



24 August 2016

ASX ANNOUNCEMENT

APT Pipelines Limited (ASX: AQH)

Annual Report

The following announcement is attached for release to the market:

- APT Pipelines Limited Annual Financial Report

A handwritten signature in black ink, appearing to read 'N Codevelle'.

Nevenka Codevelle

Company Secretary

APT Pipelines Limited

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About APA Group (APA)

APA is Australia's largest natural gas infrastructure business, owning and/or operating around \$19 billion of energy infrastructure assets. Its gas transmission pipelines span every state and territory on mainland Australia, delivering approximately half of the nation's gas usage. APA has direct management and operational control over its assets and the majority of its investments. APA also holds minority interests in a number of energy infrastructure enterprises including SEA Gas Pipeline, SEA Gas (Mortlake) Partnership, Energy Infrastructure Investments, GDI Allgas Gas Networks and Diamantina and Leichhardt Power Stations.

APT Pipelines Limited is a wholly owned subsidiary of Australian Pipeline Trust and is the borrowing entity of APA Group.

For more information visit APA's website, apa.com.au

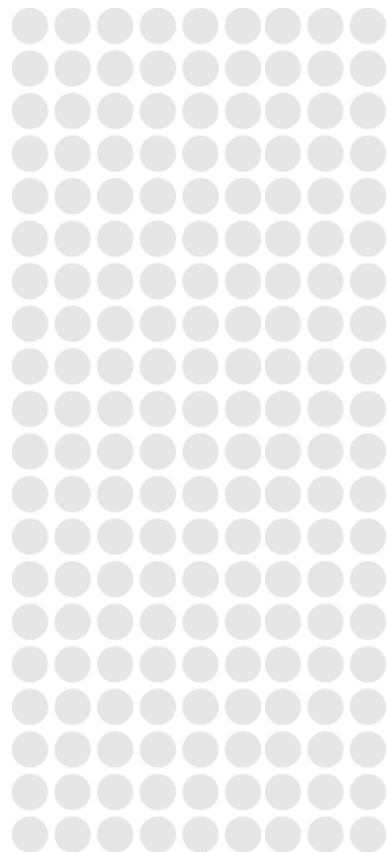


APT Pipelines Limited

ABN 89 009 666 700

Annual Report.

For the financial year ended
30 June 2016



energy. connected.

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APT PIPELINES LIMITED DIRECTORS' REPORT

The Directors of APT Pipelines Limited ("APTPL") submit their report and the annual financial report of APTPL and its controlled entities (together "Consolidated Entity") for the financial year ended 30 June 2016.

1 Directors

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

Leonard Bleasel AM	Chairman
Michael (Mick) McCormack	Chief Executive Officer and Managing Director
Steven (Steve) Crane	
John Fletcher	
Michael Fraser	Appointed effective 1 September 2015
Debra (Debbie) Goodin	Appointed effective 1 September 2015
Russell Higgins AO	
Patricia McKenzie	
Robert Wright	Retired 22 October 2015

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

Nevenka Codevelle	Appointed 22 October 2015
Mark Knapman	Retired 22 October 2015

2 Principal Activities

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

- energy infrastructure, primarily gas transmission businesses located across Australia;
- asset management and operations services for the majority of APA's energy investments and for third parties; and
- energy investments in listed and unlisted entities.

3 State of Affairs

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

4 Subsequent Events

Except as disclosed elsewhere in this report, the Directors are unaware of any matter or circumstance that has occurred since the end of the year that has significantly affected or may significantly affect the operations of the Consolidated Entity, the results of those operations or the state of affairs of the Consolidated Entity in future years.

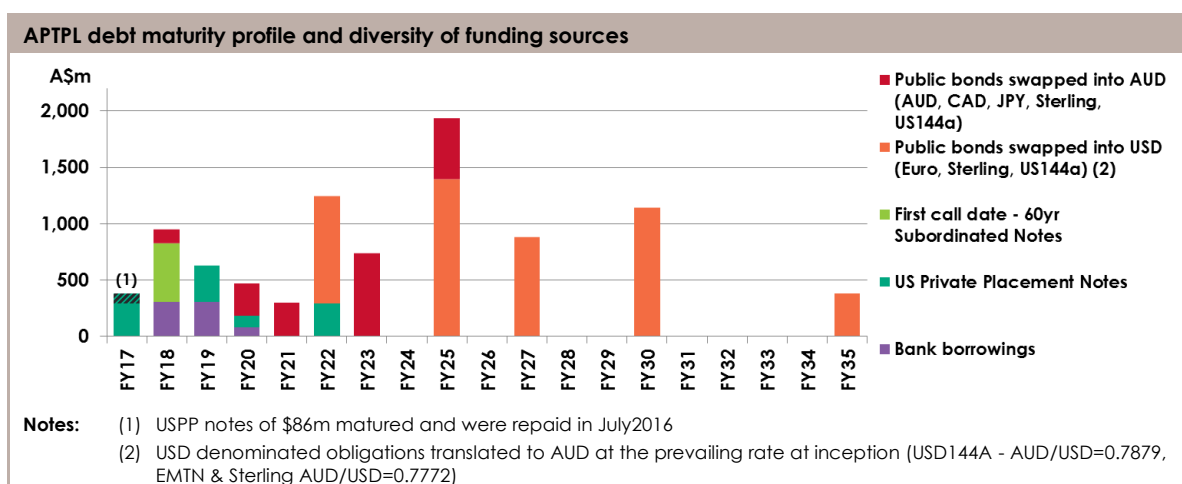
5 Review of Operations

The Consolidated Entity reported an interim profit after tax of \$128.2 million (FY2015: \$191.1 million) on total revenue of \$2,087.3 million (FY2015: \$1,549.2 million).

