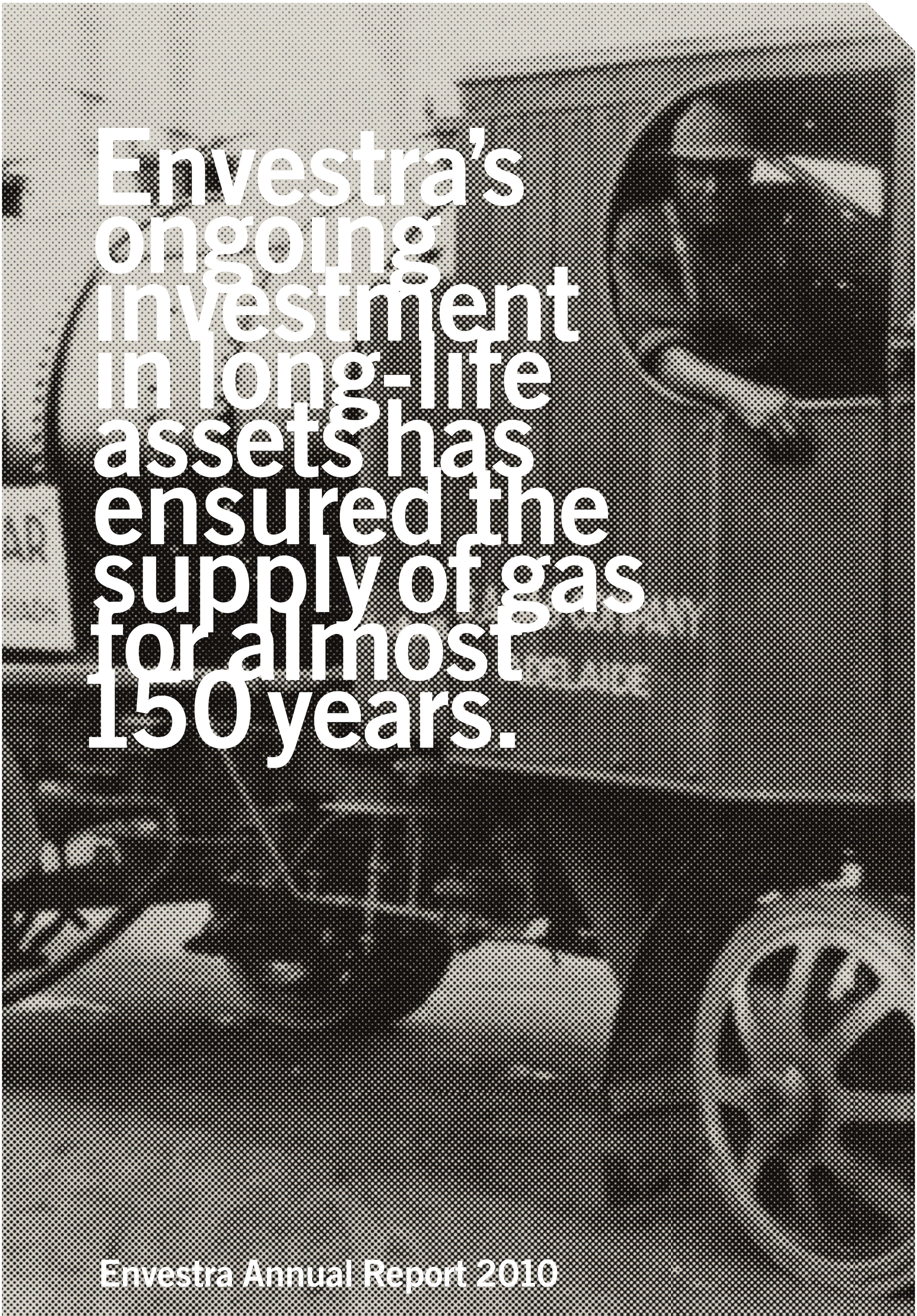


Envestra's ongoing investment in long-life assets has ensured the supply of gas for almost 150 years.

Envestra Annual Report 2010

Our natural gas infrastructure provides a low-carbon solution and a sound investment for a sustainable future.

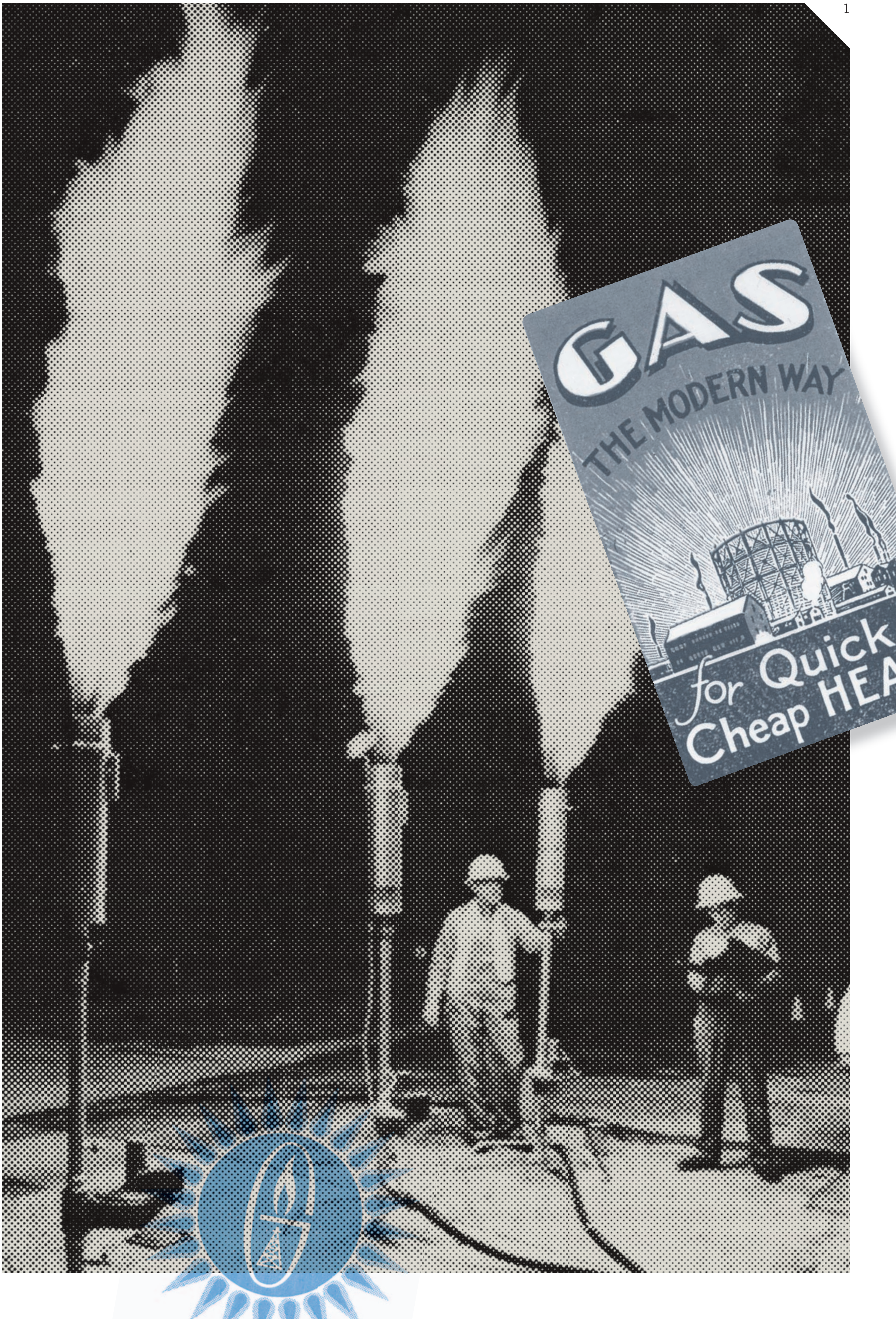
CONTENTS

FINANCIAL CALENDAR[1]

2010 Annual General Meeting	27.10.2010
First-half distribution paid	29.10.2010
Half-year financial results announced	24.02.2011
Second-half distribution paid	29.04.2011
Full-year financial results announced	25.08.2011
2011 Annual General Meeting	20.10.2011

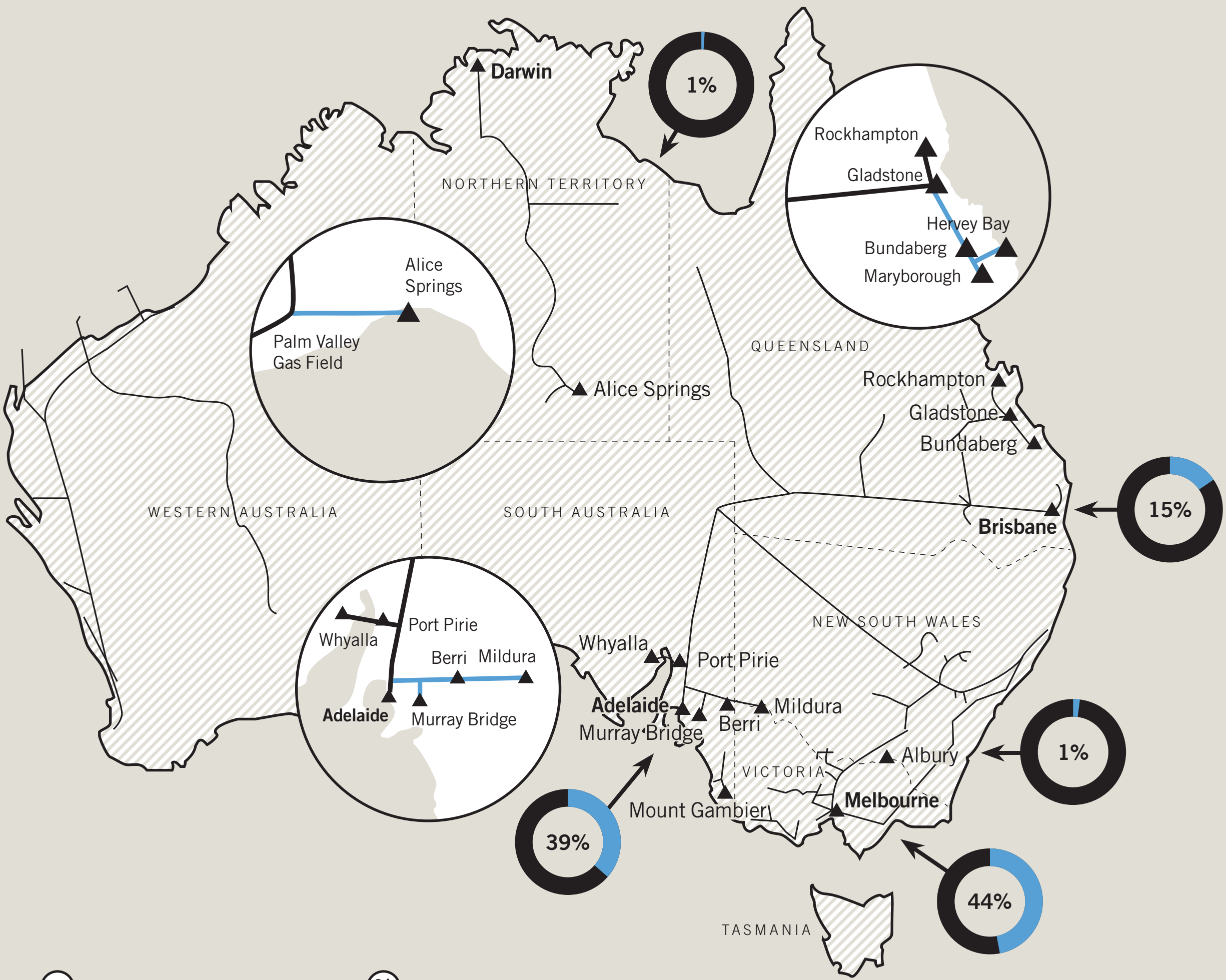
(1) Dates subject to confirmation

THE 2010 ANNUAL GENERAL MEETING OF ENVESTRA LIMITED (ACN 078 551 685) WILL BE HELD AT 10:00AM ON WEDNESDAY, 27 OCTOBER 2010 AT THE ADELAIDE CONVENTION CENTRE, NORTH TERRACE, ADELAIDE.


GAS
THE MODERN WAY
for Quick
Cheap HEA

WHO WE ARE

WHERE WE OPERATE

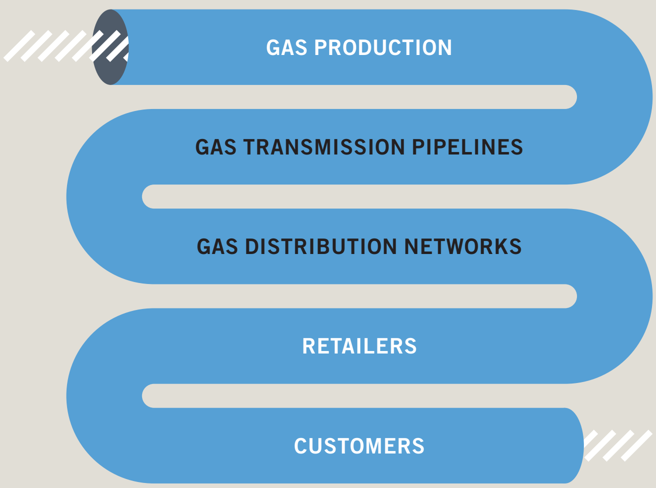


TRANSMISSION PIPELINES OWNED AND OPERATED BY ENVESTRA

PROPORTION OF 2009-10 REVENUE (ROUNDED)

Envestra owns gas networks and transmission pipelines in key population centres across Australia.

FOCUSED ON GAS DISTRIBUTION



LOCATION	MAINS (KM)	TRANSMISSION PIPELINES (KM)
Victoria	9,641	219
South Australia	7,887	372
Queensland	2,560	284
New South Wales	615	20
Northern Territory	38	153
Total	**20,741**	**1,048**

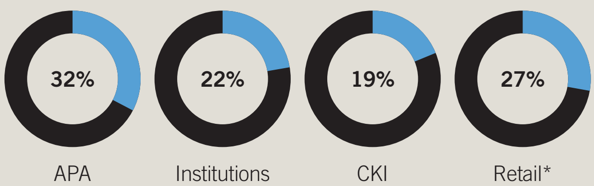
BUSINESS OVERVIEW

Envestra's natural gas networks operate as regulated monopolies in key population centres in Victoria, South Australia and Queensland as well as in smaller centres in New South Wales and the Northern Territory. Cash flows are highly predictable and grow in line with customer connections and annual tariff increases supporting sustainable dividends to shareholders over the long term.

ENVESTRA LIMITED (AS AT 30 JUNE 2010)

ASX code	ENV
Customer numbers (millions)	1.06
EBITDA	$261M
Net debt	$2,002M
Total shareholders' equity	$521M
Enterprise value	$2,682M
Shares on issue	1,387M
Market capitalisation	$680M

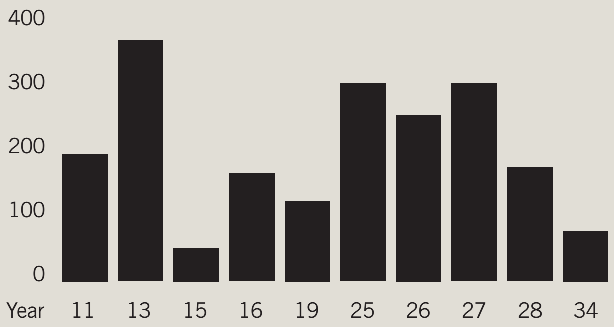
SHAREHOLDER PROFILE



* Retail defined as <100,000 shareholding.

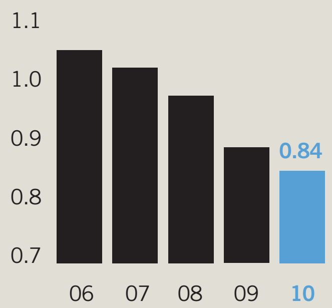
FINANCIAL AND OPERATIONAL PERFORMANCE

DEBT MATURITY PROFILE
$ MILLION



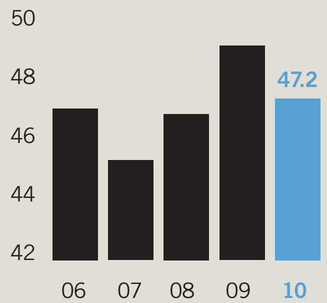
Envestra's financing strategy for many years has been to extend the duration of its debt portfolio and the debt maturity profile shows an average maturity at 1 July 2010 of 10.2 years.

DEBT TO REGULATED ASSET BASE (RAB)



The significant shift to predominantly funding growth capital expenditure from surplus cash flow will further improve this gearing measure.

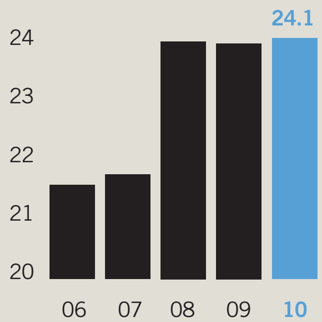
GAS VOLUMES (< 10TJ* CONSUMERS)
PETAJOULES*



Gas volumes to the domestic market were negatively impacted in 2009-10 by abnormally warm weather in the southern states.

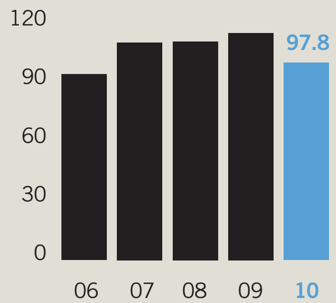
*Refer to Glossary of Terms page 87

NEW CONSUMERS
'000



Every year we add more than 20,000 new consumers to our networks, generating around $7 million in additional annual revenue.

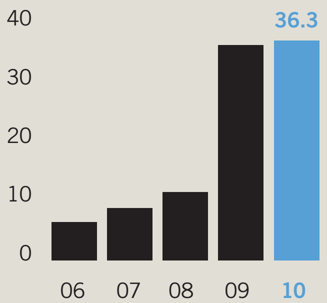
CAPITAL EXPENDITURE
$ MILLION



We expect to continue investing more than $100 million each year upgrading our assets and installing new networks. The majority of our investments are growth orientated, with the remainder spent on replacing old assets.

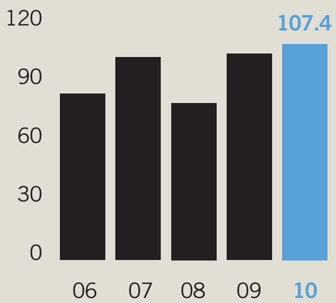
Our key financial results show steady improvement – a trend we expect to continue with disciplined management.

UNDERLYING PROFIT AFTER TAX
$ MILLION



The Company recorded an underlying profit after tax of $36.3 million, marking another year of steady improvement.

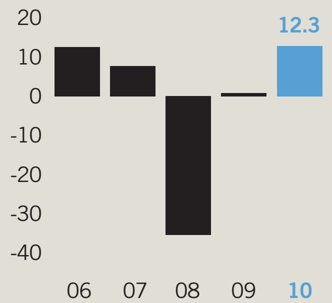
CASH FLOW FROM OPERATIONS*
$ MILLION



A key measure of our success is cash flow available to pay dividends to shareholders. Cash flow was 1.5 times dividends in 2009-10.

*After financing costs and replacement capital expenditure

ANNUAL RETURNS TO SHAREHOLDERS*
(%) PER CENT AS AT 30 JUNE



The 2009-10 Return to Shareholders of 12.3%, comprising a small share price appreciation together with dividends, was a welcome improvement following the GFC-impacted returns in 2008 and 2009.

*Annual returns to shareholders includes dividends and capital gains / (losses)

CHAIRMAN'S AND MANAGING DIRECTOR'S REVIEW

Our Company continued its steady growth in 2009-10 but recorded a small decrease in reported profit after tax from the previous year.

On an underlying basis, the profit after tax was up $0.7 million to $36.3 million, compared with $35.6 million in 2008-09.

Total revenue was marginally lower at $383.3 million; however, haulage revenue increased 2% largely due to tariff increases, as volumes fell 3% as a result of the relatively warm weather that occurred through the winter months.

Whilst the impact of the global financial crisis slowly ameliorated through the year, with the Australian economy showing heartening resilience, the Board and Management continued to be mindful of the significant capital program facing the Company, the weakened position of many of the international banks and the constrained performance of the Australian capital markets for non-financial corporate issuers with lower investment grade ratings. A number of bank lending and capital market initiatives were undertaken to strengthen the Company's financial position which resulted in favourable responses from both our ratings agencies: Standard & Poor's and Moody's.

The debt raisings were also accompanied by two modest equity issues (in October 2009 and April 2010) associated with our Dividend Re-investment Plan ("DRP"), with $42.3 million raised to support the $98 million capital expenditure program that occurred in 2009-10.

The DRP continues to receive strong support with more than 3,000 shareholders (around 16% of all shareholders) participating in the April 2010 issue, representing 58% of the issued capital. The Company's two major shareholders, Australian Pipeline Ltd (APA) and Cheung Kong Infrastructure Holdings (Malaysian) Ltd (CKI) participated in both issues, raising their holdings in Envestra to 31.7% and 19.0% respectively.

SHARE MARKET PERFORMANCE

The disappointing share price performance of the previous year continued in 2009-10, with shareholders receiving an income yield of 11.3% from the receipt of the dividends totalling 5.5 cents.

The Board continues to focus on returns to shareholders. The annual capital expenditure program increases the regulatory asset base, thereby providing a basis for steady revenue growth for the long-term, so long as adequate investment returns are allowed by the Australian Energy Regulator. Whilst we are initially focused on improving the Company's credit rating with Standard & Poor's to the same level as that of Moody's (BBB for S&P's is equivalent to Moody's Baa2 rating) through retaining surplus cash and gradually reducing gearing, the Board is cognizant of shareholders' need to see some growth in dividends in the medium-term.

FINANCING STRATEGY

Envestra's financing strategy for many years has been to extend the duration of its debt portfolio, to have refinancing in place at least six months prior to maturity, and to set a limit of 15% of the debt portfolio to mature in any one year. At 30 June 2010, the average loan maturity for the Envestra group was just under nine years. This increased to just over 10 years on 1 July 2010 with the draw down of the new US $150 million Private Placement Facility announced in February.

During the year the Company raised $387 million of new bank debt to re-finance existing facilities and to support the capital expenditure program. Margins were substantially above those that applied to the maturing facilities, and the new loan periods were generally shorter than those which were available in the past. These terms were a consequence of the global financial crisis that was still having significant impact on capital markets throughout 2009-10. These additional costs are potentially recoverable via future regulatory resets, and in part, under our current Access Arrangements.

With the limited tenor available from Australian banks, and in the face of a lack of debt capital raisings by corporate issuers, the Company turned to the US market in February 2010 to raise US$150 million in 17-year bonds. Whilst funding was not drawn down until July 2010, the issue frees up existing bank lines to re-finance future maturing debt through to the 2011-12 financial year.

At 30 June 2010, the Company had undrawn bank facilities amounting to $222 million with terms extending from 2010 to 2012. These credit facilities, in conjunction with the cash being generated by the business, are more than sufficient to support our capital expenditure program and fund operating costs over the next several years.

Our debt management strategy has resulted in the Company now having a broad portfolio of bank lines and bonds, with maturities reasonably spread over the years through to 2034, generally with less than 15% of the debt portfolio maturing in any one year.

The Company's exposure to interest rate risk is limited as over 90% of floating rate debt is hedged in line with the regulatory reset periods through to June 2011, for South Australia and Queensland, and December 2012, for Victoria.

OUR FINANCIAL PERFORMANCE

Haulage revenue, which is generated mainly from the delivery of natural gas for retailers, increased 2% over the previous year to $354.4 million due mainly to tariff increases and the addition of over 24,000 new consumers to the networks. Other revenue fell $13.5 million to $28.3 million, due mainly to the final recognition in 2008-09 of the South Australian Government's grant to offset the cost of introducing full retail contestability ($9.1 million recognised in 2008-09).

Gas volumes distributed through the networks to domestic consumers were down 4% on the previous year at 47.2 petajoules, principally due to the warmer weather in 2010 and the ongoing effect of new appliance efficiencies.

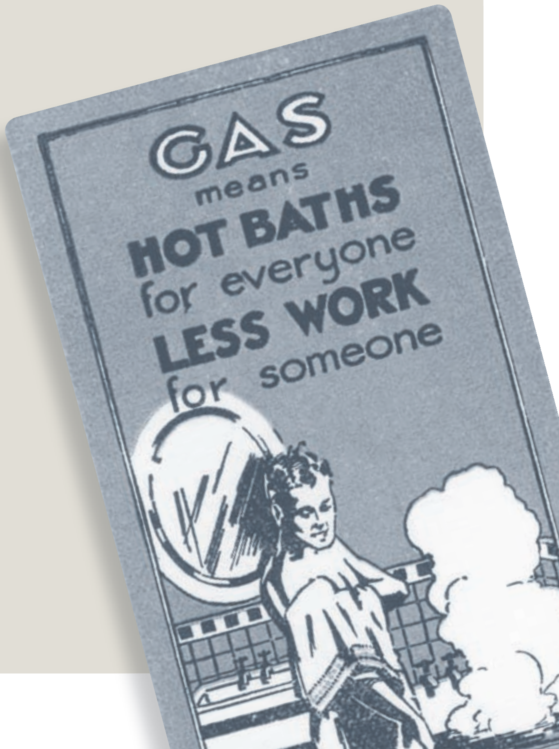
Operating costs were up 8% on the previous year, largely as a result of increased marketing activities aimed at enhancing the competitive position of natural gas, particularly in the face of increasing Government support for renewable energy alternatives. Marketing efforts had been curtailed in the previous year in the face of the global economic crisis, and it was seen as important to restore these efforts to protect the market position of natural gas and ensure long-term volume growth.

Finance costs were $156.9 million, marginally below the $158.3 million experienced in the prior period. Whilst margins on debt renewed in the past 18 months have been considerably higher than historical levels, the indexation costs on the Company's $350 million Capital Indexed Bonds portfolio were considerably lower due to lower inflation outcomes in 2009-10 compared with the previous year.

Cash flow from operating activities was $117.1 million, marginally lower than $122.3 million in the previous year.

After allowing for replacement capital expenditure, cash flow available for dividends amounted to $107.4 million, providing a dividend cover ratio of approximately 1.5 times.

Dividends to shareholders were reduced from 7.25 cents in 2008-09 to 5.5 cents per security in 2009-10, in conjunction with the increased number of shares on issue following the Rights Issue in February, 2009. Total dividends amounted to $73.0 million, down $2.8 million on the prior year.



THE REGULATORY REGIME

Envestra's monopoly position as a gas distributor is subject to price regulation by the Australian Energy Regulator (AER). The AER reviews the Company's Access Arrangements at five-yearly intervals under the National Gas Law and Rules. This process determines revenue, and as a consequence, tariffs, as well as contractual terms for retailers and some large volume consumers over the following five years.

We are currently in the Access Arrangement periods for each of our Victorian, South Australian and Queensland networks, with the Victorian period due to expire on 31 December 2012, whilst the South Australian and Queensland periods expire on 30 June 2011.

The regulatory process under the National Gas Law has now evolved to a position of extreme complexity, with submissions by network owners consuming significant time and resources. Our regulatory team has been focused throughout 2009-10 on preparing the necessary material with a target date of 1 October 2010 for delivery of the submissions to the AER for South Australia and Queensland. Key issues being addressed are the rate of return required to justify future investments, the planned network development and maintenance costs required to meet customer demand and to ensure a safe and reliable network performance, the justification of proposed operating and capital costs, and the anticipated gas demand over the next five-year period. We are now well advanced in the preparation of the necessary material to be put before the AER.

CAPITAL EXPENDITURE PROGRAM

Consistent with recent years, the Company again undertook a significant capital expenditure program in 2009-10 with $98 million spent on network extensions, capacity enhancements, mains replacement and meter changes. During the year 276 kilometres of new mains were laid, 119 kilometres of old mains were replaced, and a number of high pressure mains were laid to enhance the capacity of our networks.

Capital expenditure allowed under the Company's three Access Arrangements was $75 million and $225 million for Queensland and South Australia respectively, over the five years from July 2006, and $430 million for Victoria, for the five-year period from January 2008. These levels of expenditure require significant support from investors and financiers and will only occur where we are satisfied that the returns expected from these investments are consistent with Envestra's cost of capital.

