

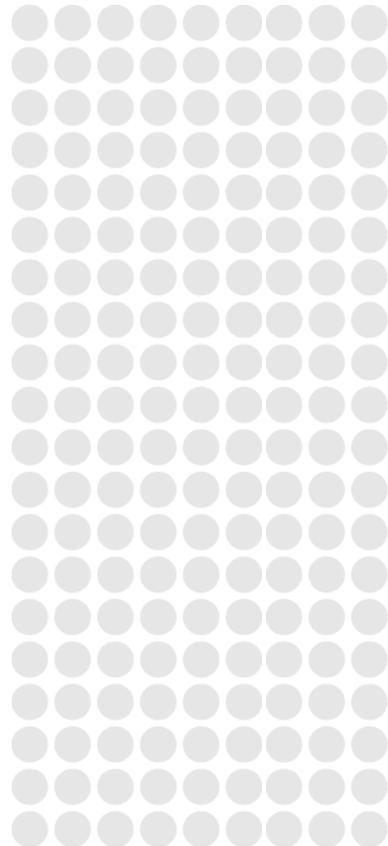


APT Pipelines Limited

ABN 89 009 666 700

Annual Report.

For the financial year ended
30 June 2017



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APT PIPELINES LIMITED DIRECTORS' REPORT

The Directors of APT Pipelines Limited ("APTPL") submit their report and the annual financial report of APTPL and its controlled entities (together "Consolidated Entity") for the financial year ended 30 June 2017.

1 Directors

The names of the Directors of the Responsible Entity during the year and since the year end are:

Leonard Bleasel AM	Chairman
Michael (Mick) McCormack	Chief Executive Officer and Managing Director
Steven (Steve) Crane	
John Fletcher	
Michael Fraser	
Debra (Debbie) Goodin	
Russell Higgins AO	
Patricia McKenzie	

The Company Secretary of the Responsible Entity during and since the current period is:

Nevenka Codevelle

2 Principal Activities

The principal activities of the Consolidated Entity during the course of the year were investment in controlled entities and acting as the borrowing entity for APA Group, that comprises Australian Pipeline Trust and APT Investment Trust and their controlled entities ("APA"). The principal activities of APA during the course of the year were the ownership and operation of energy infrastructure assets and businesses, including:

- energy infrastructure, comprising gas transmission, gas storage and processing, gas-fired and renewable energy power generation businesses located across Australia;
- asset management services for the majority of APA's energy investments and for third parties; and
- energy investments in unlisted entities.

3 State of Affairs

No significant change in the state of affairs of the Consolidated Entity occurred during the financial year.

4 Subsequent Events

Except as disclosed elsewhere in this report, the Directors are unaware of any matter or circumstance that has occurred since the end of the year that has significantly affected or

may significantly affect the operations of the Consolidated Entity, the results of those operations or the state of affairs of the Consolidated Entity in future years.

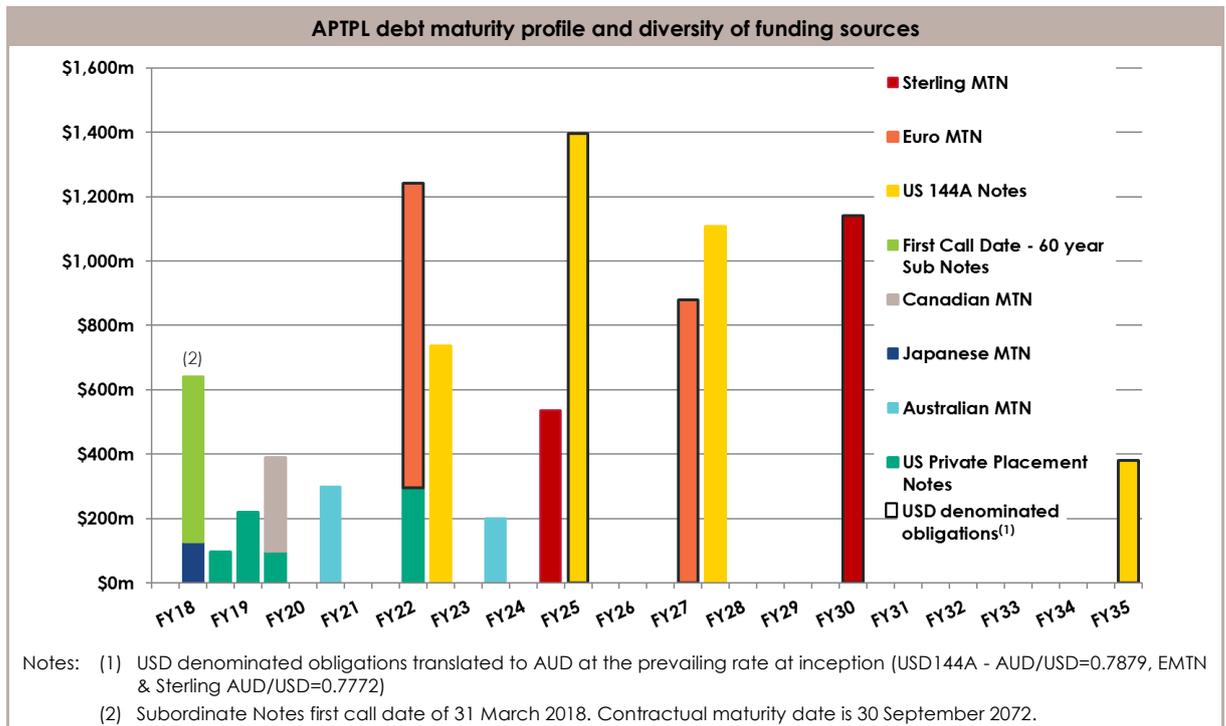
5 Review of Operations

The Consolidated Entity reported an interim profit after tax of \$179.8 million (FY2016: \$128.2 million) on total revenue of \$2,323.0 million (FY2016: \$2,087.3 million).

5.1 Capital Management

During the financial year, APTPL issued A\$200 million of 7-year fixed-rate Australian dollar Medium Term Notes in October 2016 and US\$850 million (A\$1,109 million) of 10.3-year senior guaranteed notes into the US 144A market in March 2017. APTPL repaid \$85.8 million (US\$65.0 million) and \$295.0 million (US\$154.0 million and A\$104.2 million) of US Private Placement Notes when they matured in July 2016 and May 2017 respectively.

APTPL's debt portfolio has a broad spread of maturities extending out to FY2035, with an average maturity of drawn debt of 7.5 years at 30 June 2017. APA's gearing⁽¹⁾ of 67.4% at 30 June 2017 was marginally higher than the 66.4% at 30 June 2016. APTPL remains well positioned to fund its planned growth activities with over \$1,460 million in cash and committed undrawn facilities, as well as ongoing access to a broad range of debt capital markets available as at 30 June 2017.



APTPL has a prudent treasury policy which requires conservative levels of hedging of interest rate exposures to minimise the potential impacts from adverse movements in interest rates. Other than noted below, all interest rate and foreign currency exposures on debt raised in foreign currencies have been hedged.

⁽¹⁾ For the purpose of the calculation, drawn debt that has been kept in USD (rather than AUD) has been nominally exchanged at AUD/USD exchange rates of 0.7772 for Euro and GBP MTN issuances and 0.7879 for US144A notes at respective inception dates.

The majority of the revenues to be received over the remaining 18.5 years of the foundation contracts on the Wallumbilla Gladstone Pipeline will be in USD. The US\$3.7 billion of debt raised to fund that acquisition is being managed as a "designated hedge" for these revenues and therefore has been retained in USD. Net USD cash flow (after servicing the USD interest costs) that is not part of that "designated relationship" will continue to be hedged into AUD on a rolling basis for an appropriate period of time, in-line with APTPL's treasury policy. To date, the following net USD cash flow hedging has been undertaken:

Period	Average forward USD/AUD exchange rate
FY2017	0.7381
FY2018	0.7282
1H FY2019 (to Dec 2018)	0.6716

A large portion of the net revenue from March 2019 is in that designated hedge relationship with the USD debt and as such, when that revenue is receivable, will be recognised in the P&L at an average rate of around 0.78.

APTPL also enters into hedges to manage its interest rate exposure on its floating rate and non-Australian dollar borrowings. As at 30 June 2017, 94.5% (30 June 2016: 86.5%) of interest obligations on gross borrowings was either hedged into or issued at fixed interest rates for varying periods extending out to March 2035.

5.2 Borrowings and finance costs

As at 30 June 2017, APTPL had borrowings of \$9,249.7 million (\$9,037.3 million at 30 June 2016) from a mix of US Private Placement Notes, Medium Term Notes in several currencies, United States 144A Notes and APA Group Subordinated Notes. APTPL also had \$1,068.8 million of undrawn committed syndicated and bilateral bank facilities.

APTPL reported net finance costs of \$557.6 million (FY2016: \$557.6 million), with a higher level of drawn debt in FY2017 relative to FY2016. The average interest rate (including credit margins)⁽²⁾ applying to drawn debt was 5.56% for the current period (FY2016: 5.78%).

APA's interest cover ratio for the current period was 2.8 times (June 2016: 2.6 times). This remains well in excess of its debt covenant default ratio of 1.1 times and distribution lock up ratio of 1.3 times.

5.3 Credit ratings

APTPL maintained the following two investment grade credit ratings during this financial year:

- BBB long-term corporate credit rating (outlook Stable) assigned by Standard & Poor's (S&P) in June 2009, and last confirmed on 5 December 2016; and
- Baa2 long-term corporate credit rating (outlook Stable) assigned by Moody's Investors Service (Moody's) in April 2010, and last confirmed on 3 March 2017.

⁽²⁾ For the purpose of the calculation, drawn debt that has been kept in USD (rather than AUD) has been nominally exchanged at AUD/USD exchange rates of 0.7772 for Euro and GBP MTN issuances and 0.7879 for US144A notes at respective inception dates.

5.4 Dividends

Unfranked dividends of \$279.9 million were paid to the sole shareholder, Australian Pipeline Trust, during the financial year (FY2016: \$182.4 million).

On 22 August 2017, the Directors declared and paid a final dividend of \$52.6 million to the sole shareholder.

6 Auditor's independence declaration

A copy of the independence declaration of the auditor, Deloitte Touche Tohmatsu ("Auditor") as required under section 307C of the Corporations Act 2001 is included at page 79.

7 Rounding of amounts

APTPL is an entity of the kind referred to in ASIC Corporation's Instrument 2016/191 and, in accordance with that Class Order, amounts in the Directors' report and the financial report are rounded to the nearest thousand dollars, unless otherwise indicated.

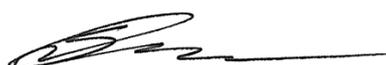
8 Authorisation

The Directors' report is signed in accordance with a resolution of the Directors of APTPL made pursuant to section 298(2) of the Corporations Act 2001.

On behalf of the Directors



Leonard Bleasel AM
Chairman



Steven Crane
Director

SYDNEY, 23 August 2017

REMUNERATION REPORT

Letter from the Chairman of the People and Remuneration Committee

Dear Securityholders,

As mentioned in the Director's Report, APA has had a successful year. I am pleased to present APA Group's Financial Year 2017 (FY2017) Remuneration Report (Report).

Governance changes

As part of the Board's commitment to accountability and transparency, APA Group (APA) has changed its governance framework to allow Securityholders to vote on the adoption of the Report each year, commencing at the 2017 Annual Meeting.

While the vote is advisory and does not bind the Directors or APA, in accordance with the Corporate Governance Framework, if at least 25% of the votes cast are voted against the adoption of the Report at the Annual Meeting in two consecutive years, then the 'two strikes' mechanism will be triggered as per the Corporations Act 2001. Further, Directors will consider the outcome of the vote and feedback from Securityholders on the Report when reviewing APA Group's remuneration policies.

2017 Remuneration outcomes

The Board considers a number of factors in determining remuneration outcomes for its executives. Whilst the key aspects for consideration are in the achievement of financial objectives, the Board also assesses qualitative elements including health, safety and environmental objectives as well as the effectiveness of delivering strategic initiatives designed to create value for Securityholders over the longer term.

APA's financial performance in FY2017 was solid, with improved cash flow providing a sound foundation for sustained growth and asset expansion. It is against these outcomes that the short term (STI) and long term (LTI) incentives awards were determined. Specifically:

- STI - STI awards are subject to the performance gateway of Operating Cash Flow per Security (OCFPS). The Board believes that the use of the OCFPS 'gate opener' provides one of the most effective means in aligning executive short term reward outcomes with the creation of value for Securityholders. In FY2017, OCFPS performance was assessed at 128.7% out of a maximum of 150%. This then sets the total opportunity to which the individual executive performance outcomes are applied. For FY2017 the individual outcomes ranged from 76.4% to 84.1% of the maximum entitlement; and
- LTI - LTI awards are subject to the dual performance hurdles of relative Total Shareholder Return (TSR) and EBITDA (Earnings before Interest Tax Depreciation and Amortisation) divided by Funds Employed (FE). The terms and outcomes of the LTI are described in more detail in the Report, however for the FY2017 grant, executives received 117.4% out of a maximum of 150% of their LTI opportunity.

Remuneration frameworks

The People and Remuneration Committee (the Committee) regularly assesses the effectiveness of APA's remuneration framework in balancing and aligning the interests of its customers, executives and Securityholders.

During FY2017, the Board agreed that the current remuneration strategy continued to achieve its objectives. The only change made was to the timing in calculating the Volume Weighted Average Price (VWAP) to determine the number of reference units awarded to executives. Full details of this change are provided within the Report.

Executive and remuneration changes

One change to the Executive Committee was made with the appointment of Sam Pearce to the position of Group Executive Networks and Power, replacing John Ferguson, Group Executive Networks who retired in December 2016.

Fixed pay changes in FY2017 reflected the change in the size and complexity of APA's operations and the skills, experience and capabilities required by our executives to meet the challenges of a growth orientated business.

The Board will continue to critically evaluate its remuneration framework against market practice and to ensure it supports the alignment to and implementation of our business strategy to deliver long term sustainable value for our Securityholders.



John Fletcher
Chairman – People and Remuneration Committee

23 August 2017

1 EXECUTIVE SUMMARY

1.1 FY2017 Remuneration highlights

The table below provides a snapshot of the key changes and outcomes under the relevant remuneration frameworks through FY2017 for both Directors and Executive KMP.

The Executive KMP, who are members of the Executive Committee, have the responsibility for making management decisions under the authority delegated to it by the Board.

Element	Highlights for FY2017
Fixed pay	A number of fixed pay adjustments were made to reflect the increased size, scope and complexity of executive roles. These roles were benchmarked against external positions of a comparable nature and size. For most of the Executive KMP, increases averaged 7% from the previous financial year. ⁽¹⁾
STI	The methodology remained unchanged from previous years. OCFPS performance achieved was 87.4 cents per security which equated to 128.7% out of the maximum 150% opportunity. Individual outcomes for executives are provided in Section 6.
LTI	The methodology remained unchanged from previous years. Annual vesting under the previous years' grants continued. The following performance outcomes determined the amount of reference units granted: <ol style="list-style-type: none"> 1. Relative TSR (50% of measure) – based on the performance period of the three years preceding the grant, APA achieved a relative percentile rating of 69.5, which equated to a grant of 110.1% of eligible reference units under the performance scale; and 2. EBITDA/FE (50% of measure) – based on the performance period of the three years preceding the award, APA achieved an outcome which equated to 124.8% of eligible reference units under the performance scale. These performance outcomes meant that executives received 117.4% out of a maximum of 150% of their LTI opportunity.
Non-executive director fees	During the year, the Board resolved to increase Non-executive Director and Committee fees. These increases ranged from 3.3% for Directors to 6.1% for the Chairman. The increases were based on the outcomes of external benchmarking for Directors roles within companies of a comparable market capitalisation.
Minimum security holding requirement	The Directors and Chief Executive Officer/Managing Director (CEO/MD) met the minimum security holding requirement, while Executive KMP continued to progress towards the required level.

⁽¹⁾ These average increases excluded the Company Secretary and General Counsel, and Group Executive, Human Resources. See Table 8.1 for detail.

1.2 Looking ahead to Financial Year 2018 (FY2018)

The table below provides an overview of the activities concerning remuneration strategies and frameworks planned for FY2018.

Element	Highlights For FY2018
Fixed pay	We will continue to base our fixed pay levels with references to comparable external benchmarks.
STI	Balanced scorecards will to be established for each Executive KMP, similar in structure to previous years, covering key performance indicators across financial, business growth, strategic initiatives and health, safety and environment with measures for target and stretch outcomes.
LTI	For the FY2017 LTI grant (awarded in September 2017), a change in the timing of the VWAP was agreed for calculating the number of cash-settled reference units awarded to eligible Executives KMP. This was previously based on APA's share price for the 30 trading days two days immediately prior to APA's annual financial results release. To allow the Board to more fully consider the impact of APA's financial performance on executive remuneration, the VWAP calculation period has been changed to be for the 30 trading days up to and including the seven working days immediately prior to the Board Audit and Risk Management Committee meeting to consider APA's annual financial results.

2 REMUNERATION GOVERNANCE

2.1 Role of People and Remuneration Committee

The Committee has been established by the Board to oversee Executive KMP and Non-executive Director (NED) remuneration. The role of the Committee is to ensure the provision of a robust remuneration and reward system that aligns employee and investor interests while facilitating the attraction, retention and development of employees. The Committee's activities are governed by its Charter (a copy of which is available on APA's website: <https://www.apa.com.au/about-apa/our-organisation/corporate-governance/>).

In addition to making recommendations regarding APA's remuneration strategy and policy, people and diversity and inclusion matters, the Committee is specifically responsible for:

- Recommending the CEO/MD's performance objectives, remuneration and appointment, retention and termination policy to the Board;
- Reviewing and approving remuneration for Executive KMP (based on recommendations from the CEO/MD);
- Reviewing and recommending the Remuneration Report to the Board; and
- Reviewing senior executive succession plans and talent.

2.2 Composition of the Committee

The members of the Committee, all of whom are independent NEDs, are:

- John Fletcher (Chairman);
- Steven Crane;

- Michael Fraser; and
- Patricia McKenzie.

The Chairman of the Board attends all meetings of the Committee and the CEO/MD and nominated senior executives attend by invitation where management input is required. The Committee met four times during the year.

2.3 Use of external advisors

The Committee seeks external professional advice from time to time on matters within its terms of reference. Remuneration advisors are engaged by the Committee and report directly to the Committee. During FY2017, the following remuneration information was obtained and considered by the Committee:

- Ernst & Young provided remuneration benchmarking information and assisted with remuneration governance;
- Egan & Associates provided fee and remuneration benchmarking information for NED fees and members of the Executive Committee, respectively; and
- Orient Capital (part of the Link Group) provided Relative TSR benchmarking analysis.

No recommendations were made by these external advisors regarding remuneration arrangements. APA employs internal remuneration professionals who continually review and interrogate the market practices, providing appropriate analysis to the Committee/Board. This advice is used as a guide, but does not serve as a substitute for the thorough consideration of the issues by each Director.

2.4 Minimum securityholding ownership requirement

The minimum security ownership requirement helps to ensure that the interests of Directors, executives and investors are aligned. The CEO/MD and Executive KMP are expected to grow their holding to the minimum security ownership requirement within five years from the first date of their LTI grant. These security holdings have to be acquired from post-tax income as APA does not have a traditional equity-settled LTI. As at 30 June 2017:

- The minimum securityholding requirement for the CEO/MD is equal to his annual gross fixed pay; and
- The minimum securityholding requirement for Executive KMP is 50% of their annual gross fixed pay.

NEDs are expected to hold securities to a value which is not less than the annual base Board fee (before tax and excluding fees applicable to membership of Committees). This level of securityholding is to be held throughout their tenure as Directors and is a requirement of their employment agreement. As at 30 June 2017 all NEDs met this requirement.

Leonard Bleasel AM holds 10,000 subordinated notes that were issued by APT Pipelines Limited, a subsidiary of APT. Other than NED fees, executive compensation and note holdings disclosed in this Report, there are no other transactions with the KMP of APA and the Responsible Entity.

2.5 Clawback policy

APA has an Executive Remuneration Clawback Policy which provides the Board the discretion to require that some or all of an executives STI and/or LTI awards be forfeited in the event of misconduct or of a material misstatement in the year-end financial statements in the preceding three years.

3 INDIVIDUALS COVERED BY THIS REMUNERATION REPORT

This Remuneration Report for APA for FY2017 has been prepared in accordance with Section 300A of the Corporations Act 2001. The information provided in this Report has been audited as required by Section 308(3C) of the Corporations Act 2001, unless indicated otherwise, and forms part of the Directors' Report.

This Report includes the following KMP:

- NEDs; and
- Executive KMP (current and former).

Name	Role	Term as KMP in 2017
Non-executive Directors		
Leonard Bleasel AM	Chairman	Full year
Steven Crane	Director	Full year
John Fletcher	Director	Full year
Michael Fraser	Director	Full year
Debra (Debbie) Goodin	Director	Full year
Russell Higgins AO	Director	Full year
Patricia McKenzie	Director	Full year
Executive KMP – Current		
Michael (Mick) McCormack	CEO/MD	Full year
Nevenka Codevelle	Company Secretary & General Counsel	Full year
Peter Fredricson	Chief Financial Officer (CFO)	Full year
Ross Gersbach	Chief Executive Strategy and Development	Full year
Kevin Lester	Group Executive Infrastructure Development	Full year
Elise Manns	Group Executive Human Resources	Full year
Robert (Sam) Pearce⁽²⁾	Group Executive Networks and Power	Part year
Robert Wheals	Group Executive Transmission	Full year
Executive KMP – Former		
John Ferguson⁽³⁾	Group Executive Networks	Part year

⁽²⁾ Sam Pearce, Group Executive Networks and Power, was appointed to the position effective 1 December 2016.

⁽³⁾ John Ferguson, Group Executive Networks, retired 16 December 2016.