5.1 Capital Management

During the financial year, APTPL extended the term to maturity on its syndicated and bilateral bank facilities by between 12 and 24 months and entered into five new bilateral bank facilities for terms of between two and five years providing \$350 million of further committed debt funding. APTPL repaid the \$185.6 million (US\$122.0 million) of US Private Placement Notes that matured in September 2015. This has resulted in the reduction of the proportion of fixed or hedged interest rate exposures within APTPL's drawn debt portfolio, which is outlined further below.

APTPL's debt portfolio has a broad spread of maturities extending out to FY2035, with an average maturity of drawn debt of 7.4 years at 30 June 2016. APA's gearing¹ of 66.4% at 30 June 2016 was up on the 63.4% at 30 June 2015 due primarily to the acquisition of the Ethane Pipeline and the Diamantina and Leichhardt Power Stations. APTPL remains well positioned to fund its planned organic growth activities from available cash and committed resources.



As at 30 June 2016, APTPL had over \$754 million in cash and committed undrawn facilities available to meet the continued capital growth needs of the business.

APTPL has a prudent treasury policy which requires conservative levels of hedging of interest rate exposures to minimise the potential impacts from adverse movements in

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

interest rates. Other than noted below, all interest rate and foreign currency exposures on debt raised in foreign currencies have been hedged.

The majority of the revenues to be received over the next 20 years from the foundation contracts on the Wallumbilla Gladstone Pipeline will be received in USD. The US\$3.7 billion of debt raised in March 2015 is being managed as a "designated hedge" for these revenues and therefore has been retained in USD. Net USD cash flow after servicing the USD interest costs that is not part of that "designated relationship" will continue to be hedged into AUD on a rolling basis for an appropriate period of time, in line with APTPL's treasury policy. To date, the following net USD cash flow hedging has been undertaken:

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

APTPL also enters into interest rate hedges for a proportion of the interest rate exposure on its floating rate borrowings. As at 30 June 2016, 86.5% (30 June 2015: 94.0%) of interest obligations on gross borrowings was either hedged into or issued at fixed interest rates for varying periods extending out to 2035.

5.2 Borrowings and finance costs

As at 30 June 2016, APTPL had borrowings of \$9,037.3 million (\$8,642.8 million at 30 June 2015) from a mix of syndicated and bilateral bank debt facilities, US Private Placement Notes, Medium Term Notes in several currencies, Australian Medium Term Notes, United States 144A Notes and APA Group Subordinated Notes.

Net finance costs increased by \$183.5 million, or 56.6%, to \$507.7 million (FY2015: \$324.2 million). The increase is primarily due to having the additional US\$3.7 billion of debt issued in March 2015 to support the acquisition of the Wallumbilla Gladstone Pipeline for the full 2016 financial year. The average interest rate (including credit margins)² applying to drawn debt was 5.64% for the current period (FY2015: 6.76%).

APA's interest cover ratio for the current period was 2.60 times³ (June 2015: 2.59 times). This remains well in excess of its debt covenant default ratio of 1.1 times and distribution lock up ratio of 1.3 times.

5.3 Credit ratings

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

- BBB long-term corporate credit rating (outlook Stable) assigned by Standard & Poor's (S&P) in June 2009, and last confirmed on 18 March 2016; and
- Baa2 long-term corporate credit rating (outlook Stable) assigned by Moody's Investors Service (Moody's) in April 2010, and last confirmed on 15 April 2016.

² For the purpose of the calculation, drawn debt that has been kept in USD (rather than AUD) has been nominally exchanged at AUD/USD exchange rates of 0.7772 for Euro and GBP MTN issuances and 0.7879 for US 144A notes at respective inception dates.

³ For the calculation of interest cover, significant items are excluded from the EBITDA used.

5.4 Dividends

Unfranked dividends of \$182.4 million were paid to the sole shareholder, Australian Pipeline Trust, during the financial year (FY2015: \$123.3 million).

On 24 August 2016, the Directors declared and paid a final dividend of \$173.0 million to the sole shareholder.

6 Auditor's independence declaration

A copy of the independence declaration of the auditor, Deloitte Touche Tohmatsu ("Auditor") as required under section 307C of the Corporations Act 2001 is included at page 83.

