6. Tax considerations for HDUF Securityholders

pwc

The Board of Directors

Australian Pipeline Limited as responsible entity for
APT Investment Trust (APTIT)
Level 19, HSBC Building
580 George Street
Sydney NSW 2000

Australian Pipeline Limited as responsible entity for
Australian Pipeline Trust (APT)
Level 19, HSBC Building
580 George Street
Sydney NSW 2000

APT Pipelines Limited
Level 19, HSBC Building
580 George Street
Sydney NSW 2000

21 August 2012

Dear Directors

TAX CONSIDERATIONS FOR HDUF SECURITYHOLDERS

This letter has been prepared for inclusion in the Fifth Supplementary Bidder's Statement dated on or about 21 August 2012 in relation to the Offer. Capitalised terms in this letter have the same meaning as they do in the Bidder's Statement.

This letter has been prepared for the Directors and should not be relied upon by any other party.

The purpose of this letter is to provide a broad summary of the Australian income tax, GST and stamp duty considerations for Australian resident individual HDUF Securityholders who accept the Offer. In providing this opinion PricewaterhouseCoopers has relied upon certain facts set out in the Bidder's Statement that have not been independently reviewed or verified by PricewaterhouseCoopers.

The tax information provided below is intended as a brief guide only and does not purport to be a complete analysis of the potential tax consequences of accepting the Offer. This information applies to Australian resident individual HDUF Securityholders who hold their investment on capital account, and does not apply to HDUF Securityholders who are traders or are carrying on a business which includes deriving gains from the disposal of their HDUF Stapled Securities.

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

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

PricewaterhouseCoopers, ABN 52 780 433 757
Darling Park Tower 2, 201 Sussex Street, GPO BOX 2650, SYDNEY NSW 1171
DX 77 Sydney, Australia
T +61 2 8266 0000, F +61 2 8266 9999, www.pwc.com.au

The information contained in this document does not constitute "financial product advice" within the meaning of the Corporations Act. The PricewaterhouseCoopers partnership which is providing this advice is not licensed to provide financial product advice under the Corporations Act. To the extent that this document contains any information about a "financial product" within the meaning of the Corporations Act, taxation is only one of the matters that must be considered when making a decision about the relevant financial product. This material has been prepared for general circulation and does not take into account the objectives, financial situation or needs of any recipient. Accordingly, any recipient should, before acting on this material, consider taking advice from a person who is licensed to provide financial product advice under the Corporations Act. Any recipient should, before acting on the contents of this letter, also consider the appropriateness of this material having regard to their objectives, financial situation and needs and consider obtaining independent financial advice.

1 TAXATION ON DISPOSAL OF HDUF STAPLED SECURITIES

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

The Minimum Offer consists of an exchange of one HDUF Stapled Security for 0.39 APA Stapled Security plus cash of $0.72. If APA achieves ownership of 90% or more of the HDUF Stapled Securities and becomes entitled to proceed to compulsory acquisition, additional cash consideration of $0.08 (i.e. in total cash of $0.80) will be paid for each HDUF Stapled Security under the 90% Offer.

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

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

The capital proceeds for the disposal of each HDUF Stapled Security should be the market value of the APA Stapled Security on the date of disposal plus the cash component of the Offer (including the additional $0.08 paid for each HDUF Stapled Security if APA becomes entitled to proceed to compulsory acquisition). The capital proceeds received must be apportioned between HDUF Epic Trust, HDUF Finance Trust and HDUF Further Investments Trust on a reasonable basis.

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

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

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

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

2 COST BASE OF APA STAPLED SECURITIES

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

The cost base of the APTIT Units and APT Units should be the market value of the HDUF Stapled Securities disposed of under the Offer less the cash consideration ($0.72 under the Minimum Offer or $0.80 under the 90% Offer), apportioned on a reasonable basis as between the APTIT Units and the APT Units.

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

3 TAXATION OF APA STAPLED SECURITIES

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

3.1 Tax treatment of APTIT

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

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

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

3.2 Tax treatment of on-going APTIT distributions

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

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

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

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

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

3.3 Tax treatment of APT

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

3.4 Tax treatment of on-going distributions from APT

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

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

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

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

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

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

3.5 Return of capital by APT

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

3.6 Taxation on disposal of APA Stapled Securities

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

4 TAX FILE NUMBERS

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

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

5 GST

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

6 STAMP DUTY

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

Yours faithfully

Steve Ford
Principal

Mike Davidson
Partner