4 REMUNERATION PRINCIPLES AND ITS COMPONENTS

The Board recognises that remuneration plays an important role in both supporting and implementing the achievement of APA's operational strategy over both the short and longer terms. The key principles of the remuneration policy are to:

- Ensure that the remuneration model is aligned with APA's business strategy and its execution;
- Provide competitive rewards to attract, motivate and retain highly skilled executives; and
- Ensure that an appropriate component of remuneration is linked to the creation of value for our investors.

4.1 Remuneration overview for FY2017

The following timeline illustrates the time frame for assessment of fixed pay, as well as the delivery and anticipated vesting of both LTI and STI components relating to FY2017.

	LTI	STI	Fixed pay
Performance measured	1 Jul 2014 to 30 Jun 2017	FY2017	FY2017
Performance assessed	Aug 2017	Aug 2017	Aug 2017
Award granted	Sep 2017	Sep 2017	
Vesting	1 st tranche (1/3) – Aug 2018		
	2 nd tranche (1/3) – Aug 2019		
	3 rd tranche (1/3) – Aug 2020		
Paid/effective	1 st tranche (1/3) – Sep 2018	Sep 2017	

4.2 Remuneration structure

The table below provides an overview of the remuneration structure (pay mix) for Executive KMP. Each remuneration element is expressed as a percentage of the total reward opportunity.

	Fixed pay	STI	LTI
CEO/MD	40%	30%	30%
Executive KMP	50%	25%	25%

Fixed pay

Fixed pay is expressed as a total dollar amount comprised of a base salary, superannuation and any benefits nominated. The level of fixed pay is based on a consideration of factors, including individual skills and experience, external market positioning and the size and complexity of the role. A number of benchmarks appropriate for each Executive KMP role are used to obtain a comprehensive view of all elements of executive remuneration, utilising companies with comparable market capitalisation, similar industries and key competitors.

Plan element	Description
	performance at the time of cessation (subject to Board discretion).
Change of control	Subject to Board discretion, if a change of control occurs, an STI award will be paid out based on the proportion of the period that has passed at the time of change of control.

LTI

Plan element	Description
Award vehicle	<p>APA operates a shadow security scheme known as a reference unit incentive plan to create alignment with Securityholders. Reference units reflect the unit price performance of APA securities (with no entitlements to distributions) and are cash settled.</p> <p>Reference units are valued at allocation using the APA Group VWAP for the 30 day period up to and including seven working days immediately prior to the Board Audit and Risk Management Committee meeting to consider APA's annual financial results.</p> <p>Participants in the cash settled security-based LTI do not participate in any Employee Security Plan.</p> <p>The LTI performance hurdles of Relative TSR and EBITDA/FE provide the link between APA performance (and hence the creation of securityholder value) and the potential level of reward delivered to the Executive.</p>

LTI opportunity	The value of the LTI at the time of grant as a percentage of the total reward opportunity is provided in the table below. The maximum LTI granted is 150% of the target LTI.
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	Target LTI	Maximum LTI
CEO/MD	30%	45%
Executive KMP	25%	37.5%

LTI allocation	The number of reference units awarded is determined at the completion of the financial year based on APA performance against the dual performance hurdles of relative TSR and EBITDA/FE for the preceding three years.
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Performance measures and targets	<p>Relative TSR</p> <ul style="list-style-type: none"> Relative TSR measures the percentage change in security price, plus the value of dividends or distributions received during the period, assuming all dividends and distributions are re-invested into new securities at the time of payment; APA's Relative TSR is measured relative to a peer group comprising of S&P/ASX 100 constituents and over the three financial years preceding the grant of reference units. For the FY2017 LTI grant, the performance period was from 1 July 2014 to 30 June 2017; Relative TSR has been selected as a LTI performance measure given it provides the most direct measure of Securityholder return and therefore alignment between the interests of Securityholders and Executive KMP; and A sliding scale is set each year to deliver between 0% and 150% of eligible reference units, where the performance gateway is the achievement of the 50th percentile. <p>EBITDA /FE</p> <ul style="list-style-type: none"> EBITDA/FE is measured over the three financial years preceding the grant of reference units. Adjustments are made to funds employed for tax and work-in-progress capital expenditure. The Board determines the EBITDA/FE target each year through the setting of financial metrics to improve the capital efficiency of the organisation. For the FY2017 LTI grant, the performance period was from 1 July 2014 to 30 June 2017; EBITDA/FE has been selected as an LTI performance measure given it helps determine the operating cash flow leverage being achieved based on the operating assets available to the business. It is a longer term performance
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Plan element	Description
	<p>measure based on the integrity of earnings performance against funds employed;</p> <ul style="list-style-type: none"> Like relative TSR, a sliding scale is applied to determine the number of eligible reference units. This sliding scale also ranges between 0% and 150%. The sliding scale becomes progressively more challenging with the maximum amount of 150% only eligible to be granted where EBITDA/FE performance is significantly above the agreed financial metrics.
Retesting	There is no retesting of the allocation.
Timing and delivery	The LTI grant vests in three equal instalments over the three financial years following the allocation, with the initial one-third vesting at the end of the first financial year following the first award, one-third at the end of the second financial year, and one-third at the end of the third financial year following grant. For example, the first tranche of the FY2017 award will vest in August 2018.
Restrictions	LTI allocations of reference units do not entitle participants to vote at Securityholders meetings nor to be paid distributions. No securities, options or other equity instruments are issued to APA employees under the LTI plan.
Clawback	The Board in its discretion may determine that some, or all, of an Executive KMP's current year LTI allocation is forfeited in the event of misconduct or of a material misstatement in the annual financial statements in the preceding three years.
Cessation of employment	If a participant resigns or is dismissed (with or without notice), all unvested reference units are forfeited. If an employee leaves for any other reason, the Board determines the number of reference units which will lapse or are retained, subject to vesting on the original schedule.
Change of control	Subject to Board discretion, if a change of control occurs, all previously allocated reference units will vest. A further number of reference units will be allocated based on the proportion of the period that has passed in the current financial year at the time of change of control and will also vest on change of control.

5 OTHER REMUNERATION ELEMENTS

5.1 Contractual arrangements

Remuneration arrangements for Executive KMP are formalised in individual employment agreements, summarised in the table below.

	Contract type	Notice period	Redundancy	Termination with cause
CEO/MD	Permanent	12 months	52 weeks fixed pay	Immediate without notice period
Executive KMP other than CEO/MD	Permanent	Six months	13 weeks fixed pay	Immediate without notice period

5.2 Sign-on /loans/ termination payments provided to executives

APA did not pay any sign-on payments to Executive KMP during FY2017. No loans have been made to any Executive KMP and/or related parties.

APA made the following termination payments to Executive KMP during FY2017.

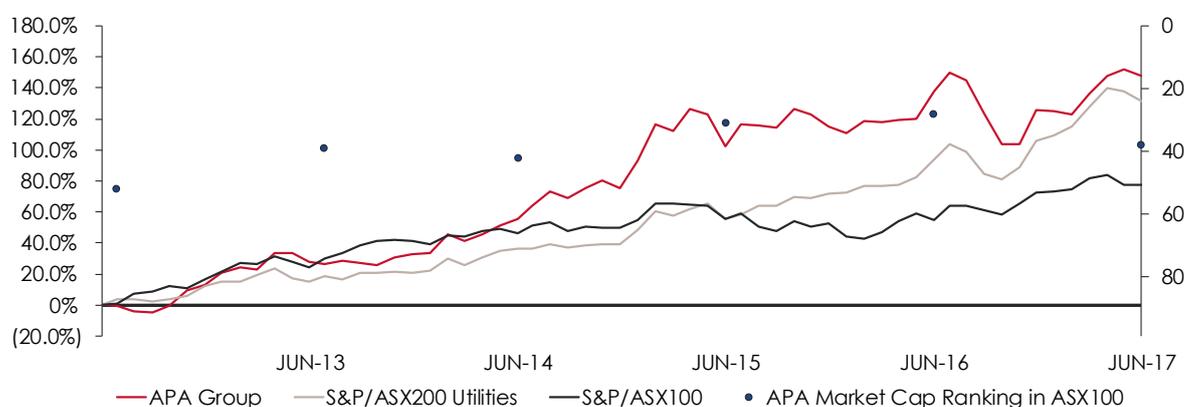
Executive KMP	Position Held	Retirement	Payments at time of termination	On-going payments
J Ferguson	Group Executive Networks	16 Dec 2016	Statutory entitlements plus five and one half months fixed pay in lieu of notice and pro-rata STI.	Unvested reference units will vest in accordance with the vesting schedule.

6 LINKING REMUNERATION TO PERFORMANCE

6.1 APA's financial performance 2013 to 2017

Normalised financial results ⁽⁴⁾	FY2013 ⁽⁵⁾	FY2014	FY2015	FY2016	FY2017
EBITDA (\$m)	661.9	747.3	822.3	1,330.5	1,470.1
Profit after tax (\$m)	172.3	199.6	203.9	179.5	236.8
Operating cash flow per security (cents)	56.0	50.8	54.8	77.4	87.4
Distribution per security (cents) ⁽⁶⁾	35.5	36.3	38.0	41.5	43.5
Closing security price at 30 June (\$)	5.99	6.89	8.24	9.24	9.17

6.2 Five year cumulative total shareholder return performance and ASX100 Ranking



6.3 Variable reward outcomes

The Board continues to focus the alignment of executive reward and the creation of investor wealth over the shorter and longer terms.

⁽⁴⁾ Normalised financial results are the statutory financial results excluding significant items. The Board considers these measures to best reflect the core earnings of APA.

⁽⁵⁾ The balances for FY2013 have been restated to reflect the application of accounting standard AASB 119: Employee Benefits.

⁽⁶⁾ Represents the total distribution applicable to the financial year.

STI outcomes

The table below provides an overview of the STI outcomes for 2017. This table represents the combination of both individual performance outcomes (against agreed objectives) and the application of the STI Plan gateway and modifier, i.e. company performance against the OCFPS performance level.

	STI EARNED		STI FORFEITED	
	% OF MAXIMUM OPPORTUNITY	\$ PAID	% OF MAXIMUM OPPORTUNITY	\$ FOREGONE
Executive KMP – current				
M McCormack	80.7	1,724,472	19.3	413,028
N Codevelle	80.7	332,793	19.3	79,707
P Fredricson	82.4	541,944	17.6	115,806
R Gersbach	76.4	512,739	23.6	158,511
K Lester	77.7	361,180	22.3	103,820
E Manns	81.8	337,395	18.2	75,105
S Pearce ⁽⁷⁾	83.3	162,427	16.7	32,676
R Wheals	84.1	461,765	15.9	87,235
Executive KMP - former				
J Ferguson ⁽⁸⁾	100	135,900		

LTI outcomes

Eligible executives received cash-settled reference units with a grant date of September 2017. The table below provides a summary of both the historical and FY2017 LTI awards based on assessment against the performance hurdles in the three years preceding the grant.

Year of grant	Performance assessment		LTI awarded % Maximum grant
	Relative TSR % (i.e. 50% of grant)	EBIDA/FE% (i.e. 50% of grant)	
FY2014	53.2	66.7	59.9
FY2015	100.0	90.8	95.4
FY2016	85.3	62.9	74.1
FY2017	73.4	83.2	78.3

⁽⁷⁾ S Pearce's STI was pro-rated to reflect his period as an Executive KMP only.

⁽⁸⁾ J Ferguson's STI was pro-rated to reflect his time with the Group during the performance period.

Detailed below is a summary of LTI grants relating to FY2017 based on an assessment against the performance hurdles at the time of grant.

	Number of reference units granted	Potential value of grant yet to vest (\$) ⁽⁹⁾
Executive KMP – current		
M McCormack	188,424	1,673,167
N Codevelle	36,363	322,896
P Fredricson	57,981	514,860
R Gersbach	59,172	525,436
K Lester	40,989	363,974
E Manns	36,363	322,896
S Pearce⁽¹⁰⁾	17,199	152,724
R Wheals	48,396	429,747
Executive KMP - former		
J Ferguson⁽¹¹⁾	17,862	158,611

7 NON-EXECUTIVE DIRECTORS

7.1 Determination of Non-executive Director fees

The Board seeks to attract and retain high calibre Non-executive Directors (NED) who are equipped with diverse skills to oversee all functions of APA in an increasingly complex environment. NED fees comprise:

- A Board fee;
- An additional fee for serving on a committee of the Board; and
- Statutory superannuation contributions.

NEDs do not receive incentive payments nor participate in incentive plans of any type. One off 'per diems' may be paid in exceptional circumstances. No payments have been made under this arrangement in this reporting period or the prior reporting period. Superannuation is provided in accordance with the statutory requirements under with the Superannuation Guarantee Act. The Board Chairman does not receive additional fees for attending committee meetings.

7.2 Aggregate fee pool

The aggregate fee pool for NED remuneration is currently \$2,500,000 (inclusive of the applicable superannuation guarantee levy).

7.3 Director fees

Following external benchmarking and a review of APA's performance relative to other companies, Board fees and committee fees were increased effective 1 January 2017.

⁽⁹⁾ The maximum value of the grant has been estimated based on the cash award valuations at the grant date.

⁽¹⁰⁾ S Pearce's STI was pro-rated to reflect his period as an Executive KMP only.

⁽¹¹⁾ J Ferguson's STI was pro-rated to reflect his time with the Group during the performance period.

These changes were based on a review of external fees paid to Directors in companies of a similar market capitalisation.

Fees ⁽¹²⁾	Effective 1 January 2017		Effective 1 January 2016	
	Chairman \$000	Member \$000	Chairman \$000	Member \$000
Board	467	159	440	154
Audit and Risk Management Committee	43.7	21.8	42	21
Health Safety and Environment Committee	36.4	18.2	35	17.5
People and Remuneration Committee	36.4	18.2	35	17.5

No fees are paid to Directors for participation in the Nomination Committee.

7.4 NED Statutory Remuneration Disclosure – NED Remuneration for FY2016 and FY2017

Financial Year ⁽¹³⁾	Short-term employment benefits	Post-employment benefits	Total \$
	Fees \$	Superannuation \$	
L Bleasel AM			
FY2017	453,500	43,100	496,600
FY2016	420,000	39,900	459,900
S Crane			
FY2017	217,200	20,650	237,850
FY2016	194,250	18,462	212,712
J Fletcher			
FY2017	213,600	20,300	233,900
FY2016	186,500	33,073	219,573
M Fraser⁽¹⁴⁾			
FY2017	196,227	18,854	215,081
FY2016	151,833	14,447	166,280
D Goodin⁽¹⁵⁾			
FY2017	195,750	18,600	214,350
FY2016	154,583	14,692	169,275
R Higgins AO			
FY2017	213,600	20,300	233,900
FY2016	200,500	19,073	219,573

⁽¹²⁾ Excluding superannuation.

⁽¹³⁾ R Wright retired as a NED 22 October 2015. Following changes in superannuation regulations in 2003, the Board terminated the Non-executive Directors' retirement benefit plan. Benefits to participating NEDs accruing up to the termination date were quantified and preserved for payment on retirement of the NEDs. Robert Wright was the only NED entitled to a preserved benefit under the plan and this was paid on his retirement. In FY2016, total fees paid to Robert Wright totalled \$120,482.

⁽¹⁴⁾ M Fraser commenced 01 September 2015.

⁽¹⁵⁾ D Goodin commenced 01 September 2015.

APT Pipelines Limited and its Controlled Entities (ABN 89 009 666 700)
Remuneration Report for the year ended 30 June 2017

Financial Year ⁽¹³⁾	Short-term employment benefits	Post-employment benefits	Total \$
	Fees \$	Superannuation \$	
P McKenzie			
FY2017	192,200	18,300	210,500
FY2016	180,500	17,170	197,670
Total			
FY2017	1,682,077	160,104	1,842,181
FY2016	1,488,166	156,817	1,644,983

8 STATUTORY TABLES

8.1 Total remuneration earned and received by Executive KMP

The following table outlines the total remuneration earned by Executive KMP⁽¹⁶⁾.

	Short-Term Employment Benefits \$			Post-Employment \$	LTI Plans \$	Other Payments	Total \$
	Salary ⁽¹⁷⁾	Awarded STI ⁽¹⁸⁾	Non-Monetary ⁽¹⁹⁾	Superannuation	Security-Based Payments ⁽²⁰⁾		
Executive KMP – current							
M McCormack							
2017	1,865,000	1,724,472		35,000	1,485,242		5,109,714
2016	1,730,000	1,814,861		35,000	1,581,283		5,161,144
N Codevelle⁽²¹⁾							
2017	526,000	332,793		24,000	128,970		1,011,763
2016	388,367	270,489		24,708	51,404		734,968
P Fredricson							
2017	842,000	541,944		35,000	485,756		1,904,700
2016	800,000	604,331		35,000	543,124		1,982,455
R Gersbach							
2017	860,000	512,739		35,000	504,246		1,911,985
2016	817,000	584,685		35,000	576,019		2,012,704
K Lester							
2017	585,000	361,180		35,000	309,490		1,290,670
2016	516,000	360,767		35,000	309,242		1,221,009
E Manns⁽²²⁾							
2017	520,000	337,395		30,000	127,438		1,014,833
2016	357,640	247,427		30,000	49,772		684,839

⁽¹⁶⁾ This table outlines the total remuneration earned by Executive KMP during FY2016 and FY2017, calculated in accordance with the appropriate accounting standard, AASB 2: *Share-based Payment*. With regards to the LTI, this requires three equal instalments to be amortised over a four year period, that is the year of service to which the LTI allocation is awarded plus the following three year period in which the reference units vest.

⁽¹⁷⁾ Salary includes both fixed pay and any salary sacrificed items, such as motor vehicles or car parking (including any applicable fringe benefits tax). It is exclusive of superannuation contributions.

⁽¹⁸⁾ Awarded STI relates to that element of remuneration which is earned by the Executive KMP in respect of performance during each financial year (or for the relevant period that they were KMP as set out in the Report).

⁽¹⁹⁾ Non-monetary benefits include the value of any car parking or allowances where costs are paid for by APA. R Gersbach salary sacrifices parking benefits (FY2016: \$11,922) which has been reclassified as Salary.

⁽²⁰⁾ This refers to cash settled reference units which were awarded during FY2017, based on an estimated VWAP of \$8.8798.

⁽²¹⁾ N Codevelle was appointed Company Secretary and General Counsel from 31 October 2015 and her pay was adjusted in 2017 in line with market benchmarking.

⁽²²⁾ E Manns was appointed to the position of Group Executive Human Resources from 02 October 2015 and her pay was adjusted in 2017 in line with market benchmarking.

APT Pipelines Limited and its Controlled Entities (ABN 89 009 666 700)
Remuneration Report for the year ended 30 June 2017

	Short-Term Employment Benefits \$			Post-Employment \$	LTI Plans \$	Other Payments	Total \$
	Salary ⁽¹⁷⁾	Awarded STI ⁽¹⁸⁾	Non-Monetary ⁽¹⁹⁾	Superannuation	Security-Based Payments ⁽²⁰⁾		
Executive KMP – current							
S Pearce⁽²³⁾							
2017	239,726	162,427		22,774	38,183		463,110
R Wheals							
2017	702,000	461,765		30,000	374,026		1,567,791
2016	648,000	469,854		30,000	384,858		1,532,712
Disclosed executive – Former							
J Ferguson							
2017	398,383	135,900		35,291	276,697	269,042 ⁽²⁴⁾	1,115,313
2016	552,000	411,194		35,000	345,605		1,343,799
Total Remuneration							
2017	6,538,109	4,570,615		282,065	3,730,048	269,042	15,389,879
2016 ⁽²⁵⁾	5,809,007	4,763,608		259,708	3,841,307		14,673,630

8.2 Outstanding LTI awards

The following table sets out the movements in the number of LTI reference units and the number of LTI reference units that have been allocated to executives but have not yet vested or been paid, and the years in which they will vest.

	Grant Date	Opening balance at 1 Jul 2016	Units allocated under 2017 grant	Cash settled reference units paid	Closing balance at 30 Jun 2017	Units subject to allocation by the Board in Aug 2017	Reference units allocated that have not yet vested or been paid and the months in which they will vest			
							Aug 2017	Aug 2018	Aug 2019	Aug 2020
Executive KMP – current										
M McCormack	2013	61,639		(61,639)						
	2014	90,094		(45,047)	45,047		45,047			
	2015	188,295		(62,765)	125,530		62,765	62,765		
	2016		155,544		155,544		51,848	51,848	51,848	
	2017					188,424		62,808	62,808	62,808
	Total						159,660	177,421	114,656	62,808
N Codevelle	2016		21,732		21,732		7,244	7,244	7,244	
	2017					36,363		12,121	12,121	12,121
	Total						7,244	19,365	19,365	12,121

⁽²³⁾ S Pearce was not an Executive KMP during FY2016. His remuneration for FY2017 has been pro-rated to reflect his time as an Executive KMP only.

⁽²⁴⁾ J Ferguson payment relates to his termination, including payment in lieu of notice.

⁽²⁵⁾ The total remuneration for FY2016 excludes the former executives, Mark Knapman (Company Secretary and General Counsel to 30 October 2015) and Peter Wallace (Group Executive, Human Resources to 02 October 2015) who served as Executive KMP during FY2016.

