2008 ENVESTRA ANNUAL REPORT

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28 October 2008
2008 Annual General Meeting

28 November 2008
First-half distribution paid

27 February 2009
Half-year financial results announced

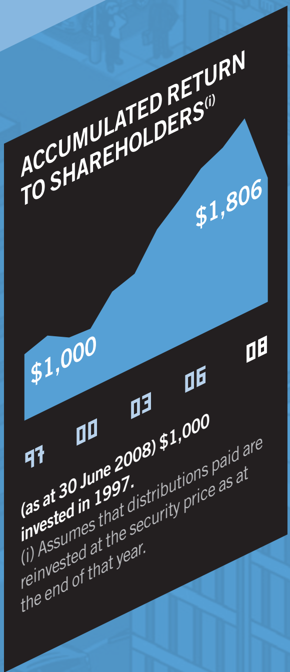
29 May 2009
Second-half distribution paid

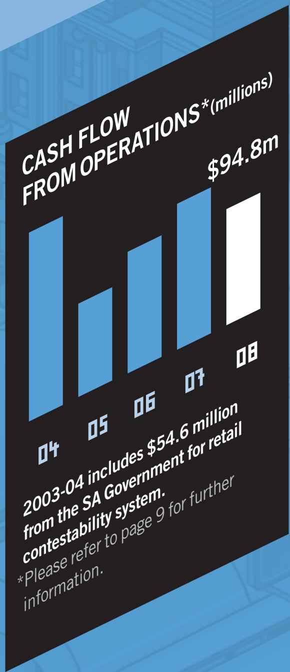
27 August 2009
Full-year financial results announced

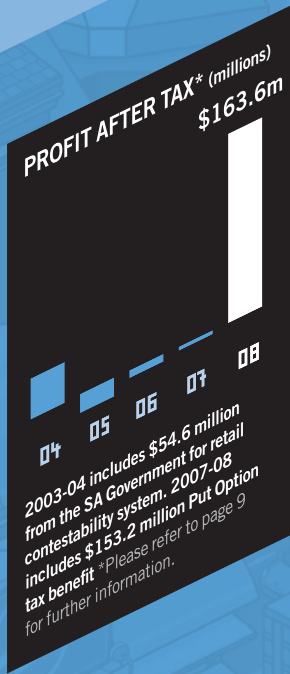
28 October 2009
2009 Annual General Meeting

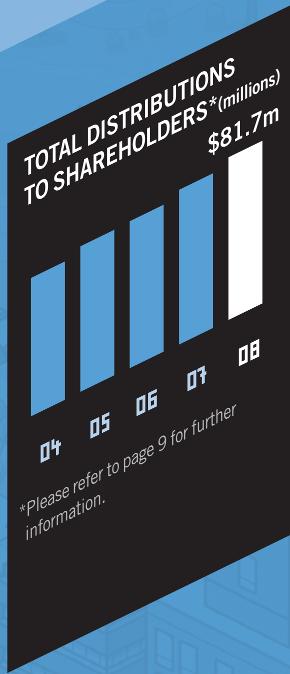
THE 2008 ANNUAL GENERAL MEETING OF ENVESTRA LIMITED (ACN 078 551 685) WILL BE HELD AT 10:00AM ON TUESDAY, 28 OCTOBER 2008 AT THE ADELAIDE CONVENTION CENTRE, NORTH TERRACE, ADELAIDE

ENVESTRA 2008 HIGHLIGHTS









- The Company recorded a profit after tax of $163.6 million (including the $153.2 million tax benefit described below). An underlying[1] profit after tax of $10.4 million was recorded, compared with an underlying profit after tax of $2.3 million in the prior year.
- The Company invested $108.3 million on network extensions, capacity enhancements, mains replacement, meter changes and information technology.
- The Company put in place $130.0 million of new bank facilities to replace debt that matured during the year and to raise funds to support its capital expenditure program.

  Other than $39.7 million of Commercial Paper, and $85 million of Medium Term Notes which mature in May 2009, no other debt refinancing is required in 2008-09.

  The average loan duration for the Envestra Group is 10 years.

  The Company's exposure to interest rate risk is minimal as around 90 per cent of floating rate debt is hedged in line with the regulatory reset periods.
- Almost 15 per cent of shareholders, representing 40 per cent of the issued capital, participated in the Distribution Reinvestment Plan, raising $34.6 million of equity.
- Distributions were maintained at 9.5 cents, with total distributions to shareholders amounting to $81.7 million.

  The balance of the loan note as at 30 June 2008 was 4.94 cents and it is expected that it will be fully repaid as part of the May 2009 distribution.

  Subsequent payments to shareholders will be in the form of unfranked dividends.
- A one-off (non-cash) gain of $153.2 million resulted from Origin Energy exercising the Put Option over Vic Gas Distribution Pty Ltd, and that Company being admitted to Envestra's tax consolidated Group.
- The transition to APA Asset Management as the operator of Envestra's distribution networks was completed without incident.

(1) The underlying profit after tax has been adjusted to reflect Put Option proceeds and related tax offsets, prior-year land sales and tax-loss transfers to Origin Energy.

Chairman's and Managing Director's Review

It is pleasing to report that the Company recorded an after-tax profit of $163.6 million. This result was impacted by the one-off tax benefit of $153.2 million recorded on exercise of the Put Option by Origin Energy on 2 July 2007.

An underlying profit after tax of $10.4 million was recorded, compared with an underlying profit after tax of $2.3 million in 2006-07.

Although the Company performed well against most of its operational measures in 2007-08, warm weather throughout the year impacted revenues and adversely affected our bottom-line result. This follows a similar trend over the past several years where gas volumes have been below our expectations due to prevailing drought conditions and warmer than normal weather over much of the country.

Share market performance

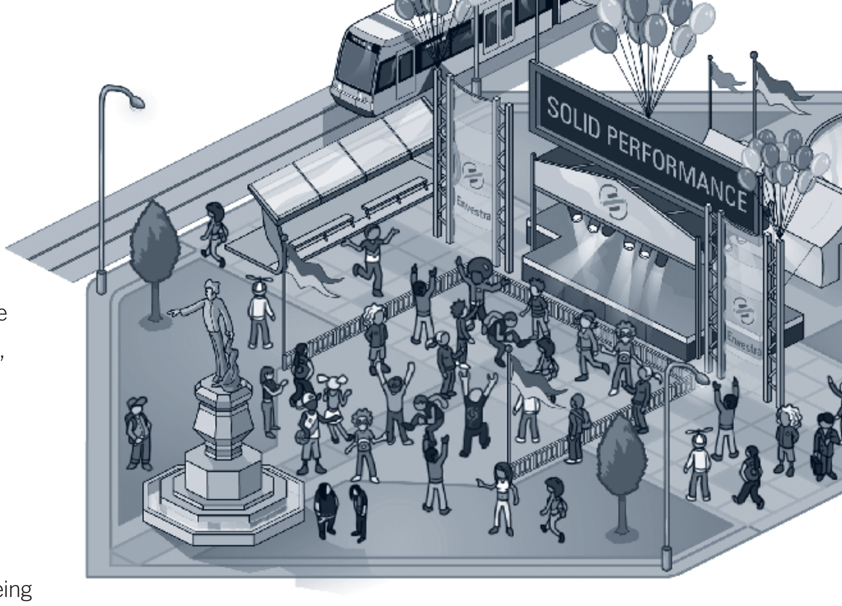
It is extremely disappointing that shareholder returns were negative for the year. This was a consequence of the material decline in the prices of listed infrastructure securities generally, which occurred in conjunction with the turmoil in world financial markets, primarily as a result of the "sub-prime" issue that emerged in the United States of America, and the escalation in the cost of debt.

Envestra's financing strategy for many years has been to extend the duration of its debt portfolio, arrange refinancing at least six months prior to maturity, and set a limit of 15 per cent of the debt portfolio to mature in any one year. At 30 June 2008, the average loan maturity for the Envestra group was 10 years.

The Company's exposure to interest rate risk is minimal as around 90 percent of floating rate debt is hedged in line with the regulatory reset periods through to 2012.

Further, the Envestra Group has no bonds maturing until May 2009 and at 30 June 2008 had undrawn bank facilities amounting to $166 million with terms extending from 2009 to 2012. A further $65 million of unused standby facilities was available to support our commercial paper program. All these facilities are available should any short-term difficulties be encountered in refinancing debt.

In December 2007, Envestra's wholly owned subsidiary, Envestra Victoria Pty Ltd, executed a $130 million debt facility with the Commonwealth Bank to replace bonds that matured in February 2008. We had intended to issue credit-wrapped Capital Indexed Bonds, but this did not proceed due to the volatility in the financial markets and the uncertainty of the credit rating status of several of the monoline insurers being considered.



Almost 90 per cent of the credit-wrapped bonds issued by the Envestra Group are guaranteed by the monoline insurer, FSA, which has maintained its AAA credit rating.

Exercise of Put Option

The foreshadowed exercise by Origin Energy of its Put Option over the shares in what is now Envestra's subsidiary, VicGas Distribution Pty Ltd, occurred on 2 July 2007. As a result, a one-off gain of $153.2 million resulting from that company being admitted to Envestra's "tax consolidated Group" occurred in 2007-08. This non-cash transaction allowed the tax values of the Victorian and Albury assets to be re-set at a level that will provide significant additional tax depreciation deductions in future years. The transaction also greatly simplifies Envestra's financial structure.

New operator of our assets

On 2 July 2007, the Australian Pipelines Group (APA) took over as the operator of Envestra's network assets, replacing Origin Energy, which had occupied that role since the float of Envestra in 1997. Substantial effort was made by Envestra's and APA's management in the lead-up to the sale and over the following months to ensure a seamless transition to the new operator. The transition was completed in December 2007 when the last of the new information technology systems went live. It is pleasing to report that during this period of change no major injuries were sustained by APA employees and the organisation's contractors, who together total more than 1,100 people working for Envestra under the new agreements.

Our financial performance

Haulage revenue earned by the Group increased marginally over the previous year, despite the warm conditions, due mainly to the annual increase in tariffs and the addition of over 23,000 new consumers to the networks.

Operating costs were up three per cent on the previous year with increased leakage maintenance and system use gas costs, and costs arising from the introduction of full retail contestability in Queensland being offset by the redirection of marketing expenses, and the absence this year of significant land management provisions that were recorded in 2006-07.

Finance costs were $144.8 million, up six per cent or $7.7 million on the previous year.

Cash generated from operating activities was $94.8 million, 20 per cent lower than in the previous year due mainly to the timing of interest payments of $18.4 million, Put Option proceeds of $7.8 million received in the prior year, and an increase in interest expense, all of which were partially offset by higher haulage and services revenue, which was up $13.4 million.

After allowing for replacement capital expenditure, cashflow available for distributions amounted to $78.0 million.

Distributions to shareholders were maintained at 9.5 cents per security, with total distributions of $81.7 million, up $4.0 million on the prior year as a result of new securities issued under the Company's Distribution Reinvestment Plan.

The balance owing to shareholders on the loan note component of our stapled securities was, at 30 June 2008, 4.94 cents. It is expected that the loan note will be fully repaid as part of the distribution to be made in May 2009. If this occurs, payments to shareholders after that date will be in the form of unfranked dividends for many years.

The regulatory regime

Envestra's monopoly position as a gas distributor is subject to regulatory oversight by the Australian Energy Regulator and prior to 1 July 2008 by various State-based regulators, with Access Arrangements being revised at five-yearly intervals under the National Gas Code. 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 reported last year that the Essential Services Commission of South Australia (ESCOSA) had issued a Final Determination that set revenue and other conditions at levels that were unacceptable to Envestra. We lodged an appeal against ESCOSA's determination contesting five issues.

A decision by the Panel (comprising a District Court judge and two economic experts) was issued in August 2007. Whilst we were not successful in all matters raised with the Panel, an increase in revenue of around $4.5 million, over the balance of the five-year period, was granted.

The Victorian Access Arrangement was due to expire on 31 December 2007; however, it was extended to 30 June 2008 while the Essential Services Commission of Victoria completed its review process and handed down its final decision in May 2008.

DURING THE YEAR 333 KILOMETRES OF NEW MAINS WERE LAID, INCLUDING 19 KILOMETRES OF TRANSMISSION PRESSURE MAINS TO ENHANCE THE CAPACITY OF OUR NETWORKS.

ALMOST 180 KILOMETRES OF OLD MAINS WERE REPLACED.

Again, this decision was not welcomed by Envestra, and as a result the Company lodged an appeal in relation to a range of matters, including the allowed rate of return that can be earned on investments (known as Weighted Average Cost of Capital) and the disallowance of 50 per cent of the network management fee paid to the Australian Pipelines Group.

The other two distributors in Victoria also have lodged appeals in respect to their Access Arrangements.

It is expected that decisions on these appeals will be handed down in late 2008.

On a broader level, the long-awaited New Gas Law has been enacted and as mentioned above the State-based gas regulators were replaced with the Australian Energy Regulator (AER). We are hopeful this change will deliver a sounder approach to balancing the interests of distribution network companies, and their shareholders, and the interests of gas consumers. In the past, asset owners have sometimes been provided only marginal encouragement to spend the significant capital required to ensure their networks deliver a reliable supply of gas through the most demanding weather conditions, and to make gas more widely available in the community.

Equity raising

Almost $35 million of additional share capital was raised during the year under the Company's Distribution Re-investment Plan, with 15 per cent of shareholders, representing over 40 per cent of the issued capital, participating. It is pleasing to report that the Company's two major shareholders, APA Group and Cheung Kong Infrastructure Holdings subscribed to both issues during the year. The funds raised were used to support the substantial capital investment program undertaken in 2007-08.

Capital expenditure program

The Company undertook a significant capital expenditure program in 2007-08 with $108.3 million spent on network extensions, capacity enhancements, mains replacement and meter changes, as well as information technology. During the year 333 kilometres of new mains were laid, 178 kilometres of old mains were replaced, and a number of new transmission pressure mains were laid to enhance the capacity of our networks.

Capital expenditure allowed under the Company's three Access Arrangements was $175 million and $200 million for Queensland and South Australia respectively, over the five years from July 2006, and $352 million for Victoria, for the five-year period from January 2008. Clearly 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, or potentially exceed, Envestra's cost of capital.

In this regard, due to the turmoil in world financial markets, the cost of raising future debt and equity is currently in excess of that allowed by the regulators, and as a result we have reviewed our capital program for 2008-09 and plan to spend less than previously forecast over the next 12 months. In containing capital expenditure, we are mindful of our responsibilities to ensure that the networks continue to be operated in a safe and reliable manner, and this will not be 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 to current financial market conditions, will enable us to support a significant capital expenditure program in 2008-09. However, as noted, the program will be well below that which was envisaged by the South Australian and Victorian regulators due to the high cost of debt relative to regulatory return settings.

Gas leakage (known as system use gas, or SUG) continues to be an issue for the Company. While the regulators make an allowance in our operating costs for a benchmark rate of leakage, we aim to outperform this rate. During the year, we did not meet the benchmark rate for South Australia and as a result incurred additional operating costs of $2.4 million. This is despite having spent considerable effort over the past decade replacing some 1800 kilometres of old cast iron and steel mains, with the insertion of polyethylene pipe.

We intend to maintain our efforts in reducing SUG, by replacing 115 kilometres of “old” pipe across the networks in 2008-09, at a cost of $10.5 million.

Operator performance

APA Asset Management, as operator of our networks, generally performed well. Operating costs rose three per cent as a result of increased leak management activities, costs associated with the Government’s introduction of full retail contestability in Queensland, and higher customer servicing costs. There were several occasions during the year when APA had to respond to major incidents on the networks, caused by third parties, including a major supply failure in May 2008 with the upstream transmission pipeline that connects to our network at Whyalla. It is a credit to APA that these incidents were handled in a professional and efficient manner, which resulted in minimal disruption to gas consumers.

Safety performance for APA’s employees and contractors, whilst not without incident, reflects a high standard, and is a direct result of their attention to this key performance measure.

