



Statutory and Normalised Results	Change			Amount \$'000
Revenue	Up	4.1%	to	1,237,158
EBITDA	Up	4.3%	to	787,682
EBIT	Up	5.1%	to	490,037
Profit after tax	Up	27.0%	to	157,400
Operating cash flow	Up	1.7%	to	470,184
Operating cash flow per security	Down	1.6¢	to	39.8¢
Earnings per security	Up	2.2¢	to	13.3¢

EBIT = Earnings before interest and tax

EBITDA = EBIT before depreciation and amortisation

Reporting Period

The above results are for the half year ended 31 December 2018. Reference is made to movements from the previous corresponding period being the half year ended 31 December 2017.

Distributions proposed	APA Group	
	Amount per security	Franked amount per security
Interim distribution proposed		
profit distribution	12.47¢	3.20¢
capital distribution	9.03¢	-
	21.50¢	3.20¢

The record date for determining entitlements to the unrecognised interim distribution in respect of the current financial year is 31 December 2018.

Distribution information is presented on an accounting classification basis. The APA Group Annual Tax Statement and Annual Tax Return Guide (released in September) provide the classification of distribution components for the purposes of preparation of security holder income tax returns.

The Directors have reviewed APA Group's financial position and funding requirements and have decided to retain the suspension of the Distribution Reinvestment Plan until further notice.

Australian Pipeline Trust

Results for announcement to the market
For the half year ended 31 December 2018

Appendix 4D



Net asset backing per security	31 December 2018 \$	31 December 2017 \$
Net tangible asset backing per security	-0.25	-0.29
Net asset backing per security	3.22	3.54

Additional information and commentary on results for the year

For additional disclosures refer to the APA Group interim report for the half year ended 31 December 2018 accompanying this Appendix 4D.



Compliance Statement

Information on Audit or Review

(a) The half year report is based on accounts to which one of the following applies.

The accounts have been audited.

The accounts have been subject to review.

The accounts are in the process of being audited or subject to review.

The accounts have not yet been audited or reviewed.

(b) Description of likely dispute or qualification if the accounts have not yet been audited or subject to review or are in the process of being audited or subjected to review.

- N/A -

(c) Description of dispute or qualification if the accounts have been audited or subjected to review.

- N/A -

(d) The entity has a formally constituted audit committee.

Sign here:

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Chairman

20 February 2019

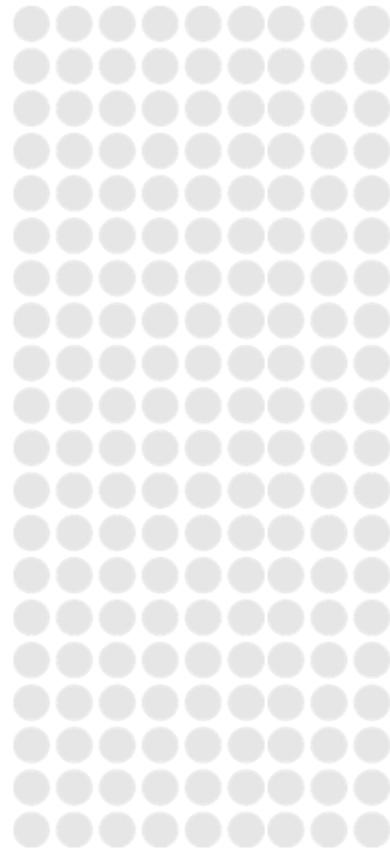


Australian Pipeline Trust

ARSN 091 678 778

Interim Financial Report.

For the half year ended
31 December 2018



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AUSTRALIAN PIPELINE TRUST DIRECTORS' REPORT

The Directors of Australian Pipeline Limited (Responsible Entity) submit their interim financial report for Australian Pipeline Trust (APT) and its controlled entities (together APA or Consolidated Entity) for the half year ended 31 December 2018. This report refers to the consolidated results of APT and APT Investment Trust (APTIT).

1 Directors

The names of the Directors of the Responsible Entity during the half year and since the half year ended 31 December 2018 are:

Michael Fraser	Chairman
Michael (Mick) McCormack	Chief Executive Officer and Managing Director
Steven (Steve) Crane	
Debra (Debbie) Goodin	
Russell Higgins AO	Retired as a Director 20 February 2019
Patricia McKenzie	
Shirley In't Veld	
Peter Wasow	

The Company Secretary of the Responsible Entity during the half year and since the half year ended 31 December 2018 is as follows:

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2 Principal Activities

The principal activities of APA during the period were the ownership and operation of energy infrastructure assets and businesses, including:

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

3 State of Affairs

On 13 August 2018, APA announced that it had entered into a conditional Implementation Agreement with CK Infrastructure Holdings Limited (CKI), CK Asset Holdings Limited (CKA), Power Assets Holdings Limited (PAH) and CKM Australia Bidco Pty Ltd (Bidder) (CKA, CKI and PAH together the CKI Consortium) under which the Bidder (a wholly owned subsidiary of CKA) would acquire all of the stapled securities in APA under trust schemes (Schemes) at A\$11.00 cash per APA stapled security.

As a result of the Federal Treasurer advising on 20 November 2018 that the proposed acquisition would be contrary to the national interest, the Scheme of Arrangement was terminated with the Bidder at that time, as announced by APA on 21 November 2018.

On 13 December 2018, APA announced that Mick McCormack had advised of his intention to retire from the role of Managing Director and Chief Executive Officer, no later than 31 December 2019. APA's Board has commenced a selection process, which will consider internal and external candidates, for his replacement. Mick will continue in his role at least until his successor has commenced to ensure a smooth transition.

4 Subsequent Events

On 20 February 2019, the Directors declared an interim distribution of 21.5 cents per security (\$253.7 million) for APA Group, an increase of 2.4%, or 0.5 cents per security over the previous corresponding period (1H FY2018: 21.0 cents, \$234.0 million). The distribution is comprised of a distribution of 16.08 cents per security from APT and a distribution of 5.42 cents per security from APTIT. The APT distribution represents a 7.47 cents per security franked profit distribution, a 2.03 cents per security unfranked profit distribution and 6.58 cents per security capital distribution. Franking credits of 3.2 cents per security will be allocated to the APT franked profit distribution. The APTIT distribution represents a 2.97 cent per security profit distribution and a 2.45 cents capital distribution. The distribution is anticipated to be paid on 13 March 2019.

Other than noted above and as disclosed elsewhere in this report, there has not arisen in the interval between the half year ended 31 December 2018 and the date of this report any matter or circumstance that has significantly affected, or may significantly affect, the Group's operations, the results of those operations, or the Group's state of affairs, in future financial years.

5 Financial Overview

Earnings before interest and tax (EBIT) and EBIT before depreciation and amortisation (EBITDA) excluding significant items are financial measures not prescribed by Australian Accounting Standards (AIFRS) and represent the profit under AIFRS adjusted for specific significant items. The Directors consider these measures to reflect the core earnings of the Consolidated Entity, and these are therefore described in this report as 'normalised' measures.

APA's total revenue (excluding pass-through revenue) for the six months to 31 December 2018, increased by \$58.2 million on the corresponding period to \$1,012.9 million, (1H FY2018: \$954.7 million).

APA reported net profit after income tax for 1H FY2019 of \$157.4 million, an increase of 27.0% or \$33.4 million on the previous corresponding period (1H FY2018: \$124.0 million).

EBITDA of \$787.7 million, increased 4.3% or \$32.4 million on the previous corresponding period EBITDA of \$755.3 million.

Results for the half year period are in-line with APA's expectations and the business is on track to deliver its full year 2019 EBITDA within the upper end of the guidance range signalled at the FY2018 results (\$1,550 million to \$1,575 million).

A solid interim result has been delivered by APA during a period of relative uncertainty caused by the proposed Scheme of Arrangement being active for most of the reporting period. The result is testament to APA's sound and reliable business model and the strong

corporate culture of APA's employees. As expected, the result includes contributions of new revenues from a number of completed projects as part of APA's largest committed growth capex program to-date.

Net interest and other finance costs decreased for the period by 8.8% due to the repayment of higher cost debt within the last 12 months, as well as an increase in capitalised interest associated with growth projects. Depreciation and amortisation expense increased 2.9%, due to an increased asset base. Income tax expense increased over the period as expected, given the increased profitability.

Operating cash flow was \$470.2 million for the six month period, an increase of 1.7% or \$7.7 million over the previous corresponding period (1H FY2018: \$462.5 million). The increase is due primarily to an increase in receipts from customers and a reduction in interest costs offset by an increase in cash tax paid during the period. The 1H FY2019 cash tax payment of \$49.1 million (1H FY2018: \$36.4 million) has enabled APA to attach franking credits of 3.2 cents per security (1H FY2018: 2.5 cents per security) to the interim distribution.

Operating cash flow per security decreased 3.9%, or 1.6 cents, to 39.8 cents per security (1H FY2018: 41.4⁽¹⁾ cents per security) as a result of the issuance of new stapled securities in March 2018 that raised approximately \$500 million capital to help fund APA's \$1.4 billion plus committed capex program that will see the full effect of new cash flows come into the business in FY2020.

On 20 February 2019, APA announced an interim distribution of 21.5 cents per security, an increase of 2.4%, or 0.5 cents per security, over the previous corresponding period (1H FY2018: 21.0 cents). APA maintains a sustainable distributions policy to ensure its ability to fully fund its distributions out of operating cash flows whilst also retaining appropriate levels of cash in the business to support, with appropriate levels of new equity and debt, ongoing growth projects such as those currently in progress.

⁽¹⁾ Operating cash flow per security for 1H FY2018 has been adjusted for the Entitlement Offer completed on the 23 March 2018.

Australian Pipeline Trust (ARSN 091 678 778) and its Controlled Entities
Interim Financial Report for the half year ended 31 December 2018

The following table provides a summary of key financial data for the period. There were no significant items recorded during either the current or previous periods.

	1H FY2019	1H FY2018	Changes in	
	(\$000)	(\$000)	\$000	%
Total revenue	1,237,158	1,188,649	48,509	4.1%
Pass-through revenue ⁽¹⁾	224,248	233,935	(9,687)	(4.1%)
Total revenue excluding pass-through	1,012,910	954,714	58,196	6.1%
EBITDA	787,682	755,256	32,426	4.3%
Depreciation and amortisation expense	(297,645)	(289,120)	(8,525)	(2.9%)
EBIT	490,037	466,136	23,901	5.1%
Finance costs and interest income	(239,567)	(262,653)	23,086	8.8%
Profit before income tax	250,470	203,483	46,987	23.1%
Income tax expense	(93,070)	(79,517)	(13,553)	(17.0%)
Profit after income tax	157,400	123,966	33,434	27.0%
Operating cash flow ⁽²⁾	470,184	462,527	7,657	1.7%
Operating cash flow per security (cents)	39.8	41.4 ⁽³⁾	(1.6)	(3.9%)
Earnings per security (cents)	13.3	11.1	2.2	19.8%
Distribution per security (cents)	21.5	21.0	0.5	2.4%
Weighted average number of securities (000) ⁽³⁾	1,179,894	1,118,522	61,372	5.5%

Notes: Numbers in the table may not add up due to rounding.

- (1) Pass-through revenue is revenue on which no margin is earned. Pass-through revenue arises in the asset management operations in respect of costs incurred in, and passed on to Australian Gas Networks Limited (AGN, formerly Envestra Limited) and GDI in respect of the operation of the AGN and GDI assets respectively.
- (2) Operating cash flow = net cash from operations after interest and tax payments.
- (3) Operating cash flow per security and weighted average number of securities for 1H FY2018 have been adjusted for the Entitlement Offer completed on the 23 March 2018. An adjustment factor of 1.0038 has been calculated, being the closing market price per security on 23 February 2018, divided by the theoretical ex-rights price (TERP) of \$8.23 per security.

6 Business Segment Performances and Operational Review

Statutory reported revenue and EBITDA performance of APA's business segments is set out in the table below.

	1H FY2019	1H FY2018	Change	
	\$000	\$000	\$000	%
Revenue				
Energy Infrastructure				
Queensland	610,605	568,881	41,724	7.3%
New South Wales	87,373	82,759	4,614	5.6%
Victoria	82,540	85,094	(2,554)	(3.0%)
South Australia	1,517	1,484	33	2.2%
Northern Territory	16,041	16,522	(481)	(2.9%)
Western Australia	151,723	144,830	6,893	4.8%
Energy Infrastructure total	949,799	899,570	50,229	5.6%
Asset Management	49,409	39,557	9,852	24.9%
Energy Investments	13,006	11,912	1,094	9.2%
Total segment revenue	1,012,214	951,039	61,175	6.4%
Pass-through revenue	224,248	233,935	(9,687)	(4.1%)
Unallocated revenue ⁽¹⁾	696	3,675	(2,979)	(81.1%)
Total revenue	1,237,158	1,188,649	48,509	4.1%
EBITDA				
Energy Infrastructure				
Queensland	511,609	474,023	37,586	7.9%
New South Wales	75,441	71,821	3,620	5.0%
Victoria	67,569	70,228	(2,659)	(3.8%)
South Australia	1,196	1,280	(84)	(6.6%)
Northern Territory	10,846	11,424	(578)	(5.1%)
Western Australia	122,714	116,987	5,727	4.9%
Energy Infrastructure total	789,375	745,763	43,612	5.8%
Asset Management	27,715	25,920	1,795	6.9%
Energy Investments	13,006	11,912	1,094	9.2%
Corporate costs	(42,414) ⁽²⁾	(28,339)	(14,075)	(49.7%) ⁽²⁾
Total EBITDA	787,682	755,256	32,426	4.3%

Notes: Numbers in the table may not add up due to rounding.

(1) Interest income is not included in calculation of EBITDA, but nets off against interest expense in calculating net interest cost.

(2) Includes \$11.3 million of costs associated with the CKI proposal and Managing Director's impending retirement.

Total EBITDA increased 4.3% or \$32.4 million, to \$787.7 million, over the 1H FY2018 result of \$755.3 million. It is on track to meet APA's expectations of full year 2019 EBITDA within the upper end of the guidance range of \$1,550 million to \$1,575 million.

APA derives its revenue through a mix of long term negotiated contracts, regulated revenue, asset management fees and investment earnings. Earnings are highly predictable and underpinned by solid cash flows generated from high quality, geographically diversified assets and a portfolio of highly creditworthy customers.

APA's value proposition brings together the strong credentials of a reliable low risk business model that delivers secure and predictable returns to investors; a vast and diversified portfolio of high quality long-life energy infrastructure assets; and a consistent and proven business strategy of sustainable ongoing growth.

APA's growth strategy is based on a continuing set of principles and criteria that APA has always adhered to:

- maintain an appropriate risk and return structure;
- ensure an appropriate funding and capital structure;
- enter into contracts with highly creditworthy counterparties; and
- leverage in-house operational expertise.

6.1 Energy Infrastructure

APA's Energy Infrastructure business includes the interconnected 7,600 km East Coast Grid, Central and Western Australian pipeline assets, as well as gas compression, processing and storage assets, renewable and gas-fired electricity generation assets and a small number of other wholly owned energy infrastructure assets. During the period, in addition to our continuing operations from current contracts, we have assisted many existing customers by providing flexible and innovative transportation services that support their dynamic energy needs, as well as providing flexible services to new customers.

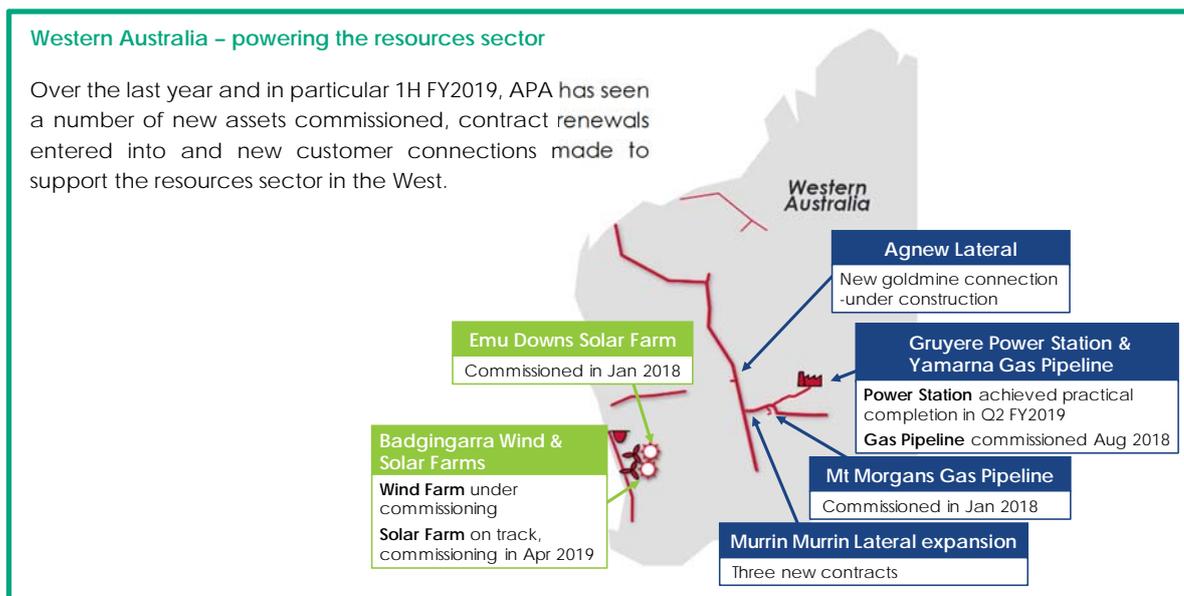
This segment is the largest contributor to the Group, contributing 93.8% of Group revenue (excluding pass-through) and 95.1% of Group EBITDA (before corporate costs) during the period. Revenue (excluding pass-through revenue) was \$949.8 million, which represents an increase of 5.6% or \$50.2 million on the previous corresponding period (1H FY2018: \$899.6 million). EBITDA is also up on the previous corresponding period to \$789.4 million or 5.8% (1H FY2018: \$745.8 million).

EBITDA for Eastern Australian assets including South Australia increased 6.2% on the previous year with Queensland and New South Wales offsetting the reduction experienced in Victoria as a result of the new access arrangement that came into effect there from 1 January 2018.