In this regard, due to the increased cost of capital as a result of the global financial crisis, the cost of new debt and equity for much of the 2009-10 financial year was in excess of that allowed by the Regulators, and as a result, we reviewed our capital program carefully with a view to constraining expenditure, but being mindful of the long-term nature of network returns. In constraining capital expenditure, we are also mindful of our responsibilities to ensure that the networks continue to be operated in a safe and reliable manner, and that this is not compromised through any expenditure cuts.

Our interest rate hedging program, together with the fact that we have put a range of financing facilities in place over many years at margins that are relatively attractive in comparison with current financial market conditions, will enable us to support the capital expenditure program in 2010-11.

OPERATOR PERFORMANCE

APA Asset Management, as operator of our networks, performed well, despite an increase in operating costs over the prior period. As mentioned above, increases in marketing expenditure were a large factor in the increase.

Safety performance for APA's 1,100 employees and contractors, whilst not meeting all targets, reflects a high standard, and is a direct result of their attention to this key performance measure. No major incidents occurred in 2009-10.

There were 12 Lost Time Injuries sustained by APA employees and contractors compared to 16 in the previous year. Whilst we continue to target reductions in conjunction with APA, the desired outcome is challenging given the difficult working conditions often confronting the operator's field workers, and the ageing of its workforce. However, we are intent on improving this performance in conjunction with APA.

As Australia's largest distributor of natural gas we take pride in delivering this environment-friendly fuel to over one million homes and businesses.

GROWTH STRATEGY

Our substantial capital program provides for long-term revenue growth as investments in new networks expand our regulatory asset base, and deliver sustained increases in revenue over many years.

As occurred in the previous year, conditions in financial markets precluded any meaningful effort being directed to network acquisitions, and this situation was compounded by the fact that there were limited opportunities available during the year. Whilst there are signs that this situation is beginning to change, and although we do not expect to undertake major acquisition initiatives in the near future, we will seriously review appropriate opportunities as they arise.

We have connected more than 20,000 new consumers per year for over a decade and expect this to continue in 2010-11. This historically strong demand is being supported by various State and Federal Government policy decisions which recognise the environmental benefits of natural gas and promote the use of the fuel, as well as the high population growth that has been evident over recent years.

We believe consolidation of the energy infrastructure sector will continue as companies seek to release the value of "non-core" assets, or seek mergers to facilitate further growth or to ensure long-term financial stability in the face of volatile debt and equity markets. Envestra's participation in any such moves would be determined by whether they provide an overall benefit to our shareholders.

GREENHOUSE GAS EMISSIONS – THE POLICY IMPASSE

The rejection of the Federal Government's proposed Emissions Trading Scheme in Parliament in late 2009, together with the failure of the Copenhagen Conference in December 2009 to settle on any global approach to carbon emissions abatement, has resulted in a policy impasse on the part of the Australian Government which could have serious ramifications for the energy industry.

Without a settled policy on the part of both Government and Opposition as to an appropriate way to deal with this issue, considerable uncertainty confronts investors in proceeding with the estimated $15 billion of investment required in energy networks and electricity generation over the next five years. Whilst the necessary investments may be made to ensure the energy systems continue to supply consumers, it will come potentially at a considerably higher cost so long as significant uncertainty, and therefore risk, continues.

In respect to Envestra, whilst natural gas is widely recognised to be an essential part of the solution to greenhouse gas abatement, the policy uncertainty can only serve to increase the cost of capital and the competition for funds. It is therefore vital that Australian policy makers move quickly to arrive at a solution that provides certainty to investors such as Envestra which invest over very long– term horizons. Time is now of the essence given the lengthy planning and approval process generally required for energy infrastructure investments.

ORGANISATION AND STAFFING

Envestra's network operations are largely outsourced to our operator, APA Asset Management. Envestra's Management oversees the activities undertaken by some 1,100 staff and contractors. We take this opportunity to recognise the considerable effort and commitment of these people who are dedicated to the safe and reliable operation of our networks and the provision of various support services.

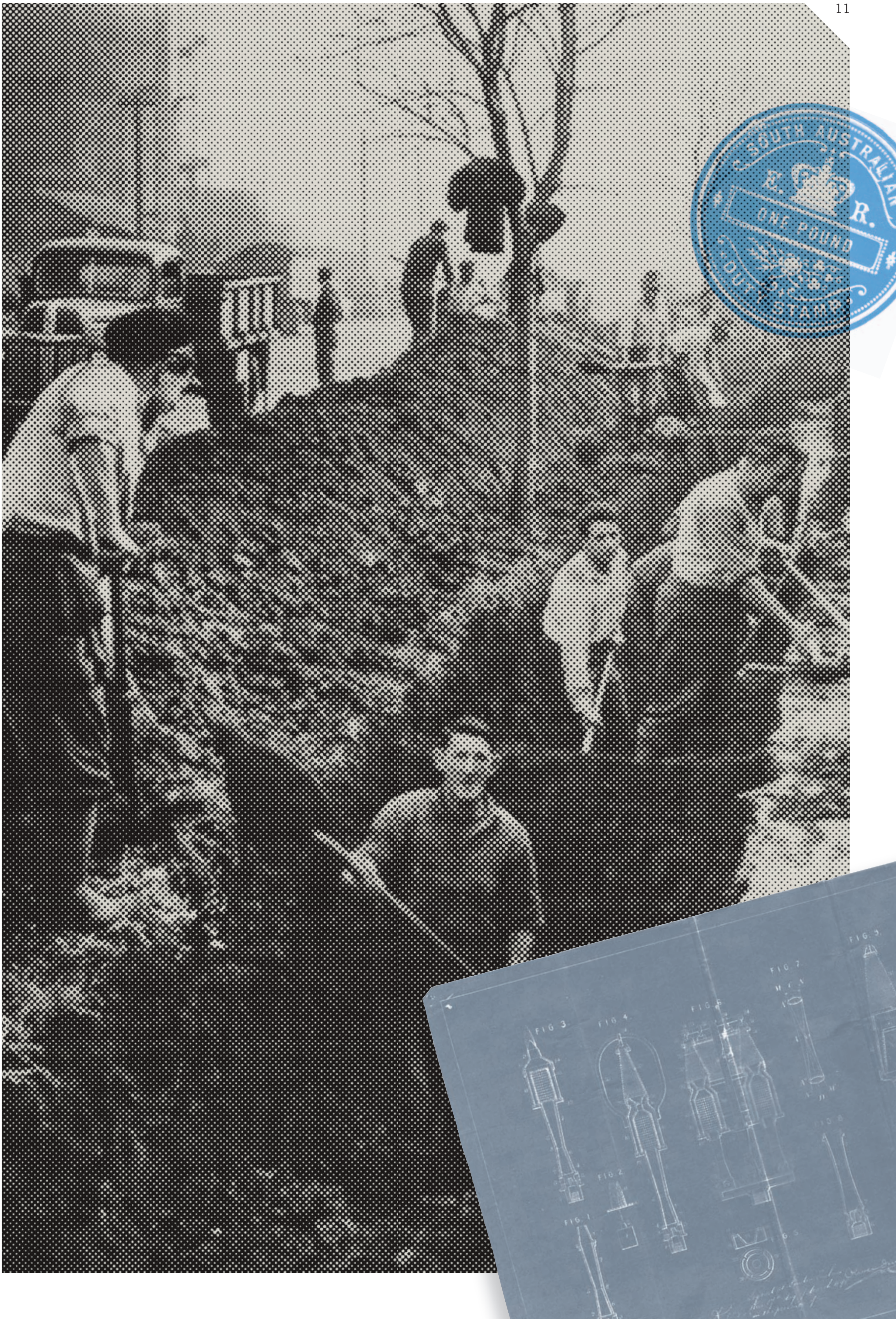
Envestra's management team comprises experienced professionals with significant expertise across financial, engineering and regulatory disciplines. The smooth operation of the business, including capital management activities, financial reporting and the ongoing management of our regulatory processes, is a reflection of the dedication that this team brings to our Company.

On behalf of our Board, we take the opportunity to thank our employees, as well as the employees of APA for their substantial contributions to Envestra achieving its operating performance and record underlying profit in 2009-10.

J G Allpass
Chairman

I B Little
Managing Director

26 August 2010


SOUTH AUSTRALIAN
ONE POUND

COMPANY OBJECTIVES

Our vision is to own and reliably operate natural gas networks, pipelines and related services that generate attractive returns for our shareholders. Following is a summary of how we have performed over the past 12 months against the activities that will enable us to deliver on our vision.

OBJECTIVE	2009-10 RESULT
Achieving long-term (pre-tax) annual returns to our shareholders (including distributions and capital gains) of at least 12.5%.	Total shareholder returns for 2009-10 were 12.3%. The result comprised a 1.0% share price increase, together with a dividend yield on the 1 July 2009 share price of 48.5 cents, of 11.3%.
Operating our networks safely and efficiently, complying with all laws and relevant industry standards, and enhancing their value by adding connections and augmenting capacity.	There were no significant incidents involving interruption to supply, or breaches of laws or gas industry standards. During the year, more than 24,000 new consumers were connected to the networks and $98 million was spent on improving and extending gas supplies.
Promoting the use of natural gas, the most environment-friendly fossil fuel and a cost-competitive, convenient energy source for most consumers.	Our marketing program was significantly expanded in 2009-10, with television advertising, gas appliance subsidies, enhanced customer connection facilities, and retailer promotional activities.
Positively changing the regulatory environment so that investment is encouraged, reasonable economic rewards are available to network owners and the long-term interests of gas consumers (including supply reliability and environmental benefits) are protected.	We were active in communicating with regulatory authorities regarding the need to alter the approach to undertaking Access Arrangement reviews and more particularly, in determining rates of return. Through our participation in various industry bodies, including the Energy Networks Association and the Energy Supply Association of Australia, together with our own direct efforts, we assisted other network companies in their efforts to secure reasonable outcomes from AER decisions.
Profitably growing our business through network expansion, building new transmission pipelines, adding related gas infrastructure and making appropriate acquisitions.	Some 276 kilometres of new mains were laid in 2009-10 at a cost of $20 million, bringing the total to 20,700 kilometres. Today the Company delivers gas to around 1,060,000 consumers. There was no activity in relation to new transmission pipelines and acquisitions.

OBJECTIVE	2009-10 RESULT
Delivering natural gas to our consumers in a manner that has minimal effect on the environment.	There were no major incidents involving gas leaks, and our contractor continued to perform its role in repairing gas mains and the associated equipment, and installing new mains in a manner sympathetic to the environment. There were no contraventions of environmental codes or guidelines. We continue to work closely with respective local councils and environmental protection agencies to identify the most appropriate remediation program to address the known contamination at a small number of sites in Victoria and New South Wales. These sites were used some 40 years ago for the production of coal gas and contain byproducts of this production process. They require rehabilitation or monitoring.
Providing outstanding service to our retail and commercial consumers that ensures continuing growth in consumer connections and increasing gas deliveries.	Fewer than 30 complaints were received by the Energy Ombudsmen across all States in relation to the Company's assets and activities. This represents a sound performance as more than one million consumers are connected to our networks.
Maintaining a work environment for our employees and contractors that encourages innovation and professionalism, recognises and rewards success, and promotes safety.	Envestra and APA Asset Management promote skills enhancement of employees and contractors through Company funded training programs. This includes tertiary courses, specialised training and attendance at industry conferences. APA has a major focus on safety and rewards its employees through an incentive scheme when certain targets are achieved. This incentive recognises the difficult working conditions many of their employees encounter. (Refer to page 17 for APA's safety statistics for 2009-10.)

STRATEGIES TO ACHIEVE OUR OBJECTIVES	
Effective capital management	Prudent management of re-financing risks. Maintain historically long-duration debt portfolio. Dividend re-investment plan. Improvement in credit rating.
Sound communication with Regulator (AER)	Participation in industry bodies. Development of significant "in-house" regulatory expertise.
Close relationship with operator (APA)	Operating and management agreements govern the relationship. Strong focus on reporting performance. Provides most efficient framework for operating networks.
Growth oriented capex program	Over 20,000 new customers per annum consistently added to networks. Access to proposed population "growth corridors". Continued focus on mains replacement.
Strong environmental emphasis	Promotion of natural gas as environment friendly fuel. Strong emphasis on adherence to environmental codes and guidelines. Prudent management of contaminated sites.

FINANCIAL REVIEW

The Company recorded a consolidated profit after tax of $37.2 million. An underlying profit after tax of $36.3 million was recorded, compared with an underlying profit after tax of $35.6 million in 2008-09. Items eliminated from the statutory profit after tax to calculate the underlying profit are land sales, changes to remediation provisions and investment tax allowances.

REVENUE

$383.3 million in 2009-10 *($389.1million in 2008-09).*

Envestra's revenue and income, which is generated mainly from the delivery of natural gas for retailers, was $383.3 million, down $5.8 million on the previous year. This comparison with the previous year is negatively affected by land sale revenue recognised in 2008-09 ($5.9 million), and the inclusion in 2008-09 of amortised revenue arising from a grant received from the South Australian Government in 2004 ($9.1 million). On an "underlying" basis, revenue increased by $8.7 million in 2009-10. The improvement in revenue was due mainly to the increase in distribution tariffs across all three major States (South Australia, Victoria and Queensland), as well as revenue from the 24,101 new consumers added to the Company's networks.

CASH FLOWS

$117.1 million in 2009-10 *($122.3 million in 2008-09).*

The Company generated cash flows from operating activities of $117.1 million, down $5.2 million on the previous year due mainly to higher cash borrowing costs, and higher operating costs.

Dividends paid to shareholders amounted to $73.0 million, down $2.8 million on the prior year, due to the reduction in the amount paid per security. The remaining $44.1 million of operating cash flow was available to fund the $97.8 million capex program. The balance of the capex program was financed by a combination of equity raised during the year, and debt drawdowns. Cash flow cover of dividends, after financing costs and stay-in-business capital expenditure, was 147%.

EARNINGS BEFORE INTEREST AND TAX (EBIT)

$207.9 million in 2009-10 *($212.0 million in 2008-09).*

The decline in EBIT in 2009-10 is consistent with the small decline in total revenue and higher operating expenses recorded in 2009-10.

BORROWING COSTS

$156.9 million in 2009-10 *($158.3 million in 2008-09).*

Borrowing costs were $156.9 million, down $1.4 million on the previous period. The decrease largely reflects lower indexation costs on the Company's Capital Indexed Bonds (which are non-cash), offset in part by higher margins paid on recently re-financed term debt.

SUMMARY OF CASH FLOWS ($M)

	2010	2009	2008	2007	2006
Net operating cash flow before borrowing costs	**260.5**	**257.4**	**230.2**	**226.1**	**217.6**
Net borrowing costs	(143.4)	(135.1)	(135.4)	(106.9)	(118.3)
Cash flow from operating activities	**117.1**	**122.3**	**94.8**	**119.2**	**99.3**
Proceeds from sale of land	1.0	1.0	-	2.4	0.1
Replacement capital expenditure	(10.7)	(18.4)	(16.8)	(18.7)	(17.1)
Available for distribution	**107.4**	**104.9**	**78.0**	**102.9**	**82.3**
Distributions	(73.0)	(75.8)	(81.7)	(77.7)	(73.8)
Contribution to growth capital expenditure	**34.4**	**29.1**	**(3.7)**	**25.2**	**8.5**
Growth capital expenditure	(87.1)	(94.1)	(91.5)	(89.1)	(75.0)
Cashflow available pre-debt/equity re-financing	**(52.7)**	**(65.0)**	**(95.2)**	**(63.9)**	**(66.5)**
Debt (drawdowns net of repayments)	21.0	(70.2)	60.3	6.3	5.6
Equity raising	42.3	133.9	34.6	43.0	49.9
Capital raising costs	(10.4)	(3.3)	(0.3)	(0.4)	(12.8)
Change in cash	**0.2**	**(4.6)**	**(0.6)**	**(15.0)**	**(23.8)**
Opening cash	**6.2**	**10.8**	**11.4**	**26.4**	**50.2**
Closing cash	**6.4**	**6.2**	**10.8**	**11.4**	**26.4**

INCOME STATEMENT ($M)

	2010	2009	2008	2007	2006
Revenue / income (excluding interest received)	**382.7**	**388.1**	**344.5**	**344.5**	**340.2**
Operating costs	(121.8)	(113.1)	(111.2)	(108.4)	(99.4)
EBITDA	**260.9**	**275.0**	**233.3**	**236.1**	**240.8**
Depreciation / amortisation / impairment	(53.0)	(63.0)	(59.7)	(58.3)	(55.2)
Profit before net borrowing costs and income tax	**207.9**	**212.0**	**173.6**	**177.8**	**185.6**
Net borrowing costs	(156.3)	(157.3)	(143.3)	(134.3)	(138.9)
Profit before interest on loan notes	**51.6**	**54.7**	**30.3**	**43.5**	**46.7**
Interest on loan notes	-	(2.3)	(10.8)	(18.2)	(24.7)
Profit before income tax	**51.6**	**52.4**	**19.5**	**25.3**	**22.0**
Income tax	(14.4)	(12.1)	144.1	(28.3)	(28.4)
Profit/(Loss) after income tax	**37.2**	**40.3**	**163.6**	**(3.0)**	**(6.4)**

CAPITAL EXPENDITURE

$97.8 million in 2009-10 *($112.5 million in 2008-09).*

Capital expenditure was $97.8 million, a decrease of $14.7 million on the previous year. Around $87 million was spent on growth projects and $11 million on replacement of "old" mains and other "stay-in-business" activities. Capital expenditure was generally constrained in response to the global financial crisis.

CASH RESERVES

$6.4 million in 2009-10 *($6.2 million in 2008-09).*

The Company's cash reserves at year end were $6.4 million, compared with $6.2 million at the end of the previous period. Cash balances are normally maintained at modest levels to minimise debt.

The Company had available unused bank credit lines of $222 million at year end.

During the year, debt increased by $27.0 million to $2,008.6 million.

The average loan duration for the Envestra Group, at 30 June 2010, was 8.9 years.

Envestra's gearing level was 74.2% at year-end. Gearing is defined as net debt divided by total non-cash assets. Whilst the level of gearing is relatively high compared to industrial and property companies, it is considered appropriate in the context of the reliable cash flows that are associated with a regulated monopoly service provider.

CREDIT RATING

Envestra's credit rating with Standard & Poor's of BBB-/A-3 was affirmed in June 2010, and the long-term ratings outlook was maintained as stable.

In March 2010, the Moody's rating of Baa2 Outlook Negative was revised to Baa2 Outlook Stable.

The Moody's Baa2 rating is equivalent to Standard & Poor's "BBB" rating.

We are working to strengthen these ratings to ensure the Company operates with the lowest sustainable cost of capital.

SUSTAINABILITY

A major focus of Envestra is sustainability. That is, the prudent long-term management of our business to ensure we deliver on the expectations of our shareholders, employees, gas consumers and the community – today and tomorrow.

We do this by protecting the environment in which we operate, delivering high quality services to the consumers supplied with energy via our networks, providing a safe working environment for our employees, encouraging their development and rewarding success. Allied to this is the support we provide to local communities and organisations with which we interact. By continually improving our performance in these areas we create a stronger future for Envestra.

Envestra's 2009-10 sustainability activities are set out below.

FINANCIAL SUSTAINABILITY

- Envestra has one of the longest average debt maturity profiles in its sector.
- Variable interest rates are hedged (around 90%).
- Foreign currency exposure is 100% hedged.
- Investment grade credit rating.
- Diversified investor base through various sources of funding.

NETWORK SUSTAINABILITY

- Mains replacement program designed to reduce leakage and optimise network usage and population expansion.
- Penetration into "growth corridors".
- Increased marketing programs in 2009-10.

RISK MANAGEMENT

- Executive Risk Management Committee.
- Comprehensive risk management assessment.
- Outsourced internal audit function.
- Audit and Risk Committee.
- Post global financial crisis assessment showed that processes were effective in mitigation of risk.

HEALTH AND SAFETY OF OUR PEOPLE

- Our major contractor, APA, has more than 1,100 employees and contractors working for Envestra.
- Management of occupational, health and safety receives close attention.
- Six Lost Time Injuries were sustained by APA employees during the year and six among contractors (nine and seven in previous year).
- Serious Injury Frequency Rate (SIFR) of 10.5 for employees and contractors was recorded in 2009-10.

ENVIRONMENTAL BENEFITS OF NATURAL GAS

- Government policies supportive of natural gas providing clear recognition of the fuel's environmental importance.
- Envestra increased its role in 2009-10 in promoting the use of natural gas through advertising and other marketing programs.

WORKING WITH THE COMMUNITY

- Strategic partnerships to promote the benefits of natural gas, build and maintain business relationships, source market intelligence and generate new growth opportunities.

EXCEL IN CUSTOMER SERVICE

- Providing a reliable and safe energy source to consumers.
- In 2009-10, a further 24,101 customers were connected to our gas networks.

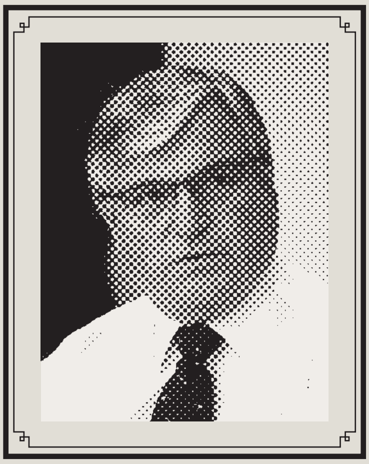
CORPORATE GOVERNANCE

- Practices consistent with Corporate Governance Principles issued by the Australian Securities Exchange.
- Refer Corporate Governance Statement on pages 22 to 30.

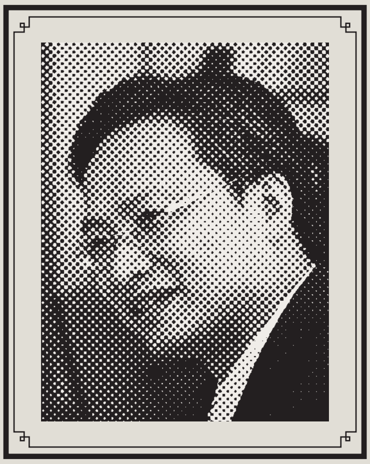
SEEK TO MINIMISE OUR ENVIRONMENTAL IMPACT

- Envestra complied with all of its environmental obligations in 2009-10.
- No significant environmental incidents were experienced.

The Directors 2010

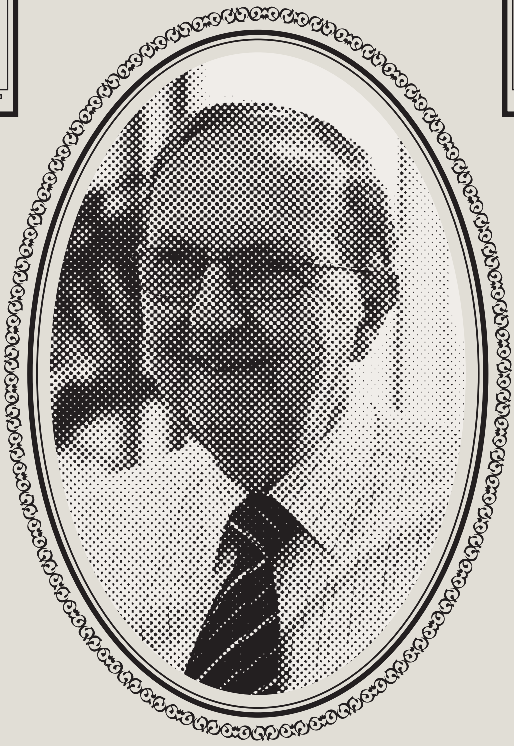


Mr FRASER AINSWORTH



Mr DOMINIC CHAN

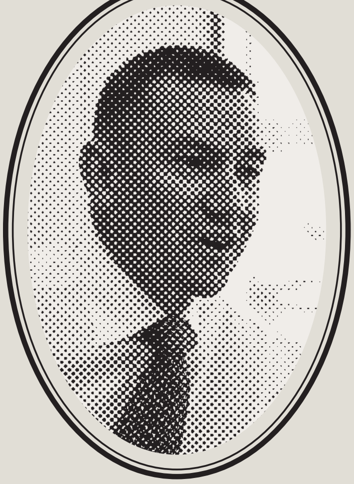
Mr IVAN CHAN



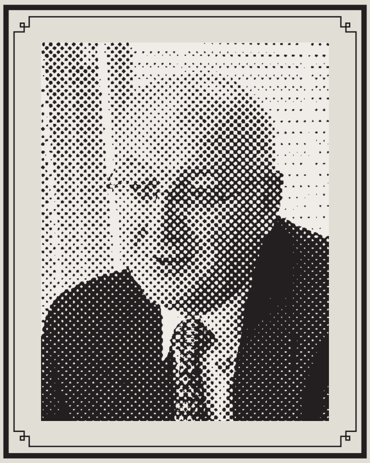
Mr JOHN ALLPASS
Chairman

Mr ROSS GERSBACH

Mr MICHAEL McCORMACK



Mr IAN LITTLE
Managing Director



Mr OLAF O'DUILL

BOARD OF DIRECTORS

Envestra's Board has extensive industry, banking, legal and commercial experience. The Company benefits from also having on the Board representatives of Australian infrastructure companies.

John Allpass* (69) FCA, FCPA, FAICD
Director since June 1997
Chairman of the Board (since 2002)
Chairman of the Remuneration Committee
Chartered accountant with over 30 years' experience in the accounting profession.

Other Directorships: Bupa Australia Pty Ltd (since October 1999); Bupa Australia Holdings Pty Ltd (since May 2008); Bupa Australia Health Pty Ltd (since May 2008); and BrisConnections Management Company Ltd (since May 2008). Alternate Directorships: BAC Holdings Ltd; BAC Holdings No. 2 Pty Ltd; and Brisbane Airport Corporation Pty Ltd (since September 2009). He is a former Managing Partner, KPMG (Queensland) and member, KPMG National Board and former Director, Macquarie Bank Ltd (1994-2007); and Queensland Investment Corporation (1991-2008).

Ian Little (53) FCA, BCA, MBA, MAICD
Managing Director since April 2003
Chartered accountant with some 30 years' experience in the energy industry.

Other Directorships: Deputy Chairman, Energy Supply Association of Australia (since November 2006); Chairman, Australian Gas Industry Trust (Director since December 2006); Director and former Chairman, South Australian Botanic Gardens & State Herbarium (since July 2005); Director, Phoenix Society (since 2009).

Fraser Ainsworth AM* (64) B.Com, FCPA, FAICD
Director since February 2004
Member of the Audit and Risk Committee
Member of the Remuneration Committee
More than 30 years' experience in the Australian resources and energy sectors.

Other Directorships: Chairman, Horizon Oil Ltd (since December 2001); Chairman, Tarac Australia Ltd (since January 2006 – Deputy Chairman from 1996-2005); Director, Oil Search Ltd (since October 2002). He is a former Managing Director, SAGASCO Holdings Group (1988-1994) and Delhi Petroleum Pty Ltd (1983-1987); and former Chairman, SA Generation Corporation (1996-2000) and Bionomics Ltd (1997-2004).

Dominic Chan (48) FCPA, FCCA
Director since July 2005
Certified Public Accountant with over 25 years' experience in the financial management and accounting professions. Chief Financial Officer, Cheung Kong Infrastructure Holdings Ltd.

Other Directorships: Spark Infrastructure and Cambridge Water PLC. Former Director, ETSA Utilities; Powercor Australia Ltd and CitiPower Pty Ltd.

Ivan Chan (47) BSc, LLB, MBA
Director since August 2007
More than 20 years' experience in banking, investment and finance. Chief Planning and Investment Officer, Cheung Kong Infrastructure Holdings Ltd.

Ross Gersbach (49) B.Bus, CPA, MAICD
Director since July 2007
Member of the Audit and Risk Committee
Extensive experience in the infrastructure sector of the energy industry. He is Group Manager Commercial, APA Group.

Other Directorships: Former Director, APA Group (2006-2008), Elgas Ltd (2004-2006) and ActewAGL (2004-2006).

Michael McCormack (49) B.Surv, Grad Dip Eng, MBA, FAICD
Director since July 2007
More than 25 years' experience in the infrastructure sector of the energy industry.

Other Directorships: Managing Director, APA Group (since July 2006) and Chairman of a number of APA subsidiary companies. He is a Director, Australian Pipeline Industry Association (since October 2004).

Olaf O'Duill* (63) B. Comm. (Hons), FAICD, SFFin
Director since July 2000
Chairman of the Audit and Risk Committee
Member of the Remuneration Committee
Extensive experience in financial markets.