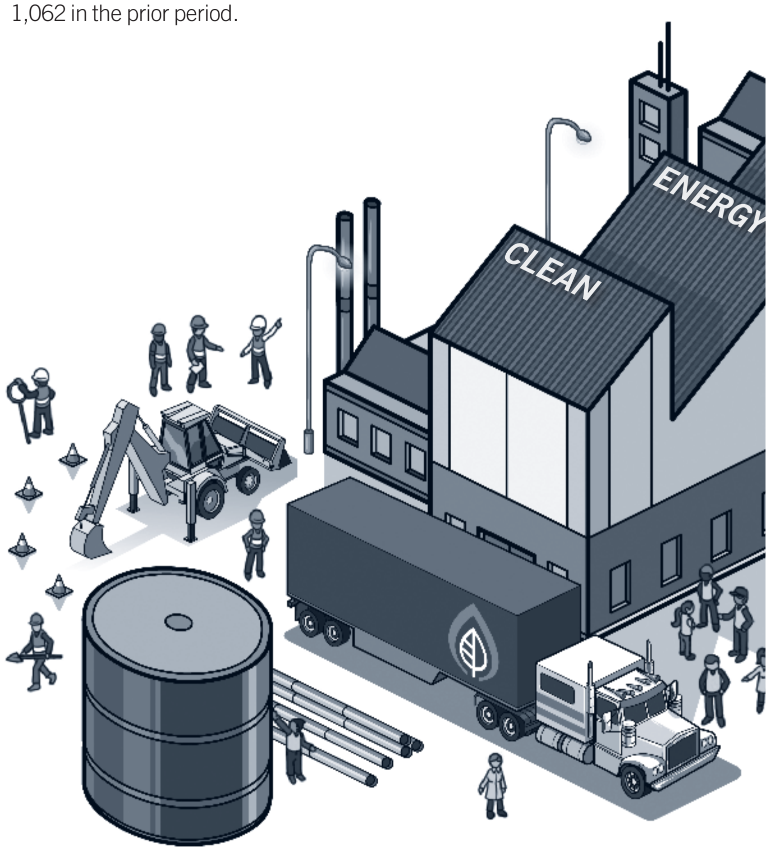
There were five lost-time injuries sustained by employees, and two for contractors. The number of injuries is relatively low in comparison to the energy industry generally and other similar industries. Whilst we continue to target reductions, this represents a sound achievement given the difficult and hazardous working conditions often confronting the operator’s field workers.

Growth strategy

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

Conditions in financial markets precluded any significant effort being directed to network acquisitions, with little opportunities being available in the Australian market. Whilst we expect that some asset sales will occur in the course of the next year as some infrastructure owners face financial restrictions, we do not expect equity markets to support major acquisition initiatives for some time.

In Queensland we have seen a substantial increase in new customer connections resulting from the introduction of an energy policy by the Government which requires the installation of gas hot water heaters wherever natural gas is available. During the year 2,485 new consumers were connected compared with 1,062 in the prior period.



We have connected more than 20,000 new consumers per year over many years; however, this target may be difficult to achieve in 2008-09 as we restrict our capital spending in this area. This would be a disappointing outcome, particularly as governments, through policy decisions are recognising the environmental benefits of natural gas.

In the Northern Territory we currently supply gas to the Power and Water Corporation's (PWC) power station that provides electricity to Alice Springs. We have been asked by PWC to construct a new pipeline off the Company owned Palm Valley transmission pipeline, to supply gas to a new power station. The project will cost around $8 million and is expected to be completed by December 2008.

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

Greenhouse gas emissions reporting and trading

The Federal Government has introduced legislation that will make it mandatory for companies to report annually on greenhouse gas emissions, energy production and energy consumption at certain thresholds. While the reporting procedures and guidelines are still being developed, the requirement will apply to Envestra given the leakage of methane (natural gas) from our networks. The proposed introduction of an Emissions Trading Scheme (ETS) by the Federal Government in 2010 will likely give rise to a cost for these emissions. However, it is expected that any impost on Envestra will ultimately be recovered from consumers through a combination of the regulatory Access Arrangements and the haulage agreements we have with retailers and directly with large businesses.

We are closely monitoring this ETS initiative and its likely impact on Envestra, and will keep shareholders informed on developments.

Organisation and staffing

Most of our work is undertaken by the 1,100 employees and contractors of our operator, APA Asset Management. We appreciate the significant effort and achievements that these people have contributed to the success of Envestra in 2007-08. We also appreciate the professionalism and dedication that has been exhibited by everyone in APA during the transition phase to the new operating and management agreements. This occurred with a minimum of fuss and almost without incident. A job well done!

Envestra has only a small group of employees largely comprising experienced professionals with significant expertise across financial, engineering and regulatory disciplines. With the aforementioned change to our operator, the signficiant regulatory challenges occurring in South Australia and Victoria, together with the financial markets volatility that has required careful management, we recognise the considerable effort made by all employees.

During the year we appointed a new Chief Financial Officer, Peter Ryan. He joined us after 20 years of commercial and professional experience across corporate finance and capital markets in Australia and overseas.

On behalf of our Board, we take the opportunity to thank our employees, as well as the employees of APA and their sub-contractors for their substantial contribution to the performance of the Group over the past 12 months.

John Allpass

J G Allpass
Chariman

Ian Little

I B Little
Managing Director

27 August 2008

FINANCIAL REVIEW

The Company continued to produce strong cash flows from which distributions to shareholders were paid, and the cost of replacement capital expenditure was largely met.

Revenue

Envestra's haulage and services revenue, which is generated mainly from the delivery of natural gas for retailers, was $325.2 million, up $13.4 million on the previous year. The improvement in revenue was due mainly to slightly cooler weather than the prior year in Victoria and South Australia, the increase in distribution tariffs in South Australia and Queensland, as well as revenue from the 23,365 new consumers added to the Company's networks. Tariffs in Victoria were not adjusted during the year due to the delay in the review of the Access Arrangement for that State; however, this revenue loss will be recovered over the remaining years of the Access Arrangement through to 2012.

Earnings before Interest and Tax (EBIT)

Operating expenses of $111.2 million were up $2.8 million as a result of higher leak maintenance costs (up $1.6 million) and system use gas costs (up $2.4 million), an increase in interest expense and higher licence fees paid to the South Australian Government. These increases were partially offset by the absence of land management costs this year ($4.6 million in 2006-07).

Operating profit

Profit before borrowing costs and tax was down $5.5 million to $175.1 million, compared with $180.6 million for the previous year.

Borrowing costs

Borrowing costs (excluding loan note interest paid to shareholders) were $144.8 million, up $7.7 million on the previous period. The increase reflects higher swap rates associated with new hedges put in place when the revised Victorian Access Arrangement commenced, higher floating interest rates and interest on new borrowings during 2007-08.

Profit after tax

The Company recorded a consolidated profit after tax and interest on loan notes of $163.6 million. After excluding the one-off $153.2 million tax benefit from the exercise of the

Put Option an underlying[1] profit after tax of $10.4 million was recorded, compared with an underlying profit after tax of $2.3 million in 2006-07.

Cash flows

The Company generated cash flows from operating activities, after replacement capital expenditure, of $78.0 million, down $22.5 million on the previous year due mainly to timing of year-end interest payments.

Distributions to shareholders amounted to $81.7 million.

Capital expenditure was $108.3 million, in line with the previous year.

Cash reserves

The Company's cash reserves at year end were $10.8 million, compared with $11.4 million at the end of the previous period. Cash balances are normally maintained at modest levels to minimise debt and enhance returns to shareholders.

The Company had available unused bank credit lines of $166 million at year end.

During the year debt, excluding loan notes, increased by $72.2 million to $2,033.7 million.

The average loan duration for the Envestra Group is 10 years.

Envestra's gearing level was 77 per cent at year-end, despite the $108.3 million capital expenditure program undertaken in 2007-08. Gearing is defined as the ratio of net debt to net debt plus the market value of equity.

Credit rating

Envestra's credit rating with Standard & Poor's of BBB-/A-3 was affirmed in August 2008. The long -term ratings outlook was revised from stable to negative.

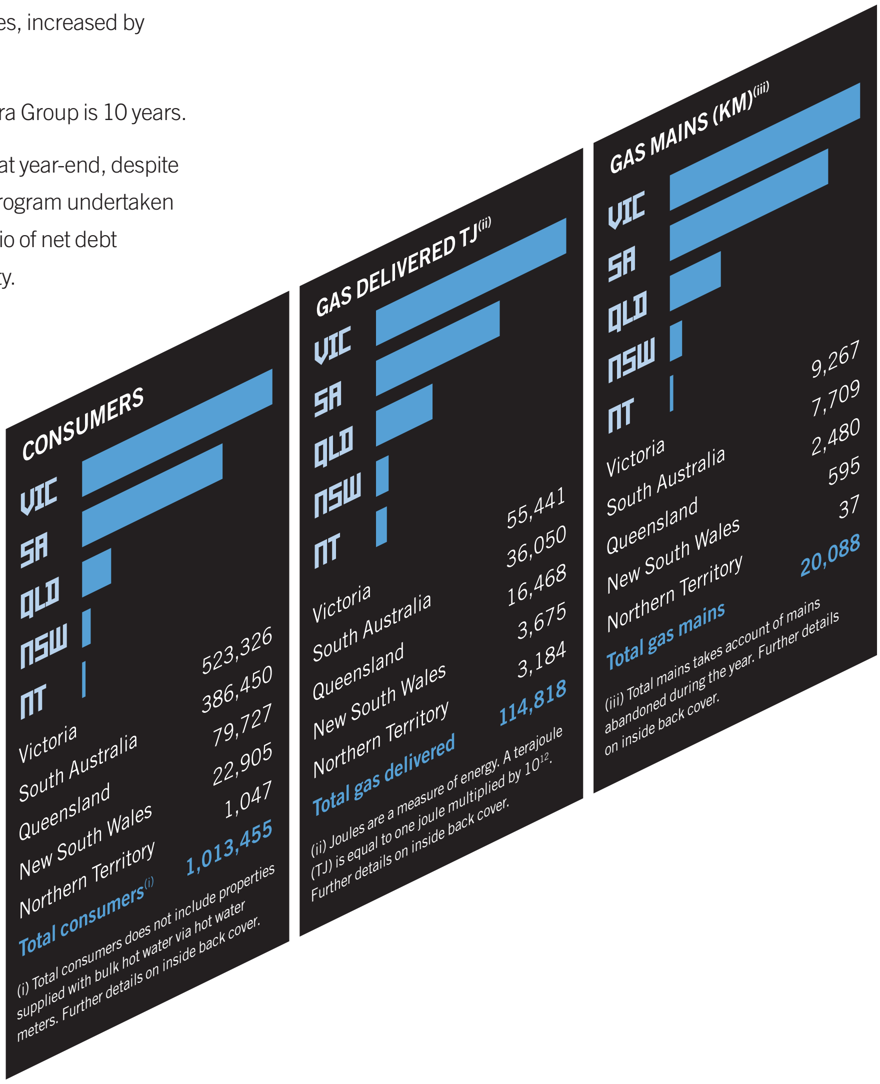
Moody's rating of Baa2 for the Envestra Security Group, which relates to the Company's South Australian and Queensland assets, remains unchanged.

Taxation-subvention Agreement and Put Option

Under the terms of the Subvention Agreement, Origin Energy elected to 'put' their shares in VicGas Distribution Pty Ltd and The Albury Gas Company Ltd to Envestra on 2 July 2007. These companies are now part of the Envestra tax consolidation group. This resulted in a substantial increase in the tax base of the distribution assets.

The financial effect of this adjustment is a reduction in the deferred tax liability of the Envestra Group and a commensurate consolidated tax benefit of $153.2 million.

(1) The underlying profit after tax has been adjusted to reflect Put Option proceeds and related tax offsets, prior-year land sales and tax-loss transfers to Origin Energy.



Summary of cash flows ($m)

	2008	2007	2006	2005	2004
Operating receipts less payments	**230.2**	**226.1**	**217.6**	**195.4**	**212.7**
South Australian Government receipt	-	-	-	-	54.6
Subvention payment[(i)]	-	-	-	-	4.0
Net cash flow before borrowing costs	**230.2**	**226.1**	**217.6**	**195.4**	**271.3**
Net borrowings costs	(135.4)	(106.9)	(118.3)	(119.2)	(117.1)
Cash flow from operating activities	**94.8**	**119.2**	**99.3**	**76.2**	**154.2**
Replacement capital expenditure	(16.8)	(18.7)	(17.1)	(14.3)	(12.4)
Available for distribution	**78.0**	**100.5**	**82.2**	**61.9**	**141.8**
Distributions	(81.7)	(77.7)	(73.8)	(73.1)	(69.5)
Contribution to growth capital expenditure	**(3.7)**	**22.8**	**8.4**	**(11.2)**	**72.3**
Loan drawdowns for growth capital expenditure	55.0	59.9	39.8	57.0	72.6
Cash available for growth capital expenditure	**51.3**	**82.7**	**48.2**	**45.8**	**144.9**
Growth capital expenditure	(91.5)	(89.1)	(75.0)	(72.5)	(79.1)
Cashflow available pre-debt/equity re-financing	**(40.2)**	**(6.4)**	**(26.8)**	**(26.7)**	**65.8**
Debt (drawdowns net of repayments)	5.3	(53.6)	(34.2)	8.9	(30.2)
Proceeds from sale of land	-	2.4	0.1	-	0.2
Equity raising	34.6	43.0	49.9	-	42.9
Capital raising costs	(0.3)	(0.4)	(12.8)	(19.1)	(2.2)
Change in cash	**(0.6)**	**(15.0)**	**(23.8)**	**(36.9)**	**76.5**
Opening cash	**11.4**	**26.4**	**50.2**	**87.1**	**10.6**
Closing cash	**10.8**	**11.4**	**26.4**	**50.2**	**87.1**

(i) The tax deductions on Envestra's Victorian assets were utilised by Origin Energy. In return, Envestra received payments from Origin Energy totalling $92 million over six years. The final payment was received in December 2003.

Income statement ($m)

	2008	2007	2006	2005[(i)]	2004
Revenue / income (excluding interest received)	**344.5**	**344.5**	**340.2**	**314.6**	**299.5**
South Australian Government receipt	-	-	-	-	54.6
Total revenue / income (excluding interest received)	**344.5**	**344.5**	**340.2**	**314.6**	**354.1**
Operating costs	(111.2)	(108.4)	(99.4)	(99.6)	(97.5)
Depreciation / amortisation	(59.7)	(58.3)	(55.2)	(51.7)	(44.8)
Profit before net borrowing costs and income tax	**173.6**	**177.8**	**185.6**	**163.3**	**211.8**
Net borrowing costs	(143.3)	(134.3)	(138.9)	(131.3)	(130.8)
Profit before interest on loan notes	**30.3**	**43.5**	**46.7**	**32.0**	**81.0**
Interest on loan notes	(10.8)	(18.2)	(24.7)	(26.3)	(25.6)
Profit before income tax	**19.5**	**25.3**	**22.0**	**5.7**	**55.4**
Income tax	144.1	(28.3)	(28.4)	(22.0)	(32.7)
Profit/(Loss) after income tax	**163.6**	**(3.0)**	**(6.4)**	**(16.3)**	**22.7**

(i) AIFRS adjusted.

SUSTAINABILITY

A major focus of Envestra is sustainability – doing the things that we believe will enable us to meet the long-term expectations of our shareholders and the community. 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.

Working with the community

Envestra, through APA Asset Management (APA), undertakes strategic partnerships to promote the benefits of natural gas, build and maintain business relationships, source market intelligence and generate new growth opportunities.

Partnerships are undertaken with a range of key market participants including the:

- Housing Industry Association
- Master Builders' Association
- Plumbing Industry Association
- Urban Development Institute of Australia
- Property Council of Australia
- Australian Land Development Engineers
- Hotel and Restaurant Industry Associations.

These activities also include the provision of assistance to industry organisations. During the year we supported:

- Hospitality Group training: apprentice chefs and other hospitality trainees.
- Gas-fitter training: APA employs 15 apprentices.
- Cookers in schools program: around 950 natural gas cookers installed and maintained in more than 130 schools.
- Royal Melbourne Institute of Technology Student Awards: prizes for TAFE students undertaking food technology courses.
- Regency Institute of TAFE School of Plumbing Awards: recognising outstanding students in gas-fitting.
- Queensland TAFE: gas fitting trade development support to Queensland plumbing apprentices.
- Various regional area TAFE Colleges: provision of awards and technical support to students engaged in the hospitality and gas-fitting industries.

The Company continued to support a range of community organisations and events, including the Adelaide Festival of Arts, Trees for Life, Restless Dance Group, Jam Factory, Governor's Leadership Foundation and South Australian Botanic Gardens.

Gas distribution is an essential community service and we believe our involvement with, and contribution to, these organisations reflects our corporate values and social responsibility and serves to promote the position of natural gas in the marketplace.

Health and safety of our people

Management of occupational health and safety associated with the Company's operations continued to receive close attention.

We have the responsibility to ensure that our major contractor, APA, adopts a sound approach to this important business activity. APA has more than 1,100 employees and contractors working for Envestra. During the year five lost-time injuries were sustained by employees, and two among contractors. These compare with three and eight the previous year, respectively.

APA's focus is on the frequency of lost-time and moderate injuries, defined as the Serious Injuries Frequency Rate (SIFR) and a range of activities aimed at preventing injuries. A SIFR of 8.5 for employees and contractors was recorded in 2007-08. This is a sound performance considering the physical nature of many of the operational activities undertaken.

During the year, three environmental audits and eight environmental emergency response exercises were conducted on our networks. These activities did not identify any major issues.

Envestra closely monitors the performance of its operator, APA, to ensure compliance with all requirements of the environmental licences and permits held by the Company. There were no material incidents during the year.

Environmental benefits of natural gas

As one of Australia's largest distributors of natural gas, we take pride in our role in the distribution and transmission of this environment friendly fuel.