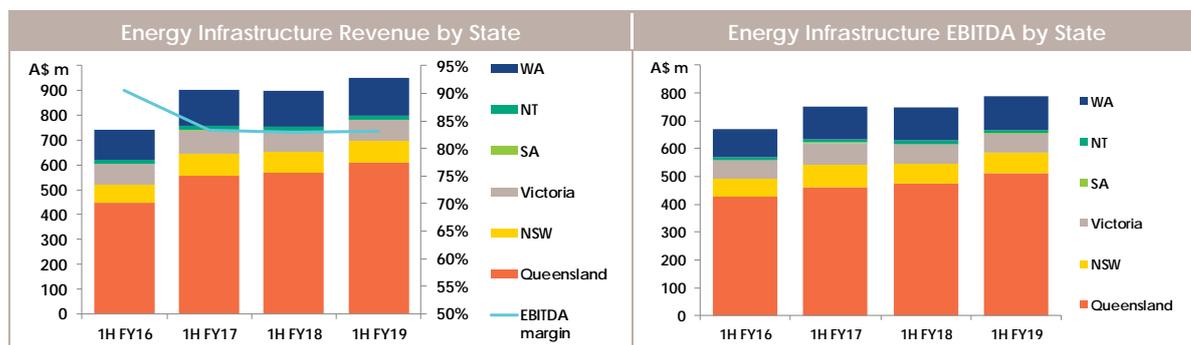
Queensland benefitted from new earnings during the period from the Reedy Creek Wallumbilla Pipeline and the Darling Downs Solar Farm. New gas from the Northern Territory will begin to flow into APA's East Coast Grid system in the second half, supported by the Amadeus Gas Pipeline in the Northern Territory, and the east coast Carpentaria Gas Pipeline becoming bi-directional during the reporting period. US CPI escalation and favourable USD/AUD exchange rates in relation to revenue earned on the Wallumbilla Gladstone Pipeline significantly contributed to the increased revenue and EBITDA in Queensland.

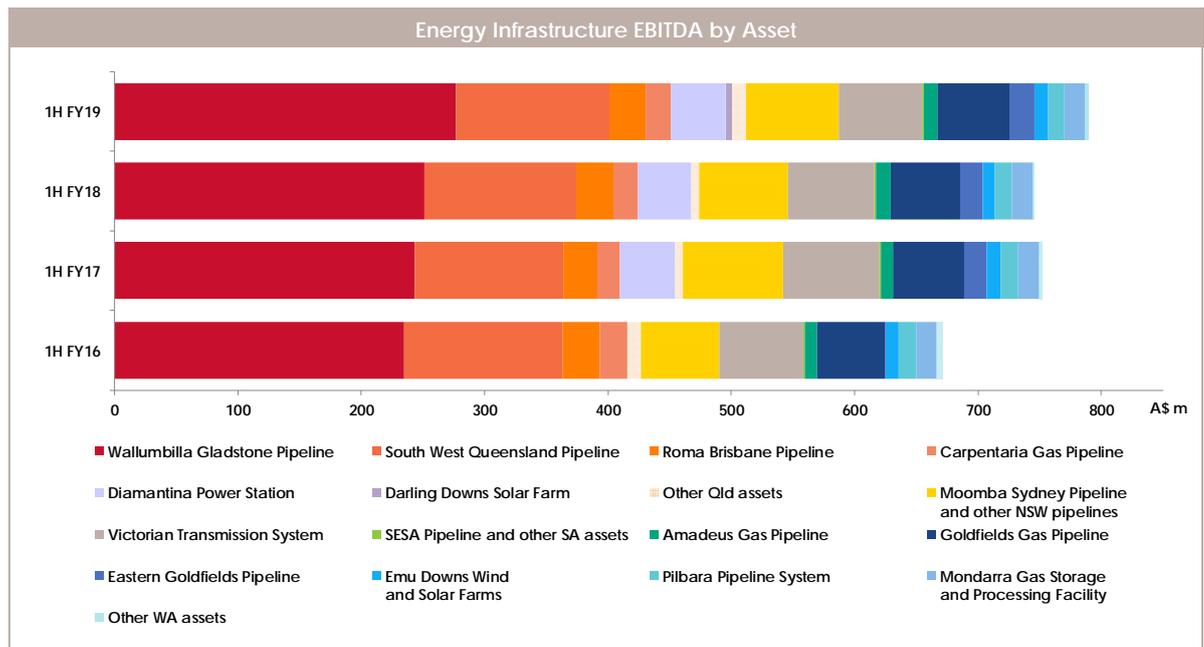
Our customers and consequently APA, continue to benefit from the variety of services and offerings that the East Coast Grid provides. During 1H FY2019, APA announced it had signed variations to existing multi-asset gas transportation agreements on the Grid that will generate more than \$130 million in revenues, with around 45% of that being new revenue, from January 2019 across three years.

In Western Australia, the first full 6 month period of electricity generation from the Emu Downs Solar Farm and new revenue from the Mt Morgans Gas Pipeline to the Dacian gold mine contributed new earnings to APA. During the period, APA also announced a new agreement with an existing customer in the Goldfields region that will generate approximately \$45 million of revenue, of which approximately \$21 million is renewal revenues, over a five-year contract period that commenced in November 2018. This contract is one of three new contracts in the region that APA entered into to supply gas to gold mines and will underwrite expansion of the Murrin Murrin Lateral to accommodate the new capacity requirements.



APA's ongoing strategy to grow the business in lock-step with the needs of our customers, continues to reap rewards with the addition of incremental revenue as new capex projects complete and the revenues flow into the business. APA remains on track to achieve incremental revenues in the order of \$70 million for FY2019 from the three year \$1.4 billion plus capex program that is due to complete by end of FY2019. APA expects full year annualised revenues from that program to approximate \$215 million per annum in FY2020 and beyond.





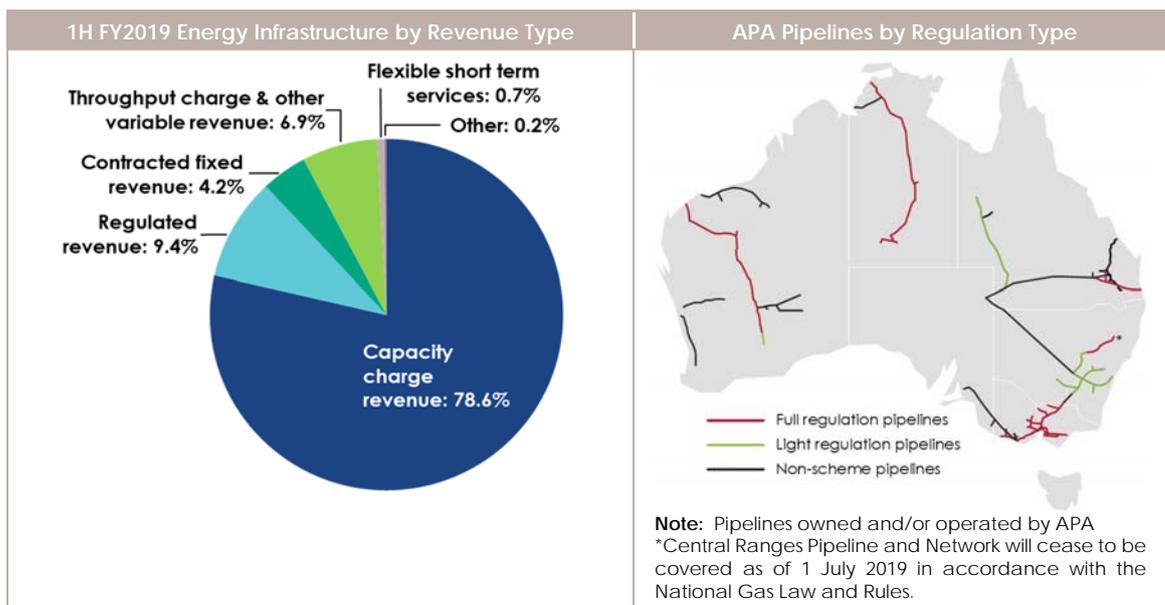
APA's Customer Promise – what's good for our customers is good for business

APA's success has been built on listening to our customers and responding to their needs. Over the years, not only has this been the catalyst for the growth and diversification of APA's asset portfolio, but also transformational customer focused initiatives and projects that have significantly improved the services and value that APA delivers. Examples include the development of 'grid services' and the establishment of the Integrated Operations Centre (IOC).

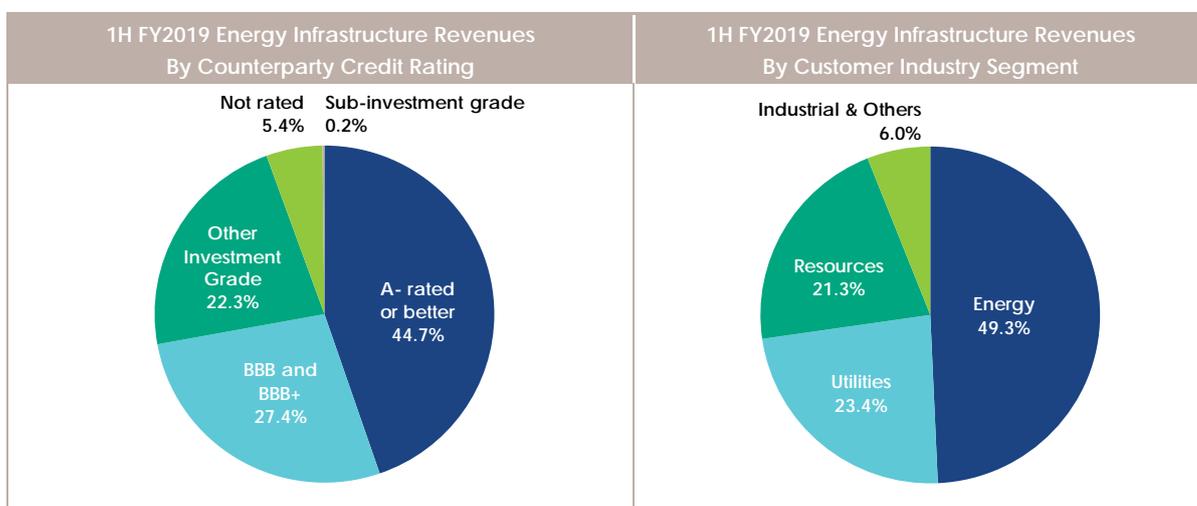
In a dynamic and challenging market, our customers' satisfaction continues to be a critical factor to the delivery of our growth strategy, and APA recognises that it can and must do better. In 2018, APA's Transmission business undertook a structured customer survey to gauge the sentiment of APA's Top 20 transmission customers representing the majority of Energy Infrastructure revenue. Based on that feedback APA has commenced putting in place a number of initiatives to further improve the customer experience. During CY2019 APA will be extending the structured customer feedback process to include the remainder of APA's customer base.

We are also in the process of finalising our Customer Promise – that is what our customers can and should expect of APA – which will be implemented throughout CY2019. This development coincides with the launch of an industry-wide Energy Charter in late January 2019.

During the six-month period, 78.6% of Energy Infrastructure revenue (excluding pass-through revenue) was from capacity reservation charges from long term contracts, and 6.9% from throughput charges and other variable revenues. Given the dynamic east coast gas market, APA also received revenues from the provision of flexible short term services, accounting for around 0.7% of total Energy Infrastructure revenues received. The portion of APA's revenue that is regulated was approximately 9.4% of 1H FY2019 Energy Infrastructure revenue (1H FY2018: 9.9%).



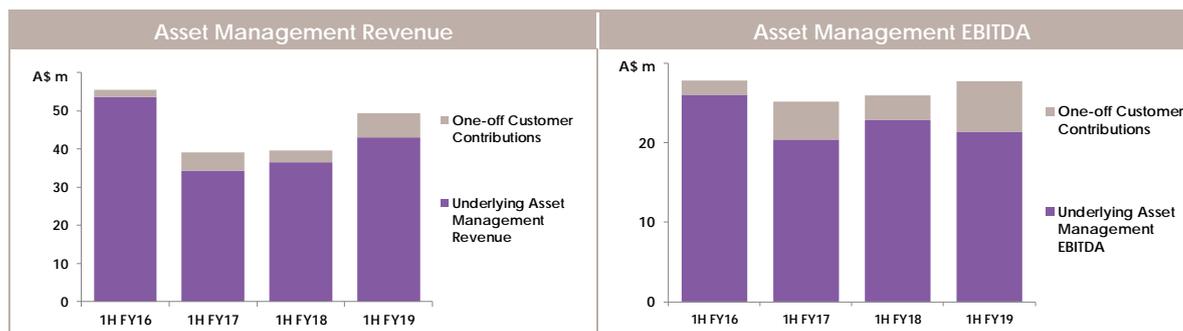
APA manages its counterparty risk in a variety of ways. One aspect is to consider customers' credit ratings. During the period, approximately 94.4% of all revenues were received from counterparties with investment grade credit ratings. Diversification of our customer base is another risk moderator – during 1H FY2019, 49.3% of revenue was from energy sector customers (1H FY2018: 49.6%); 23.4% of revenue was from customers in the utilities sector (1H FY2018: 24.6%); 21.3% from resources sector customers (1H FY2018: 21.6%); and 6.0% from industrial and other customers (1H FY2018: 4.2%).



6.2 Asset Management

APA provides asset management and operational services under long term contracts to the majority of its energy investments and to a number of third parties who own assets where APA has significant operating expertise. APA's main customers are Australian Gas Networks Limited (AGN), Energy Infrastructure Investments Pty Limited (EII) and GDI (EII) Pty Limited (GDI) who between them have over 1.4 million direct customer connections.

Revenue (excluding pass-through revenue) from asset management services increased by \$9.9 million or 24.9% to \$49.4 million (1H FY2018: \$39.6 million) and EBITDA increased by \$1.8 million or 6.9% to \$27.7 million (1H FY2018: \$25.9 million).



Underlying Asset Management EBITDA for our Network services was lower as a result of an outperformance in the incentive fee which was achieved for the previous corresponding period (1H FY2018), not being repeated in the 1H FY2019 period.

During the period, APA commenced the design, approvals and procurement processes for the Dandenong to Crib Point Pipeline duplication project in Victoria, and the Murarrie Brisbane River Crossing in Queensland on behalf of Australian Gas Network (AGN). Also on behalf of our customer AGN, APA continued the significant Kingsford-Smith Drive project that involves the relocation of high pressure mains due to road upgrades by Brisbane City Council. AGN's new Murray Bridge augmentation in the South Australian Murray Bridge township was completed and commissioned by APA in August 2018. The augmentation has reinforced the supply of gas to the township.

Customer contributions for the period were approximately \$6.4 million. For the full year, it is expected that customer contributions will remain in-line with the long term average of around \$11 million per annum, although APA continues to expect annual swings in customer contributions, as these are driven by customers' individual and specific work programmes and requirements.

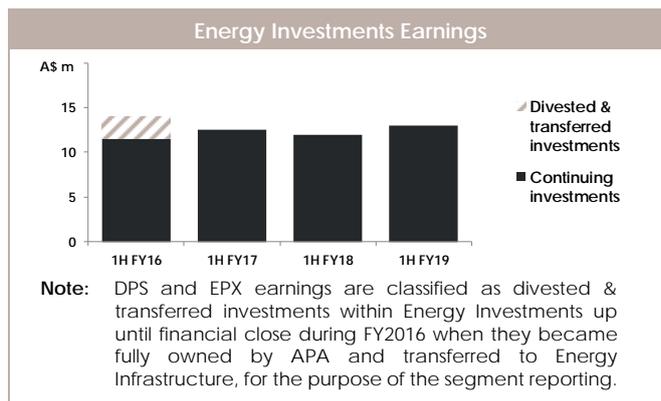
6.3 Energy Investments

APA has interests in a number of complementary energy investments across Australia.

Asset and ownership interests	Asset details and APA services	Partners
Mortlake Gas Pipeline 50% SEA Gas (Mortlake) Partnership	83 km gas pipeline connecting the Otway Gas Plant to the Mortlake Power Station MAINTENANCE	Rest
SEA Gas Pipeline 50% South East Australia Gas Pty Ltd	687 km gas pipeline from Iona and Port Campbell in Victoria to Adelaide MAINTENANCE	Rest
North Brown Hill Wind Farm 20.2% EII2	132 MW wind farm in South Australia CORPORATE SERVICES	Infrastructure Capital Group Osaka Gas
Allgas Gas Distribution Network 20% GDI (EII)	~3,700 km Allgas gas distribution network in Queensland with ~110,600 connections CORPORATE SERVICES	Marubeni Corporation State Super OPERATIONAL MANAGEMENT
Daandine and X41 Power Stations 19.9% Energy Infrastructure Investments Kogan North and Tipton West Processing Plants Directlink and Murraylink Electricity Interconnectors Nifty and Telfer Gas Pipelines Wickham Point and Bonaparte Gas Pipelines	Gas-fired power generation 71 MW Gas processing facilities 45 TJ/day Electricity transmission cables 244 km Gas pipelines totaling 786 km CORPORATE SERVICES	Marubeni Corporation Osaka Gas OPERATIONAL MANAGEMENT

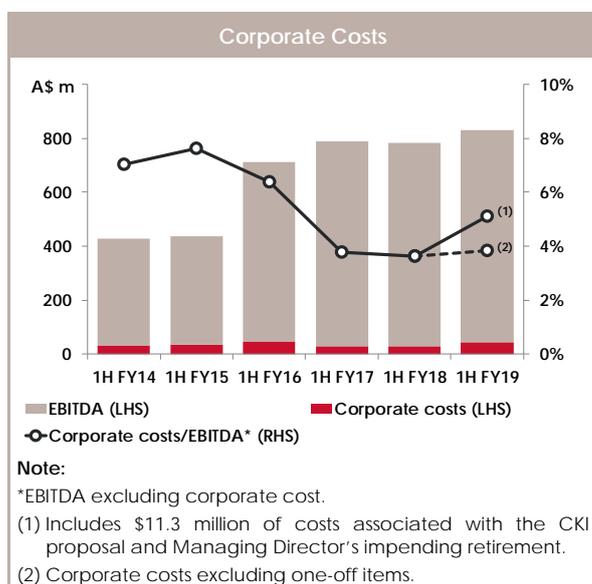
APA's ability to manage these investments and provide operational and/or corporate support services provides flexibility in growing those businesses, harnesses in-house expertise, and ensures synergies are delivered from a lower cost base over a broader portfolio of assets.