Other Directorships: Former Chairman, National Electricity Market Management Company Ltd (1996-1999), Southern Healthcare Network (1995-1999), Amrad Corporation Ltd (2002-2004) and Tower Ltd (2000-2006). Former Director, McPhersons Ltd (1995-2003), Sigma Company Ltd (1995-2002), and Sunraysia Television Ltd (1992-2008).

* Independent non-executive Director.
Note: In most respects, other than matters directly involving Cheung Kong Infrastructure, CKI's representatives on the Board are considered independent.

MANAGEMENT TEAM

Envestra's management team has extensive experience in the operational, financial and regulatory aspects of the gas distribution sector.

Paul May (38) B.Acc, CA
Group Manager, Finance and Risk

Chartered Accountant with more than 10 years' experience in various corporate accounting roles in ASX listed companies, including Santos Ltd and Henry Walker Eltin Group Ltd.

Andrew Staniford (54) M.Ec
Group Manager, Commercial

More than 20 years' experience in development and application of regulatory arrangements in the energy industry; extensive experience in commercial management of utilities. Former Director, Electricity Reform, South Australian Government. Director, Energy Networks Association and Chairman, ENA Gas Committee.

Des Petherick (59) PNA
Company Secretary and Manager, Corporate Services

More than 20 years' experience in corporate services in the gas industry. Former Group Manager, Corporate Services, South Australian Gas Company; Secretary to various South Australian Government Ministers, including the Deputy Premier.

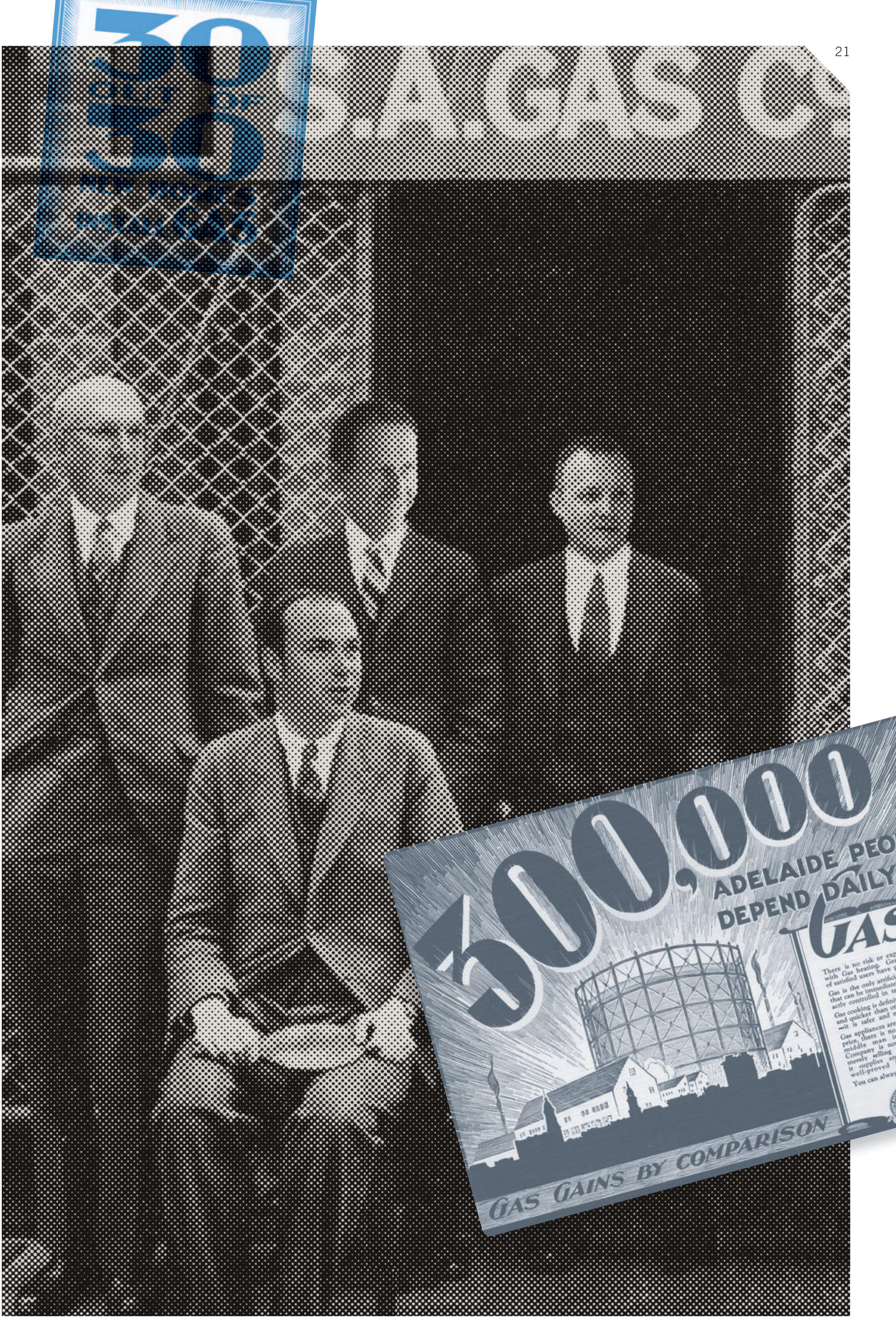
Greg Meredith (42) B.Ec (Hons), MBA
Group Manager, Treasury and Planning

More than 15 years' experience in the energy sector in various roles including regulatory and treasury management, mergers and acquisitions strategy and economic advice.

OUTSOURCED OPERATIONS

Envestra's business strategy is founded on striking an appropriate balance between internal management and outsourced operations. Our business is run by senior managers with extensive energy industry experience and, unlike many other infrastructure entities, no fees are paid to financial institutions to manage the financing, regulatory, legal or strategic functions. Operation of the gas distribution networks and transmission pipelines, including maintenance, engineering, network development, consumer service and various administrative activities, is outsourced to APA Asset Management (APA). Significant incentives are available to APA to improve productivity, increase revenue and enhance services.

1 Paul May
2 Des Petherick
3 Andrew Staniford
4 Greg Meredith


30
OUT OF
30
NEW HOMES
INSTALL GAS
S.A.GAS C
300,000
ADELAIDE PEO
DEPEND DAILY
GAS
GAS GAINS BY COMPARISON

CORPORATE GOVERNANCE

Envestra is committed to sound corporate governance and to this end the following policies and practices have been adopted and implemented by the Board.

Each year a review of the Company's corporate governance framework is carried out against the guidelines of the Australian Securities Exchange's Corporate Governance Council.

The Company's framework largely complies with these recommendations (refer to the table on pages 29 and 30). Consistent with the Company's approach to sound corporate governance, opportunities for improvement are regularly considered.

The Directors are responsible to shareholders for the performance of the Company and their focus is to enhance the interests of shareholders and other key stakeholders and to ensure the Group is properly managed.

The main processes that the Directors of the Company use in doing so are set out in this statement.

(a) BOARD COMPOSITION

The Company's Constitution requires that the minimum number of Directors is three and the maximum is 10. The Company has two major shareholders, Australian Pipeline Ltd (APA Group) and Cheung Kong Infrastructure Holdings (Malaysian) Ltd (CKI).

Under Envestra's Constitution, while CKI holds more than 15% of Envestra's securities, they may appoint up to two non-executive Directors. If their holding is between 10 and 15%, they may appoint one Director.

The APA Group and CKI Directors are not regarded as being independent under the ASX Corporate Governance Guidelines, as the organisations hold 31.7% and 19.0% respectively of the Company's issued capital. In addition, APA Group has a significant contractual relationship with Envestra under the Operating and Management Agreements related to the Company's assets.

The existence of a shareholder with more than a 30% holding in the Company mitigates the non-independent status of CKI.

Envestra's Policy on Independence of Directors is available on the Company's website www.envestra.com.au.

(b) MEMBERSHIP OF THE BOARD COMPRISES:

- Three independent non-executive Directors.
- Two non-executive Directors nominated by APA Group.
- Two non-executive Directors appointed by CKI.
- The Managing Director.

The Company's Constitution requires that the Chairman must be an independent Director.

To comply with the ASX guidelines on independent Directors, it would be necessary to appoint three additional Directors, which would require an amendment to the Constitution. However, given the balance between the existing major shareholders' representatives on the Board, and the independent Directors, the existing Board structure is considered appropriate, particularly as under the Constitution the Chairman has a casting vote in the event of an equality of votes.

Directors are subject to retirement by rotation and election by shareholders at a general meeting.

No Director may remain on the Board for more than three years without re-election. Where a Director is appointed during the year that Director will hold office until the next Annual General Meeting, and then be eligible for re-election.

Details of the members of the Board, their experience, qualifications and special responsibilities are set out on pages 18 and 19.

When considering Board vacancies, Directors take into account the candidate's capacity to enhance the mix of skills and experience of the Board and to contribute to the development of the Company. When a vacancy exists, the Board identifies candidates with the relevant experience and expertise, using external consultants when required.

Envestra's Policy on Director Nominations and Appointments is available on the Company's website www.envestra.com.au.

The current Board has a broad range of expertise covering financial, legal, banking, commercial and operational backgrounds, with all members bringing the benefits of experience from other Boards and industries.

(c) PERFORMANCE APPRAISAL

The Board has adopted a policy of undertaking self-assessments of its performance to initiate improvements and assist in determining the Board's support for individual members offering themselves for re-election by the shareholders. Assessments are conducted at regular intervals.

(d) BOARD RESPONSIBILITIES

The most significant responsibilities of the Board include:

- Setting strategic objectives, long-term business plans and annual budgets.
- Regularly reviewing the operational and financial performance of the Company.
- Ensuring that the requirements are met of continuous disclosure to the investment market and security holders about the performance and activities of the Company.
- Ensuring that appropriate risk management systems are in place and reports on performance are regularly reviewed.
- Overseeing the Company's commitment to the health and safety of employees and contractors, the environment and sustainable development.
- Evaluating potential business development opportunities.
- Appointing the Managing Director and senior executives and evaluating their performance.
- Appointing the Company's external auditors.
- Appointing the Company's internal auditors as part of its general responsibility to ensure satisfactory internal controls are maintained over the Company's key risk areas.
- Ensuring the Company's Code of Conduct and Ethics and other policies are adhered to.
- Approving the annual and half-yearly financial reports.
- Overseeing the engagement of resources to conduct the business.

(e) DELEGATED AUTHORITY

The Board delegates to the Managing Director and senior executives day-to-day management of the affairs of the Company and its controlled entities, and the implementation of the corporate strategies and policies. Non-executive Directors meet, at least twice per year, without management present.

(f) INDEPENDENCE OF BOARD MEMBERS

Envestra's Constitution provides that Directors or their firms may act in a professional capacity for the Company, other than acting as an auditor for the Company. Disclosure of related party transactions is set out on page 75.

APA Group entities connected with Mr M J McCormack and Mr R M Gersbach had dealings with the Company during the year. Almost all transactions were associated with the contractual arrangements under the Operating and Management Agreements entered into with Envestra. In respect to other matters which arose with the APA Group during the year, in accordance with the Board's guidelines, the APA Directors declared their interest in those dealings to the Company and, after discussion, the remaining Directors determined whether the potential conflict of interest disqualified them from being present or voting on the matter.

(g) RESOURCES AVAILABLE TO THE BOARD

Directors have the right of access to Company employees, advisors and records.

In relation to their duties and responsibilities, Directors have the right to seek independent professional advice at the Company's expense where the Chairman has given approval.

As approved by shareholders, the Company has entered into Deeds of Access with each Director giving them a right of access to all documents that were provided to them during their time in office for a period of 15 years after ceasing to be a Director.

(h) REMUNERATION OF NON-EXECUTIVE DIRECTORS

The maximum aggregate remuneration for non-executive Directors is set out in the Company's Constitution and can be varied only at a general meeting. Shareholders approved the current maximum aggregate remuneration of $750,000 per annum in November 2003. The amount paid in 2009-10 was $663,333.

Board fees were last reviewed with effect from 1 July 2006. The Chairman's fees are $150,000 and for other Directors they are $75,000. The Chairman of the Audit and Risk Committee receives a fee of $15,000 and other members $10,000.

Details relating to the remuneration paid to non-executive Directors appear on page 37.

The maximum aggregate remuneration for non-executive Directors is to be reviewed at the 2010 Annual General Meeting.

The Retirement Benefit Scheme for Directors, which was introduced when the Company was formed in 1997, was suspended on 30 June 2003. Under the scheme, after one year of service Directors were entitled to receive retirement benefits on a sliding scale based on the number of years served on the Board. The maximum retirement benefit was payable after 10 years' service and was calculated as three times the average annual emoluments of the Director over the three years before the date of retirement.

Superannuation was paid by the Company, in addition to the above fees, at the minimum superannuation guarantee levels required by Commonwealth legislation. The accumulated benefit arising from these superannuation payments are offset from the retirement benefit, when paid to Directors.

Superannuation contributions continue to be made for eligible Directors, but these are now deducted from the fees paid.

At 30 June 2010, the benefit payable on retirement of each non-executive Director was:

- Mr J G Allpass $173,622;
- Mr O B O'Duill $45,944.

The benefit payable on retirement is based on 10/13 of the Director's fees paid in the previous three years, but is not adjusted for the increase in years of service.

Mr F Ainsworth, Mr D Chan, Mr I Chan, Mr M McCormack and Mr R Gersbach joined the Board after the scheme was suspended, so do not participate in the Retirement Benefit Scheme.

(i) BOARD COMMITTEES

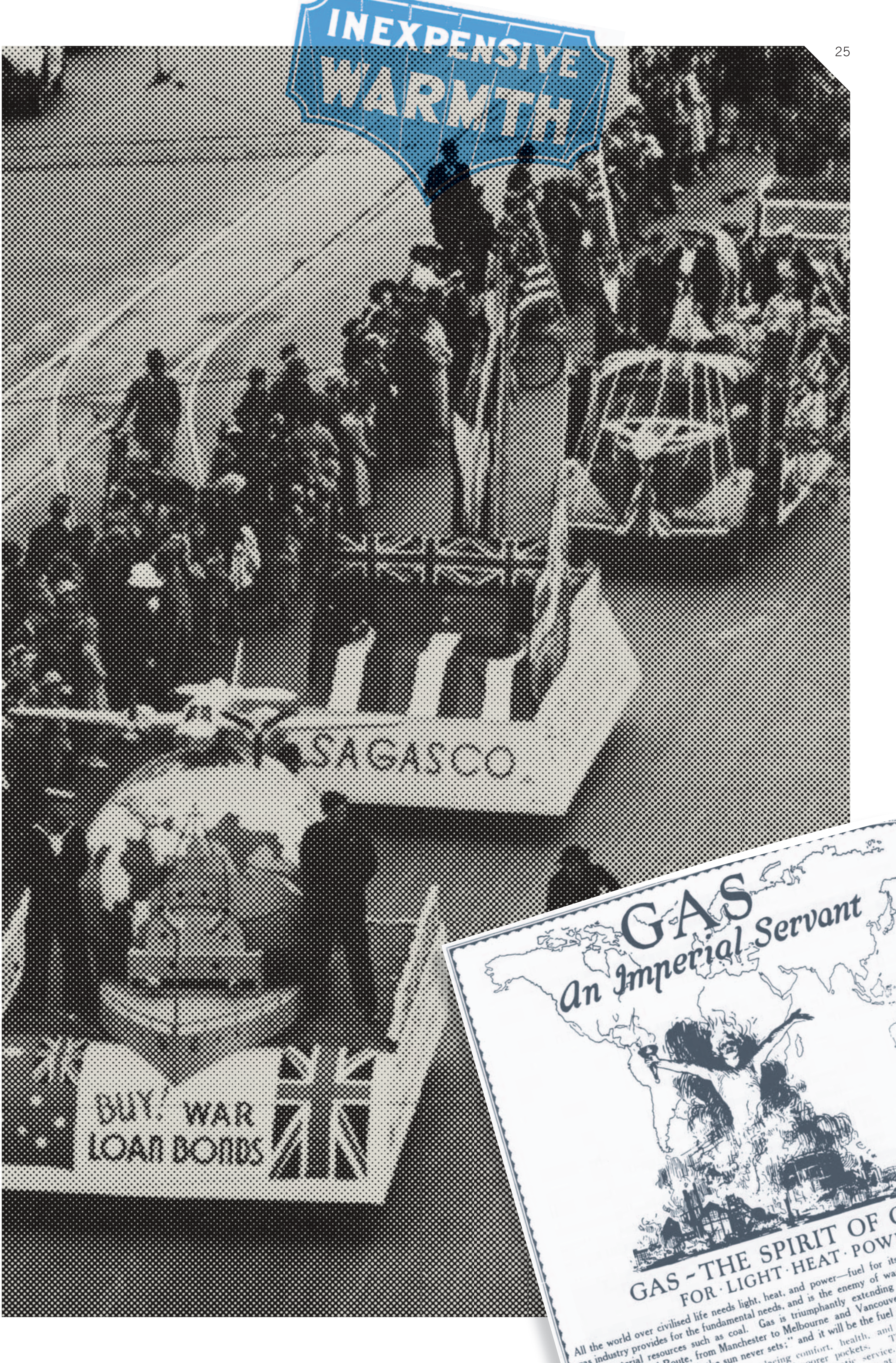
The Board has established two committees to assist in the execution of its duties. They are the Audit and Risk, and Remuneration Committees. The committee structure and membership is reviewed annually. Other committees are formed to deal with specific issues, when required.

Each of the Audit and Risk, and Remuneration Committees has its own charter setting out its role and responsibilities. The charters are approved by the Board and copies can be obtained on request from the Company or are available on the Company's website www.envestra.com.au. All recommendations of the committees are submitted to the Board for consideration.

Director appointments are relatively infrequent and are considered by the full Board. In these circumstances it has not been deemed necessary to establish a Nomination Committee. Similarly, the other roles normally undertaken by such a committee are also addressed by the full Board.

(j) AUDIT AND RISK COMMITTEE

Members of the Audit and Risk Committee must be non-executive Directors, and the Chairman of the Committee cannot be Chairman of the Board. The committee must consist of a majority of independent Directors.


INEXPENSIVE
WARMTH
SAGASCO
BUY. WAR
LOAN BONDS
GAS
An Imperial Servant
GAS - THE SPIRIT OF
FOR · LIGHT · HEAT ·
All the world over civilised life needs light, heat, and power—fuel for its
industry provides for the fundamental needs, and is the enemy of
resources such as coal. Gas is triumphantly extending
Route, from Manchester to Melbourne and
sun never sets;" and it will be the fuel

Members of the committee are:

- Mr O B O'Duill (Chairman);
- Mr E F Ainsworth; and
- Mr R M Gersbach.

Each of the external and internal auditors, together with the Managing Director and Group Manager Finance and Risk, usually attend the meetings.

The key responsibilities of the committee are:

- Reviewing the annual and half-year financial reports and recommending their adoption by the Board.
- Reviewing other financial information distributed externally.
- Reviewing management of financial risks.
- Recommending the appointment and remuneration of the auditors, and reviewing the terms and scope of engagement and assessing their performance.
- Reviewing the effectiveness of the internal control environment.
- Approving the scope of the internal audit program.
- Overseeing the risk management program.
- Overseeing corporate governance.
- Reviewing compliance with corporate policies, controls and delegated authorities.
- Reviewing compliance with the requirements of energy regulatory bodies, including the approval of regulatory accounts.
- Considering the independence of the auditor and approving non-audit services during 2009-10 provided by the audit firm.

The Audit Committee's Charter is available on the Company's website www.envestra.com.au.

PricewaterhouseCoopers (PwC) was appointed as external auditor in 1997. It is PwC policy to rotate audit engagement partners with listed companies at least every five years. The responsible audit partner for Envestra was rotated in 2009.

The Board recognises the need to periodically review the services provided by its external auditor, as well as the cost of these services. In June 2009, the Audit and Risk Committee conducted a tender for the provision of external services. It was resolved to continue using the services of PricewaterhouseCoopers as the Group's external auditor.

KPMG was appointed as internal auditor in 2002. Their audit partner was rotated, due to his retirement, in 2006.

The internal and external auditors have direct access to the Chairman of the Audit and Risk Committee and, where necessary, the Chairman of the Board. The Audit and Risk Committee meets with the external and internal auditors without management present on an as required basis, but at least once a year.

The external auditor attends the Annual General Meeting and is available to answer questions from shareholders.

(k) REMUNERATION COMMITTEE

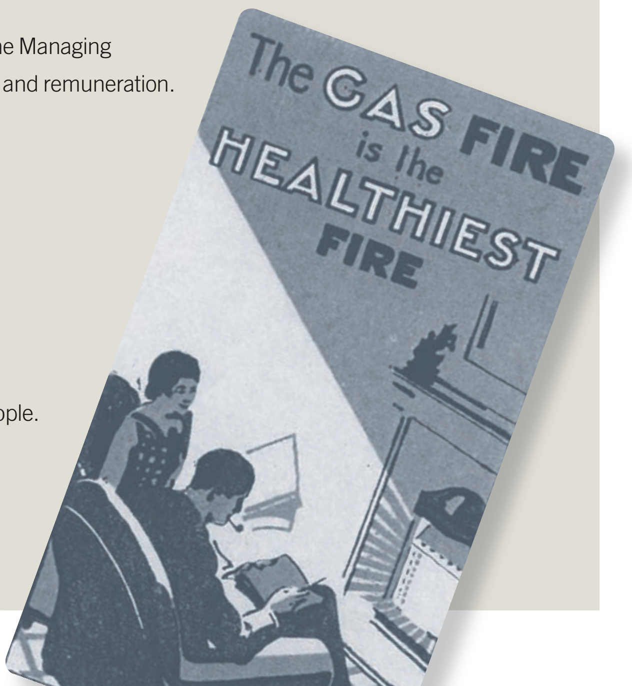
Members of the Remuneration Committee must be non-executive Directors. The Managing Director is invited to attend meetings to discuss senior executives' performance and remuneration.

Members of the committee are:

- Mr J G Allpass (Chairman);
- Mr E F Ainsworth; and
- Mr O B O'Duill.

The Remuneration Committee advises the Board on remuneration policies and practices, and makes recommendations on remuneration packages and other terms of employment for the Managing Director and other senior executives, having regard to the need to attract, retain and develop appropriately skilled people.

Each member of the senior management team is employed under a contract covering a range of matters including their duties, rights, responsibilities and entitlements on termination.



The committee, having regard to personal and corporate performance and relevant comparative information, reviews remuneration of the senior management team annually. The remuneration of all senior managers is assessed at regular intervals by an external professional human resources consultant and the resultant report submitted to the committee for consideration as part of the review of packages.

Remuneration for senior executives comprises both fixed remuneration and incentives. The incentives are based on a combination of the Company's results and individual performance levels. The payment of short-term incentives is dependent upon the achievement of operating and financial targets set at the beginning of each year.

Each employee develops a list of personal key performance indicators (KPIs), including targets as against which performance is measured, in conjunction with their manager, prior to the commencement of the financial year.

The KPIs for senior executives are reviewed and agreed in conjunction with the Managing Director, before being submitted to the Remuneration Committee for consideration.

Performance against the KPIs is regularly monitored, with two formal reviews being carried out at the half-year in December and at year-end in June. The June assessment is considered by the Remuneration Committee as part of its deliberations as to whether an executive is to receive a bonus. Any bonus is based on a combination of individual performance (40%) and corporate outcomes (60%). The Managing Director is assessed entirely on the corporate outcomes.

The maximum short-term incentive for the Managing Director is 30%, for the Group Manager Commercial it is 25%, and for all other senior executives it is 20%.

The Managing Director and Group Manager Commercial have the ability to earn a long-term incentive, on a rolling basis, after three years' service. The bonus is equivalent to 50% of the short-term incentive. Payments under this incentive for the Managing Director and the Group Manager Commercial commenced in 2007 and 2008, respectively.

The Company does not operate an Employee Share Option Plan.

(I) RISK ASSESSMENT AND MANAGEMENT

The Company has a risk-assessment program that is monitored by the Audit and Risk Committee. The program is designed to ensure strategic, operational, legal, financial and reputational risks are identified, assessed, addressed and monitored to enable the Company to achieve its business objectives.

The Managing Director, Group Manager Finance and Risk, and Company Secretary manage the Company's risk-management program in conjunction with the Executive Risk Management Committee.

The Board and Audit and Risk Committee have received an assurance from the Managing Director and the Group Manager Finance and Risk that the declaration provided in accordance with section 295A of the Corporations Act is founded on a sound system of risk management.

The Audit and Risk Committee receives regular reports on progress in addressing the risks. The internal auditors also carry out regular investigations into control mechanisms and report their findings, including recommendations for improvement to controls, processes and procedures, to the Audit and Risk Committee.

APA is required to operate and manage Envestra's networks in accordance with the Operating and Management Agreements and to legal and prudential standards. Envestra's management has the responsibility to monitor the risks and compliance issues associated with APA's performance and to report to the Board on these matters. As part of this process, independent engineering audits are conducted each year.

The Company has a comprehensive insurance program in place which is reviewed annually in conjunction with the Company's insurance brokers and legal advisors.

(m) INDEMNITIES

The Directors are indemnified under deeds against liability in the fulfilment of their duties unless the liability arises out of conduct involving a lack of good faith or wilful neglect. They are also indemnified for the costs of defending proceedings in which judgement is given in their favour, or in which they are acquitted, or the claim is withdrawn.

(n) CODE OF CONDUCT AND ETHICS

The code requires that, at all times, Directors and employees act with integrity, objectivity and in compliance with the letter and spirit of the law and Company policies.

The code requires employees, aware of unethical practices within the Company, to report these using the avenues available under the Company's Whistle-blowing Policy. Employees have direct access to the Managing Director or, if this would cause a conflict, the Chairman of the Audit and Risk Committee, or the Chairman of the Board.

(o) DEALINGS IN ENVESTRA'S SECURITIES BY DIRECTORS AND EMPLOYEES

Directors and officers of the Company are prohibited from trading in Envestra securities between 1 July and the close of business on the day following the day on which the Company announces its full-year results, and between 1 January and the close of business on the day following the day on which the Company announces its half-year results.

Directors and officers are also subject to the provisions of the Corporations Act relating to conduct by a person in possession of inside information. A person possesses inside information if they know, or ought to reasonably know, that if the information were generally available a reasonable person would expect it to have a material effect on the price of Envestra's securities. Directors and officers in possession of inside information are prohibited from trading in Envestra's securities.

Directors must inform the Chairman, or in his absence, the Chairman of the Audit and Risk Committee, and officers must inform the Managing Director, or in his absence, the Company Secretary, of their intention to trade in Envestra's securities either by themselves or by an associate. Such notification must be provided at least 24 hours prior to any proposed trade.

(p) CONTINUOUS DISCLOSURE AND SHAREHOLDER COMMUNICATION

The Company Secretary is responsible for communication with the Australian Securities Exchange (ASX). This includes ensuring compliance with the continuous disclosure requirements in the ASX Listing Rules and the Company's Continuous Disclosure Policy, and overseeing information disclosure to analysts, brokers, shareholders, the media and general public. The policy is available on the Company's website (refer below).

All information disclosed to the ASX is posted on the Company's website as soon as practicable after it is disclosed to the ASX. Material used to brief analysts on the Company's operations is released to the ASX when it provides new information and all presentation material is posted on the website.

An email alert system is operated for the benefit of shareholders and other interested parties, whereby an email is sent to registered persons when a media release or other document has been issued to the market.

Envestra's Communications Policy is available on the Company's website www.envestra.com.au.

Company announcements, annual and half-year reports, as well as market and Annual General Meeting presentations are also available on the Company's website.