In South Australia, Queensland and Victoria, the governments have introduced energy policies that prevent standard electric hot water services being installed in new dwellings. Only high efficiency natural gas units, gas boosted solar systems and electric heat pumps qualify for installation under the new regulations. As from 1 July 2008, it is also prohibited to replace standard electric hot water units in established dwellings when existing water heaters reach the end of their operational life in South Australia.

The Victorian Government, in addition to its five-star energy rating system for new dwellings, requires the installation of a rainwater tank or solar hot water system in all new dwellings. Where solar hot water is the selected compliance option, units must be natural-gas-boosted wherever natural gas is available.

These initiatives are a clear recognition of the environmental importance of using natural gas to help reduce greenhouse gas emissions.

Envestra has in the past played a key role in promoting the use of natural gas through advertising and network development programs, particularly through direct promotional activities with land and property developers and builders, as well as gas connection and appliance installation incentives to consumers and key market partners. These activities help us maintain a penetration rate for natural gas, in new subdivisions, in excess of 95 per cent in South Australia and Victoria. However, with increased government support in promoting natural gas, we are anticipating that some of these promotional activities will be redirected in the coming year.

Sustainability Index

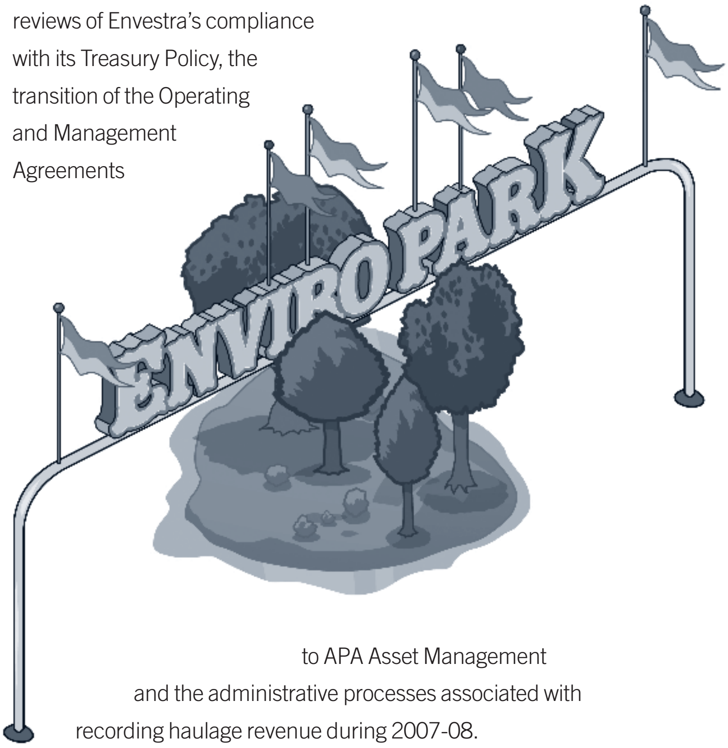
The Australian Sustainability Index (AuSSI) tracks the performance of around 70 Australian companies that lead their industry in terms of economic, environmental and social criteria. Envestra's performance in relation to sustainability has been recognised by its inclusion in the index.

Envestra is also included in the Socially Responsible Investment (SRI) Share Index, which comprises around 50 companies from the S&P/ASX 300 Index that have achieved a corporate social responsibility rating of A or higher.

Risk management

The Company undertakes a comprehensive risk management assessment each year that aims to identify key business risks and ensure appropriate control mechanisms or other actions are in place to minimise exposures. The outcomes are monitored by the Audit Committee at regular intervals throughout the year.

Our internal audit program is conducted by KPMG and focuses on controls associated with major risk areas. KPMG undertook reviews of Envestra's compliance with its Treasury Policy, the transition of the Operating and Management Agreements to APA Asset Management and the administrative processes associated with recording haulage revenue during 2007-08.



Further details on our risk assessment and management activities appear on pages 19 and 20.

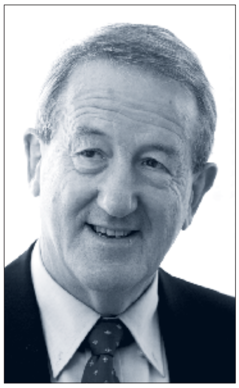
Corporate governance

Envestra's practices are consistent in almost all respects with the revised Corporate Governance Principles issued by the Australian Securities Exchange, which came into effect on 1 January 2008. Our Corporate Governance Statement appears on pages 15 to 20.

JOHN ALLPASS

IAN LITTLE

FRASER AINSWORTH AM



CHARLES BINKS

DIRECTORS AND MANAGEMENT TEAM

Envestra's Board has extensive industry, banking, legal and commercial experience. The Company also benefits from having on the Board representatives of Australian Pipelines Group, one of Australia's largest gas transmission companies, as well as representatives of Cheung Kong Infrastructure, one of the world's largest infrastructure companies. The members of the Board are:

John Allpass* (67) 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: MBF 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). He is a former Managing Partner, KPMG (Queensland) and member, KPMG National Board and former Director, Macquarie Bank Ltd (1994-1997); and Queensland Investment Corporation (1991-2008).

Ian Little (51) CA, BCA, MBA, MAICD
Managing Director since April 2003

Chartered accountant with over 25 years' experience in the
Other Directorships: Chairman, SA Botanic Gardens & State Herbarium (since July 2005); Director, Energy Supply Association of Australia (since November 2006); and Director, Australian Gas Industry Trust (since December 2006).

*Independent Directors


DOMINIC CHAN


IVAN CHAN


ROSS GERSBACH


MICHAEL McCORMACK


OLAF O'DUILL

Fraser Ainsworth AM* (62) B.Com, FCPA, FAICD
Director since February 2004
Member of the Audit 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).

Charles Binks* (65) LL.B, FAICD
Director since December 2001
Member of the Audit Committee

Other Directorships: Chairman, Sundance Energy Australia Ltd (since February 2005); and Wyatt Benevolent Trust Inc (since October 2005). He is a former Partner and Chairman, Minter Ellison Lawyers (Adelaide).

Dominic Chan (46) FCPA, FCCA
Director since July 2005

Certified Public Accountant with over 20 years' experience in the accounting profession. Chief Financial Officer, Cheung Kong Infrastructure Holdings Ltd.
Other Directorships: Cambridge Water PLC. Former Director, ETSA Utilities; Powercor Australia Ltd and CitiPower Pty Ltd.

Ivan Chan (45) BSc, LLB, MBA
Director since August 2007

More than 20 years' experience in investment banking and finance. Chief Planning and Investment Officer, Cheung Kong Infrastructure Holdings Ltd.

Ross Gersbach (47) B.Bus, CPA, MAICD
Director since July 2007
Member of the Audit 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 (47) B.Surv, Grad Dip Eng, MBA, FAICD
Director since July 2007

Extensive 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) and the Australian Brandenburg Orchestra (since August 2006).

Olaf O'Duill* (61) B. Comm. (Hons), FAICD, SFFin
Director since July 2000
Chairman of the Audit Committee
Member of the Remuneration Committee

Extensive experience in financial markets.
Other Directorships: Director, Sunraysia Television Ltd (since September 1992). He is a 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) and Sigma Company Ltd (1995 - 2002).

ANDREW STANIFORD

PETER RYAN

DES PETHERICK

GREG MEREDITH

Envestra's management team has considerable experience in the operational, financial, legal and regulatory aspects of the gas distribution and transmission industry.

Andrew Staniford (52) M.Ec
Commercial Manager

More than 15 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, Regulatory Affairs Committee.

Peter Ryan (50) BEc, FCA, MAICM, F Fin
Chief Financial Officer

More than 25 years' experience in corporate finance, capital markets and mergers and acquisitions. Former partner of Price Waterhouse in Australia and London, Executive Manager, Finance – SA Business Unit, Santos Limited and Chief Financial Officer ABB Grain Limited (including CFO of AusBulk Limited).

Des Petherick (57) PNA
Manager, Corporate Services and Company Secretary

More than 15 years' experience in corporate services in the gas industry. Former Group Manager, Corporate Services, South Australian Gas Company; Secretary to various Government Ministers including the Deputy Premier, South Australia.

Greg Meredith (40) B.Ec (Hons), MBA, F Fin
Group Treasurer

More than 10 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, customer service and various administrative activities, is outsourced, largely to APA Asset Management (APA). Significant incentives are available to APA to improve productivity, increase revenue and enhance services. We require APA to employ external contractors and consultants in particular areas to ensure external benchmarks are readily available. This enables the Company to measure APA's performance and, where necessary, to drive continuing improvements in the operation and management of Envestra's assets.

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. Consistent with the Company's approach to sound corporate governance, opportunities for improvement are regularly considered.

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.

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.

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 (CKI).

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

The APA Group and CKI Directors are not regarded as being independent as both organisations each hold more than 15 per cent 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.

Membership of the Board comprises:

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

The Chairman must be an independent Director.

ENVESTRA IS COMMITTED TO SOUND CORPORATE GOVERNANCE. THE FOCUS OF DIRECTORS AND MANAGEMENT IS TO ENHANCE THE INTERESTS OF SHAREHOLDERS AND OTHER KEY STAKEHOLDERS, AND TO ENSURE THE GROUP IS PROPERLY MANAGED.

To comply with the ASX guidelines on independent Directors it would be necessary to appoint two 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 12 and 13.

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.

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.

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.

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 other 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.

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 pages 66 and 67.

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.

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.

Remuneration of non-executive Directors

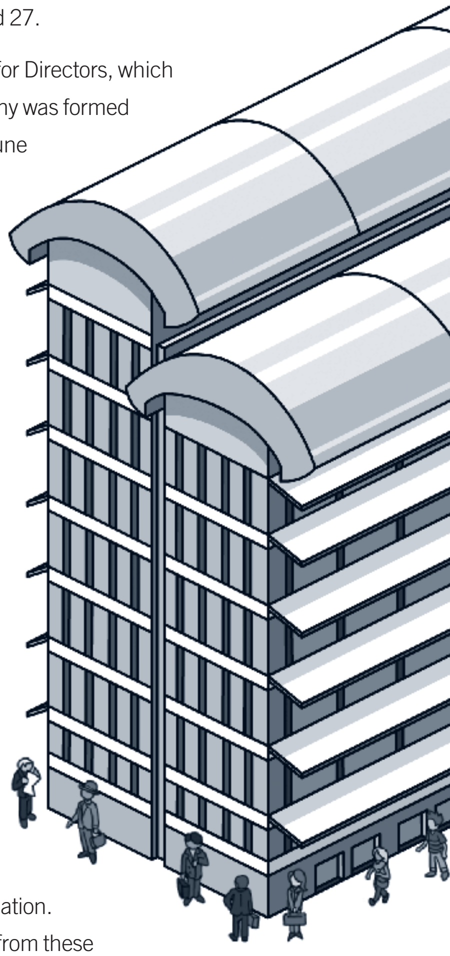
The maximum aggregate remuneration for non-executive Directors is set out in the Company's Constitution and can be varied only at a general meeting. Shareholders approved the current maximum aggregate remuneration of $750,000 per annum on 3 November 2003.

The amount paid in 2007-08 was $731,772 excluding retirement benefits paid to Mr Kam and Mr King, which were provided for in previous years.

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 Committee receives a fee of $15,000 and other members $10,000.

Details relating to the remuneration paid to non-executive Directors appear on pages 26 and 27.

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 2008, the benefit payable on retirement of each non-executive Director was:

- Mr J G Allpass $166,500
- Mr C C A Binks $29,218
- Mr O B O'Duill $43,861

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.

OUR RISK-ASSESSMENT PROGRAM IS DESIGNED TO ENSURE STRATEGIC, OPERATIONAL, LEGAL, REPUTATION AND FINANCE RISKS ARE IDENTIFIED, ASSESSED, ADDRESSED AND MONITORED TO ENABLE THE COMPANY TO ACHIEVE ITS BUSINESS OBJECTIVES

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.

Board committees

The Board has established two committees to assist in the execution of its duties. They are the Audit 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 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.

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.

Audit Committee

Members of the Audit 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.

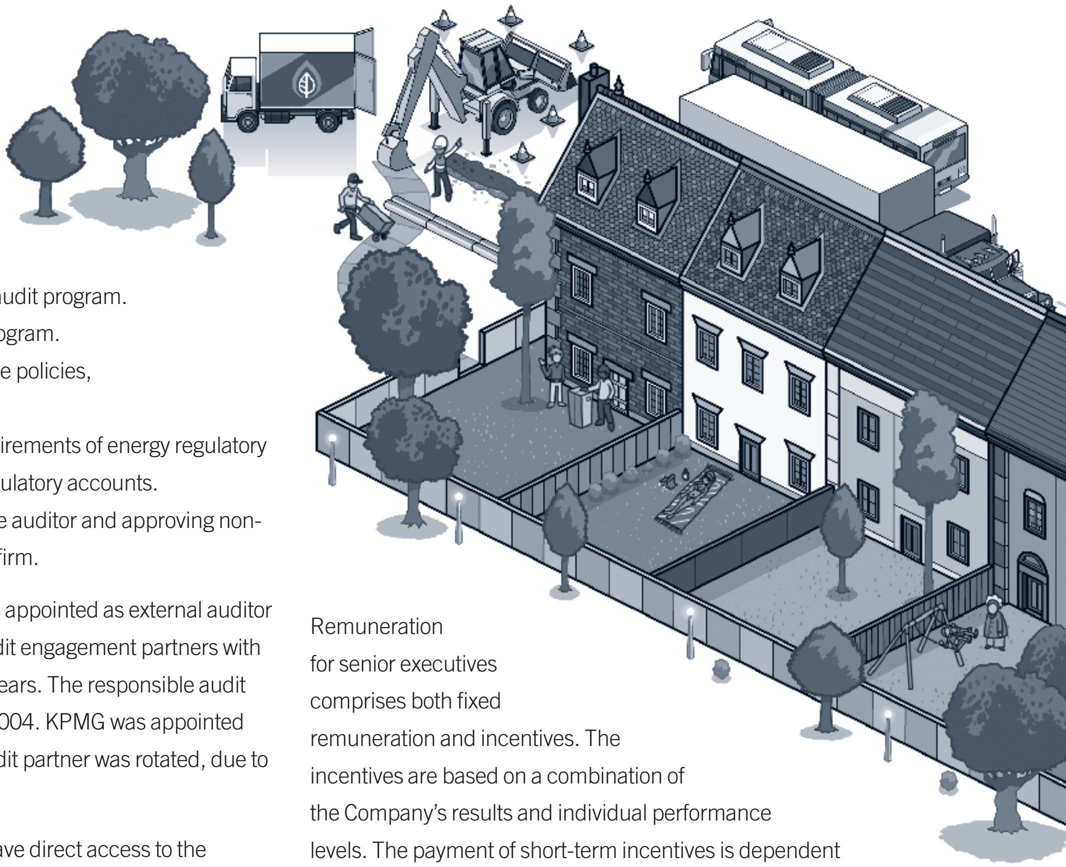
Members of the committee are:

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

Each of the external and internal auditors, and the Managing Director and Chief Financial Officer, 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.
- 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 provided by the audit firm.

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 2004. 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 Committee and, where necessary, the Chairman of the Board. The Audit 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 security holders.

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.

The maximum short-term incentive for the Managing Director is 30 per cent of his total employment costs. The maximum incentive for the Chief Financial Officer and Commercial Manager is 25 per cent, and the maximum incentive for all other senior executives is 20 per cent.

The Managing Director, Chief Financial Officer and Commercial Manager have the ability to earn a long-term incentive, on a rolling basis, after three years' service. The bonus is equivalent to 50 per cent of the short-term incentive. The first payment under this incentive was made in 2007 for the Managing Director. The Commercial Manager will be eligible in September 2008 and the Chief Financial Officer in September 2010.

The Company does not operate an Employee Share Option Plan.

Risk assessment and management

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

The Managing Director, Chief Financial Officer and Company Secretary manage the Company's risk-management program in conjunction with the Executive Risk Management Committee.

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

The Audit 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 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.

Indemnities

The Directors are indemnified under deeds against liability in the fulfillment 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.

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 who are 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 Committee or the Chairman of the Board.

Dealings in Envestra's stapled 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 the Company announces its full-year results, and between 1 January and the close of business on the day 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 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.

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, security holders, the media and general public. The policy is available on the Company's website.

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.

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

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 2008 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
Charles Christopher Agar Binks
Dominic Loi Shun Chan
Olaf Brian O'Duill

Mr R M Gersbach was appointed on 2 July 2007.
Mr M J McCormack was appointed on 2 July 2007.
Mr I K H Chan was appointed on 27 August 2007.
Mr G A King resigned on 2 July 2007.
Mr HL Kam resigned on 27 August 2007.

Details of the Directors' and Company Secretary's qualifications, experience and special responsibilities appear on pages 12 to 14 of the annual report. Directors' shareholdings are disclosed on page 29 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 of Operations on pages 2 to 6 of the Annual Report.