7 Rounding of amounts

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

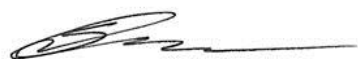
8 Authorisation

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

On behalf of the Directors



Leonard Bleasel AM
Chairman



Steven Crane
Director

SYDNEY, 24 August 2016

REMUNERATION REPORT

Letter from the Chairman of the People and Remuneration Committee

Dear Securityholders,

On behalf of the Board and the People and Remuneration Committee, I am pleased to present APA's Remuneration Report for the financial year ended 30 June 2016.

FY2016 was another year of strong performance for securityholders, with APA continuing to deliver superior market returns. FY2016 has been marked by continued expansion in assets through major capital works and investments brought in-house, the completion of key business and technology projects, development of innovative and flexible services for our customers, especially on the East Coast Grid, and excellent financial returns.

People and Remuneration Committee

During the reporting period the Committee's name was changed to the People and Remuneration Committee to reflect the increasing emphasis of the work of the Committee beyond remuneration into key areas such as diversity, succession planning, talent development and organisational culture.

Executive remuneration framework

Total Fixed Remuneration ("TFR") for the Chief Executive Officer and Managing Director ("CEO/MD") and Senior Executives has increased this year as a function of consolidating APA's position relative to other Australian Stock Exchange (ASX) listed companies. As part of our conservative management of TFR and to maintain a market competitive remuneration package, APA's positioning policy is for the TFR quantum to be at least the median against comparable ASX listed companies.

The Board has concluded that the executive remuneration framework continues to be aligned with our business strategy and model. As mentioned in last year's report a minimum securityholding policy for the CEO/MD, Senior Executives and all the other participants in the Long Term Incentive ("LTI") plan has been implemented. In addition the extension of the performance measurement period for normalised Earnings Before Interest, Tax, Depreciation and Amortisation divided by Funds Employed ("EBITDA/FE") for the LTI plan to three years has been implemented, effective from FY2016. This will strengthen the alignment of management and securityholder interests.

This year's remuneration report

The Board is committed to transparency and strong governance. We recognise and welcome securityholders' interest in APA, including understanding our remuneration strategy and outcomes and have continued with the expanded format adopted last year. While, as a registered managed investment scheme listed on the ASX, APA is not covered by the remuneration reporting requirements of the Corporations Act, we have followed a similar format, as we recognise this will be familiar and understandable to many of our securityholders. We also present remuneration information on an accrual basis rather than a paid basis, to better allow securityholders to reconcile amounts awarded for the period with APA's performance in the period.

We welcome your feedback on the report and its contents, and look forward to your attendance at our FY2016 Annual General Meeting.



John Fletcher
Chairman of the People and Remuneration Committee

1 What This Report Covers

This report details the remuneration arrangements for non-executive directors, the Executive Director and Senior Executives, the key management personnel ("KMP") listed below. These are the people with authority and responsibility for planning, directing and controlling the major activities of APA, directly or indirectly.

Name	Role	Duration of appointment
(I) Non-executive directors		
Leonard Bleasel AM	Chairman of APA Group	Full year
Steven Crane	Chairman of Audit and Risk Management Committee Member of People and Remuneration Committee	From 23 October 2015 Full year
John Fletcher	Chairman of People and Remuneration Committee and member of Audit and Risk Management Committee	Full year
Russell Higgins AO	Chairman of Health Safety and Environment Committee and member of Audit and Risk Management Committee	Full year
Patricia McKenzie	Member of Health Safety and Environment Committee and member of People and Remuneration Committee	Full year
Debra (Debbie) Goodin	Member of Audit and Risk Management Committee and member of Health Safety and Environment Committee	Commenced 01 September 2015
Michael Fraser	Member of Health Safety and Environment Committee and member of People and Remuneration Committee	Commenced 01 September 2015
Robert Wright	Chairman of Audit and Risk Management Committee and member of Health Safety and Environment Committee	Retired 22 October 2015
(II) Executive director		
Michael McCormack	Chief Executive Officer and Managing Director ("CEO/MD")	Full year
(III) Senior executives		
Peter Fredricson	Chief Financial Officer ("CFO")	Full year
Ross Gersbach	Chief Executive Strategy and Development	Full year
Robert Wheals	Group Executive Transmission	Full year
John Ferguson	Group Executive Networks	Full year
Kevin Lester	Group Executive Infrastructure Development	Full year
Nevenka Codevelle	Company Secretary & General Counsel ⁽¹⁾	From 31 October 2015
Elise Manns	Group Executive Human Resources ⁽²⁾	From 01 October 2015