Earnings from Energy Investments increased by \$1.1 million or 9.2% to \$13.0 million (1H FY2018: \$11.9 million).



In December 2018, SEA Gas announced that it had renewed a suite of contracts for transportation and storage capacity on the SEA Gas Pipeline which supports APA's ongoing commitment to that business.

6.4 Corporate Costs



Corporate costs for the half increased by \$14.1 million over the previous corresponding period to \$42.4 million (1H FY2018: \$28.3 million). The increase is mainly attributable to around \$11 million of one-off items incurred during the period, in relation to costs associated with the proposed CKI transaction and the Managing Director's impending retirement.

Notwithstanding that APA's EBITDA has increased by \$388.8 million or 97.5% since 1H FY2014, corporate costs have remained relatively stable at an average of \$35 million for each half year over that period.

7 Capital and Investment Expenditure

7.1 Growth and Investment Capital Expenditure

APA's largest committed capital expenditure program of \$1.4 billion plus over the last three years is set to complete in FY2019. Projects under this program are progressing in-line with respective budgets and schedules.

Total capital expenditure for the period totalled \$330.4 million (including stay-in-business capital expenditure), and compares with \$320.8 million spent in the previous corresponding period. Beyond FY2019, APA continues to see customers requiring more capacity on APA's pipelines and customers looking for APA to invest further in infrastructure to support their businesses.

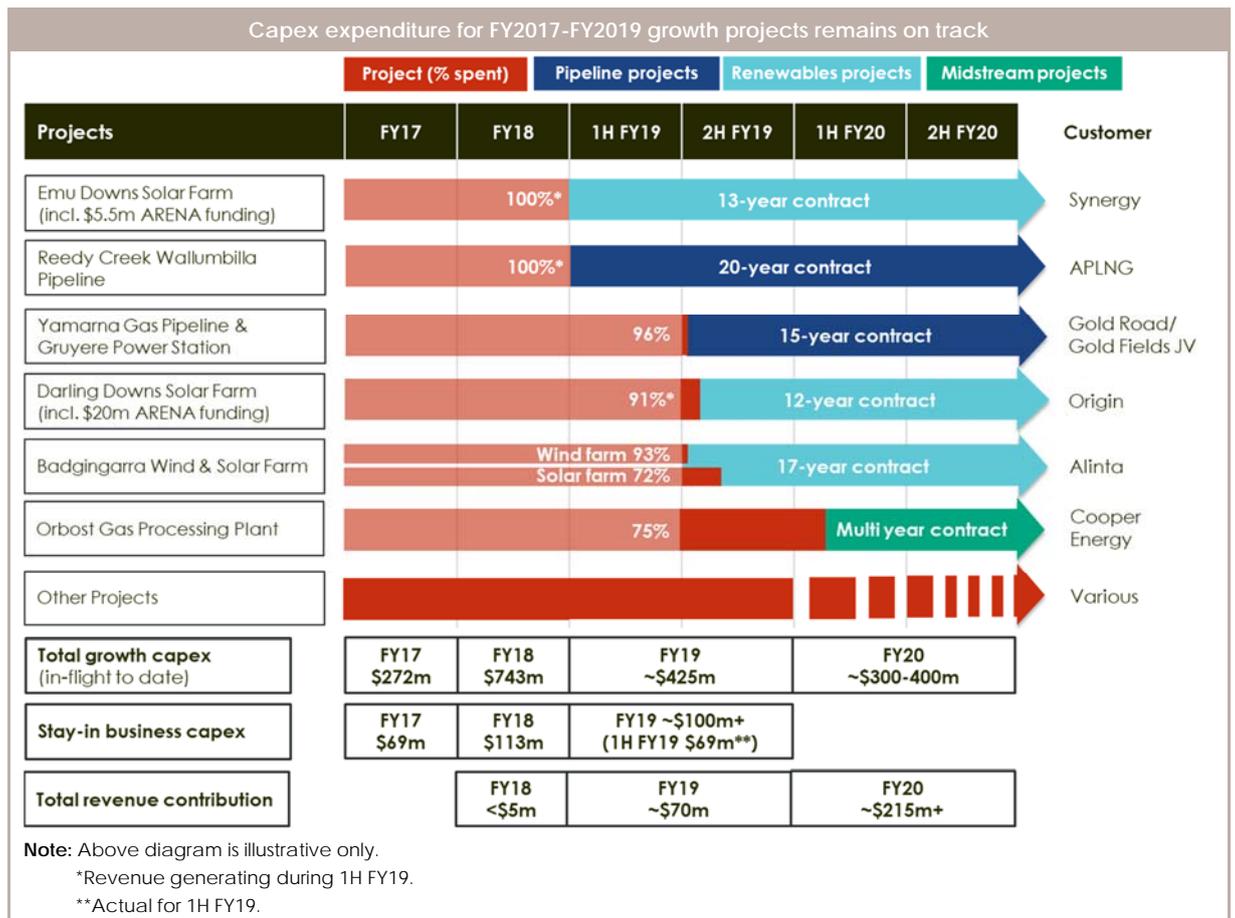
Growth capital expenditure of \$261.4 million during the period (1H FY2018: \$245.7 million) was related to the following projects:

- Completion of works for the Gruyere (formerly known as Yamarna) Power Station, Murrin Murrin Compressor Station and Yamarna Gas Pipeline ahead of supplying power to the Gruyere mine in January 2019;
- Commencement of pipeline looping works on the Murrin Murrin Lateral in the Goldfields mining region to support approximately \$24 million of new revenues and \$21 million of renewal revenues over a 5 year contract period;
- Construction of the Badgingarra Wind and Solar Farms in Western Australia and the Darling Downs Solar Farm in Queensland;
- Completion of civil works, installation of all major equipment and ongoing structural, mechanical and electrical work for the Orbost Gas Processing Plant in Victoria;
- Early investigative works for the proposed Crib Point to Pakenham Pipeline project;
- Scoping works for the Western Outer Ring Main (WORM) project that will increase reliability of gas supply to Melbourne and support gas-fired electricity generation; and
- Various smaller works in Victoria and NSW in relation to capacity expansions, metering and asset management systems.

In relation to the Darling Downs Solar Farm, during the reporting period, the EPC contractor RCR Tomlinson went into voluntary administration. At that time, APA's project was at the commissioning and performance testing stage. APA entered into a transition agreement with the RCR Administrator for a short period to allow APA to work with RCR personnel to finalise required documentation to complete and effect the handover of the project. APA terminated its contract with RCR Tomlinson on 13 December 2018 and called the bank guarantees that were in place at that time.

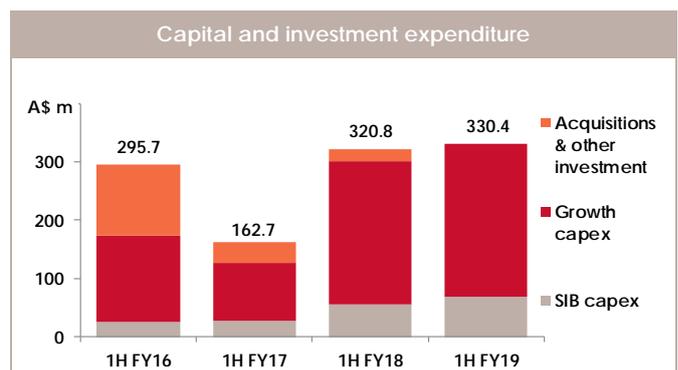
As at the time of this Report, final testing is underway and being managed by APA. Commercial operation of the project originally expected in Q2 FY2019, is now projected to occur in Q3 FY2019. Any lost revenue due to later than expected operation is subject to liquidated damages claims and covered by amounts called under the bank guarantees. Notwithstanding this, the solar farm commenced generating power into the NEM in August 2018 and APA has been receiving revenues from its customer, Origin Energy, for energy delivered since that time.

APA remains on track for FY2019 total growth capex spend of around \$425 million as indicated in the timeline diagram below. APA's growth capital projects are all underwritten by long term contracts with our customers.



APA is continuously in discussions with our customers as to what their future energy infrastructure needs may be and how we can work with them to achieve their requirements and objectives. APA's expectations are that these discussions will lead to further announcements in respect of growth capital expenditure going forward, as demonstrated by the three year \$1.4 billion plus of committed growth projects to be completed in FY2019.

In that regard, beyond FY2019, APA continues to expect in the order of \$300 million to \$400 million per annum of growth capex over the next two to three years across the energy infrastructure sectors that APA operates in.



Projects Update - committed capital growth

- Major capital projects substantially completed and now generating revenue include the 20 MW Emu Downs Solar Farm in Western Australia and the 110 MW **Darling Downs Solar Farm** in Queensland.
- Construction of the 45MW **Gruyere Power Station** and associated works at the Murrin Murrin compressor station to supply gas-fired electricity to the Gruyere Gold mine were completed during the reporting period. Practical completion of the power station was achieved on 15 November 2018 and capacity charging commenced in January 2019. The power station commenced generating revenue in early Q3 FY2019. Gas will be transported almost 1,500km through four connected APA pipelines including APA's latest greenfield pipeline the **Yamarna Gas Pipeline** to supply the Gruyere Power Station.
- The construction upgrade of the **Orbost Gas Processing Plant** progressed during the period with completion expected in Q3 CY2019. On spec commissioning gas is expected to be delivered to the market from July 2019. Under a multi-year gas processing agreement with Cooper Energy, the plant will process gas from the offshore Sole gas field from mid-2019.
- All 37 towers and turbines of the 130MW **Badgingarra Wind Farm** in Western Australia were erected during the period and the substation completed. Energisation of the Western Power substation and the Badgingarra Wind Farm substation occurred in early January 2019. Turbines were progressively energised throughout January 2019. The wind farm commenced generating revenue in early Q3 FY2019.
- Construction of the 17.5 MW **Badgingarra Solar Farm** adjacent to APA's Badgingarra Wind Farm has progressed with installation of the mounting frames completed and the 61,800 solar panels on site and installation well underway. Inverters are due on site Q1 CY2019 and the project is on schedule for completion by the end of April 2019. Alinta Energy has entered into a 17-year offtake agreement for both the energy and the LGCs for both the wind farm and the solar farm.
- Stage 1 looping of the **Murrin Murrin Lateral** to supply additional loads to the dynamic Eastern Goldfields mining region. Completion is expected in 2H FY2019.
- Construction of a new 25 km lateral ("**Agnew Lateral**") connecting Agnew Gold mine to APA's Goldfields Gas Pipeline. Agnew Mine is owned by Gold Fields Australia who is a joint venture partner in the Gruyere Gold Mine Project (see associated projects above) and whose Granny Smith mine is connected to APA's Eastern Goldfields Pipeline. Completion of the Agnew Lateral is expected in 2H FY2019.
- Scoping for the **Western Outer Ring Main (WORM)** project for the Victorian Transmission System (VTS) has commenced. The WORM will increase reliability of supply to Melbourne by increasing both western and eastern gas flows. This new connection is critical in filling gas storage requirements and support peak day demand in Melbourne. Additional line pack in close proximity to Melbourne will support gas-fired power generation, all of which helps reduce the risk of supply interruption to a major capital city. Target completion date of the project is winter 2021.
- APA is also working on a number of other committed capex projects within Transmission and Power Generation including debottlenecking on the Moomba Sydney Pipeline system and operations technology improvements such as alarm rationalisation and process safety improvements.

Orbost Gas Processing Plant - refurbishment is well underway

December 2017



December 2018



Major investment decisions needed to invest in building new or expanding current assets to meet customers' requirements, take time to evolve as the respective parties look to ensure each project maximises the opportunity to deliver more energy to its users whilst minimising the costs to do so.

APA has announced a number of these proposed projects where preliminary work is currently underway with counterparties who are each working through the feasibility of their own large projects.

Western Slopes Pipeline, NSW: A development agreement and associated Gas Transportation Agreement is in place between APA and a subsidiary of Santos Limited, for APA to develop the proposed ~450km Western Slopes Pipeline, subject to Santos reaching a Final Investment Decision on the proposed Narrabri Gas Project located in northern NSW. The pipeline would connect the Santos Narrabri Gas Project to APA's Moomba Sydney Pipeline and the east coast domestic gas market. During the period, APA continued engagement with landholders and other stakeholders along the proposed pipeline route.

Crib Point to Pakenham Pipeline, Victoria: APA has in place a Development Agreement and associated Gas Transportation Agreement with AGL Energy for the development and construction by APA of a ~55 km transmission pipeline connecting AGL's proposed LNG import terminal facilities to APA's Victorian Transmission System and the east coast domestic gas market. During the period, APA engaged extensively with landowners, the community and other stakeholders along the proposed route. APA is currently working with AGL on an Environmental Effects Statement in respect of both the pipeline and AGL's import terminal project.

7.2 Stay-In Business Capital Expenditure

Stay-in business capital expenditure of \$68.9 million has increased relative to the previous corresponding period (1H FY2018: \$55.1 million), but remains in-line with APA's previously advised expectations on an annual basis given the growing nature of the business. Stay-in business capex continues to be driven by a growing asset base, growth in investment in technology, and a need to meet the maintenance capex needs of a broader portfolio of assets.

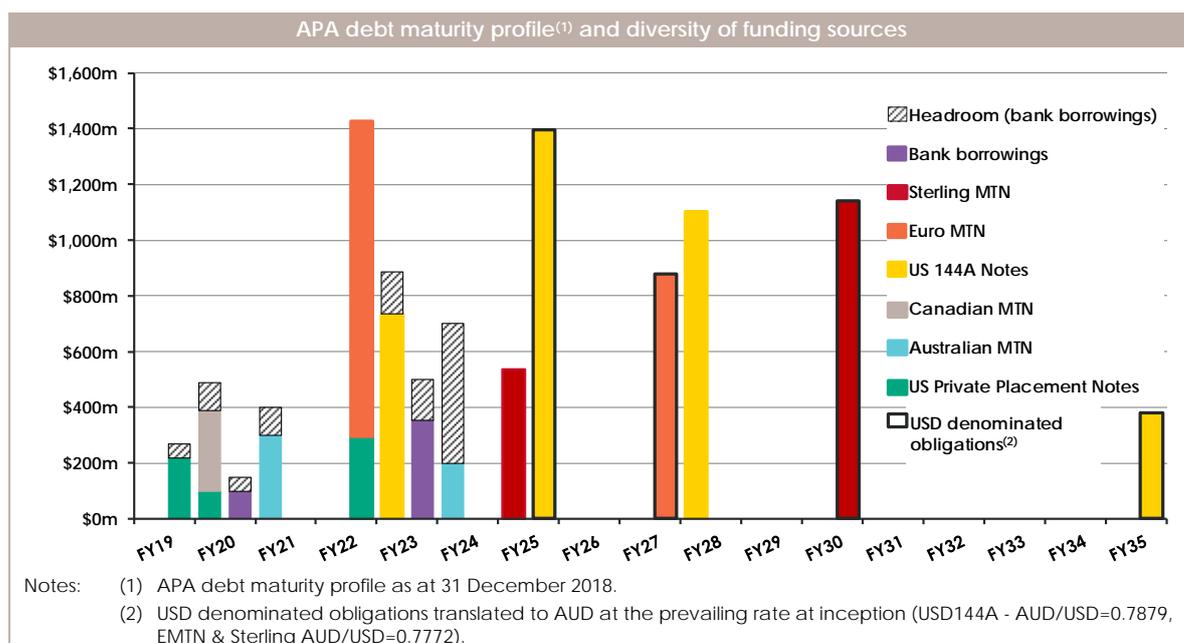
8 Financing Activities

8.1 Capital Management

As at 31 December 2018, APA had 1,179,893,848 securities on issue. This is unchanged from 30 June 2018.

APA's debt portfolio has a broad spread of maturities extending out to FY2035, with an average maturity of drawn debt of 6.4 years as at 31 December 2018. APA's gearing⁽²⁾ of 66.5% at 31 December 2018 continues to provide strong support to APA's two investment grade credit ratings.

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



Significant debt transactions during the half-year included the dual tranche 5 year \$500 million and 5.5 year \$500 million Syndicated Bank Facility completed on 2 July 2018, and repayment of \$95.8 million equivalent (US\$63.0 million) of US Private Placement Notes that matured on 9 September 2018.

As at 31 December 2018, APA had around \$1,220 million in cash and committed undrawn facilities available to assist in the ongoing funding of the business. APA remains committed to funding its growth with appropriate levels of equity, cash retained in the business, and funding from debt facilities in order to maintain strong BBB and Baa2 metrics.

APA has a prudent treasury policy that requires high levels of interest rate hedging to minimise the potential impacts from adverse movements in interest rates. As at 31 December 2018, 95.0% (30 June 2018: 97.7%) of interest obligations on gross borrowings was either hedged into or issued at fixed interest rates for varying periods extending out to 2035.

The majority of the revenues to be received over the next 16.5 years from the foundation contracts on the Wallumbilla Gladstone Pipeline will be received in US dollars (USD). Today, around US\$3 billion, of the US\$3.7 billion of debt originally raised to assist with funding of that acquisition, is being managed as a "designated hedge" for those revenues and therefore has been retained in USD. Net USD cash flows (after servicing the USD interest costs) that are 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 APA's treasury policy. To date, the following net USD cash flow hedging has been undertaken:

Period	Average forward USD/AUD exchange rate
1H FY2019 (to 31 Dec 2018)	0.6716
2H FY2019	0.7301
FY2020	0.7192
FY2021 (to 30 June 2021)	0.7199

During the period, APA undertook a restructuring of the hedging in respect of the 2022 €700 million issued in March 2015. This issue was originally part of the designated hedge relationship noted above and was retained in US dollars. In September 2018, APA unwound the cross currency interest rate swaps in respect of that issue and put in place new cross currency interest rate swap (CCIRS), converting the debt to an Australian dollar ("AUD")

liability (\$A1,132 million) enabling the revenues from March 2019 to March 2022 to be hedged back into AUD. Following that transaction, APA received some \$151 million in cash from the CCIRS unwind and has hedged revenues receivable from March 2019 to June 2021 at the rates in the table above.

