority HDF Securityholder.

If APA Group obtains a relevant interest in at least 90% (by number) of HDF Stapled Securities (and all the other conditions to the APA Group Offer are either satisfied or waived), APA Group will be entitled to compulsorily acquire all outstanding HDF Stapled Securities. In this instance, HDF Securityholders will be entitled to the APA Group 90% Offer Price which had an implied value of \$2.68 per HDF Stapled Security based on the closing price of \$4.82 for APA Stapled Securities on 31 August 2012.

If APA Group acquires more than 50% but less than 90% of the HDF Stapled Securities then, assuming all other conditions to the APA Group Offer are satisfied or waived (including the effective 70% minimum acceptance condition), APA Group will acquire a majority security holding in HDF. HDF Securityholders who accept the APA Group Offer in this instance will receive the APA Group Minimum Offer Price which had an implied value of \$2.60 per HDF Stapled Security based on the closing price of \$4.82 for APA Stapled Securities on 31 August 2012. In such circumstances, HDF Securityholders who do not accept the APA Group Offer will be minority securityholders in HDF. This has a number of possible implications, including the following:

- APA Group will be in a position to cast the majority of votes at a general meeting of one or more of the trusts comprising HDF. This will enable APA Group to control the appointment of the responsible entity of HDF. In addition, if APA Group acquires 75% or more of HDF Stapled Securities, it will be able to pass a special resolution

of HDF. This will enable APA Group to, among other things, change the HDF Constitutions;

- APA Group intends to review the ongoing suitability of HDF for listing on the ASX. The APA Responsible Entity intends that HDF continues to be listed on the ASX while it meets the ASX requirements for maintaining a listing;
- if HDF remains listed on the ASX, the market for your HDF Stapled Securities is likely to be less liquid and less active than at present, and there is a risk that HDF could be fully or partially removed from certain S&P/ASX market indices due to a lack of free float and/or liquidity. If this occurred it is likely to affect your ability to easily trade your HDF Stapled Securities;
- if APA Group acquires a relevant interest in more than 75% of HDF Stapled Securities or HFML (or any of its affiliates or related bodies corporate) ceases to be the responsible entity of HDF Epic Trust or certain other specified events described in section 5.4 of the Original Pipeline Partners Australia Target's Statement occur as a result of the APA Group Offer and the Epic Energy financiers do not provide the requisite waivers to the change of control of HDF, Epic Energy may be obliged to repay various debt facilities, potentially within 60 business days of the relevant event occurring. APA Group has confirmed in the Fifth Supplementary Bidder's Statement that, in the event that APA Group moves to compulsory acquisition of HDF Stapled Securities, APA Group has sufficient funding resources to repay all of HDF's debt.

HDF Securityholders should be aware that APA Group has stated in Section 5.3 of the APA Group Bidder's Statement that, if HDF were to be a part controlled entity (where APA Group holds 50.1% or more, but less than 100% of HDF Stapled Securities), APA Group intends to appoint APL or another entity as the new responsible entity of HDF (if it is in a position to do so). This may require Epic Energy to repay various debt facilities (unless the requisite waivers are obtained from the financiers).

If Epic Energy became obliged to repay its debt facilities but APA Group did not compulsorily acquire all HDF Stapled Securities, it is not known whether Epic Energy could successfully negotiate with its lenders to ensure that Epic Energy's debt facilities remain available or APA Group would be able to procure repayment of Epic Energy's debt facilities.

Further details regarding the terms of Epic Energy's debt facilities are set out in Section 5.4 of the Original Pipeline Partners Australia Target's Statement.

- as described in Section 3 of the Fifth Supplementary Bidder's Statement, the ACCC undertaking given by APA Group in relation to MAPS requires that APA Group must, after removing HFML as responsible entity of HDF and appointing a new APA Group nominated responsible entity, cause the divestiture of MAPS to a purchaser approved by the ACCC.