ASX CORPORATE GOVERNANCE COUNCIL RECOMMENDATIONS CHECKLIST

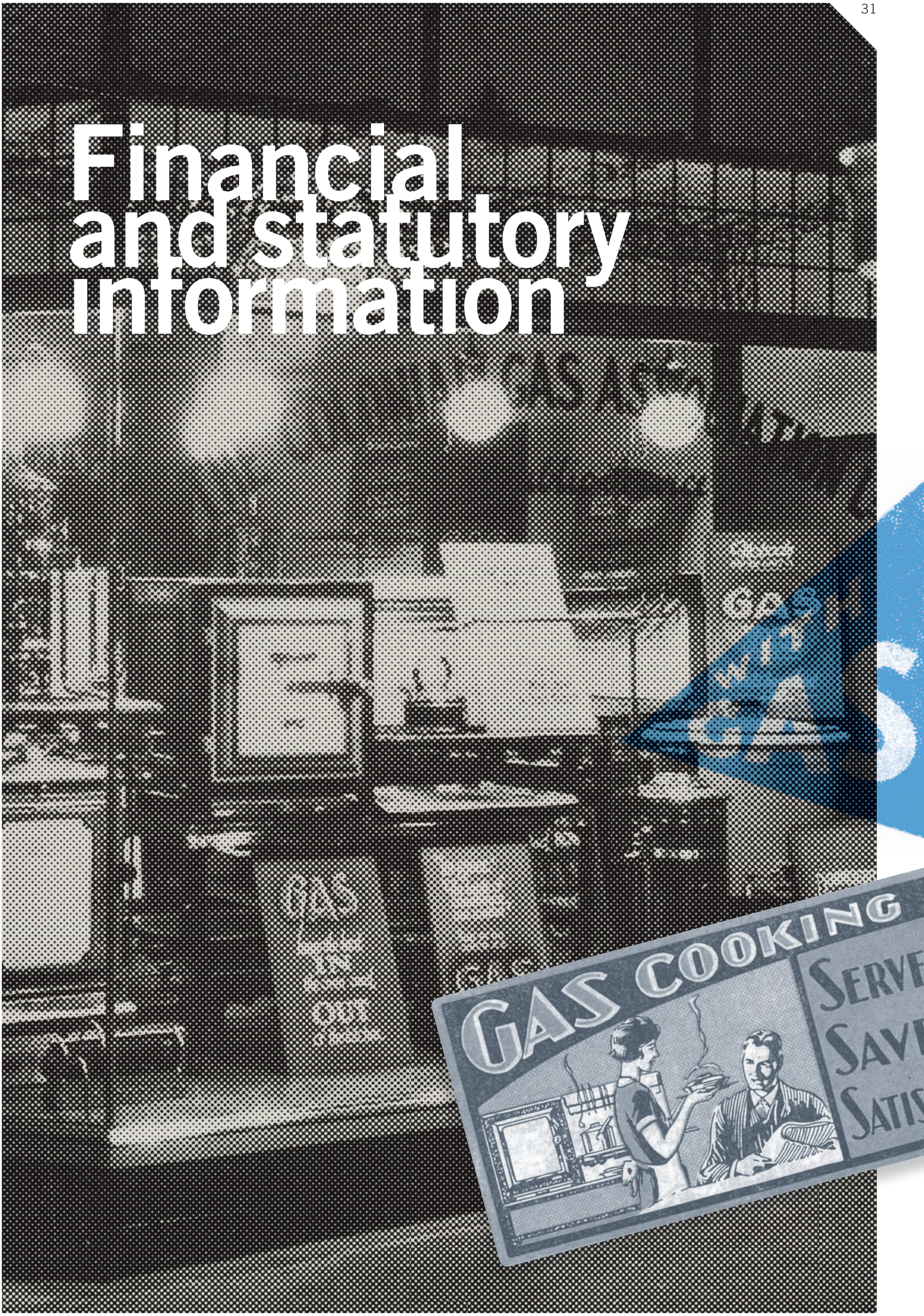
The table on the following pages cross-references the recommendations to the relevant sections of Envestra's Corporate Governance Statement and Remuneration Report.

The focus of Directors and management is to enhance the interests of shareholders.

PRINCIPLE	ASX CORPORATE GOVERNANCE COUNCIL RECOMMENDATIONS	REFERENCE (PP22-28)	
1	**Lay a solid foundation for management and oversight**		
1.1	Companies should establish the functions reserved to the Board and those delegated to senior executives and disclose those functions.	(d) (e)	✓
1.2	Companies should disclose the process for evaluating the performance of senior executives.	Remuneration Report	✓
1.3	Companies should provide the information indicated in the Guide to Reporting on Principle 1.	Remuneration Report	✓
2	**Structure the Board to add value**		
2.1	A majority of the Board should be independent Directors.	(a) (f)	✕
2.2	The chair should be an independent Director.	(b)	✓
2.3	The roles of chair and chief executive officer should not be exercised by the same individual.	(b)	✓
2.4	The Board should establish a Nomination Committee.	(i)	✕
2.5	Companies should disclose the process for evaluating the performance of the Board, its committees and individual Directors.	(c)	✓
2.6	Companies should provide the information indicated in the Guide to Reporting on Principle 2.		✓
3	**Promote ethical and responsible decision-making**		
3.1	Companies should establish a Code of Conduct and disclose the code or summary of the code as to: • the practices necessary to maintain confidence in the Company's integrity; • the practices necessary to take into account their legal obligations and the reasonable expectations of their stakeholders; • the responsibility and accountability of individuals for reporting and investigating reports of unethical practices.	(n)	✓
3.2	Companies should establish a policy concerning trading in company securities by Directors, senior executives and employees, and disclose the policy or a summary of that policy.	(o)	✓
3.3	Companies should provide the information indicated in the Guide to Reporting on Principle 3.		✓

PRINCIPLE	ASX CORPORATE GOVERNANCE COUNCIL RECOMMENDATIONS	REFERENCE (PP22-28)	
4	**Safeguard integrity in financial reporting**		
4.1	The Board should establish an Audit Committee.	(j)	✓
4.2	The Audit Committee should be structured so that it: • consists only of non-executive Directors; • consists of a majority of independent Directors; • is chaired by an independent chair, who is not chair of the Board; • has at least three members.	(j)	✓
4.3	The Audit Committee should have a formal charter.	(j)	✓
4.4	Companies should provide the information indicated in the Guide to Reporting on Principle 4.		✓
5	**Make timely and balanced disclosure**		
5.1	Companies should establish written policies designed to ensure compliance with ASX Listing Rule disclosure requirements and to ensure accountability at a senior executive level for that compliance and disclose those policies or a summary of those policies.	(p)	✓
5.2	Companies should provide the information indicated in the Guide to Reporting on Principle 5.		✓
6	**Respect the rights of shareholders**		
6.1	Companies should design a Communications Policy for promoting effective communication with shareholders and encouraging their participation at general meetings and disclose their policy or a summary of that policy.	(p)	✓
6.2	Companies should provide the information indicated in the Guide to Reporting on Principle 6.		✓
7	**Recognise and manage risk**		
7.1	Companies should establish policies for the oversight and management of material business risks and disclose a summary of those policies.	(l)	✓
7.2	The Board should require management to design and implement the risk management and internal control system to manage the Company's material business risks and report to it on whether those risks are being managed effectively. The Board should disclose that management has reported to it as to the effectiveness of the Company's management of its material business risks.	(l)	✓
7.3	The Board should disclose whether it has received assurance from the chief executive officer (or equivalent) and the chief financial officer (or equivalent) that the declaration provided in accordance with section 295A of the *Corporations Act* is founded on a sound system of risk management and internal control and that the system is operating effectively in all material respects in relation to financial reporting risks.	(l)	✓
7.4	Companies should provide the information indicated in the Guide to Reporting on Principle 7.		✓
8	**Remunerate fairly and responsibly**		
8.1	The Board should establish a Remuneration Committee.	(k)	✓
8.2	Companies should clearly distinguish the structure of non-executive Directors' remuneration from that of Executive Directors and senior executives.	Remuneration Report	✓
8.3	Companies should provide the information indicated in the Guide to Reporting on Principle 8.		✓

Financial and statutory information



DIRECTORS' REPORT

Your Directors present their report on the consolidated entity (referred to hereafter as the Group) consisting of Envestra Ltd and the entities it controlled at the end of, or during, the year ended 30 June 2010 in accordance with a resolution of the Directors.

DIRECTORS

The following persons were Directors of Envestra Ltd during the whole of the financial year and up to the date of this report:

John Geoffrey Allpass (Chairman)
Ian Bruce Little (Managing Director)
Eric Fraser Ainsworth AM
Dominic Loi Shun Chan
Ivan Kee Ham Chan
Ross Murray Gersbach
Michael Joseph McCormack
Olaf Brian O'Duill.

Mr Charles Christopher Agar Binks retired from the Board on 28 October 2009.

Details of the Directors' and Company Secretary's qualifications, experience and special responsibilities appear on pages 18 to 20 of the annual report. Directors' shareholdings are disclosed on pages 40 and 74 of this report.

PRINCIPAL ACTIVITIES

During the year the principal continuing activities of the Group consisted of:

- Provision of natural gas haulage services to retailers through the transmission pipelines and distribution networks it owns and manages.
- Development of the business through expansion of the existing networks and construction of new networks.

REVIEW OF OPERATIONS

The review of operations of the Group and the results of those operations are discussed in detail in the Chairman's and Managing Director's Review on pages 6 to 10 of the Annual Report.

CONSOLIDATED RESULTS

For the year ended 30 June 2010, revenue/income was $383.3 million, profit before tax was $51.6 million and profit after tax was $37.2 million. The aggregate of cash flows increased cash on hand at 30 June 2010 by $0.2 million leaving a cash balance of $6.4 million at 30 June 2010.

SIGNIFICANT CHANGES IN THE STATE OF AFFAIRS

No changes have occurred during the year which significantly change the state of affairs of the Group.

ENVIRONMENTAL REGULATION

Through an Operating and Management Agreement, environmental management is predominantly exercised by APA Asset Management ("APA"), with certain responsibilities retained by Envestra.

The Victorian Environmental Protection Authority ("EPA") has requested the Company prepare Risk Assessments on sites owned by the Company at Sale and Warragul that were formerly used for the manufacture of town gas.

Investigations and assessments are currently being carried out in conjunction with environmental auditors appointed by the Company. A determination on the necessity for a Risk Assessment for the site owned by the Company at Benalla has not yet been made. Provision for the Company's estimated cost of possible remediation at all sites is included in the Financial Statements.

The NSW Department of Environment, Climate Change and Water ("DECCW") has notified the Company that it is required to provide a Remediation Action Plan in respect to land formerly owned by the Company and used for the manufacture of town gas. A plan is currently being prepared, in conjunction with the current owners of that land, the Albury City Council, and is expected to be provided to the DECCW in late 2010. Provision has been made for the estimated remediation costs.

LIKELY DEVELOPMENTS AND EXPECTED RESULTS OF OPERATIONS

Information regarding future prospects and likely developments has been included in the Chairman's and Managing Director's Review on pages 6 to 10 of the Annual Report, and the Financial Review on pages 14 to 16 of the Annual Report.

OPERATING AND MANAGEMENT AGREEMENT

The Company reported in its half-year results that it was engaged in a dispute with the APA Group (which owns 32% of Envestra's shares) over a claim in respect to costs that APA believed were payable by Envestra under the terms of the Operating and Management (O&M) Agreement.

The dispute has been resolved by a clearer codification of the contractual arrangements. There has been a small additional expense for prior and current year costs that has been included in the current year results.

DIVIDENDS – ENVESTRA LTD

The following dividends were paid during the year covered by this report:

	Cents per ordinary share	*Total dividend*
		$M
Dividend on 30 October 2009	2.75	36.0
Dividend on 30 April 2010	2.75	37.0
Total dividends for 2009-10	**5.50**	**73.0**

INDEMNITY AND INSURANCE OF OFFICERS

Each Director and Executive Officer of Envestra is indemnified against liability as such an officer, to another person (except Envestra and its related bodies corporate), unless the liability arises out of conduct involving a lack of good faith. They are also indemnified for costs of defending proceedings in which judgement is given in their favour or in which they are acquitted, or the claim is withdrawn. The Directors are also indemnified under Deeds of Access, Insurance and Indemnity.

The Company has paid a premium during the period of this report under a contract which insures the officers, Directors and executives.

A condition of the insurance is that the nature of the liability indemnified, the premium payable and certain other details of the policy not be disclosed.

NON-AUDIT SERVICES

Details of the amounts paid or payable to the auditor (PricewaterhouseCoopers) for audit and non-audit services provided during the year are set out in note 30.

The Board of Directors has considered the position and, in accordance with advice received from the Audit Committee, is satisfied that the provision of the non-audit services is compatible with the general standard of independence for auditors imposed by the *Corporations Act 2001*. The Directors are satisfied that the provision of non-audit services by the auditor, as set out in note 30, did not compromise the auditor independence requirements of the *Corporations Act 2001* for the following reasons:

- all non-audit services have been reviewed by the Audit Committee to ensure they do not impact the impartiality and objectivity of the auditor;
- none of the services undermine the general principles relating to auditor independence as set out in APES 110 Code of Ethics for Professional Accountants.

MATTERS SUBSEQUENT TO THE END OF THE FINANCIAL YEAR

On 4 February 2010, Envestra announced it had reached agreement with US bond investors for a US$150 million, 17-year debt facility. The loan was drawn down on 1 July 2010 and matures on 1 July 2027. The US dollar debt has been fully hedged by swapping to Australian currency so as to avoid foreign exchange risk arising during the term of the debt.

The Directors are not aware at the date of this report of any other matter or circumstance which has arisen since 30 June 2010 that has significantly affected, or may significantly affect:

- the Group's operations in future financial years; or
- the results of those operations in future financial years; or
- the Groups' state of affairs in future financial years.

MEETINGS OF DIRECTORS

The number of Directors' meetings and meetings of committees of Directors held during the period for which each Director held office during the period 1 July 2009 to 30 June 2010, and the number of meetings attended by each Director were:

	Full meetings of Directors	Full meetings of Directors	Audit Committee meetings	Audit Committee meetings	Remuneration Committee meetings	Remuneration Committee meetings
	Held	*Attended*	*Held*	*Attended*	*Held*	*Attended*
J G Allpass	7	7	-	-	1	1
I B Little	7	7	-	-	-	-
E F Ainsworth	7	7	5	5	1	1
C C A Binks	3	3	1	1	-	-
D L S Chan	7	7	-	-	-	-
I K H Chan	7	6	-	-	-	-
R M Gersbach	7	7	5	5	-	-
M J McCormack	7	7	-	-	-	-
O B O'Duill	7	7	5	5	1	1

REMUNERATION REPORT

The information provided under headings A – D includes remuneration disclosures that are required under the *Corporations Act 2001* and the *Corporations Regulations 2001*.

The information provided in this remuneration report has been audited as required by section 308(3C) of the *Corporations Act 2001*.

A) PRINCIPLES USED TO DETERMINE THE NATURE AND AMOUNT OF REMUNERATION

The objective of the Group's executive reward framework is to ensure reward for performance is competitive and appropriate for the results delivered. The framework aligns executive reward with achievement of strategic objectives and the creation of value for shareholders and conforms with market practice for delivery of reward.

In consultation with an external remuneration consultant, the Group has structured an executive remuneration framework that is market competitive and complementary to the strategy of the organisation.

The framework is aligned to shareholders' interests in that it:

- has economic performance as a core component of plan design;
- takes into consideration returns to shareholders; and
- attracts and aims to retain high calibre executives.

The framework is aligned to participants' interests in that it:

- rewards capability and experience;
- reflects competitive reward for contribution to growth in shareholder wealth and/or Group earnings;
- provides a clear structure for earning rewards; and
- provides recognition for contribution.

The Board has established a Remuneration Committee which provides advice on remuneration and incentive policies and practices and specific recommendations on remuneration packages and other terms of employment for executive Directors, other senior executives and non-executives. The Corporate Governance Statement provides further information on the role of this Committee.

Non-executive Directors

Fees and payments to non-executive Directors reflect the demands which are made on, and the responsibilities of, the Directors. Non-executive Directors' fees and payments are reviewed annually by the Board. The Chairman's fee has been set at twice the fees of non-executive Directors.

Directors' fees

The current base remuneration was last increased with effect from 1 July 2006. The non-executive Director who chairs the Audit Committee receives additional fees and additional fees are also payable to Directors who are members of the Committee.

Non-executive Directors' fees are determined within an aggregate Directors' fee pool limit, which is periodically recommended for approval by shareholders. The maximum currently stands at $750,000.

Retirement allowances for Directors

Until June 2003, non-executive Directors were entitled to receive retirement benefits on a sliding scale based on the number of years served on the Board. The maximum retirement benefit was payable after 10 years' service and is calculated as three times the average annual emoluments of the Director over the three years before the date of retirement.

The Retirement Benefit Scheme was suspended as at 30 June 2003 and the period of service at that time was used to determine the benefit payable to the Directors as at 30 June 2003. The benefit payable at the time of retirement is calculated using 10/13 of the three year average salary immediately preceding the date of retirement and the years of service up to 30 June 2003. The liability for the payment of this benefit is adjusted for changes in fees paid annually and incorporated in the provision in the financial statements. Only two Directors are entitled to retirement benefits accrued prior to 30 June 2003.

Executive pay

The executive pay and reward framework has three components:

- base pay and benefits;
- superannuation; and
- short-term performance incentives.

Base pay

This is structured as a total employment cost package which may be delivered as a combination of cash and prescribed non-financial benefits at the executive's discretion.

The Remuneration Committee and management received information from Geoff Nunn and Associates (GNA) on the annual survey conducted by the consultant of remuneration packages in the utilities sector. The advice was used to ensure base pay reflects the market for a comparable role. Base pay for senior executives is reviewed annually to ensure the executive's pay is competitive with the market.

The Board's decisions on senior executives' packages are made independently using the advice provided by GNA and having regard to Envestra's strategic position and current circumstances.

Benefits

Executives are provided with death and total disability and salary continuance insurance cover, and company funded car parking. The cost of these benefits is included in the total employment cost packages outlined on the following pages. The provision of a fully maintained vehicle is at the executive's discretion, the cost of which is part of the total employment cost package.

Superannuation

The Company contributes superannuation to the executive's nominated fund. The superannuation guarantee levy is included in the executive's salary package.

Short-term performance incentives

Each year, the Remuneration Committee considers the performance against the appropriate targets and key performance indicators (KPIs) to assist in determining short-term incentives. The payment of bonuses is at the discretion of the Board acting on advice from the Remuneration Committee.

For the year ended 30 June 2010, the KPIs linked to short-term incentive plans were based on corporate and personal objectives. The KPIs are linked to performance against operating costs, achieving specific targets in relation to cash flow, financing costs, corporate financing outcomes, regulatory outcomes and shareholder returns, as well as other key strategic measures related to drivers of performance in future reporting periods.

Long-term performance incentives

Long-term incentives are payable, on a rolling basis, after three years' service and are linked to the short-term incentive paid in the year prior to the commencement of the three-year period. The provision of a long-term incentive recognises the small executive team within the business and the need to retain these senior executives in order to provide management stability. The structuring of the long-term incentive such that it is linked to the short-term incentive earned three years previously also serves as a deferred compensation mechanism for recognition of performance and longevity. It provides an incentive for them to remain with the Company for the long term. Long-term incentives are only payable to the Managing Director and the Group Manager, Commercial.

B) DETAILS OF REMUNERATION

Amounts of remuneration

Details of the remuneration of the Directors and the key management personnel (as defined in AASB 124 Related Party Disclosures) of Envestra Ltd and the Group are set out in the following tables.

The key management personnel of Envestra Ltd and the Group includes the Directors as per page 32 and the following executive officers who have authority and responsibility for planning, directing and controlling the activities of the entity:

- A Staniford – Group Manager, Commercial
- D Petherick – Company Secretary and Manager, Corporate Services
- G Meredith – Group Manager, Treasury and Planning
- P May – Group Manager, Finance and Risk.

Key management personnel of Envestra Ltd and the Group

	Short-term employee benefits			Post-employment benefits		
Name	Cash salary and fees	Cash bonus(ii)	Non-monetary benefits	Super-annuation(ii)	Retirement benefits	Total
2010	*$*	*$*	*$*	*$*	*$*	*$*
Non-executive Directors						
J G Allpass *Chairman*	136,500	-	-	13,500	(2,296)	147,704
E F Ainsworth	77,350	-	-	7,650	-	85,000
C C A Binks(iii)	250	-	-	58,769	-	59,019
D L S Chan(i)	75,000	-	-	-	-	75,000
I K H Chan(i)	75,000	-	-	-	-	75,000
R M Gersbach(i)	85,000	-	-	-	-	85,000
M J McCormack(i)	75,000	-	-	-	-	75,000
O B O'Duill	81,900	-	-	8,100	(968)	89,032
Sub-total non-executive Directors	**606,000**	**-**	**-**	**88,019**	**(3,264)**	**690,755**
Executive Director						
I B Little *Managing Director*	447,523	116,000	15,883	38,310	-	617,716
Other key management personnel						
A Staniford	249,422	66,900	35,517	39,630	-	391,469
D Petherick	199,298	29,300	16,115	43,618	-	288,331
G Meredith	174,528	17,200	21,964	21,600	-	235,292
P May	174,284	26,000	21,206	14,520	-	236,010
P Ryan(iii)	232,387	-	10,875	7,968	-	251,230
Total key management personnel compensation	**2,083,442**	**255,400**	**121,560**	**253,665**	**(3,264)**	**2,710,803**

(i) The Directors' fees for Mr D Chan and Mr I Chan were paid to Cheung Kong Infrastructure Holdings (Malaysian) Ltd. The fees for Mr M McCormack and Mr R Gersbach were paid to APA.

(ii) Bonus payments to key management personnel may be taken either as cash or superannuation. A long-term incentive bonus of $42,500 is included in the amount of cash bonus paid to the Managing Director, and a long-term incentive bonus of $23,000 is included in the amount of cash bonus paid to the Group Manager, Commercial.

(iii) Mr C C A Binks resigned from the Board on 28 October 2009, and Mr P Ryan resigned from the Group on 31 October 2009.

	Short-term employee benefits			Post-employment benefits		
Name	Cash salary and fees	Cash bonus[ii]	Non-monetary benefits	Super-annuation[ii]	Retirement benefits	Total
2009	$	$	$	$	$	$
Non-executive Directors						
J G Allpass *Chairman*	136,500	-	-	13,500	9,419	159,419
E F Ainsworth	77,350	-	-	7,650	-	85,000
C C A Binks	11,500	-	-	73,500	1,468	86,468
D L S Chan[i]	75,000	-	-	-	-	75,000
I K H Chan[i]	75,000	-	-	-	-	75,000
R M Gersbach[i]	85,000	-	-	-	-	85,000
M J McCormack[i]	75,000	-	-	-	-	75,000
O B O'Duill	81,900	-	-	8,100	3,051	93,051
Sub-total non-executive Directors	**617,250**	**-**	**-**	**102,750**	**13,938**	**733,938**
Executive Director						
I B Little *Managing Director*	376,833	134,500	13,566	89,833	-	614,732
Other key management personnel						
A Staniford	274,051	73,400	30,846	3,000	-	381,297
D Petherick	145,263	32,500	32,027	70,000	-	279,790
G Meredith	148,987	19,000	19,675	25,100	-	212,762
P May	144,847	27,700	18,585	13,800	-	204,932
P Ryan	241,692	27,800	26,310	23,904	-	319,706
Total key management personnel compensation	**1,948,923**	**314,900**	**141,009**	**328,387**	**13,938**	**2,747,157**

(i) The Directors' fees for Mr D Chan and Mr I Chan were paid to Cheung Kong Infrastructure Holdings (Malaysian) Ltd. The fees for Mr M McCormack and Mr R Gersbach were paid to APA.

(ii) Bonus payments to key management personnel may be taken either as cash or superannuation. A long-term incentive bonus of $42,500 is included in the amount of cash bonus paid to the Managing Director, and a long-term incentive bonus of $22,000 is included in the amount of cash bonus paid to the Group Manager, Commercial.

C) SERVICE AGREEMENTS

Remuneration and other terms of employment for the Managing Director and the other key management personnel are formalised in service agreements. The salary package is inclusive of the superannuation guarantee levy. The cost of any company provided vehicle is deducted from the employee's salary package. Each of the agreements provide for the provision of performance-related cash bonuses, other benefits including death and permanent disability, and salary continuance insurance, and the provision of a fully-maintained motor vehicle. Other major provisions of the agreements relating to remuneration are set out below.

All executive packages are reviewed annually by the Remuneration Committee. The contracts with Mr G Meredith and Mr P May may be terminated early by either party with three months' notice, and the contracts with Mr A Staniford and Mr D Petherick may be terminated with six months' notice, subject to termination payments as detailed below.

I Little *Managing Director*

- Term of agreement – non-specific, commencing 28 March 2003.
- Base salary, inclusive of superannuation, for the year ended 31 August 2010 of $489,000.
- Subject to performance, an annual bonus of up to 30% of base salary is payable.
- An additional long-term retention bonus is payable, equal to 50% of the short-term bonus paid three years earlier.
- Payment of a termination benefit on termination by the Company, other than for gross misconduct, after six months' notice, equal to 12 months' base salary plus an amount equal to the last short-term incentive paid prior to the termination.

A Staniford *Group Manager, Commercial*

- Term of agreement – non-specific, commencing 1 August 2000.
- Base salary, inclusive of superannuation, for the year ended 31 August 2010 of $310,000.
- Subject to performance, an annual bonus of up to 25% of base salary is payable.
- An additional long-term retention bonus is payable, equal to 50% of the short-term bonus paid three years earlier.
- Payment of termination benefit on termination by the employer, other than for gross misconduct, equal to 18 months' base salary (including the period of notice).

D Petherick *Company Secretary and Manager, Corporate Services*

- Term of agreement – non-specific, commencing 1 September 1997.
- Base salary, inclusive of superannuation, for the year ended 31 August 2010 of $244,500.
- Subject to performance, an annual bonus of up to 20% of base salary is payable.
- Payment of termination benefit on termination by the employer, other than for gross misconduct, equal to 18 months' base salary (including the period of notice).

G Meredith *Group manager, Treasury and Planning*

- Term of agreement – non-specific, commencing 1 August 2000.
- Base salary, inclusive of superannuation, for the year ended 31 August 2010 of $217,000.
- Subject to performance, an annual bonus of up to 20% of base salary is payable.
- Payment of termination benefit on termination by the employer, other than for gross misconduct, equal to 15 months' base salary (including the period of notice).

P May *Group Manager, Finance and Risk*

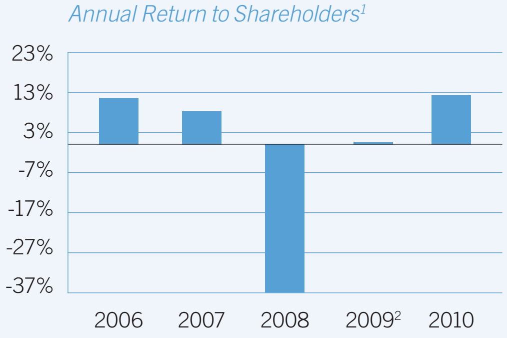
- Term of agreement – non-specific, commencing 4 April 2005.
- Base salary, inclusive of superannuation, for the year ended 31 August 2010 of $217,000.
- Subject to performance, an annual bonus of up to 20% of base salary is payable.
- Payment of termination benefit on termination by the employer, other than for gross misconduct, equal to 15 months' base salary (including the period of notice).

D) ADDITIONAL INFORMATION

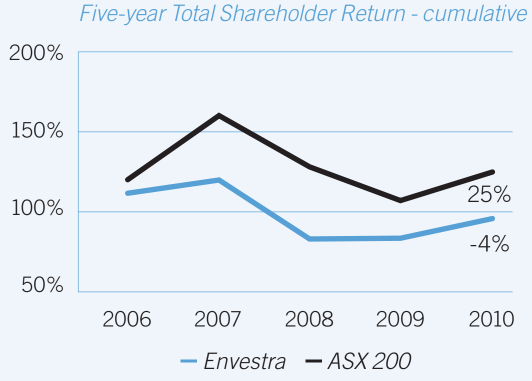
Principles used to determine the nature and amount of remuneration: relationship between remuneration and company performance

The following sets out the Group's performance over the past five years in respect of the key financial and non-financial indicators used to measure year-on-year performance, as well as historic shareholder return data.

	2006	*2007*	*2008*	*2009*	*2010*
Gas volumes <10TJ consumers	47,317	44,767	46,777	49,169	47,228
New consumers	21,398	21,581	23,692	23,470	24,101
Total revenue / income ($m)	343.0	347.3	346.0	389.1	383.3
Net profit / (loss) after tax ($m)	(6.4)	(3.0)	163.6	40.3	37.2
Cashflow from operations ($m)	99.3	119.2	94.8	122.3	117.1
Capital expenditure ($m)	92.1	107.8	108.3	112.5	97.8
Return to shareholders (%)	11.6	8.2	(36.8)	0.4	12.3



1) Returns to shareholders including dividend and capital gain / (loss).
2) 2009 includes the effect of the Rights Issue.



Details of remuneration: cash bonuses

For each short-term cash bonus included in the tables on page 37, the percentage of the available bonus paid, in the financial year, is set out below.