Consolidated results

For the year ended 30 June 2008, revenue/income was $346.0 million, profit before interest on loan notes and tax was $30.3 million and profit after tax was $163.6 million. The aggregate of cash flows decreased cash on hand at 30 June 2008 by $0.6 million leaving a cash balance of $10.8 million at 30 June 2008.

Significant changes in the state of affairs

As previously foreshadowed, on 2 July 2007, Origin Energy Ltd sold its 17.2 per cent interest in Envestra to the APA Group. The APA Group also took over the Operating and Management Agreements related to Envestra's gas distribution networks.

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

Environmental regulation

The Group's operations are conducted under the relevant Environmental Protection Acts and Regulations and associated legislation in the States of South Australia, New South Wales, Queensland and Victoria and in the Northern Territory.

Through an Operating and Management Agreement, environmental management is exercised by APA Asset Management (APA). Envestra holds all required environmental licences and permits. There have been no material breaches of the Company's environmental obligations during the reporting period and no significant environmental incidents were experienced.

The APA Group has a system to manage environmental issues. Auditing, action plan development, implementation, training, and reporting are integral parts of this system.

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 of Operations on pages 2 to 6 of the Annual Report, and the Financial Review on pages 7 to 9 of the Annual Report.

Distributions – Envestra Ltd

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

	Cents per stapled security	Total distribution
		$M
Distribution/dividend on 30 November 2007	5.70	48.6
Distribution on 31 May 2008	3.80	33.1
Total distributions for 2007-08	**9.50**	**81.7**

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

The Directors are not aware at the date of this report of any matter of circumstance which has arisen since 30 June 2008 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 2007 to 30 June 2008, and the number of meetings attended by each Director were:

	Full meetings of Directors	Full meetings of Directors	Special Board Meetings	Special Board Meetings	Audit Committee	Audit Committee	Remuneration Committee	Remuneration Committee
	Held	*Attended*	*Held*	*Attended*	*Held*	*Attended*	*Held*	*Attended*
J G Allpass	7	7	2	2	-	-	1	1
I B Little	7	7	2	2	-	-	-	-
E F Ainsworth	7	7	2	2	5	5	1	1
C C A Binks	7	6	2	2	5	5	-	-
D L S Chan	7	6	2	2	-	-	-	-
I K H Chan	7	7	2	2	-	-	-	-
R M Gersbach	7	7	2	2	5	5	-	-
H L Kam(i)	1	-	-	-	-	-	-	-
M J McCormack	7	6	2	2	-	-	-	-
O B O'Duill	7	7	2	2	5	5	1	1

(i) Mr H L Kam was represented at the meeting by an alternate Director, being Mr I Chan. Mr Kam resigned from the Board on 27 August 2007.

Remuneration report

The remuneration report is set under the following main headings:

A) Principles used to determine the nature and amount of remuneration;

B) Details of remuneration;

C) Service agreements; and

D) Additional information.

The information provided under headings A–C includes remuneration disclosures that are required under Accounting Standard AASB 124 *Related Party Disclosures*. These disclosures have been transferred from the financial report. The disclosures in Section D are additional disclosures required by the *Corporations Act 2001* and the Corporations Regulations 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 reward strategy of the organisation.

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

- has economic performance as a core component of plan design;
- focuses on return 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;
- 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. The Board has received advice from independent remuneration consultants on these fees.

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 yearly 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.

Executive pay

The executive pay and reward framework has three components:

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

The combination of these comprises the executive's total remuneration. In addition, long-term performance incentives form part of the employment contract of the Managing Director, Chief Financial Officer and Commercial Manager.

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.

External remuneration consultants provide analysis and advice to ensure base pay is set to reflect 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.

There are no guaranteed base pay increases or payment of short-term incentives in the senior executives' contracts. 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. It provides an incentive for them to remain with the Company for the long term.

Benefits

Executives are provided with death and total disability, salary continuance insurance cover and company funded car parking. The cost of these benefits is met by the Company and is not 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 appropriate targets and key performance indicators (KPIs) to link the short-term incentive plan and the level of payout if targets are met.

For the year ended 30 June 2008, the KPIs linked to short-term incentive plans were based on corporate and personal objectives. The KPIs require performance in reducing operating costs and achieving specific targets in relation to cash flow, financing costs and shareholder returns, as well as other key strategic measures linked to drivers of performance in future reporting periods.

The short-term bonus payments are directly related to levels of achievement against the target performance levels. The payment of bonuses is at the discretion of the Board acting on advice from the Remuneration Committee.

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 Envestra Ltd Group are set out in the following tables.

The key management personnel of Envestra Ltd and the Group includes the Directors as per page 22 and the following executive officers who have authority and responsibility for planning, directing and controlling the activities of the entity:

- P Ryan – Chief Financial Officer
- A Staniford – Commercial Manager
- D Petherick – Manager, Corporate Services and Company Secretary
- G Meredith – Treasurer
- P May – Financial Controller.

Key management personnel of Envestra Ltd and the Group

	Short-term employee benefits			Post-employment benefits		
Name	Cash salary and fees	Cash bonus	Non-monetary benefits	Super-annuation[iii]	Retirement benefits	Total
2008	*$*	*$*	*$*	*$*	*$*	*$*
Non-executive Directors						
J G Allpass *Chairman*	88,000	-	-	62,000	8,681	158,681
E F Ainsworth	77,350	-	-	7,650	-	85,000
C C A Binks	1,000	-	-	84,000	1,468	86,468
D L S Chan[i]	75,000	-	-	-	-	75,000
I K H Chan[i]	62,500	-	-	-	-	62,500
R M Gersbach[i]	79,518	-	-	4,365	-	83,883
H L Kam[i][ii]	12,500	-	-	-	59,361	71,861
G A King[ii]	-	-	-	-	94,875	94,875
M J McCormack[i]	75,000	-	-	-	-	75,000
O B O'Duill	81,900	-	-	8,100	2,740	92,740
Sub-total non-executive Directors	**552,768**	**-**	**-**	**166,115**	**167,125**	**886,008**

(i) The Directors fees for Mr D Chan, Mr H L Kam and Mr I Chan were paid to Cheung Kong Infrastructure Holdings (Malaysian) Ltd. The fees for Mr M McCormack were paid to APA and the fees for Mr R Gersbach were paid directly to him until January 2008 and to APA after that date.

(ii) The retirement benefits paid to Mr Kam and Mr King were previously provided for in accordance with the Directors' Retirement Scheme.

(iii) Bonus payments to key management personnel may be taken either as cash or superannuation. A long-term incentive bonus of $28,500 is included in the amount of cash bonus paid to the Managing Director.

Name	Short-term employee benefits			Post-employment benefits		
	Cash salary and fees	Cash bonus (iii)	Non-monetary benefits	Super-annuation (iii)	Retirement benefits	Total
2008	$	$	$	$	$	$
Executive Directors						
I B Little *Managing Director*	432,674	82,500	-	13,160	-	528,334
Other key management personnel						
P Ryan (i)	192,076	-	14,553	42,122	-	248,751
A Staniford	230,814	-	17,956	80,500	-	329,270
D Petherick	140,483	-	21,684	84,300	-	246,467
G Meredith	138,987	16,500	13,746	21,100	-	190,333
N Trewartha (ii)	66,662	-	-	3,499	-	70,161
P May	126,653	20,000	13,020	13,160	-	172,833
Total key management personnel compensation	**1,881,117**	**119,000**	**80,959**	**423,956**	**167,125**	**2,672,157**

(i) Mr P Ryan joined the Group on 17 September 2007.

(ii) Mr N Trewartha resigned from the Group on 5 October 2007.

(iii) Bonus payments to key management personnel may be taken either as cash or superannuation. A long-term incentive bonus of $28,500 is included in the amount of cash bonus paid to the Managing Director, and a long-term incentive bonus of $15,000 is included in the amount of superannuation paid to the Commercial Manager.

Key management personnel of Envestra Ltd and the Group

Name	Short-term employee benefits			Post-employment benefits		Long-term benefits	Other payments	
	Cash salary and fees	Cash bonus (iv)	Non-monetary benefits	Super-annuation (iv)	Retirement benefits	Long service leave	Termination	Total
2007	$	$	$	$	$	$	$	$
Non-executive Directors								
J G Allpass *Chairman*	50,000	-	-	100,000	6,782	-	-	156,782
E F Ainsworth	77,350	-	-	7,650	-	-	-	85,000
B G Beeren (v)	85,000	-	-	-	55,597	-	-	140,597
C C A Binks	77,350	-	-	7,650	-	-	-	85,000
D L S Chan (i)	75,000	-	-	-	-	-	-	75,000
H L Kam (i)	75,000	-	-	-	-	-	-	75,000
G A King (i)	75,000	-	-	-	-	-	-	75,000
O B O'Duill	81,900	-	-	8,100	1,939	-	-	91,939
Sub-total non-executive Directors	**596,600**	**-**	**-**	**123,400**	**64,318**	**-**	**-**	**784,318**
Executive Director								
I B Little *Managing Director*	407,425	-	-	100,160	-	-	-	507,585
Other key management personnel								
L Reed (ii)	96,797	-	10,037	12,520	-	55,521	-	174,875
A Staniford	198,908	-	17,278	76,250	-	-	-	292,436
M Brophy (ii)	65,492	-	3,284	3,372	-	-	232,000	304,148
D Petherick	130,789	-	15,544	93,000	-	-	-	239,333
G Meredith	127,654	17,600	13,746	20,000	-	-	-	179,000
N Trewartha (iii)	105,086	21,000	-	6,360	-	-	-	132,446
P May	104,402	20,000	11,198	12,750	-	-	-	148,350
Total key management personnel compensation	**1,833,153**	**58,600**	**71,087**	**447,812**	**64,318**	**55,521**	**232,000**	**2,762,491**

(i) Directors' fees for Mr D Chan and Mr H L Kam were paid to Cheung Kong Infrastructure Holdings (Malaysian) Ltd and the fees for Mr G King were paid to Origin Energy Ltd.

(ii) Ms L Reed and Ms M Brophy resigned from the Group on 22 December 2006 and 4 October 2006 respectively.

(iii) Mr N Trewartha joined the Group on 18 December 2006.

(iv) Bonus payments to key management personnel may be taken either as cash or superannuation. A long-term incentive bonus of $26,500 is included in the superannuation payments made on behalf of the Managing Director.

(v) The retirement benefit paid to Mr Beeren was previously provided for in accordance with the Directors' Retirement Scheme.

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 P Ryan, 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 2008 of $450,000.
- Subject to performance, an annual bonus of up to 30 per cent of base salary is payable.
- Subject to performance, an additional long-term bonus is payable, equal to 50 per cent of the short-term bonus paid three years earlier. The first long-term incentive was paid in 2007.
- 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.

P Ryan *Chief Financial Officer*

- Term of agreement – non-specific, commencing 17 September 2007.
- Base salary, inclusive of superannuation, for the year ended 31 August 2008 of $285,000.
- Subject to performance, an annual bonus of up to 25 per cent of base salary is payable.
- Subject to performance, an additional long-term bonus is payable, commencing in 2011, equal to 50 per cent 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 12 months' base salary (including the period of notice).

A Staniford *Commercial Manager*

- Term of agreement – non-specific, commencing 1 August 2000.
- Base salary, inclusive of superannuation, for the year ended 31 August 2008 of $285,000.
- Subject to performance, an annual bonus of up to 25 per cent of base salary is payable.
- Subject to performance, an additional long-term bonus is payable, commencing in 2008, equal to 50 per cent 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 *Manager, Corporate Services and Company Secretary*

- Term of agreement – non-specific, commencing 1 September 1997.
- Base salary, inclusive of superannuation, for the year ended 31 August 2008 of $225,000.
- Subject to performance, an annual bonus of up to 20 per cent 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 *Treasurer*

- Term of agreement – non-specific, commencing 1 August 2000.
- Base salary, inclusive of superannuation, for the year ended 31 August 2008 of $170,000.
- Subject to performance, an annual bonus of up to 20 per cent 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 *Financial Controller*

- Term of agreement – non-specific, commencing 4 April 2005.
- Base salary, inclusive of superannuation, for the year ended 31 August 2008 of $155,000.
- Subject to performance, an annual bonus of up to 20 per cent 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

Shareholder returns over the past six years have been:

Distributions		Movement in ASX price of stapled securities	
Year	*Cents per stapled security*	*Date*	*$*
2002-03	9.50	30/6/2003	1.07
2003-04	9.50	30/6/2004	1.06
2004-05	9.50	30/6/2005	1.12
2005-06	9.50	30/6/2006	1.15
2006-07	9.50	30/6/2007	1.15
2007-08	9.50	30/6/2008	0.64

Details of remuneration: cash bonuses

For each short-term cash bonus included in the tables on page 27, the percentage of the available bonus paid, in the financial year, is set out below. No part of the bonuses is payable in future years.

Name	Paid %	Name	Paid %
I Little	40	D Petherick	54
P Ryan	44	G Meredith	65
A Staniford	49	P May	65

Directors' shareholdings

Particulars of the stapled securities held by each Director of the Company and Director related entities, as at 30 June 2008 were:

Directors	Holding 30 June 2008	Directors	Holding 30 June 2008
J G Allpass	138,606	I K H Chan(i)	-
I B Little	88,028	O B O'Duill	55,000
E F Ainsworth	45,000	M J McCormack(ii)	20,000
C C A Binks	43,737	R M Gersbach(ii)	-
D L S Chan(i)	-		

(i) Mr D L S Chan and Mr I K H Chan are Directors of Cheung Kong Infrastructure Holdings Ltd which owns 154,114,851 stapled securities in Envestra.

(ii) Mr M J McCormack and Mr R M Gersbach are Directors of the APA Group which owns 162,800,557 stapled securities 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 30.

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.

John Allpass

John Geoffrey Allpass
Chairman

Adelaide
27 August 2008

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AUDITORS' INDEPENDENCE DECLARATION

As lead auditor for the audit of Envestra Limited for the year ended 30 June 2008, 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 during the period.

AG Forman
Partner
PricewaterhouseCoopers

Adelaide
27 August 2008

Liability limited by a scheme approved under Professional Standards Legislation.

INCOME STATEMENTS

	Notes	Consolidated 2008	Consolidated 2007	Parent entity 2008	Parent entity 2007
		$M	$M	$M	$M
Revenue from continuing operations					
Services		325.2	311.8	179.2	169.6
Interest		1.5	2.8	48.3	34.9
Dividends		-	-	35.0	45.0
Customer contributions		6.5	8.6	3.0	5.0
Government grants (SA FRC revenue)	5	9.8	10.5	9.8	10.5
Total revenue from continuing operations		**343.0**	**333.7**	**275.3**	**265.0**
Net gain on disposal of property, plant and equipment		-	2.1	-	-
Put Option proceeds	5	-	7.7	-	-
Government grants	5	3.0	3.8	-	-
Total revenue / income		**346.0**	**347.3**	**275.3**	**265.0**
Network operating costs		(89.0)	(83.3)	(49.3)	(45.2)
Gas		(11.4)	(9.0)	(11.4)	(9.0)
Corporate development, property and administration costs		(10.8)	(16.1)	(7.3)	(9.2)
Intercompany charges		-	-	(89.4)	(93.7)
Total operating costs		(111.2)	(108.4)	(157.4)	(157.1)
Earnings before interest, tax, depreciation and amortisation		**234.8**	**238.9**	**117.9**	**107.9**
Depreciation / Impairment	6	(57.9)	(56.6)	(0.9)	(0.9)
Amortisation of capital raising and formation costs	6	(1.8)	(1.7)	(1.3)	(1.3)
Profit before borrowing costs and tax		**175.1**	**180.6**	**115.7**	**105.7**
Amortisation of borrowing costs		(3.5)	(3.7)	(1.6)	(1.7)
Interest and indexation		(141.3)	(133.4)	(80.5)	(62.2)
Total borrowing costs (excluding interest on loan notes)	6	(144.8)	(137.1)	(82.1)	(63.9)
Profit before interest on loan notes and income tax expense		**30.3**	**43.5**	**33.6**	**41.8**
Interest on loan notes	6	(10.8)	(18.2)	(10.8)	(18.2)
PROFIT BEFORE INCOME TAX EXPENSE		**19.5**	**25.3**	**22.8**	**23.6**
Income tax revenue/(expense)	7	144.1	(28.3)	(10.1)	(12.7)
NET PROFIT/(LOSS)		**163.6**	**(3.0)**	**12.7**	**10.9**
Basic and diluted earnings per share (cents)	38	18.9	(0.4)		

The above income statements should be read in conjunction with the accompanying notes.