	Grant Date	Opening balance at 1 Jul 2016	Units allocated under 2017 grant	Cash settled reference units paid	Closing balance at 30 Jun 2017	Units subject to allocation by the Board in Aug 2017	Reference units allocated that have not yet vested or been paid and the months in which they will vest			
							Aug 2017	Aug 2018	Aug 2019	Aug 2020
P Fredricson	2013	22,567		(22,567)						
	2014	31,500		(15,750)	15,750		15,750			
	2015	63,954		(21,318)	42,636		21,318	21,318		
	2016		49,056		49,056		16,352	16,352	16,352	
	2017					57,981		19,327	19,327	19,327
	Total						53,420	56,997	35,679	19,327
R Gersbach	2013	24,790		(24,790)						
	2014	33,222		(16,611)	16,611		16,611			
	2015	67,479		(22,493)	44,986		22,493	22,493		
	2016		50,055		50,055		16,685	16,685	16,685	
	2017					59,172		19,724	19,724	19,724
	Total						55,789	58,902	36,409	19,724
K Lester	2013	10,595		(10,595)						
	2014	17,640		(8,820)	8,820		8,820			
	2015	39,273		(13,091)	26,182		13,091	13,091		
	2016		32,370		32,370		10,790	10,790	10,790	
	2017					40,989		13,663	13,663	13,663
	Total						32,701	37,544	24,453	13,663
E Manns	2016		21,042		21,042		7,014	7,014	7,014	
	2017					36,363		12,121	12,121	12,121
	Total						7,014	19,135	19,135	12,121
S Pearce	2017					17,199		5,733	5,733	5,733
	Total							5,733	5,733	5,733
R Wheals	2013	13,977		(13,977)						
	2014	21,000		(10,500)	10,500		10,500			
	2015	48,375		(16,125)	32,250		16,125	16,125		
	2016		39,831		39,831		13,277	13,277	13,277	
	2017					48,396		16,132	16,132	16,132
	Total						39,902	45,534	29,409	16,132
Executive KMP – former										
J Ferguson	2013	12,900		(12,900)						
	2014	19,320		(9,660)	9,660		9,660			
	2015	42,963		(14,321)	28,642		14,321	14,321		
	2016		34,485		34,485		11,495	11,495	11,495	
	2017					17,862		5,954	5,954	5,954
	Total						35,476	31,770	17,449	5,954

8.3 Securityholdings

The following table sets out the relevant interests of NEDs and Executive KMP in APA securities:

Year ended 30 June 2017	Opening Balance at 1 July 2016	Securities Acquired	Securities Disposed	Closing Balance at 30 June 2017
Non-executive Directors				
L Bleasel AM	614,216	23,400		637,616 ⁽²⁶⁾
S Crane	130,000			130,000
M Fraser	25,000			25,000
J Fletcher	88,250			88,250
D Goodin	19,000	200		19,200
R Higgins AO	122,719			122,719
P McKenzie	22,889			22,889
Executive KMP				
M McCormack	300,000	20,000		320,000
N Codevelle	800	9,063		9,863
P Fredricson	23,000	17,000		40,000
R Gersbach	10,485	10,000		20,485
K Lester	19,369	8,000		27,369
E Manns	5,900	6,862		12,762
S Pearce	6,438	5,000		11,438
R Wheals	17,000	15,000		32,000

Executive KMP are subject to APA's Securities Trading Policy. A Director or Designated Person (as defined in this policy) with price-sensitive information relating to APA (which is not generally available) is precluded from trading in APA securities.

⁽²⁶⁾ Excludes holdings of subordinated notes that were issued by APT Pipelines Limited.

APT Pipelines Limited and its Controlled Entities
Consolidated Statement of Profit or Loss and Other Comprehensive Income
For the financial year ended 30 June 2017

	Note	2017 \$000	2016 \$000
Continuing operations			
Revenue	4	2,303,284	2,071,262
Share of net profits of associates and joint ventures using the equity method	4	19,727	16,021
		2,323,011	2,087,283
Asset operation and management expenses		(207,514)	(128,359)
Depreciation and amortisation expense	5	(570,336)	(520,066)
Other operating costs - pass-through	5	(438,140)	(438,330)
Finance costs	5	(562,010)	(561,265)
Employee benefit expense	5	(197,700)	(180,057)
Other expenses		(16,916)	(6,584)
Profit before tax		330,395	252,622
Income tax expense	6	(150,620)	(124,423)
Profit for the year		179,775	128,199
Other comprehensive income, net of income tax			
Items that will not be reclassified subsequently to profit or loss:			
Actuarial gain/(loss) on defined benefit plan		5,452	(8,148)
Income tax relating to items that will not be reclassified subsequently		(1,636)	2,444
		3,816	(5,704)
Items that may be reclassified subsequently to profit or loss:			
Transfer of loss on cash flow hedges to profit or loss		92,459	121,922
Gain/(loss) on cash flow hedges taken to equity		164,536	(249,150)
Gain/(loss) on associate hedges taken to equity		6,335	(8,086)
Recycling of reserves on disposal of associate		-	15,099
Income tax relating to items that may be reclassified subsequently		(78,977)	36,096
		184,353	(84,119)
Other comprehensive income for the year (net of tax)		188,169	(89,823)
Total comprehensive income for the year		367,944	38,376
Profit attributable to:			
Equityholders of the parent		151,165	96,451
Non-controlling - other		28,610	31,748
		179,775	128,199
Total comprehensive income attributable to:			
Equityholders of the parent		339,334	6,628
Non-controlling - other		28,610	31,748
		367,944	38,376

The above consolidated statement of profit or loss and other comprehensive income should be read in conjunction with the accompanying notes.

APT Pipelines Limited and its Controlled Entities
Consolidated Statement of Financial Position
As at 30 June 2017

	Note	2017 \$000	2016 \$000
Current assets			
Cash and cash equivalents	17	394,478	77,937
Trade and other receivables	8	289,707	263,800
Receivables from related parties	8	198,086	139,625
Other financial assets	20	52,334	35,140
Inventories		25,260	24,891
Other		10,421	12,715
Current assets		970,286	554,108
Non-current assets			
Trade and other receivables	8	15,496	17,283
Other financial assets	20	458,773	431,371
Investments accounted for using the equity method	23	240,772	197,185
Property, plant and equipment	10	9,150,165	9,048,052
Goodwill	11	1,183,604	1,184,588
Other intangible assets	11	3,174,282	3,364,334
Other	14	31,223	28,622
Non-current assets		14,254,315	14,271,435
Total assets		15,224,601	14,825,543
Current liabilities			
Trade and other payables	9	283,758	238,528
Payables to related parties	9	2,726,031	2,613,186
Borrowings	18	127,596	410,532
Other financial liabilities	20	145,768	114,674
Provisions	13	93,773	91,672
Unearned revenue		19,225	13,735
Current liabilities		3,396,151	3,482,327
Non-current liabilities			
Trade and other payables	9	4,984	3,007
Payables to related parties	9	893,867	895,102
Borrowings	18	9,582,417	9,323,621
Other financial liabilities	20	182,087	194,591
Deferred tax liabilities	6	725,270	540,905
Provisions	13	69,051	69,991
Unearned revenue		37,236	41,895
Non-current liabilities		11,494,912	11,069,112
Total liabilities		14,891,063	14,551,439
Net assets		333,538	274,104

The above consolidated statement of financial position should be read in conjunction with the accompanying notes.

APT Pipelines Limited and its Controlled Entities
Consolidated Statement of Financial Position (continued)
As at 30 June 2017

	Note	2017 \$000	2016 \$000
Equity			
APT Pipelines Limited equity:			
Issued capital	21	117,330	117,330
Reserves		(205,821)	(390,174)
Retained earnings		302,723	427,642
Equity attributable to equityholders of the parent		214,232	154,798
Non-controlling interest	22	119,306	119,306
Total equity		333,538	274,104

The above consolidated statement of financial position should be read in conjunction with the accompanying notes.

APT Pipelines Limited and its Controlled Entities
Consolidated Statement of Changes in Equity
For the financial year ended 30 June 2017

	APT Pipelines Limited and its Controlled Entities					Non-controlling interest				
	Issued Capital \$000	Asset Revaluation Reserve \$000	Hedging Reserve \$000	Retained earnings \$000	Attributable to owners of the parent \$000	Issued Capital \$000	Other Reserves \$000	Retained earnings \$000	Non- Controlling Interest \$000	Total \$000
Balance at 1 July 2015	117,330	8,669	(314,724)	519,252	330,527	119,257	1	47	119,305	449,832
Profit for the year	-	-	-	96,451	96,451	-	-	31,748	31,748	128,199
Other comprehensive income	-	-	(120,215)	(8,148)	(128,363)	-	-	-	-	(128,363)
Income tax relating to components of other comprehensive income	-	-	36,096	2,444	38,540	-	-	-	-	38,540
Total comprehensive income for the year	-	-	(84,119)	90,747	6,628	-	-	31,748	31,748	38,376
Payment of dividends (Note 7)	-	-	-	(182,357)	(182,357)	-	-	(31,747)	(31,747)	(214,104)
Balance at 30 June 2016	117,330	8,669	(398,843)	427,642	154,798	119,257	1	48	119,306	274,104
Balance at 1 July 2016	117,330	8,669	(398,843)	427,642	154,798	119,257	1	48	119,306	274,104
Profit for the year	-	-	-	151,165	151,165	-	-	28,610	28,610	179,775
Other comprehensive income	-	-	263,330	5,452	268,782	-	-	-	-	268,782
Income tax relating to components of other comprehensive income	-	-	(78,977)	(1,636)	(80,613)	-	-	-	-	(80,613)
Total comprehensive income for the year	-	-	184,353	154,981	339,334	-	-	28,610	28,610	367,944
Payment of dividends (Note 7)	-	-	-	(279,900)	(279,900)	-	-	(28,610)	(28,610)	(308,510)
Balance at 30 June 2017	117,330	8,669	(214,490)	302,723	214,232	119,257	1	48	119,306	333,538

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

APT Pipelines Limited and its Controlled Entities
Consolidated Statement of Cash Flows
For the financial year ended 30 June 2017

	Note	2017 \$000	2016 \$000
<u>Cash flows from operating activities</u>			
Receipts from customers		2,509,027	2,281,549
Payments to suppliers and employees		(1,066,000)	(961,275)
Dividends received from associates and joint ventures		17,722	17,727
Proceeds from repayment of finance leases		2,290	3,399
Interest received		5,684	9,582
Interest and other costs of finance paid		(525,188)	(543,502)
Net cash provided by operating activities		943,535	807,480
<u>Cash flows from investing activities</u>			
Payments for property, plant and equipment		(340,753)	(456,219)
Proceeds from sale of property, plant and equipment		693	386
Payments for equity accounted investments		(35,250)	-
Payments for controlled entities net of cash acquired	24	(130,406)	(98,271)
Payments for intangible assets		(1,456)	(705)
Net cash used in investing activities		(507,172)	(554,809)
<u>Cash flows from financing activities</u>			
Proceeds from borrowings		2,144,581	1,110,153
Repayments of borrowings		(1,944,932)	(1,176,899)
Payment of debt issue costs		(8,446)	(9,623)
Dividends paid to:			
Equityholders of APT Pipelines Limited	7	(279,900)	(182,357)
Equityholders of the non-controlling interest		(28,610)	(31,747)
Advances to related parties		(1,905)	(296,462)
Net cash used in financing activities		(119,212)	(586,935)
Net increase/(decrease) in cash and cash equivalents		317,151	(334,264)
Cash and cash equivalents at beginning of financial year		77,937	411,839
Unrealised exchange (losses)/gains on cash held		(610)	362
Cash and cash equivalents at end of financial year		394,478	77,937

The above consolidated statement of cash flows should be read in conjunction with the accompanying notes.

APT Pipelines Limited and its Controlled Entities
Consolidated Statement of Cash Flows (continued)
For the financial year ended 30 June 2017

Reconciliation of profit for the year to net cash provided by operating activities

	Note	2017 \$000	2016 \$000
Profit for the year		179,775	128,199
Gain on previously held interest on obtaining control		-	(5,036)
Loss on the disposal on contract intangibles		8,315	-
Acquisition costs from business combinations		-	353
(Profit)/loss on disposal of property, plant and equipment		(311)	447
Loss on write-off of inventories		-	127
Share of net profits of joint ventures and associates using the equity method		(19,727)	(16,021)
Dividends/distributions received from equity accounted investments		17,722	17,727
Depreciation and amortisation expense		570,336	520,066
Finance costs		13,925	12,219
Unrealised foreign exchange loss/(gain)		27	(938)
Realised hedging loss		7,514	7,540
Changes in assets and liabilities:			
Trade and other receivables		(16,193)	(17,575)
Inventories		(371)	(3,605)
Other assets		1,806	6,248
Trade and other payables		26,819	(5,081)
Provisions		(562)	2,949
Other liabilities		3,840	35,438
Income tax balances		150,620	124,423
Net cash provided by operating activities		943,535	807,480

Cash flows are included in the statement of cash flows on a gross basis. The GST component of cash flows arising from investing and financing activities which is recoverable from, or payable to, the taxation authority is classified within operating cash flows.

APT Pipelines Limited and its Controlled Entities
Notes to the consolidated financial statements
For the financial year ended 30 June 2017

Basis of Preparation

1. About this report

In the following financial statements, note disclosures are grouped into six sections being: Basis of Preparation; Financial Performance; Operating Assets and Liabilities; Capital Management; Group Structure; and Other. Each note sets out the accounting policies applied in producing the results along with any key judgements and estimates used.

Basis of Preparation



- 1. About this report
- 2. General information

Financial Performance



- 3. Segment information
- 4. Revenue
- 5. Expenses
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Operating Assets and Liabilities



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APT Pipelines Limited and its Controlled Entities

Notes to the consolidated financial statements (continued)

For the financial year ended 30 June 2017

Basis of Preparation

2. General information

APT Pipelines Limited ("APTPL") is a subsidiary of Australian Pipeline Trust ("APT"). APT is one of two stapled trusts of APA Group, the other being APT Investment Trust ("APTIT"). APA Group is listed on the Australian Securities Exchange (trading under the code "APA"), registered in Australia and operating in Australia.

The financial report represents the consolidated financial statements of APTPL, its respective subsidiaries and their share of joint arrangements, associates and joint ventures (together the "Consolidated Entity"). For the purposes of preparing the consolidated financial report, the Consolidated Entity is a for-profit entity.

All intragroup transactions and balances have been eliminated on consolidation. Where necessary, adjustments are made to the assets, liabilities, and results of subsidiaries, joint arrangements and associates to bring their accounting policies into line with those used by the Consolidated Entity.

APTPL's registered office and principal place of business are as follows:

Level 19
HSBC Building
580 George Street
SYDNEY NSW 2000
Tel: (02) 9693 0000

The consolidated general purpose financial report for the year ended 30 June 2017 was authorised for issue in accordance with a resolution of the directors on 23 August 2017.

This general purpose financial report has been prepared in accordance with the requirements of the Corporations Act 2001, Australian Accounting Standards and other authoritative pronouncements of the Australian Accounting Standards Board (AASB) and also comply with International Financial Reporting Standards (IFRS) as issued by the International Accounting Standards Board.

The financial report has been prepared on the basis of historical cost, except for the revaluation of financial instruments. The financial report is presented in Australian dollars and all values are rounded to the nearest thousand dollars (\$000) in accordance with ASIC Corporations Instrument 2016/191, unless otherwise stated.

Working capital position

The working capital position as at 30 June 2017 for the Consolidated Entity is that current liabilities exceed current assets by \$2,425.9 million (2016: \$2,928.2 million). Excluding current related party loan balances held with Australian Pipeline Trust, the Consolidated Entity's current assets exceed current liabilities by \$102.1 million (2016: current liabilities exceed current assets by \$454.7 million).

The Consolidated Entity has access to available committed, un-drawn bank facilities of \$1,068.8 million as at 30 June 2017 (2016: \$672.5 million).

The Directors continually monitor the Consolidated Entity's working capital position, including forecast working capital requirements and have ensured that there are appropriate refinancing strategies and adequate committed funding facilities in place to accommodate debt repayments as and when they fall due.

Foreign currency transactions

Both the functional and presentation currency of the Consolidated Entity is Australian dollars (A\$). All foreign currency transactions during the financial year are brought to account using the exchange rate in effect at the date of the transaction. Foreign currency monetary items at reporting date are translated at the exchange rate existing at that date and resulting exchange differences are recognised in profit or loss in the period in which they arise, unless they qualify for hedge accounting.

APT Pipelines Limited and its Controlled Entities
Notes to the consolidated financial statements (continued)
For the financial year ended 30 June 2017

Financial Performance

3. Segment information

The Consolidated Entity operates in one geographical segment, being Australia and the revenue from major products and services is shown by the reportable segments.

The Consolidated Entity comprises the following reportable segments:

- **Energy infrastructure**, which includes all wholly or majority owned pipelines, gas storage and processing assets, and power generation assets;
- **Asset management**, which provides commercial services, operating services and/or asset maintenance services to the Consolidated Entity's energy investments and Australian Gas Networks Limited for appropriate fees; and
- **Energy investments**, which includes the Consolidated Entity's strategic stakes in a number of investment entities that house energy infrastructure assets, generally characterised by long term secure cashflows, with low capital expenditure requirements.

Reportable segments

	Energy infrastructure \$000	Asset management \$000	Energy investments \$000	Other \$000	Consolidated \$000
2017					
Segment revenue ^(a)					
External sales revenue	1,771,349	86,596	-	-	1,857,945
Equity accounted net profits	-	-	19,727	-	19,727
Pass-through revenue	48,646	389,494	-	-	438,140
Finance lease and investment interest income	1,643	-	1,144	-	2,787
Total segment revenue	1,821,638	476,090	20,871	-	2,318,599
Other interest income					4,412
Consolidated revenue					2,323,011
Segment result					
Earnings before interest, tax, depreciation and amortisation ("EBITDA")	1,451,890	50,576	-	-	1,502,466
Share of net profits of joint ventures and associates using the equity method	-	-	19,727	-	19,727
Finance lease and investment interest income	1,643	-	1,144	-	2,787
Corporate costs	-	-	-	(66,651)	(66,651)
Total EBITDA	1,453,533	50,576	20,871	(66,651)	1,458,329
Depreciation and amortisation	(559,034)	(11,302)	-	-	(570,336)
Earnings before interest and tax ("EBIT")	894,499	39,274	20,871	(66,651)	887,993
Net finance costs ^(b)					(557,598)
Profit before tax					330,395
Income tax expense					(150,620)
Profit for the year					179,775

(a) The revenue reported above represents revenue generated from external customers. Any intersegment sales were immaterial.

(b) Excluding finance lease and investment interest income, and any gains or losses on revaluation of derivatives included as part of EBIT for segment reporting purposes, but including other interest income.

APT Pipelines Limited and its Controlled Entities
Notes to the consolidated financial statements (continued)
For the financial year ended 30 June 2017

Financial Performance

3. Segment information (continued)

Reportable segments (continued)

2017	Energy infrastructure \$000	Asset management \$000	Energy investments \$000	Consolidated \$000
Segment assets and liabilities				
Segment assets	13,669,728	210,426	10,685	13,890,839
Carrying value of investments using the equity method	-	-	240,772	240,772
Unallocated assets ^(a)				1,092,990
Total assets				15,224,601
Segment liabilities	347,365	55,626	-	402,991
Unallocated liabilities ^(b)				14,488,072
Total liabilities				14,891,063

(a) Unallocated assets consist of cash and cash equivalents, fair value of interest rate swaps, foreign exchange contracts, equity forwards and inter-company balances.

(b) Unallocated liabilities consist of current and non-current borrowings, deferred tax liabilities, fair value of interest rate swaps, foreign exchange contracts and inter-company balances.

2016	Energy infrastructure \$000	Asset management \$000	Energy investments \$000	Other \$000	Consolidated \$000
Segment revenue ^(a)					
External sales revenue	1,522,568	96,793	-	-	1,619,361
Equity accounted net profits	-	-	16,021	-	16,021
Pass-through revenue	29,586	408,744	-	-	438,330
Finance lease and investment interest income	1,917	-	8,038	-	9,955
Total segment revenue	1,554,071	505,537	24,059	-	2,083,667
Other interest income					3,616
Consolidated revenue					2,087,283

(a) The revenue reported above represents revenue generated from external customers. Any intersegment sales were immaterial.

APT Pipelines Limited and its Controlled Entities
Notes to the consolidated financial statements (continued)
For the financial year ended 30 June 2017

Financial Performance

3. Segment information (continued)

Reportable segments (continued)

2016	Energy infrastructure \$000	Asset management \$000	Energy investments \$000	Other \$000	Consolidated \$000
Segment result					
Earnings before interest, tax, depreciation and amortisation ("EBITDA")	1,330,570	55,220	5,036	-	1,390,826
Share of net profits of joint ventures and associates using the equity method	-	-	16,021	-	16,021
Finance lease and investment interest income	1,917	-	8,038	-	9,955
Corporate costs	-	-	-	(86,465)	(86,465)
Total EBITDA	1,332,487	55,220	29,095	(86,465)	1,330,337
Depreciation and amortisation	(507,631)	(12,435)	-	-	(520,066)
Earnings before interest and tax ("EBIT")	824,856	42,785	29,095	(86,465)	810,271
Net finance costs ^(a)					(557,649)
Profit before tax					252,622
Income tax expense					(124,423)
Profit for the year					128,199

(a) Excluding finance lease and investment interest income, and any gains or losses on revaluation of derivatives included as part of EBIT for segment reporting purposes, but including other interest income.

2016	Energy infrastructure \$000	Asset management \$000	Energy investments \$000	Consolidated \$000
Segment assets and liabilities				
Segment assets	13,594,788	214,292	10,685	13,819,765
Carrying value of investments using the equity method	-	-	197,185	197,185
Unallocated assets ^(a)				808,593
Total assets				14,825,543
Segment liabilities	142,512	63,574	-	206,086
Unallocated liabilities ^(b)				14,345,353
Total liabilities				14,551,439

(a) Unallocated assets consist of cash and cash equivalents, current tax assets, fair value of interest rate swaps, foreign exchange contracts and inter-company balances.

(b) Unallocated liabilities consist of current and non-current borrowings, deferred tax liabilities, fair value of interest rate swaps, foreign exchange contracts and inter-company balances.

Information about major customers

Included in revenues arising from energy infrastructure of \$1,771.3 million (2016: \$1,522.6 million) are revenues of approximately \$704.8 million (2016: \$652.0 million) which arose from sales to the Consolidated Entity's top three customers.

APT Pipelines Limited and its Controlled Entities
Notes to the consolidated financial statements (continued)
For the financial year ended 30 June 2017

Financial Performance

4. Revenue

An analysis of the Consolidated Entity's revenue for the year is as follows:

	2017 \$000	2016 \$000
Energy infrastructure revenue	1,770,794	1,521,960
Pass-through revenue	48,646	29,586
Energy infrastructure revenue	1,819,440	1,551,546
Asset management revenue	86,596	96,793
Pass-through revenue	389,494	408,744
Asset management revenue	476,090	505,537
Operating revenue	2,295,530	2,057,083
Interest	4,412	3,616
Redeemable preference shares (GDI) interest income ^(a)	1,144	8,038
Finance lease income	1,643	1,917
Finance income	7,199	13,571
Rental income	555	608
Total revenue	2,303,284	2,071,262
Share of net profits of joint ventures and associates using the equity method	19,727	16,021
	2,323,011	2,087,283

(a) 2016 includes interest on loan to related parties (DPS).