A large portion of the net revenue from April 2022 remains in the designated hedge relationship with the remaining US\$3 billion in debt and as such, when that revenue is receivable, it will be recognised in the profit or loss at an average rate of around 0.78 AUD/USD.

8.2 Borrowings and finance costs

As at 31 December 2018, APA had borrowings of \$9,156.0 million (\$8,810.4 million at 30 June 2018) from a mix of US Private Placement Notes, Medium Term Notes in several currencies, United States 144A Notes and bank debt from syndicated and bilateral facilities.

For the 6 months, net finance costs decreased by \$23.1 million, or 8.8%, to \$239.6 million (1H FY2018: \$262.7 million). The decrease in 1H FY2019 relative to 1H FY2018 is primarily due to the refinancing of the higher cost debt, such as the maturing Japanese Yen Medium Term Notes in June 2018, the US Private Placement Notes in September 2018, and the APA Group Subordinated Notes on 31 March 2018, as well as an increase in capitalised interest associated with APA's growth projects. The average interest rate (including credit margins)⁽³⁾ that applied to drawn debt was 5.49% for the current period, down from 5.65% in FY2018.

APA's interest cover ratio for the 12 months ending at 31 December 2018 was 2.8 times (June 2018: 2.7 times). The interest cover ratio remains well in excess of APA's debt covenant default ratio of 1.1 times and distribution lock up ratio of 1.3 times and continues to support APA's strong and stable BBB and Baa2 credit ratings.

8.3 Credit ratings

APT Pipelines Limited, the borrowing entity of APA, maintained the following two investment grade credit ratings during the period:

- BBB long-term corporate credit rating (outlook Stable) assigned by Standard & Poor's (S&P) in June 2009, and last confirmed on 21 November 2018; and
- Baa2 long-term corporate credit rating (outlook Stable) assigned by Moody's Investors Service (Moody's) in April 2010, and last confirmed on 8 November 2018.

8.4 Income tax

Income tax expense for the current period of \$93.1 million results in an effective income tax rate of 37.2%, compared to 39.1% for the previous corresponding period. The higher level of effective tax rate (compared with the corporate tax rate of 30%) is caused by the amortisation charges relating to contract intangibles acquired with the Wallumbilla Gladstone Pipeline which are not deductible for tax purposes.

Following completion of the FY2018 group tax return, total cash tax of \$52.2 million was paid in respect of FY2018 profits, resulting in an effective cash tax rate of 12.1%.

⁽³⁾ For the purpose of the calculation, drawn debt that has been kept in USD (rather than AUD) and is in a designated hedge relationship with USD revenue, 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.

8.5 Distributions

On 12 September 2018, APA Group paid a final distribution of 24.0 cents per security (\$283.2 million). This represents an increase of 4.3%, or 1.0 cent per security over the previous corresponding period (2H FY2017: 23.0 cents). This is comprised of a distribution of 17.96 cents per security from APT and a distribution of 6.04 cents per security from APTIT. The APT distribution represented a 8.93 cents per security fully franked profit distribution and 9.03 cents per security capital distribution. The APTIT distribution represented a 2.90 cents per security profit distribution and a 3.14 cents per security capital distribution. Franking credits of 3.83 cents per security were allocated to the APT franked profit distribution.

The Distribution Reinvestment Plan remains suspended.

8.6 Guidance for 2019 financial year

APA confirms that it expects EBITDA for the full year to 30 June 2019 to be within the upper end of the guidance range of \$1,550 million to \$1,575 million.

Based on actual expenditure to date and our further expectations for the balance of the financial year, net interest cost is expected to settle towards the lower end of the range of \$500 million to \$510 million.

Distributions per security for the 2019 financial year are expected to be in the order of 46.5 cents per security, with the 3.2 cents per security of franking credits announced for the half year and any further franking credits which may be allocated to the final distribution attaching to that cash payout.

As per current APA distribution policy, all distributions will be fully covered by operating cash flows.

9 Regulatory Matters

Gas Policy developments

Australia's economic regulatory regime for gas pipelines is set out in the National Gas Law (NGL) and the National Gas Rules (NGR). Some of APA's pipelines have been covered by the National Gas Access Regime since it was introduced in the 1990s. This regime includes mechanisms for regulatory pricing approval for "fully regulated (scheme)" pipelines, lesser obligations for "light regulation" pipelines, and since August 2017, some information disclosure and an arbitration regime option for "non-scheme" pipelines (Part 23 NGR).

During the reporting period, implementation of Gas Market Reform Group (GMRG) market policy reforms developed under the direction of the COAG Energy Council continued. These have included:

Part 23 compliance – roll out

In October 2018, APA published its first set of financial statements and associated information for non-scheme pipelines as specified under Part 23 of the NGR. Together with the January 2018 publication of APA's pricing principles and methodology and standing terms, prospective pipeline users now have available a broad range of information to enable enhanced assessment of pipeline service offers. Both before and after the introduction of the enhanced information provision under Part 23, APA has continued to ensure that we deliver value for our customers with commercial outcomes reflecting those in workably competitive markets.

Part 24 and 25 Capacity Trading & Auction

As part of the recent reforms, a Capacity Trading Platform operated by the Australian Energy Market Operator (AEMO) is to be launched on 1 March 2019 with the objective of facilitating the secondary trade of firm pipeline capacity rights between shippers. Additionally from 1 March 2019, AEMO will run a daily auction of firm contracted but un-nominated capacity on all major east coast pipelines.

During the reporting period, APA has undertaken extensive business system developments, as well as people and process changes, to ensure that the facilitation of exchange traded capacity and provision of data to run the auctions are successfully implemented by the March 2019 launch date. APA is on track to meet the March commencement date of these two new requirements. APA held a number of customer information forums during the period to assist our customers prepare for the new services. Facility Operator testing with AEMO was carried out in December 2018 and Market Trials commenced in January 2019 allowing for full end to end testing of new services between shippers, AEMO and facility operators.

Energy Industry developments

AER Draft WACC decision – 10 July 2018

In December 2018, the Australian Energy Regulator (AER) and the Economic Regulation Authority of Western Australia (ERA) published their respective rate of return guidelines that are binding on regulated businesses and the regulator for the next four years. Although there are some differences in the detail contained within each guideline, the resulting rates of return are very similar. APA understands the need to ensure that energy prices are as affordable as possible and that allowed returns have a direct linkage to energy prices. However, regulators over the last few years have reduced allowed returns to a level where continued investment in essential energy infrastructure is threatened. APA does not see this as being in the long-term interest of consumers.

COAG Energy Council Regulation Impact Statement (RIS) request

In late December 2018, the COAG Energy Council Senior Committee of Officials released the terms of reference for a RIS on gas pipeline regulation reform following industry reform processes recently introduced. APA will engage in this process to ensure the key elements for the commercial development and operation of existing and new pipeline infrastructure are understood and recognised by key decision makers.

The Energy Charter

APA is one of seventeen Australian energy businesses across the industry supply chain that has committed to the Australian energy industry Energy Charter. The Charter which was finalised during the period following public consultation, came into effect on 1 January 2019 and was launched on 31 January 2019. The Energy Charter aims to engender collective accountability across the whole energy supply chain so as to ensure improved customer outcomes.

The Charter sets out five principles to advance the industry vision of "Together, deliver energy for a better Australia". Under each principle is a list of Principles in Action against which members of the Charter will have to publicly report their progress on an annual basis. The initial reporting period will be from 1 January 2019 until 30 June 2019, reverting to a full financial year reporting period from 1 July 2019. Businesses will be required to self-assess against a maturity model and publish a plan for improvement against the Charter Principles. An independent Accountability Panel will evaluate disclosures and publish a report setting out findings and recommendations for each business and the industry as a whole.

APA's Customer Promise

APA has long had a customer-centric focus, listening to our customers and understanding their needs in order to develop solutions and services to respond to those needs. In today's dynamic and fast paced energy market, customer satisfaction continues to be critical in the delivery of our growth strategy.

APA's Customer Promise is a statement of APA's commitment to our customers and is consistent with principles of the recently launched industry Energy Charter. APA's promise lays out clearly and concisely to our customers and our employees, what customers can expect from APA when doing business. Its essence is that we must ensure the customer is front of mind in all decisions and in all functional areas of APA, so that we deliver service that is valued.

APA's Customer Promise was developed through extensive stakeholder engagement across the business, including testing with key customers. The initiative seeks to improve the customer experience by resolving 'pain points' as well as embedding early customer engagement to facilitate a more aligned approach to delivering value add services.

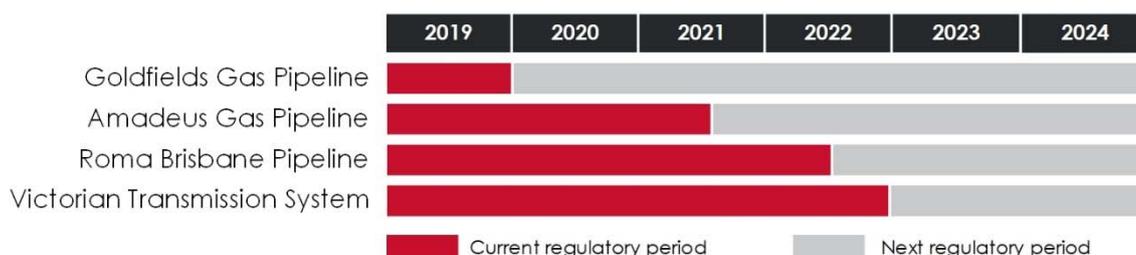
A comprehensive plan to rollout and implement APA's Customer Promise initiative has been developed and will be progressively implemented throughout CY2019.

Security of Critical Infrastructure

The Federal Government introduced the Security of Critical Infrastructure Act 2018 in April 2018. The Act's objective is to provide a framework for managing risks to national security relating to critical infrastructure by improving transparency of ownership and operational control of critical Australian infrastructure. For APA, under the Act, currently 22 of APA's assets and investment assets fall into the defined threshold for critical infrastructure under this legislation. Assets include pipelines, LNG storage facilities, power stations and electricity interconnectors. During the reporting period, APA submitted information on these assets in accordance with legislation. There is an ongoing process to ensure completeness and accuracy of existing and new assets in the critical infrastructure register.

Regulatory resets

The diagram below outlines the scheduled regulatory reset dates for pipelines owned and operated by APA. The Central Ranges Pipeline and Central Ranges Network will cease to be regulated on 1 July 2019 and will be classified as non-scheme pipelines under Part 23 of the National Gas Rules. During 1H FY2019, approximately 9.4% of APA's Energy Infrastructure revenues were delivered from regulated assets under approved access arrangements.



During the period, the only key regulatory matter addressed was in relation to the Goldfields Access Arrangement.

Goldfields Access Arrangement

A revision to the Goldfields Access Arrangement was lodged with the ERA in December 2018. The revision is in accordance with current legislation, which provides for separate treatment of covered and uncovered capacity. A revised proposal treating all capacity as covered will be prepared and submitted if legislation implementing the AEMC's recommendation that the uncovered capacity be treated as covered capacity is enacted prior to the final access determination.

Environmental reporting

Federal, State/Territory Environmental Reporting

APA continues to comply with periodic and various ad hoc federal, state and territory environmental reporting obligations. During the reporting period, APA's business units compiled and submitted National Pollutant Inventory (NPI) reports to the responsible state and territory regulators for any of the relevant 93 substances that may have been emitted to the air, land and water, and transported in waste.

APA's business units also submit periodic Environmental Reports (including monthly and annual reports) to state and territory regulators, verifying the implementation of environmental controls and minimisation of environmental risk across our business activities.

Australian Bureau of Statistics (ABS) – Energy, Water and Environment Survey

The Energy, Water and Environment Survey (EWES) is conducted every three years, with the Environment Indicators Survey (EIS) being conducted in the intervening two years. APA participated again in the EWES disclosing energy, emissions and water usage information to the ABS Survey. The purpose of this survey is to collect data from Australian businesses and to better inform policy making in the water and energy space.

National Greenhouse and Energy Reporting (NGER)

In October 2018, APA submitted the report to meet the National Greenhouse and Energy Reporting (NGER) obligations for FY2018.

APA's summary of Scope 1 emissions and energy consumption for the 2017 financial year as reported under the NGER, are set out in the following table. The decrease in emissions and energy consumption for FY2018 represent marginal expected annual fluctuations.

	FY2018	FY2017	Change
Scope 1 CO ₂ emissions ^(a) (tonnes)	1,205,708	1,228,807	(1.9)%
Scope 2 CO ₂ emissions ^(b) (tonnes)	23,030	25,012	(7.9)%
Energy consumption ^(c) (GJ)	22,559,451	23,930,506	(5.7)%

a) Scope 1: emissions associated directly with APA facilities, such as company vehicles, 'fuel combustion' and fugitive emissions from gas pipelines.

b) Scope 2: indirect emissions that are emitted by sources owned by another company, but result from APA's activities such as consumption of purchased electricity/fuel not generated by the facility but used under its operations.

c) Energy Consumption is referring to the total calculation of all energy consumed and produced by APA across all facilities i.e. it is the calculation of net energy consumption and energy production. Scope 1 and energy consumption figures are correlated as the more gas that goes through APA's system, more gas is consumed to drive the compressors to transport gas through the pipelines, thereby increasing Scope 1 emissions as well as energy consumption.

Reporting – Carbon Disclosure Project (CDP)

APA continued to participate in the Carbon Disclosure Project's Climate Change questionnaire during the reporting period. The Climate Change questionnaire is a voluntary disclosure to investors on carbon emissions, liability, reduction activities, strategies and management. APA has participated in this Project for eight years. APA scored a D- for its disclosure in relation to the 2018 Climate Change survey which is a step down from the previous corresponding score of a C. Data collection and accuracy is currently under review by APA under an Environmental, Social and Governance Improvement Program, with a particular focus on improving disclosures using the Task Force on Climate-related Financial Disclosures (TCFD) framework.

Other Environmental matters and actions

During the reporting period, APA continued to progress the program to reinforce APA's commitment to improving APA's Environmental, Social and Governance (ESG) performance. A review conducted by an external advisory firm of aspects of APA's ESG program has now been completed and the recommended improvement initiatives have commenced.

The initial ESG improvement initiatives fall across three key areas:

- Disclosures using the TCFD framework;
- Environmental Reporting; and
- Environmental Regulatory Compliance.

A program of initiatives commenced during this reporting period and includes tasks such as streamlining environmental data management and reporting processes, consolidating compliance mechanisms and refreshing relevant roles and responsibilities throughout the organisation. These initiatives will continue to be executed throughout FY2019 and beyond, in particular work in relation to the TCFD framework.

Landholders are an important stakeholder to APA's business and keeping knowledge of biosecurity controls up to date helps APA manage risk and work more productively with these key stakeholders along the pipeline easements. During 1H FY2019, APA refreshed the Landholder Contact Program placing additional emphasis on gathering information in relation to landholder- specific biosecurity controls.

APA is an active member of the Australian Pipelines and Gas Association (APGA) and during the period, contributed to establishing a new APGA Environmental Risk and Compliance Subcommittee which sits under the existing APGA HSE Committee. The purpose of the new Subcommittee is to consider and provide advice and guidance on environmental management issues to the industry and contribute to policy discussions.

Health and Safety

Following the increase of injuries reported at the FY2018 results, significant focus was placed on improving safety behaviour in 1H FY2019. Pleasingly, APA can report a significant reduction in both lost time and medically treatable injuries. As at 31 December 2018, APA had three lost time injuries (LTI's) and 16 medically treatable injuries compared to seven LTI's and 19 medical injuries in the previous year's corresponding period, however APA remains vigilant and dedicated to continuous improvement in our safety performance.

As part of our continued focus on safety, APA commenced a refresh of its Fatal Risk Protocol training program as well as leaders continuing to be encouraged to have regular health and safety conversations with employees and contractors around performing work safely and observations made throughout the business. During the reporting period, the number of these "conversations" exceeded the target number of management interactions as logged in APA's Safeguard system. APA's Networks division has had a focus on Contractor Safety Forums as that area employs the majority of field work contractors where the majority of the FY2018 safety incidents occurred. APA commenced random alcohol testing across our office and work depot sites across Australia which is consistent with what takes place on our field sites.

As part of APA's Health and Wellbeing program, APA undertook a walking challenge during 1H F2019. Over 253 APA employees participated in the 28 day innovative walking challenge which was a virtual walk along the 957 km of the South West Queensland Pipeline. Participants racked up almost 60 million steps as a whole.

Code of Conduct

APA developed and launched its revised code of conduct policy called "Our Code." Our Code sets out and explains the non-negotiable standards of personal and professional behaviour expected of all APA employees and contractors. The Code not only honours APA's legal obligations, but it will ensure our decisions and actions meet expectations and standards of APA's diverse stakeholders. How we do business is as important at APA as what we do and achieve each day. Following on from the launch of the APA Way in FY2018, Our Code defines our guiding behavioural principles and provides practical examples. Our Code is available to view on APA's website, www.apa.com.au.



10 Corporate Governance

Retirement of CEO and Managing Director

During the reporting period, APA announced that Mick McCormack had advised of his intention to retire from the role of Chief Executive Officer and Managing Director no later than 31 December 2019. APA's Board has commenced a selection process, which will consider both internal and external candidates, for his replacement. Mick will continue in his role until his successor has commenced to ensure a smooth transition.

Board announcement

On 20 February 2019, APA announced the appointment of James Fazzino as a new Non-Executive Director to the Australian Pipeline Limited (APL) Board, effective 21 February 2019. The Board also announced, the retirement of Russell Higgins AO, from the APL Board effective 20 February 2019.

11 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 is included at page 51.

12 Rounding of Amounts

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

13 Authorisation

The Directors' report is signed in accordance with a resolution of the Directors of the Responsible Entity.