As noted above, APA Group has stated in Section 5.3 of the APA Group Bidder's Statement that, if HDF were to be a part controlled entity (where APA Group holds 50.1% or more, but less than 100% of HDF Stapled Securities), APA Group intends to appoint APL or another entity as the new responsible entity of HDF (if it is in a position to do so). In these circumstances, APA Group would be required to cause the divestiture of MAPS to a purchaser approved by the ACCC. There is uncertainty about the sale price that may be received from the sale of MAPS if and when such a sale eventuates. HDF Securityholders should also be aware that the sale of MAPS in these circumstances may have adverse tax consequences.

HDF Securityholders should refer to Section 3 of the Fifth Supplementary Bidder's Statement for further detail on the risks associated with APA Group's ACCC undertaking to divest MAPS.

5.8 Compulsory acquisition

(a) Compulsory acquisition during or at the end of the APA Group Offer Period

APA Group has indicated in section 5.2 of the APA Group Bidder's Statement that if it satisfies the required thresholds it intends to compulsorily acquire any outstanding HDF Stapled Securities.

APA Group will be entitled to compulsorily acquire any HDF Stapled Securities in respect of which it has not received an acceptance on the same terms as the APA Group Offer if, during or at the end of the APA Group Offer Period, APA Group has a relevant interest in at least 90% (by number) of the HDF Stapled Securities.

If this threshold is met, APA Group will have one month after the end of the APA Group Offer Period within which to give compulsory acquisition notices to HDF Securityholders who have not accepted the APA Group Offer. HDF Securityholders have statutory rights to challenge the compulsory acquisition, but a successful challenge will require the relevant HDF Securityholder to establish to the satisfaction of a court that the terms of the APA Group Offer do not represent 'fair value' for their HDF Stapled Securities. If compulsory acquisition occurs, HDF Securityholders who have their HDF Stapled Securities compulsorily acquired are likely to be issued their consideration approximately 5 to 6 weeks after the compulsory acquisition notices are dispatched to them.

(b) Later compulsory acquisition by 90% holder

Even if APA Group does not satisfy the compulsory acquisition threshold, it is possible that APA Group will, at some time after the end of the APA Group Offer Period, become the beneficial holder of 90% of the HDF Stapled Securities. APA Group would then have rights to compulsorily acquire HDF Stapled Securities not owned by it within 6 months of becoming the holder of 90% of HDF Stapled Securities. APA Group's offered price for compulsory acquisition under this procedure would have to be considered in a report of an independent expert.

5.9 Extension of the APA Group Offer Period

APA Group may extend the APA Group Offer Period at any time before giving the Notice of Status of Conditions (referred to in Section 9.6.6 of the APA Group Bidder's Statement) while the APA Group Offer is subject to conditions. However, if the APA Group Offer is unconditional (that is, all the conditions are fulfilled or waived), APA Group may extend the APA Group Offer Period at any time before the end of the APA Group Offer Period.

In addition, there will be an automatic extension of the APA Group Offer Period if, within the last 7 days of the APA Group Offer Period:

- APA Group improves the consideration offered under the APA Group Offer; or
- APA Group's voting power in HDF increases to more than 50%.

If either of these 2 events occurs, the APA Group Offer Period is automatically extended so that it ends 14 days after the relevant event occurs.

5.10 Status of the Pipeline Partners Australia Offer

The Pipeline Partners Australia offer lapsed on 31 August 2012.

5.11 Consents

Freehills (legal adviser to HDF in relation to the APA Group Offer), J.P. Morgan Australia Limited and Royal Bank of Canada (financial advisers to HDF in relation to the APA Group Offer), and Computershare Investor Services Pty Limited (HDF's share registrar) have each consented to being named in this Supplementary Target's Statement in the form and context in which each is named, but should not be regarded as authorising the issue of this Supplementary Target's Statement or any statements in it.

6 Taxation consequences

6.1 Scope

This summary is a general statement of the Australian income tax, CGT, GST and stamp duty implications in connection with the APA Group Offer for HDF Securityholders that are Australian tax residents who hold their HDF Stapled Securities on capital account. It does not apply to HDF Securityholders who hold their HDF Stapled Securities as revenue assets or as trading stock.