Revenue is recognised to the extent that it is probable that the economic benefits will flow to the Consolidated Entity and can be reliably measured. Amounts disclosed as revenue are net of duties and taxes paid. Revenue is recognised for the major business activities as follows:

- **Operating revenue**, which is earned from the transportation of gas, processing and storage of gas, generation of electricity and other related services and is recognised when the services are provided net of goods and services tax ("GST"), except where the amount of GST incurred is not recoverable from the taxation authority;
- **Pass-through revenue**, for which no margin is earned, is recognised when the services are provided and offset by corresponding pass-through costs;
- **Interest revenue**, which is recognised as it accrues and is determined using the effective interest method; and
- **Finance lease income**, which is allocated to accounting periods so as to reflect a constant periodic rate of return on the Consolidated Entity's net investment outstanding in respect of the leases.

APT Pipelines Limited and its Controlled Entities
Notes to the consolidated financial statements (continued)
For the financial year ended 30 June 2017

Financial Performance

5. Expenses

	2017 \$000	2016 \$000
Depreciation of non-current assets	387,140	336,346
Amortisation of non-current assets	183,196	183,720
Depreciation and amortisation expense	570,336	520,066
Energy infrastructure costs – pass-through	48,646	29,586
Asset management costs – pass-through	389,494	408,744
Other operating costs - pass-through	438,140	438,330
Interest on bank overdrafts and borrowings ^(a)	506,124	500,588
Interest on related party loans	43,297	49,419
Amortisation of deferred borrowing costs	9,578	9,227
Finance lease charges - related party	464	497
Other finance costs	5,742	5,084
	565,205	564,815
Less: amounts included in the cost of qualifying assets	(7,099)	(6,157)
	558,106	558,658
Gain on derivatives	(152)	(698)
Unwinding of discount on non-current liabilities	4,056	3,305
Finance costs	562,010	561,265
Defined contribution plans	11,305	11,402
Defined benefit plans (Note 15)	3,033	2,741
Post-employment benefits	14,338	14,143
Termination benefits	2,295	2,995
Cash settled security-based payments ^(b)	25,993	27,585
Other employee benefits	155,074	135,334
Employee benefit expense	197,700	180,057

(a) The average interest rate applying to drawn debt is 5.56% p.a. (2016: 5.78% p.a.) excluding amortisation of borrowing costs and other finance costs.

(b) The Consolidated Entity provides benefits to certain employees in the form of cash settled security-based payments. For cash settled security-based payments, a liability equal to the portion of services received is recognised at the current fair value determined at each reporting date.

APT Pipelines Limited and its Controlled Entities
Notes to the consolidated financial statements (continued)
For the financial year ended 30 June 2017

Financial Performance

6. Income tax

The major components of tax expense are:

	2017	2016
	\$000	\$000
Income statement (continuing operations)		
Current tax expense in respect of the current year	(63,078)	(14,584)
Adjustments recognised in the current year in relation to current tax of prior years	(432)	(43)
Deferred tax expense relating to the origination and reversal of temporary differences	(87,110)	(109,796)
Total tax expense	(150,620)	(124,423)
Tax reconciliation (continuing operations)		
Profit before tax	330,395	252,622
Income tax expense calculated at 30%	(99,118)	(75,787)
Non deductible expenses	(60,888)	(62,164)
Non assessable income	8,577	11,478
	(151,429)	(126,473)
Franking credits received	708	1,731
Previously unbooked losses now recognised	533	362
Adjustment recognised in the current year in relation to the current tax of prior years	(432)	(43)
	(150,620)	(124,423)

Income tax expense comprises of current and deferred tax. Income tax is recognised in profit or loss except to the extent that it relates to items recognised directly in other comprehensive income, in which case it is recognised in equity. Current tax represents the expected taxable income at the applicable tax rate for the financial year, and any adjustment to tax payable in respect of previous financial years.

APT Pipelines Limited and its Controlled Entities
Notes to the consolidated financial statements (continued)
For the financial year ended 30 June 2017

Financial Performance

6. Income tax (continued)

Deferred tax balances

Deferred tax (liabilities)/assets arise from the following:

	Opening balance	Charged to income	Charged to equity	Acquisitions	Transfer to head entity	Closing balance
2017	\$000	\$000	\$000	\$000	\$000	\$000
Gross deferred tax liabilities						
Property, plant and equipment	(707,606)	(83,564)	-	(16,920)	-	(808,090)
Deferred expenses	(55,045)	(1,794)	-	-	-	(56,839)
Defined benefit obligation	1,384	184	(1,636)	-	-	(68)
Other	(730)	(325)	-	14	-	(1,041)
	(761,997)	(85,499)	(1,636)	(16,906)	-	(866,038)
Gross deferred tax assets						
Provisions	44,925	168	-	797	-	45,890
Cash flow hedges	165,029	(305)	(76,903)	-	-	87,821
Deferred revenue	5,811	(1,405)	-	-	-	4,406
Investments equity accounted	5,327	(602)	(2,074)	-	-	2,651
Tax losses	-	533	-	-	(533)	-
	221,092	(1,611)	(78,977)	797	(533)	140,768
Net deferred tax liability	(540,905)	(87,110)	(80,613)	(16,109)	(533)	(725,270)

2016

Gross deferred tax liabilities						
Intangible assets	(2,668)	2,668	-	-	-	-
Property, plant and equipment	(586,107)	(102,732)	-	(18,767)	-	(707,606)
Deferred expenses	(51,671)	(3,400)	-	26	-	(55,045)
Other	3,708	(4,438)	-	-	-	(730)
	(636,738)	(107,902)	-	(18,741)	-	(763,381)
Gross deferred tax assets						
Provisions	45,051	(1,109)	-	983	-	44,925
Cash flow hedges	127,473	(712)	38,268	-	-	165,029
Deferred revenue	6,795	(984)	-	-	-	5,811
Investments equity accounted	6,904	595	(2,172)	-	-	5,327
Defined benefit obligation	(1,007)	(53)	2,444	-	-	1,384
Tax losses	-	369	-	-	(369)	-
	185,216	(1,894)	38,540	983	(369)	222,476
Net deferred tax liability	(451,522)	(109,796)	38,540	(17,758)	(369)	(540,905)

APT Pipelines Limited and its Controlled Entities

Notes to the consolidated financial statements (continued)

For the financial year ended 30 June 2017

Financial Performance

6. Income tax (continued)

Deferred tax

Deferred tax is provided using the balance sheet liability method, providing for temporary differences between the carrying amounts of assets and liabilities for financial reporting purposes and the amounts used for taxation purposes. The following temporary differences are not provided for:

- i) initial recognition of goodwill;
- ii) initial recognition of assets or liabilities that affect neither accounting nor taxable profit; and
- iii) differences relating to investments in wholly-owned entities to the extent that they will probably not reverse in the foreseeable future.

Deferred tax is based on the expected manner of realisation or settlement of the carrying amount of assets and liabilities, using the appropriate tax rates at the end of the reporting period.

A deferred tax asset is recognised only to the extent that it is probable that future taxable profits will be available against which the asset can be utilised and are reduced to the extent that it is no longer probable that the related tax benefit will be realised.

Tax consolidation

The parent of APT Pipelines Limited, Australian Pipeline Trust and its wholly-owned Australian resident entities formed a tax-consolidated group with effect from 1 July 2003 and are therefore taxed as a single entity from that date. The head entity within the tax-consolidated group is Australian Pipeline Trust. Members of the tax-consolidated group are identified at Note 25.

Tax expense/income, deferred tax liabilities and deferred tax assets arising from temporary differences of the members of the tax-consolidated group are recognised in the separate financial reports of the members of the tax-consolidated group using the 'separate taxpayer within group' approach, by reference to the carrying amounts in the separate financial reports of each entity and the tax values applying under tax consolidation.

Any current tax liabilities (or assets) and deferred tax assets arising from unused tax losses of the wholly-owned entities are assumed by the head entity in the tax-consolidated group and are recognised as amounts payable (receivable) to (from) other entities in the tax-consolidated group in conjunction with any tax funding arrangement amounts.

The head entity recognises deferred tax assets arising from unused tax losses of the tax-consolidated group to the extent that it is probable that future taxable profits of the tax-consolidated group will be available against which the assets can be utilised.

Nature of tax funding arrangement and tax sharing agreement

Entities within the tax-consolidated group have entered into a tax funding arrangement and a tax sharing agreement with the head entity. Under the terms of the tax funding arrangement, APT Pipelines Limited and each of the entities in the tax-consolidated group have agreed to pay a tax equivalent payment to or from the head entity, based on the current tax liability or current tax asset of the entity. Such amounts are reflected in amounts receivable from, or payable to, other entities in the tax-consolidated group.

The tax sharing agreement entered into between members of the tax-consolidated group provides for the determination of the allocation of income tax liabilities between the entities should the head entity default on its tax payment obligations or if an entity should leave the tax-consolidated group. The effect of the tax sharing agreement is that each member's liability for the tax payable by the tax-consolidated group is limited to the amount payable to the head entity under the tax funding arrangement.

APT Pipelines Limited and its Controlled Entities
Notes to the consolidated financial statements (continued)
For the financial year ended 30 June 2017

Financial Performance

7. Dividends

	APT Pipelines Limited			
	2017	2017	2016	2016
	cents per	Total	cents per	Total
	share	\$000	share	\$000
Recognised amounts				
Final dividend paid on 24 August 2016				
(2016: 26 August 2015)				
Dividend ^(a)	278.5	173,000	3.8	2,357
Interim dividend paid on 21 February 2017				
(2016: 24 February 2016)				
Dividend ^(a)	172.1	106,900	289.7	180,000
Unrecognised amounts				
Final dividend payable on 22 August 2017				
(2016: 24 August 2016)				
Dividend ^(a)	84.7	52,600	278.5	173,000

(a) Profit dividends were unfranked (2016: unfranked).

The final dividend in respect of the financial year has not been recognised in this financial report because the final dividend was not declared, determined or publicly confirmed prior to the end of the financial year.

APT Pipelines Limited and its Controlled Entities
Notes to the consolidated financial statements (continued)
For the financial year ended 30 June 2017

Operating Assets and Liabilities

8. Receivables

	2017 \$000	2016 \$000
Trade receivables	275,331	250,875
Allowance for doubtful debts	(2,120)	(2,658)
Trade receivables	273,211	248,217
Receivables from associates and other related parties	13,028	13,021
Finance lease receivables (Note 16)	1,787	2,290
Interest receivable	1,603	85
Other debtors	78	187
Trade and other receivables	289,707	263,800
Receivables from related parties	198,086	139,625
Current	487,793	403,425
Finance lease receivables (Note 16)	15,496	17,283
Non-current	15,496	17,283

Trade receivables are non-interest bearing and are generally on 30 day terms. There are no material trade receivables past due and not provided for.

Trade receivables, loans, and other receivables that have fixed or determinable payments that are not quoted in an active market are classified as loans and receivables. Trade and other receivables are initially recognised at fair value plus any directly attributable transaction costs. Subsequent to initial recognition, they are stated at amortised cost less impairment.

9. Payables

Trade payables ^(a)	40,827	27,310
Other payables	242,931	211,218
Trade and other payables	283,758	238,528
Payables to related parties ^(b)	2,726,031	2,613,186
Current	3,009,789	2,851,714
Other payables	4,984	3,007
Payables to related parties	893,867	895,102
Non-current	898,851	898,109

(a) Trade payables are non-interest bearing and are normally settled on 15 - 30 day terms.

(b) Payables to related parties mainly consists of the a loan from APT.

Trade and other payables are recognised when the Consolidated Entity becomes obliged to make future payments resulting from the purchase of goods and services. Trade and other payables are initially recognised at fair value plus any directly attributable transaction costs. Subsequent to initial recognition, they are stated at amortised cost.

Payables are recognised inclusive of GST, except for accrued revenue and accrued expense at balance dates which exclude GST.

The net amount of GST recoverable from, or payable to, the taxation authority is included as part of receivables or payables. GST receivable or GST payable is only recognised once a tax invoice has been issued or received.

APT Pipelines Limited and its Controlled Entities
Notes to the consolidated financial statements (continued)
For the financial year ended 30 June 2017

Operating Assets and Liabilities

10. Property, plant and equipment

	Freehold land and buildings - at cost \$000	Leasehold improvements - at cost \$000	Plant and equipment - at cost \$000	Work in progress - at cost \$000	Total \$000
Gross carrying amount					
Balance at 1 July 2015	229,051	4,444	8,937,221	168,074	9,338,790
Additions	-	-	22,105	282,842	304,947
Acquisitions through business combination	740	-	713,101	11,250	725,091
Disposals	(651)	(285)	(15,323)	-	(16,259)
Transfers	3,204	913	262,989	(267,106)	-
Balance at 30 June 2016	232,344	5,072	9,920,093	195,060	10,352,569
Additions	2,280	-	5,149	340,309	347,738
Acquisitions through business combinations (Note 24)	2,444	-	138,519	73	141,036
Disposals	(24)	-	(9,089)	-	(9,113)
Transfers	5,639	5,095	295,300	(306,034)	-
Balance at 30 June 2017	242,683	10,167	10,349,972	229,408	10,832,230
Accumulated depreciation					
Balance at 1 July 2015	(25,036)	(2,203)	(956,358)	-	(983,597)
Disposals	434	285	14,707	-	15,426
Depreciation expense (Note 5)	(7,274)	(358)	(328,714)	-	(336,346)
Transfers	(89)	(4)	93	-	-
Balance at 30 June 2016	(31,965)	(2,280)	(1,270,272)	-	(1,304,517)
Disposals	24	-	8,707	-	8,731
Depreciation expense (Note 5)	(7,430)	(750)	(378,960)	-	(387,140)
Transfers	260	-	(260)	-	-
Reclassifications to inventories	-	-	861	-	861
Balance at 30 June 2017	(39,111)	(3,030)	(1,639,924)	-	(1,682,065)
Net book value					
As at 30 June 2016	200,379	2,792	8,649,821	195,060	9,048,052
As at 30 June 2017	203,572	7,137	8,710,048	229,408	9,150,165

Property, plant and equipment is stated at cost, less accumulated depreciation and impairment losses. Work in progress is stated at cost. Cost includes expenditure that is directly attributable to the acquisition or construction of the item.

Depreciation is provided on property, plant and equipment excluding land. Depreciation is calculated on either a straight-line or throughput basis depending on the nature of the asset so as to write off the net cost of each asset over its estimated useful life.

Leasehold improvements are depreciated over the period of the lease or estimated useful life, whichever is the shorter, using the straight-line method. The estimated useful lives and depreciation methods are reviewed at the end of each reporting period, with the effect of any changes recognised on a prospective basis.

Borrowing costs directly attributable to the acquisition, construction or production of qualifying assets (i.e. assets that take a substantial period of time to get ready for their intended use or sale) are added to the cost of those assets until such time as the assets are substantially ready for their intended use or sale.

All other borrowing costs are recognised in profit or loss in the period in which they are incurred.

Critical accounting judgements and key sources of estimation uncertainty - useful lives of non-current assets

The Consolidated Entity reviews the estimated useful lives of property, plant and equipment at the end of each annual reporting period. Any reassessment of useful lives in a particular year will affect the depreciation expense.

The following estimated useful lives are used in the calculation of depreciation:

- buildings 30 - 50 years;
- compressors 10 - 50 years;
- gas transportation systems 10 - 80 years;
- meters 20 - 30 years;
- power generation facilities 3 - 25 years; and
- other plant and equipment 3 - 20 years.

APT Pipelines Limited and its Controlled Entities
Notes to the consolidated financial statements (continued)
For the financial year ended 30 June 2017

Operating Assets and Liabilities

11. Goodwill and Intangibles

	2017 \$000	2016 \$000
Goodwill		
Balance at beginning of financial year	1,184,588	1,140,500
Acquisitions	-	44,088
Finalisation of provisional purchase price accounting	(984)	-
Balance at end of financial year	1,183,604	1,184,588

Allocation of goodwill to cash-generating units

Goodwill has been allocated for impairment testing purposes to individual cash-generating units.

The East Coast Grid is an interconnected pipeline network that includes, inter alia, the Wallumbilla Gladstone, Moomba Sydney, Roma Brisbane, Carpentaria Gas and South West Queensland pipelines and the Victorian Transmission System. Since the acquisition of the South West Queensland Pipeline to complete the formation of APA's East Coast Grid in December 2012, APA has installed facilities to enable bi-directional transportation of gas to meet the demand of our major customers who now operate portfolios of gas supply and demand. Through the provision of multi-asset services, bi-directional transportation, capacity trading and gas storage and parking facilities, APA's East Coast Grid delivers options for customers to choose from, and move gas between, more than 40 receipt points and over 100 delivery points on the east coast of Australia. The East Coast Grid is categorised as an individual cash-generating unit.

The carrying amount of goodwill allocated to cash-generating units that are significant individually or in aggregate is as follows:

Asset management business	21,456	21,456
Energy infrastructure		
East Coast Grid	1,060,681	1,060,681
Diamantina Power Station	43,104	44,088
Other energy infrastructure ^(a)	58,363	58,363
	1,183,604	1,184,588

(a) Primarily represents goodwill relating to the Pilbara Pipeline System (\$32.6 million) and Goldfields Gas Pipeline (\$18.5 million).

Goodwill acquired in a business combination is initially measured at cost and subsequently at cost less accumulated impairment.

Contract and other intangibles

Gross carrying amount

Balance at beginning of financial year	3,623,716	3,623,011
Acquisitions / additions	1,456	705
Write-offs	(35,373)	-
Balance at end of financial year	3,589,799	3,623,716

Accumulated amortisation and impairment

Balance at beginning of financial year	(259,382)	(66,765)
Amortisation expense	(183,196)	(183,720)
Impairment	-	(8,897)
Write-offs	27,061	-
Balance at end of financial year	(415,517)	(259,382)
	3,174,282	3,364,334

APT Pipelines Limited and its Controlled Entities

Notes to the consolidated financial statements (continued)

For the financial year ended 30 June 2017

Operating Assets and Liabilities

11. Goodwill and Intangibles (continued)

The Consolidated Entity holds various third party operating and maintenance contracts. The combined gross carrying amount of \$3,589.8 million amortises over terms ranging from one to 20 years. Useful life is determined based on the underlying contractual terms plus estimations of renewal of up to two terms where considered probable by management. Amortisation expense is not a cash item, and is included in the line item of depreciation and amortisation expense in the statement of profit or loss and other comprehensive income.

Intangible assets acquired separately are carried at cost less accumulated amortisation and accumulated impairment losses. Intangible assets acquired in a business combination are identified and recognised separately from goodwill and are initially recognised at their fair value at the acquisition date and subsequently at cost less accumulated amortisation and accumulated impairment losses.

Amortisation is recognised on a straight-line basis over the estimated useful life of each asset. The estimated useful life and amortisation method are reviewed at the end of each annual reporting period, with the effects of any changes in estimate being accounted for on a prospective basis.

12. Impairment of non-financial assets

The Consolidated Entity tests property, plant and equipment, intangibles and goodwill for impairment at least annually or whenever there is an indication that the asset may be impaired. Assets other than goodwill that have previously reported an impairment are reviewed for possible reversal of the impairment at each reporting period.

If the asset does not generate independent cash inflows and its value in use cannot be estimated to be close to its fair value, the asset is tested for impairment as part of the cash-generating unit (CGU) to which it belongs.

Assets are impaired if their carrying value exceeds their recoverable amount. The recoverable amount of an asset or CGU is determined as the higher of its fair value less costs of disposal or value-in-use.

Determining whether identifiable intangible assets and goodwill are impaired requires an estimation of the value-in-use or fair value of the cash-generating units. The calculations require the Consolidated Entity to estimate the future cash flows expected to arise from cash-generating units and suitable discount rates in order to calculate the present value of cash-generating units. These estimates and assumptions are reviewed on an ongoing basis.

The recoverable amounts of cash-generating units are determined based on value-in-use calculations. These calculations use cash flow projections based on a five year financial business plan and thereafter a further 15 year financial model. This is the basis of the Consolidated Entity's forecasting and planning processes which represents the underlying long term nature of associated customer contracts on these assets.

In accordance with the requirements of AASB 136 Impairment of Assets, the Consolidated Entity reviewed its CGUs for indicators of impairment at the end of the reporting period. No such indicators were identified and no impairment recognised.

Critical accounting judgements and key sources of estimation uncertainty - impairment of assets

For fully regulated assets, cash flows have been extrapolated on the basis of existing transportation contracts and government policy settings, and expected contract renewals with a resulting average annual growth rate of 1.1% p.a. (2016: 1.7% p.a.). These expected cash flows are factored into the regulated asset base and do not exceed management's expectations of the long-term average growth rate for the market in which the cash-generating unit operates.

For non-regulated assets, the Consolidated Entity has assumed no capacity expansion beyond installed and committed levels; utilisation of capacity is based on existing contracts, government policy settings and expected market outcomes.

As contracts mature, given ongoing demand for capacity, it is assumed that the majority of the capacity is resold at similar pricing levels.

Asset Management cash flow projections reflect long term agreements with assumptions of renewal on similar terms and conditions based on management's expectations.

Cash flow projections are estimated for a period of up to 20 years, with a terminal value, recognising the long term nature of the assets. The pre-tax discount rates used are 8.25% p.a. (2016: 8.25% p.a.) for Energy Infrastructure assets and 8.25% p.a. (2016: 8.25% p.a.) for Asset Management.

These assumptions have been determined with reference to historic information, current performance and expected changes taking into account external information.