Name	Paid %	Name	Paid %
I Little	50	G Meredith	53
A Staniford	57	P May	60
D Petherick	60		

Directors' shareholdings

Particulars of the ordinary shares held by each Director of the Company and Director related entities, as at 30 June 2010 were:

Directors	Holding 30 June 2010	Directors	Holding 30 June 2010
J G Allpass	247,547	I K H Chan(i)	-
I B Little	123,240	O B O'Duill	200,000
E F Ainsworth	66,000	M J McCormack(ii)	28,000
D L S Chan(i)	-	R M Gersbach(ii)	-

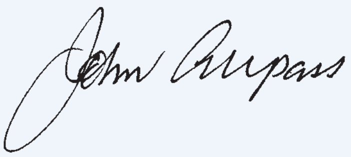
(i) Mr D L S Chan and Mr I K H Chan are representatives of Cheung Kong Infrastructure Holdings Ltd which owns 263,236,805 (19.0%) ordinary shares in Envestra.
(ii) Mr M J McCormack and Mr R M Gersbach are representatives of the APA Group which owns 439,054,476 (31.7%) ordinary shares in Envestra.

AUDITOR'S INDEPENDENCE DECLARATION

A copy of the auditor's independence declaration as required under section 307C of the *Corporations Act 2001* is set out on page 41.

ROUNDING OF AMOUNTS

The Company is of a kind referred to in Class Order 98/0100, issued by the Australian Securities and Investments Commission, relating to the "rounding off" of amounts in the Directors' Report and financial statements. Amounts in the Directors' Report and financial statements have been rounded off in accordance with that Class Order to the nearest million dollars, unless specifically stated otherwise.



J G Allpass
Chairman

Adelaide
26 August 2010

PRICEWATERHOUSECOOPERS

PricewaterhouseCoopers
ABN 52 780 433 757

91 King William Street
ADELAIDE SA 5000
GPO Box 418
ADELAIDE SA 5001
DX 77 Adelaide
Australia
www.pwc.com/au
Telephone +61 8 8218 7000
Facsimile +61 8 8218 7999

Auditor's Independence Declaration

As lead auditor for the audit of Envestra Limited for the year ended 30 June 2010, I declare that to the best of my knowledge and belief, there have been:

a) no contraventions of the auditor independence requirements of the *Corporations Act 2001* in relation to the audit; and

b) no contraventions of any applicable code of professional conduct in relation to the audit.

This declaration is in respect of Envestra Limited and the entities it controlled during the period.

DR Clark

Derek Clark
Partner
PricewaterhouseCoopers

Adelaide
26 August 2010

INCOME STATEMENTS

	Notes	Consolidated 2010	Consolidated 2009	Parent 2010	Parent 2009
		$M	$M	$M	$M
Revenue from continuing operations					
Network services		382.2	372.9	212.0	207.1
Interest		0.6	1.0	39.7	44.7
Dividends		-	-	100.0	30.0
Government grants (SA FRC revenue)	5	-	9.1	-	9.1
Total revenue from continuing operations		**382.8**	**383.0**	**351.7**	**290.9**
Net gain on disposal of property, plant and equipment		0.5	5.9	-	-
Government grants	5	-	0.2	-	-
Total revenue / income		**383.3**	**389.1**	**351.7**	**290.9**
Network operating costs		(97.1)	(90.5)	(54.4)	(50.7)
Gas		(11.8)	(12.1)	(11.0)	(10.7)
Corporate development, property and administration costs		(12.9)	(10.5)	(10.9)	(8.0)
Intercompany charges		-	-	(90.7)	(90.0)
Total operating costs		(121.8)	(113.1)	(167.0)	(159.4)
Earnings before interest, tax, depreciation and amortisation		**261.5**	**276.0**	**184.7**	**131.5**
Depreciation / Impairment	6	(53.0)	(61.5)	(0.8)	(0.8)
Amortisation of capital raising and formation costs	6	-	(1.5)	-	(1.1)
Profit before borrowing costs and tax		**208.5**	**213.0**	**183.9**	**129.6**
Amortisation of borrowing costs		(4.8)	(3.7)	(1.6)	(1.6)
Interest and indexation		(152.1)	(154.6)	(69.4)	(82.8)
Total borrowing costs (excluding interest on loan notes)	6	(156.9)	(158.3)	(71.0)	(84.4)
Profit before interest on loan notes and income tax expense		**51.6**	**54.7**	**112.9**	**45.2**
Interest on loan notes	6	-	(2.3)	-	(2.3)
PROFIT BEFORE INCOME TAX EXPENSE		**51.6**	**52.4**	**112.9**	**42.9**
Income tax expense	7	(14.4)	(12.1)	(33.8)	(13.3)
NET PROFIT AFTER TAX		**37.2**	**40.3**	**79.1**	**29.6**
Basic and diluted earnings per share attributable to ordinary equity holders of Envestra Ltd (cents)	38	2.8	3.8		

The Income Statements should be read in conjunction with the accompanying notes.

STATEMENTS OF COMPREHENSIVE INCOME

	Notes	Consolidated 2010	Consolidated 2009	Parent 2010	Parent 2009
		$M	$M	$M	$M
Net profit after tax for the financial year		**37.2**	**40.3**	**79.1**	**29.6**
Other comprehensive income					
Changes in the fair value of cash flow hedges	27	48.9	(106.6)	17.7	(49.3)
Income tax (expense) / benefit relating to changes in the fair value of cash flow hedges	27	(14.5)	32.0	(5.3)	14.8
Other comprehensive income / (expense) for the financial year		**34.4**	**(74.6)**	**12.4**	**(34.5)**
Total comprehensive income / (expense) for the financial year		**71.6**	**(34.3)**	**91.5**	**(4.9)**
Profit for the financial year is attributable to:					
Owners of Envestra Limited		37.2	40.3	79.1	29.6
Total comprehensive income / (expense) for the financial year is attributable to:					
Owners of Envestra Limited		71.6	(34.3)	91.5	(4.9)

The Statements of Comprehensive Income should be read in conjunction with the accompanying notes.

BALANCE SHEETS

	Notes	Consolidated 2010	Consolidated 2009	Parent 2010	Parent 2009
		$M	*$M*	*$M*	*$M*
Current assets					
Cash and cash equivalents	8	6.4	6.2	5.1	2.2
Receivables	9	65.5	56.4	24.3	21.5
Other current assets	11	4.2	2.3	11.1	17.1
Total current assets		76.1	64.9	40.5	40.8
Non-current assets					
Receivables	12	-	5.1	1,238.0	1,135.0
Other financial assets	13	-	-	833.5	833.5
Property, plant and equipment	14	2,043.8	1,995.6	42.7	42.7
Intangible assets	16	585.6	585.6	-	-
Deferred tax assets	15	-	-	47.7	65.9
Other non-current assets	17	0.5	0.5	-	-
Total non-current assets		2,629.9	2,586.8	2,161.9	2,077.1
Total assets		**2,706.0**	**2,651.7**	**2,202.4**	**2,117.9**
Current liabilities					
Payables	18	33.7	25.9	18.8	15.1
Borrowings	19	227.5	329.7	6.0	10.0
Provisions	20	6.2	0.3	0.5	0.3
Derivative financial instruments	10	8.6	-	8.6	-
Other current liabilities	21	44.9	42.6	35.0	35.3
Total current liabilities		320.9	398.5	68.9	60.7
Non-current liabilities					
Borrowings	22	1,713.8	1,581.0	1,783.5	1,742.4
Provisions	24	12.1	17.3	0.4	0.5
Derivative financial instruments	10	54.7	119.6	-	26.2
Deferred tax liabilities	23	83.9	55.6	-	-
Other non-current liabilities	25	-	0.7	-	-
Total non-current liabilities		1,864.5	1,774.2	1,783.9	1,769.1
Total liabilities		**2,185.4**	**2,172.7**	**1,852.8**	**1,829.8**
Net assets		**520.6**	**479.0**	**349.6**	**288.1**
Equity					
Contributed equity	26	538.0	495.0	538.0	495.0
Reserves	27(a)	(21.1)	(55.5)	(6.0)	(18.4)
Retained earnings / (accumulated losses)	27(b)	3.7	39.5	(182.4)	(188.5)
Total equity		**520.6**	**479.0**	**349.6**	**288.1**

The Balance Sheets should be read in conjunction with the accompanying notes.

STATEMENTS OF CHANGES IN EQUITY

	Notes	Share capital	Reserves	Retained earnings	Total equity
		$M	$M	$M	$M
Consolidated					
Balance at 1 July 2008		366.9	19.1	23.8	409.8
Total comprehensive income / (expense) for the financial year		-	(74.6)	40.3	(34.3)
Transactions with owners in their capacity of owners					
Contributions of equity, net of transaction costs and tax	26	128.1	-	-	128.1
Dividends paid	28	-	-	(24.6)	(24.6)
Balance at 30 June 2009		**495.0**	**(55.5)**	**39.5**	**479.0**
Total comprehensive income for the financial year		-	34.4	37.2	71.6
Transactions with owners in their capacity of owners					
Contributions of equity, net of transaction costs and tax	26	43.0	-	-	43.0
Dividends paid	28	-	-	(73.0)	(73.0)
Balance at 30 June 2010		**538.0**	**(21.1)**	**3.7**	**520.6**
Parent					
Balance at 1 July 2008		366.9	16.1	(193.5)	189.5
Total comprehensive income for the financial year		-	(34.5)	29.6	(4.9)
Transactions with owners in their capacity of owners					
Contributions of equity, net of transaction costs and tax	26	128.1	-	-	128.1
Dividends paid	28	-	-	(24.6)	(24.6)
Balance at 30 June 2009		**495.0**	**(18.4)**	**(188.5)**	**288.1**
Total comprehensive income for the financial year		-	12.4	79.1	91.5
Transactions with owners in their capacity of owners					
Contributions of equity, net of transaction costs and tax	26	43.0	-	-	43.0
Dividends paid	28	-	-	(73.0)	(73.0)
Balance at 30 June 2010		**538.0**	**(6.0)**	**(182.4)**	**349.6**

The Statements of Changes in Equity should be read in conjunction with the accompanying notes.

CASH FLOW STATEMENTS

	Notes	Consolidated 2010	Consolidated 2009	Parent 2010	Parent 2009
		$M	$M	$M	$M
Cash flows from operating activities					
Receipts from customers (inclusive of Goods and Services Tax)		418.6	407.1	230.0	229.8
Payments to suppliers and employees (inclusive of Goods and Services Tax)		(158.1)	(149.7)	(94.2)	(89.3)
		260.5	**257.4**	**135.8**	**140.5**
Interest received		0.4	1.0	45.9	39.2
Borrowing costs		(143.8)	(136.1)	(57.1)	(57.6)
Net cash inflow from operating activities	36	**117.1**	**122.3**	**124.6**	**122.1**
Cash flows from investing activities					
Payments for property, plant and equipment		(97.8)	(112.5)	(0.9)	(6.0)
Proceeds from sale of property, plant and equipment		1.0	1.0	-	-
Net cash outflow from investing activities		**(96.8)**	**(111.5)**	**(0.9)**	**(6.0)**
Cash flows from financing activities					
Proceeds from issue of ordinary shares		42.3	133.9	42.3	133.9
Proceeds from borrowings		553.9	180.7	92.9	78.1
Loans (to) / from related parties		-	-	(99.1)	(158.0)
Repayment of borrowings		(532.9)	(250.9)	(83.9)	(100.0)
Dividends / distributions paid	28	(73.0)	(75.8)	(73.0)	(75.8)
Debt and capital raising costs		(10.4)	(3.3)	-	(2.5)
Net cash outflow from financing activities		**(20.1)**	**(15.4)**	**(120.8)**	**(124.3)**
Net increase/(decrease) in cash and cash equivalents		**0.2**	**(4.6)**	**2.9**	**(8.2)**
Cash and cash equivalents at the beginning of the financial year		6.2	10.8	2.2	10.4
Cash and cash equivalents at the end of the financial year	8	**6.4**	**6.2**	**5.1**	**2.2**

The Cash Flow Statements should be read in conjunction with the accompanying notes.

NOTES TO THE FINANCIAL STATEMENTS

1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The principal accounting policies adopted in the preparation of the financial statements are set out below. These policies have been consistently applied to all the years presented, unless otherwise stated. The financial statements include separate financial statements for Envestra Ltd as an individual entity and the consolidated entity consisting of Envestra Ltd and its subsidiaries. The financial statements are presented in the Australian currency.

(a) Basis of preparation

These general purpose financial statements have been prepared in accordance with Australian Accounting Standards, other authoritative pronouncements of the Australian Accounting Standards Board, Urgent Issues Group Interpretations and the *Corporations Act 2001*.

The financial statements were approved by the Board of Directors on 26 August 2010.

Compliance with IFRS

Australian Accounting Standards include Australian equivalents to International Financial Reporting Standards (AIFRS). Compliance with AIFRS ensures that the financial statements of Envestra Ltd comply with International Financial Reporting Standards (IFRS).

Accounting convention

While certain assets and liabilities are presented in accordance with the historical cost convention, certain financial assets and liabilities (including derivative instruments) are recorded at fair value through the income statement and cash flow hedge reserve.

Working capital deficiency

The Group had current liabilities in excess of current assets at 30 June 2010 amounting to $244.8 million. This deficiency largely relates to bank loans, Capital Indexed Bonds and Medium Term Notes due for repayment prior to June 2011. Existing undrawn facilities or bond financing commitments are sufficient to cover the anticipated debt repayments.

Critical accounting estimates

The preparation of financial statements in conformity with AIFRS requires the use of certain critical accounting estimates. It also requires management to exercise its judgement in the process of applying the Group's accounting policies. The areas involving a higher degree of judgement or complexity, or areas where assumptions and estimates are significant to the financial statements are disclosed in note 3.

(b) Principles of consolidation

The consolidated financial statements incorporate the activities and affairs of Envestra Ltd ('Envestra') and its controlled entities (the 'Group'):

- Envestra Natural Gas Networks Ltd ACN 008 181 066
- Envestra (SA) Ltd ACN 008 139 204
- Envestra (QLD) Ltd ACN 009 760 883
- Envic Holdings 1 Pty Ltd ACN 085 882 337
- Envic Holdings 2 Ltd ACN 085 882 364
- Envestra Victoria Pty Ltd ACN 085 882 373
- Vic Gas Distribution Pty Ltd ACN 085 899 001
- The Albury Gas Company Ltd ACN 000 001 249
- Envestra Transmission Holdings 1 Pty Ltd ACN 108 315 957
- Envestra Transmission Holdings 2 Pty Ltd ACN 108 316 249
- Envestra Transmission Pty Ltd ACN 108 316 007

Envestra Victoria Pty Ltd ('Envestra Victoria'), a wholly owned subsidiary of Envestra, has entered into a Business Management Agreement (BMA) with Vic Gas Distribution Pty Ltd ('Vic Gas'). Under the BMA, Envestra Victoria becomes entitled to and exposed to the full economic rewards and risks of operating the business. Under the BMA, Envestra Victoria is appointed by Vic Gas to operate and manage, or procure the operation and management of the Victorian and NSW networks. Envestra Victoria is paid a management fee equal to the excess of Vic Gas's net revenue over interest expense for each quarter, and has provided a guarantee that Vic Gas will have sufficient funds to meet its interest payment obligations. The Agreement also provides for debt repayment support if Vic Gas becomes obliged to make a repayment of principal in respect of its borrowings and has insufficient funds to meet those borrowings.

The effects of transactions between the entities within the Envestra Group are eliminated on consolidation.

Investments in subsidiaries are accounted for at cost in the parent entity's financial statements.

(c) Foreign currency translation

Monetary assets and liabilities denominated in foreign currencies at the balance sheet date are translated to Australian dollars at the foreign exchange rate ruling on that date. Foreign exchange differences arising on translation are recognised in the income statement.

(d) Revenue recognition

Revenue is measured at the fair value of the consideration received or receivable. Service revenue represents revenue earned from the provision of gas distribution haulage services and is recognised when the service is provided. Customer contributions are made in relation to various capital projects and are recognised when the customers are invoiced and work has been substantially completed. Interest revenue includes interest income on money invested and is recognised when the interest is earned. Dividends are recognised as revenue when the right to receive payment is established.

(e) Government grants

Grants from the government are recognised at their fair value where there is a reasonable assurance that the grant will be received and the Group will comply with all attached conditions.

Government grants relating to costs to be incurred on particular projects are deferred and recognised in the income statement over the period necessary to match them with the costs that they are intended to compensate.

(f) Income tax

The income tax expense or revenue for the period is the tax payable on the current period's taxable income based on the national income tax rate adjusted by changes in deferred tax assets and liabilities attributable to temporary differences between the tax bases of assets and liabilities and their carrying amounts in the financial statements, and for unused tax losses.

Deferred tax assets and liabilities are recognised for temporary differences at the tax rates expected to apply when the assets are recovered or liabilities are settled, based on those tax rates which are enacted or substantively enacted. The relevant tax rates are applied to the cumulative amounts of deductible and taxable temporary differences to measure the deferred tax asset or liability. An exception is made for certain temporary differences arising from the initial recognition of an asset or a liability. No deferred tax asset or liability is recognised in relation to these temporary differences if they arose in a transaction, other than a business combination, that at the time of the transaction did not affect either accounting profit, or taxable profit or loss.

Deferred tax assets and deferred tax liabilities associated with indefinite life intangibles are measured on the basis that these assets are not depreciated.

Deferred tax liabilities and assets are not recognised for temporary differences between the carrying amount and tax bases of investments in controlled entities where the parent entity is able to control the timing of the reversal of the temporary differences and it is probable that the differences will not reverse in the foreseeable future.

Current and deferred tax balances attributable to amounts recognised directly in equity are also recognised directly in equity.

Deferred tax assets are recognised for deductible temporary differences and unused tax losses only if it is probable that future taxable amounts will be available to utilise those temporary differences and losses.

Tax consolidation legislation

Envestra Ltd and its wholly-owned controlled entities have implemented the tax consolidation legislation as of 1 July 2002. Vic Gas Distribution Pty Ltd and The Albury Gas Company Limited joined the Envestra tax consolidated group on 2 July 2007.

The head entity, Envestra Ltd, and the controlled entities in the tax consolidated group continue to account for their own current and deferred tax amounts. These tax amounts are measured as if each entity in the tax consolidated group continues to be a stand-alone taxpayer in its own right.

In addition to its own current and deferred tax amounts, Envestra Ltd also recognises the current tax liabilities (or assets) and the deferred tax assets arising from unused tax losses and unused tax credits assumed from controlled entities in the tax consolidated group.

Assets or liabilities arising under tax funding agreements with the tax consolidated entities are recognised as amounts receivable from, or payable to, other entities in the group. Details about the tax funding agreement are disclosed in note 7.

(g) Impairment of assets

Assets that have an indefinite useful life are not subject to amortisation or depreciation and are tested annually for impairment. Assets that are subject to amortisation or depreciation are reviewed for impairment whenever events or changes in circumstances indicate that the carrying amount may not be recoverable. An impairment loss is recognised for the amount by which the asset's carrying amount exceeds its recoverable amount. The recoverable amount is the higher of an asset's fair value less costs to sell and value in use. For the purposes of assessing impairment, assets are grouped at the lowest levels for which there are separately identifiable cash flows (cash generating units).

(h) Cash and cash equivalents

Cash includes cash on hand, deposits held at call with banks and investments in money market instruments, net of bank overdrafts.

Envestra Ltd holds a deposit at call account in New Zealand which is translated into Australian dollars using the spot rate at balance date. The account is held to make dividend payments to New Zealand shareholders.

(i) Receivables

Trade receivables are recognised initially at fair value and subsequently measured at amortised cost, less provision for doubtful debts.

The Access Arrangements covering the South Australia networks require the retailer to prepay for haulage services. The initial prepayment is an estimate of two months' haulage charges. An adjustment is made each month for variances between the actual charges and the prepaid estimate and includes an estimate of a further month's charges.

The Access Arrangement covering the Queensland network requires the retailer to pay for gas delivered within 30 days.

The Access Arrangements covering the Victorian networks require distributors to charge retailers when the end user is billed.

A provision for doubtful debts is recorded based on historical evidence of credit recovery in relation to invoices raised for miscellaneous items, such as costs to repair damage to the network caused by a third party. No provision has been raised for doubtful debts in relation to any of the Access Arrangements because no debts are considered doubtful.

(j) Derivatives

Derivatives are initially recognised at fair value on the date a derivative contract is entered into and are subsequently remeasured to their fair value. The method of recognising the resulting gain or loss depends on whether the derivative is designated as a hedging instrument, and if so, the nature of the item being hedged. The Group designates certain derivatives as either (1) hedges of the fair value of recognised liabilities (fair value hedge) or (2) hedges of highly probable forecast transactions (cash flow hedges).

The Group documents at the inception of the hedging transaction the relationship between hedging instruments and hedged items, as well as its risk management objective and strategy for undertaking various hedge transactions. The Group also documents its assessment, both at hedge inception and on an ongoing basis, of whether the derivatives that are used in hedging transactions have been and will continue to be highly effective in offsetting changes in fair values or cash flows of hedged items.

The fair values of various derivative financial instruments used for hedging purposes are disclosed in note 10. Movements in the hedging reserve in shareholders' equity are shown in note 27. The full fair value of a hedging derivative is classified as a non-current asset or liability when the remaining maturity of the hedged item is more than 12 months; it is classified as a current asset or liability when the remaining maturity of the hedged item is less than 12 months.

(i) Fair value hedge

Changes in the fair value of derivatives that are designated and qualify as fair value hedges are recorded in the income statement, together with any changes in the fair value of the hedged asset or liability that are attributable to the hedged risk.

(ii) Cash flow hedge

The effective portion of changes in the fair value of derivatives that are designated and qualify as cash flow hedges is recognised in equity in the hedging reserve. The gain or loss relating to the ineffective portion is recognised immediately in the income statement.

When a hedging instrument expires or is sold or terminated, or when a hedge no longer meets the criteria for hedge accounting, any cumulative gain or loss existing in equity at that time remains in equity and is recognised when the forecast transaction is ultimately recognised in the income statement. When a forecast transaction is no longer expected to occur, the cumulative gain or loss that was reported in equity is immediately transferred to the income statement.

(iii) Derivatives that do not qualify for hedge accounting

Certain derivative instruments do not qualify for hedge accounting. Changes in the fair value of any derivative instrument that does not qualify for hedge accounting are recognised immediately in the income statement.

(k) Property, plant and equipment

Property, plant and equipment is stated at cost less depreciation. Cost includes expenditure directly attributable to the acquisition of the items.

Land is not depreciated. Depreciation on other assets is calculated using the straight line method to allocate their cost, net of their residual values, over their estimated useful lives, as follows:

Category	Useful life (years)
Buildings	40
Furniture, fittings and computer equipment	3-10
Gas mains and inlets:	
Polyethylene	60
Steel	100
Cast iron	120
Gas meters	25
Regulators	50
Gate stations	50
Telemetry equipment	10

The assets' residual values and useful lives are reviewed, and adjusted if appropriate, at each balance sheet date.

An asset's carrying amount is written down immediately to its recoverable amount if the asset's carrying amount is greater than its estimated recoverable amount (note 1(g)).

Gains and losses on disposals are determined by comparing proceeds with carrying amount. These are included in the income statement.

(l) Intangible assets

The distribution licence held by Vic Gas Distribution Pty Ltd, which is valued in the financial statements at $586m (refer Note 16), in the opinion of the Directors has an indefinite life. Therefore no amortisation charge has been included in the financial statements. An assessment of the recoverable amount of the licence is made at the time of preparing the half yearly and annual financial reports to ensure it is not below the carrying amount of the licence.

(m) Trade and other payables

Trade accounts payable, including accruals not yet billed, are recognised when the Envestra Group becomes obliged to make future payments as a result of a purchase of assets or services. Trade accounts payable are generally settled within 30 days.

(n) Borrowings

Borrowings are initially recognised at fair value, net of transaction costs incurred. Borrowings are subsequently measured at amortised cost. Any difference between the proceeds (net of transaction costs) and the redemption amount is recognised in the income statement over the period of the borrowings using the effective interest method.

(o) Borrowing costs

Borrowing costs include:

- interest and indexation on borrowings;
- amortisation of debt establishment costs;
- ancillary costs, including fees; and
- ineffective derivatives.

(p) Employee benefits

(i) Wages and salaries, annual leave and sick leave

Liabilities for wages and salaries, including non-monetary benefits and annual leave expected to be settled within 12 months of the reporting date are recognised as current liabilities in respect of employees' services up to the reporting date and are measured at the amounts expected to be paid when the liabilities are settled. No provision for sick leave has been included in the financial statements.

(ii) Long service leave

A liability for long service leave is recognised and is measured as the present value of expected future payments to be made in respect of services provided by employees up to the reporting date. Consideration is given to expected future wage and salary levels, experience of employee departures and periods of service. Expected future payments are discounted using interest rates on Australian government guaranteed securities with terms to maturity that match, as closely as possible, the estimated future cash outflows.

(iii) Other

The Envestra Group had 14 employees as at 30 June 2010 (14 as at 30 June 2009). The operational activities of the Group are undertaken by APA Asset Management and associated subcontractors.

(q) Contributed equity

Ordinary shares are classified as equity.

Incremental costs directly attributable to the issue of new shares are shown in equity as a deduction, net of tax, from the proceeds.

(r) Dividends

Provision is made for the amount of any dividend declared, being appropriately authorised and no longer at the discretion of the entity, on or before the end of the reporting period, but not distributed at the end of the reporting period.

(s) Earnings per share

(i) Basic earnings per share

Basic earnings per share are determined by dividing the profit or loss after income tax attributable to members of the Company by the weighted average number of ordinary shares outstanding during the financial year.

(ii) Diluted earnings per share

The diluted earnings per share are the same as the basic earnings per share.

(t) New accounting standards and interpretations

Certain new accounting standards and interpretations have been published that are not mandatory for 30 June 2010 reporting periods. The Group's and the parent entity's assessment of the impact of these new standards and interpretations is set out below.

(i) AASB 9 Financial Instruments and AASB 2009-11 Amendments to Australian Accounting Standards arising from AASB 9 (effective from 1 January 2013)

AASB 9 Financial Instruments addresses the classification and measurement of financial assets. The standard is not applicable until 1 January 2013 but is available for early adoption. The standard only permits the accounting for financial assets to be at either amortised cost or fair value, and for the recognition of fair value gains and losses to be in the income statement, or in other comprehensive income if they relate to equity investments that are not held for trading. The standard is not expected to have any effect on Envestra's current accounting or disclosures and the Group will apply the standard from 1 July 2013.

(ii) Revised AASB 124 Related Party Disclosures and AASB 2009-12 Amendments to Australian Accounting Standards (effective from 1 January 2011)

In December 2009 the AASB issued a revised AASB 124 Related Party Disclosures. It is effective for accounting periods beginning on or after 1 January 2011 and must be applied retrospectively. Amongst other changes, the standard clarifies and simplifies the definition of a related party. The amended standard is not expected to have any effect on Envestra's current disclosures and the Group will apply the standard from 1 July 2011.

There are no other new accounting standards or UIG interpretations that have been published to date that are likely to have a significant impact on the Group's financial statements in the future.

(u) Environmental remediation expenditure

Provisions for future environmental remediation are recognised where sites, whether owned, or previously owned and subject to the relevant state Environmental Protection Acts' liability provisions, are known to be contaminated, and it is probable that an outflow of economic benefits will be required to remediate the site. The estimated future outflows are the best estimate of the expenditure required to remediate the sites. Future remediation costs are reviewed annually and any changes are reflected in the present value of the land management costs provision at the end of the reporting period, with a corresponding change in the cost of the associated asset.

(v) Leases

Leases in which a significant portion of the risks and rewards of ownership are not transferred to the Group as lessee are classified as operating leases (note 39). Payments made under operating leases (net of any incentives received from the lessor) are charged to the income statement on a straight-line basis over the period of the lease.

2 FINANCIAL RISK MANAGEMENT

The Group's activities expose it to a variety of financial risks: market risk (including currency risk, fair value interest rate risk, cash flow interest rate risk and price risk), credit risk, re-financing and liquidity risk. The Group's overall risk management program focuses on the unpredictability of financial markets and seeks to minimise potential adverse effects on the financial performance of the Group. The Group uses derivative financial instruments such as currency and interest rate swaps to hedge certain risk exposures. Derivatives are exclusively used for hedging purposes, that is, not as trading or other speculative instruments. The Group uses different methods to measure different types of risk to which it is exposed. These methods include cash flow forecasting analysis in the case of interest rate and other price risks and ageing analysis for credit risk.