The summary is based on the Australian tax law and administrative practice currently in force as at the date of this Supplementary Target's Statement. It is necessarily general in nature and is not intended to be definitive tax advice. Accordingly, each HDF Securityholder should seek their own tax advice that is specific to their particular circumstances.

6.2 Taxation on disposal of HDF Stapled Securities

6.2.1 No CGT rollover relief

The APA Group Bidder's Statement and the Fifth Supplementary Bidder's Statement expressly state that Participating Securityholders will not be eligible to claim CGT rollover relief. As a result, the taxation consequences for Participating Securityholders will be as follows.

6.2.2 CGT consequences

If the conditions of the APA Group Offer are satisfied or waived, Participating Securityholders will dispose of each of their HDF Stapled Securities in exchange for the APA Group Minimum Offer Price of 0.390 APA Stapled Securities and cash of \$0.72. If APA Group achieves ownership of 90% or more of HDF Stapled Securities and becomes entitled to proceed to compulsory acquisition, additional cash consideration of \$0.08 (i.e. in total cash of \$0.80) will be paid for each HDF Stapled Security under the APA Group 90% Offer Price. The disposal will constitute a CGT event.

Each HDF Stapled Security consists of one unit in each of HDUF Epic Trust, HDUF Finance Trust and HDUF Further Investments Trust. Accordingly, each Participating Securityholder will make 3 separate disposals for CGT purposes and 3 separate CGT calculations will be required. In undertaking these calculations, Participating Securityholders will be required to calculate the cost base or reduced cost base and the capital proceeds attributable to their units in each trust (as explained in Sections 6.2.3 and 6.2.4 below).

Participating Securityholders will, in respect of their units in each of HDUF Epic Trust, HDUF Finance Trust and HDUF Further Investments Trust, make:

- a capital gain if the capital proceeds received for their units are greater than the cost base of those units; or
- a capital loss if the reduced cost base of their units is greater than the capital proceeds received for those units.

Capital gains and capital losses of a Participating Securityholder in an income year from all sources will be aggregated to determine whether there is a net capital gain or net capital loss for that income year.

A net capital gain for the income year is included in the Participating Securityholder's assessable income and is subject to income tax at the Participating Securityholder's applicable tax rate. However, the amount of the net capital gain may be reduced if the CGT discount is available (as explained in Section 6.2.5 below). A net capital loss for the income year cannot be deducted against a Participating Securityholder's other assessable income for tax purposes, but may be carried forward to be offset against capital gains derived in future income years.

Specific capital loss carry forward rules apply to Participating Securityholders that are companies.

6.2.3 Cost base and reduced cost base

In broad terms, the cost base and reduced cost base of a Participating Securityholder's HDF Stapled Securities will equal:

- the amount that the Participating Securityholder paid (or gave as consideration) to acquire the HDF Stapled Securities (including certain incidental costs of acquisition, holding and disposal); less
- the tax deferred component of any distributions received from HDF whilst the Participating Securityholder held their HDF Stapled Securities.

If a Participating Securityholder has received tax deferred distributions in respect of their units in any of HDUF Epic Trust, HDUF Finance Trust and HDUF Further Investments Trust that equal or exceed the cost base of their units in the relevant trust, then the cost base of those units will have been reduced to nil (but not below nil).

Historically, distributions made by HDF to HDF Securityholders have comprised a significant tax deferred component. Participating Securityholders must therefore take such tax deferred distributions into account when determining the tax consequences of accepting the APA Group Offer. Further information on historical tax deferred distributions can be found on the HDF website (<http://www.hfm.com.au/asxlisted/funds/hduf/distributions/>).

Participating Securityholders will be required to apportion the cost base or reduced cost base of their HDF Stapled Securities between their units in each of HDUF Epic Trust, HDUF Finance Trust and HDUF Further Investments Trust. The Commissioner of Taxation will generally accept an apportionment that has been done on a reasonable basis. However, Participating Securityholders will need to make their own decision regarding the reasonable basis they will apply in their own particular circumstances. Further information on cost base apportionments that may be helpful to Participating Securityholders in making their own apportionment decision can be found on the HDF website (<http://www.hfm.com.au/asxlisted/funds/hduf/distributions/>).