BALANCE SHEETS

	Notes	Consolidated 2008	Consolidated 2007	Parent entity 2008	Parent entity 2007
		$M	$M	$M	$M
Current assets					
Cash and cash equivalents	8	10.8	11.4	10.4	0.4
Receivables	9	50.5	51.2	19.9	21.2
Other current assets	11	2.3	1.8	11.8	9.4
Total current assets		63.6	64.4	42.1	31.0
Non-current assets					
Receivables	12	-	-	974.4	893.8
Other financial assets	13	-	-	833.5	833.5
Property, plant and equipment	14	1,943.0	1,888.8	37.5	36.5
Intangible assets	16	585.6	585.6	-	-
Deferred tax assets	15	-	-	36.6	24.4
Derivative financial instruments	10	-	-	23.0	13.2
Other non-current assets	17	0.6	0.5	-	-
Total non-current assets		2,529.2	2,474.9	1,905.0	1,801.4
Total assets		**2,592.8**	**2,539.3**	**1,947.1**	**1,832.4**
Current liabilities					
Payables	18	29.9	23.5	15.3	12.6
Borrowings	19	127.6	182.3	42.6	52.3
Provisions	20	0.2	0.1	0.2	0.1
Other current liabilities	21	50.6	59.1	41.4	55.1
Total current liabilities		208.3	265.0	99.5	120.1
Non-current liabilities					
Borrowings	22	1,835.8	1,766.6	1,657.6	1,556.7
Provisions	24	11.7	10.5	0.5	0.6
Derivative financial instruments	10	51.7	64.2	-	-
Deferred tax liabilities	23	75.5	214.3	-	-
Other non-current liabilities	25	-	9.1	-	9.1
Total non-current liabilities		1,974.7	2,064.7	1,658.1	1,566.4
Total liabilities		**2,183.0**	**2,329.7**	**1,757.6**	**1,686.5**
Net assets		**409.8**	**209.6**	**189.5**	**145.9**
Equity					
Contributed equity	26	366.9	334.8	366.9	334.8
Reserves	27(a)	19.1	6.6	16.1	9.3
Retained earnings / (accumulated losses)	27(b)	23.8	(131.8)	(193.5)	(198.2)
Total equity		**409.8**	**209.6**	**189.5**	**145.9**
Equity and loan notes					
Total equity		409.8	209.6	189.5	145.9
Loan notes		42.6	99.0	42.6	99.0
Total equity and loan notes		**452.4**	**308.6**	**232.1**	**244.9**

The above balance sheets should be read in conjunction with the accompanying notes.

STATEMENTS OF CHANGES IN EQUITY

	Notes	Consolidated 2008	Consolidated 2007	Parent entity 2008	Parent entity 2007
		$M	$M	$M	$M
Total equity at the beginning of the financial year		**209.6**	**174.2**	**145.9**	**95.6**
Changes in the fair value of cash flow hedges, net of tax		12.5	7.7	6.8	8.7
Deferred tax recorded in equity		-	0.3	-	0.3
Net income recognised directly in equity		**12.5**	**8.0**	**6.8**	**9.0**
Profit/(loss) for the financial year		**163.6**	**(3.0)**	**12.7**	**10.9**
Total recognised income and expense for the year		**176.1**	**5.0**	**19.5**	**19.9**
Contributions of equity, net of transaction costs	26	32.1	38.0	32.1	38.0
Dividends paid	28	(8.0)	(7.6)	(8.0)	(7.6)
		24.1	30.4	24.1	30.4
Total equity at the end of the financial year		**409.8**	**209.6**	**189.5**	**145.9**

The above statements of changes in equity should be read in conjunction with the accompanying notes.

CASH FLOW STATEMENTS

	Notes	Consolidated 2008	Consolidated 2007	Parent entity 2008	Parent entity 2007
		$M	*$M*	*$M*	*$M*
Cash flows from operating activities					
Receipts from customers (inclusive of Goods and Services Tax)		371.8	366.1	200.7	189.6
Payments to suppliers and employees (inclusive of Goods and Services Tax)		(141.6)	(140.0)	(84.4)	(83.0)
		230.2	**226.1**	**116.3**	**106.6**
Interest received		1.5	2.8	39.8	34.0
Borrowing costs		(136.9)	(109.7)	(66.5)	(42.5)
Net cash inflow from operating activities	36	**94.8**	**119.2**	**89.6**	**98.1**
Cash flows from investing activities					
Payments for property, plant and equipment		(108.3)	(107.8)	(1.3)	(0.6)
Proceeds from sale of property, plant and equipment		-	2.4	-	-
Net cash outflow from investing activities		**(108.3)**	**(105.4)**	**(1.3)**	**(0.6)**
Cash flows from financing activities					
Proceeds from issue of stapled securities		34.6	43.0	34.6	43.0
Proceeds from borrowings		300.4	107.9	83.8	107.9
Loans (to)/from related parties		-	-	(69.3)	(108.6)
Repayment of borrowings		(240.1)	(101.6)	(45.7)	(74.0)
Distributions paid	28	(81.7)	(77.7)	(81.7)	(77.7)
Debt and capital raising costs		(0.3)	(0.4)	-	(0.3)
Net cash inflow/(outflow) from financing activities		**12.9**	**(28.8)**	**(78.3)**	**(109.7)**
Net increase/(decrease) in cash and cash equivalents		**(0.6)**	**(15.0)**	**10.0**	**(12.2)**
Cash and cash equivalents at the beginning of the financial year		11.4	26.4	0.4	12.6
Cash and cash equivalents at the end of the financial year	8	**10.8**	**11.4**	**10.4**	**0.4**

The above 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 report are set out below. These policies have been consistently applied to all the years presented, unless otherwise stated. The financial report includes separate financial statements for Envestra Ltd as an individual entity and the consolidated entity consisting of Envestra Ltd and its subsidiaries.

(a) Basis of preparation

This general purpose financial report has 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*.

Compliance with IFRS

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

Historical cost convention

These financial statements have been prepared under the historical cost convention, as modified by the revaluation of certain financial assets and liabilities (including derivative instruments) at fair value through the income statement and cash flow hedge reserve.

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 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.

Vic Gas Distribution Pty Ltd ('Vic Gas") and its subsidiary The Albury Gas Company Ltd were owned by the Origin Energy Group of companies until 2 July 2007, but were considered controlled entities within the Envestra Group. On 2 July 2007, through exercise of a Put Option, Envestra Victoria Pty Ltd became the legal owner of these companies.

Envestra Victoria Pty Ltd ('Envestra Victoria'), a wholly owned subsidiary of Envestra, has entered into a Business Management Agreement (BMA) with 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 Distribution 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' net revenue over its interest expense and has provided a guarantee that Vic Gas will have sufficient funds to meet its interest payment obligations.

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 on the money market 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 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 Australian controlled entities have implemented the tax consolidation legislation as of 1 July 2002.

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.

Vic Gas Distribution Pty Ltd and The Albury Gas Company Ltd were not part of the Envestra tax consolidated group during the comparative financial year because they were wholly owned subsidiaries of Origin Energy Ltd. Origin Energy Ltd elected to form a tax consolidated group from 1 July 2003 and as such Vic Gas Distribution Pty Ltd and The Albury Gas Company Ltd were included in that group until the transfer of their shares on 2 July 2007.

(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 A$ using the spot rate at balance date. The account is held for the purpose of distribution 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 Australian 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. No provision has been raised for doubtful debts in respect of these arrangements because no debts are considered doubtful. The Access Arrangement covering the Queensland network requires the retailer to pay for gas delivered within 30 days. No provision has been raised for doubtful debts because no debts are considered doubtful.

The Access Arrangements covering the Victorian networks require distributors to charge retailers when the end user is billed. Although haulage charges in respect of the Victorian networks are paid after the service is provided, no provision for doubtful debts has been raised because no debts are considered doubtful. 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.

(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 that is 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 $585.6 million (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 national government guaranteed securities with terms to maturity that match, as closely as possible, the estimated future cash outflows.

(iii) Other

The number of employees in the Envestra Group was 14 as at 30 June 2008 (14 as at 30 June 2007). The operational activities of the Group are undertaken by APA Asset Management and associated subcontractors.

(q) Stapled securities

Envestra Ltd has issued stapled securities, each of which comprises a loan note and a fully paid ordinary share. The two components of the stapled security cannot be traded separately.

The amount of principal outstanding on each loan note as at 30 June 2008 is 4.9 cents (2007: 12.0 cents).

The loan notes are classified in the balance sheets as current and non-current liabilities because they are principally a debt instrument. However, as loan notes cannot be traded separately, the balance sheets also disclose the combined amount of equity and loan notes.

Distributions to security holders may comprise interest paid on the loan notes, repayment of loan note principal, and return of capital and dividends.

(r) Earnings per share

(i) Basic earnings per share

Basic earnings per share is 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 is the same as the basic earnings per share.

(s) New accounting standards and interpretations

Certain new accounting standards and interpretations have been published that are not mandatory for 30 June 2008 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 8 Operating Segments and AASB 2007-3 Amendments to Australian Accounting Standards arising from AASB 8

AASB 8 and AASB 2007-3 are effective for annual reporting periods commencing on or after 1 January 2009. AASB 8 requires adoption of a 'management approach' to reporting on financial performance. The information being reported will be based on what the key decision makers use internally for evaluating segment performance and deciding how to allocate resources to operating segments. The Group will adopt AASB 8 for the year ended 30 June 2010. Application of AASB 8 is not expected to result in different segments, segment results or different types of information being reported in the segment note of the financial report.

(ii) Revised AASB 123 Borrowing Costs and AASB 2007-6 Amendments to Australian Accounting Standards arising from AASB 123 [AASB 1, AASB 101, AASB 107, AASB 111, AASB 116 & AASB 138 and Interpretations 1 & 12]

The revised AASB 123 is applicable to annual reporting periods commencing on or after 1 January 2009. It has removed the option to expense all borrowing costs and – when adopted – will require the capitalisation of all borrowing costs directly attributable to the acquisition, construction or production of a qualifying asset. There will be no impact on the financial report of the Group, as it has been Group policy to capitalise borrowing costs relating to qualifying assets.

(iii) Revised AASB 101 Presentation of Financial Statements and AASB 2007-8 Amendments to Australian Accounting Standards arising from AASB 101

A revised AASB 101 was issued in September 2007 and is applicable for annual reporting periods beginning on or after 1 January 2009. It requires the presentation of a statement of comprehensive income and makes changes to the statement of changes in equity, but will not affect any of the amounts recognised in the financial statements. If an entity has made a prior period adjustment or has reclassified items in the financial statements, it will need to disclose a third balance sheet (statement of financial position), this one being as at the beginning of the comparative period. The Group intends to apply the revised standard from 1 July 2009.

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.

(t) Revaluation of non-current assets

The economic entity has not adopted a policy of revaluing its non-current assets on a regular basis. Non-current assets may be revalued from time to time as considered appropriate by the Directors and in the view of the Directors are not stated at amounts in excess of their recoverable amounts. Recoverable amounts are determined by discounting expected relevant net cash flows to their present value.

(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 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 Treasurer identifies, evaluates and hedges financial risks in close co-operation with the Group's Chief Financial Officer. 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 source of Envestra's foreign exchange transaction exposures are interest and principal payments on non-Australian dollar denominated debt and payment of fees and shareholder distributions denominated in foreign currency.

The Group's risk management policy is to hedge 100 per cent 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 2008	Consolidated 2007	Parent entity 2008	Parent entity 2007
	US $M	*US $M*	*US $M*	*US $M*
Borrowings	175.0	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.

The following table demonstrates the estimated sensitivity to a 1per cent 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 2008	Consolidated 2007	Parent entity 2008	Parent entity 2007
	$M	*$M*	*$M*	*$M*
Impact on after-tax profit and equity				
CPI index +1%	(3.1)	(2.8)	(2.2)	(2.0)
CPI index -1%	3.1	2.8	2.2	2.0

(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, 24.3 per cent (2007: 25.9 per cent) of borrowings (excluding loan notes) were at fixed rates. Group policy is to maintain between 80 per cent and 100 per cent of its borrowings at fixed rate using interest rate swaps to achieve this. During 2008 and 2007, the Group's borrowings at variable rate were denominated in Australian Dollars.

As at reporting date, the Group had the following variable rate borrowings (excluding CIBs) and interest rate swap contracts (excluding $100 million of forward starting interest rate swaps) outstanding (excluding borrowing costs):

	Weighted average interest rate 30 June 2008	Balance 30 June 2008	Weighted average interest rate 30 June 2007	Balance 30 June 2007
	%	*$M*	*%*	*$M*
Interest bearing debt	8.5	1,555.1	6.9	1,475.1
Interest rate swaps	6.8	(1,301.1)	5.9	(1,270.0)
Net exposure to cash flow interest rate debt		254.0		205.1

An analysis by maturities is provided in (c) below.

The Group manages its cash flow interest rate risk by using floating-to-fixed interest rate swaps. Such interest rate swaps 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 average balance of gross debt during the year, if interest rates changed by +/-1per cent, with all other variables held constant, the estimated impact on after-tax profit and equity is set out below. The after-tax impact on profit of the parent entity includes the effect of a loan from a related party.

	Consolidated 2008	Consolidated 2007	Parent entity 2008	Parent entity 2007
	$M	*$M*	*$M*	*$M*
Impact on after-tax profit				
Interest rates +1%	(1.8)	(1.4)	(5.4)	(4.8)
Interest rates -1%	1.8	1.4	5.4	4.8
Impact on equity				
Interest rates +1%	18.4	10.5	3.2	6.8
Interest rates -1%	(17.8)	(10.9)	(3.5)	(7.2)

(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. 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 2008, current liabilities for the Group exceed current assets by $144.7 million. However, the Group has undrawn committed bank facilities of $166.0 million to fund short-term liabilities.

Current liabilities at 30 June 2008 include $42.6 million of loan notes payable to shareholders in 2008-09, and $85.0 million of Medium Term Notes due in May 2009; refinancing arrangements for which are well advanced.

(ii) Maturities of financial liabilities

The Group's strategy is to extend the duration of its debt portfolio, to arrange refinancing at least six months prior to maturity and limit annual repayments to 15 per cent of the debt portfolio, although conditions in financial markets do not always enable the targets to be met at all times.

The table below 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 10 years	Over 15 years
	$M	$M	$M	$M
Consolidated				
At 30 June 2008				
Medium Term Notes	172.5	567.2	554.8	700.7
Capital Indexed Bonds	16.9	272.8	97.7	420.3
Commercial Paper	40.1	-	-	-
Bank loans	21.6	255.9	-	-
US Private Placement Notes	24.6	98.5	334.8	150.7
Loan notes	49.0	-	-	-
Interest rate swaps	(14.6)	(36.9)	-	-
	310.1	**1,157.5**	**987.3**	**1,271.7**
At 30 June 2007				
Medium Term Notes	184.3	643.9	476.3	726.7
Capital Indexed Bonds	16.4	197.9	178.6	431.6
Mezzanine debt	26.2	-	-	-
Commercial Paper	89.3	-	-	-
US Private Placement Notes	21.0	84.1	328.6	146.5
Loan notes	73.0	46.8	-	-
Interest rate swaps	(4.7)	(5.5)	-	-
	405.5	**967.2**	**983.5**	**1,304.8**
Parent[(i)]				
At 30 June 2008				
Medium Term Notes	50.3	201.4	503.4	700.7
Capital Indexed Bonds	11.6	129.0	97.7	420.3
Commercial Paper	20.1	-	-	-
Bank loans	5.2	72.0	-	-
Loan notes	49.0	-	-	-
Interest rate swaps	(9.1)	(17.7)	-	-
	127.1	**384.7**	**601.1**	**1,121.0**
At 30 June 2007				
Medium Term Notes	42.2	168.8	422.0	726.7
Capital Indexed Bonds	11.3	48.7	178.6	431.6
Commercial Paper	41.1	-	-	-
Loan notes	73.0	46.8	-	-
Interest rate swaps	(1.8)	(5.5)	-	-
	165.8	**258.8**	**600.6**	**1,158.3**

(i) The parent entity liquidity risk analysis excludes intercompany borrowings of $695.2 million (2007: $596.1 million). These borrowings are on 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.

The fair value of financial liabilities traded in active markets is based on quoted market prices at the balance sheet date.

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.

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

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

Geographical segments

The Envestra Group operates gas distribution networks and transmission pipelines in various States and the Northern Territory within Australia. The segments are based on geographical location, which is consistent with the management reporting segments for the Group.