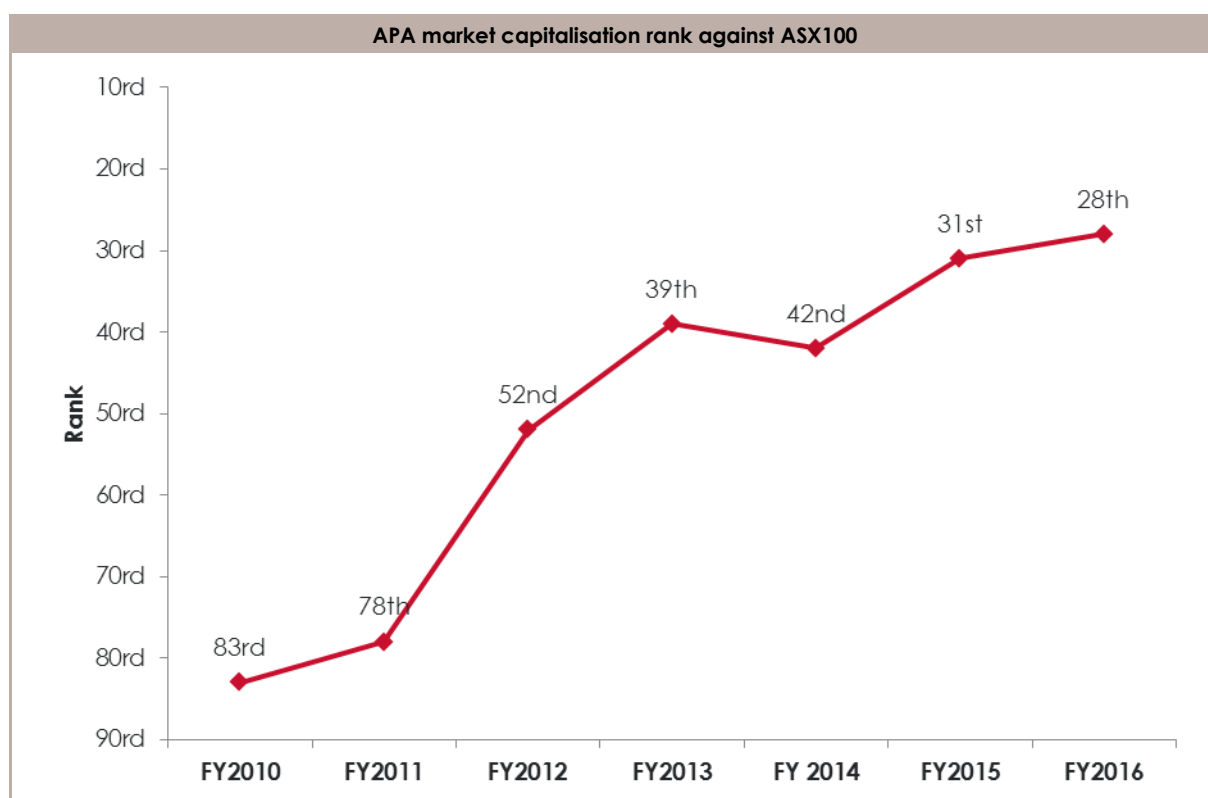
(1) Mark Knapman, Company Secretary, retired 30 October 2015.

(2) Peter Wallace, Group Executive Human Resources, retired 02 October 2015.

The named persons held their current positions during the financial year for the periods indicated. There have been no changes to KMP between the end of the financial year and the date this report was authorised for issue.

2 Remuneration Outcomes and APA Performance

One of the key factors in determining the remuneration position of APA executives is market relativity, and within Australia, ranking on the ASX100 on market capitalisation is the most commonly used benchmark. The APA Group has delivered strong securityholding returns, sound financial performance and significant organisational growth year on year. This, together with the Boards desire to attract and retain a first class management team, has driven commensurate growth in remuneration levels in APA.



2.1 Executive remuneration awarded FY2016

As part of our commitment to greater transparency and to better reflect the pay for performance relationship, the table below sets out remuneration earned by APA Executives in FY2016 and FY2015 on an accrual basis for the period rather than remuneration received during the period. For instance, short term incentive ("STI") values in the table below reflect STI earned in FY2016 but are due to be paid in the next financial year. This is identical to APA's approach in the FY2015 remuneration report.

APT Pipelines Limited and its Controlled Entities
Remuneration Report for the year ended 30 June 2016

Executive Director and Senior Executives	Total Fixed Remuneration ("TFR") \$	Awarded in FY2016			Awarded in FY2015	
		Awarded STI ⁽¹⁾ \$	Allocated LTI ⁽²⁾ \$	Other \$	Total \$	Total ⁽³⁾⁽⁴⁾ \$
Michael McCormack CEO/MD	1,765,000	1,814,861	1,471,679	-	5,051,540	4,792,174
Peter Fredricson CFO	835,000	604,331	464,156	-	1,903,487	2,103,250
Ross Gersbach Chief Executive Strategy and Development	852,000	584,685	473,606	-	1,910,291	2,232,013
Robert Wheals Group Executive Transmission	678,000	469,854	376,883	-	1,524,737	1,421,487
John Ferguson Group Executive Networks	587,000	411,194	326,299	-	1,324,493	1,261,530
Kevin Lester Group Executive Infrastructure Development	551,000	360,767	306,287	-	1,218,054	1,134,440
Nevenka Codevelle Company Secretary & General Counsel	413,075	270,489	205,618	-	889,182	⁽³⁾ -
Elise Manns Group Executive Human Resources	387,640	247,427	199,114	-	834,181	⁽⁴⁾ -
Total	6,068,715	4,763,608	3,823,642	-	14,655,965	15,254,364⁽⁵⁾-

(1) Awarded STI represents the amounts earned by the executives during the reporting period and are due to be paid in September 2016 as they are dependent on the approval by the Board and having the signed audited annual accounts.