6.2.4 Capital proceeds

The capital proceeds received by the Participating Securityholders for their HDF Stapled Securities should be the market value of the APA Stapled Securities received on the date of disposal (see Section 6.2.5 below) plus the cash consideration received (including the additional \$0.08 that will be paid for each HDF Stapled Security if APA Group achieves ownership of 90% or more of HDF Stapled Securities).

The Participating Securityholder will be required to apportion the capital proceeds received between their units in each of HDUF Epic Trust, HDUF Finance Trust and HDUF Further Investments Trust on a reasonable basis. As noted above, Participating Securityholders will need to make their own decision regarding the reasonable basis they will apply in their own particular circumstances.

6.2.5 CGT discount

Individuals, complying superannuation entities or trustees who have held the HDF Stapled Securities for more than 12 months at the date of disposal (see below) should generally be entitled to discount the amount of a capital gain that arises upon disposal (after the application of any current year or carry forward capital losses).

For Participating Securityholders, the date of disposal of the HDF Stapled Securities for these purposes will be the date the contract to dispose of the HDF Stapled Securities is formed. This will be the date the APA Group Offer is accepted.

The date of disposal for those HDF Securityholders whose HDF Stapled Securities are compulsorily acquired in accordance with Part 6A.1 of the Corporations Act will be the date that APA Group becomes the owner of the HDF Stapled Securities.

The amount of the discount is 50% in the case of individuals and trustees and 33⅓% for complying superannuation entities. This is referred to as the "CGT discount". The CGT discount is not available for Participating Securityholders that are companies.

Where the Participating Securityholder is a trustee of a trust, the CGT discount may flow through to the beneficiaries in that trust, other than beneficiaries that are companies. Participating Securityholders that are trustees should seek specific advice regarding the tax consequences of distributions to beneficiaries attributable to discount capital gains.

For the avoidance of doubt and as explained below in Section 6.3, Participating Securityholders will be obliged to hold their APA Stapled Securities for a further 12 months from the date of receiving the APA Stapled Securities (not including the date of acquisition or disposal) before being eligible to claim the CGT discount on any further capital gains that may arise.

6.3 Taxation of APA Stapled Securities

Participating Securityholders will receive APA Stapled Securities as part of the consideration under the APA Group Offer. The cost base and reduced cost base of the Participating Securityholder's APA Stapled Securities should equal the market value of the HDF Stapled Securities disposed of under the APA Group Offer that are reasonably attributable to the APA Stapled Securities received. The cost base of any APA Stapled Securities received will be the market value of all of the HDF Stapled Securities disposed of under the APA Group Offer less the cash consideration received.

As each APA Stapled Security consists of one unit in each of APT Pipeline Trust and APT Investment Trust, a Participating Securityholder will be required to apportion the cost base or reduced cost base of their APA Stapled Security between their units in each of APT Pipeline Trust and APT Investment Trust on a reasonable basis.

For the purposes of determining a Participating Securityholder's eligibility for the CGT discount on any future disposals of the APA Stapled Securities received under the APA Group Offer, the APA Stapled Securities will be treated as being acquired on the day of disposal of the HDF Stapled Securities. That is, the period during which a Participating Securityholder has held their HDF Stapled Securities will not be taken into account for the purposes of applying the CGT discount on disposal of their APA Stapled Securities.

The PricewaterhouseCoopers letter in section 6 of the Fifth Supplementary Bidder's Statement contains a discussion of the taxation treatment of distributions in respect of APA Stapled Securities. We are not in a position to comment on the taxation treatment of those distributions. Participating Securityholders should have regard to the

PricewaterhouseCoopers letter and should seek specific advice regarding the tax consequences of those distributions.