APT Pipelines Limited and its Controlled Entities
Notes to the consolidated financial statements (continued)
For the financial year ended 30 June 2017

Operating Assets and Liabilities

13. Provisions

	2017 \$000	2016 \$000
Employee benefits	83,787	83,240
Other	9,986	8,432
Current	93,773	91,672
Employee benefits	33,598	36,903
Other	35,453	33,088
Non-current	69,051	69,991
Employee benefits		
Incentives	29,357	28,401
Cash settled security-based payments	8,857	9,477
Leave balances	39,976	39,587
Termination benefits	5,597	5,775
Current	83,787	83,240
Cash settled security-based payments	18,939	19,467
Retirement benefit liability (Note 15)	4,645	7,017
Leave balances	10,014	10,419
Non-current	33,598	36,903

A provision is recognised when there is a legal or constructive obligation as a result of a past event, it is probable that future economic benefits will be required to settle the obligation and the amount of the provision can be measured reliably.

The amount recognised as a provision is the best estimate of the consideration required to settle the present obligation at the end of the financial year, taking into account the risks and uncertainties surrounding the obligation. Where a provision is measured using the cash flows estimated to settle the present obligation, its carrying amount is the present value of those cash flows.

When some or all of the economic benefits required to settle a provision are expected to be recovered from a third party, the receivable is recognised as an asset if it is probable that recovery will be received and the amount of the receivable can be measured reliably.

Provision is made for benefits accruing to employees in respect of wages and salaries, incentives, annual leave and long service leave when it is probable that settlement will be required. Provisions made in respect of employee benefits expected to be settled within 12 months, are recognised for employee services up to reporting date at the amounts expected to be paid when the liability is settled. Provisions made in respect of employee benefits which are not expected to be wholly settled within 12 months are measured as the present value of the estimated future cash outflows using a discount rate based on the corporate bond yields in respect of services provided by employees up to reporting date.

14. Other non-current assets

Line pack gas	20,343	20,208
Gas held in storage	6,010	6,010
Defined benefit asset (Note 15)	4,870	2,404
	31,223	28,622

APT Pipelines Limited and its Controlled Entities
Notes to the consolidated financial statements (continued)

For the financial year ended 30 June 2017

Operating Assets and Liabilities

15. Employee superannuation plans

All employees of the Consolidated Entity are entitled to benefits on retirement, disability or death from an industry sponsored fund, or an alternative fund of their choice. The Consolidated Entity has three plans with defined benefit sections (due to the acquisition of businesses) and a number of other plans with defined contribution sections. The defined benefit sections provide lump sum benefits upon retirement based on years of service. The defined contribution sections receive fixed contributions from the Consolidated Entity and the Consolidated Entity's legal and constructive obligations are limited to these amounts.

The most recent actuarial valuations of plan assets and the present value of the defined benefit obligations were determined at 30 June 2017. The present value of the defined benefit obligations, and the related current service cost and past service cost, were measured using the projected unit credit method.

The following sets out details in respect of the defined benefit plans only:

	2017	2016
	\$000	\$000
Amounts recognised in the statement of profit or loss and other comprehensive income		
Current service cost	2,842	2,783
Net interest expense	191	(42)
Components of defined benefit costs recognised in profit or loss (Note 5)	3,033	2,741
Amounts recognised in the statement of financial position		
Fair value of plan assets	135,029	138,488
Present value of benefit obligation	(134,804)	(143,101)
Defined benefit asset - non-current (Note 14)	4,870	2,404
Defined benefit liability - non-current (Note 13)	(4,645)	(7,017)
Opening defined benefit obligation	143,101	137,141
Current service cost	2,842	2,783
Interest cost	4,599	5,807
Contributions from plan participants	1,001	1,332
Actuarial gains	1,550	3,893
Benefits paid	(17,665)	(7,855)
Administrative expenses, taxes and premiums paid	(624)	-
Closing defined benefit obligation	134,804	143,101
Movements in the present value of the plan assets in the current period were as follows:		
Opening fair value of plan assets	138,488	140,500
Interest income	4,408	5,849
Actual return on plan assets excluding interest income	7,002	(4,255)
Contributions from employer	2,419	2,917
Contributions from plan participants	1,001	1,332
Benefits paid	(17,665)	(7,855)
Administrative expenses, taxes and premiums paid	(624)	-
Closing fair value of plan assets	135,029	138,488

APT Pipelines Limited and its Controlled Entities
Notes to the consolidated financial statements (continued)
For the financial year ended 30 June 2017

Operating Assets and Liabilities

15. Employee superannuation plans (continued)

Defined contribution plans

Contributions to defined contribution plans are expensed when incurred.

Defined benefit plans

Actuarial gains and losses and the return on plan assets (excluding interest) are recognised immediately in the statement of financial position with a charge or credit recognised in other comprehensive income in the period in which they occur. Remeasurement, comprising of actuarial gains and losses and the return on plan assets (excluding interest), is recognised in other comprehensive income and immediately reflected in retained earnings and will not be reclassified to profit or loss.

Past service cost is recognised in profit or loss in the period of a plan amendment.

The defined benefit obligation recognised in the consolidated statement of financial position represents the actual deficit or surplus in the Consolidated Entity's defined benefit plans. Any asset resulting from this calculation is limited to the present value of economic benefits available in the form of refunds and reductions in future contributions to the plan.

Key actuarial assumptions used in the determination of the defined benefit obligation is a discount rate of 4.1%, based on the corporate bond yield curve published by Milliman, and an expected salary increase rate of 3.0%. The sensitivity analysis below has been determined based on reasonable possible changes of the respective assumptions occurring at the end of the reporting period, while holding all other assumptions constant:

- If the discount rate is 50 basis points higher (lower), the defined benefit obligation would decrease by \$5,446,000 (increase by \$6,043,000); and
- If the expected salary growth increases (decreases) by 0.5%, the defined benefit obligation would increase by \$2,133,000 (decrease by \$1,999,000).

The sensitivity analysis presented above may not be representative of the actual change in the defined benefit obligation as it is unlikely that the change in assumptions would occur in isolation of one another as some of the assumptions may be correlated.

Furthermore, in presenting the above sensitivity analysis, the present value of the defined benefit obligation has been calculated using the projected unit credit method at the end of the reporting period, which is the same as that applied in calculating the defined benefit obligation liability recognised in the statement of financial position.

The Consolidated Entity expects \$2.3 million in contributions to be paid to the defined benefit plans during the year ending 30 June 2018.

APT Pipelines Limited and its Controlled Entities
Notes to the consolidated financial statements (continued)
For the financial year ended 30 June 2017

Operating Assets and Liabilities

16. Leases

Leases are classified as finance leases when the terms of the lease transfer substantially all the risks and rewards incidental to the ownership of the leased asset to the lessee. All other leases are classified as operating leases.

Finance lease receivables relate to the lease of a metering station, natural gas vehicle refuelling facilities and two pipeline laterals.

	2017 \$000	2016 \$000
Finance lease receivables		
Not longer than 1 year	3,227	3,933
Longer than 1 year and not longer than 5 years	9,655	10,646
Longer than 5 years	14,715	16,951
Minimum future lease payments receivable ^(a)	27,597	31,530
Gross finance lease receivables	27,597	31,530
Less: unearned finance lease receivables	(10,314)	(11,957)
Present value of lease receivables	17,283	19,573
Included in the financial statements as part of:		
Current trade and other receivables (Note 8)	1,787	2,290
Non-current receivables (Note 8)	15,496	17,283
	17,283	19,573

(a) Minimum future lease payments receivable include the aggregate of all lease payments receivable and any guaranteed residual.

Finance lease payables - related party

Not longer than 1 year	1,167	1,167
Longer than 1 year and not longer than 5 years	4,669	4,669
Longer than 5 years	5,836	7,004
Minimum future lease payments payable ^(a)	11,672	12,840
Gross finance lease payables	11,672	12,840
Less: unearned finance lease payables	(2,424)	(2,889)
Present value of lease payables	9,248	9,951
Included in the financial statements as part of:		
Current borrowings (Note 18)	738	703
Non-current borrowings (Note 18)	8,510	9,248
	9,248	9,951

(a) Minimum future lease payments payable include the aggregate of all lease payments payable and any guaranteed residual.

APT Pipelines Limited and its Controlled Entities
Notes to the consolidated financial statements (continued)
For the financial year ended 30 June 2017

Operating Assets and Liabilities

16. Leases (continued)

The Consolidated Entity as a lessor

Amounts due from a lessee under finance leases are recorded as receivables. Finance lease receivables are initially recognised at amounts equal to the present value of the minimum lease payments receivable plus the present value of any unguaranteed residual value expected to accrue at the end of the lease term. Finance lease income is allocated to accounting periods so as to reflect a constant periodic rate of return on the net investment outstanding in respect of the leases.

The Consolidated Entity as a lessee

Assets held under finance leases are initially recognised at their fair value or, if lower, at amounts equal to the present value of the minimum lease payments, each determined at the inception of the lease. The corresponding liability to the lessor is included in the consolidated statement of financial position as a finance lease obligation. Lease payments are allocated between finance charges and reduction of the lease obligation so as to achieve a constant rate of interest on the remaining balance of the liability.

Finance lease assets are amortised on a straight-line basis over the estimated useful life of the asset.

Non-cancellable operating leases

Operating lease obligations are primarily related to commercial office leases and motor vehicles.

	2017	2016
	\$000	\$000
Not longer than 1 year	12,970	12,138
Longer than 1 year and not longer than 5 years	41,660	35,282
Longer than 5 years	26,462	25,189
	81,092	72,609

Operating lease payments are recognised as an expense on a straight-line basis over the lease term, except where another systematic basis is more representative of the time patterns in which economic benefits from the leased asset are consumed. Operating lease incentives are recognised as a liability when received and released to the statement of profit or loss on a straight line basis over the lease term.

APT Pipelines Limited and its Controlled Entities

Notes to the consolidated financial statements (continued)

For the financial year ended 30 June 2017

Capital Management

The Consolidated Entity's objectives when managing capital are to safeguard its ability to continue as a going concern while maximising the return to equityholders through the optimisation of the debt to equity structure.

The Consolidated Entity's overall capital management strategy is to continue to target BBB/Baa2 investment grade ratings through maintaining sufficient flexibility to fund organic growth and investment from internally generated and retained cash flows, equity and, where appropriate, additional debt funding.

The capital structure of the Consolidated Entity consists of cash and cash equivalents, borrowings and equity attributable to equityholders of the parent. The Consolidated Entity's policy is to maintain balanced and diverse funding sources through borrowing locally and from overseas, using a variety of capital markets and bank loan facilities, to meet anticipated funding requirements.

Operating cash flows are used to maintain and expand the Consolidated Entity's assets, make distributions to equityholders and to repay maturing debt.

Controlled entities are subject to externally imposed capital requirements. These relate to the Australian Financial Services Licence held by Australian Pipeline Limited, the Responsible Entity of APA Group, and were adhered to for the entirety of the 2017 and 2016 periods.

The Consolidated Entity's capital management strategy remains unchanged from the previous period.

The Consolidated Entity's Board of Directors reviews the capital structure on a regular basis. As part of the review, the Board considers the cost of capital and the state of the markets. The Consolidated Entity targets gearing in a range of 65% to 68%. Gearing is determined as the proportion of net debt to net debt plus equity. The Consolidated Entity balances its overall capital structure through equity issuances, new debt or the redemption of existing debt and through a disciplined distribution payment policy.

17. Cash balances

Cash and cash equivalents comprise of cash on hand, at call bank deposits and investments in money market instruments that are readily convertible to known amounts for cash. Cash and cash equivalents at the end of the financial year as shown in the statement of cash flows are reconciled to the related items in the statement of financial position as follows:

	2017	2016
	\$000	\$000
Cash at bank and on hand	43,064	76,820
Short-term deposits	351,414	1,117
	394,478	77,937

The Consolidated Entity had no restricted cash as at 30 June 2017 and 30 June 2016.

APT Pipelines Limited and its Controlled Entities
Notes to the consolidated financial statements (continued)
For the financial year ended 30 June 2017

Capital Management

18. Borrowings

Borrowings are recorded initially at fair value less attributable transaction costs and subsequently stated at amortised cost. Any difference between the initial recognised cost and the redemption value is recognised in the statement of profit or loss and other comprehensive income over the period of the borrowing using the effective interest method.

	2017	2016
	\$000	\$000
Unsecured - at amortised cost		
Guaranteed senior notes ^(a)	115,738	398,058
Other financial liabilities	11,120	11,771
Finance lease liabilities (Note 16)	738	703
Current	127,596	410,532
Guaranteed senior notes ^(a)	9,022,710	8,043,377
Bank borrowings ^(b)	-	707,501
Subordinated notes ^(c)	515,000	515,000
Other financial liabilities	82,059	95,155
Less: unamortised borrowing costs	(45,862)	(46,660)
Finance lease liabilities (Note 16)	8,510	9,248
Non-current	9,582,417	9,323,621
Financing facilities available		
Total facilities		
Guaranteed senior notes ^(a)	9,138,448	8,441,435
Bank borrowings ^(b)	1,068,750	1,380,000
Subordinated notes ^(c)	515,000	515,000
	10,722,198	10,336,435
Facilities used at balance date		
Guaranteed senior notes ^(a)	9,138,448	8,441,435
Bank borrowings ^(b)	-	707,501
Subordinated notes ^(c)	515,000	515,000
	9,653,448	9,663,936
Facilities unused at balance date		
Guaranteed senior notes ^(a)	-	-
Bank borrowings ^(b)	1,068,750	672,499
Subordinated notes ^(c)	-	-
	1,068,750	672,499

(a) Represents USD denominated private placement notes of US\$384 million, CAD medium term notes (MTN) of C\$300 million, JPY MTN of ¥10,000 million, GBP MTN of £950 million, EUR MTN of €1,350 million and USD denominated 144a notes of US\$3,000 million measured at the exchange rate at reporting date, and A\$211 million of AUD denominated private placement notes and AUD MTN of A\$500 million. Refer to Note 19 for details of interest rates and maturity profiles.

(b) Refer to Note 19 for interest rates and maturity profiles.

(c) Represents AUD denominated subordinated notes. Refer to Note 19 for details of interest rates and maturity profiles.

APT Pipelines Limited and its Controlled Entities

Notes to the consolidated financial statements (continued)

For the financial year ended 30 June 2017

Capital Management

19. Financial risk management

APA Group's corporate Treasury department is responsible for the overall management of the Consolidated Entity's capital raising activities, liquidity, lender relationships and engagement, debt portfolio management, interest rate and foreign exchange hedging, credit rating maintenance and third party indemnities (bank guarantees) within risk management parameters reviewed by the Board. The Audit and Risk Management Committee ("ARMC") approves written principles for overall risk management, as well as policies covering specific areas such as liquidity and funding risk, foreign currency risk, interest rate risk, credit risk, contract and legal risk and operational risk. The Consolidated Entity's ARMC ensures there is an appropriate Risk Management Policy for the management of treasury risk and compliance with the policy through monthly reporting to the Board from the Treasury department.

The Consolidated Entity's activities generate financial instruments comprising of cash, receivables, payables and interest bearing liabilities which expose it to various risks as summarised below:

- (a) Market risk including currency risk, interest rate risk and price risk;
- (b) Credit risk; and
- (c) Liquidity risk.

Treasury as a centralised function provides the Consolidated Entity with the benefits of efficient cash utilisation, control of funding and its associated costs, efficient and effective management of aggregated financial risk and concentration of financial expertise, at an acceptable cost, and manages risks through the use of natural hedges and derivative instruments. The Consolidated Entity does not engage in speculative trading. All derivatives have been transacted to hedge underlying or existing exposures and have adhered to the ARMC approved Treasury Risk Management Policy.

(a) Market risk

The Consolidated Entity's market risk exposure is primarily due to changes in market prices such as interest and foreign exchange rates. The Consolidated Entity enters into a variety of derivative financial instruments to manage its exposure to interest rate and foreign currency risk, including:

- forward exchange contracts to hedge the exchange rate risk arising from foreign currency cash flows, mainly US dollars, derived from revenues, interest payments and capital equipment purchases;
- cross currency interest rate swaps to manage the currency risk associated with foreign currency denominated borrowings;
- foreign currency denominated borrowings to manage the currency risk associated with foreign currency denominated revenue and receivables; and
- interest rate swaps to mitigate interest rate risk.

Foreign currency risk

The Consolidated Entity's foreign exchange risk arises from future commercial transactions (including revenue, interest payments and principal debt repayments on long-term borrowings and the purchases of capital equipment), and the recognition of assets and liabilities (including foreign receivables and borrowings). Exchange rate exposures are managed within approved policy parameters utilising forward exchange contracts, cross currency swap contracts and foreign currency denominated borrowings. All foreign currency exposure was managed in accordance with the Treasury Risk Management Policy in both 2017 and 2016.

APT Pipelines Limited and its Controlled Entities
Notes to the consolidated financial statements (continued)
For the financial year ended 30 June 2017

Capital Management

19. Financial risk management (continued)

(a) Market risk (continued)

Foreign currency risk (continued)

The carrying amount of the Consolidated Entity's foreign currency denominated monetary assets and monetary liabilities and derivative notional amounts at the reporting date is as follows:

	Cash & cash equivalents	Receivables	Total borrowings	Cross currency swaps	Foreign exchange contract	Net foreign currency position
	\$000	\$000	\$000	\$000	\$000	\$000
2017						
US dollar	3,393	40,002	(4,406,537)	(417,663)	(347,362)	(5,128,167)
Japanese yen	-	-	(115,738)	115,738	-	-
Canadian dollar	-	-	(301,230)	301,230	-	-
British pound	-	-	(1,610,280)	1,610,280	-	-
Euro	-	-	(2,007,377)	2,007,377	45,024	45,024
Swedish Krona	-	-	-	-	61,196	61,196
Danish Krona	-	-	-	-	104,038	104,038
	3,393	40,002	(8,441,162)	3,616,962	(137,104)	(4,917,909)
2016						
US dollar	1,068	30,691	(3,694,558)	(1,277,253)	(703,317)	(5,643,369)
Japanese yen	-	-	(129,964)	129,964	-	-
Canadian dollar	-	-	(310,555)	310,555	-	-
British pound	-	-	(1,688,747)	1,688,747	-	-
Euro	-	-	(2,008,378)	2,008,378	1,392	1,392
Swedish Krona	-	-	-	-	29,606	29,606
	1,068	30,691	(7,832,202)	2,860,391	(672,319)	(5,612,371)

Forward foreign exchange contracts

To manage foreign exchange risk arising from future commercial transactions such as forecast capital purchases, revenue and interest payments, the Consolidated Entity uses forward foreign exchange contracts. Gains and losses recognised in the cash flow hedge reserve (statement of comprehensive income) on these derivatives will be released to profit or loss when the underlying anticipated transaction affects the statement of profit or loss or will be included in the carrying value of the asset or liability acquired.

It is the policy of the Consolidated Entity to hedge 100% of all foreign exchange capital purchases in excess of US\$1 million equivalent that are certain. Forecast foreign currency denominated revenues and interest payments will be hedged by forward exchange contracts on a rolling basis with the objective being to lock in the AUD gross cash flows and manage liquidity.

APT Pipelines Limited and its Controlled Entities
Notes to the consolidated financial statements (continued)
For the financial year ended 30 June 2017

Capital Management

19. Financial risk management (continued)

(a) Market risk (continued)

Foreign currency risk (continued)

Forward foreign exchange contracts (continued)

The following table details the forward foreign exchange currency contracts outstanding at reporting date:

Cash flow hedges	Average exchange rate	Foreign currency	< 1 year	Contract Value		Fair value
2017	\$	US\$000	\$000	1 - 2 years \$000	2 - 5 years \$000	\$000
Pay USD / receive AUD						
Forecast revenue and associated receivable	0.7082	(320,885)	306,474	146,605	-	33,119
Pay AUD / receive USD						
Forecast capital purchases	0.7507	79,359	(92,269)	(13,308)	(140)	(2,113)
		(241,526)	214,205	133,297	(140)	31,006
Cash flow hedges	Average exchange rate	Foreign currency	< 1 year	Contract Value		Fair value
	\$	EUR\$000	\$000	1 - 2 years \$000	2 - 5 years \$000	\$000
Pay AUD / receive EUR						
Forecast capital purchases	0.6884	30,994	(26,461)	(16,691)	(1,872)	2,153
		30,994	(26,461)	(16,691)	(1,872)	2,153
Cash flow hedges	Average exchange rate	Foreign currency	< 1 year	Contract Value		Fair value
	\$	SEK\$000	\$000	1 - 2 years \$000	2 - 5 years \$000	\$000
Pay AUD / receive SEK						
Forecast capital purchases	5.8684	359,124	(18,108)	(1,831)	(41,257)	(2,129)
		359,124	(18,108)	(1,831)	(41,257)	(2,129)
Cash flow hedges	Average exchange rate	Foreign currency	< 1 year	Contract Value		Fair value
	\$	DKK\$000	\$000	1 - 2 years \$000	2 - 5 years \$000	\$000
Pay AUD / receive DKK						
Forecast capital purchases	5.2308	544,203	(99,936)	(4,102)	-	6,543
		544,203	(99,936)	(4,102)	-	6,543
Cash flow hedges	Average exchange rate	Foreign currency	< 1 year	Contract Value		Fair value
2016	\$	US\$000	\$000	1 - 2 years \$000	2 - 5 years \$000	\$000
Pay USD / receive AUD						
Forecast revenue and associated receivable	0.7200	(507,689)	292,570	265,907	146,605	12,849
Pay AUD / receive USD						
Forecast capital purchases	0.7666	1,353	(995)	(313)	(457)	71
		(506,336)	291,575	265,594	146,148	12,920

APT Pipelines Limited and its Controlled Entities
Notes to the consolidated financial statements (continued)
For the financial year ended 30 June 2017

Capital Management

19. Financial risk management (continued)

(a) Market risk (continued)

Foreign currency risk (continued)

Forward foreign exchange contracts (continued)

Cash flow hedges	Average exchange rate	Foreign currency	Contract Value			Fair value
			< 1 year	1 - 2 years	2 - 5 years	
2016	\$	EUR\$000	\$000	\$000	\$000	\$000
Pay AUD / receive EUR						
Forecast capital purchases	0.6703	933	(334)	(910)	(148)	48
		933	(334)	(910)	(148)	48

Cash flow hedges	Average exchange rate	Foreign currency	Contract Value			Fair value
			< 1 year	1 - 2 years	2 - 5 years	
	\$	SEK\$000	\$000	\$000	\$000	\$000
Pay AUD / receive SEK						
Forecast capital purchases	6.0727	179,795	(16,308)	(8,009)	(5,289)	(164)
		179,795	(16,308)	(8,009)	(5,289)	(164)

As at reporting date, the Consolidated Entity has entered into forward contracts to hedge net US exchange rate risk arising from anticipated future transactions with an aggregate notional principal amount of \$453.1 million (2016: \$705.1 million) which are designated in cash flow hedge relationships. The hedged anticipated transactions denominated in US dollars are expected to occur at various dates between one month to three years from reporting date.