(2) Allocated LTI represents the value of reference units that were earned by the executives during the reporting period. Reference units will be allocated in August 2016 as they are dependent on the approval by the Board and the release of APA Group's annual results to the ASX.

(3) Nevenka Codevelle not KMP FY2015.

(4) Elise Manns not KMP FY2015.

(5) FY2015 Total Includes Mark Knapman & Peter Wallace and \$430,666 final Retention Payments instalments.

Notes

- Mark Knapman, Company Secretary, retired 30 October 2015.
- Peter Wallace, Group Executive Human Resources, retired 02 October 2015.

2.2 APA performance and incentive plan outcomes FY2016

Strong performance against all major metrics has been achieved again in FY2016. The Group's superior performance led to strong at-risk remuneration outcomes. More detail on the link between APA performance and executive remuneration outcomes is provided below.

2.3 Five year snapshot of APA performance

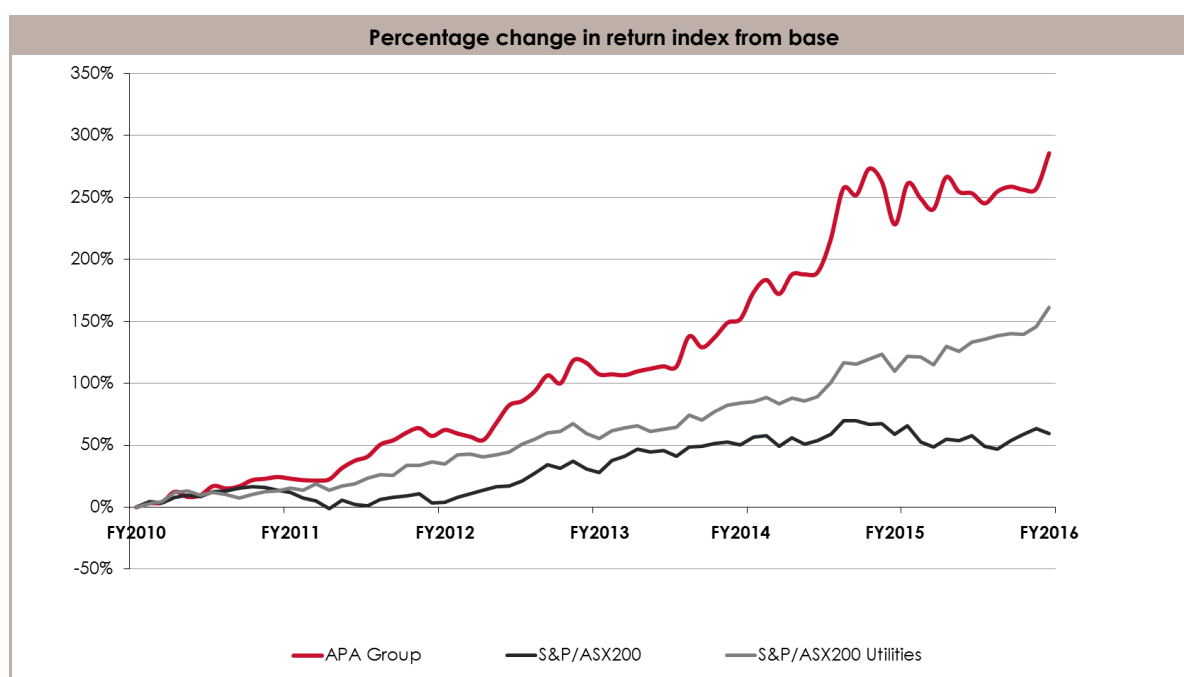
The following table provides a summary of APA's financial performance over the last five financial years. Included below are financial metrics related to incentive plan performance measures and additional disclosures reflecting APA's earnings and how this impacts securityholder returns.

Normalised Financial Results ⁽¹⁾	FY2016	FY2015	FY2014	FY2013 ⁽²⁾	FY2012
EBITDA (\$m)	1,330.5	822.3	747.3	661.9	535.5
Profit after tax (\$m)	179.5	203.9	199.6	172.3	140.3
Operating cash flow per security (cents)	77.4	54.8	50.8	56.0	52.5
Earnings per security (cents)	16.1	20.5	23.1	22.7	21.9
Distribution per security (cents)	41.5	38.0	36.3	35.5	35.0
Closing security price at 30 June (\$)	9.24	8.24	6.89	5.99	4.99

(1) Normalised financial results are the statutory financial results excluding significant items. The Directors consider these measures reflect the core earnings of APA. A reconciliation between statutory financial results and the normalised financial results is provided in section 6.