6.4 Implications of APA Group acquiring less than 90% of HDF

If APA Group acquires more than 50% but less than 90% of HDF Stapled Securities then, assuming all conditions to the APA Group Offer are satisfied or waived (including the effective 70% minimum acceptance condition), APA Group will acquire a majority security holding in HDF. In such circumstances, HDF Securityholders who do not accept the APA Group Offer will be minority securityholders in HDF. The general implications of being a minority securityholder are discussed in Section 5.7 of this Supplementary Target's Statement and the potential tax implications are discussed below.

6.4.1 Tax losses of HDF

Tax losses carried forward from prior income years currently exist within the HDF structure. Those losses have arisen due to deductible costs being incurred during the construction and early operation phases of the underlying assets and are currently available to shelter income during the income producing phases of the projects.

The utilisation of these losses in future periods is dependent on the satisfaction of certain legislative tests. In the event that APA Group acquires more than 50% of HDF Stapled Securities (assuming all conditions to the APA Group Offer are satisfied or waived including the effective 70% minimum acceptance condition) it will trigger a change of underlying ownership of HDF which may impact the availability of these losses. Additionally, in the event that APA Group seeks to have HDF removed from the Official List of the ASX, one of the legislative tests that allows the utilisation of carried forward tax losses will cease to be available in relation to losses that have been incurred by trusts within the HDF structure as at the time of the delisting. As a result, it may be more difficult for trusts within the HDF structure to utilise carried forward tax losses in future periods. However, the potential removal of HDF from the Official List of the ASX would not of itself impact the legislative tests that allow the utilisation of carried forward tax losses for companies within the HDF structure, and particularly in the Epic Energy Holdings Pty Ltd tax consolidated group.

6.4.2 Future exit of investment

Should APA Group seek to have HDF removed from the Official List of the ASX the liquidity of HDF Stapled Securities held by minority securityholders may be reduced. As a result, a minority securityholder in HDF that would like to exit their investment may need to request that their HDF Stapled Securities be redeemed. The tax treatment will depend on the particular facts and circumstances and the entire amount received may not be capital.

6.5 GST

In the event that the APA Group Offer is **successful**, GST should not generally be payable in respect of the disposal of HDF Stapled Securities and the issue of APA Stapled Securities under the APA Group Offer.

6.6 Stamp duty

In the event that the APA Group Offer is **successful**, stamp duty will be payable by APA Group in relation to the acquisition of HDF Stapled Securities under the APA Group Offer. APA Group has provided an estimate of this transaction cost in section 11.4 of the APA Group Bidder's Statement.

However, stamp duty will not be payable by Participating Securityholders in respect of the APA Group Offer.

6.7 Taxation of HDF Stapled Securities

In the event that the APA Group Offer lapses on the basis that the conditions have not been satisfied or waived, the APA Group Offer should not cause the taxation treatment of HDF Stapled Securities to change.

The HDF website (<http://www.hfm.com.au/asxlisted/funds/hduf/distributions/>) contains information regarding the taxation treatment of distributions made by HDF on HDF Stapled Securities.

7 Defined terms

The meanings of the terms used in this Supplementary Target's Statement are defined in the Original Pipeline Partners Australia Target's Statement and Original APA Group Target's Statement except as set out below.