Risk management is carried out in accordance with policies approved by the Board of Directors. The Group Manager, Treasury and Planning, identifies, evaluates and hedges financial risks in close cooperation with the Group Manager, Finance and Risk. The Board provides written principles for overall risk management, as well as written policies covering specific areas, such as mitigating foreign exchange, interest rate and credit risks, use of derivative financial instruments and investing excess liquidity. The Board formally reviews and approves the Treasury Policy and Risk Management Policy annually.

(a) Market risk

(i) Foreign exchange risk

Foreign exchange transaction risk arises from the possibility that Envestra's cash flows could be adversely affected by movements in exchange rates. The main sources of Envestra's foreign exchange transaction exposures are interest and principal payments on US dollar denominated debt.

The Group's risk management policy is to hedge 100% of the foreign exchange rate risk associated with non-Australian dollar denominated debt to protect the cash flows of the business.

The Group and parent entity's exposure to foreign exchange risk at the reporting date was as follows:

	Consolidated 2010	Consolidated 2009	Parent 2010	Parent 2009
	US $M	*US $M*	*US $M*	*US $M*
Borrowings	230.0	175.0	-	-

(ii) Price risk

The Group and parent entity is exposed to CPI index price risk. This arises from Capital Indexed Bonds and CPI indexed interest rate swaps held by the Group.

The Group's exposure to movements in the CPI index through its Capital Indexed Bonds is partially offset by the annual resetting of haulage revenue tariffs in line with the CPI index, together with the resetting of the regulatory asset base at five-yearly intervals to reflect changes in the CPI index.

The following table demonstrates the estimated sensitivity to a 1% increase/decrease in the CPI index, with all other variables held constant, on after-tax profit and equity, caused by indexation movements on the Capital Indexed Bonds and interest expense movements on the CPI indexed interest rate swaps.

	Consolidated 2010	Consolidated 2009	Parent 2010	Parent 2009
	$M	*$M*	*$M*	*$M*
Impact on after-tax profit and equity				
CPI index +1%	(2.6)	(3.3)	(2.3)	(2.3)
CPI index -1%	2.6	3.3	2.3	2.3

(iii) Cash flow and fair value interest rate risk

As the Group has relatively minor interest-bearing assets, the Group's income and operating cash flows are not materially exposed to changes in market interest rates.

The Group's interest rate risk arises from borrowings. Borrowings issued at variable rates expose the Group to cash flow interest rate risk. Borrowings issued at fixed rates expose the Group to fair value interest rate risk. At the year-end, 20% (2009: 25%) of borrowings were at fixed rates. Group policy is to maintain between 80% and 100% of borrowings at fixed rates using interest rate swaps to achieve this.

As at reporting date, the Group had the following variable rate borrowings (excluding CIBs) and interest rate swap contracts (excluding $50 million of forward starting interest rate swaps) outstanding (excluding borrowing costs):

	Weighted average interest rate 30 June 2010	Balance 30 June 2010	Weighted average interest rate 30 June 2009	Balance 30 June 2009
	%	*$M*	*%*	*$M*
Interest bearing debt	6.1	1,610.1	4.0	1,485.1
Interest rate swaps	6.9	(1,456.1)	6.8	(1,406.1)
Net exposure to cash flow interest rate risk		**154.0**		**79.0**

An analysis by maturities is provided in (c) as follows.

The Group manages its cash flow interest rate risk by using floating-to-fixed interest rate swaps. They have the economic effect of converting borrowings from floating rates to fixed rates. Generally, the Group raises long-term borrowings at floating rates and swaps them into fixed rates that match the rates used in the relevant regulatory determination for a term matched to the relevant regulatory period. Under the interest rate swaps, the Group agrees with other parties to exchange, at specified intervals (mainly quarterly), the difference between fixed contract rates and floating-rate interest amounts calculated by reference to the agreed notional principal amounts.

Based upon the balance of gross debt at 30 June, if interest rates changed by +/-1%, with all other variables held constant, and taking account of the hedging in place at 30 June, the estimated impact on after-tax profit and equity is set out as follows. The after-tax impact on profit of the parent entity includes the effect of a loan from a related party.

	Consolidated 2010	Consolidated 2009	Parent 2010	Parent 2009
	$M	*$M*	*$M*	*$M*
Impact on after-tax profit				
Interest rates +1%	(1.1)	(0.6)	(6.2)	(5.4)
Interest rates -1%	1.1	0.6	6.2	5.4
Impact on equity				
Interest rates +1%	20.2	20.9	(3.1)	1.9
Interest rates -1%	(20.9)	(21.5)	3.1	(2.0)

(b) Credit risk

Credit risk is managed on a Group basis. Credit risk arises from cash and cash equivalents, derivative financial instruments and deposits with banks and financial institutions, as well as credit exposures to customers.

Refer to note 9 for further details of credit risk in relation to receivables. Derivative counterparties and cash transactions are limited to high-credit quality financial institutions. The Group has policies that limit the amount of credit exposure to any one financial institution. Counterparty limits and risks for investments and hedging transactions are measured by reference to transaction limits set by the Board against the different external credit ratings.

At balance sheet date there were no significant concentrations of credit risk within the Group. The maximum exposure to credit risk is represented by the carrying amount of financial assets of the Group which have been recognised on the balance sheet.

(c) Liquidity risk

Prudent liquidity risk management implies maintaining sufficient cash and the availability of funding through an adequate amount of committed credit facilities. It is also associated with planning for unforeseen events which may curtail cash flows and cause pressure on liquidity. At the end of the reporting period the Group held deposits at call of $3.0m (2009: $4.9m) that are expected to readily generate cash inflows for managing liquidity risk.

The Group manages liquidity risk by continuously monitoring forecast and actual cash flows. Group Treasury aims at maintaining flexibility in funding by keeping committed credit lines available with a variety of counterparties. Refer to note 22(e) for further details on the Group's approach to liquidity risk management.

(i) Net current liability position

At 30 June 2010 current liabilities for the Group exceed current assets by $244.8 million. Existing undrawn facilities and committed bond financing arrangements are sufficient to cover short term refinancing requirements. Current liabilities include $28.9m of commercial paper due in July and August 2010, $26.0m of bank loans due in July 2010 and $149.6 million of Medium Term Notes and $23.0 million of Capital Indexed Bonds both due in May 2011.

(ii) Maturities of financial liabilities

The Group's strategy is to monitor the long-term duration of its debt portfolio, to arrange refinancing at least six months prior to maturity and limit annual repayments to 15% of the debt portfolio; however, conditions in financial markets do not always enable the targets to be met at all times.

The following table analyses the Group's financial liabilities and net settled derivative financial instruments into relevant maturity groupings based on the remaining period at the reporting date to the contractual maturity date. The amounts disclosed in the table are the contractual undiscounted cash flows (including principal and interest obligations).

	Less than 1 year	Between 1 and 5 years	Between 5 and 15 years	Over 15 years
	$M	$M	$M	$M
Consolidated				
At 30 June 2010				
Trade payables	33.7	-	-	-
Medium Term Notes	189.6	131.8	632.2	315.1
Capital Indexed Bonds	37.3	121.8	103.5	396.5
Commercial Paper	29.1	-	-	-
Bank loans	66.2	550.2	51.9	-
US Private Placement Notes	15.7	62.7	260.9	115.1
Interest rate swaps	36.8	38.9	-	-
	408.4	**905.4**	**1,048.5**	**826.7**
At 30 June 2009				
Trade payables	25.9	-	-	-
Medium Term Notes	208.0	254.2	268.8	622.1
Capital Indexed Bonds	17.6	266.8	101.6	413.0
Commercial Paper	30.0	-	-	-
Bank loans	131.7	148.4	-	-
US Private Placement Notes	12.1	48.3	253.4	110.3
Interest rate swaps	51.9	101.1	-	-
	477.2	**818.8**	**623.8**	**1,145.4**
Parent[(i)]				
At 30 June 2010				
Trade payables	18.8	-	-	-
Medium Term Notes	30.1	120.6	586.4	315.1
Capital Indexed Bonds	12.3	121.8	103.5	396.5
Commercial Paper	6.0	-	-	-
Bank loans	3.3	61.6	-	-
Interest rate swaps	10.7	-	-	-
	81.2	**304.0**	**689.9**	**711.6**
At 30 June 2009				
Trade payables	15.1	-	-	-
Medium Term Notes	22.0	88.1	220.2	622.1
Capital Indexed Bonds	12.1	126.8	101.6	413.0
Commercial Paper	10.0	-	-	-
Bank loans	1.9	50.7	-	-
Interest rate swaps	18.9	18.9	-	-
	80.0	**284.5**	**321.8**	**1,035.1**

(i) The Parent entity liquidity risk analysis excludes intercompany borrowings of $818.3 million (2009: $797.7 million). These borrowings are at commercial terms and conditions.

(d) Fair value estimation

The fair value of financial assets and financial liabilities must be estimated for recognition and measurement, and for disclosure purposes.

As of 1 July 2009 the Group has adopted the amendment to AASB 7 Financial Instruments: Disclosures. The amended standard requires disclosure of fair value measurements by level in accordance with the following fair value measurement hierarchy:

(a) quoted prices (unadjusted) in active markets for identical assets or liabilities (level 1);

(b) inputs other than quoted prices included within level 1 that are observable for the asset or liability, either directly (as prices) or indirectly (derived from prices) (level 2);

(c) inputs for the asset or liability that are not based on observable market data (unobservable inputs) (level 3).

The fair value of financial liabilities traded in active markets is based on quoted market prices at the balance sheet date. These instruments are categorised as level 1.

The fair value of financial liabilities that are not traded in an active market is determined using valuation techniques. The fair value of interest rate and cross currency swaps is calculated as the present value of the estimated future cash flows. These instruments are categorised as level 2.

The carrying value of trade receivables and payables is a reasonable approximation of their fair values due to their short-term nature.

The Group has no instruments categorised at level 3.

3 CRITICAL ACCOUNTING ESTIMATES

The Group makes estimates and assumptions concerning the future. Estimates and judgements are continually evaluated and are based on historical experience and other factors, including expectations of future events that may have a financial impact on the entity and that are believed to be reasonable under the circumstances.

The key estimates and assumptions are discussed below.

(i) Estimated impairment of intangibles

The Group tests annually whether intangible assets have suffered any impairment in accordance with the accounting policy stated in note 1(l). The recoverable amounts of cash-generating units have been determined based on value-in-use calculations. These calculations require the use of assumptions. Refer to note 16 for details of these assumptions.

(ii) Useful lives of property, plant and equipment

Management determines the estimated useful lives and related depreciation charges for its property, plant and equipment. These estimates are based on the concept that the effective lives should truly reflect the profile of the loss of economic benefits to the Group. Refer to note 1(k) for details of the estimated useful lives used by the Group.

4 SEGMENT INFORMATION

(a) Description of segments

Management has determined the operating segments based on the reports reviewed by Management that are used to assess the performance of, and allocate resources within, the Group. The Group operates gas distribution networks and transmission pipelines in various states and the Northern Territory within Australia. Management considers the business from a geographic perspective and has identified three reportable segments.

(b) Segment information provided to Envestra Management

The segment information provided to Management for the reportable segments for the financial year ended 30 June 2010 is disclosed in the following tables. The measurement of these amounts is consistent with the financial statements.

Segment information	Victoria and New South Wales	South Australia and other	Queensland	Unallocated	Consolidated
	$M	*$M*	*$M*	*$M*	*$M*
2010					
Total revenue from continuing operations	170.1	152.7	59.4	-	382.2
Other revenue / income	0.5	-	-	0.6	1.1
Total segment revenue / income	170.6	152.7	59.4	0.6	383.3
Profit before net interest	93.3	75.7	34.1	-	203.1
Net interest (excluding amortisation of borrowing costs)					(151.5)
Profit before income tax					51.6
Income tax expense					(14.4)
Net profit after tax					**37.2**
Segment assets	1,475.8	899.0	322.4	8.8	2,706.0
Segment liabilities	33.7	45.4	4.3	2,102.0	2,185.4
Acquisitions of property, plant and equipment	46.5	36.6	18.4	-	101.5
Depreciation expense	22.5	22.1	8.1	-	52.7
Other non-cash expenses	4.0	1.6	-	-	5.6
2009					
Total revenue from continuing operations	166.1	158.3	57.6	-	382.0
Other revenue / income	6.1	-	-	1.0	7.1
Total segment revenue / income	172.2	158.3	57.6	1.0	389.1
Profit before net interest	93.7	82.0	32.6	-	208.3
Net interest (including interest on loan notes, excluding amortisation of borrowing costs)					(155.9)
Profit before income tax					52.4
Income tax expense					(12.1)
Net profit after tax					**40.3**
Segment assets	1,450.3	882.9	311.4	7.1	2,651.7
Segment liabilities	29.8	42.3	3.8	2,096.8	2,172.7
Acquisitions of property, plant and equipment	48.2	42.7	19.1	-	110.0
Depreciation expense	21.9	26.8	8.0	-	56.7
Other non-cash expenses	8.1	2.7	-	-	10.8

5 OTHER INCOME

Government grants

In the year ended 30 June 2009 grants totalling $9.1 million were recognised as revenue from continuing operations by the Group during the financial year, which represented the 2008-09 portion of the grant received from the South Australian Government in June 2004 ($54.6 million) to compensate for the development of systems to support the introduction of full retail contestability in South Australia. This was the final year of recognition for this revenue.

Grants received from the Victorian Government in 2008-09 of $0.2 million in respect of works associated with the Victorian regional towns projects were recognised as other income. The Group did not benefit directly from any other forms of government assistance.

6 EXPENSES

	Consolidated 2010	Consolidated 2009	Parent 2010	Parent 2009
	$M	*$M*	*$M*	*$M*
Profit before income tax includes the following expenses:				
Depreciation and impairment				
Depreciation on buildings	0.1	0.1	-	-
Depreciation on plant and equipment	52.6	56.6	0.8	0.8
Impairment	0.3	4.8	-	-
Total depreciation and impairment	**53.0**	**61.5**	**0.8**	**0.8**
Amortisation				
Capital raising / formation costs	-	1.5	-	1.1
Other charges against assets				
Asset retirements	0.5	0.4	-	-
Bad and doubtful debts – trade debtors	-	-	-	-
Borrowing costs				
Interest and indexation excluding interest on loan notes	148.0	153.3	67.9	82.3
Fees on financing facilities	4.1	1.3	1.5	0.5
Amortisation of debt establishment and AAA credit insurance costs	4.8	3.7	1.6	1.6
	156.9	158.3	71.0	84.4
Interest on loan notes	-	2.3	-	2.3
Borrowing costs expensed	**156.9**	**160.6**	**71.0**	**86.7**
Employee benefits expense	3.8	3.8	3.8	3.8
Land management provision expense	0.5	0.8	-	-

7 INCOME TAX EXPENSE

	Consolidated 2010	Consolidated 2009	Parent 2010	Parent 2009
	$M	$M	$M	$M
(a) Income tax expense				
Deferred tax	14.4	12.1	33.8	13.3
Attributable to:				
Profit from continuing operations	14.4	12.1	33.8	13.3
Deferred income tax expense included in income tax expense comprises:				
Decrease / (increase) in deferred tax assets (note 15)	(20.1)	(25.3)	32.5	12.0
Increase in deferred tax liabilities (note 23)	34.5	37.4	1.3	1.3
	14.4	**12.1**	**33.8**	**13.3**
(b) Numerical reconciliation of income tax expense to prima facie tax payable				
Profit from continuing operations before income tax expense	51.6	52.4	112.9	42.9
Tax at the Australian tax rate of 30% (2009 – 30%)	15.5	15.7	33.8	12.9
Tax effect of amounts which are not deductible / (taxable) in calculating taxable income:				
Interest on loan notes not deductible	-	0.7	-	0.7
Investment allowance	(1.1)	(4.6)	-	(0.3)
Sundry items	-	0.3	-	-
Total income tax expense	**14.4**	**12.1**	**33.8**	**13.3**
(c) Amounts recognised directly in equity				
Aggregate current and deferred tax arising in the reporting period and not recognised in net profit or loss but directly debited or credited to equity				
Net deferred tax debited / (credited) directly to equity	13.9	(32.0)	4.7	(14.8)
(d) Unrecognised temporary differences				
Deferred tax assets not recognised	2.2	2.1	-	-

(e) Tax consolidation legislation

Envestra Ltd and its wholly-owned Australian controlled entities implemented the tax consolidation legislation as of 1 July 2002. Vic Gas Distribution Pty Ltd and The Albury Gas Company Ltd joined the Envestra Tax Consolidated Group on 2 July 2007. The accounting policy in relation to this legislation is set out in note 1(f).

On adoption of the tax consolidation legislation, the entities in the tax consolidated group entered into a tax sharing agreement which, in the opinion of the Directors, limits the joint and several liability of the wholly-owned entities in the case of a default by the head entity, Envestra Ltd.

The entities have also entered into a tax funding agreement under which the wholly-owned entities fully compensate Envestra Ltd for any current tax payable assumed and are compensated by Envestra Ltd for any current tax receivable and deferred tax assets relating to unused tax losses, or unused tax credits that are transferred to Envestra Ltd under the tax consolidation legislation. The funding amounts are determined by reference to the amounts recognised in the wholly-owned entities' financial statements.

The amounts receivable/payable under the tax funding agreements are due upon receipt of the funding advice from the head entity, which is issued as soon as practicable after the end of each financial year. The head entity may also require payment of interim funding amounts to assist, where applicable, with its obligations to pay tax instalments. The funding amounts are recognised as intercompany receivables or payables. No funding obligations have arisen to date as no tax payments have been made.

8 CURRENT ASSETS – CASH AND CASH EQUIVALENTS

	Consolidated 2010	Consolidated 2009	Parent 2010	Parent 2009
	$M	$M	$M	$M
Cash at bank	3.4	1.3	2.1	0.6
Deposits at call	3.0	4.9	3.0	1.6
	6.4	**6.2**	**5.1**	**2.2**

(a) Cash at bank

These are interest bearing.

(b) Deposits at call

The deposit is bearing a floating interest rate of 4.65% (2009 – various rates between 2.95% and 3.15%). The deposit matured on 15 July 2010.

9 CURRENT ASSETS – RECEIVABLES

	Consolidated 2010	Consolidated 2009	Parent 2010	Parent 2009
	$M	$M	$M	$M
Trade receivables	60.0	55.5	24.3	21.5
Other receivables	5.6	1.0	-	-
Provision for doubtful receivables	(0.1)	(0.1)	-	-
	65.5	**56.4**	**24.3**	**21.5**

The other receivable is a land sale and is due to be paid in September 2010. Envestra has maintained title over the property and received two instalments of $1.0 million in September 2008 and 2009.

(a) Past due and impaired trade receivables

A loss of $11,833 (2009: $21,531) for the Group and $7,557 (2009: $14,419) for the parent has been recognised in the income statement in respect of bad and doubtful trade receivables during the year ended 30 June 2010.

As of 30 June 2010, trade receivables of $1.8 million (2009: $0.1 million) for the Group and $1.4 million (2009: $0.1 million) for the parent were past due but not impaired. These receivables include an amount of $1.3 million received in July. The ageing of these trade receivables is as follows:

	Consolidated 2010	Consolidated 2009	Parent 2010	Parent 2009
	$M	$M	$M	$M
31 to 60 days	0.3	0.1	0.1	0.1
61 to 90 days	0.2	-	-	-
Over 90 days	1.3	-	1.3	-
	1.8	**0.1**	**1.4**	**0.1**

There were no movements in the provision for doubtful receivables during the year.

(b) Significant terms and conditions

Haulage revenue receivable in respect of the SA and NT networks is due within 30 days of billing date. Haulage revenue receivable from retailers in respect of Queensland consists of billed and unbilled revenue related to gas deliveries. Payment is due for gas delivered in a month within 30 days. Haulage revenue receivable from the Victorian and NSW retailers consists of billed revenue due within 14 days and unbilled revenue which has been estimated and is expected to be billed over the following two months.

Interest is receivable from the major banks that hold deposits at call for Envestra and is generally settled within a few days after the end of the month.

(c) Effective interest rates and credit risk

Envestra's customers using the South Australia and Northern Territory networks pay for haulage services in advance. Retailers using the Queensland network are required to pay for gas delivered within 30 days. Credit risk is centred on the large retailers, but contracts and the associated Queensland Access Regime limit such risks. Retailers using the Victorian networks pay in arrears for haulage services, and credit risk is centred on the large retailers, though contracts and the associated Victorian Access Regime limit such risks. Envestra Ltd has exercised its right under the various haulage revenue contracts with Victorian retailers to demand bank guarantees from certain retailers who do not possess investment grade credit ratings. Interest is receivable from major banks and no significant credit risk is perceived in relation to this amount. Refer to note 2 for more information on the risk management policy of the Group.

(d) Fair value

Due to the short-term nature of these receivables, their carrying value is assumed to approximate their fair value.

10 DERIVATIVE FINANCIAL INSTRUMENTS

	Consolidated 2010	Consolidated 2009	Parent 2010	Parent 2009
	$M	*$M*	*$M*	*$M*
Current liabilities				
Interest rate swaps – cash flow hedges	8.6	-	8.6	-
Total derivative financial instrument current liabilities	**8.6**	**-**	**8.6**	**-**
Non-current liabilities				
Interest rate swaps – cash flow hedges	54.2	88.5	-	26.2
Cross currency swap contracts – fair value and cash flow hedges	0.5	31.1	-	-
Total derivative financial instrument non-current liabilities	**54.7**	**119.6**	**-**	**26.2**

(a) Instruments used by the Group

The Group is party to derivative financial instruments in the normal course of business in order to hedge exposure to fluctuations in interest and foreign exchange rates in accordance with the Group's financial risk management policies (refer to note 2).

(i) Interest rate swap contracts – cash flow hedges

The Group has entered into interest rate swap contracts that entitle it to receive interest at floating rates on notional principal amounts and oblige it to pay interest at fixed rates on the same amounts. Under the interest rate swaps, the Group agrees with other parties to exchange, at specified intervals, the difference between fixed rate and floating rate interest amounts calculated by reference to the agreed notional principal amounts.

The tables below include all swaps in place at the end of the financial year (excluding $50 million of forward starting interest rate swaps).

At 30 June 2010, the notional principal amounts and periods of expiry of the interest rate swap contracts are as follows:

Maturity	2010	2009
	$M	*$M*
Less than 1 year	605.0	-
1-2 years	-	605.0
2-3 years	851.1	-
3-4 years	-	801.1
	1,456.1	**1,406.1**

The gain or loss from re-measuring the hedging instruments at fair value is deferred in equity in the hedging reserve, to the extent that the hedge is effective, and reclassified to the income statement when the hedged interest expense is recognised. The ineffective portion is recognised in income immediately. In the year ended 30 June 2010, the ineffective portion resulted in a $0.9 million expense (2009: $0.6 million expense).

Group

At balance date these contracts were liabilities with fair value of $62.8 million (2009: liabilities of $88.5 million). In the year ended 30 June 2010 there was an increase in fair value of $25.7 million (2009: decrease of $122.2 million). This increase in fair value, together with prior year decreases, will reverse over the next three years as these instruments reach maturity.

Parent entity

At balance date these contracts were liabilities with fair value of $8.6 million (2009: liabilities of $26.2 million). In the year ended 30 June 2010 there was an increase in fair value of $17.6 million (2009: decrease of $49.2 million).

(ii) Cross-currency swaps – fair value and cashflow hedges

The Group has entered into cross-currency swap contracts in order to swap the US$ debt principal and interest repayments from US$ fixed coupon to A$ floating rates.

At 30 June 2010, the notional principal amounts and periods of expiry of the cross-currency swap contracts are as follows (excludes $172.2 million of forward starting cross-currency swaps):

Maturity	2010	2009
	$M	*$M*
2-3 years	61.9	-
Greater than 5 years	266.1	266.1
	328.0	266.1

The gain or loss from re-measuring hedging instruments used in fair value hedges, to fair value is recorded in the income statement.

Group

At balance date these contracts (including forward-starting cross-currency swaps) were liabilities with fair value of $0.5 million (2009: liabilities of $31.1 million). In the year ended 30 June 2010 there was an increase in fair value of $30.6 million (2009: increase of $54.3 million). Fair value hedge movements offset against the hedged item were $4.2 million (2009: $5.2 million).

(b) Credit risk exposures

Credit risk arises from the potential failure of counterparties to meet their obligations under the respective contracts at maturity. This arises with amounts receivable from unrealised gains on derivative financial instruments. At balance date, $62.8 million would potentially be payable (2009: $88.5 million was potentially payable) (Australian dollar equivalents) by the Group for interest rate swap contracts and therefore no credit exposure existed.

The Group undertakes 100% of its transactions in foreign exchange and interest rate contracts with financial institutions. Management has established limits such that, at any time, no more than $550 million of notional principal amounts are with any individual counterparty.

(c) Interest rate risk exposures

Refer to note 2 for the Group's exposure to interest rate risk on interest rate swaps.

11 CURRENT ASSETS – OTHER CURRENT ASSETS

	Consolidated 2010	Consolidated 2009	Parent 2010	Parent 2009
	$M	*$M*	*$M*	*$M*
Intercompany interest receivable	-	-	10.2	16.5
GST receivable	0.5	0.3	0.4	0.1
Deferred licence fee	0.8	1.1	-	-
Prepayments	2.9	0.9	0.5	0.5
	4.2	**2.3**	**11.1**	**17.1**

12 NON-CURRENT ASSETS – RECEIVABLES

	Consolidated 2010	Consolidated 2009	Parent 2010	Parent 2009
	$M	$M	$M	$M
Receivable on land sale	-	5.1	-	-
Receivable from wholly-owned entities	-	-	1,238.0	1,135.0
	-	5.1	1,238.0	1,135.0

(a) Past due and impaired receivables

None of the non-current receivables are impaired or past due, but not impaired.

(b) Fair values and credit risk

The carrying amount of non-current receivables approximates their fair value and reflects the maximum exposure to credit risk. The parent does not hold any collateral as security.

13 NON-CURRENT ASSETS – OTHER FINANCIAL ASSETS

Other (non-traded) investments	Consolidated 2010	Consolidated 2009	Parent 2010	Parent 2009
	$M	$M	$M	$M
Shares in subsidiaries (note 32)	-	-	833.5	833.5

14 NON-CURRENT ASSETS – PROPERTY, PLANT AND EQUIPMENT

	Freehold land	Freehold buildings	Plant and equipment	Total
	$M	$M	$M	$M
Consolidated				
At 1 July 2008				
Cost	3.5	4.8	2,372.5	2,380.8
Accumulated depreciation	-	(1.6)	(436.2)	(437.8)
Net book amount	**3.5**	**3.2**	**1,936.3**	**1,943.0**
Year ended 30 June 2009				
Opening net book amount	3.5	3.2	1,936.3	1,943.0
Additions	-	-	110.0	110.0
Depreciation charge	-	(0.1)	(56.6)	(56.7)
Disposals	(0.3)	-	-	(0.3)
Retirements	-	-	(0.4)	(0.4)
Closing net book amount	**3.2**	**3.1**	**1,989.3**	**1,995.6**
At 30 June 2009				
Cost	3.2	4.8	2,482.1	2,490.1
Accumulated depreciation	-	(1.7)	(492.8)	(494.5)
Net book amount	**3.2**	**3.1**	**1,989.3**	**1,995.6**
Year ended 30 June 2010				
Opening net book amount	3.2	3.1	1,989.3	1,995.6
Additions	-	-	101.5	101.5
Depreciation charge	-	(0.1)	(52.6)	(52.7)
Disposals	-	-	(0.1)	(0.1)
Retirements	-	-	(0.5)	(0.5)
Closing net book amount	**3.2**	**3.0**	**2,037.6**	**2,043.8**
At 30 June 2010				
Cost	3.2	4.8	2,582.7	2,590.7
Accumulated depreciation	-	(1.8)	(545.1)	(546.9)
Net book amount	**3.2**	**3.0**	**2,037.6**	**2,043.8**

	Plant and equipment	Total
	$M	*$M*
Parent		
At 1 July 2008		
Cost	44.0	44.0
Accumulated depreciation	(6.5)	(6.5)
Net book amount	**37.5**	**37.5**
Year ended 30 June 2009		
Opening net book amount	37.5	37.5
Additions	6.0	6.0
Depreciation charge	(0.8)	(0.8)
Closing net book amount	42.7	42.7
At 30 June 2009		
Cost	50.0	50.0
Accumulated depreciation	(7.3)	(7.3)
Net book amount	**42.7**	**42.7**
Year ended 30 June 2010		
Opening net book amount	42.7	42.7
Additions	0.8	0.8
Depreciation charge	(0.8)	(0.8)
Closing net book amount	42.7	42.7
At 30 June 2010		
Cost	50.8	50.8
Accumulated depreciation	(8.1)	(8.1)
Net book amount	**42.7**	**42.7**

(a) Valuation of land and buildings

An independent valuation of land and buildings was undertaken during the 2006-07 year by registered valuers. The market valuations of these properties were in excess of the carrying values at that time by approximately $15.4 million. The valuation of the properties did not take into account any potential remediation costs. A land management cost provision of $11.7 million (2009: $11.4 million) has been included in the financial statements at 30 June 2010 in relation to freehold land.