(2) The balances for FY2013 have been restated for the effect of applying accounting standard AASB 119: Employee Benefits.

The chart below illustrates the movement in APA's return index over the last five financial years against the S&P/ ASX 100 and S&P/ ASX 200 Utilities return indices. A return index reflects the theoretical growth in value of a security holding over a specified period, assuming dividends are re-invested to purchase additional units at the closing price applicable on the ex-distribution date.



2.4 Link between APA performance and awarded STI

STI is an annual cash-settled incentive subject to 12 month financial and non-financial performance. STI funding is dependent on normalised OCFPS, a measure of the average cash amount generated by the business for each stapled security issued (typically excluding such things as significant items). This measure is directly linked to APA's strategic goal of increasing cash flows over the medium term.

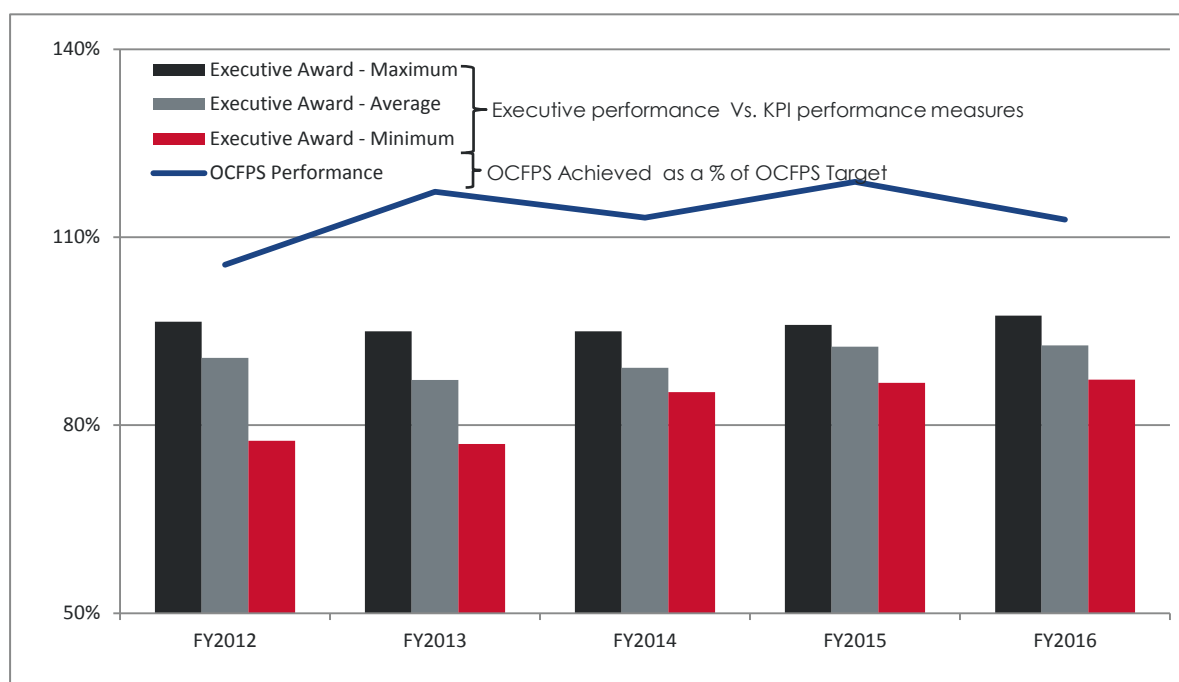
Executives are awarded an STI only if OCFPS is above the threshold level of performance set by the Board. OCFPS therefore acts as a gateway for awards under the STI plan. OCFPS is also the mechanism through which the aggregate amount available for STI payments is limited, ensuring strong alignment between individual performance and APA's ability to pay.

STI awarded is subject to Executives satisfying their performance against a balanced scorecard of pre-determined APA business unit and personal objectives.

Executive STI Awarded	FY2016	FY2015	FY2014	FY2013	FY2012
Executive Award - Maximum	97.5%	96.0%	95.0%	95.0%	96.5%
Executive Award - Average	92.8%	92.6%	89.2%	87.2%	90.8%
Executive Award - Minimum	87.3%	86.8%	85.3%	77.0%	77.5%
OCFPS Performance as % of OCFPS target	112.8%	118.9%	113.1%	117.2%	105.6%

2.5 STI Performance and Executive Awards

The chart below illustrates how Executive STI outcomes align with performance against the key business metric of OCFPS.



2.6 STI outcomes during FY2016

For FY2016, the STI outcomes for Executives, as a percentage of maximum opportunity, are set out in the table below.