Term	Meaning
APA Group Bidder's Statement	APA Group's Bidder's Statement dated 3 January 2012.
APA Group Offer	The APA Group Offer announced on 17 August 2012 comprising: <ul style="list-style-type: none">• the APA Group 90% Offer Price; or• the APA Group Minimum Offer Price.
APA Group Offer Period	The APA Group Offer is scheduled to close at 7pm (Sydney time) on 18 September 2012. You should note that the APA Group Offer Period can be extended as permitted by the Corporations Act. See Section 5.9 of this Supplementary Target's Statement for details of the circumstances in which the APA Group Offer Period can be extended.
APA Group 90% Offer Price	<p>\$0.80 in cash and 0.390 APA Stapled Securities for each HDF Stapled Security, if the APA Group acquires a relevant interest in at least 90% (by number) of HDF Stapled Securities and therefore becomes entitled to proceed to compulsory acquisition.</p> <p>At 31 August 2012 the APA Group 90% Offer Price equates to an offer price of \$2.68 per HDF Stapled Security. The value of the consideration under the APA Group Offer will be reduced by the amount of any HDF distribution paid to HDF Securityholders after 8 August 2012.</p>
APA Group Minimum Offer Price	<p>\$0.72 in cash and 0.390 APA Stapled Securities for each HDF Stapled Security, if the APA Group is not entitled to proceed to compulsory acquisition but the APA Group Offer becomes unconditional.</p> <p>At 31 August 2012 the APA Group Minimum Offer Price equates to an offer price of \$2.60 per HDF Stapled Security. The value of the consideration under the APA Group Offer will be reduced by the amount of any HDF distribution paid to HDF Securityholders after 8 August 2012.</p>
APA Responsible Entity	Australian Pipeline Limited (ABN 99 091 344 704) in its capacity as responsible entity of Australian Pipeline Trust (ARSN 091 678 778) and APT Investment Trust (ARSN 115 585 441).
APL	Australian Pipeline Limited (ABN 99 091 344 704).
Board	The board of directors of HFML as responsible entity of HDF.
Eligible Institutional Securityholders	Professional investors (as defined in section 9 of the <i>Corporations Act 2001</i> (Cth)).
Fifth Supplementary Bidder's Statement	APA Group's Fifth Supplementary Bidder's Statement dated 27 August 2012.

Term	Meaning
Foreign Securityholder	<p>A HDF Securityholder whose address shown in the register of HDF 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.</p> <p>For these purposes, Foreign Securityholder includes, among others, a resident of, or a person in, the United States (or a person that holds HDF Stapled Securities on behalf of a resident or a person in the United States) who beneficially owns HDF Stapled Securities. For the avoidance of doubt, such a holder will not be a Foreign Securityholder in respect of any other holding of HDF Stapled Security that is separately noted on the register of HDF Securityholders if a resident of, or a person in, the United States does not beneficially own any HDF Stapled Security in that separately noted holding.</p>
Institutional Acceptance Facility	The institutional acceptance facility established by APA Group to facilitate receipt of acceptances of the APA Group Offer from Eligible Institutional Securityholders.
Nominee	The nominee for Foreign Securityholders as approved by ASIC.
Participating Securityholder	A HDF Securityholder whose HDF Stapled Securities are acquired by APA Group under the APA Group Offer.
Pipeline Partners Australia Offer	The offer from Pipeline Partners Australia announced on 15 August 2012 and which lapsed on 31 August 2012.
Pipeline Partners Australia Offer Price	Prior to the closing of the Pipeline Partners Australia Offer on 31 August 2012, the offer price was \$2.43 in cash per HDF Stapled Security.
Original Pipeline Partners Australia Target's Statement	HDF's Pipeline Partners Australia Target's Statement dated 3 August 2012.
Retail HDF Securityholder	A HDF Securityholder who is not a broker or an associate of a broker and holds less than 100,000 HDF Stapled Securities as at the date the APA Group Offer is accepted.

8 Authorisation

This Supplementary Target's Statement has been approved by a resolution passed by the Directors of HFML.

Signed for and on behalf of HFML:

date 4 September 2012

sign here



print name Stephen Gibbs

position Director

HDF Securityholder information

HDF has established a securityholder information line which HDF Securityholders may call if they have any queries in relation to the APA Group Offer. The telephone number for the HDF Securityholder Information Line is 1800 815 610 (a toll-free line for calls made from within Australia) or +61 2 8256 3357 (for calls made from outside Australia). Calls to the HDF Securityholder Information Line may be recorded.

For further information about HDF and HFML please view our website www.hfm.com.au.


Manage your investment (including change of address, banking and TFN details) and view statements by visiting www.hfm.com.au/asxlisted/centre/ and following the link to log into the Computershare Investor Centre with your SRN/HIN and postcode (or country of residence if outside Australia) by selecting 'Investor Services' next to the HDF banner.

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HDF Securityholders can call the
HDF Securityholder Information Line
on 1800 815 610 (a toll-free line for
calls made from within Australia)
or +61 2 8256 3357 (for calls made
from outside Australia)

www.hfm.com.au

HDF

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