The Directors have decided to continue to carry land and buildings at cost.

(b) Non-current assets pledged as security

Refer to note 22 for information on non-current assets pledged as security by the parent entity and its controlled entities.

15 NON-CURRENT ASSETS – DEFERRED TAX ASSETS

	Consolidated 2010	Consolidated 2009	Parent 2010	Parent 2009
	$M	*$M*	*$M*	*$M*
The balance comprises temporary differences attributable to:				
Accrued expenses	1.1	0.6	0.5	0.3
Employee benefits	0.3	0.3	0.3	0.2
Equity and debt raising	0.5	-	0.5	-
Deferred revenue	0.2	0.7	0.1	0.7
Derivatives	9.4	23.9	2.6	7.9
Tax losses	122.6	102.4	55.7	67.5
	134.1	127.9	59.7	76.6
Set-off of deferred tax liabilities pursuant to set-off provisions (note 23)	(134.1)	(127.9)	(12.0)	(10.7)
Net deferred tax assets	-	-	47.7	65.9
Movements				
Opening balance at the beginning of the financial year	127.9	78.8	76.6	52.9
Credited / (charged) to the income statement (note 7)	20.1	25.3	(32.5)	(12.0)
Credited / (charged) to equity	(13.9)	23.8	(4.7)	7.9
Deferred tax assets relating to tax losses transferred	-	-	20.3	27.8
Closing balance at the end of the financial year	**134.1**	**127.9**	**59.7**	**76.6**

16 NON-CURRENT ASSETS – INTANGIBLE ASSETS

	Consolidated 2010	Consolidated 2009	Parent 2010	Parent 2009
	$M	*$M*	*$M*	*$M*
Cost at 1 July	585.6	585.6	-	-
Accumulated amortisation	-	-	-	-
Closing net book amount at 30 June	**585.6**	**585.6**	**-**	**-**

Key assumptions used for value-in-use calculations

Victorian distribution licence

The recoverable amount of the Victorian cash-generating unit is based on value-in-use calculations. Those calculations use cash flow projections based on current and expected regulatory outcomes for gas distributors. Cash flow projections are estimated for a period of 20 years, with a terminal value, recognising the long-term nature of the assets. The pre-tax discount rate used was 9.1% (2009: 9.5%).

17 NON-CURRENT ASSETS – OTHER NON-CURRENT ASSETS

	Consolidated 2010	Consolidated 2009	Parent 2010	Parent 2009
	$M	*$M*	*$M*	*$M*
Deferred licence fee	0.5	0.5	-	-

18 CURRENT LIABILITIES – PAYABLES

	Consolidated 2010	Consolidated 2009	Parent 2010	Parent 2009
	$M	$M	$M	$M
Trade payables	33.7	25.9	18.8	15.1

19 CURRENT LIABILITIES – BORROWINGS

	Consolidated 2010	Consolidated 2009	Parent entity 2010	Parent entity 2009
	$M	$M	$M	$M
Secured				
Commercial Paper	28.9	29.9	6.0	10.0
Capital Indexed Bonds	23.0	-	-	-
Bank loans	26.0	125.0	-	-
Medium Term Notes	149.6	174.8	-	-
Total current borrowings	227.5	329.7	6.0	10.0

(a) Risk exposures

Details of the Group's exposure to interest rate changes on borrowings are set out in note 2.

(b) Fair value disclosures

Details of the fair value of borrowings for the Group are set out in note 22.

(c) Refinancing

The bank loans listed above as current liabilities are due for repayment in July 2010, while the Medium Term Notes and Capital Indexed Bonds are due for repayment in May 2011. Refinancing arrangements for those borrowings include existing undrawn facilities and a bond financing facility.

20 CURRENT LIABILITIES – PROVISIONS

	Consolidated 2010	Consolidated 2009	Parent 2010	Parent 2009
	$M	$M	$M	$M
Employee benefits	0.5	0.3	0.5	0.3
Land management costs	5.7	-	-	-
	6.2	0.3	0.5	0.3

21 CURRENT LIABILITIES – OTHER CURRENT LIABILITIES

	Consolidated 2010	Consolidated 2009	Parent 2010	Parent 2009
	$M	$M	$M	$M
Prepayments from energy retailers	31.6	29.2	30.9	29.2
Accrued costs	4.4	3.2	1.9	1.8
Interest accrued	7.6	6.9	1.7	2.1
Refunds due to customers	-	1.1	-	-
Other deferred income	1.3	2.2	0.5	2.2
	44.9	**42.6**	**35.0**	**35.3**

22 NON-CURRENT LIABILITIES – BORROWINGS

The Envestra Group owns gas distribution networks and transmission pipelines. Whilst the assets generally have very long lives, the financing of those assets is undertaken using a range of instruments with varying terms, including capital markets debt and bank loans, with maturities spread over the next 23 years to promote liquidity and minimise refinancing risk.

The loan portfolio is expected to be rolled over at regular intervals in the normal course of the Group's operations.

	Consolidated 2010	Consolidated 2009	Parent 2010	Parent 2009
	$M	$M	$M	$M
Secured				
Bank loans	534.9	138.5	60.0	47.0
Capital Indexed Bonds	319.9	439.8	319.9	313.4
Medium Term Notes	629.8	777.9	585.3	584.3
US Private Placement Notes	229.2	224.8	-	-
Total secured non-current borrowings	1,713.8	1,581.0	965.2	944.7
Unsecured				
Payable to wholly owned entities	-	-	818.3	797.7
Total unsecured non-current borrowings	-	-	818.3	797.7
Total non-current borrowings	**1,713.8**	**1,581.0**	**1,783.5**	**1,742.4**

(a) Total secured liabilities

Book values of total secured liabilities (current and non-current) are as follows:

	Consolidated 2010	Consolidated 2009	Parent 2010	Parent 2009
	$M	$M	$M	$M
Bank loans	560.9	263.5	60.0	47.0
Commercial Paper	28.9	29.9	6.0	10.0
Capital Indexed Bonds	342.9	439.8	319.9	313.4
Medium Term Notes	779.4	952.7	585.3	584.3
US Private Placement Notes	229.2	224.8	-	-
Total secured liabilities	**1,941.3**	**1,910.7**	**971.2**	**954.7**

The principal values of total secured liabilities are outlined in Note 22(f).

(b) Assets pledged as security

The carrying amounts of assets pledged as security for current and non-current borrowings are:

	Notes	Consolidated 2010	Consolidated 2009	Parent 2010	Parent 2009
		$M	$M	$M	$M
Current					
Floating charge					
Cash and cash equivalents	8	6.4	6.2	5.1	2.2
Receivables	9	65.5	56.4	24.3	21.5
Other current assets	11	4.2	2.3	11.1	17.1
Total current assets pledged as security		**76.1**	**64.9**	**40.5**	**40.8**
Non-current					
Floating charge					
Receivables	12	-	5.1	-	-
Property, plant and equipment	14	2,043.8	1,995.6	42.7	42.7
Distribution licence	16	585.6	585.6	-	-
Total non-current assets pledged as security		**2,629.4**	**2,586.3**	**42.7**	**42.7**
Total assets pledged as security		**2,705.5**	**2,651.2**	**83.2**	**83.5**

(c) Significant terms and conditions

The bank loans, Capital Indexed Bonds, Commercial Paper, Medium Term Notes and US Private Placement Notes are secured by charges over the respective networks owned by the Envestra Group. Various interest service and balance sheet covenants must be maintained by the Envestra Consolidated Group, otherwise certain restrictions apply with respect to the payment of dividends and funding of capital expenditure. At 30 June 2010, all covenants had been complied with.

(d) Group funding and liability structure

The Envestra Group's total interest bearing debt as at 30 June 2010 was $2,008.6 million (refer note 26(f)) comprising a range of financial instruments with varying maturities issued under the Group's treasury management program with a view to diversifying funding sources, increasing future refinancing options and lowering overall borrowing costs.

The existing debt instruments include:

Bank loans

Bank loans are committed facilities from major banks generally for terms up to six years.

Commercial Paper

The Envestra Group had Commercial Paper on issue at 30 June 2010 of $29.0 million (2009: $30.0 million). Commercial Paper is expected to be issued from time to time by the Group in the future largely as interim funding for the ongoing capital expenditure program, and also to minimise financing costs.

The Commercial Paper and Medium Term Note Program is supported by undrawn committed bank facilities of $222 million.

Capital Indexed Bonds

These bonds were issued for varying terms, and as at 30 June 2010 had terms to maturity of one to 15 years. The principal component is indexed by the quarterly movement in the CPI.

Medium Term Notes

Medium Term Notes totalling $795.0 million (2009: $970.0 million) are instruments issued under the Medium Term Note Program for varying terms, as at 30 June 2010 had terms to maturity of up to 16 years. The Medium Term Notes on issue have varying maturity dates and are classified as either current or non-current in accordance with these dates.

US Private Placement Notes

Notes with a principal value of A$266.1 million (2009: A$266.1 million) are issued in the United States of America for terms ending in 2015, 2018 and 2033. There are cross currency swaps in place to swap both the principal and interest payments from the US$ fixed coupon to A$ floating rate for the term of the note.

On 1 July 2010, further notes with a principal value of A$172.2 million (US$150 million) were issued to US investors. There are also cross currency swaps in place from this date.

(e) Financing arrangements

Unrestricted access was available at balance date to the following lines of credit:

	Consolidated 2010	Consolidated 2009	Parent 2010	Parent 2009
	$M	*$M*	*$M*	*$M*
Bank loan facilities				
Total facilities	787.0	500.0	120.0	120.0
Used at balance date	565.0	264.0	60.0	47.0
Unused at balance date	**222.0**	**236.0**	**60.0**	**73.0**

(f) Fair values

The fair value of current borrowings approximates their carrying amount. The fair value of non-current borrowings is based upon market prices where a market exists, or by discounting the expected future cash flows by the current interest rates for liabilities with similar risk profiles.

The carrying amounts and fair values of borrowings at balance date are:

	Carrying amount 2010	Fair value 2010	Carrying amount 2009	Fair value 2009
	$M	$M	$M	$M
Consolidated				
Non-traded financial liabilities				
Bank loans	560.9	564.9	263.5	264.0
US Private Placement Notes	229.2	248.8	224.8	235.0
Traded financial liabilities				
Capital Indexed Bonds	342.9	274.5	439.8	400.1
Medium Term Notes	779.4	795.0	952.7	970.0
Commercial Paper	28.9	28.9	29.9	29.9
	1,941.3	**1,912.1**	**1,910.7**	**1,899.0**
Parent				
Non-traded financial liabilities				
Bank loans	60.0	60.0	47.0	47.0
Payable to wholly owned entities	818.3	818.3	797.7	797.7
Traded financial liabilities				
Capital Indexed Bonds	319.9	251.1	313.4	274.5
Medium Term Notes	585.3	600.0	584.3	600.0
Commercial Paper	6.0	6.0	10.0	10.0
	1,789.5	**1,735.4**	**1,752.4**	**1,729.2**

(g) Risk exposures

Information about the Group's and parent entity's exposure to interest rate and foreign currency changes is provided in note 2.

23 NON-CURRENT LIABILITIES – DEFERRED TAX LIABILITIES

	Consolidated 2010	Consolidated 2009	Parent 2010	Parent 2009
	$M	$M	$M	$M
The balance comprises temporary differences attributable to:				
Equity and debt raising	7.3	6.7	6.8	5.7
Other	0.5	0.6	0.2	0.2
Provisions	(5.2)	(5.0)	-	-
Depreciation	215.4	181.2	5.0	4.8
	218.0	183.5	12.0	10.7
Set-off of deferred tax assets pursuant to set-off provisions (note 15)	(134.1)	(127.9)	(12.0)	(10.7)
Net deferred tax liabilities	83.9	55.6	-	-
Movements				
Opening balance at the beginning of the financial year	183.5	154.3	10.7	16.3
Charged to the income statement (note 7)	34.5	37.4	1.3	1.3
Charged to equity	-	(8.2)	-	(6.9)
Closing balance at the end of the financial year	**218.0**	**183.5**	**12.0**	**10.7**

24 NON-CURRENT LIABILITIES – PROVISIONS

	Consolidated 2010	Consolidated 2009	Parent 2010	Parent 2009
	$M	*$M*	*$M*	*$M*
Long service leave	0.2	0.3	0.2	0.3
Other employee and Director entitlements	0.2	0.2	0.2	0.2
Land management costs	11.7	16.8	-	-
	12.1	**17.3**	**0.4**	**0.5**

Land management costs

Provisions for future environmental remediation are recognised where there is a present obligation as a result of activities associated with the manufacture of gas from coal having been undertaken at various sites in the past, and it is probable that an outflow of economic benefits will be required to settle the obligation. The estimated future obligations include the costs required to remediate the sites.

Movements in provisions

Movements in land management cost provision during the financial year are set out below:

	Consolidated 2010	Consolidated 2009	Parent 2010	Parent 2009
	$M	*$M*	*$M*	*$M*
Land management costs				
Carrying amount at the beginning of the financial year	16.8	11.2	-	-
Additional provision recognised	0.8	5.6	-	-
Payments made from provision	(0.2)	-	-	-
Transferred to current provisions	(5.7)	-	-	-
Carrying amount at the end of the financial year	**11.7**	**16.8**	**-**	**-**

25 NON-CURRENT LIABILITIES – OTHER NON-CURRENT LIABILITIES

	Consolidated 2010	Consolidated 2009	Parent 2010	Parent 2009
	$M	*$M*	*$M*	*$M*
Deferred income	-	0.7	-	-

26 CONTRIBUTED EQUITY

	Parent 2010	Parent 2009	Parent 2010	Parent 2009
	Securities	*Securities*	*$M*	*$M*
(a) Share capital				
Ordinary shares				
Issued and paid up capital	1,386,827,962	1,307,029,746	537.1	494.8
(b) Other equity components				
Deferred tax liability component			0.9	0.2
Total contributed equity			**538.0**	**495.0**

(c) Movements in ordinary share capital	Date	Number of securities	Issue price	Cost
			$	*$M*
Opening balance	1-7-2008	891,377,475		366.7
Distribution reinvestment plan	30-11-2008	36,093,753	0.52	18.5
Share rights issue	12-2-2009	370,988,492	0.30	108.3
Distribution reinvestment plan	31-5-2009	8,570,026	0.45	3.8
				497.3
Less: Transaction costs on share issues				(2.5)
Closing balance	**30-6-2009**	**1,307,029,746**		**494.8**
Dividend reinvestment plan	30-10-2009	39,872,296	0.53	21.1
Dividend reinvestment plan	30-4-2010	39,925,920	0.53	21.2
				537.1
Less: Transaction costs on share issues				-
Closing balance	**30-6-2010**	**1,386,827,962**		**537.1**

(d) Ordinary shares

Ordinary shares entitle the holder to participate in dividends and the proceeds on winding up of the Company in proportion to the number of and amounts paid on the shares held.

On a show of hands every holder of ordinary shares present at a meeting in person or by proxy is entitled to one vote, and upon a poll each share is entitled to one vote.

(e) Dividend reinvestment plan ("DRP")

The Company has established a DRP under which holders of ordinary shares may elect to have all or part of their dividend entitlements satisfied by the issue of new ordinary shares rather than by being paid in cash. Shares have been issued under the DRP at a 2.5% discount to the market price.

(f) Capital risk management

The Group's objectives when managing capital are to safeguard its ability to continue as a going concern, so that it can continue to provide returns for shareholders and to maintain an optimal capital structure.

In order to maintain or alter the capital structure, the Group may adjust the amount of dividends paid to shareholders, or issue new shares to reduce debt.

The Group monitors capital on the basis of the gearing ratio. This ratio is calculated as net debt divided by total non-cash assets. Net debt is calculated as total borrowings less cash and cash equivalents. A market value of equity gearing ratio is also used and is calculated as net debt divided by net debt plus market value of equity.

The gearing ratios at 30 June 2010 and 30 June 2009 were as follows:

	2010	2009
	$M	*$M*
Total borrowings (note 22(a))	1,941.3	1,910.7
Add back unamortised fees	35.4	31.0
Add back hedges impact on borrowings	31.9	39.9
Total borrowings	**2,008.6**	**1,981.6**
Less: cash and cash equivalents	(6.4)	(6.2)
Net debt	**2,002.2**	**1,975.4**
Total assets	2,706.0	2,651.7
Less: cash and cash equivalents	(6.4)	(6.2)
Total assets	**2,699.6**	**2,645.5**
Ordinary shares (number)	1,386,827,962	1,307,029,746
Share price at 30 June ($)	0.49	0.485
Market value of equity ($M)	679.5	633.9
Book value gearing ratio	74.2%	74.7%
Economic value gearing ratio	74.7%	75.7%

27 RESERVES AND RETAINED EARNINGS

(a) Reserves	Consolidated 2010	Consolidated 2009	Parent 2010	Parent 2009
	$M	*$M*	*$M*	*$M*
Hedging reserve – cash flow hedges	(21.1)	(55.5)	(6.0)	(18.4)
Movements				
Opening balance at the beginning of the financial year	(55.5)	19.1	(18.4)	16.1
Fair value movements	48.9	(106.6)	17.7	(49.3)
Deferred tax	(14.5)	32.0	(5.3)	14.8
Closing balance at the end of the financial year	**(21.1)**	**(55.5)**	**(6.0)**	**(18.4)**
(b) Retained earnings				
Movements in retained earnings were as follows:				
Retained earnings / (accumulated losses) at the beginning of the financial year	39.5	23.8	(188.5)	(193.5)
Profit for the year	37.2	40.3	79.1	29.6
Dividend paid	(73.0)	(24.6)	(73.0)	(24.6)
Retained earnings / (accumulated losses) at the end of the financial year	**3.7**	**39.5**	**(182.4)**	**(188.5)**

(c) Nature and purpose of reserves

Hedging reserve – cash flow hedges

The hedging reserve is used to record gains or losses on a hedging instrument in cash flow hedges that are recognised directly in equity, as described in note 1(j).

28 DISTRIBUTIONS / DIVIDENDS

	Parent 2010	Parent 2009
	$M	*$M*
(a) Stapled securities		
Amounts paid in October (2009: November) (per share / stapled security)		
Interest on loan notes: 0.37 cents (2009)	-	3.3
Unfranked dividend: 2.75 cents (2010); nil (2009)	36.0	-
Principal on loan notes: 4.13 cents (2009)	-	36.8
	36.0	**40.1**
Amounts paid in April (2009: May) (per share / stapled security)		
Interest on loan notes: 0.05 cents (2009)	-	0.6
Unfranked dividend: 1.89 cents (2009)	-	24.6
Partially franked dividend at 55%: 2.75 cents (2010)	37.0	-
Principal on loan notes: 0.81 cents (2009)	-	10.5
	37.0	**35.7**
Total annual dividend / distribution: 5.5 cents (2010); 7.25 cents (2009)		
Interest on loan notes: 0.42 cents (2009)	-	3.9
Unfranked dividend: 2.75 cents (2010); 1.89 cents (2009)	36.0	24.6
Partially franked dividend at 55%: 2.75 cents (2010)	37.0	-
Principal on loan notes: 4.94 cents (2009)	-	47.3
	73.0	**75.8**

(b) Dividends not recognised at year end

On 26 August 2010 the Directors declared the payment of a final unfranked dividend of 2.75 cents per fully paid ordinary share. The aggregate amount of the dividend expected to be paid on 29 October 2010, but not recognised as a liability at year end, is $38.1 million.

29 KEY MANAGEMENT PERSONNEL DISCLOSURES

(a) Key management personnel compensation

	Consolidated 2010	Consolidated 2009	Parent 2010	Parent 2009
	$	*$*	*$*	*$*
Short-term employee benefits	2,460,402	2,404,832	2,460,402	2,404,832
Post-employment benefits	250,401	342,325	250,401	342,325
	2,710,803	2,747,157	2,710,803	2,747,157

Detailed remuneration disclosures are provided in sections A – D of the Remuneration Report on pages 35 to 40.

(b) Equity instrument disclosures relating to key management personnel

Share holdings

The numbers of shares in the Company held during the financial year by each Director of Envestra Ltd and key management personnel of the consolidated entity, including their personally-related entities, are set out on the following page. There were no shares granted during the reporting period as remuneration.

Ordinary shares 2010

Name	Balance at the start of the year	Changes during the year	Balance at the end of the year
Directors of Envestra Ltd			
J G Allpass	223,727	23,820	247,547
I B Little	123,240	-	123,240
E F Ainsworth	66,000	-	66,000
O B O'Duill	200,000	-	200,000
M J McCormack	28,000	-	28,000
Other key management personnel of the Group			
D Petherick	207,685	-	207,685
G Meredith	14,000	-	14,000

Ordinary shares 2009

Name	Balance at the start of the year	Changes during the year	Balance at the end of the year
Directors of Envestra Ltd			
J G Allpass	138,606	85,121	223,727
I B Little	88,028	35,212	123,240
E F Ainsworth	45,000	21,000	66,000
C C A Binks	43,737	17,495	61,232
O B O'Duill	55,000	145,000	200,000
M J McCormack	20,000	8,000	28,000
Other key management personnel of the Group			
D Petherick	51,917	155,768	207,685
G Meredith	4,000	10,000	14,000

30 REMUNERATION OF AUDITORS

During the year the following fees were paid or payable for services provided by the auditor of the parent entity and its related practices:

	Consolidated 2010	Consolidated 2009	Parent 2010	Parent 2009
	$	*$*	*$*	*$*
(a) Audit services				
PricewaterhouseCoopers Australian firm				
Audit of financial statements provided to regulators	30,000	38,700	-	1,600
Audit and review work and other audit work under the *Corporations Act 2001*	195,000	245,675	97,500	122,838
Total remuneration for audit services	**225,000**	**284,375**	**97,500**	**124,438**
(b) Non-audit services				
Taxation services				
PricewaterhouseCoopers Australian firm				
Tax services	74,610	84,855	50,570	45,825
Total remuneration for taxation services	**74,610**	**84,855**	**50,570**	**45,825**
Other services				
PricewaterhouseCoopers Australian firm				
Contractual advice and advisory	68,000	56,315	34,000	33,482
Total remuneration for other services	**68,000**	**56,315**	**34,000**	**33,482**
Total remuneration for non-audit services	**142,610**	**141,170**	**84,570**	**79,307**
	367,610	**425,545**	**182,070**	**203,745**

It is the Group's policy to engage PricewaterhouseCoopers on assignments additional to their statutory audit duties where PricewaterhouseCoopers' expertise and experience with the Group are important. These assignments are principally tax compliance, auditing of regulatory statements and assistance with regulatory submissions.

31 RELATED PARTY TRANSACTIONS

(a) Parent entity

The ultimate parent entity within the Group is Envestra Ltd.

(b) Subsidiaries

Interests in subsidiaries are set out in note 32.

(c) Key management personnel compensation

Disclosures relating to key management personnel are set out in note 29.

(d) Transactions with related parties

The following transactions occurred with related parties:

	Consolidated 2010	Consolidated 2009	Parent 2010	Parent 2009
	$	$	$	$
Expenses				
Costs incurred to use gas distribution networks owned by controlled entities	-	-	90,690,000	90,000,000
Payments for operation and management of the networks	92,495,000	89,364,000	51,195,000	50,310,000
Payments for capital expenditure relating to the networks[i]	100,290,000	110,570,000	54,217,000	62,097,000
Interest revenue				
Subsidiaries	-	-	39,353,000	44,149,000
Dividend revenue				
Subsidiaries	-	-	100,000,000	30,000,000
Interest expense				
Subsidiaries	-	-	6,767,000	12,317,000

(i) Parent payments include payments for capital expenditure on behalf of Envestra (SA) Ltd and Envestra (Qld) Ltd.

(e) Loans to/from related parties

	Parent 2010	Parent 2009
	$	$
Net loans to subsidiaries		
Balance at the beginning of the financial year	337,300,000	279,200,000
Loans advanced	250,300,000	195,800,000
Loan repayments received / amounts drawn	(167,900,000)	(137,700,000)
Balance at the end of the financial year	**419,700,000**	**337,300,000**

(f) Terms and conditions

All other transactions were made on normal commercial terms and conditions and at market rates.

Outstanding balances are unsecured and are repayable in cash.

32 SUBSIDIARIES

The consolidated financial statements incorporate the assets, liabilities and results of the following subsidiaries in accordance with the accounting policy described in note 1(b):

Name of entity	Country of incorporation	Class of shares	Equity holding of Envestra Ltd 2010	Equity holding of Envestra Ltd 2009
			%	%
Envestra Natural Gas Networks Ltd (vi)	Australia	Ordinary	100	100
Envestra (SA) Ltd (ii)(vi)	Australia	Ordinary	-	-
Envestra (Qld) Ltd (vi)	Australia	Ordinary	100	100
EnVic Holdings 1 Pty Ltd (iii)	Australia	Ordinary	100	100
EnVic Holdings 2 Ltd (iv)	Australia	Ordinary	-	-
Envestra Victoria Pty Ltd (v)	Australia	Ordinary	-	-
Vic Gas Distribution Pty Ltd (i)	Australia	Ordinary	-	-
The Albury Gas Company Ltd (i)	Australia	Ordinary	-	-
Envestra Transmission Pty Ltd	Australia	Ordinary	100	100
Envestra Transmission Holdings 1 Pty Ltd	Australia	Ordinary	100	100
Envestra Transmission Holdings 2 Pty Ltd	Australia	Ordinary	100	100

(i) Vic Gas Distribution Pty Ltd is a subsidiary of Envestra Victoria Pty Ltd. The Albury Gas Company Ltd is a subsidiary of Vic Gas Distribution Pty Ltd.

(ii) Envestra (SA) Ltd is a subsidiary of Envestra Natural Gas Networks Ltd.

(iii) The book value of the investment in EnVic Holdings 1 Pty Ltd is $100.

(iv) EnVic Holdings 2 Ltd is a subsidiary of EnVic Holdings 1 Pty Ltd.

(v) Envestra Victoria Pty Ltd is a subsidiary of EnVic Holdings 2 Ltd.

(vi) These subsidiaries have been granted relief from the necessity to prepare financial reports in accordance with Class Order 98/1418 issued by the Australian Securities and Investments Commission. For further information refer to note 33.

33 DEED OF CROSS GUARANTEE

Envestra Ltd, Envestra Natural Gas Networks Ltd, Envestra (SA) Ltd and Envestra (Qld) Ltd are parties to a Deed of Cross Guarantee under which each company guarantees the debts of the others. By entering into the Deed, the wholly-owned entities have been relieved from the requirement to prepare a financial report and Directors' report under Class Order 98/1418 (as amended) issued by the Australian Securities and Investments Commission.

(a) Consolidated income statement and a summary of movements in consolidated retained earnings

The above companies represent a 'Closed Group' for the purposes of the Class Order, and as there are no other parties to the Deed of Cross Guarantee that are controlled by Envestra Ltd, they also represent the 'Extended Closed Group'.

Set out below is a consolidated income statement and a summary of movements in consolidated retained earnings for the year ended 30 June 2010 of the Closed Group consisting of Envestra Ltd, Envestra Natural Gas Networks Ltd, Envestra (SA) Ltd and Envestra (Qld) Ltd.

	2010	2009
Income Statement	*$M*	*$M*
Revenue from continuing operations	248.6	256.1
Network operating costs	(54.4)	(50.6)
Gas	(11.0)	(10.7)
Corporate development, property and administration costs	(11.5)	(8.4)
Depreciation	(30.2)	(34.7)
Amortisation of capital raising and formation costs	-	(1.1)
Loan note interest	-	(2.3)
Other borrowing costs	(64.2)	(72.1)
Profit before income tax expense	**77.3**	**76.2**
Income tax expense	(22.6)	(21.1)
Net profit after tax	**54.7**	**55.1**
Summary of movements in consolidated retained earnings		
Retained earnings at the beginning of the financial year	124.3	93.8
Net profit after tax for the financial year	54.7	55.1
Dividends paid	(73.0)	(24.6)
Retained earnings at the end of the financial year	**106.0**	**124.3**

(b) Balance sheet

Set out below is a consolidated balance sheet as at 30 June 2010 of the Closed Group consisting of Envestra Ltd, Envestra Natural Gas Networks Ltd, Envestra (SA) Ltd and Envestra (Qld) Ltd.