Executives	STI earned		STI forfeited	
	%	\$	%	\$
Michael McCormack	91.4	1,814,861	8.6	170,764
Peter Fredricson	96.5	604,331	3.5	21,918
Ross Gersbach	91.5	584,685	8.5	54,315
Robert Wheals	92.4	469,854	7.6	38,645
John Ferguson	93.4	411,194	6.6	29,056
Kevin Lester	87.3	360,767	12.7	52,483
Nevenka Codevelle	97.5	270,489 ⁽¹⁾	2.5	6,936
Elise Manns	92.1	247,427 ⁽¹⁾	7.9	21,223

(1) STI payments for Nevenka Codevelle and Elise Manns are pro-rated for period of time as KMP in FY2016

2.7 Link between APA performance and awarded LTI

LTI is a cash-settled incentive subject to two APA measures - Relative Total Securityholder Returns ("TSR") (three year rolling average performance against S&P/ASX 100 companies) and growth in EBITDA/FE.

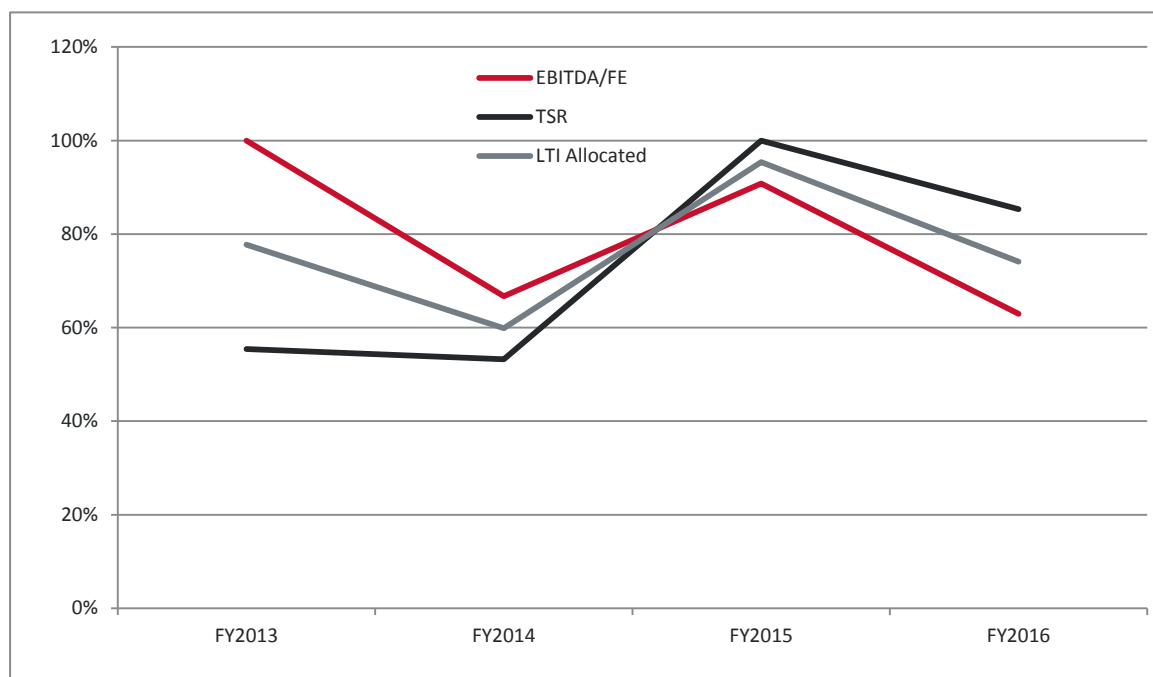
Both measures are weighted equally and are linked to building securityholder value. Relative TSR provides the most direct measure of securityholder return and reflects an investor's choice to invest in APA or competitors. Security price growth is underpinned by earnings growth and EBITDA/FE is based on the integrity of earnings performance against funds employed which provides a measure of how efficiently the assets are being deployed.

The chart below presents APA's TSR performance relative to S&P/ASX 100 companies (for FY2013 and FY2014 based on TSR end of year rank and for FY2015 and FY2016 based on 3 year rolling average) and EBITDA/FE as a function of improvements to historical actual.

LTI awards as a percentage of maximum opportunity.

Year	EBITDA/FE	TSR	LTI Allocated
FY2013	100.0%	55.4%	77.7%
FY2014	66.7%	53.2%	59.9%
FY2015	90.8%	100.0%	95.4%
FY2016	62.9%	85.3%	74.1%