Cross currency swap contracts

The Consolidated Entity enters into cross currency swap contracts to mitigate the risk of adverse movements in foreign exchange rates in relation to principal and interest payments arising from foreign currency borrowings. The Consolidated Entity receives fixed amounts in the various foreign currencies and pays both variable interest rates (based on Australian BBSW) and fixed interest rates based on agreed swap rates for the full term of the underlying borrowings. In certain circumstances borrowings are retained in the foreign currency, or hedged from one foreign currency to another to match payments of interest and principal against expected future business cash flows in that foreign currency.

The following table details the cross currency swap contract principal payments due as at the reporting date:

Cash flow hedges	Foreign currency	Exchange rate	Less than			More than 5 years
			1 year	1 - 2 years	2 - 5 years	
2017		\$	\$000	\$000	\$000	\$000
Pay AUD / receive foreign currency						
2003 USPP Notes	AUD/USD	0.6573	-	(95,847)	-	-
2007 USPP Notes	AUD/USD	0.8068	-	(151,215)	(153,694)	-
2009 USPP Notes	AUD/USD	0.7576	-	-	(98,997)	-
2012 JPY Medium Term Notes	AUD/JPY	79.4502	(125,865)	-	-	-
2012 CAD Medium Term Notes	AUD/CAD	1.0363	-	-	(289,494)	-
2012 US144A	AUD/USD	1.0198	-	-	-	(735,438)
2012 GBP Medium Term Notes	AUD/GBP	0.6530	-	-	-	(535,988)
2017 US144A	AUD/USD	0.7668	-	-	-	(1,108,503)
Pay USD / receive foreign currency						
2015 EUR Medium Term Notes	USD/EUR	0.9514	-	-	(957,914)	(889,661)
2015 GBP Medium Term Notes	USD/GBP	0.6773	-	-	-	(1,153,591)
			(125,865)	(247,062)	(1,500,099)	(4,423,181)

APT Pipelines Limited and its Controlled Entities
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Capital Management

19. Financial risk management (continued)

(a) Market risk (continued)

Foreign currency risk (continued)

Cross currency swap contracts (continued)

Cash flow hedges	Foreign currency	Exchange rate \$	Less than				More than 5 years \$000
			1 year \$000	1 - 2 years \$000	2 - 5 years \$000	5 years \$000	
2016							
Pay AUD / receive foreign currency							
2003 USPP Notes	AUD/USD	0.6573	-	-	(95,847)	-	-
2007 USPP Notes	AUD/USD	0.8068	(190,878)	-	(151,215)	(153,694)	-
2009 USPP Notes	AUD/USD	0.7576	(85,787)	-	(98,997)	-	-
2012 JPY Medium Term Notes	AUD/JPY	79.4502	-	(125,865)	-	-	-
2012 CAD Medium Term Notes	AUD/CAD	1.0363	-	-	(289,494)	-	-
2012 US144A	AUD/USD	1.0198	-	-	-	(735,438)	-
2012 GBP Medium Term Notes	AUD/GBP	0.6530	-	-	-	(535,988)	-
Pay USD / receive foreign currency							
2015 EUR Medium Term Notes	USD/EUR	0.9514	-	-	-	(1,904,107)	-
2015 GBP Medium Term Notes	USD/GBP	0.6773	-	-	-	(1,188,888)	-
			(276,665)	(125,865)	(635,553)	(4,518,115)	

Foreign currency denominated borrowings

The Consolidated Entity maintains a level of borrowings in foreign currency, or swapped from one foreign currency to another to match payments of interest and principal against expected future business cash flows in that foreign currency. This mitigates the risk of adverse movements in foreign exchange rates in relation to principal and interest payments arising from these foreign currency borrowings as well as future revenues.

Foreign currency sensitivity analysis

The analysis below shows the effect on profit and total equity of retranslating cash, receivables, payables and interest-bearing liabilities denominated in USD, JPY, CAD, GBP and EUR into AUD, had the rates been 20 percent higher or lower than the relevant year end rate, with all other variables held constant, and taking into account all underlying exposures and related hedges. A sensitivity of 20 percent has been selected and represents management's assessment of the possible change in rates taking into account the current level of exchange rates and the volatility observed both on an historical basis and on market expectations for possible future movements.

- There would be no impact on net profit as all foreign currency exposures are fully hedged (2016: nil); and
- Equity reserves would decrease by \$1,255.0 million with a 20 percent depreciation of the A\$ or increase by \$839.8 million with a 20 percent increase in foreign exchange rates (2016: decrease by \$1,410.2 million or increase by \$940.5 million respectively). The decrease in sensitivity is due to the decrease in the notional value of forward exchange contracts that are in a hedging relationship with highly probable forecast transactions.

Interest rate risk

The Consolidated Entity's interest rate risk is derived predominately from borrowings subject to fixed and floating interest rates. This risk is managed by the Consolidated Entity by maintaining an appropriate mix between fixed and floating rate borrowings, through the use of interest rate swap contracts. Hedging activities are evaluated regularly to align with interest rate views and defined policy, ensuring appropriate hedging strategies are applied.

The Consolidated Entity's exposures to interest rate risk on financial liabilities are detailed in the liquidity risk management section of this note. Exposure to financial assets is limited to cash and cash equivalents amounting to \$394.5 million as at 30 June 2017 (2016: \$77.9 million).

APT Pipelines Limited and its Controlled Entities
Notes to the consolidated financial statements (continued)
For the financial year ended 30 June 2017

Capital Management

19. Financial risk management (continued)

(a) Market risk (continued)

Interest rate risk (continued)

Cross currency swap and interest rate swap contracts

Cross currency swap and interest rate swap contracts have the economic effect of converting borrowings from floating to fixed rates and/or fixed rate foreign currency to fixed or floating AUD rates on agreed notional principal amounts enabling the Consolidated Entity to mitigate the risk of cash flow exposures on variable rate debt held. The fair value of interest rate swaps at the reporting date is determined by discounting the future cash flows using the yield curves at reporting date. The average interest rate is based on the outstanding balances at the end of the financial year.

The following table details the notional principal amounts and remaining terms of the interest rate swap and cross currency swap contracts outstanding as at the end of the financial year:

	Weighted average interest rate		Notional principal amount		Fair value	
	2017	2016	2017	2016	2017	2016
	% p.a.	% p.a.	\$000	\$000	\$000	\$000
Cash flow hedges - Pay fixed AUD interest - receive floating AUD or fixed						
Less than 1 year	6.80	8.58	125,865	276,665	(14,249)	17,700
1 year to 2 years	7.30	6.80	247,062	125,865	(9,706)	(2,403)
2 years to 5 years ^(a)	5.18	7.76	1,500,099	635,553	85,006	10,284
5 years and more ^(a)	5.38	5.08	4,423,181	4,518,115	81,206	116,089
			6,296,207	5,556,198	142,257	141,670

(a) This amount includes a notional amount of USD 2.3 billion (2016: USD 2.3 billion) which is subject to USD interest rate risk.

The cross currency swaps and interest rate swaps settle on a quarterly or semi-annual basis. The floating rate benchmark on the interest rate swaps is Australian BBSW. The Consolidated Entity will settle the difference between the fixed and floating interest rate on a net basis.

All cross currency swap and interest rate swap contracts exchanging floating rate interest amounts for fixed rate interest amounts are designated as cash flow hedges in order to reduce the Consolidated Entity's cash flow exposure on borrowings.

Interest rate sensitivity analysis

The sensitivity analysis below has been determined based on the exposure to interest rates for both derivative and non-derivative instruments held. A 100 basis point increase or decrease is used and represents management's assessment of the greatest possible change in interest rates. At reporting date, if interest rates had been 100 basis points higher or lower and all other variables were held constant, the Consolidated Entity's:

- net profit would decrease by \$5,150,000 or increase by \$5,150,000 (2016: decrease by \$12,225,000 or increase by \$12,225,000). This is mainly attributable to the Consolidated Entity's exposure to interest rates on its variable rate borrowings, including its Australian Dollar subordinated notes; and
- equity reserves would increase by \$31,379,000 with a 100 basis point decrease in interest rates or decrease by \$27,772,000 with a 100 basis point increase in interest rates (2016: increase by \$25,722,000 or decrease by \$28,287,000 respectively). This is due to the changes in the fair value of derivative interest instruments.

The Consolidated Entity's profit sensitivity to interest rates has decreased during the current year due to the overall decrease in the level of the Consolidated Entity's unhedged floating rate borrowings. The valuation of the increase/decrease in equity reserves is based on 1.00% p.a. increase/decrease in the yield curve at the reporting date. The increase in sensitivity in equity is due to the increase in the notional value of interest rate and cross currency swaps.

APT Pipelines Limited and its Controlled Entities
Notes to the consolidated financial statements (continued)
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Capital Management

19. Financial risk management (continued)

(a) Market risk (continued)

Price risk

The Consolidated Entity is exposed to price risk arising from forward purchase contracts over listed equities. The forward purchase contracts are held to meet hedging objectives rather than for trading purposes. The Consolidated Entity does not actively trade any of these holdings.

Price risk sensitivity

The sensitivity analysis below has been determined based on the exposure to price risks at the reporting date. At the reporting date, if the prices of the Consolidated Entity's equity investments had been 5 percent p.a. higher or lower:

- net profit would have been unaffected as there is no effect from the forwards as the corresponding exposure will offset in full (2016: \$nil); and
- there is no effect on equity reserves as the Consolidated Entity holds no available-for-sale investments (2016: \$nil).

(b) Credit risk

Credit risk refers to the risk that a counterparty will default on its contractual obligations resulting in financial loss to the Consolidated Entity. The Consolidated Entity has adopted the policy of only dealing with creditworthy counterparties and obtaining sufficient collateral or bank guarantees where appropriate as a means of mitigating any risk of loss. For financial investments or market risk hedging, the Consolidated Entity's policy is to only transact with counterparties that have a credit rating of A- (Standard & Poor's)/A3 (Moody's) or higher unless specifically approved by the Board. Where a counterparty's rating falls below this threshold following a transaction, no other transactions can be executed with that counterparty until the exposure is sufficiently reduced or their credit rating is upgraded above the Consolidated Entity's minimum threshold. The Consolidated Entity's exposure to financial instrument and deposit credit risk is closely monitored against counterparty credit limits imposed by the Treasury Risk Management Policy approved by the Audit and Risk Management Committee. These limits are regularly reviewed by the Board.

Trade receivables consist of mainly corporate customers which are diverse and geographically spread. Most significant customers have an investment grade rating from either Standard & Poor's or Moody's. Ongoing credit monitoring of the financial position of customers is maintained.

The carrying amount of financial assets recorded in the financial statements, net of any allowances, represents the Consolidated Entity's maximum exposure to credit risk in relation to those assets.

Cross guarantee

In accordance with a deed of cross guarantee, APT Pipelines Limited has agreed to provide financial support, when and as required, to all wholly-owned controlled entities with either a deficit in shareholders' funds or an excess of current liabilities over current assets. The fair value of the financial guarantee as at 30 June 2017 has been determined to be immaterial and no liability has been recorded (2016: \$nil).

(c) Liquidity risk

The Consolidated Entity has a policy dealing with liquidity risk which requires an appropriate liquidity risk management framework for the management of the Consolidated Entity's short, medium and long-term funding and liquidity management requirements. Liquidity risk is managed by maintaining adequate cash reserves and banking facilities, by monitoring and forecasting cash flows and where possible arranging liabilities with longer maturities to more closely match the underlying assets of the Consolidated Entity.

APT Pipelines Limited and its Controlled Entities
Notes to the consolidated financial statements (continued)
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Capital Management

19. Financial risk management (continued)

(c) Liquidity risk (continued)

Detailed below are the Consolidated Entity's remaining contractual maturities for its non-derivative financial liabilities. The table is presented based on the undiscounted cash flows of financial liabilities taking account of the earliest date on which the Consolidated Entity can be required to pay. The table includes both interest and principal cash flows.

The table below shows the undiscounted Australian dollar cash flows associated with the AUD and foreign currency denominated notes, cross currency interest rate swaps and fixed interest rate swaps in aggregate.

	Maturity	Average interest rate % p.a.	Less than 1 year \$000	1 - 5 years \$000	More than 5 years \$000
2017					
Unsecured financial liabilities					
Trade and other payables		-	283,758	-	-
Unsecured bank borrowings ^(a)		-	-	-	-
2012 Subordinated Notes ^(b)	1-Oct-72	6.30	32,221	142,361	2,567,692
Denominated in US\$					
Other financial liabilities ^(c)			7,609	30,436	33,927
Guaranteed Senior Notes ^(d)					
Denominated in A\$					
2007 Series E	15-May-19	7.40	5,045	73,214	-
2007 Series G	15-May-22	7.45	6,002	104,590	-
2007 Series H	15-May-22	7.45	4,617	80,454	-
2010 AUD Medium Term Notes	22-Jul-20	7.75	23,250	358,125	-
2016 AUD Medium Term Note	20-Oct-23	3.75	7,500	30,000	211,250
Denominated in US\$					
2003 Series D	9-Sep-18	6.02	6,930	99,360	-
2007 Series D	15-May-19	5.99	11,111	162,324	-
2007 Series F	15-May-22	6.14	11,354	199,141	-
2009 Series B	1-Jul-19	8.86	5,897	116,558	-
2012 US 144A	11-Oct-22	3.88	49,123	196,627	760,068
2015 US 144A ^(c)	23-Mar-25	4.20	60,160	240,641	1,613,033
2015 US 144A ^(c)	23-Mar-35	5.00	19,533	78,130	644,790
2017 US 144A	15-Jul-27	4.25	48,046	235,087	1,430,522
Denominated in stated foreign currency					
2012 JPY Medium Term Notes	22-Jun-18	1.23	134,424	-	-
2012 CAD Medium Term Notes	24-Jul-19	4.25	19,529	318,708	-
2012 GBP Medium Term Notes	26-Nov-24	4.25	39,783	157,619	634,905
2015 GBP Medium Term Notes ^(c)	22-Mar-30	3.50	51,729	207,013	1,567,617
2015 EUR Medium Term Notes ^(c)	22-Mar-22	1.38	34,990	1,097,872	-
2015 EUR Medium Term Notes ^(c)	22-Mar-27	2.00	39,105	156,419	1,085,184
			901,716	4,084,679	10,548,988

(a) Undrawn bank facilities mature on 18 May 2018 (\$100 million limit), 19 September 2018 (\$311.25 million limit), 18 May 2019 (\$50 million limit), 19 December 2019 (\$100 million limit), 18 May 2020 (\$50 million limit), 19 September 2020 (\$207.5 million limit), 19 December 2020 (\$100 million limit) and 18 May 2021 (\$150 million limit).

(b) The first call date is 31 March 2018.

(c) Facilities are denominated in or fully swapped by way of CCIRS into US\$. Cashflows represent the US\$ cashflow translated at the USD/AUD spot rate as at 30 June 2017. These amounts are fully hedged by forward exchange contracts or future US\$ revenues.

(d) Rates shown are the coupon rate.

APT Pipelines Limited and its Controlled Entities
Notes to the consolidated financial statements (continued)
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Capital Management

19. Financial risk management (continued)

(c) Liquidity risk (continued)

	Maturity	Average interest rate % p.a.	Less than 1 year \$'000	1 - 5 years \$'000	More than 5 years \$'000
2016					
Unsecured financial liabilities:					
Trade and other payables		-	238,528	-	-
Unsecured bank borrowings ^(a)		2.82	19,610	726,228	-
2012 Subordinated Notes	1-Oct-72	6.78	33,267	130,200	2,381,395
Denominated in US\$					
Other financial liabilities ^(b)			7,841	31,367	42,806
Guaranteed Senior Notes ^(c)					
Denominated in A\$					
2007 Series A	15-May-17	7.33	5,367	-	-
2007 Series C	15-May-17	7.38	106,475	-	-
2007 Series E	15-May-19	7.40	5,045	78,259	-
2007 Series G	15-May-22	7.45	6,002	24,008	86,584
2007 Series H	15-May-22	7.45	4,617	18,468	66,603
2010 AUD Medium Term Notes	22-Jul-20	7.75	23,250	381,375	-
Denominated in US\$					
2003 Series C	9-Sep-15	5.77	-	-	-
2003 Series D	9-Sep-18	6.02	6,930	106,290	-
2007 Series B	15-May-17	5.89	204,864	-	-
2007 Series D	15-May-19	5.99	11,111	173,435	-
2007 Series F	15-May-22	6.14	11,354	45,416	165,079
2009 Series A	1-Jul-16	8.35	90,569	-	-
2009 Series B	1-Jul-19	8.86	11,761	128,286	-
2012 US 144A	11-Oct-22	3.88	49,123	196,762	809,056
2015 US 144A ^(b)	23-Mar-25	4.20	62,001	248,004	1,724,389
2015 US 144A ^(b)	23-Mar-35	5.00	20,130	80,521	684,650
Denominated in stated foreign currency					
2012 JPY Medium Term Notes	22-Jun-18	1.23	8,559	134,424	-
2012 CAD Medium Term Notes	24-Jul-19	4.25	19,529	338,237	-
2012 GBP Medium Term Notes	26-Nov-24	4.25	39,459	157,943	674,364
2015 GBP Medium Term Notes ^(b)	22-Mar-30	3.50	53,312	213,349	1,668,898
2015 EUR Medium Term Notes ^(b)	22-Mar-22	1.38	36,060	144,240	1,023,284
2015 EUR Medium Term Notes ^(b)	22-Mar-27	2.00	40,301	161,205	1,158,689
			1,115,065	3,518,017	10,485,797

(a) Facilities mature on 19 September 2017 (\$311.25 million limit), 18 May 2018 (\$100 million limit), 19 September 2018 (\$311.25 million limit), 18 May 2019 (\$50 million limit), 19 December 2019 (\$100 million limit), 18 May 2020 (\$50 million limit), 19 September 2020 (\$207.5 million limit), 19 December 2020 (\$100 million limit) and 18 May 2021 (\$150 million limit).

(b) Facilities are denominated or fully swapped by way of CCIRS into US\$. Cashflows represent the US\$ cashflow translated at the USD/AUD spot rate as at 30 June 2016. These amounts are fully hedged by forward exchange contracts or future US\$ revenues.

(c) Rates shown are the coupon rate.

APT Pipelines Limited and its Controlled Entities
Notes to the consolidated financial statements (continued)
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Capital Management

19. Financial risk management (continued)

Critical accounting judgements and key sources of estimation uncertainty - fair value of financial instruments

The Consolidated Entity has financial instruments that are carried at fair value in the statement of financial position. The best evidence of fair value is quoted prices in an active market. If the market for a financial instrument is not active, the Consolidated Entity determines fair value by using various valuation models. The objective of using a valuation technique is to establish the price that would be received to sell an asset or paid to transfer a liability between market participants. The chosen valuation models make maximum use of market inputs and rely as little as possible on entity specific inputs. The fair values of all positions include assumptions made as to recoverability based on the counterparty's and the Consolidated Entity's credit risk.

Fair value measurements recognised in the statement of financial position

The following table provides an analysis of financial instruments that are measured subsequent to initial recognition at fair value, grouped into Levels 1 to 3 based on the degree to which the fair value is observable.

- Level 1 fair value measurements are those derived from quoted prices (unadjusted) in active markets for identical assets or liabilities.
- Level 2 fair value measurements are those derived from inputs other than quoted prices included within Level 1 that are observable for the asset or liability, either directly (i.e. as prices) or indirectly (i.e. derived from prices).
- Level 3 fair value measurements are those derived from valuation techniques that include inputs for the asset or liability that are not based on observable market data (unobservable inputs).

Transfers between levels of the fair value hierarchy occur at the end of the reporting period. There have been no transfers between the levels during 2017 (2016: none). Transfers between level 1 and level 2 are triggered when there are changes to the availability of quoted prices in active markets. Transfers into level 3 are triggered when the observable inputs become no longer observable, or vice versa for transfer out of level 3.

Fair value of the Consolidated Entity's financial assets and liabilities that are measured at fair value on a recurring basis

The fair values of financial assets and financial liabilities are measured at the end of each reporting period and determined as follows:

- the fair values of available-for-sale financial assets and financial liabilities with standard terms and conditions and traded on active liquid markets are determined with reference to quoted market prices. These instruments are classified in the fair value hierarchy at level 1;
- the fair values of forward foreign exchange contracts included in hedging assets and liabilities are calculated using discounted cash flow analysis based on observable forward exchange rates at the end of the reporting period and contract forward rates discounted at a rate that reflects the credit risk of the various counterparties. These instruments are classified in the fair value hierarchy at level 2;
- the fair values of interest rate swaps, cross currency swaps, equity forwards and other derivative instruments included in hedging assets and liabilities are calculated using discounted cash flow analysis using observable yield curves at the end of the reporting period and contract rates discounted at a rate that reflects the credit risk of the various counterparties. These instruments are classified in the fair value hierarchy at level 2;
- the fair value of financial guarantee contracts is determined based upon the probability of default by the specified counterparty extrapolated from market-based credit information and the amount of loss, given the default. These instruments are classified in the fair value hierarchy at level 2; and
- the carrying value of financial assets and liabilities recorded at amortised cost in the financial statements approximate their fair value having regard to the specific terms of the agreements underlying those assets and liabilities.