On behalf of the Directors



Michael Fraser
Chairman

20 February 2019



Debra Goodin
Director

Australian Pipeline Trust and its Controlled Entities

Condensed Consolidated Statement of Profit or Loss and Other Comprehensive Income

For the half year ended 31 December 2018

	Note	31 Dec 2018 \$000	31 Dec 2017 \$000
Continuing operations			
Revenue	4	1,226,145	1,177,314
Share of net profits of associates and joint ventures using the equity method	4	11,013	11,335
		1,237,158	1,188,649
Asset operation and management expenses		(104,736)	(97,334)
Depreciation and amortisation expense	5	(297,645)	(289,120)
Other operating costs - pass-through	5	(224,248)	(233,935)
Finance costs	5	(240,263)	(266,328)
Employee benefit expense		(113,429)	(97,318)
Other expenses		(6,367)	(1,131)
Profit before tax		250,470	203,483
Income tax expense		(93,070)	(79,517)
Profit for the period		157,400	123,966
Other comprehensive income, net of income tax			
Items that will not be reclassified subsequently to profit or loss:			
Actuarial (loss)/gain on defined benefit plan		(11,570)	3,350
Income tax relating to items that will not be reclassified subsequently		3,471	(1,005)
		(8,099)	2,345
Items that may be reclassified subsequently to profit or loss:			
Transfer of gain on cash flow hedges to profit or loss		59,571	52,025
(Loss)/gain on cash flow hedges taken to equity		(337,418)	75,478
(Loss)/gain on associate hedges taken to equity		(3,365)	2,722
Income tax relating to items that may be reclassified subsequently		84,364	(39,068)
		(196,848)	91,157
Other comprehensive income for the period (net of tax)		(204,947)	93,502
Total comprehensive income for the period		(47,547)	217,468
Profit attributable to:			
Unitholders of the parent		122,386	90,145
Non-controlling interest - APT Investment Trust unitholders		35,014	33,821
APA stapled securityholders		157,400	123,966
Total comprehensive income attributable to:			
Unitholders of the parent		(82,561)	183,647
Non-controlling interest - APT Investment Trust unitholders		35,014	33,821
APA stapled securityholders		(47,547)	217,468
Earnings per security			
Basic and diluted (cents per security)	6	13.3	11.1 (Restated)

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

Australian Pipeline Trust and its Controlled Entities
Condensed Consolidated Statement of Financial Position
As at 31 December 2018

	31 Dec 2018 \$000	30 Jun 2018 \$000
<u>Current assets</u>		
Cash and cash equivalents	130,404	100,643
Trade and other receivables	249,790	251,720
Other financial assets	76,666	55,525
Inventories	29,287	28,534
Other	12,159	12,487
Total current assets	498,306	448,909
<u>Non-current assets</u>		
Trade and other receivables	133,099	14,030
Other financial assets	509,185	591,487
Investments accounted for using the equity method	270,944	271,597
Property, plant and equipment	9,781,433	9,691,666
Goodwill	1,183,604	1,183,604
Other intangible assets	2,901,148	2,992,431
Other	29,314	33,502
Total non-current assets	14,808,727	14,778,317
Total assets	15,307,033	15,227,226
<u>Current liabilities</u>		
Trade and other payables	306,439	381,676
Borrowings	671,092	329,219
Other financial liabilities	140,572	139,401
Provisions	72,015	83,629
Unearned revenue	18,311	20,922
Total current liabilities	1,208,429	954,847
<u>Non-current liabilities</u>		
Trade and other payables	3,551	5,089
Borrowings	9,468,001	9,321,377
Other financial liabilities	151,605	128,510
Deferred tax liabilities	521,889	558,442
Provisions	97,576	71,951
Unearned revenue	62,241	60,183
Total non-current liabilities	10,304,863	10,145,552
Total liabilities	11,513,292	11,100,399
Net assets	3,793,741	4,126,827

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

Australian Pipeline Trust and its Controlled Entities
Condensed Consolidated Statement of Financial Position (continued)
As at 31 December 2018

	Note	31 Dec 2018 \$000	30 Jun 2018 \$000
Equity			
Australian Pipeline Trust equity:			
Issued capital	9	3,181,473	3,288,123
Reserves		(528,013)	(331,165)
Retained earnings		112,123	105,412
Equity attributable to unitholders of the parent		2,765,583	3,062,370
Non-controlling interests:			
APT Investment Trust:			
Issued capital	9	993,091	1,030,176
Retained earnings		35,014	34,228
Equity attributable to unitholders of APT Investment Trust		1,028,105	1,064,404
Other non-controlling interest		53	53
Total non-controlling interests		1,028,158	1,064,457
Total equity		3,793,741	4,126,827

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

Australian Pipeline Trust and its Controlled Entities

Condensed Consolidated Statement of Changes in Equity

For the half year ended 31 December 2018

	Australian Pipeline Trust					APT Investment Trust			Other non-controlling interest				Total \$000
	Issued Capital \$000	Asset Revaluation Reserve \$000	Hedging Reserve \$000	Retained earnings \$000	Attributable to owner of the parent \$000	Issued Capital \$000	Retained earnings \$000	APT Investment Trust \$000	Issued Capital \$000	Other \$000	Retained earnings \$000	Other non- controlling Interest \$000	
Balance at 1 July 2017	3,114,617	8,669	(216,442)	60,804	2,967,648	976,284	34,198	1,010,482	4	1	48	53	3,978,183
Profit for the period	-	-	-	90,145	90,145	-	33,821	33,821	-	-	-	-	123,966
Other comprehensive income	-	-	130,225	3,350	133,575	-	-	-	-	-	-	-	133,575
Income tax relating to components of other comprehensive income	-	-	(39,068)	(1,005)	(40,073)	-	-	-	-	-	-	-	(40,073)
Total comprehensive income for the period	-	-	91,157	92,490	183,647	-	33,821	33,821	-	-	-	-	217,468
Payment of distributions	(120,183)	-	-	(60,803)	(180,986)	(41,107)	(34,198)	(75,305)	-	-	-	-	(256,291)
Balance at 31 December 2017	2,994,434	8,669	(125,285)	92,491	2,970,309	935,177	33,821	968,998	4	1	48	53	3,939,360
Balance at 1 July 2018	3,288,123	8,669	(339,834)	105,412	3,062,370	1,030,176	34,228	1,064,404	4	1	48	53	4,126,827
Impact of changes in accounting standards ^(a)	-	-	-	(2,164)	(2,164)	-	-	-	-	-	-	-	(2,164)
Adjusted balance at 1 July 2018	3,288,123	8,669	(339,834)	103,248	3,060,206	1,030,176	34,228	1,064,404	4	1	48	53	4,124,663
Profit for the period	-	-	-	122,386	122,386	-	35,014	35,014	-	-	-	-	157,400
Other comprehensive income	-	-	(281,212)	(11,570)	(292,782)	-	-	-	-	-	-	-	(292,782)
Income tax relating to components of other comprehensive income	-	-	84,364	3,471	87,835	-	-	-	-	-	-	-	87,835
Total comprehensive income for the period	-	-	(196,848)	114,287	(82,561)	-	35,014	35,014	-	-	-	-	(47,547)
Payment of distributions	(106,513)	-	-	(105,412)	(211,925)	(37,022)	(34,228)	(71,250)	-	-	-	-	(283,175)
Issue cost of securities	(195)	-	-	-	(195)	(63)	-	(63)	-	-	-	-	(258)
Tax relating to security issue costs	58	-	-	-	58	-	-	-	-	-	-	-	58
Balance at 31 December 2018	3,181,473	8,669	(536,682)	112,123	2,765,583	993,091	35,014	1,028,105	4	1	48	53	3,793,741

(a) APA Group has adopted AASB 15 Revenue from Contracts with Customers on a modified retrospective basis. This resulted in a charge of \$2.2 million to retained earnings as at 1 July 2018, being the cumulative effect on initial application of the standard (refer to Note 11). The comparative results are not restated as permitted by the standard.

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

Australian Pipeline Trust and its Controlled Entities
Condensed Consolidated Statement of Cash Flows
For the half year ended 31 December 2018

	31 Dec 2018 \$000	31 Dec 2017 \$000
Notes		
<u>Cash flows from operating activities</u>		
Receipts from customers	1,356,916	1,308,637
Payments to suppliers and employees	(620,091)	(588,516)
Dividends received from associates and joint ventures	8,302	9,754
Proceeds from repayment of finance leases	755	887
Interest received	3,289	6,133
Interest and other costs of finance paid	(229,909)	(237,995)
Income tax paid	(49,078)	(36,373)
Net cash provided by operating activities	470,184	462,527
<u>Cash flows from investing activities</u>		
Payments for property, plant and equipment	(330,429)	(320,705)
Proceeds from sale of property, plant and equipment	650	256
Payments for intangible assets	(211)	(345)
Loans advanced to related parties	(125,000)	-
Net cash used in investing activities	(454,990)	(320,794)
<u>Cash flows from financing activities</u>		
Proceeds from borrowings	599,623	-
Repayments of borrowings	(296,197)	(5,731)
Proceeds from early settlements of loans and derivatives	1,156	-
Payment of debt issue costs	(6,026)	(835)
Payment of security issue costs	(864)	-
Distributions paid to:		
Unitholders of APT	7 (211,925)	(180,986)
Unitholders of non-controlling interests - APTIT	7 (71,250)	(75,305)
Net cash provided by/(used in) financing activities	14,517	(262,857)
Net increase/(decrease) in cash and cash equivalents	29,711	(121,124)
Cash and cash equivalents at beginning of the period	100,643	394,501
Unrealised foreign exchange gain/(loss) on cash held	50	(143)
Cash and cash equivalents at end of the period	130,404	273,234

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

Australian Pipeline Trust and its Controlled Entities

Notes to the condensed consolidated financial statements

For the half year ended 31 December 2018

Basis of Preparation

1. About this report

In the following financial statements, note disclosures are grouped into four sections being: Basis of Preparation; Financial Performance; Capital Management; and Other.

Basis of Preparation

1. About this report
2. General information

Financial Performance

3. Segment information
4. Revenue
5. Expenses
6. Earnings per security
7. Distributions

Capital Management

8. Financial risk management
9. Issued capital

Other

10. Contingencies
11. Adoption of new and revised Accounting Standards
12. Events occurring after reporting date

Australian Pipeline Trust and its Controlled Entities

Notes to the condensed consolidated financial statements (continued)

For the half year ended 31 December 2018

Basis of Preparation

2. General information

The condensed consolidated general purpose financial statements for the half year ended 31 December have been prepared in accordance with AASB 134 'Interim Financial Reporting' and the Corporations Act 2001. Compliance with AASB 134 ensures compliance with International Financial Reporting Standard IAS 34 'Interim Financial Reporting'. The half year 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.

The half year financial report does not include all of the notes of the type normally included in an annual financial report. Accordingly this report should be read in conjunction with the most recent annual financial report and any public announcements made by APA Group during the half year reporting period in accordance with the continuous disclosure requirements of the Corporations Act 2001.

The accounting policies are consistent with those adopted and disclosed in the annual report for the financial year ended 30 June 2018, except for the impact of new standards, amendments to standards and interpretations effective from 1 July 2018 as disclosed in Note 11.

Working capital position

The working capital position as at 31 December 2018 for APA Group is that current liabilities exceed current assets by \$710.1 million (30 June 2018: current liabilities exceeded current assets by \$505.9 million) primarily as a result of current borrowings of \$671.1 million and \$140.6 million (AUD equivalent) of cash flow hedge liabilities.

As at 31 December 2018, APA Group has access to committed, un-drawn bank facilities of \$1,095.0 million (30 June 2018: \$868.8 million) to meet the repayment of current borrowings on the due date.

The Directors continually monitor APA Group'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.

Financial Performance

3. Segment information

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

APA Group 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, operating services and/or asset maintenance services to the majority of APA Group's energy investments and Australian Gas Networks Limited for appropriate fees; and
- **Energy Investments**, which includes APA Group's strategic stakes in a number of investment entities that house energy infrastructure assets, generally characterised by long term secure cash flows, with low capital expenditure requirements.

Australian Pipeline Trust and its Controlled Entities
Notes to the condensed consolidated financial statements (continued)
For the half year ended 31 December 2018

Financial Performance

3. Segment information (continued)

Reportable segments

	Energy Infrastructure	Asset Management	Energy Investments	Other	Consolidated
Half year ended 31 December 2018	\$000	\$000	\$000	\$000	\$000
Segment revenue ^(a)					
Revenue from contracts with customers	945,564	48,895	-	-	994,459
Equity accounted net profits	-	-	11,013	-	11,013
Pass-through revenue	20,604	203,644	-	-	224,248
Other income	3,566	514	-	-	4,080
Finance lease and investment interest income	669	-	1,993	-	2,662
Total segment revenue	970,403	253,053	13,006	-	1,236,462
Other interest income					696
Consolidated revenue					1,237,158

Segment result

Earnings before interest, tax, depreciation and amortisation ("EBITDA")	788,706	27,715	-	-	816,421
Share of net profits of joint ventures and associates using the equity method	-	-	11,013	-	11,013
Finance lease and investment interest income	669	-	1,993	-	2,662
Corporate costs	-	-	-	(42,414)	(42,414)
Total EBITDA	789,375	27,715	13,006	(42,414)	787,682
Depreciation and amortisation	(292,107)	(5,538)	-	-	(297,645)
Earnings before interest and tax ("EBIT")	497,268	22,177	13,006	(42,414)	490,037
Net finance costs ^(b)					(239,567)
Profit before tax					250,470
Income tax expense					(93,070)
Profit for the period					157,400

	Energy Infrastructure	Asset Management	Energy Investments	Consolidated
As at 31 December 2018	\$000	\$000	\$000	\$000
Segment assets ^(c)	14,015,660	178,334	136,530	14,330,524
Carrying value of investments using the equity method	-	-	270,944	270,944
Unallocated assets ^(d)				705,565
Total assets				15,307,033
Segment liabilities	359,140	55,158	-	414,298
Unallocated liabilities ^(e)				11,098,994
Total liabilities				11,513,292

(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.

(c) Segment assets of the Energy Investments segment include a \$125.0m 3 year amortising loan to an associate.

(d) Unallocated assets consist of cash and cash equivalents, fair value of interest rate swaps, foreign exchange contracts and equity forwards.

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

Australian Pipeline Trust and its Controlled Entities
Notes to the condensed consolidated financial statements (continued)
For the half year ended 31 December 2018

Financial Performance

3. Segment information (continued)

Reportable segments (continued)

	Energy Infrastructure	Asset Management	Energy Investments	Other	Consolidated
Half year ended 31 December 2017	\$000	\$000	\$000	\$000	\$000
Segment revenue ^(a)					
Revenue from contracts with customers	898,233	39,556	-	-	937,789
Equity accounted net profits	-	-	11,335	-	11,335
Pass-through revenue	20,334	213,601	-	-	233,935
Other income	590	1	-	-	591
Finance lease and investment interest income	747	-	577	-	1,324
Total segment revenue	919,904	253,158	11,912	-	1,184,974
Other interest income					3,675
Consolidated revenue					1,188,649
Segment result					
Earnings before interest, tax, depreciation and amortisation ("EBITDA")	745,016	25,920	-	-	770,936
Share of net profits of joint ventures and associates using the equity method	-	-	11,335	-	11,335
Finance lease and investment interest income	747	-	577	-	1,324
Corporate costs	-	-	-	(28,339)	(28,339)
Total EBITDA	745,763	25,920	11,912	(28,339)	755,256
Depreciation and amortisation	(283,638)	(5,482)	-	-	(289,120)
Earnings before interest and tax ("EBIT")	462,125	20,438	11,912	(28,339)	466,136
Net finance costs ^(b)					(262,653)
Profit before tax					203,483
Income tax expense					(79,517)
Profit for the period					123,966
	Energy Infrastructure	Asset Management	Energy Investments		Consolidated
As at 30 June 2018	\$000	\$000	\$000		\$000
Segment assets	13,995,163	212,521	10,967		14,218,651
Carrying value of investments using the equity method	-	-	271,597		271,597
Unallocated assets ^(c)					736,978
Total assets					15,227,226
Segment liabilities	440,276	64,829	-		505,105
Unallocated liabilities ^(d)					10,595,294
Total liabilities					11,100,399

(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.

(c) Unallocated assets consist of cash and cash equivalents, fair value of interest rate swaps, foreign exchange contracts and equity forwards.

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

Australian Pipeline Trust and its Controlled Entities

Notes to the condensed consolidated financial statements (continued)

For the half year ended 31 December 2018

Financial Performance

3. Segment information (continued)

Information about major customers

Included in revenues arising from energy infrastructure of \$945.6 million (half year ended 31 December 2017: \$898.8 million) are revenues of approximately \$358.6 million (half year ended 31 December 2017: \$347.7 million) which arose from sales to APA Group's top three customers.

4. Revenue

An analysis of APA Group's revenue for the period is as follows:

	31 Dec 2018 \$000	31 Dec 2017 \$000
Energy Infrastructure revenue from contracts with customers	945,564	898,233
Pass-through revenue	20,604	20,334
Other income	3,566	590
Energy infrastructure revenue	969,734	919,157
Asset Management revenue from contracts with customers	48,895	39,556
Pass-through revenue	203,644	213,601
Other income	514	1
Asset management revenue	253,053	253,158
Operating revenue	1,222,787	1,172,315
Interest	696	3,675
Interest income from related parties	1,993	577
Finance lease income	669	747
Finance income	3,358	4,999
Total revenue	1,226,145	1,177,314
Share of net profits of joint ventures and associates using the equity method	11,013	11,335
	1,237,158	1,188,649

Revenue is recognised at an amount that reflects the consideration to which the Group expects to be entitled in exchange for the provision of services or for the transferring of goods to a customer (the performance obligations) under a contract. Amounts disclosed as revenue are net of duties, goods and services tax ("GST") and other taxes paid, except where the amount of GST incurred is not recoverable from the taxation authority.

Where amounts have been received in advance of fulfilling the contract obligation these amounts are deferred in the balance sheet as unearned revenue until the performance obligation is fulfilled. Where the period between the payment by the customer and the fulfilment of the obligation is expected to exceed one year any amounts associated with the finance component of this unearned revenue is recognised as interest expense, separately from revenue from contracts with customers.

The interest expense is arrived at by applying the discount rate relevant to each contract based on APA Group's applicable borrowing rate at the time of receipt of the upfront payment.