(b) Primary reporting format – geographical segments	Victoria and New South Wales	South Australia	Queensland and other	Total continuing operations	Unallocated	Consolidated
	$M	*$M*	*$M*	*$M*	*$M*	*$M*
2008						
Sales to external customers	148.5	141.2	51.8	341.5	-	341.5
Other revenue/income	3.0	-	-	3.0	1.5	4.5
Total segment revenue/income	151.5	141.2	51.8	344.5	1.5	346.0
Profit before net interest	77.5	67.5	25.1	170.1	-	170.1
Net interest (including interest on loan notes, excluding amortisation of borrowing costs)					-	(150.6)
Profit before income tax					-	19.5
Income tax expense					-	144.1
Net profit					**-**	**163.6**
Segment assets	1,414.3	831.1	336.5	2,581.9	10.9	2,592.8
Segment liabilities	26.2	38.2	3.7	68.1	2,114.9	2,183.0
Acquisitions of property, plant and equipment	55.2	38.1	18.3	111.6	-	111.6
Depreciation expense	23.2	24.9	8.5	56.6	-	56.6
Other non-cash expenses	3.7	2.9	-	6.6	-	6.6

(b) Primary reporting format – geographical segments	Victoria and New South Wales	South Australia	Queensland and other	Total continuing operations	Unallocated	Consolidated
	$M	$M	$M	$M	$M	$M
2007						
Sales to external customers	145.8	138.0	47.1	330.9	-	330.9
Other revenue/income	13.6	-	-	13.6	2.8	16.4
Total segment revenue/income	159.4	138.0	47.1	344.5	2.8	347.3
Profit before net interest	82.1	66.9	25.1	174.1	-	174.1
Net interest (including interest on loan notes, excluding amortisation of borrowing costs)					-	(148.8)
Profit before income tax					-	25.3
Income tax expense					-	(28.3)
Net loss					**-**	**(3.0)**
Segment assets	1,381.9	819.0	326.0	2,526.9	12.4	2,539.3
Segment liabilities	20.8	34.4	5.4	60.6	2,269.1	2,329.7
Acquisitions of property, plant and equipment	51.5	37.2	19.8	108.5	-	108.5
Depreciation expense	24.6	24.9	6.0	55.5	-	55.5
Other non-cash expenses	8.2	3.0	-	11.2	-	11.2

(c) Secondary reporting format – business segments

The Envestra Group operates predominantly in one business; namely, the provision of natural gas haulage services to consumers through the transmission pipelines and distribution networks it owns and manages. As a result, no secondary segment information is disclosed.

5 OTHER INCOME

(a) Government grants

$9.8 million of grants (2007: $10.5 million) were recognised as revenue from continuing operations by the Group during the financial year, which represented the 2007-08 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.

Grants received during the year from the Victorian Government of $3.0 million (2007: $3.8 million) in respect of work completed on the Victorian regional towns projects were recognised as other income. There are no material unfulfilled conditions or other contingencies attaching to these grants. The Group did not benefit directly from any other forms of government assistance.

(b) Put Option proceeds

A management fee was paid in 2007 by Origin Energy Ltd under the Put Option Deed where it continued to hold its shares in Vic Gas Distribution Pty Ltd after 31 March 2006. The Put Option was exercised on 2 July 2007.

6 EXPENSES

	Consolidated 2008	Consolidated 2007	Parent entity 2008	Parent entity 2007
	$M	$M	$M	$M
Profit before income tax includes the following specific expenses:				
Depreciation and impairment				
Buildings	0.2	0.2	-	-
Plant and equipment	56.4	55.3	0.9	0.9
Impairment	1.3	1.1	-	-
Total depreciation and impairment	**57.9**	**56.6**	**0.9**	**0.9**
Amortisation				
Capital raising/formation costs	1.8	1.7	1.3	1.3
Other charges against assets				
Asset retirements	1.0	0.7	-	-
Bad and doubtful debts – trade debtors	-	-	-	-
Borrowing costs				
Interest and indexation excluding interest on loan notes	140.4	132.0	80.4	61.6
Fees on financing facilities	0.9	1.4	0.1	0.6
Amortisation of borrowing costs	3.5	3.7	1.6	1.7
	144.8	**137.1**	**82.1**	**63.9**
Interest on loan notes	10.8	18.2	10.8	18.2
Borrowing costs expensed	**155.6**	**155.3**	**92.9**	**82.1**
Employee benefits expense	3.5	3.7	3.5	3.7
Land management provision expense	-	4.6	-	-

7 INCOME TAX EXPENSE

	Consolidated 2008	Consolidated 2007	Parent entity 2008	Parent entity 2007
	$M	$M	$M	$M
(a) Income tax expense				
Deferred tax	(144.1)	28.3	10.1	12.7
Attributable to:				
Profit from continuing operations	(144.1)	28.3	10.1	12.7
Deferred income tax (revenue)/expense included in income tax expense comprises:				
Decrease/(increase) in deferred tax assets (note 15)	(25.5)	5.3	8.9	11.5
Increase/(decrease) in deferred tax liabilities (note 23)	(118.6)	23.0	1.2	1.2
	(144.1)	28.3	10.1	12.7

	Consolidated 2008	Consolidated 2007	Parent entity 2008	Parent entity 2007
	$M	$M	$M	$M
(b) Numerical reconciliation of income tax expense to prima facie tax payable				
Profit from continuing operations before income tax expense	19.5	25.3	22.8	23.6
Tax at the Australian tax rate of 30 per cent (2007 – 30 per cent)	5.9	7.6	6.9	7.1
Tax effect of amounts which are not deductible/(taxable) in calculating taxable income:				
Interest on loan notes not deductible	3.2	5.5	3.2	5.5
Losses transferred or transferable (i)	-	15.1	-	-
Reset of asset tax bases	(153.2)	-	-	-
Sundry items	-	0.1	-	0.1
Total income tax (revenue)/expense	**(144.1)**	**28.3**	**10.1**	**12.7**
(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 directly to equity	5.3	3.2	2.9	3.5
(d) Unrecognised temporary differences				
Deferred tax assets not recognised	2.4	0.8	-	-

(i) The tax expense was higher than the prima facie tax expense at June 2007 due in part to the net impact of the Subvention Deed arrangements entered into with Origin Energy Ltd consequent to the 1999 acquisition of the Group's Victorian assets. The Subvention Deed was executed by Origin Energy Ltd and Vic Gas Distribution Pty Ltd, under which Vic Gas Distribution Pty Ltd agreed, while it is a wholly owned subsidiary of Origin Energy Ltd, to transfer tax losses to other companies in the Origin Energy Group. There were a series of fixed payments that Origin Energy Ltd was required to pay to Vic Gas Distribution Pty Ltd for the transfer of the losses. However, the nominal value of the tax losses transferred exceeded the cash value of the annual subvention payments received. The final payment due under the Subvention Deed was received in December 2003.

The Put Option that Origin Energy Ltd had on its shares in Vic Gas Distribution Pty Ltd was exercised on 2 July 2007. As a consequence Vic Gas Distribution Pty Ltd and its wholly owned subsidiary, The Albury Gas Company Ltd, are now part of the Envestra tax consolidated group. As such no losses were transferred for the 2008 financial year and there was no increase in tax expense due to the Subvention Deed (2007: $15.1 million).

(e) Tax consolidation legislation

Envestra Ltd and its wholly-owned Australian controlled entities have implemented the tax consolidation legislation as of 1 July 2002. 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.

As a consequence of the exercise of the Put Option by Origin Energy Ltd on 2 July 2007, Vic Gas Distribution Pty Ltd and The Albury Gas Company Ltd are now part of the Envestra tax consolidated group. These entities have entered into a tax funding agreement as of that date.

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 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 2008	Consolidated 2007	Parent entity 2008	Parent entity 2007
	$M	$M	$M	$M
Cash at bank and on hand	0.8	3.0	0.4	0.4
Deposits at call	10.0	8.4	10.0	-
	10.8	**11.4**	**10.4**	**0.4**

(a) Cash at bank and on hand

These are interest bearing except for cash on hand.

(b) Deposits at call

The deposit is bearing a floating interest rate of 7.53 per cent (2007 – between 5.75 per cent and 6.38 per cent). The deposit had a maturity date of 7 July 2008.

9 CURRENT ASSETS – RECEIVABLES

	Consolidated 2008	Consolidated 2007	Parent entity 2008	Parent entity 2007
	$M	$M	$M	$M
Trade receivables	50.6	51.3	19.9	21.2
Provision for doubtful receivables	(0.1)	(0.1)	-	-
	50.5	**51.2**	**19.9**	**21.2**

(a) Past due and impaired trade receivables

A loss of $17,600 (2007: $48,527) for the Group and $10,323 (2007: $42,867) for the parent has been recognised in the income statement in respect of bad and doubtful trade receivables during the year ended 30 June 2008.

As of 30 June 2008, trade receivables of $572,662 (2007: $630,940) for the Group and $32,684 (2007: $518,364) for the parent were past due but not impaired. These relate to a number of independent customers for whom there is no recent history of default. Neither the Group nor the parent holds any collateral over these balances. The ageing analysis of these trade receivables is as follows:

	Consolidated 2008	Consolidated 2007	Parent entity 2008	Parent entity 2007
	$M	$M	$M	$M
31 to 60 days	0.5	0.5	-	0.5
61 to 90 days	0.1	-	-	-
Over 90 days	-	0.1	-	-
	0.6	**0.6**	**-**	**0.5**

	Consolidated 2008	Consolidated 2007	Parent entity 2008	Parent entity 2007
	$M	$M	$M	$M
Movement in provision for doubtful receivables:				
Balance at the beginning of the year	(0.1)	(0.1)	-	-
Balance at the end of the year	(0.1)	(0.1)	-	-

(b) Significant terms and conditions

Haulage revenue receivable in respect of the South Australia and Northern Territory networks is due within 30 days. 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 New South Wales 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 Victorian retailers, though contracts and the associated Victorian Access Regime limit such risks. 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 2008	Consolidated 2007	Parent entity 2008	Parent entity 2007
	$M	*$M*	*$M*	*$M*
Non-current assets				
Interest rate swaps – cashflow hedges	33.7	16.1	23.0	13.2
Total derivative financial instrument assets	**33.7**	**16.1**	**23.0**	**13.2**
Non-current liabilities				
Cross-currency swap contracts – fair value hedges	85.4	80.3	-	-
Total derivative financial instrument liabilities	**85.4**	**80.3**	**-**	**-**
Net derivatives	**(51.7)**	**(64.2)**	**23.0**	**13.2**

(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 $100 million of forward starting interest rate swaps).

At 30 June 2008, the notional principal amounts and periods of expiry of the interest rate swap contracts are as follows:

Maturity	2008	2007
	$M	*$M*
Less than 1 year	20.0	745.0
1-2 years	-	20.0
2-3 years	530.0	-
3-4 years	751.1	505.0
	1,301.1	**1,270.0**

The gain or loss from remeasuring the hedging instruments at fair value is deferred in equity in the hedging reserve, to the extent that the hedge is effective, and re-classified into profit and loss when the hedged interest expense is recognised. The ineffective portion is recognised in the income statement immediately. In the year ended 30 June 2008, the ineffective portion was $0.3 million of loss (2007: $0.01 million profit).

Group

At balance date these contracts were assets with fair value of $33.7 million (2007: $16.1 million). In the year ended 30 June 2008 there was an increase in fair value of $17.6 million during the year (2007: $11.8 million).

Parent entity

At balance date these contracts were assets with fair value of $23.0 million (2007: $13.2 million). In the year ended 30 June 2008 there was an increase in fair value of $9.8 million during the year (2007: $12.4 million).

(ii) Cross currency swaps – fair value 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.

The notional principal amounts and periods of expiry of the cross currency swap contracts are as follows:

Maturity	2008	2007
	$M	*$M*
Greater than 5 years	266.1	266.1

The gain or loss from remeasuring hedging instruments used in fair value hedges, at fair value, is recorded in the income statement.

Group

At balance date these contracts were liabilities with fair value of $85.4 million (2007: $80.3 million). In the year ended 30 June 2008 there was a decrease in fair value of $5.1 million during the year (2007: $27.5 million). Fair value hedge movements offset against the hedged item were $5.1 million (2007: $26.9 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, $33.7 million (2007: $16.1 million) is receivable for the Group from interest rate swap contracts.

The Group undertakes 100 per cent 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 2008	Consolidated 2007	Parent entity 2008	Parent entity 2007
	$M	*$M*	*$M*	*$M*
Intercompany interest receivable	-	-	11.1	8.8
GST receivable	1.1	0.9	0.6	0.5
Deferred licence fees	1.1	0.8	-	-
Prepayments	0.1	0.1	0.1	0.1
	2.3	**1.8**	**11.8**	**9.4**

12 NON-CURRENT ASSETS – RECEIVABLES

	Consolidated 2008	Consolidated 2007	Parent entity 2008	Parent entity 2007
	$M	*$M*	*$M*	*$M*
Receivable from wholly owned entities	-	-	974.4	893.8

Past due and impaired receivables

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

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 2008	Consolidated 2007	Parent entity 2008	Parent entity 2007
	$M	*$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 2006				
Cost	3.3	4.8	2,154.4	2,162.5
Accumulated depreciation	-	(1.2)	(324.7)	(325.9)
Net book amount	3.3	3.6	1,829.7	1,836.6
Year ended 30 June 2007				
Opening net book amount	3.3	3.6	1,829.7	1,836.6
Additions	-	-	108.5	108.5
Disposals	-	-	(0.1)	(0.1)
Depreciation charge	-	(0.2)	(55.3)	(55.5)
Retirements	-	-	(0.7)	(0.7)
Closing net book amount	3.3	3.4	1,882.1	1,888.8
At 30 June 2007				
Cost	3.3	4.8	2,262.0	2,270.1
Accumulated depreciation	-	(1.4)	(379.9)	(381.3)
Net book amount	**3.3**	**3.4**	**1,882.1**	**1,888.8**
Year ended 30 June 2008				
Opening net book amount	3.3	3.4	1,882.1	1,888.8
Additions	-	-	111.6	111.6
Depreciation charge	-	(0.2)	(56.4)	(56.6)
Other	0.2	-	-	0.2
Retirements	-	-	(1.0)	(1.0)
Closing net book amount	3.5	3.2	1,936.3	1,943.0
At 30 June 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**

	Plant and equipment	Total
	$M	*$M*
Parent		
At 1 July 2006		
Cost	40.8	40.8
Accumulated depreciation	(4.7)	(4.7)
Net book amount	36.1	36.1
Year ended 30 June 2007		
Opening net book amount	36.1	36.1
Additions	1.3	1.3
Disposals	-	-
Depreciation charge	(0.9)	(0.9)
Closing net book amount	36.5	36.5
At 30 June 2007		
Cost	42.1	42.1
Accumulated depreciation	(5.6)	(5.6)
Net book amount	**36.5**	**36.5**
Year ended 30 June 2008		
Opening net book amount	36.5	36.5
Additions	1.9	1.9
Disposals	-	-
Depreciation charge	(0.9)	(0.9)
Retirements	-	-
Closing net book amount	37.5	37.5
At 30 June 2008		
Cost	44.0	44.0
Accumulated depreciation	(6.5)	(6.5)
Net book amount	**37.5**	**37.5**

(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 has not taken into account any potential remediation costs. A remediation provision of $6.7 million (2007: $5.4 million) has been included in the financial statements at 30 June 2008 in relation to these land and buildings.

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 2008	Consolidated 2007	Parent entity 2008	Parent entity 2007
	$M	$M	$M	$M
The balance comprises temporary differences attributable to:				
Accrued expenses	0.1	0.2	0.1	0.2
Employee benefits	0.2	0.2	0.2	0.2
Equity and debt raising	0.2	0.1	0.2	0.1
Deferred revenue	2.7	5.9	2.7	5.9
Derivatives	-	1.0	-	-
Tax losses(i)	75.6	45.8	49.7	30.2
	78.8	53.2	52.9	36.6
Set-off of deferred tax liabilities pursuant to set-off provisions (note 23)	(78.8)	(53.2)	(16.3)	(12.2)
Net deferred tax assets	-	-	36.6	24.4
Movements				
Opening balance at 1 July	53.2	58.1	36.6	50.9
Credited/(charged) to the income statement (note 7)	25.5	(5.3)	(8.9)	(11.5)
Credited to equity	0.1	0.4	-	-
Deferred tax assets relating to tax losses transferred	-	-	25.2	(2.8)
Closing balance at 30 June	**78.8**	**53.2**	**52.9**	**36.6**

(i) The deferred tax asset attributable to tax losses does not exceed taxable amounts arising from the reversal of existing assessable temporary differences.

16 NON-CURRENT ASSETS – INTANGIBLE ASSETS

	Distribution licence	Total
	$M	$M
Consolidated		
At 1 July 2006		
Cost	585.6	585.6
Accumulated depreciation	-	-
Net book amount	585.6	585.6
Year ended 30 June 2007		
Opening net book amount	585.6	585.6
Closing net book amount	**585.6**	**585.6**

	Distribution licence	Total
	$M	$M
At 30 June 2007		
Cost	585.6	585.6
Accumulated depreciation	-	-
Net book amount	585.6	585.6
Year ended 30 June 2008		
Opening net book amount	585.6	585.6
Closing net book amount	585.6	585.6
At 30 June 2008		
Cost	585.6	585.6
Accumulated depreciation	-	-
Net book amount	**585.6**	**585.6**

(a) 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 9.3 per cent (2007: 8.4 per cent).