APT Pipelines Limited and its Controlled Entities
Notes to the consolidated financial statements (continued)
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19. Financial risk management (continued)

Fair value of financial instruments (continued)

Fair value hierarchy

	Level 1 \$000	Level 2 \$000	Level 3 \$000	Total \$000
2017				
Financial assets measured at fair value				
Equity forwards designated as fair value through profit and loss	-	2,673	-	2,673
Cross currency interest rate swaps used for hedging	-	416,256	-	416,256
Forward foreign exchange contracts used for hedging	-	65,485	-	65,485
	-	484,414	-	484,414
Financial liabilities measured at fair value				
Interest rate swaps used for hedging	-	4,977	-	4,977
Cross currency interest rate swaps used for hedging	-	269,019	-	269,019
Forward foreign exchange contracts used for hedging	-	27,912	-	27,912
	-	301,908	-	301,908
2016				
Financial assets measured at fair value				
Equity forwards designated as fair value through profit or loss	-	2,566	-	2,566
Interest rate swaps used for hedging	-	-	-	-
Cross currency interest rate swaps used for hedging	-	417,949	-	417,949
Forward foreign exchange contracts used for hedging	-	22,941	-	22,941
	-	443,456	-	443,456
Financial liabilities measured at fair value				
Interest rate swaps used for hedging	-	8,993	-	8,993
Cross currency interest rate swaps used for hedging	-	267,287	-	267,287
Forward foreign exchange contracts used for hedging	-	10,137	-	10,137
	-	286,417	-	286,417

Fair value measurements of financial instruments measured at amortised cost

The financial liabilities included in the following table are fixed rate borrowings. Other debts held by the Consolidated Entity are floating rate borrowings and amortised cost as recorded in the financial statements approximate their fair values.

	Carrying amount		Fair value (level 2) ^(a)	
	2017 \$000	2016 \$000	2017 \$000	2016 \$000
Financial liabilities				
Unsecured long term Private Placement Notes	710,742	1,124,099	774,803	1,246,720
Unsecured Australian Dollar Medium Term Notes	500,000	300,000	534,030	346,153
Unsecured Japanese Yen Medium Term Notes	115,738	129,964	116,681	132,575
Unsecured Canadian Dollar Medium Term Notes	301,230	310,555	308,490	317,912
Unsecured US Dollar 144A Medium Term Notes	3,906,504	2,885,325	4,008,505	3,015,771
Unsecured British Pound Medium Term Notes	1,610,281	1,688,747	1,721,799	1,822,352
Unsecured Euro Medium Term Notes	2,007,377	2,008,378	1,976,924	1,958,596
	9,151,872	8,447,068	9,441,232	8,840,079

(a) The fair values have been determined in accordance with generally accepted pricing models based on discounted cash flow analysis using prices from observable current markets, discounted at a rate that reflects the credit risk of the various counterparties. The instruments are classified in the fair value hierarchy at level 2.

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20. Other financial instruments

	Assets		Liabilities	
	2017 \$000	2016 \$000	2017 \$000	2016 \$000
Derivatives at fair value:				
Equity forward contracts	1,484	1,864	-	-
Derivatives at fair value designated as hedging instruments:				
Foreign exchange contracts - cash flow hedges	32,991	1,389	14,267	1,421
Interest rate swaps - cash flow hedges	-	-	4,214	3,925
Cross currency interest rate swaps - cash flow hedges	17,574	31,602	127,287	109,328
Financial assets carried at amortised cost:				
Redeemable preference share interest	285	285	-	-
Current	52,334	35,140	145,768	114,674
Financial items carried at amortised cost:				
Redeemable preference shares	10,400	10,400	-	-
Derivatives - at fair value:				
Equity forward contracts	1,189	702	-	-
Derivatives at fair value designated as hedging instruments:				
Foreign exchange contracts - cash flow hedges	32,494	21,552	13,645	8,716
Interest rate swaps - cash flow hedges	-	-	2,072	6,246
Cross currency interest rate swaps - cash flow hedges	414,690	398,717	166,370	179,629
Non-current	458,773	431,371	182,087	194,591

Redeemable preference shares relate to the Consolidated Entity's 20% interest in GDI (EII) Pty Ltd. In December 2011, APA sold 80% of its gas distribution network in South East Queensland (Allgas) into an unlisted investment entity, GDI (EII) Pty Ltd. At that date GDI issued 52 million Redeemable Preference Shares (RPS) to its owners. The shares attract periodic interest payments and have a redemption date 10 years from issue.

Recognition and measurement

Hedge accounting

The Consolidated Entity designates certain hedging instruments, which include derivatives, embedded derivatives and non-derivatives in respect of foreign currency risk, as either fair value hedges or cash flow hedges. There are no fair value hedges in the current or prior year. Hedges of foreign exchange and interest rate risk are accounted for as cash flow hedges.

At the inception of the hedge relationship, the Consolidated Entity formally designates and documents the hedge relationship, including the risk management strategy for undertaking the hedge. This includes identification of the hedging instrument, hedged item or transaction, the nature of the risk being hedged and how the entity will assess the hedging instrument's effectiveness. Hedges are expected to be highly effective in achieving offsetting changes in fair value or cash flows and they are regularly assessed to ensure they continue to be effective.

Note 19 contains details of the fair values of the derivative instruments used for hedging purposes. Movements in the hedging reserve in equity are also detailed in the Consolidated Statement of Changes in Equity.

Derivatives are initially recognised at fair value at the date a derivatives contract is entered into and subsequently remeasured to fair value at each reporting period. The resulting gain or loss is recognised in profit or loss immediately unless the derivative is designated and effective as a hedging instrument, in which event the timing of the recognition in profit or loss depends on the nature of the hedge relationship. A derivative with a positive fair value is recognised as a financial asset, a derivative with a negative fair value is recognised as a financial liability.

The fair value of hedging derivatives is classified as either current or non-current based on the timing of the underlying cash flows of the instrument. Cash flows due within 12 months of the reporting date are classified as current and cash flows due after 12 months of the reporting date are classified as non-current.

APT Pipelines Limited and its Controlled Entities
Notes to the consolidated financial statements (continued)
For the financial year ended 30 June 2017

Capital Management

20. Other financial instruments (continued)

Recognition and measurement (continued)

Cash flow hedges

For cash flow hedges, the portion of the gain or loss on the hedging instrument that is effective is recognised directly in equity, while the ineffective portion is recognised in profit or loss.

Amounts recognised in equity are transferred to the profit or loss when the hedged transaction affects profit or loss, such as when the hedged income or expenses are recognised or when a forecast sale occurs. When the hedged item is the cost of a non-financial asset or liability, the amounts taken to equity are transferred to the initial carrying amount of the non-financial asset or liability.

If the forecast transaction is no longer expected to occur, amounts previously recognised in equity are transferred to the profit or loss. If the hedging instrument expires or is sold, terminated or exercised, or if its designation as a hedge is revoked, amounts previously recognised in equity remain in equity until the forecast transaction occurs.

Impairment of financial assets

Financial assets, other than those at fair value through profit or loss, are assessed for indicators of impairment at the end of each reporting period. Financial assets are impaired where, as a result of one or more events that occurred after the initial recognition of the financial asset, there is objective evidence that the estimated future cash flows of the investments have been unfavourably impacted.

For financial assets carried at amortised cost, the amount of the impairment is the difference between the asset's carrying amount and the present value of estimated future cash flows, discounted at the original effective interest rate. The carrying amount of the asset is reduced through the use of an allowance account and the loss is recognised in the statement of profit or loss.

With the exception of available-for-sale equity instruments, if, in a subsequent period, the amount of the impairment loss decreases and the decrease can be related objectively to an event occurring after the impairment was recognised, the previously recognised impairment loss is reversed through profit or loss to the extent the carrying amount of the investment at the date the impairment is reversed, does not exceed what the amortised cost would have been had the impairment not been recognised. In respect of available-for-sale equity instruments, any subsequent increase in fair value after an impairment loss is recognised in other comprehensive income.

21. Issued capital

	2017		2016	
	\$000		\$000	
Shares				
62,127,252 shares, fully paid (2016: 62,127,252 shares, fully paid) ^(a)		117,330		117,330
	2017		2016	
	No. of		No. of	
	shares	2017	shares	2016
	000	\$000	000	\$000
Movements				
Balance at beginning of financial year	62,127	117,330	62,127	117,330
Balance at end of financial year	62,127	117,330	62,127	117,330

(a) Fully paid shares carry one vote per share and carry the right to distributions.

Changes to the then Corporations Law abolished the authorised capital and par value concept in relation to issued capital from 1 July 1998. Therefore, the Company does not have a limited amount of authorised capital and issued shares do not have a par value.

APT Pipelines Limited and its Controlled Entities
Notes to the consolidated financial statements (continued)
For the financial year ended 30 June 2017

Group Structure

22. Non-controlling interests

	2017 \$000	2016 \$000
Issued capital		
Balance at beginning of financial year	119,257	119,257
	119,257	119,257
Reserves		
Balance at beginning of financial year	1	1
	1	1
Retained earnings		
Balance at beginning of financial year	48	47
Profit for the year	28,610	31,748
Distributions paid	(28,610)	(31,747)
Balance at end of financial year	48	48
	119,306	119,306

23. Joint arrangements and associates

The table below lists the Consolidated Entity's interest in joint ventures and associates that are reported as part of the Energy Investments segment. The Consolidated Entity provides asset management, operation and maintenance services and corporate services, in varying combinations, to the majority of energy infrastructure assets housed within these entities.

Name of entity	Principal activity	Country of incorporation	Ownership interest %	
			2017	2016
Joint ventures:				
SEA Gas	Gas transmission	Australia	50.00	50.00
SEA Gas (Mortlake)	Gas transmission	Australia	50.00	-
EII 2	Power generation (wind)	Australia	20.20	20.20
Associate:				
GDI (EII)	Gas distribution	Australia	20.00	20.00
			2017	2016
			\$000	\$000
Investment in joint ventures and associate using the equity method			240,772	197,185

APT Pipelines Limited and its Controlled Entities
Notes to the consolidated financial statements (continued)
For the financial year ended 30 June 2017

Group Structure

23. Joint arrangements and associates (continued)

Aggregated information in respect of the joint ventures and associate is set out below:

	2017 \$000	2016 \$000
Joint Ventures		
Aggregate carrying amount of investment	210,583	170,408
The Consolidated Entity's aggregated share of:		
Profit from continuing operations	15,109	13,640
Other comprehensive income	3,417	(8,103)
Total comprehensive income	18,526	5,537
Associate		
Aggregate carrying amount of investment	30,189	26,777
The Consolidated Entity's aggregated share of:		
Profit from continuing operations	4,618	3,337
Other comprehensive income	2,914	(1,327)
Total comprehensive income	7,532	2,010

Investment in associates

An associate is an entity over which the Consolidated Entity has significant influence and that is neither a subsidiary nor a joint arrangement. Investments in associates are accounted for using the equity accounting method.

Under the equity accounting method the investment is recorded initially at cost to the Consolidated Entity, including any goodwill on acquisition. In subsequent periods the carrying amount of the investment is adjusted to reflect the Consolidated Entity's share of the retained post-acquisition profit or loss and other comprehensive income, less any impairment.

Losses of an associate or joint venture in excess of the Consolidated Entity's interests (which includes any long-term interests, that in substance, form part of the net investment) are recognised only to the extent that there is a legal or constructive obligation or the Consolidated Entity has made payments on behalf of the associate or joint venture.

Contingent liabilities and capital commitments

The Consolidated Entity's share of the contingent liabilities, capital commitments and other expenditure commitments of jointly controlled operations is disclosed in Note 26.

The Consolidated Entity is a venturer in the following joint operations and assets:

Name of venture	Principal activity	Output interest	
		2017 %	2016 %
Goldfields Gas Transmission	Gas pipeline operation - Western Australia	88.2 ^(a)	88.2 ^(a)
Mid West Pipeline	Gas pipeline operation - Western Australia	50.0 ^(b)	50.0 ^(b)

(a) On 17 August 2004, the Consolidated Entity acquired a direct interest in the Goldfields Gas Transmission joint operations as part of the SCP Gas Business acquisition.

(b) Pursuant to the joint venture agreement, the Consolidated Entity receives a 70.8% share of operating income and expenses.

Interest in joint arrangements

A joint arrangement is an arrangement of which two or more parties have joint control. Joint control is the contractually agreed sharing of control such that decisions about the relevant activities of the arrangement (those that significantly affect the returns) require the unanimous consent of the parties sharing control. The Consolidated Entity has two types of joint arrangements:

Joint ventures: A joint arrangement in which the parties that share joint control have rights to the net assets of the arrangement. Joint Ventures are accounted for using the equity accounting method; and

APT Pipelines Limited and its Controlled Entities
Notes to the consolidated financial statements (continued)
For the financial year ended 30 June 2017

Group Structure

23. Joint arrangements and associates (continued)

Joint operations: A joint arrangement in which the parties that share joint control have rights to the assets, and obligations for the liabilities, relating to the arrangement. In relation to its interest in a joint operation, the Consolidated Entity recognises its share of assets and liabilities, revenue from the sale of its share of the output and its share of revenue generated from the sale of the output by the joint operation and its share of expenses. These are incorporated into the Consolidated Entity's financial statements under the appropriate headings.

24. Business combinations

Acquisitions of businesses which are under common control are accounted for using book values of the assets and liabilities of the business acquired. The Consolidated Entity's financial statements incorporate the results of the acquired business from the date the transaction takes place. Consequently, the Consolidated Entity's financial statements do not reflect the results of the acquiree for the period before the transaction occurred and as such, the corresponding amounts for the prior period are not restated.

Subsidiaries acquired

Name of entity	Principal activity	Date of Acquisition	Proportion of shares acquired %	Cost of acquisition \$'000
2017				
Gorodok Pty Ltd	Gas transmission	1-Jul-16	100.00	136,796

Gorodok Pty Ltd

On 1 July 2016, a wholly owned subsidiary of the Consolidated Entity acquired Gorodok Pty Ltd (Gorodok), from another entity within the APA Group. The interest acquired was measured by reference to the book values of the assets and liabilities of the Gorodok business on this date.

Assets acquired and liabilities assumed at the date of acquisition

	Gorodok \$'000
Net assets acquired	\$'000
Current assets	
Cash and cash equivalents	4,241
Trade and other receivables	3
Other	293
Non-current assets	
Restricted cash	2,149
Property, plant & equipment	141,036
Receivables from related parties	8,210
Current liabilities	
Trade and other payables	(740)
Provisions	(1,361)
Non-current liabilities	
Deferred tax liabilities	(16,109)
Provisions	(926)
Fair value of net assets acquired	136,796
Cost of acquisition	136,796
Cash balances acquired	(6,390)
Net cash outflow on acquisition	130,406

APT Pipelines Limited and its Controlled Entities
Notes to the consolidated financial statements (continued)
For the financial year ended 30 June 2017

Group Structure

25. Subsidiaries

Subsidiaries are entities controlled by the Consolidated Entity. Control exists where the Consolidated Entity has power over the entities, i.e. existing rights that give them the current ability to direct the relevant activities of the entities (those that significantly affect the returns); exposure, or rights, to variable returns from their involvement with the entities; and the ability to use their power to affect those returns.

Name of entity	Country of registration/ incorporation	Ownership interest	
		2017 %	2016 %
Parent entity			
APT Pipelines Limited ^(a)			
Subsidiaries			
Agex Pty. Ltd. ^{(b),(c)}	Australia	100	100
Amadeus Gas Trust ^(g)	-	96	96
APA (BWF Holdco) Pty Ltd ^{(b),(c)}	Australia	100	100
APA (EDWF Holdco) Pty Ltd ^{(b),(c)}	Australia	100	100
APA (EPX) Pty Limited ^{(b),(c)}	Australia	100	100
APA (NBH) Pty Limited ^{(b),(c)}	Australia	100	100
APA (Pilbara Pipeline) Pty Ltd ^{(b),(c)}	Australia	100	100
APA (SWQP) Pty Limited ^{(b),(c)}	Australia	100	100
APA (WA) One Pty Limited ^{(b),(c)}	Australia	100	100
APA AIS 1 Pty Limited ^{(b),(c)}	Australia	100	100
APA AIS 2 Pty Ltd ^{(b),(c)}	Australia	100	100
APA AIS Pty Limited ^{(b),(c)}	Australia	100	100
APA AM (Allgas) Pty Limited ^{(b),(c)}	Australia	100	100
APA BIDCO Pty Limited ^{(b),(c)}	Australia	100	100
APA Biobond Pty Limited ^{(b),(c)}	Australia	100	100
APA Country Pipelines Pty Limited ^{(b),(c)}	Australia	100	100
APA DPS Holdings Pty Limited ^{(b),(c)}	Australia	100	100
APA DPS2 Pty Limited ^{(b),(c)}	Australia	100	100
APA East Pipelines Pty Limited ^{(b),(c)}	Australia	100	100
APA EE Australia Pty Limited ^{(b),(c)}	Australia	100	100
APA EE Corporate Shared Services Pty Limited ^{(b),(c)}	Australia	100	100
APA EE Holdings Pty Limited ^{(b),(c)}	Australia	100	100
APA EE Pty Limited ^{(b),(c)}	Australia	100	100
APA Ethane Pty Limited ^{(b),(c),(f)}	Australia	100	100
APA Facilities Management Pty Limited ^{(b),(c)}	Australia	100	100
APA Midstream Holdings Pty Limited ^{(b),(c),(d)}	Australia	100	-
APA Operations (EII) Pty Limited ^{(b),(c)}	Australia	100	100
APA Operations Pty Limited ^{(b),(c)}	Australia	100	100
APA Pipelines Investments (BWP) Pty Limited ^{(b),(c)}	Australia	100	100
APA Power Holdings Pty Limited ^{(b),(c)}	Australia	100	100
APA Power PF Pty Limited ^{(b),(c)}	Australia	100	100
APA Reedy Creek Wallumbilla Pty Limited ^{(b),(c),(e)}	Australia	100	100
APA SEA Gas (Mortlake) Holdings Pty Ltd ^{(b),(c)}	Australia	100	100
APA SEA Gas (Mortlake) Pty Ltd ^(b)	Australia	100	100
APA Services (Int) Inc. ^(a)	United States	100	-

APT Pipelines Limited and its Controlled Entities
Notes to the consolidated financial statements (continued)
For the financial year ended 30 June 2017

Group Structure

25. Subsidiaries (continued)

Name of entity	Country of registration/ incorporation	Ownership interest	
		2017 %	2016 %
APA Sub Trust No 1 ^{(b),(g)}	-	100	100
APA Sub Trust No 2 ^{(b),(g)}	-	100	100
APA Sub Trust No 3 ^{(b),(g)}	-	100	100
APA Transmission Pty Limited ^{(b),(c)}	Australia	100	100
APA VTS A Pty Limited ^{(b),(c)}	Australia	100	100
APA VTS Australia (Holdings) Pty Limited ^{(b),(c)}	Australia	100	100
APA VTS Australia (NSW) Pty Limited ^{(b),(c)}	Australia	100	100
APA VTS Australia (Operations) Pty Limited ^{(b),(c)}	Australia	100	100
APA VTS Australia Pty Limited ^{(b),(c)}	Australia	100	100
APA VTS B Pty Limited ^{(b),(c)}	Australia	100	100
APA Western Slopes Pipeline Pty Limited ^{(b),(c),(d)}	Australia	100	-
APA WGP Pty Limited ^{(b),(c)}	Australia	100	100
APT (MIT) Services Pty Limited ^{(b),(c)}	Australia	100	100
APT AM (Stratus) Pty Limited ^{(b),(c)}	Australia	100	100
APT AM Employment Pty Limited ^{(b),(c)}	Australia	100	100
APT AM Holdings Pty Limited ^{(b),(c)}	Australia	100	100
APT Facility Management Pty Limited ^{(b),(c)}	Australia	100	100
APT Goldfields Pty Ltd ^{(b),(c)}	Australia	100	100
APT Management Services Pty Limited ^{(b),(c)}	Australia	100	100
APT O&M Holdings Pty Ltd ^{(b),(c)}	Australia	100	100
APT O&M Services (QLD) Pty Ltd ^{(b),(c)}	Australia	100	100
APT O&M Services Pty Ltd ^{(b),(c)}	Australia	100	100
APT Parmelia Holdings Pty Ltd ^{(b),(c)}	Australia	100	100
APT Parmelia Pty Ltd ^{(b),(c)}	Australia	100	100
APT Parmelia Trust ^{(b),(g)}	-	100	100
APT Petroleum Pipelines Holdings Pty Limited ^{(b),(c)}	Australia	100	100
APT Petroleum Pipelines Pty Limited ^{(b),(c)}	Australia	100	100
APT Pipelines (NSW) Pty Limited ^{(b),(c)}	Australia	100	100
APT Pipelines (NT) Pty Limited ^{(b),(c)}	Australia	100	100
APT Pipelines (QLD) Pty Limited ^{(b),(c)}	Australia	100	100
APT Pipelines (SA) Pty Limited ^{(b),(c)}	Australia	100	100
APT Pipelines (WA) Pty Limited ^{(b),(c)}	Australia	100	100
APT Pipelines Investments (NSW) Pty Limited ^{(b),(c)}	Australia	100	100
APT Pipelines Investments (WA) Pty Limited ^{(b),(c)}	Australia	100	100
APT Sea Gas Holdings Pty Limited ^{(b),(c)}	Australia	100	100
APT SPV2 Pty Ltd ^(b)	Australia	100	100
APT SPV3 Pty Ltd ^(b)	Australia	100	100
Australian Pipeline Limited ^(b)	Australia	100	100
Central Ranges Pipeline Pty Ltd ^{(b),(c)}	Australia	100	100

APT Pipelines Limited and its Controlled Entities
Notes to the consolidated financial statements (continued)
For the financial year ended 30 June 2017

Group Structure

25. Subsidiaries (continued)

Name of entity	Country of registration/ incorporation	Ownership interest	
		2017 %	2016 %
Darling Downs Solar Farm Pty Ltd ^{(b),(c),(d)}	Australia	100	-
Diamantina Holding Company Pty Limited ^{(b),(c)}	Australia	100	100
Diamantina Power Station Pty Limited ^{(b),(c)}	Australia	100	100
East Australian Pipeline Pty Limited ^{(b),(c)}	Australia	100	100
EDWF Holdings 1 Pty Ltd ^{(b),(c)}	Australia	100	100
EDWF Holdings 2 Pty Ltd ^{(b),(c)}	Australia	100	100
EDWF Manager Pty Ltd ^{(b),(c)}	Australia	100	100
Epic Energy East Pipelines Trust ^(b)	Australia	100	100
EPX Hold Co Pty Limited ^{(b),(c)}	Australia	100	100
EPX Member Pty Limited ^{(b),(c)}	Australia	100	100
EPX Trust ^{(b),(g)}	-	100	100
Gasinvest Australia Pty Ltd ^{(b),(c)}	Australia	100	100
GasNet A Trust ^(g)	-	100	100
GasNet Australia Trust ^(b)	Australia	100	100
GasNet B Trust ^{(b),(g)}	-	100	100
Goldfields Gas Transmission Pty Ltd ^(b)	Australia	100	100
Gorodok Pty Ltd ^{(b),(c),(d)}	Australia	100	-
Griffin Windfarm 2 Pty Ltd ^(b)	Australia	100	100
N.T. Gas Distribution Pty Limited ^{(b),(c)}	Australia	100	100
N.T. Gas Easements Pty Limited ^{(b),(c)}	Australia	100	100
N.T. Gas Pty Limited	Australia	96	96
Roverton Pty Ltd ^{(b),(c)}	Australia	100	100
SCP Investments (No. 1) Pty Limited ^{(b),(c)}	Australia	100	100
SCP Investments (No. 2) Pty Limited ^{(b),(c)}	Australia	100	100
SCP Investments (No. 3) Pty Limited ^{(b),(c)}	Australia	100	100
Sopic Pty Ltd ^{(b),(c)}	Australia	100	100
Southern Cross Pipelines (NPL) Australia Pty Ltd ^{(b),(c)}	Australia	100	100
Southern Cross Pipelines Australia Pty Limited ^{(b),(c)}	Australia	100	100
Trans Australia Pipeline Pty Ltd ^{(b),(c)}	Australia	100	100
Votrait No 1613 Pty Limited ^(b)	Australia	100	100
Western Australian Gas Transmission Company 1 Pty Ltd ^{(b),(c)}	Australia	100	100
Wind Portfolio Pty Ltd ^{(b),(c)}	Australia	100	100

(a) The parent of APT Pipelines Limited, Australian Pipeline Trust and its wholly-owned Australian resident entities formed a tax-consolidated group with effect from 1 July 2003 and are therefore taxed as a single entity from that date. The head entity within the tax-consolidated group is Australian Pipeline Trust.