Australian Pipeline Trust and its Controlled Entities

Notes to the condensed consolidated financial statements (continued)

For the half year ended 31 December 2018

Financial Performance

4. Revenue (continued)

Revenue is recognised for the major business activities as follows:

- **Energy Infrastructure revenue from contracts with customers**, which is derived from the transportation, processing and storage of gas, generation of electricity and other related services. Revenue is recognised as a performance obligation satisfied over time. The total transaction price is allocated across each service or performance obligation based on the stand alone selling prices;
- **Asset Management revenue from contracts with customers**, which is derived from the provision of commercial services, operating services and/or asset maintenance services. Revenue is recognised as a performance obligation satisfied over time. The total transaction price is allocated across each service or performance obligation based on the stand alone selling prices;
- **Pass-through revenue**, is revenue from contracts with customers for which no margin is earned, and is recognised when the services are provided and offset by corresponding pass-through costs. APA Group is determined to be the principal in these relationships. The total transaction price is allocated across each service or obligation based on the stand alone selling prices;
- **Interest income**, which is recognised as it accrues and is determined using the effective interest method;
- **Finance lease income**, which is allocated to accounting periods so as to reflect a constant periodic rate of return on the Group's net investment outstanding in respect of the leases; and
- **Other Income**, which is recognised when APA Group expects to be entitled to it, represents income from categories other than those outlined above.

5. Expenses

	31 Dec 2018 \$000	31 Dec 2017 \$000
Depreciation of non-current assets	206,151	197,594
Amortisation of non-current assets	91,494	91,526
Depreciation and amortisation expense	297,645	289,120
Energy infrastructure costs - pass-through	20,604	20,334
Asset management costs - pass-through	203,644	213,601
Other operating costs - pass-through	224,248	233,935
Interest on borrowings	251,015	261,313
Amortisation of deferred borrowing costs	3,813	4,916
Other finance costs	4,023	3,257
	258,851	269,486
Less: amounts included in the cost of qualifying assets	(22,157)	(5,930)
	236,694	263,556
Loss on derivatives	614	307
Unwinding of discount on non-current liabilities	2,955	2,465
Finance costs	240,263	266,328

Australian Pipeline Trust and its Controlled Entities

Notes to the condensed consolidated financial statements (continued)

For the half year ended 31 December 2018

Financial Performance

6. Earnings per security

	31 Dec 2018	31 Dec 2017 (Restated)
Basic and diluted earnings per security (cents)	13.3	11.1

The earnings and weighted average number of ordinary securities used in the calculation of basic and diluted earnings per security are as follows:

	31 Dec 2018	31 Dec 2017
	\$000	\$000
Net profit attributable to securityholders for calculating basic and diluted earnings per security	157,400	123,966

	31 Dec 2018	31 Dec 2017 (Restated)
	No. of securities	No. of securities
	000	000
Adjusted weighted average number of ordinary securities used in the calculation of basic and diluted earnings per security	1,179,894	1,118,522

Adjusted weighted average number of ordinary securities used in the calculation of basic and diluted earnings per security

1,179,894 1,118,522

On the 23 March 2018, APA Group issued 65,586,479 new ordinary securities on completion of the fully underwritten pro-rata accelerated institutional tradeable renounceable entitlement offer (Entitlement Offer). The Entitlement Offer was offered at \$7.70 per security, a discount to APA Group's closing market price of \$8.26 per security on the 23 February 2018, the last trading day before the record date of 26 February 2018. The number of securities used for the prior period calculation of earnings per security have been adjusted for the discounted rights issue. An adjustment factor of 1.0038 has been calculated, being the closing market price per security on 23 February 2018, divided by the theoretical ex-rights price (TERP) of \$8.23 per security.

Australian Pipeline Trust and its Controlled Entities
Notes to the condensed consolidated financial statements (continued)
For the half year ended 31 December 2018

Financial Performance

7. Distributions

	31 Dec 2018 cents per security	31 Dec 2018 Total \$000	31 Dec 2017 cents per security	31 Dec 2017 Total \$000
Recognised amounts				
Final distribution paid on 12 September 2018 (2018: 13 September 2017)				
Profit distribution - APT ^(a)	8.93	105,412	5.46	60,803
Capital distribution - APT	9.03	106,513	10.78	120,183
Profit distribution - APTIT ^(b)	2.90	34,228	3.07	34,198
Capital distribution - APTIT	3.14	37,022	3.69	41,107
	24.00	283,175	23.00	256,291
Unrecognised amounts				
Interim distribution payable on 13 March 2019 ^(c) (2018: 14 March 2018)				
Profit distribution - APT ^(d)	9.50	112,123	8.30	92,491
Capital distribution - APT	6.58	77,668	7.29	81,202
Profit distribution - APTIT ^(b)	2.97	35,014	3.03	33,821
Capital distribution - APTIT	2.45	28,872	2.38	26,490
	21.50	253,677	21.00	234,004

(a) APT final profit distributions were fully franked (2018: 4.67 cents per security franked and 0.79 cents per security unfranked).

(b) APTIT profit distributions were unfranked (2018: unfranked).

(c) Record date 31 December 2018.

(d) APT interim profit distributions are to be 7.47 cents per security franked and 2.03 cents per security unfranked (2018: 5.83 cents per security franked and 2.47 cents per security unfranked).

The interim distribution in respect of the financial year has not been recognised in this half year financial report because the distribution was not declared, determined or publicly confirmed prior to 31 December 2018.

Capital Management

8. Financial risk management

Fair value of financial instruments

Classification of financial assets

Debt instruments that meet the following conditions are subsequently measured at amortised cost:

- The financial asset is held within a business model whose objective is to hold financial assets in order to collect contractual cash flows; and
- The contractual terms of the financial asset give rise on specified dates to cash flows that are solely payments of principal and interest on the principal amount outstanding.

Australian Pipeline Trust and its Controlled Entities

Notes to the condensed consolidated financial statements (continued)

For the half year ended 31 December 2018

Capital Management

8. Financial risk management (continued)

Fair value of financial instruments (continued)

Classification of financial assets (continued)

Debt instruments that meet the following conditions are subsequently measured at fair value through other comprehensive income (FVTOCI):

- The financial asset is held within a business model whose objective is achieved by both collecting contractual cash flows and selling the financial assets; and
- The contractual terms of the financial asset give rise on specified dates to cash flows that are solely payments of principal and interest on the principal amount outstanding.

By default, all other financial assets are subsequently measured at fair value through profit or loss (FVTPL).

Financial assets at FVTPL are measured at fair value at the end of each reporting period, with any fair value gains or losses recognised in profit or loss to the extent they are not part of a designated hedging relationship.

Hedge accounting

APA Group designates certain hedging instruments, which include derivatives and embedded derivatives in respect of foreign currency risk and interest rate risk, as 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 as cash flow hedges.

At the inception of the hedge relationship, APA Group 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 APA Group 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.

Movements in the hedging reserve in equity are 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.

Accounting for the forward element of forward contracts and foreign currency basis spreads of financial instruments

APA Group designates the full change in the fair value of a forward contract (i.e. including the forward elements) as the hedging instrument for all of its hedging relationships involving forward contracts.

APA Group separates the foreign currency basis spread from a financial instrument and excludes it from the designation of that financial instrument as the hedging instrument. Changes in the value of the undesignated aligned foreign currency basis spread associated with cross currency swaps are deferred in Other Comprehensive Income.

The accounting of the undesignated forward element and foreign currency basis spread is not affected by the type of hedging relationship.

Australian Pipeline Trust and its Controlled Entities

Notes to the condensed consolidated financial statements (continued)

For the half year ended 31 December 2018

Capital Management

8. Financial risk management (continued)

Fair value of financial instruments (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, 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 hedge accounting is discontinued, amounts remain in equity until the forecast transaction occurs.

Impairment of financial assets

APA Group recognises a loss allowance for expected credit losses (ECL) on investments in debt instruments that are measured at amortised cost. No impairment loss is recognised for investments in equity instruments. The amount of expected credit losses is updated at each reporting date to reflect changes in credit risk since initial recognition of the respective financial instrument.

APA Group recognises lifetime ECL for trade receivables. The expected credit losses on these financial assets are estimated using a provision matrix based on APA Group's historical credit loss experience. Aside from loans and receivables, APA Group does not currently hold any debt instruments or guarantee contracts as covered by the scope of the impairment section.

APA Group recognises an impairment gain or loss in profit or loss for all financial instruments with a corresponding adjustment to their carrying amount through a loss allowance account.

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).

Australian Pipeline Trust and its Controlled Entities

Notes to the condensed consolidated financial statements (continued)

For the half year ended 31 December 2018

Capital Management

8. Financial risk management (continued)

Fair value of financial instruments (continued)

Fair value measurements recognised in the statement of financial position (continued)

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 the 6 months to 31 December 2018 (year ended 30 June 2018 none). Transfers between Level 1 and Level 2 are triggered when there are quoted prices available 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 Group'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 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 values of other financial assets and financial liabilities (excluding derivative instruments) are 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. 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 (except as disclosed below).

Contract for difference

The financial statements include a contract for difference arising from an electricity agreement with a customer that guarantees the Group a fixed price for electricity offtake for the agreed term which is measured at fair value. The fair value of the contract for difference is derived from an internal discounted cash flow valuation methodology, based on observed market rates, independent market expert forecasts or Management view on long term prices.

Australian Pipeline Trust and its Controlled Entities
Notes to the condensed consolidated financial statements (continued)
For the half year ended 31 December 2018

Capital Management

8. Financial risk management (continued)

Fair value of financial instruments (continued)

Contract for difference (continued)

In determining the fair value, the following assumptions were used:

- estimated long term forecast electricity pool prices are applied as market prices are not readily observable for the corresponding term;
- forecast electricity volumes are estimated based on an internal forecast output model;
- the discount rates are based on observable market rates for risk-free instruments of the appropriate term;
- credit adjustments are applied to the discount rates to reflect the risk of default by either the Group or a specific counterparty. Where a counterparty specific credit curve is not observable, an estimated curve is applied which takes into consideration the credit rating of the counterparty and its industry; and
- these instruments are classified in the fair value hierarchy at Level 3.

Changes in any of the aforementioned assumptions may be accompanied by changes in other assumptions which may have an offsetting impact.

Fair value hierarchy

As at 31 December 2018	Level 1 \$000	Level 2 \$000	Level 3 \$000	Total \$000
Financial assets measured at fair value				
Equity forwards designated as fair value through profit or loss	-	236	-	236
Cross currency interest rate swaps used for hedging	-	541,118	-	541,118
Forward foreign exchange contracts used for hedging	-	14,850	-	14,850
	-	556,204	-	556,204
Financial liabilities measured at fair value				
Equity forwards designated as fair value through profit or loss	-	219	-	219
Cross currency interest rate swaps used for hedging	-	244,435	-	244,435
Forward foreign exchange contracts used for hedging	-	26,936	-	26,936
Contract for difference used for hedging	-	-	6,953	6,953
	-	271,590	6,953	278,543
As at 30 June 2018				
Financial assets measured at fair value				
Equity forwards designated as fair value through profit or loss	-	2,045	-	2,045
Cross currency interest rate swaps used for hedging	-	592,244	-	592,244
Forward foreign exchange contracts used for hedging	-	29,130	-	29,130
	-	623,419	-	623,419
Financial liabilities measured at fair value				
Interest rate swaps used for hedging	-	800	-	800
Cross currency interest rate swaps used for hedging	-	215,641	-	215,641
Forward foreign exchange contracts used for hedging	-	13,486	-	13,486
Contract for difference used for hedging	-	-	6,536	6,536
	-	229,927	6,536	236,463

Australian Pipeline Trust and its Controlled Entities
Notes to the condensed consolidated financial statements (continued)
For the half year ended 31 December 2018

Capital Management

8. Financial risk management (continued)

Fair value of financial instruments (continued)

Reconciliation of Level 3 fair value measurements

	31 Dec 2018 \$000
Opening balance	6,536
Revaluation	712
Settlement	(295)
Closing balance	6,953
	30 Jun 2018 \$000
Opening balance	-
Revaluation	6,536
Settlement	-
Closing balance	6,536

The only financial liabilities subsequently measured at fair value on Level 3 fair value measurement represents a contract for difference used for hedging. No unrealised gain or loss for the year relating to this contract for difference has been recognised in profit or loss.

Fair value measurements of financial instruments measured at amortised cost

The financial liabilities included in the following table are fixed rate borrowings. Other liabilities held by APA Group are floating rate borrowings at amortised cost as recorded in the financial statements at their approximate fair values.

	Carrying amount		Fair value (Level 2) ^(a)	
	31 Dec 2018 \$000	30 Jun 2018 \$000	31 Dec 2018 \$000	30 Jun 2018 \$000
Financial liabilities				
Unsecured long term Private Placement Notes	666,319	730,049	697,546	768,992
Unsecured Australian Dollar Medium Term Notes	500,000	500,000	525,533	528,646
Unsecured Canadian Dollar Medium Term Notes	312,264	308,496	314,117	312,539
Unsecured US Dollar 144A Medium Term Notes	4,258,037	4,057,344	4,187,105	3,992,019
Unsecured British Pound Medium Term Notes	1,719,317	1,694,492	1,797,983	1,768,993
Unsecured Euro Medium Term Notes	2,195,774	2,129,801	2,147,340	2,108,339
	9,651,711	9,420,182	9,669,624	9,479,528

(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. These instruments are classified in the fair value hierarchy at Level 2.

Australian Pipeline Trust and its Controlled Entities

Notes to the condensed consolidated financial statements (continued)

For the half year ended 31 December 2018

Capital Management

9. Issued capital

	31 Dec 2018		30 Jun 2018	
	\$000		\$000	
APT units				
1,179,893,848 securities, fully paid (30 June 2018: 1,179,893,848 securities, fully paid) ^(a)	3,181,473		3,288,123	
	31 Dec 2018 No. of securities 000	31 Dec 2018 \$000	30 Jun 2018 No. of securities 000	30 Jun 2018 \$000
Movements				
Balance at beginning of financial year	1,179,894	3,288,123	1,114,307	3,114,617
Capital distributions paid (Note 7)	-	(106,513)	-	(201,385)
Issue of securities under entitlement offer	-	-	65,587	380,782
Less transaction costs relating to the issue of securities	-	(195)	-	(8,415)
Deferred tax on the transaction costs relating to the issue of securities	-	58	-	2,524
	1,179,894	3,181,473	1,179,894	3,288,123
	31 Dec 2018 \$000		30 Jun 2018 \$000	
APTIT units				
1,179,893,848 securities, fully paid (30 June 2018: 1,179,893,848 securities, fully paid) ^(a)	993,091		1,030,176	
	31 Dec 2018 No. of securities 000	31 Dec 2018 \$000	30 Jun 2018 No. of securities 000	30 Jun 2018 \$000
Movements				
Balance at beginning of financial year	1,179,894	1,030,176	1,114,307	976,284
Capital distributions paid (Note 7)	-	(37,022)	-	(67,597)
Issue of securities under entitlement offer	-	-	65,587	124,234
Less transaction costs relating to the issue of securities	-	(63)	-	(2,745)
	1,179,894	993,091	1,179,894	1,030,176

(a) Fully paid securities carry one vote per security and carry the right to distributions.

Australian Pipeline Trust and its Controlled Entities

Notes to the condensed consolidated financial statements (continued)

For the half year ended 31 December 2018

Other items

10. Contingencies

	31 Dec 2018 \$000	30 Jun 2018 \$000
Contingent liabilities		
Bank guarantees	52,093	52,586

APA Group had no contingent assets as at 31 December 2018 (30 June 2018: None)

11. Adoption of new and revised Accounting Standards

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

Adoption of AASB 9 'Financial Instruments'

In the current year, APA Group has applied AASB 9 Financial Instruments (as revised) and the related consequential amendments to other Accounting Standards for the first time. AASB 9 introduces new requirements for 1) the classification and measurement of financial assets and financial liabilities, 2) general hedge accounting and 3) impairment for financial assets. Details of these new requirements as well as their impact on APA Group's consolidated financial statements are described below. APA Group has applied AASB 9 in accordance with the transition provisions set out in AASB 9.

Classification and measurement of financial assets

The date of initial application (i.e. the date on which APA Group has assessed its existing financial assets and financial liabilities in terms of the requirements of AASB 9) is 1 July 2018. Accordingly, APA Group has applied the requirements of AASB 9 to instruments that have not been derecognised as at 1 July 2017.

All recognised financial assets that are within the scope of AASB 9 are required to be subsequently measured at amortised cost or fair value on the basis of the entity's business model for managing the financial assets and the contractual cash flow characteristics of the financial assets. Specifically:

- Debt investments that are held within a business model whose objective is to collect the contractual cash flows, and that have contractual cash flows that are solely payments of principal and interest on the principal amount outstanding, are subsequently measured at amortised cost;
- Debt investments that are held within a business model whose objective is both to collect the contractual cash flows and to sell the debt instruments, and that have contractual cash flows that are solely payments of principal and interest on the principal amount outstanding, are subsequently measured at FVTOCI;
- All other debt investments and equity investments are subsequently measured at FVTPL.

In the current year, APA Group has not designated any debt investments that meet the amortised cost or FVTOCI criteria as measured at FVTPL.

Debt instruments that are subsequently measured at amortised cost or at FVTOCI are subject to impairment.

APA Group reviewed and assessed its existing financial assets as at 1 July 2018 based on the facts and circumstances that existed at that date and concluded that the initial application of AASB 9 has had the following impact on APA Group's financial assets as regards their classification and measurement:

- Financial assets classified as held-to-maturity and loans and receivables under AASB 139 that were measured at amortised cost continue to be measured at amortised cost under AASB 9 as they are held within a business model to collect contractual cash flows and these cash flows consist solely of payments of principal and interest on the principal amount outstanding;
- Financial assets that were measured at FVTPL under AASB 139 continue to be measured as such under AASB 9.

Australian Pipeline Trust and its Controlled Entities

Notes to the condensed consolidated financial statements (continued)

For the half year ended 31 December 2018

Other items

11. Adoption of new and revised Accounting Standards (continued)

None of the classifications of financial assets have had any impact on APA Group's financial position, profit or loss, other comprehensive income or total comprehensive income for either period.

Classification and measurement of financial liabilities

One major change introduced by AASB 9 in the classification and measurement of financial liabilities relates to the accounting for changes in the fair value of a financial liability designated as at FVTPL attributable to changes in the credit risk of the issuer.

Specifically, AASB 9 requires that the changes in the fair value of the financial liability that is attributable to changes in the credit risk of that liability be presented in other comprehensive income, unless the recognition of the effects of changes in the liability's credit risk in other comprehensive income would create or enlarge an accounting mismatch in profit or loss. Changes in fair value attributable to a financial liability's credit risk are not subsequently reclassified to profit or loss, but are transferred to retained earnings when the financial liability is derecognised. Previously, under AASB 139, the entire amount of the change in the fair value of the financial liability designated as at FVTPL was presented in profit or loss.