17 NON-CURRENT ASSETS – OTHER NON-CURRENT ASSETS

	Consolidated 2008	Consolidated 2007	Parent entity 2008	Parent entity 2007
	$M	$M	$M	$M
Deferred licence fees	0.6	0.5	-	-

18 CURRENT LIABILITIES – PAYABLES

	Consolidated 2008	Consolidated 2007	Parent entity 2008	Parent entity 2007
	$M	$M	$M	$M
Trade payables	29.9	23.5	15.3	12.6

19 CURRENT LIABILITIES – BORROWINGS

	Consolidated 2008	Consolidated 2007	Parent entity 2008	Parent entity 2007
	$M	$M	$M	$M
Secured				
Medium Term Notes	85.0	105.0	-	-
Total secured current borrowings	85.0	105.0	-	-
Unsecured				
Mezzanine debt	-	25.0	-	-
Loan notes	42.6	52.3	42.6	52.3
Total unsecured current borrowings	42.6	77.3	42.6	52.3
Total current borrowings	**127.6**	**182.3**	**42.6**	**52.3**

(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.

20 CURRENT LIABILITIES – PROVISIONS

	Consolidated 2008	Consolidated 2007	Parent entity 2008	Parent entity 2007
	$M	$M	$M	$M
Employee benefits	0.2	0.1	0.2	0.1

21 CURRENT LIABILITIES – OTHER CURRENT LIABILITIES

	Consolidated 2008	Consolidated 2007	Parent entity 2008	Parent entity 2007
	$M	$M	$M	$M
Prepayments from energy retailers	27.0	27.2	27.0	27.2
Interest accrued on loan notes	1.6	3.8	1.6	3.8
Accrued costs	1.5	1.7	0.8	0.9
Other interest accrued	6.5	14.7	1.8	11.5
Other deferred income	4.9	1.9	1.1	1.9
Government grant deferred income	9.1	9.8	9.1	9.8
	50.6	**59.1**	**41.4**	**55.1**

22 NON-CURRENT LIABILITIES – BORROWINGS

The Envestra Group is focused on the ownership of 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 25 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 2008	Consolidated 2007	Parent entity 2008	Parent entity 2007
	$M	$M	$M	$M
Secured				
Bank loans	238.8	-	59.0	-
Medium Term Notes	950.7	1,033.3	583.4	582.4
Commercial Paper	39.8	88.4	19.9	40.8
Capital Indexed Bonds	421.1	407.8	300.1	290.7
US Private Placement Notes	185.4	190.4	-	-
Total secured non-current borrowings	1,835.8	1,719.9	962.4	913.9
Unsecured				
Payable to wholly owned entities	-	-	695.2	596.1
Loan notes	-	46.7	-	46.7
Total unsecured non-current borrowings	-	46.7	695.2	642.8
Total non-current borrowings	**1,835.8**	**1,766.6**	**1,657.6**	**1,556.7**

(a) Total secured liabilities

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

	Consolidated 2008	Consolidated 2007	Parent entity 2008	Parent entity 2007
	$M	$M	$M	$M
Bank loans	238.8	-	59.0	-
Medium Term Notes	1,035.7	1,138.3	583.4	582.4
Commercial Paper	39.8	88.4	19.9	40.8
Capital Indexed Bonds	421.1	407.8	300.1	290.7
US Private Placement Notes	185.4	190.4	-	-
Total secured liabilities	**1,920.8**	**1,824.9**	**962.4**	**913.9**

(b) Assets pledged as security

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

	Notes	Consolidated 2008	Consolidated 2007	Parent entity 2008	Parent entity 2007
		$M	$M	$M	$M
Current					
Floating charge					
Cash and cash equivalents	8	10.8	11.4	10.4	0.4
Receivables	9	50.5	51.2	19.9	21.2
Other current assets	11	2.3	1.8	11.8	9.4
Total current assets pledged as security		**63.6**	**64.4**	**42.1**	**31.0**
Non-current					
Floating charge					
Property, plant and equipment	14	1,943.0	1,888.8	37.5	36.5
Distribution licence	16	585.6	585.6	-	-
Total non-current assets pledged as security		**2,528.6**	**2,474.4**	**37.5**	**36.5**
Total assets pledged as security		**2,592.2**	**2,538.8**	**79.6**	**67.5**

(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. Various interest service and balance sheet covenants must be maintained by Envestra and its controlled entities, otherwise certain restrictions apply with respect to the payment of distributions. At 30 June 2008 all covenants had been satisfied and it is expected that they will continue to be satisfied. The loan notes are unsecured and subordinated to other debt providers and ordinary creditors. Interest is payable on the loan notes to the extent there is sufficient available cash, as defined in the Loan Note Trust Deed to make distributions.

(d) Group funding and liability structure

The Envestra Group's total interest bearing debt as at 30 June 2008 was $1,963.4 million. These debts include stapled loan notes owing to shareholders of $42.6 million (all of which is classified as "current" on the basis that distributions, including loan note capital repayments, are expected to occur over the next 12 months).

The remaining interest bearing debt of $1,920.8 million comprises a range of financial instruments with varying maturities which have been 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 2008 of $39.8 million (2007: $88.4 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 liquidity support agreements with major banks. These support agreements are expected to be rolled over in the normal course of business.

Undrawn committed bank facilities of $151 million can be used to support the refinancing of commercial paper on issue. Because of these arrangements, the commercial paper has been classified as non-current, given it is expected to be rolled over at maturity. The Envestra Group also has working capital facilities totalling $15 million which are undrawn at 30 June 2008.

Capital Indexed Bonds

These bonds were issued for varying terms of 4 to 17 years. The principal component is indexed by the quarterly movement in the CPI.

Medium Term Notes

Medium Term Notes totalling $1,035.7 million (2007: $1,138.3 million) are instruments issued under the Commercial Paper and Medium Term Note Program for varying terms of up to 18 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 totalling A$185.4 million (2007: A$190.4 million) are issued in the United States of America for terms ending in 2015, 2018 and 2033. There are cross currency swaps in place to swap both the principal and interest payments from the US$ fixed coupon to A$ floating rate for the term of the note.

(e) Financing arrangements

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

	Consolidated 2008	Consolidated 2007	Parent entity 2008	Parent entity 2007
	$M	*$M*	*$M*	*$M*
Bank loan facilities				
Total facilities	405.0	265.0	120.0	110.0
Used at balance date	239.0	-	59.0	-
Unused at balance date	**166.0**	**265.0**	**61.0**	**110.0**

Envestra Ltd and Envestra Victoria Pty Ltd have the benefit of commitments to liquidity support from major banks for Commercial Paper issued under the Commercial Paper and Medium Term Notes Program where the issuers are unable to issue Commercial Paper in the domestic market at a rate the issuers reasonably consider acceptable as a result of an event which affects the domestic market generally. Envestra and Envestra Victoria jointly have commitments for $65 million in standby facilities.

(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 2008	Fair value 2008	Carrying amount 2007	Fair value 2007
	$M	*$M*	*$M*	*$M*
Consolidated				
Non-traded financial liabilities				
Bank loans	238.8	239.0	-	-
Mezzanine debt	-	-	25.0	25.0
US Private Placement Notes	185.4	187.0	190.4	192.4
Loan notes	42.6	44.0	99.0	102.3
Traded financial liabilities				
Capital Indexed Bonds	421.1	392.1	407.8	411.4
Medium Term Notes	1,035.7	1,055.0	1,138.3	1,160.0
Commercial Paper	39.8	39.8	88.4	88.4
	1,963.4	**1,956.9**	**1,948.9**	**1,979.5**

	Carrying amount 2008	Fair value 2008	Carrying amount 2007	Fair value 2007
	$M	$M	$M	$M
Parent				
Non-traded financial liabilities				
Bank loans	59.0	59.0	-	-
Loan notes	42.6	44.0	99.0	102.3
Payable to wholly owned entities	695.3	695.3	596.2	596.2
Traded financial liabilities				
Capital Indexed Bonds	300.1	270.6	290.7	292.2
Medium Term Notes	583.4	600.0	582.4	600.0
Commercial Paper	19.9	19.9	40.8	40.8
	1,700.3	**1,688.8**	**1,609.1**	**1,631.5**

(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 2008	Consolidated 2007	Parent entity 2008	Parent entity 2007
	$M	$M	$M	$M
The balance comprises temporary differences attributable to:				
Equity and debt raising	6.4	5.8	4.7	3.7
Other	0.5	0.2	-	-
Derivatives	8.2	4.0	6.9	4.0
Provisions	(3.4)	(3.0)	-	-
Depreciation	142.6	260.5	4.7	4.5
	154.3	267.5	16.3	12.2
Set-off of deferred tax assets pursuant to set-off provisions (note 15)	(78.8)	(53.2)	(16.3)	(12.2)
Net deferred tax liabilities	75.5	214.3	-	-
Movements:				
Opening balance at 1 July	267.5	240.9	12.2	7.5
Charged/(credited) to the income statement (note 7)	(118.6)	23.0	1.2	1.2
Charged to equity	5.4	3.6	2.9	3.5
Closing balance at 30 June	**154.3**	**267.5**	**16.3**	**12.2**

24 NON-CURRENT LIABILITIES – PROVISIONS

	Consolidated 2008	Consolidated 2007	Parent entity 2008	Parent entity 2007
	$M	$M	$M	$M
Long service leave	0.3	0.2	0.3	0.2
Other employee and Director entitlements	0.2	0.4	0.2	0.4
Land management costs	11.2	9.9	-	-
	11.7	**10.5**	**0.5**	**0.6**

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 each class of provision during the financial year, other than employee benefits, are set out below:

	Consolidated 2008	Consolidated 2007	Parent entity 2008	Parent entity 2007
	$M	$M	$M	$M
Land management costs				
Carrying amount at beginning of the year	9.9	4.2	-	-
Additional provision recognised	1.5	5.7	-	-
Payments made from provision	(0.2)	-	-	-
Carrying amount at end of year	**11.2**	**9.9**	**-**	**-**

25 NON-CURRENT LIABILITIES – OTHER NON-CURRENT LIABILITIES

	Consolidated 2008	Consolidated 2007	Parent entity 2008	Parent entity 2007
	$M	$M	$M	$M
Deferred Government grant income	-	9.1	-	9.1

26 CONTRIBUTED EQUITY

	Parent entity 2008	Parent entity 2007	Parent entity 2008	Parent entity 2007
	Securities	*Securities*	*$M*	*$M*
(a) Share capital				
Ordinary shares				
Issued and paid up capital	891,377,475	852,278,514	366.7	334.6
(b) Other equity components				
Deferred tax liability component			0.2	0.2
Total contributed equity			**366.9**	**334.8**

(c) Movements in ordinary share capital	Date	Number of securities	Issue price	Cost
			$	*$M*
Opening balance	1-7-2006	814,300,491		296.6
Distribution reinvestment plan	30-11-2006	10,715,245	1.09	10.1
Distribution reinvestment plan	31-5-2007	27,262,778	1.15	28.1
				334.8
Less: Transaction costs arising on share issues				(0.2)
Closing balance	**30-6-2007**	**852,278,514**		**334.6**
Opening balance	1-7-2007	852,278,514		334.6
Distribution reinvestment plan	30-11-2007	20,434,114	0.98	18.5
Distribution reinvestment plan	31-5-2008	18,664,847	0.78	13.6
				366.7
Less: Transaction costs arising on share issues				-
Closing balance	**30-6-2008**	**891,377,475**		**366.7**

(d) Ordinary shares

Ordinary shares entitle the holder to receive 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) Distribution Reinvestment Plan

The Company has established a Distribution Reinvestment Plan under which holders of ordinary securities may elect to have all or part of their distribution entitlements satisfied by the issue of new ordinary securities rather than by being paid in cash. Securities have been issued under the plan at a 2.5 per cent discount to the market price.

(f) Capital risk management

The Group's and the parent entity's objectives when managing capital are to safeguard their ability to continue as a going concern, so that they can continue to provide returns for shareholders and benefits for other stakeholders and to maintain an optimal capital structure to reduce the costs of capital.

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 and the parent entity monitor 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 (excluding loan notes) less cash and cash equivalents. A market value of equity gearing ratio is also used and is calculated on net debt divided by net debt plus market value of equity.

The Group aims, in normal circumstances, to maintain a debt level of between 75 per cent and 80 per cent of net debt plus market value of equity. The gearing ratios at 30 June 2008 and 30 June 2007 were as follows:

	Consolidated 2008	Consolidated 2007	Parent entity 2008	Parent entity 2007
	$M	$M	$M	$M
Total borrowings (includes derivatives, excluding intercompany balances)	2,015.1	2,013.1	962.4	913.9
Less: loan notes	(42.6)	(99.0)	(42.6)	(99.0)
Less: cash and cash equivalents	(10.8)	(11.4)	(10.4)	(0.4)
Net debt	**1,961.7**	**1,902.7**	**909.4**	**814.5**
Total assets (net of intercompany balances)	2,592.8	2,539.3	972.7	938.6
Less: cash and cash equivalents	(10.8)	(11.4)	(10.4)	(0.4)
	2,582.0	**2,527.9**	**962.3**	**938.2**
Ordinary shares (number)	891,377,475	852,278,514	891,377,475	852,278,514
Share price at 30 June	$0.64	$1.15	$0.64	$1.15
Market value of equity ($M)	570.5	980.1	570.5	980.1
Book Value Gearing Ratio	76.0%	75.3%	94.5%	86.8%
Economic Value Gearing Ratio	77.5%	66.0%	61.5%	45.4%

27 RESERVES AND RETAINED EARNINGS

(a) Reserves

	Consolidated 2008	Consolidated 2007	Parent entity 2008	Parent entity 2007
	$M	$M	$M	$M
Hedging reserve – cash flow hedges	19.1	6.6	16.1	9.3
Movements				
Opening balance at 1 July	6.6	(1.1)	9.3	0.5
Fair value movements	17.8	11.2	9.7	12.5
Deferred tax	(5.3)	(3.5)	(2.9)	(3.7)
Closing balance at 30 June	**19.1**	**6.6**	**16.1**	**9.3**

(b) Retained earnings

	Consolidated 2008	Consolidated 2007	Parent entity 2008	Parent entity 2007
	$M	$M	$M	$M
Movements in retained earnings were as follows:				
Accumulated losses at the beginning of the financial year	(131.8)	(121.2)	(198.2)	(201.5)
Profit/(loss) for the year	163.6	(3.0)	12.7	10.9
Dividends paid	(8.0)	(7.6)	(8.0)	(7.6)
Retained earnings at the end of the financial year	**23.8**	**(131.8)**	**(193.5)**	**(198.2)**

(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 a cash flow hedge that are recognised directly in equity, as described in note 1(j).

28 DISTRIBUTIONS AND DIVIDENDS

	Parent entity 2008	Parent entity 2007
	$M	*$M*
Stapled securities		
Amounts paid in November (cents per stapled security)		
Interest on loan notes: 0.90 cents (2008); 1.36 cents (2007)	7.6	11.1
Dividend: 0.93 cents (2008); 0.47 cents (2007)	8.0	3.8
Principal on loan notes: 3.87 cents (2008); 3.87 cents (2007)	33.0	31.5
	48.6	**46.4**
Amounts paid in May (cents per stapled security)		
Interest on loan notes: 0.61 cents (2008); 1.07 cents (2007)	5.3	8.8
Dividend: nil (2008); 0.46 cents (2007)	-	3.8
Principal on loan notes: 3.19 cents (2008); 2.27 cents (2007)	27.8	18.7
	33.1	**31.3**
Total annual distribution: 9.5 cents (2008); 9.5 cents (2007)		
Interest on loan notes: 1.51 cents (2008); 2.43 cents (2007)	12.9	19.9
Dividend: 0.93 cents (2008); 0.93 cents (2007)	8.0	7.6
Principal on loan notes: 7.06 cents (2008); 6.14 cents (2007)	60.8	50.2
	81.7	**77.7**

29 KEY MANAGEMENT PERSONNEL DISCLOSURES

(a) Directors

The following persons were Directors of Envestra Ltd during the financial year:

(i) Chairman – non-executive

John Geoffrey Allpass

(ii) Executive Director

Ian Bruce Little, Managing Director

(iii) Non-executive Directors

Eric Fraser Ainsworth AM
Charles Christopher Agar Binks
Dominic Loi Shun Chan
Ivan Kee Ham Chan (appointed 27 August 2007)
Hing Lam Kam (resigned 27 August 2007)
Grant Alfred King (resigned 2 July 2007)
Olaf Brian O'Duill
Michael Joseph McCormack (appointed 2 July 2007)
Ross Murray Gersbach (appointed 2 July 2007)

(b) Other key management personnel

The following persons also had authority and responsibility for planning, directing and controlling the activities of the Group, directly or indirectly, during the financial year:

Name	Position	Employer
Nigel Trewartha	Chief Financial Officer (to September 2007)	Envestra Ltd
Peter Ryan	Chief Financial Officer (from September 2007)	Envestra Ltd
Andrew Staniford	Commercial Manager	Envestra Ltd
Des Petherick	Manager, Corporate Services and Company Secretary	Envestra Ltd
Greg Meredith	Manager, Treasury and Economics	Envestra Ltd
Paul May	Financial Controller	Envestra Ltd

All of the above persons (with the exception of Peter Ryan) were also key management persons during the year ended 30 June 2007.