	2010	2009
	$M	*$M*
Current assets		
Cash and cash equivalents	5.1	2.2
Receivables	24.3	21.5
Other current assets	11.1	17.1
Total current assets	**40.5**	**40.8**
Non-current assets		
Receivables	560.8	518.0
Property, plant and equipment	1,196.9	1,172.7
Total non-current assets	**1,757.7**	**1,690.7**
Total assets	**1,798.2**	**1,731.5**

	2010	2009
	$M	*$M*
Current liabilities		
Payables	18.8	15.1
Borrowings	6.0	10.0
Provisions	0.5	0.2
Derivative financial instruments	8.6	-
Other current liabilities	35.0	35.3
Total current liabilities	**68.9**	**60.6**
Non-current liabilities		
Borrowings	1,049.2	1,005.7
Provisions	0.4	0.6
Derivative financial instruments	-	26.2
Deferred tax liabilities	41.7	37.5
Total non-current liabilities	**1,091.3**	**1,070.0**
Total liabilities	**1,160.2**	**1,130.6**
Net assets	**638.0**	**600.9**
Equity		
Contributed equity	538.0	495.0
Reserves	(6.0)	(18.4)
Retained earnings	106.0	124.3
Total equity	**638.0**	**600.9**

34 ECONOMIC DEPENDENCY

The Envestra Group has two major customers. They are:

- Origin Energy Retail Ltd, a subsidiary of Origin Energy Ltd; and
- TRU Energy Pty Ltd.

The Envestra Group has a contract with APA Asset Management to carry out the operation and maintenance functions of the networks.

35 EVENTS OCCURRING AFTER THE BALANCE SHEET DATE

On 4 February 2010, Envestra announced it had reached agreement with US bond investors for a US$150 million, 17-year debt facility. The loan was drawn down on 1 July 2010 and matures on 1 July 2027. The US dollar debt has been fully hedged by swapping it to Australian currency so as to avoid foreign exchange risk arising during the term of the debt.

There have been no other significant events that have occurred after the balance sheet date.

36 RECONCILIATION OF PROFIT AFTER INCOME TAX TO NET CASH INFLOW FROM OPERATING ACTIVITIES

	Consolidated 2010	Consolidated 2009	Parent 2010	Parent 2009
	$M	*$M*	*$M*	*$M*
Profit after income tax	37.2	40.3	79.1	29.6
Depreciation and amortisation	57.5	61.9	2.4	3.5
Indexation of Capital Indexed Bonds	6.4	17.6	5.9	12.6
Interest on loan notes	-	2.3	-	2.3
Asset retirements	0.5	0.4	-	-
Government grants recognised as income	-	(9.1)	-	(9.1)
Refunds due to customers	(1.1)	(2.7)	-	-
Other deferred revenue	(1.7)	1.1	(1.7)	1.1
Intercompany dividend	-	-	(100.0)	(30.0)
Intercompany charges	-	-	97.5	102.3
Gain on disposal of land	(0.5)	(5.9)	-	-
Change in operating assets and liabilities				
Decrease / (increase) in trade debtors	(4.7)	(4.1)	3.2	(6.5)
Decrease / (increase) in other operating assets	0.3	(0.3)	-	(0.4)
Increase in trade creditors and other liabilities	8.8	8.7	4.4	3.4
Increase in provision for deferred income tax	14.4	12.1	33.8	13.3
Net cash inflow from operating activities	**117.1**	**122.3**	**124.6**	**122.1**

37 NON-CASH INVESTING AND FINANCING ACTIVITIES

Distributions/dividends satisfied by the issue of shares under the Distribution / Dividend Reinvestment Plan are shown in note 28.

Dividends were paid to the parent entity by Envestra (SA) Ltd by way of a reduction in the intercompany loan accounts.

38 EARNINGS PER SHARE

(a) Basic earnings per share	Consolidated 2010	Consolidated 2009
	Cents	*Cents*
Profit from continuing operations attributable to the ordinary equity holders of the Company	2.8	3.8

(b) Diluted earnings per share

The diluted earnings per share are the same as the basic earnings per share.

(c) Weighted average number of shares used as the denominator	Consolidated 2010	Consolidated 2009
	Number	*Number*
Weighted average number of ordinary shares used as the denominator in calculating basic earnings per share	1,340,356,801	1,053,310,046

39 COMMITMENTS

Operating leases

Envestra has leased a property at Kidman Park in Adelaide, which is used by APA Asset Management as its works depot. A sub-lease has been entered into with APA Asset Management.

The lease commenced on 1 July 2006 and is for an initial term of nine years, with options to extend for a further 15 years.

The rent is subject to CPI adjustment on an annual basis.

	Consolidated 2010	Consolidated 2009	Parent 2010	Parent 2009
	$M	$M	$M	$M
Commitment for minimum lease payments in relation to non-cancellable operating leases are payable as follows:				
Within one year	1.1	1.0	1.1	1.0
Later than one year but not later than five years	4.9	2.7	4.9	2.7
Later than five years	-	0.7	-	0.7
	6.0	4.4	6.0	4.4
Future minimum lease payments expected to be received in relation to non-cancellable sub-leases of operating leases	4.0	4.1	4.0	4.1

ENVESTRA LTD DIRECTORS' DECLARATION

In the Directors' opinion:

(a) the financial statements and notes set out on pages 42 to 80 are in accordance with the *Corporations Act 2001*, including:

(i) complying with Accounting Standards, the *Corporations Regulation 2001* and other mandatory professional reporting requirements; and

(ii) giving a true and fair view of the Company's and consolidated entity's financial position as at 30 June 2010 and of their performance, for the financial year ended on that date; and

(b) there are reasonable grounds to believe that Envestra Ltd will be able to pay its debts as and when they become due and payable; and

(c) the audited remuneration disclosures set out on pages 35 to 40 of the Directors' Report comply with Accounting Standards AASB 124 *Related Party Disclosures* and the *Corporations Regulations 2001*; and

(d) at the date of this declaration, there are reasonable grounds to believe that the members of the Extended Closed Group identified in note 33 will be able to meet any obligations or liabilities to which they are, or may become, subject by virtue of the Deed of Cross Guarantee described in note 33.

Note 1(a) confirms that the financial statements also comply with International Financial Reporting Standards as issued by the International Accounting Standards Board.

The Directors have been given the declaration by the Managing Director and Group Manager, Finance and Risk required by section 295A of the *Corporations Act 2001*.

This declaration is made in accordance with a resolution of the Directors.

John Allpass

J G Allpass
Chairman

Adelaide
26 August 2010

PRICEWATERHOUSECOOPERS

PricewaterhouseCoopers
ABN 52 780 433 757

91 King William Street
ADELAIDE SA 5000
GPO Box 418
ADELAIDE SA 5001
DX 77 Adelaide
Australia
Telephone +61 8 8218 7000
Facsimile +61 8 8218 7999
www.pwc.com/au

Independent auditor's report to the members of Envestra Limited

Report on the financial report

We have audited the accompanying financial report of Envestra Limited (the company), which comprises the balance sheet as at 30 June 2010, and the income statement, the statement of comprehensive income, the statement of changes in equity and the statement of cash flows for the year ended on that date, a summary of significant accounting policies, other explanatory notes and the directors' declaration for both Envestra Limited and the Envestra Limited Group (the consolidated entity). The consolidated entity comprises the company and the entities it controlled at the year's end or from time to time during the financial year.

Directors' responsibility for the financial report

The directors of the company are responsible for the preparation and fair presentation of the financial report in accordance with Australian Accounting Standards (including the Australian Accounting Interpretations) and the *Corporations Act 2001*. This responsibility includes establishing and maintaining internal controls relevant to the preparation and fair presentation of the financial report that is free from material misstatement, whether due to fraud or error; selecting and applying appropriate accounting policies; and making accounting estimates that are reasonable in the circumstances. In Note 1, the directors also state, in accordance with Accounting Standard AASB 101 *Presentation of Financial Statements*, that the financial statements comply with International Financial Reporting Standards.

Auditor's responsibility

Our responsibility is to express an opinion on the financial report based on our audit. We conducted our audit in accordance with Australian Auditing Standards. These Auditing Standards require that we comply with relevant ethical requirements relating to audit engagements and plan and perform the audit to obtain reasonable assurance whether the financial report is free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial report. The procedures selected depend on the auditor's judgement, including the assessment of the risks of material misstatement of the financial report, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial report in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by the directors, as well as evaluating the overall presentation of the financial report.

PRICEWATERHOUSECOOPERS

Independent auditor's report to the members of Envestra Limited *(continued)*

Our procedures include reading the other information in the Annual Report to determine whether it contains any material inconsistencies with the financial report.

Our audit did not involve an analysis of the prudence of business decisions made by directors or management.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinions.

Independence

In conducting our audit, we have complied with the independence requirements of the *Corporations Act 2001*.

Auditor's opinion

In our opinion:

(a) the financial report of Envestra Limited is in accordance with the *Corporations Act 2001*, including:

- (i) giving a true and fair view of the company's and consolidated entity's financial position as at 30 June 2010 and of their performance for the year ended on that date; and
- (ii) complying with Australian Accounting Standards (including the Australian Accounting Interpretations) and the *Corporations Regulations 2001*; and

(b) the financial report also complies with International Financial Reporting Standards as disclosed in Note 1.

Report on the Remuneration Report

We have audited the Remuneration Report included in pages 35 to 40 of the directors' report for the year ended 30 June 2010. The directors of the company are responsible for the preparation and presentation of the Remuneration Report in accordance with section 300A of the *Corporations Act 2001*. Our responsibility is to express an opinion on the Remuneration Report, based on our audit conducted in accordance with Australian Auditing Standards.

Auditor's opinion

In our opinion, the Remuneration Report of Envestra Limited for the year ended 30 June 2010, complies with section 300A of the *Corporations Act 2001*.

PricewaterhouseCoopers

PricewaterhouseCoopers

DR Clark

Derek Clark
Partner

Adelaide
26 August 2010

Liability limited by a scheme approved under Professional Standards Legislation.

SHAREHOLDER INFORMATION

Number of shareholders

At 26 August 2010, there were 18,130 shareholders

Sharegrouping	Number of shareholders	Stapled securities held	Percentage
1 - 1,000	461	246,487	0.02
1,001 - 5,000	2,404	8,390,666	0.61
5,001 - 10,000	3,383	27,362,401	1.97
10,001 - 100,000	11,262	335,883,730	24.22
100,001 and over	620	1,014,944,678	73.18
Total	**18,130**	**1,386,827,962**	**100.00**
Shareholders holding less than a marketable parcel of 1021 shares	468	253,553	<0.02

Twenty largest shareholders

The percentage of the total holdings held by or on behalf of the 20 largest holders of shares at 26 August 2010 was as follows:

Organisation	Shares	Percentage of shares
Australian Pipeline Ltd	439,054,476	31.66
Cheung Kong Infrastructure Holdings (Malaysian) Ltd	263,236,805	18.98
J P Morgan Nominees Australia Ltd	39,387,270	2.84
HSBC Custody Nominees (Australia) Ltd	32,909,508	2.37
National Nominees Ltd	26,849,459	1.94
Citicorp Nominees Pty Ltd	18,974,430	1.37
Sellers Holdings Pty Ltd	7,690,012	0.55
Buttonwood Nominees Pty Ltd	6,118,407	0.44
Argo Investments Ltd	5,833,146	0.42
Queensland Investment Corporation c/- National Nominees Ltd	4,310,972	0.31
Corporate Positioning Pty Ltd	4,000,000	0.29

Organisation	Shares	Percentage of shares
HSBC Custody Nominees (Australia) Ltd - A/C 3	3,202,404	0.23
Blueflag Holdings Pty Ltd	3,000,000	0.22
Ramsleigh Pty Ltd	3,000,000	0.22
Perpetual Trustee Company Ltd	2,794,442	0.20
UBS Wealth Management Australia Nominees Pty Ltd	2,511,227	0.18
National Exchange Pty Ltd	2,500,000	0.18
UBS Nominees Pty Ltd	2,438,522	0.18
RBC Dexia Investor Services Australia Nominees Pty Ltd	2,146,462	0.15
AMP Life Ltd	2,131,732	0.15
Total for top 20	**872,089,274**	**62.88**

Substantial shareholders

Substantial shareholder notices have been received as follows:

Organisation	Shares	Percentage of shares
Australian Pipeline Ltd	439,054,476	31.66
Cheung Kong Infrastructure Holdings (Malaysian) Ltd	263,236,805	18.98

Summary of distributions	Repayment of loan note(i)	Interest(i)	Dividends	Total payment(i)	Loan note balance
Date paid	*Cents*	*Cents*	*Cents*	*Cents*	*Cents*
28 November 1997	3.77	0.88	-	4.65	66.23
29 May 1988	1.45	1.65	-	3.10	64.78
Total	**5.22**	**2.53**	**-**	**7.75**	**-**
27 November 1998	3.06	1.83	-	4.89	61.72
28 May 1999	1.54	1.72	-	3.26	60.18
Total	**4.60**	**3.55**	**-**	**8.15**	**-**
26 November 1999	3.59	1.81	-	5.40	56.59
	3.59(ii)	0.09(ii)	-	3.68(ii)	56.59
26 May 2000	1.90	1.70	-	3.60	54.69
Total	**5.49**	**3.51**	**-**	**9.00**	**-**
	5.49(ii)	**1.79(ii)**	**-**	**7.28(ii)**	**-**
24 November 2000	3.77	1.78	-	5.55	50.92
25 May 2001	2.05	1.65	-	3.70	48.87
Total	**5.82**	**3.43**	**-**	**9.25**	**-**
26 November 2001	3.98	1.72	-	5.70	44.89
29 April 2002	2.23	1.57	-	3.80	42.66
	2.23(iii)	0.20	-	2.43(iii)	42.66
Total	**6.21**	**3.29**	**-**	**9.50**	**-**
	2.23(iii)	**0.20**	**-**	**2.43(iii)**	**-**
25 November 2002	3.99	1.71	-	5.70	38.67
29 April 2003	2.26	1.54	-	3.80	36.41
Total	**6.25**	**3.25**	**-**	**9.50**	**-**
28 November 2003	3.87	1.83	-	5.70	32.54
30 April 2004	2.18	1.62	-	3.80	30.36
Total	**6.05**	**3.45**	**-**	**9.50**	**-**
30 November 2004	3.87	1.83	-	5.70	26.49
29 April 2005	2.21	1.59	-	3.80	24.28
Total	**6.08**	**3.42**	**-**	**9.50**	**-**
30 November 2005	3.87	1.83	-	5.70	20.41
26 May 2006	2.27	1.53	-	3.80	18.14
Total	**6.14**	**3.36**	**-**	**9.50**	**-**
30 November 2006	3.87	1.36	0.47	5.70	14.27
31 May 2007	2.27	1.07	0.46	3.80	12.00
Total	**6.14**	**2.43**	**0.93**	**9.50**	**-**
30 November 2007	3.87	0.90	0.93	5.70	8.13
30 May 2008	3.19	0.61	-	3.80	4.94
Total	**7.06**	**1.51**	**0.93**	**9.50**	**-**
28 November 2008	4.13	0.37	-	4.50	0.81
29 May 2009	0.81	0.05	1.89	2.75	nil
Total	**4.94**	**0.42**	**1.89**	**7.25**	**-**
30 October 2009	-	-	2.75	2.75	nil
30 April 2010	-	-	2.75	2.75	nil
Total	**-**	**-**	**5.50**	**5.50**	**-**

(i) Interest paid on the loan note is taxable income. The repayment of principal on the loan note reduces the cost base of the loan note component of the stapled security and this is taken into account for taxation purposes in calculating whether a capital gain or loss occurred on disposal of the stapled security. Shareholders should consult their taxation adviser when preparing their tax return.

(ii) Securities issued 24 September 1999.

(iii) Securities issued 8 March 2002.

SHAREHOLDER INFORMATION

Voting rights

The voting rights attached to each share at a meeting of shareholders of the Company are one vote per share on a poll and one vote per shareholder on a show of hands.

Payment of distributions/dividends

Distributions/dividends are paid directly to bank, building society or credit union accounts in Australia. The payments are electronically credited on the distribution payment date and confirmed by payment advices sent through the mail. Instructions received remain in force until amended or cancelled in writing.

Tax file numbers, Australian business numbers or exemptions

Australian taxpayers who do not provide their tax file number to the share registry will have the top marginal personal tax rate plus Medicare levy applied to their distributions. It is therefore in the interest of shareholders to ensure that this information is provided. Forms are available from the share registry to notify your tax file number, Australian business number or tax exemption details.

Annual Report mailing list

Shareholders wishing to receive the annual report should advise the share registry in writing so that their names can be added to the mailing list. Alternatively, you can advise the registry via their website: www.linkmarketservices.com.au.

The annual report is available on the Company's website: www.envestra.com.au. You can elect via the share registry's website to be notified by email when the report is posted to the Company's website.

Change of address

Shareholders should notify any change of address to the share registry promptly in writing quoting their shareholder reference number, previous address and new address.

Share trading

Envestra Limited shares are traded on the Australian Securities Exchange under the symbol ENV.

2010 Annual General Meeting

The Annual General Meeting of Envestra will be held at 10:00am on Wednesday, 27 October 2010 at the Adelaide Convention Centre, North Terrace, Adelaide. Details of the business of the meeting are contained in the separate Notice of Meeting sent to shareholders.

Dividend Reinvestment Plan

The Company operates a Dividend Reinvestment Plan ('DRP'), which is a convenient and cost-effective way of increasing your holding of Envestra shares by reinvesting all or part of your dividend payments without incurring brokerage or other transaction costs.

New shares allotted under the DRP may be issued at a discount to the weighted average market price of the securities over a period determined by the Directors. DRP registration forms are available from Link Market Services.

Information on Envestra

The annual and half-year reports are the main source of information for shareholders. Other information is available via the Company's website: www.envestra.com.au. Shareholders can register with the share registry via its website: www.linkmarketservices.com.au to receive email advice each time the Company makes a public announcement.

NETWORK STATISTICS

Consumers	Victoria		South Australia		Queensland		New South Wales		Northern Territory		Total	
	2010	2009	2010	2009	2010	2009	2010	2009	2010	2009	2010	2009
Domestic	527,116	513,243	391,025	383,610	81,389	79,146	22,729	22,267	983	950	1,023,242	999,216
Industrial & commercial <10TJ	22,712	22,746	10,132	10,011	3,250	3,255	1,091	1,097	96	96	37,281	37,205
Industrial & commercial >10TJ	240	237	180	182	76	77	11	12	1	1	508	509
Total consumers(i)	550,068	536,226	401,337	393,803	84,715	82,478	23,831	23,376	1,080	1,047	1,061,031	1,036,930

(i) Total consumers does not include properties supplied with bulk hot water via hot water meters.

Gas Delivered (TJ)	Victoria		South Australia		Queensland		New South Wales		Northern Territory		Total	
	2010	2009	2010	2009	2010	2009	2010	2009	2010	2009	2010	2009
Domestic, industrial & commercial <10TJ	32,924	34,540	10,822	11,072	2,138	2,242	1,284	1,248	60	63	47,228	49,165
Industrial & commercial >10TJ	20,985	21,088	24,139	24,916	13,635	14,255	2,075	2,319	3,318	3,212	64,152	65,790
Total gas delivered	53,909	55,628	34,961	35,988	15,773	16,497	3,359	3,567	3,378	3,275	111,380	114,955

Assets	Victoria		South Australia		Queensland		New South Wales		Northern Territory		Total	
	2010	2009	2010	2009	2010	2009	2010	2009	2010	2009	2010	2009
New mains (km)	172	181	68	76	32	28	4	12	0	1	276	298
New inlets	14,270	13,215	8,373	8,350	2,463	2,461	495	461	0	0	25,601	24,487
Replacement mains (km)	3,822	28	87	65	28	21	0	0	0	0	3,937	114
Total mains (km)	9,641	9,474	7,887	7,804	2,560	2,512	615	608	38	38	20,741	20,436
Transmission pipelines (km)	219	212	372	372	284	284	20	20	153	153	1,048	1,041

GLOSSARY

AIFRS
Australian equivalents to International Financial Reporting Standards.

Access Arrangement
Access Arrangements set out the terms and conditions under which third parties (retailers and large-volume consumers) may use Envestra's networks to deliver natural gas.

APA
Australian Pipelines Group and APA Asset Management.

Gigajoule (GJ)
Joules are a measure of energy. A gigajoule is equal to one joule multiplied by 10^9.

GFC
Global Financial Crisis.

Joule (J)
Joules are a measure of energy.

Lost Time Injury
An injury that results in one full day or more off work.

National Access Code
National Third Party Access Code for Natural Gas Pipeline Systems.

Petajoule (PJ)
Joules are a measure of energy. A petajoule is equal to one joule multiplied by 10^{15}.

Regulator
On 1 July 2008, responsibility for regulation of gas distribution networks was transferred to the Australian Energy Regulator. The State Regulators that formerly had this responsibility are:

- Victoria (Essential Services Commission)
- South Australia (Essential Services Commission of South Australia)
- Queensland (Queensland Competition Authority).

System Use Gas (SUG)
System Use Gas (also referred to as Unaccounted For Gas) is the difference between the amount of gas that was metered into the networks and the amount metered to consumers.

Tariffs (Access Charges)
The tariffs that Envestra charges retailers and large volume consumers for the service of transporting natural gas through the Company's distribution networks and transmission pipelines to their customers or premises.

Terajoule (TJ)
Joules are a measure of energy. A terajoule is equal to one joule multiplied by 10^{12}.

IMAGE REFERENCES

Front cover
The SAGASCO Tar Truck.
"The Unquenchable Flame - The South Australian Gas Company 1861-1986" (pp 128). Authors Peter Donovan, Noreen Kirkman. First Published 1986, Wakefield Press for National Library of Australia.

Page 1
Flaring gas from purge burners prior to conversion.
"Circle of Influence - A History of the Gas Industry in Victoria" (pp 264). Author Ray Proudley. First published 1987, Hargreen Publishing Company for National Library of Australia.

Display advertisement.
State Library of South Australia (SLSA): BRG 350/29/Box 2: Display advertisements October 1929 to June 1930.

Page 7
Display advertisement.
SLSA: BRG 350/29/Box 2: Display advertisements October 1929 to June 1930.

Page 11
Hand excavation of a five feet wide trench at West Melbourne for the eighteen inch diameter Lurgi line and the twelve inch diameter Refinery pipeline (circa 1956).
"Circle of Influence - A History of the Gas Industry in Victoria" (pp 228). Author Ray Proudley. First published 1987, Hargreen Publishing Company for National Library of Australia.

Red duty stamp, undated.
SLSA: BRG 350/12/Box 1.

Blueprint of gas burner lamp.
SLSA: BRG 350/12/Box 1 - Application 5358.

Page 16
Display advertisement.
SLSA: BRG 350/29/Box 2: Display advertisements October 1929 to June 1930.

Page 21
Display advertisement.
SLSA: BRG 350/29/Box 2: Display advertisements October 1929 to June 1930.

Page 23
Natural Gas door hanger.
SLSA: BRG 350/37/Box 2

Page 25
The Gas Company took a high public profile in its support of the war effort.
"The Unquenchable Flame - The South Australian Gas Company 1861-1986" (pp 188). Authors Peter Donovan, Noreen Kirkman. First Published 1986, Wakefield Press for National Library of Australia.

Display advertisement.
An indication of the optimistic spirit of the age and also the Imperial connection of the Gas Company in an advertisement from the 'Australian Homes and Gardens' July 1926. *"The Unquenchable Flame - The South Australian Gas Company 1861-1986"* (pp 133). Authors Peter Donovan, Noreen Kirkman. First Published 1986, Wakefield Press for National Library of Australia.

Page 26
Display advertisement.
SLSA: BRG 350/29/Box 2: Display advertisements October 1929 to June 1930.

Page 31
Colonial Gas Association shop front (historic old Mount Gambier gas industry picture).
SLSA: BRG 350/34/Box 21: Unsorted

Display advertisement.
SLSA: BRG 350/29/Box 2: Display advertisements October 1929 to June 1930.

Back cover
SLSA: BRG 350/34/Box 4: Unsorted

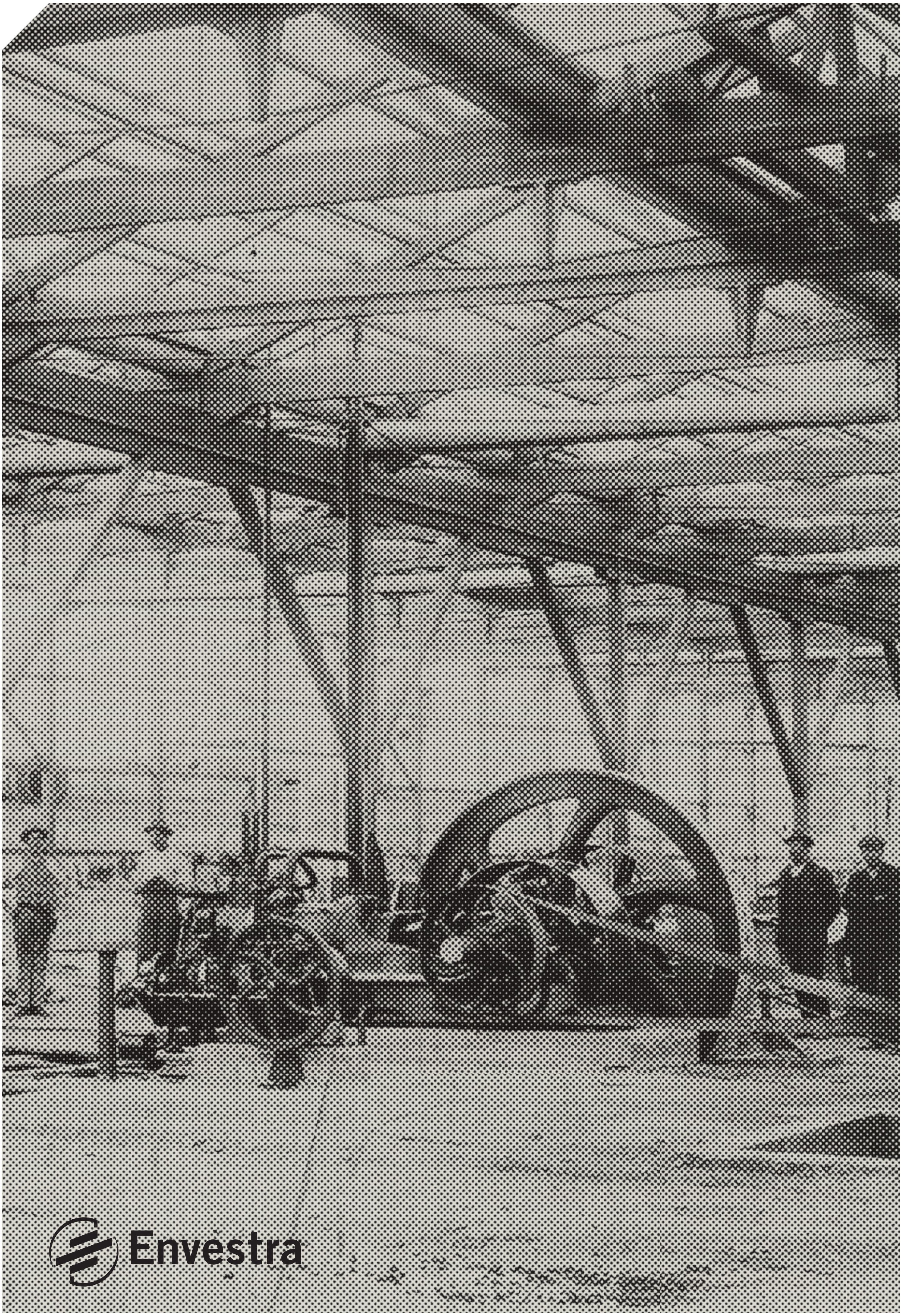
Enquiries

Shareholders who wish to enquire about their holdings in Envestra should contact the Company's share registry.

Link Market Services Ltd
Locked Bag A14, Sydney South
New South Wales, 1235
Telephone (02) 8280 7788
Facsimile (02) 9287 0303
www.linkmarketservices.com.au

Any other enquiries relating to the Company's operations may be directed to:
Des Petherick
Company Secretary and Manager, Corporate Services

Envestra Limited
Level 10, 81 Flinders Street
Adelaide, South Australia 5000
Telephone (08) 8227 1500
Facsimile (08) 8227 1511
des.petherick@envestra.com.au
www.envestra.com.au



Envestra