This change in accounting policy has had no impact on the classification and measurement of APA Group's financial liabilities.

General hedge accounting

The new general hedge accounting requirements retain the three types of hedge accounting: cash flow hedges, fair value hedges and net investment hedges. However, greater flexibility has been introduced to the types of transactions eligible for hedge accounting, specifically broadening the types of instruments that qualify for hedging instruments and the types of risk components of non-financial items that are eligible for hedge accounting. In addition, the effectiveness test has been overhauled and replaced with the principle of an 'economic relationship'. Retrospective assessment of hedge effectiveness is also no longer required. Enhanced disclosure requirements about APA Group's risk management activities have also been introduced.

In accordance with AASB 9's transition provisions for hedge accounting, APA Group has applied the AASB 9 hedge accounting requirements prospectively from the date of initial application on 1 July 2018. APA Group's qualifying hedging relationships in place as at 1 July 2018 also qualified for hedge accounting in accordance with AASB 9 and were therefore regarded as continuing hedging relationships. No rebalancing of any of the hedging relationships was necessary on 1 July 2018. As the critical terms of the hedging instruments match those of their corresponding hedged items, all hedging relationships continue to be effective under AASB 9's effectiveness assessment requirements. APA Group has also not designated any hedging relationships under AASB 9 that would not have met the qualifying hedge accounting criteria under AASB 139.

Consistent with prior periods, APA Group has continued to designate the change in fair value of the entire forward contract, i.e. including the forward element, as the hedging instrument in APA Group's cash flow hedge relationships.

Since the AASB 9 hedge accounting requirements apply prospectively from the date of initial application (i.e. 1 July 2018), the comparative figures have not been restated.

The application of the AASB 9 hedge accounting requirements has had no impact on the results and financial position of APA Group for the current and/or prior periods.

Australian Pipeline Trust and its Controlled Entities

Notes to the condensed consolidated financial statements (continued)

For the half year ended 31 December 2018

Other items

11. Adoption of new and revised Accounting Standards (continued)

The table below illustrates the classification and measurement of financial assets and financial liabilities under AASB 9 and AASB 139 at the date of initial application, 1 July 2018.

Category	Original measurement category under AASB 139	New measurement category under AASB 9
Cash and cash equivalents and cash on deposit	Loans and receivables	Financial assets at amortised cost
Trade and other receivables	Loans and receivables	Financial assets at amortised cost
Equity forward contracts	Financial assets/ liabilities at FVTPL	Financial assets/ liabilities at FVTPL
Foreign currency contracts, interest rate swaps and cross currency interest rate swaps	Derivatives designated as hedging instruments at fair value	Derivatives designated as hedging instruments at fair value
Loans advanced to related parties	Held-to-maturity investments	Financial assets at amortised cost
Redeemable preference shares (GDI)	Held-to-maturity investments	Financial assets at amortised cost
Trade and other payables	Financial liabilities at amortised cost	Financial liabilities at amortised cost
Borrowings	Financial liabilities at amortised cost	Financial liabilities at amortised cost

Impairment of financial assets

In relation to the impairment of financial assets, it is no longer necessary for a credit event to have occurred before credit losses are recognised. AASB 9 requires an expected credit loss model as opposed to an incurred credit loss model under AASB 139. The expected credit loss model requires APA Group to account for expected credit losses and changes in those expected credit losses at each reporting date to reflect changes in credit risk since initial recognition of the financial assets.

Specifically, AASB 9 requires APA Group to recognise a loss allowance for ECL on loans and receivables. Aside from loans and receivables, APA Group does not currently hold any debt instruments or guarantee contracts as covered by the scope of the impairment section.

In particular, AASB 9 requires APA Group to measure the loss allowance for a financial instrument at an amount equal to the lifetime ECL if the credit risk on that financial instrument has increased significantly since initial recognition, or if the financial instrument is a purchased or originated credit-impaired financial asset. In the event the credit risk on a financial instrument has not increased significantly since initial recognition (except for a purchased or originated credit-impaired financial asset), APA Group is required to measure the loss allowance for that financial instrument at an amount equal to 12 months ECL. AASB 9 also requires a simplified approach for measuring the loss allowance at an amount equal to lifetime ECL for trade receivables, contract assets and lease receivables in certain circumstances. APA Group applies the simplified approach to assessing ECL for trade receivables.

As at 1 July 2018, APA Group reviewed and assessed its existing financial assets and amounts due from customers for impairment using reasonable and supportable information that is available without undue cost or effort in accordance with the requirements of AASB 9 to determine the credit risk of the respective items at the date they were initially recognised, and compared that to the credit risk as at 1 July 2017 and 1 July 2018. Based upon this assessment, aside from the additional disclosure requirements, this change has not had a material impact to APA Group's accounts. The history of collection rates shows that APA Group does not have an expected loss on collection of debtors or loans.

Details of the applicable accounting policies are set out in Note 8.

Australian Pipeline Trust and its Controlled Entities
Notes to the condensed consolidated financial statements (continued)
For the half year ended 31 December 2018

Other items

11. Adoption of new and revised Accounting Standards (continued)

Adoption of AASB 15 'Revenue from Contracts with Customers'

APA Group has adopted AASB 15 Revenue from Contracts with Customers ("AASB 15") from 1 July 2018. AASB 15 replaced AASB 118 Revenue and AASB 111 Construction Contracts and related interpretations.

AASB 15 applies to all revenues arising from contracts with customers unless the contracts are within the scope of other standards. The standard establishes a comprehensive framework for determining whether, how much and when revenue is recognised, the core principle being that entities should recognise revenue at an amount that reflects the consideration it expects to be entitled to in exchange for fulfilling its performance obligations to a customer.

APA Group adopted AASB 15 on a modified retrospective basis, therefore the new standard has been applied only to contracts that remain in force at 1 July 2018. As permitted by the standard comparative results are not restated. The cumulative effect on initial application was a charge of \$2.2 million to opening retained earnings, an increase in unearned revenue of \$3.1 million and an increase in deferred tax assets of \$0.9 million at 1 July 2018.

This adjustment came about due to the requirement of AASB 15 to separately recognise interest expense from revenue from contracts with customers where the period between the payment by the customer and the fulfilment of the obligation gives rise to a significant financing component. APA Group may receive cash from customers as a contribution to constructing or connecting the customer to the network as part of ongoing access to gas transportation services. A significant financing component has been identified in some such contracts, as a result of the length of time between when the customer pays for the service and when APA Group fulfils the performance obligation. The effects of financing have been presented as interest expense separately from revenue from contracts with customers, with the accumulative adjustment at 1 July 2018 recognised in retained earnings as outlined previously.

APA Group performed an analysis of the impact of this standard on APA Group's revenue streams and determined there is no change in the timing of revenue recognition under the new standard. As such there were no other material adjustments to opening retained earnings on transition, however some disclosures have been re-presented for comparatives under the new disclosure requirements.

Details of the applicable accounting policies are set out in Note 4.

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 16 'Leases'	1 January 2019	30 June 2020

The expected impacts of the new standard on APA Group include:

AASB 16 'Leases'

APA Group will apply AASB 16 in the financial year beginning 1 July 2019 (financial year ending 30 June 2020).

Under AASB 16, APA Group's accounting for leases as a lessee will result in the recognition of a right-of-use (ROU) asset and an associated lease liability in the Consolidated Statement of Financial Position. The lease liability represents the present value of future lease payments, with the exception of short-term leases (a lease is short-term if it has a lease term of 12 months or less at the commencement date) which are allowed to continue to be expensed directly. An interest expense will be recognised on the lease liabilities and a depreciation charge will be recognised for the ROU assets. APA Group's accounting for leases as a lessor remains unchanged under AASB 16.

Australian Pipeline Trust and its Controlled Entities

Notes to the condensed consolidated financial statements (continued)

For the half year ended 31 December 2018

Other items

11. Adoption of new and revised Accounting Standards (continued)

As noted in the 2018 Annual Report, APA Group has completed an initial assessment of the impact of the adoption of AASB 16 on the consolidated financial statements. This assessment covered a variety of scenarios based on the various transition options and practical expedients applied.

The impact on APA Group's consolidated statement of profit or loss as a result of the adoption of AASB 16 will depend on, inter alia, the transition method chosen, discount rates applied, the extent to which APA Group uses the practical expedients and recognition exemptions, and any additional leases that APA Group enters into prior to 1 July 2019.

APA Group currently expects to use the modified retrospective approach for the transition to AASB 16. Under this approach prior period comparative financial statements are not restated and the cumulative impact of applying the standard is recognised in opening retained earnings on the initial date of application, being 1 July 2019.

APA Group's intention is to apply certain practical expedients allowed under the new standard, including retaining the classification of existing contracts as leases under current accounting standards and applying the low value and short term expedients that allow short term leases (contracts with less than 12 months duration or less than 12 months remaining as at 1 July 2019) or low value leases to continue to be expensed directly through the statement of profit or loss.

As noted in the 2018 Annual Report, as at 30 June 2018, APA Group had non-cancellable undiscounted operating lease commitments of \$72.6 million as disclosed in Note 17 of the 2018 APA Group Annual Report. These commitments predominantly relate to commercial offices, motor vehicles and Crown leases which will require recognition as ROU assets and associated lease liabilities.

APA Group does not expect the adoption of AASB 16 to materially affect its financial results or to impact its ability to comply with any of its loan covenants. The implementation of AASB 16 is not expected to result in the recognition of ROU assets or lease liabilities each totalling more than the reported commitments as at 30 June 2018.

12. Events occurring after reporting date

On 20 February 2019, the Directors declared an interim distribution of 21.5 cents per security (\$253.7 million) for APA Group, an increase of 2.38%, or 0.5 cents per security over the previous corresponding period (31 December 2017: 21.0 cents). This is comprised of a distribution of 16.08 cents per security from APT and a distribution of 5.42 cents per security from APTIT. The APT distribution represents a 7.47 cents per security franked profit distribution, a 2.03 cents per security unfranked profit distribution and 6.58 cents per security capital distribution. The APTIT distribution represents a 2.97 cent per security unfranked profit distribution and a 2.45 cents capital distribution. Franking credits of 3.2 cents per security will be allocated to the franked profit distribution. The distribution will be paid on 13 March 2019.

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

Australian Pipeline Trust and its Controlled Entities
Declaration by the Directors of Australian Pipeline Limited
For the half year ended 31 December 2018

The Directors declare that:

- (a) in the Directors' opinion, there are reasonable grounds to believe that Australian Pipeline Trust will be able to pay its debts as and when they become due and payable; and
- (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 give a true and fair view of the financial position and performance of APA Group.

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

On behalf of the Directors



Michael Fraser
Chairman



Debra Goodin
Director

SYDNEY, 20 February 2019

The Directors

Australian Pipeline Limited as responsible entity for Australian Pipeline Trust
Level 25, 580 George Street
Sydney NSW 2000

20 February 2019

Dear Directors

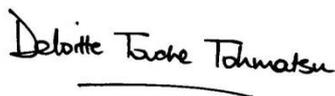
Auditor's Independence Declaration to Australian Pipeline Limited as responsible entity for Australian Pipeline Trust

In accordance with section 307C of the Corporations Act 2001, I am pleased to provide the following declaration of independence to the directors of Australian Pipeline Limited as responsible entity for Australian Pipeline Trust.

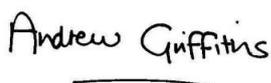
As lead audit partner for the review of the financial statements of Australian Pipeline Trust for the half year ended 31 December 2018, I declare that to the best of my knowledge and belief, there have been no contraventions of:

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

Yours faithfully



DELOITTE TOUCHE TOHMATSU



A V Griffiths
Partner
Chartered Accountants

Independent Auditor's Review Report to the Unitholders of Australian Pipeline Trust

We have reviewed the accompanying half-year financial report of Australian Pipeline Trust, which comprises the condensed consolidated statement of financial position as at 31 December 2018, the condensed consolidated statement of profit or loss and other comprehensive income, the condensed consolidated statement of changes in equity and the condensed consolidated statement of cash flows for the half-year ended on that date, notes comprising a summary of significant accounting policies and other explanatory information, and the directors' declaration of the consolidated entity comprising the Trust and the entities it controlled at the end of the half-year or from time to time during the half-year as set out on pages 26 to 50.

Directors' Responsibility for the Half-Year Financial Report

The directors of Australian Pipeline Limited as responsible entity for Australian Pipeline Trust are responsible for the preparation of the half-year 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 half-year financial report that gives a true and fair view and is free from material misstatement, whether due to fraud or error.

Auditor's Responsibility

Our responsibility is to express a conclusion on the half-year financial report based on our review. We conducted our review in accordance with Auditing Standard on Review Engagements ASRE 2410 *Review of a Financial Report Performed by the Independent Auditor of the Entity*, in order to state whether, on the basis of the procedures described, we have become aware of any matter that makes us believe that the half-year financial report is not in accordance with the *Corporations Act 2001* including: giving a true and fair view of the consolidated entity's financial position as at 31 December 2018 and its performance for the half-year ended on that date; and complying with Accounting Standard AASB 134 *Interim Financial Reporting* and the *Corporations Regulations 2001*. As the auditor of Australian Pipeline Trust, ASRE 2410 requires that we comply with the ethical requirements relevant to the audit of the annual financial report.

Deloitte.

A review of a half-year financial report consists of making enquiries, primarily of persons responsible for financial and accounting matters, and applying analytical and other review procedures. A review is substantially less in scope than an audit conducted in accordance with Australian Auditing Standards and consequently does not enable us to obtain assurance that we would become aware of all significant matters that might be identified in an audit. Accordingly, we do not express an audit opinion.

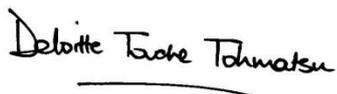
Auditor's Independence Declaration

In conducting our review, we have complied with the independence requirements of the *Corporations Act 2001*. We confirm that the independence declaration required by the *Corporations Act 2001*, which has been given to the directors of Australian Pipeline Limited as responsible entity for Australian Pipeline Trust, would be in the same terms if given to the directors as at the time of this auditor's review report.

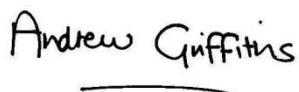
Conclusion

Based on our review, which is not an audit, we have not become aware of any matter that makes us believe that the half-year financial report of Australian Pipeline Trust is not in accordance with the *Corporations Act 2001*, including:

- (a) giving a true and fair view of the consolidated entity's financial position as at 31 December 2018 and of its performance for the half-year ended on that date; and
- (b) complying with Accounting Standard AASB 134 *Interim Financial Reporting* and the *Corporations Regulations 2001*.



DELOITTE TOUCHE TOHMATSU



A V Griffiths
Partner
Chartered Accountants
Sydney, 20 February 2019

APT INVESTMENT TRUST DIRECTORS' REPORT

The Directors of Australian Pipeline Limited ("Responsible Entity") submit their interim financial report of APT Investment Trust ("APTIT") and its controlled entity (together "Consolidated Entity") for the half year ended 31 December 2018. This report and the financial statements attached refer to the consolidated results of APTIT, one of the two stapled entities of APA Group, with the other stapled entity being Australian Pipeline Trust (together "APA").

1 Directors

The names of the Directors of the Responsible Entity during the half year and since the half year ended 31 December 2018 are:

Michael Fraser	Chairman
Michael (Mick) McCormack	Chief Executive Officer and Managing Director
Steven (Steve) Crane	
Debra (Debbie) Goodin	
Russell Higgins AO	Retired as a Director 20 February 2019
Patricia McKenzie	
Shirley In't Veld	
Peter Wasow	

The Company Secretary of the Responsible Entity during the half year and since the half year ended 31 December 2018 is as follows:

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2 Principal Activities

The Consolidated Entity operates as an investment and financing entity within the APA stapled group.

3 State of Affairs

On 13 August 2018, APA announced that it had entered into a conditional Implementation Agreement with CK Infrastructure Holdings Limited (CKI), CK Asset Holdings Limited (CKA), Power Assets Holdings Limited (PAH) and CKM Australia Bidco Pty Ltd (Bidder) (CKA, CKI and PAH together the CKI Consortium) under which the Bidder (a wholly owned subsidiary of CKA) would acquire all of the stapled securities in APA under trust schemes (Schemes) at A\$11.00 cash per APA stapled security.

As a result of the Federal Treasurer advising on 20 November 2018 that the proposed acquisition would be contrary to the national interest, the Scheme of Arrangement was terminated with the Bidder at that time, as announced by APA on 21 November 2018.

On 13 December 2018, APA announced that Mick McCormack had advised of his intention to retire from the role of Managing Director and Chief Executive Officer, no later than 31 December 2019. APA's Board has commenced a selection process, which will consider internal and external candidates, for his replacement. Mick will continue in his role at least until his successor has commenced to ensure a smooth transition.

4 Subsequent Events

The following events have occurred subsequent to the period end:

On 20 February 2019, the Directors declared an interim distribution for the 2019 financial year of 5.42 cents per unit (\$63.9 million). The distribution represents a 2.97 cents per unit profit distribution and 2.45 cents per unit capital distribution. The distribution will be paid on 13 March 2019.

Other than what is noted above and as disclosed elsewhere in this report, there has not arisen in the interval between the end of the half year ended 31 December 2018 and the date of this report any matter or circumstance that has significantly affected, or may significantly affect, the Group's operations, the results of those operations, or the Group's state of affairs, in future financial years.

5 Review and Results of Operations

The Consolidated Entity reported net profit after tax of \$35.0 million (1H FY2018: \$33.8 million) and total revenue of \$35.0 million (1H FY2018: \$33.8 million) for the half year ended 31 December 2018.

6 Distributions

On 12 September 2018, APTIT paid a final distribution for the 2018 financial year of 6.04 cents per unit (\$71.3 million). The distribution represented a 2.90 cents per unit unfranked profit distribution and a 3.14 cents per unit capital distribution.

7 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 is included at page 67.

8 Rounding of Amounts

The Consolidated Entity is an entity of the kind referred to in ASIC Corporations Instrument 2016/191 and, in accordance with that Instrument, amounts in the Directors' report and the financial report are rounded to the nearest thousand dollars, unless otherwise indicated.