(c) Key management personnel compensation

	Consolidated 2008	Consolidated 2007	Parent entity 2008	Parent entity 2007
	$	$	$	$
Short-term employee benefits	2,081,076	1,962,840	2,081,076	1,962,840
Post-employment benefits	591,081	512,130	591,081	512,130
Other long-term benefits	-	55,521	-	55,521
Termination payments	-	232,000	-	232,000
	2,672,157	2,762,491	2,672,157	2,762,491

(d) Equity instrument disclosures relating to key management personnel

(i) 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 below. There were no shares granted during the reporting period as remuneration.

Ordinary shares 2008

Name	Balance at the start of the year	Received during the year on the exercise of options	Other changes during the year	Balance at the end of the year
Directors of Envestra Ltd				
J G Allpass	130,987	-	7,619	138,606
I B Little	33,000	-	55,028	88,028
E F Ainsworth	45,000	-	-	45,000
C C A Binks	23,737	-	20,000	43,737
O B O’Duill	55,000	-	-	55,000
M J McCormack	-	-	20,000	20,000
Other key management personnel of the Group				
D Petherick	31,917	-	20,000	51,917
G Meredith	4,000	-	-	4,000

Ordinary shares 2007

Name	Balance at the start of the year	Received during the year on the exercise of options	Other changes during the year	Balance at the end of the year
Directors of Envestra Ltd				
J G Allpass	130,987	-	-	130,987
I B Little	33,000	-	-	33,000
E F Ainsworth	45,000	-	-	45,000
B G Beeren	59,210	-	3,174	62,384
C C A Binks	23,737	-	-	23,737
G A King	81,025	-	1,600	82,625
O B O'Duill	55,000	-	-	55,000
Other key management personnel of the Group				
D Petherick	31,917	-	-	31,917
G Meredith	4,000	-	-	4,000

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 2008	Consolidated 2007	Parent entity 2008	Parent entity 2007
	$	$	$	$
(a) Audit services				
PricewaterhouseCoopers Australian firm				
Audit of financial statements provided to regulators	37,100	90,000	2,100	20,000
Audit and review work and other audit work under the *Corporations Act 2001*	228,205	255,541	114,102	127,771
Total remuneration for audit services	**265,305**	**345,541**	**116,202**	**147,771**
(b) Non-audit services				
Taxation services				
PricewaterhouseCoopers Australian firm				
Tax services	117,900	139,975	41,020	98,650
Total remuneration for taxation services	**117,900**	**139,975**	**41,020**	**98,650**
Other services				
PricewaterhouseCoopers Australian firm				
Management advisory	119,149	39,195	42,688	36,198
Total remuneration for other services	**119,149**	**39,195**	**42,688**	**36,198**
Total remuneration for non-audit services	**237,049**	**179,170**	**83,708**	**134,848**
	502,354	**524,711**	**199,910**	**282,619**

It is the Group's policy to employ 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 and auditing of regulatory statements.

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 2008	Consolidated 2007	Parent entity 2008	Parent entity 2007
	$	$	$	$
Revenue				
Revenue from the provision of haulage services to Origin Energy Ltd	-	184,082,000	-	124,781,000
Put Option proceeds	-	7,757,000	-	-
Expenses				
Costs incurred to use gas distribution networks owned by controlled entities	-	-	89,380,000	93,749,000
Payments for system use gas (i)	-	8,941,000	-	8,941,000
Payments for operation and management of the networks (i)	89,878,000	84,026,000	49,229,000	45,191,000
Payments for capital expenditure relating to the networks (i)(ii)	111,840,000	108,431,000	56,484,000	56,873,000
Interest revenue				
Subsidiaries	-	-	47,536,000	33,272,000
Dividend revenue				
Subsidiaries	-	-	35,000,000	45,000,000
Interest expense				
Subsidiaries	-	-	14,991,000	-

(i) In 2008 these payments were made to the APA Group; in 2007 they were made to Origin Energy Ltd. Origin Energy Ltd ceased to be a related party on 2 July 2007.

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

(e) Loans to/from related parties

	Parent entity 2008	Parent entity 2007
	$	$
Loans to subsidiaries		
Beginning of the year	297,664,000	234,454,000
Loans advanced	13,125,000	111,998,000
Loan repayments received	(31,589,000)	(48,788,000)
End of year	**279,200,000**	**297,664,000**

(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 2008	Equity holding of Envestra Ltd 2007
			%	%
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) In 2007 no shares in Vic Gas Distribution Pty Ltd or its subsidiary The Albury Gas Company Ltd were held by Envestra Ltd or any of its subsidiaries. However, Envestra Victoria Pty Ltd was entitled to and exposed to the full economic rewards and risks of operating the business through the Business Management Agreement and these entities were therefore controlled entities within the Group. Origin Energy Ltd exercised its Put Option in relation to its shares in Vic Gas Distribution Pty Ltd on 2 July 2007 and the shares in Vic Gas Distribution Pty Ltd are now held by Envestra Victoria 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 profits

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 profits for the year ended 30 June 2008 of the Closed Group consisting of Envestra Ltd, Envestra Natural Gas Networks Ltd, Envestra (SA) Ltd and Envestra (Qld) Ltd.

	2008	2007
Income Statement	*$M*	*$M*
Revenue from continuing activities	234.1	220.0
Service contract costs	(44.9)	(38.5)
Gas	(11.4)	(9.0)
Network development and operations support	(4.4)	(6.7)
Administration costs	(8.2)	(9.8)
Depreciation	(33.5)	(30.9)
Amortisation	(1.3)	(1.3)
Loan note interest	(10.8)	(18.2)
Other borrowing costs	(67.3)	(63.9)
Profit before income tax	**52.3**	**41.7**
Income tax expense	(18.9)	(18.2)
Profit for the year	**33.4**	**23.5**
Summary of movements in consolidated retained profits		
Retained profits at the beginning of the financial year	68.4	52.5
Profit for the year	33.4	23.5
Dividends paid	(8.0)	(7.6)
Retained profits at the end of the financial year	**93.8**	**68.4**

(b) Balance sheet

Set out below is a consolidated balance sheet as at 30 June 2008 of the Closed Group consisting of Envestra Ltd, Envestra Natural Gas Networks Ltd, Envestra (SA) Ltd and Envestra (Qld) Ltd.

	2008	2007
	$M	*$M*
Current assets		
Cash and cash equivalents	10.4	0.4
Receivables	19.9	21.2
Other current assets	11.8	9.4
Total current assets	**42.1**	**31.0**
Non-current assets		
Receivables	420.3	405.6
Derivative financial instruments	23.0	13.2
Property, plant and equipment	1,146.1	1,123.8
Total non-current assets	**1,589.4**	**1,542.6**
Total assets	**1,631.5**	**1,573.6**

	2008	2007
	$M	$M
Current liabilities		
Payables	15.2	12.6
Borrowings	42.6	52.3
Provisions	0.2	0.1
Other current liabilities	41.6	55.1
Total current liabilities	**99.6**	**120.1**
Non-current liabilities		
Borrowings	992.9	960.5
Provisions	0.5	0.6
Deferred tax liabilities	61.7	70.8
Other non-current liabilities	-	9.1
Total non-current liabilities	**1,055.1**	**1,041.0**
Total liabilities	**1,154.7**	**1,161.1**
Net assets	**476.8**	**412.5**
Equity		
Contributed equity	366.9	334.8
Reserves	16.1	9.3
Retained earnings	93.8	68.4
Total equity	**476.8**	**412.5**

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 management functions of the networks.

35 EVENTS OCCURRING AFTER THE BALANCE SHEET DATE

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

36 RECONCILIATION OF PROFIT/(LOSS) AFTER INCOME TAX TO NET CASH INFLOW FROM OPERATING ACTIVITIES

	Consolidated 2008	Consolidated 2007	Parent entity 2008	Parent entity 2007
	$M	*$M*	*$M*	*$M*
Profit/(loss) after income tax	163.6	(3.0)	12.7	10.9
Depreciation and amortisation	61.9	60.9	3.8	3.9
Indexation of Capital Indexed Bonds	12.4	13.4	8.9	9.6
Interest on loan notes	10.8	18.2	10.8	18.2
Asset retirements	1.0	0.7	-	-
Government grants recognised as income	(9.8)	(10.5)	(9.8)	(10.5)
Deferred revenue	3.0	-	-	-
Intercompany dividend	-	-	(35.0)	(45.0)
Intercompany charges	-	-	98.1	93.7
Gain on disposal of land	-	(2.1)	-	-
Change in operating assets and liabilities				
Decrease/(increase) in trade debtors	1.7	0.2	-	(3.3)
Increase in other operating assets	(0.4)	(0.6)	-	-
Increase/(decrease) in trade creditors and other liabilities	(5.3)	13.7	(10.0)	7.9
Increase/(decrease) in provision for deferred income tax	(144.1)	28.3	10.1	12.7
Net cash inflow from operating activities	**94.8**	**119.2**	**89.6**	**98.1**

37 NON-CASH INVESTING AND FINANCING ACTIVITIES

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

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

38 EARNINGS PER SHARE

(a) Basic earnings per share

	Consolidated 2008	Consolidated 2007
	Cents	*Cents*
Profit from continuing operations attributable to the ordinary equity holders of the Company	18.9	(0.4)

(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 2008	Consolidated 2007
	Number	*Number*
Weighted average number of ordinary shares used as the denominator in calculating basic earnings per share	865,700,404	822,764,916

Distributions to shareholders for the period of this report and the immediate future comprise interest on loan notes, repayment of principal on the loan notes and dividends.

39 COMMITMENTS

Operating leases

Envestra has leased a property at Kidman Park in Adelaide, which is being 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 2008	Consolidated 2007	Parent entity 2008	Parent entity 2007
	$M	$M	$M	$M
Commitments for minimum lease payments in relation to non-cancellable operating leases are payable as follows:				
Within one year	0.6	0.6	0.6	0.6
Later than one year but not later than five years	2.7	2.4	2.7	2.4
Later than five years	1.5	1.8	1.5	1.8
	4.8	4.8	4.8	4.8
Future minimum lease payments expected to be received in relation to non-cancellable sub-leases of operating leases	4.8	4.8	4.8	4.8

ENVESTRA LTD DIRECTORS' DECLARATION

In the Directors' opinion:

(a) the financial statements and notes set out on pages 31 to 71 are in accordance with the *Corporations Act 2001*, including:

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

(i) giving a true and fair view of the Company's and consolidated entity's financial position as at 30 June 2008 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 24 to 29 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 indentified 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.

The Directors have been given the declaration by the Managing Director and Chief Financial Officer required by section 295A of the *Corporations Act 2001*.

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

John Allpass

John Geoffrey Allpass
Chairman

Adelaide
27 August 2008

PRICEWATERHOUSECOOPERS

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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 2008, and the income statement, statement of changes in equity and cash flow statement 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 compliance with the Australian equivalents to International Financial Reporting Standards ensures that the financial report, comprising the financial statements and notes, complies 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.

For further explanation of an audit, visit our website http://www.pwc.com/au/financialstatementaudit.

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:

- giving a true and fair view of the Company's and consolidated entity's financial position as at 30 June 2008 and of their performance for the year ended on that date; and
- complying with Australian Accounting Standards (including the Australian Accounting Interpretations) and the *Corporations Regulations 2001*; and

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

Report on the remuneration report

We have audited the remuneration report included in pages 24 to 29 of the Directors' report for the year ended 30 June 2008. 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 2008, complies with section 300A of the *Corporations Act 2001*.

PricewaterhouseCoopers

PricewaterhouseCoopers
Charted Accountants

Adelaide
27 August 2008

Andrew Forman
Partner

Liability limited by a scheme approved under Professional Standards Legislation.

SHAREHOLDER INFORMATION

Number of shareholders

At 27 August 2008, there were 19,211 shareholders

Sharegrouping	Number of shareholders	Stapled securities held	Percentage
1 - 1,000	444	284,817	0.03
1,001 - 5,000	2,582	9,355,965	1.05
5,001 - 10,000	4,207	34,001,244	3.81
10,001 - 100,000	11,582	304,996,403	34.22
100,001 and over	396	542,739,046	60.89
Total	**19,211**	**891,377,475**	**100.00**
Shareholders holding less than a marketable parcel of 705 shares	243	94,890	<0.01

Twenty largest shareholders

The percentage of the total holdings held by or on behalf of the 20 largest holders of stapled securities at 27 August 2008 was as follows:

Organisation	Stapled securities	Percentage of stapled securities
Australian Pipeline Ltd	162,800,557	18.26
Cheung Kong Infrastructure Holdings (Malaysian) Ltd	154,114,851	17.29
National Nominees Ltd	32,898,517	3.69
Citicorp Nominees Pty Ltd	26,528,665	2.98
JP Morgan Nominees Australia Ltd	20,981,962	2.35
HSBC Custody Nominees (Australia) Ltd	19,250,825	2.16
Tenix Pty Ltd	7,200,405	0.81
ANZ Nominees Ltd	6,954,693	0.78
Bond Street Custodians Ltd	4,694,321	0.53
Corporate Positioning Pty Ltd	4,000,000	0.45
Argo Investments Ltd	3,328,139	0.37
Ramsleigh Pty Ltd	3,000,000	0.34
UBS Wealth Management Australia Nominees Pty Ltd	2,858,125	0.32
Australian Executor Trustees Ltd	2,791,753	0.31
Allundy Pty Ltd	2,500,000	0.28
Questor Financial Services Ltd	2,321,955	0.26
RBC Dexia Investor Services Australia Nominees Pty Ltd	2,264,468	0.25
Custodial Services Ltd	1,955,781	0.22
Cambooya Pty Ltd	1,663,968	0.19
Sellers Holdings Pty Ltd	1,647,542	0.18
Total for top 20	**463,756,527**	**52.02**

Substantial shareholders

Substantial shareholder notices have been received as follows:

Organisation	Stapled securities	Percentage of stapled securities
Australian Pipeline Ltd	162,800,557	18.26
Cheung Kong Infrastructure Holdings (Malaysian) Ltd	154,114,851	17.29
Macquarie Group Ltd	49,243,054	5.77

Distributions to shareholders	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**	**-**

(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.

Voting rights

Each stapled security consists of one share in the Company and one loan note. The voting rights attached to the stapled securities at a meeting of shareholders of the Company are one vote per stapled security on a poll and one vote per shareholder on a show of hands.

Payment of distributions

Distributions 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 Ltd stapled securities are traded on the Australian Stock Exchange under the symbol ENV.

2008 Annual General Meeting

The Annual General Meeting of Envestra will be held at 10:00am on Tuesday, 28 October 2008 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.

Distribution Reinvestment Plan

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

New stapled securities 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.

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, Manager
Corporate Services and
Company Secretary

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

CONSUMERS

	Victoria		South Australia		Queensland		New South Wales		Northern Territory		Total	
	2008	2007	2008	2007	2008	2007	2008	2007	2008	2007	2008	2007
Domestic	500,472	487,657	376,432	369,090	76,476	74,384	21,806	21,338	947	926	976,133	951,288
Industrial & commercial <10TJ	22,620	22,355	9,839	9,658	3,172	3,100	1,088	978	99	97	36,818	37,974
Industrial & commercial >10TJ	234	232	179	183	79	80	11	11	1	1	504	501
Total consumers(i)	523,326	510,244	386,450	378,931	79,727	77,564	22,905	22,327	1,047	1,024	1,013,455	989,763

(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	
	2008	2007	2008	2007	2008	2007	2008	2007	2008	2007	2008	2007
Domestic, industrial & commercial <10TJ	32,922	30,838	10,435	10,602	2,148	2,084	1,203	1,179	69	64	46,777	44,767
Industrial & commercial >10TJ	22,519	22,705	25,615	25,833	14,320	13,942	2,472	2,378	3,115	3,271	68,041	68,129
Total gas delivered	55,441	53,543	36,050	36,435	16,468	16,026	3,675	3,557	3,184	3,335	114,818	112,896

ASSETS

	Victoria		South Australia		Queensland		New South Wales		Northern Territory		Total	
	2008	2007	2008	2007	2008	2007	2008	2007	2008	2007	2008	2007
New mains (km)	203	262	93	90	29	47	8	5	-	1	333	405
New inlets	13,528	13,089	9,224	8,659	3,151	2,196	544	670	-	-	26,447	24,614
Replacement mains (km)	55	64	102	75	21	40	-	-	-	-	178	179
Total mains (km)	9,267	8,944	7,709	7,591	2,480	2,443	595	581	37	36	20,088	19,595
Transmission pipelines (km)	208	208	373	373	284	284	20	20	147	147	1,032	1,032

GLOSSARY

AIFRS
Australian equivalents to International Financial Reporting Standards.

Access Arrangement
Access Arrangements set out the terms and conditions on 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.

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}.

SOLID PERFORMANCE
ENVIRO PARK
5 STAR ENERGY