(b) These entities are members of the tax-consolidated group.

(c) These wholly-owned subsidiaries have entered into a deed of cross guarantee with APT Pipelines Limited pursuant to ASIC Corporations Instrument 2016/785 and are relieved from the requirement to prepare and lodge an audited financial report.

(d) Entity was acquired or registered during the 2017 year.

(e) Entity previously known as "APA Newco Pty Limited" during the 2016 year.

(f) Entity changed its company type from Ltd. to Pty. Ltd. during 2017 year.

(g) These trusts are unincorporated and not required to be registered. In respect of APT Parmelia Trust, the governing law of the trust deed was changed from Cayman Islands to New South Wales, Australia on 7 August 2017.

APT Pipelines Limited and its Controlled Entities
Notes to the consolidated financial statements (continued)
For the financial year ended 30 June 2017

Group Structure

25. Subsidiaries (continued)

The consolidated statement of profit or loss and other comprehensive income of the entities party to the deed of cross guarantee is set out below.

	Cross Guarantee Group	
	2017	2016 ^(a)
	\$000	\$000
Continuing operations		
Revenue	2,303,266	2,007,596
Share of net profits of associates and joint ventures using the equity method	11,022	7,647
	2,314,288	2,015,243
Asset operation and management expenses	(207,875)	(83,096)
Depreciation and amortisation expense	(570,335)	(508,509)
Other operating costs - pass-through	(438,140)	(431,080)
Finance costs	(590,472)	(582,100)
Employee benefit expense	(197,700)	(192,796)
Other expenses	(16,916)	(5,943)
Profit before tax	292,850	211,719
Income tax expense	(147,416)	(120,987)
Profit for the year	145,434	90,732
Other comprehensive income, net of income tax		
Items that will not be reclassified subsequently to profit or loss:		
Actuarial gain/(loss) on defined benefit plan	5,452	(8,148)
Income tax relating to (loss)/gain on defined benefit plan	(1,636)	2,444
	3,816	(5,704)
Items that may be reclassified subsequently to profit or loss:		
Transfer of gain on cash flow hedges to profit or loss	92,459	121,922
Gain/(loss) on cash flow hedges taken to equity	164,536	(249,150)
Gain/(loss) on associate hedges taken to equity	6,946	(7,857)
Recycling of reserves on disposal of associate	-	15,099
Income tax relating items that may be reclassified subsequently	(79,182)	36,028
	184,759	(83,958)
Other comprehensive income/(expense) for the year (net of tax)	188,575	(89,662)
Total comprehensive income for the year	334,009	1,070

(a) The 2016 comparative information has been corrected to address an error contained in Note 26 to the 2016 Annual Report.

APT Pipelines Limited and its Controlled Entities
Notes to the consolidated financial statements (continued)
For the financial year ended 30 June 2017

Group Structure

25. Subsidiaries (continued)

The consolidated statement of financial position of the entities party to the deed of cross guarantee is set out below.

	Cross Guarantee Group	
	2017	2016 ^(a)
	\$000	\$000
Current assets		
Cash and cash equivalents	392,439	76,591
Trade and other receivables	1,334,238	1,944,062
Other financial assets	52,334	35,139
Inventories	25,260	18,909
Other	10,421	6,625
Current assets	1,814,692	2,081,326
Non-current assets		
Receivables	15,496	17,283
Other financial assets	1,011,692	1,205,473
Investments accounted for using the equity method	96,552	87,635
Property, plant and equipment	9,148,714	8,331,356
Goodwill	1,182,690	1,133,150
Other intangible assets	3,174,282	3,371,317
Other	31,223	28,622
Non-current assets	14,660,649	14,174,836
Total assets	16,475,341	16,256,162
Current liabilities		
Trade and other payables	4,881,166	4,891,155
Borrowings	127,596	410,532
Other financial liabilities	145,768	114,674
Provisions	93,773	91,027
Unearned revenue	19,225	13,735
Current liabilities	5,267,528	5,521,123
Non-current liabilities		
Trade and other payables	612,487	640,357
Borrowings	9,582,417	9,323,621
Other financial liabilities	182,087	194,591
Deferred tax liabilities	716,576	513,501
Provisions	69,051	67,224
Unearned revenue	37,236	41,895
Non-current liabilities	11,199,854	10,781,189
Total liabilities	16,467,382	16,302,312
Net assets	7,959	(46,150)
Equity		
Issued capital	117,330	117,330
Reserves	(201,347)	(386,106)
Retained earnings	91,976	222,626
Equity attributable to equityholders of the parent	7,959	(46,150)

(a) The 2016 comparative information has been corrected to address an error contained in Note 26 to the 2016 Annual Report.

APT Pipelines Limited and its Controlled Entities
Notes to the consolidated financial statements (continued)
For the financial year ended 30 June 2017

Other

26. Commitments and contingencies

	2017	2016
	\$000	\$000
Capital expenditure commitments		
The Consolidated Entity - plant and equipment	583,387	151,710
The Consolidated Entity's share of jointly controlled operations - plant and equipment	2,698	4,402
	586,085	156,112
Contingent liabilities		
Bank guarantees	43,034	42,027

The Consolidated Entity had no contingent assets as at 30 June 2017 and 30 June 2016.

27. Director and senior executive remuneration

Remuneration of Directors

The aggregate remuneration of Directors of the Consolidated Entity is set out below:

	2017	2016
	\$	\$
Short-term employment benefits	1,682,077	1,548,424
Post-employment benefits	160,104	217,041
Total remuneration: Non-Executive Directors	1,842,181	1,765,465
Short-term employment benefits	3,589,472	3,544,861
Post-employment benefits	35,000	35,000
Cash settled security-based payments	1,485,242	1,579,531
Total remuneration: Executive Director^(a)	5,109,714	5,159,392
Total remuneration: Directors	6,951,895	6,924,857

Remuneration of senior executives^(a)

The aggregate remuneration of senior executives of the Consolidated Entity is set out below:

Short-term employment benefits	11,108,724	10,992,475
Post-employment benefits	551,107	856,636
Cash settled security-based payments	3,730,048	4,442,999
Total remuneration: senior executives	15,389,879	16,292,110

(a) The remuneration for the Chief Executive Officer and Managing Director, Michael (Mick) McCormack, is included in both the remuneration disclosure for Directors and senior executives.

APT Pipelines Limited and its Controlled Entities
Notes to the consolidated financial statements (continued)
For the financial year ended 30 June 2017

Other

28. Remuneration of external auditor

	2017	2016
	\$	\$
Amounts received or due and receivable by Deloitte Touche Tohmatsu for:		
Auditing the financial report	654,900	643,000
Other assurance services ^(a)	263,700	60,000
	918,600	703,000

(a) Services provided were in accordance with the external auditor independence policy. Other assurance services mainly comprise assurance services in relation to the 2017 144A debt issuance and procedures in relation to ASIC Regulatory Guide 231 requirements.

29. Related party transactions

(a) Equity interest in related parties

Details of the percentage of ordinary securities held in subsidiaries are disclosed in Note 25 and the details of the percentage held in joint operations, joint ventures and associates are disclosed in Note 23.

(b) Responsible Entity – Australian Pipeline Limited

The Responsible Entity is wholly owned by APT Pipelines Limited.

(c) Transactions with related parties within the Consolidated Entity

Transactions between the entities that comprise the Consolidated Entity during the financial year consisted of:

- dividends;
- asset lease rentals;
- loans advanced and payments received on long-term inter-entity loans;
- management fees;
- operational services provided between entities; and
- payments of distributions.

The above transactions were made on normal commercial terms and conditions. The Consolidated Entity charges interest on inter-entity loans from time to time.

All transactions between the entities that comprise the Consolidated Entity have been eliminated on consolidation.

Refer to Note 25 for details of the entities that comprise the consolidated group.

Australian Pipeline Limited

Management fees of \$3,967,352 (2016: \$3,999,694) were paid to the Responsible Entity as reimbursement of costs incurred on behalf of the Consolidated Entity. No amounts were paid directly by the Consolidated Entity to the Directors of the Responsible Entity, except as disclosed at Note 27.

Australian Pipeline Limited, in its capacity as trustee and Responsible Entity of APT and APTIT, has guaranteed the payment of principal, interest and other amounts as provided in the senior debt facilities of APT Pipelines Limited, the principal borrowing entity of APA Group.

APT Pipelines Limited and its Controlled Entities
Notes to the consolidated financial statements (continued)
For the financial year ended 30 June 2017

Other

29. Related party transactions (continued)

(d) Transactions with associates and joint ventures

The following transactions occurred with the Consolidated Entity's associates and joint ventures on normal market terms and conditions:

	Dividends from related parties \$000	Sales to related parties \$000	Purchases from related parties \$000	Amount owed by related parties \$000	Amount owed to related parties \$000
2017					
SEA Gas	10,357	3,717	-	96	-
Energy Infrastructure Investments	4,689	26,553	-	5,792	-
EII 2	3,244	752	-	46	-
GDI (EII)	4,121	51,711	99	7,094	-
	22,411	82,733	99	13,028	-
2016					
SEA Gas	10,523	3,371	-	10	-
Energy Infrastructure Investments	3,810	35,114	157	4,344	-
EII 2	3,102	725	-	45	-
APA Ethane Ltd	-	192	-	-	-
Diamantina Power Station ^(a)	-	950	-	-	-
GDI (EII)	4,102	55,775	54	7,830	-
Ethane Pipeline Income Fund ^(b)	-	1,231	-	-	-
	21,537	97,358	211	12,229	-

(a) Following the Consolidated Entity's acquisition of the remaining 50% of Diamantina Power Station on 31 March 2016, transactions with Diamantina Power Station now form part of inter-entity balances and are eliminated on consolidation.

(b) During the 2016 year, APA Group acquired the remaining outstanding share capital of Ethane Pipeline Income Fund. Ethane Pipeline Income Fund became a related party to the Consolidated Entity following the acquisition.

APT Pipelines Limited and its Controlled Entities
Notes to the consolidated financial statements (continued)
For the financial year ended 30 June 2017

Other

30. Parent entity information

The accounting policies of the parent entity, which have been applied in determining the financial information below, are the same as those applied in the consolidated financial statements.

	2017	2016
	\$000	\$000
Financial position		
Assets		
Current assets	553,926	216,046
Non-current assets	16,473,383	16,235,297
Total assets	17,027,309	16,451,343
Liabilities		
Current liabilities	457,854	661,054
Non-current liabilities	16,406,616	15,596,474
Total liabilities	16,864,470	16,257,528
Net assets	162,839	193,815
Equity		
Issued capital	117,330	117,330
Retained earnings	147,852	148,895
Reserves	(102,343)	(72,410)
Total equity	162,839	193,815
Financial performance		
Profit for the year	278,856	250,336
Other comprehensive income	(29,933)	24,412
Total comprehensive income	248,923	274,748

Guarantees entered into by the parent entity in relation to the debts of its subsidiaries

APT Pipelines Limited has entered into a deed of cross guarantee with a number of its wholly-owned subsidiaries. These subsidiaries are listed in full in Note 25.

Contingent liabilities of the parent entity

Refer to Note 26 for contingent liabilities. Bank guarantees are issued by the parent entity.

APT Pipelines Limited and its Controlled Entities
Notes to the consolidated financial statements (continued)
For the financial year ended 30 June 2017

Other

31. Adoption of new and revised Accounting Standards

Standards and Interpretations affecting amounts reported in the current period (and/or prior periods)

There have not been any new or revised Standards and Interpretations issued by the AASB that are relevant to the consolidated entity's operations that would be effective for the current reporting period.

Standards and Interpretations issued not yet adopted

At the date of authorisation of the financial statements, the Standards and Interpretations listed below were on issue but not yet effective.

Standard/Interpretation	Effective for annual reporting periods beginning on or after	Expected to be initially applied in the financial year ending
• AASB 9 'Financial Instruments', and the relevant amending standards	1 January 2018	30 June 2019
• AASB 15 'Revenue from Contracts with Customers', and AASB 2015-8 'Amendments to Australian Accounting Standards - Effective date of AASB 15'	1 January 2018	30 June 2019
• AASB 16 'Leases'	1 January 2019	30 June 2020

The potential impacts of the initial application of the Standards above are yet to be fully quantified.

32. Events occurring after reporting date

On 22 August 2017, the Directors declared a final dividend of 84.7 cents per share (\$52.6 million). The dividend will be paid on 22 August 2017 to sole equityholder, Australian Pipeline Limited as Responsible Entity and Trustee of Australian Pipeline Trust.

Other than the events disclosed above, there have not been any events or transactions that have occurred subsequent to year end that would require adjustment to or disclosure in the financial statements.

APT Pipelines Limited and its Controlled Entities
Declaration by the Directors of APT Pipelines Limited
For the financial year ended 30 June 2017

The Directors declare that:

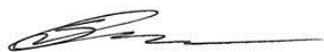
- (a) in the Directors' opinion, there are reasonable grounds to believe that APT Pipelines Limited will be able to pay its debts as and when they become due and payable;
- (b) in the Directors' opinion, the attached financial statements and notes thereto are in accordance with the Corporations Act 2001, including compliance with Accounting Standards and giving a true and fair view of the financial position and performance of the Consolidated Entity;
- (c) in the Directors' opinion, the financial statements and notes thereto are in accordance with International Financial Reporting Standards issued by the International Accounting Standards Board; and
- (d) the Directors have been given the declarations by the Chief Executive Officer and Chief Financial Officer required by section 295A of the Corporations Act 2001.
- (e) At the date of this declaration, APT Pipelines Limited is within the class of companies affected by ASIC Corporations instrument 2016/785. The nature of the deed of cross guarantee is such that each company, which is party to the deed, guarantees to each creditor, payment in full of any debt in accordance with the deed of cross guarantee. In the Directors' opinion, there are reasonable grounds to believe that APT Pipelines Limited and the companies to which the ASIC Class Order applies, as detailed in Note 25 to the financial statements will, as a group, be able to meet any obligations or liabilities to which they are, or may become, subject by virtue of the deed of cross guarantee.

Signed in accordance with a resolution of the Directors made pursuant to section 295(5) of the Corporations Act 2001.

On behalf of the Directors



Leonard Bleasel AM
Chairman



Steven Crane
Director

SYDNEY, 23 August 2017

23 August 2017

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

Dear Directors

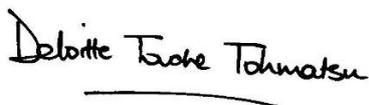
Auditors Independence Declaration to APT Pipelines Limited

In accordance with section 307C of the *Corporations Act 2001*, I am pleased to provide the following declaration of independence to the directors of APT Pipelines Limited.

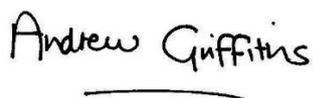
As lead audit partner for the audit of the financial statements of APT Pipelines Limited for the financial year ended 30 June 2017, I declare that to the best of my knowledge and belief, there have been no contraventions of:

- (i) the auditor independence requirements of the *Corporations Act 2001* in relation to the audit; and
- (ii) any applicable code of professional conduct in relation to the audit.

Yours sincerely



DELOITTE TOUCHE TOHMATSU



A V Griffiths
Partner
Chartered Accountants
Sydney, 23 August 2017

Independent Auditor's Report to the Members of APT Pipelines Limited

Report on the Audit of the Financial Report

Opinion

We have audited the accompanying financial report of APT Pipelines Limited ("the consolidated entity"), which comprises the consolidated statement of financial position as at 30 June 2017, the consolidated statement of profit or loss and other comprehensive income, the consolidated statement of changes in equity and the consolidated statement of cash flows for the year then ended, and notes to the financial statements comprising a summary of significant accounting policies and other explanatory information and the directors' declaration.

In our opinion the accompanying financial report of the consolidated entity is in accordance with the *Corporations Act 2001*, including:

- (i) giving a true and fair view of the consolidated entity's financial position as at 30 June 2017 and of its performance for the year then ended; and
- (ii) complying with Australian Accounting Standards and the Corporations Regulations 2001; and

The financial statements also comply with International Financial Reporting Standards as disclosed in Note 2.

Basis for Opinion

We conducted our audit in accordance with Australian Auditing Standards. Our responsibilities under those standards are further described in the *Auditor's Responsibilities for the Audit of the Financial Report* section of our report. We are independent of the consolidated entity in accordance with the auditor independence requirements of the *Corporations Act 2001* and the ethical requirements of the Accounting Professional and Ethical Standards Board's APES 110 *Code of Ethics for Professional Accountants* (the Code) that are relevant to our audit of the financial report in Australia. We have also fulfilled our other ethical responsibilities in accordance with the Code.

We confirm that the independence declaration required by the *Corporations Act 2001*, which has been given to the directors of the Company, would be in the same terms if given to the directors as at the time of this auditor's report.

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

Deloitte.

Other Information

The directors of APT Pipelines Limited (“the directors”) are responsible for the other information. The other information comprises the information included in the consolidated entity’s annual report for the year ended 30 June 2017, but does not include the financial report and our auditor’s report thereon.

Our opinion on the financial report does not cover the other information and we do not express any form of assurance conclusion thereon.

In connection with our audit of the financial report, our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the financial report or our knowledge obtained in the audit, or otherwise appears to be materially misstated. If, based on the work we have performed, we conclude that there is a material misstatement of this other information, we are required to report that fact. We have nothing to report in this regard.

Responsibilities of the Directors for the Financial Report

The directors are responsible for the preparation of the financial report that gives a true and fair view in accordance with Australian Accounting Standards and the *Corporations Act 2001* and for such internal control as the directors determine is necessary to enable the preparation of the financial report that gives a true and fair view and is free from material misstatement, whether due to fraud or error.

In preparing the financial report, the directors are responsible for assessing the ability of the consolidated entity to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless the directors either intend to liquidate the consolidated entity or to cease operations, or have no realistic alternative but to do so.

Auditor’s Responsibilities for the Audit of the Financial Report

Our objectives are to obtain reasonable assurance about whether the financial report as a whole is free from material misstatement, whether due to fraud or error, and to issue an auditor’s report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with the Australian Auditing Standards will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of this financial report.

As part of an audit in accordance with the Australian Auditing Standards, we exercise professional judgement and maintain professional scepticism throughout the audit. We also:

- Identify and assess the risks of material misstatement of the financial report, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
- Obtain an understanding of internal control relevant to the audit 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 consolidated entity’s internal control.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by the directors.

- Conclude on the appropriateness of the directors' use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the consolidated entity's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the financial report or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the consolidated entity to cease to continue as a going concern.
- Evaluate the overall presentation, structure and content of the financial report, including the disclosures, and whether the financial report represents the underlying transactions and events in a manner that achieves fair presentation.

We communicate with the directors regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

Report on the Remuneration Report

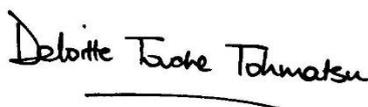
Opinion on the Remuneration Report

We have audited the Remuneration Report of Australian Pipeline Limited as responsible entity of Australian Pipeline Trust included in pages 5 to 23 of the directors' report of APT Pipelines Limited for the year ended 30 June 2017.

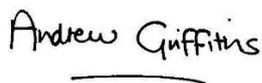
In our opinion, the Remuneration Report of Australian Pipeline Limited as responsible entity of Australian Pipeline Trust for the year ended 30 June 2017, has been prepared in accordance with section 300A of the *Corporations Act 2001*.

Responsibilities

The directors 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.



DELOITTE TOUCHE TOHMATSU



A V Griffiths
Partner
Chartered Accountants
Sydney, 23 August 2017