9 Authorisation

The Directors' report is signed in accordance with a resolution of the Directors of the Responsible Entity.

On behalf of the Directors



Michael Fraser
Chairman

20 February 2019



Debra Goodin
Director

APT Investment Trust and its Controlled Entity
Condensed Consolidated Statement of Profit or Loss and Other Comprehensive Income
For the half year ended 31 December 2018

	Note	31 Dec 2018 \$000	31 Dec 2017 \$000
Continuing operations			
Revenue	3	35,014	33,821
Profit before tax		35,014	33,821
Income tax expense		-	-
Profit for the period		35,014	33,821
Other comprehensive income			
Items that may be reclassified subsequently to profit or loss:			
Other comprehensive income for the period (net of tax)		-	-
Total comprehensive income for the period		35,014	33,821
Profit Attributable to:			
Unitholders of the parent		35,014	33,821
		35,014	33,821
Total comprehensive income attributable to:			
Unitholders of the parent		35,014	33,821
Earnings per unit			
Basic and diluted (cents per unit)	4	3.0	3.0 (Restated)

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

APT Investment Trust and its Controlled Entity
Condensed Consolidated Statement of Financial Position
For the half year ended 31 December 2018

	Note	31 Dec 2018 \$000	30 Jun 2018 \$000
Current assets			
Receivables		793	774
Non-current assets			
Receivables		7,335	7,737
Other financial assets		1,019,988	1,055,971
Total non-current assets		1,027,323	1,063,708
Total assets		1,028,116	1,064,482
Current liabilities			
Trade and other payables		11	78
Total liabilities		11	78
Net assets		1,028,105	1,064,404
Equity			
Issued capital	6	993,091	1,030,176
Retained earnings		35,014	34,228
Total equity		1,028,105	1,064,404

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

APT Investment Trust and its Controlled Entity
Condensed Consolidated Statement of Changes in Equity
For the half year ended 31 December 2018

	Note	Issued capital \$000	Retained earnings \$000	Total \$000
Balance at 1 July 2017		976,284	34,198	1,010,482
Profit for the period		-	33,821	33,821
Total comprehensive income for the period		-	33,821	33,821
Distributions to unitholders	5	(41,107)	(34,198)	(75,305)
Balance at 31 December 2017		935,177	33,821	968,998
Balance at 1 July 2018		1,030,176	34,228	1,064,404
Profit for the period		-	35,014	35,014
Total comprehensive income for the period		-	35,014	35,014
Transaction costs relating to the issue of units		(63)	-	(63)
Distributions to unitholders	5	(37,022)	(34,228)	(71,250)
Balance at 31 December 2018		993,091	35,014	1,028,105

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

APT Investment Trust and its Controlled Entity
Condensed Consolidated Statement of Cash Flows
For the half year ended 31 December 2018

	Note	31 Dec 2018 \$000	31 Dec 2017 \$000
<u>Cash flows from operating activities</u>			
Trust distribution - related party		14,126	14,042
Interest received - related parties		20,521	19,409
Proceeds from repayment of finance leases		584	584
Receipts from customers		99	151
Net cash provided by operating activities		35,330	34,186
<u>Cash flows from investing activities</u>			
Proceeds from related parties		35,983	41,119
Net cash provided by investing activities		35,983	41,119
<u>Cash flows from financing activities</u>			
Payment of unit issue costs		(63)	-
Distributions to unitholders	5	(71,250)	(75,305)
Net cash used in financing activities		(71,313)	(75,305)
Net increase in cash and cash equivalents		-	-
Cash and cash equivalents at beginning of the period		-	-
Cash and cash equivalents at end of the period		-	-

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

APT Investment Trust and its Controlled Entity

Notes to the condensed consolidated financial statements

For the half year ended 31 December 2018

Basis of Preparation

1. About this report

In the following financial statements, note disclosures are grouped into four sections being: Basis of Preparation; Financial Performance; Capital Management; and Other.

Basis of Preparation

1. About this report
2. General information

Financial Performance

3. Profit from operations
4. Earnings per unit
5. Distributions

Capital Management

6. Issued capital

Other

7. Contingencies
8. Adoption of new and revised Accounting Standards
9. Events occurring after reporting date

2. General information

The condensed consolidated general purpose financial statements for the half year ended 31 December 2018 have been prepared in accordance with AASB 134 'Interim Financial Reporting' and the Corporations Act 2001. Compliance with AASB 134 ensures compliance with International Financial Reporting Standard IAS 34 'Interim Financial Reporting'. The half year 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.

The half year financial report does not include all of the notes of the type normally included in an annual financial report. Accordingly this report should be read in conjunction with the most recent annual financial report and any public announcements made by APA Group during the half year reporting period in accordance with the continuous disclosure requirements of the Corporations Act 2001.

The accounting policies are consistent with those adopted and disclosed in the annual report for the financial year ended 30 June 2018, except for the impact of new standards, amendments to standards and interpretations effective from 1 July 2018, details of which are disclosed in note 8.

Segment information

The Consolidated Entity has one reportable segment being Energy Infrastructure Investment.

The Consolidated Entity is an investing entity within the Australian Pipeline Trust stapled group. As the Trust only operates in one segment, it has not disclosed segment information separately.

APT Investment Trust and its Controlled Entity
Notes to the condensed consolidated financial statements (continued)
For the half year ended 31 December 2018

Financial Performance

3. Profit from operations

Profit before income tax includes the following items of income and expense:

	31 Dec 2018 \$000	31 Dec 2017 \$000
Revenue		
Distributions		
Trust distribution - related party	14,126	14,042
	14,126	14,042
Finance income		
Interest - related parties	20,521	19,409
Finance lease income - related party	201	219
	20,722	19,628
Other revenue		
Other	166	151
Total revenue	35,014	33,821

4. Earnings per unit

	31 Dec 2018	31 Dec 2017 (Restated)
Basic and diluted (cents per unit)	3.0	3.0

The earnings and weighted average number of units used in the calculation of basic and diluted earnings per unit are as follows:

	31 Dec 2018 \$000	31 Dec 2017 \$000
Net profit attributable to unitholders for calculating basic and diluted earnings per unit	35,014	33,821
		31 Dec 2017 (Restated)
		No. of units
	000	000
Adjusted weighted average number of ordinary units used in the calculation of basic and diluted earnings per unit	1,179,894	1,118,522

On the 23 March 2018, APA Group issued 65,586,479 new ordinary securities on completion of the fully underwritten pro-rata accelerated institutional tradeable renounceable entitlement offer (Entitlement Offer). The Entitlement Offer was offered at \$7.70 per security, a discount to APA Group's closing market price of \$8.26 per security on the 23 February 2018, the last trading day before the record date of 26 February 2018. The number of securities used for the prior period calculation of earnings per security have been adjusted for the discounted rights issue. An adjustment factor of 1.0038 has been calculated, being the closing market price per security on 23 February 2018, divided by the theoretical ex-rights price (TERP) of \$8.23 per security.

APT Investment Trust and its Controlled Entity
Notes to the condensed consolidated financial statements (continued)
For the half year ended 31 December 2018

Financial Performance

5. Distributions

	31 Dec 2018 cents per unit	31 Dec 2018 Total \$000	31 Dec 2017 cents per unit	31 Dec 2017 Total \$000
Recognised amounts				
Final distribution paid on 12 September 2018 (2018: 13 September 2017)				
Profit distribution ^(a)	2.90	34,228	3.07	34,198
Capital distribution	3.14	37,022	3.69	41,107
	6.04	71,250	6.76	75,305
Unrecognised amounts				
Interim distribution payable on 13 March 2019 ^(b) (2018: 14 March 2018)				
Profit distribution ^(a)	2.97	35,014	3.03	33,821
Capital distribution	2.45	28,872	2.38	26,490
	5.42	63,886	5.41	60,311

(a) Profit distributions unfranked (2018: unfranked).

(b) Record date 31 December 2018.

The interim distribution in respect of the financial year has not been recognised in this half year financial report because the distribution was not declared, determined or publicly confirmed prior to 31 December 2018.

6. Issued capital

	31 Dec 2018 \$000		30 Jun 2018 \$000	
1,179,893,848 units, fully paid (30 June 2018: 1,179,893,848 units, fully paid) ^(a)	993,091		1,030,176	
	31 Dec 2018 No. of units 000	31 Dec 2018 \$000	30 Jun 2018 No. of units 000	30 Jun 2018 \$000
Movements				
Balance at beginning of financial year	1,179,894	1,030,176	1,114,307	976,284
Capital distributions paid (Note 5)	-	(37,022)	-	(67,597)
Issue of units under entitlement offer	-	-	65,587	124,234
Less transaction costs relating to the issue of units	-	(63)	-	(2,745)
	1,179,894	993,091	1,179,894	1,030,176

(a) Fully paid units carry one vote per unit and carry the right to distributions.

APT Investment Trust and its Controlled Entity

Notes to the condensed consolidated financial statements (continued)

For the half year ended 31 December 2018

Other items

7. Contingencies

The Consolidated Entity had no material contingent assets, liabilities and commitments as at 31 December 2018 (30 June 2018: \$nil).

8. Adoption of new and revised Accounting Standards

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

Adoption of AASB 9 'Financial Instruments'

The Consolidated Entity applied this new standard from 1 July 2018. AASB 9 addresses the classification, measurement and de-recognition of financial assets and financial liabilities, introduced new rules for hedge accounting and a new impairment model for financial assets. The Consolidated Entity has applied the new rules retrospectively, except for hedge accounting which has been applied prospectively, with practical expedients permitted under the standard.

Classification and measurement of financial assets

The date of initial application (i.e. the date on which the Consolidated Entity has assessed its existing financial assets and financial liabilities in terms of the requirements of AASB 9) is 1 July 2018. Accordingly, the Consolidated Entity has applied the requirements of AASB 9 to instruments that have not been derecognised as at 1 July 2017.

All recognised financial assets that are within the scope of AASB 9 are required to be subsequently measured at amortised cost or fair value on the basis of the entity's business model for managing the financial assets and the contractual cash flow characteristics of the financial assets. Specifically:

- Debt investments that are held within a business model whose objective is to collect the contractual cash flows, and that have contractual cash flows that are solely payments of principal and interest on the principal amount outstanding, are subsequently measured at amortised cost;
- Debt investments that are held within a business model whose objective is both to collect the contractual cash flows and to sell the debt instruments, and that have contractual cash flows that are solely payments of principal and interest on the principal amount outstanding, are subsequently measured at fair value through other comprehensive income (FVTOCI);
- All other debt investments and equity investments are subsequently measured at fair value through profit or loss (FVTPL).

In the current year, the Consolidated Entity has not designated any debt investments that meet the amortised cost or FVTOCI criteria as measured at FVTPL.

Debt instruments that are subsequently measured at amortised cost or at FVTOCI are subject to impairment.

The Consolidated Entity reviewed and assessed its existing financial assets as at 1 July 2018 based on the facts and circumstances that existed at that date and concluded that the initial application of AASB 9 has had the following impact on the Consolidated Entity's financial assets as regards their classification and measurement:

- Financial assets classified as held-to-maturity and loans and receivables under AASB 139 that were measured at amortised cost continue to be measured at amortised cost under AASB 9 as they are held within a business model to collect contractual cash flows and these cash flows consist solely of payments of principal and interest on the principal amount outstanding;
- Financial assets that were measured at FVTPL under AASB 139 continue to be measured as such under AASB 9.

None of the classifications of financial assets have had any impact on the Consolidated Entity's financial position, profit or loss, other comprehensive income or total comprehensive income for either period.

APT Investment Trust and its Controlled Entity
Notes to the condensed consolidated financial statements (continued)
For the half year ended 31 December 2018

Other items

8. Adoption of new and revised Accounting Standards (continued)

AASB 9 does not affect the Consolidated Entity's classification and measurement of its financial assets or financial liabilities. The new hedge accounting rules align the accounting for hedging instruments more closely with the Consolidated Entity's risk management practices. The new impairment model requires the recognition of impairment provisions based on expected credit losses rather than only incurred credit losses as is the case under AASB 139. Based upon the Consolidated Entity's assessment, AASB 9 did not have any material impact to the Consolidated Entity's accounts for the 6 months ended 31 December 2018.

Due to the nature of instruments held, no changes are required to the current classification and measurement of financial assets and liabilities. The Consolidated Entity currently has not entered into any hedge relationships, and as a result will not be impacted by the hedge accounting changes in AASB 9. Recognition of impairment is not expected to change, with historic collection rates demonstrating that the Consolidated Entity does not have an expected loss on collection of debtors or loans.

Adoption of AASB 15 'Revenue from Contracts with Customers'

The Consolidated Entity has adopted AASB 15 Revenue from Contracts with Customers ("AASB 15") from 1 July 2018. AASB 15 replaced AASB 118 Revenue and AASB 111 Construction Contracts and related interpretations.

AASB 15 does not have an impact on the Consolidated Entity.

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 16 'Leases'	1 January 2019	30 June 2020

The expected impacts of the new standard on the Consolidated Entity include:

AASB 16 'Leases'

The Consolidated Entity will apply AASB 16 in the financial year beginning 1 July 2019 (financial year ending 30 June 2020).

The Consolidated Entity has completed an initial assessment of the potential impact of the adoption of AASB 16, as the Consolidated Entity is a lessor only, the new standard will not have a material impact on the consolidated financial statements.

9. Events occurring after reporting date

On 20 February 2019, the Directors declared an interim distribution for the 2019 financial year of 5.42 cents per unit (\$63.9 million). The distribution represents a 2.97 cents per unit unfranked profit distribution and 2.45 cents per unit capital distribution. The distribution will be paid on 13 March 2019.

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

APT Investment Trust and its Controlled Entity
Declaration by the Directors of Australian Pipeline Limited
For the half year ended 31 December 2018

The Directors declare that:

- (a) in the Directors' opinion, there are reasonable grounds to believe that APT Investment Trust will be able to pay its debts as and when they become due and payable; and
- (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 give a true and fair view of the financial position and performance of the Consolidated Entity.

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

On behalf of the Directors



Michael Fraser
Chairman



Debra Goodin
Director

SYDNEY, 20 February 2019

The Directors
Australian Pipeline Limited as responsible entity for APT Investment Trust
Level 25, 580 George Street
Sydney NSW 2000

20 February 2019

Dear Directors

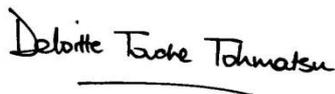
Auditors Independence Declaration to Australian Pipeline Limited as responsible entity for APT Investment Trust

In accordance with section 307C of the Corporations Act 2001, I am pleased to provide the following declaration of independence to the directors of Australian Pipeline Limited as responsible entity for APT Investment Trust.

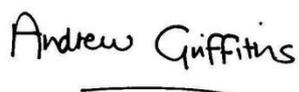
As lead audit partner for the review of the financial statements of APT Investment Trust for the half year ended 31 December 2018, I declare that to the best of my knowledge and belief, there have been no contraventions of:

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

Yours faithfully



DELOITTE TOUCHE TOHMATSU



A V Griffiths
Partner
Chartered Accountants

Independent Auditor's Review Report to the Unitholders of APT Investment Trust

We have reviewed the accompanying half-year financial report of APT Investment Trust, which comprises the condensed consolidated statement of financial position as at 31 December 2018, the condensed consolidated statement of profit or loss and other comprehensive income, the condensed consolidated statement of changes in equity, the condensed consolidated statement of cash flows for the half-year ended on that date, notes comprising a summary of significant accounting policies and other explanatory information, and the directors' declaration of the consolidated entity comprising the Trust and the entities it controlled at the end of the half-year or from time to time during the half-year as set out on pages 57 to 66.

Directors' Responsibility for the Half-Year Financial Report

The directors of Australian Pipeline Limited as responsible entity for APT Investment Trust are responsible for the preparation of the half-year 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 half-year financial report that gives a true and fair view and is free from material misstatement, whether due to fraud or error.

Auditor's Responsibility

Our responsibility is to express a conclusion on the half-year financial report based on our review. We conducted our review in accordance with Auditing Standard on Review Engagements ASRE 2410 *Review of a Financial Report Performed by the Independent Auditor of the Entity*, in order to state whether, on the basis of the procedures described, we have become aware of any matter that makes us believe that the half-year financial report is not in accordance with the *Corporations Act 2001* including: giving a true and fair view of the consolidated entity's financial position as at 31 December 2018 and its performance for the half-year ended on that date; and complying with Accounting Standard AASB 134 *Interim Financial Reporting* and the *Corporations Regulations 2001*. As the auditor of APT Investment Trust, ASRE 2410 requires that we comply with the ethical requirements relevant to the audit of the annual financial report.

Deloitte.

A review of a half-year financial report consists of making enquiries, primarily of persons responsible for financial and accounting matters, and applying analytical and other review procedures. A review is substantially less in scope than an audit conducted in accordance with Australian Auditing Standards and consequently does not enable us to obtain assurance that we would become aware of all significant matters that might be identified in an audit. Accordingly, we do not express an audit opinion.

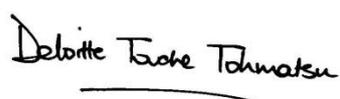
Auditor's Independence Declaration

In conducting our review, we have complied with the independence requirements of the *Corporations Act 2001*. We confirm that the independence declaration required by the *Corporations Act 2001*, which has been given to the directors of Australian Pipeline Limited as responsible entity for APT Investment Trust, would be in the same terms if given to the directors as at the time of this auditor's review report.

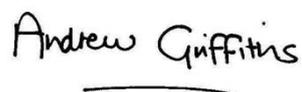
Conclusion

Based on our review, which is not an audit, we have not become aware of any matter that makes us believe that the half-year financial report of APT Investment Trust is not in accordance with the *Corporations Act 2001*, including:

- (a) giving a true and fair view of the consolidated entity's financial position as at 31 December 2018 and of its performance for the half-year ended on that date; and
- (b) complying with Accounting Standard AASB 134 *Interim Financial Reporting* and the *Corporations Regulations 2001*.


Deloitte Touche Tohmatsu

DELOITTE TOUCHE TOHMATSU


Andrew Griffiths

A V Griffiths
Partner
Chartered Accountants
Sydney, 20 February 2019