2.8 LTI Performance and Executive Awards



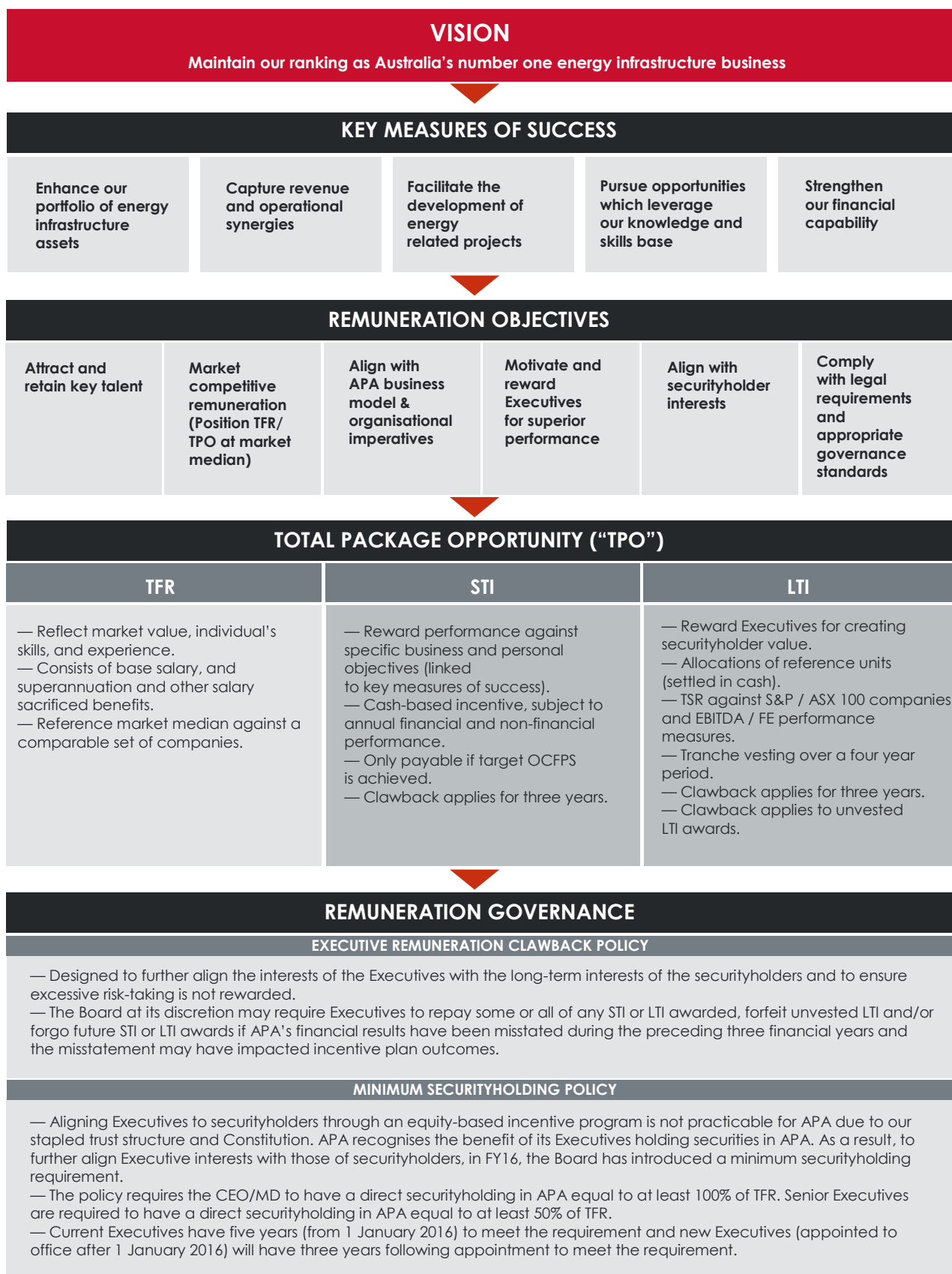
2.9 LTI outcomes during FY2016

For FY2016, the LTI outcomes for Executives are set out in the table below:

Executives	LTI allocated	LTI forfeited
	\$	\$
Michael McCormack	1,471,679	513,946
Peter Fredricson	464,156	162,094
Ross Gersbach	473,606	165,394
Robert Wheals	376,883	131,617
John Ferguson	326,299	113,951
Kevin Lester	306,287	106,963
Nevenka Codevelle	205,618	71,807
Elise Manns	199,114	69,536

3 Executive Remuneration Arrangements

3.1 Alignment of remuneration strategy with business strategy

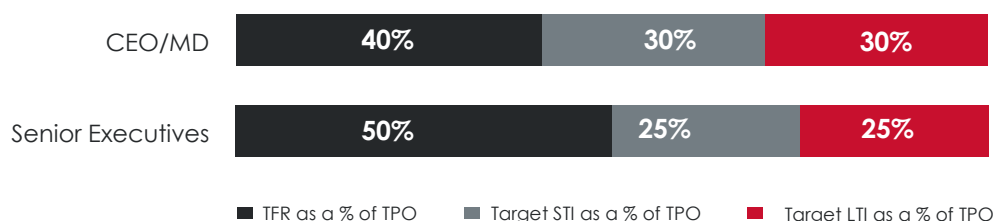


3.2 Changes to the executive remuneration framework during FY2016

The three changes highlighted in previous reports have now been fully implemented. Firstly, TSR in the long term incentive plan was extended to the three previous years to more closely reflect the long-term performance of APA. Secondly, EBITDA/FE was also extended to the three previous years to strengthen the alignment of management and securityholder interests. Thirdly, a minimum securityholding policy has been applied.

3.3 Approach to setting remuneration

Each executive's Total Package Opportunity ("TPO") consists of TFR plus STI plus LTI and is dependent on their role in the organisation and their capacity to influence outcomes. APA's executive remuneration is structured as a mix of fixed remuneration and 'at risk' components (STI and LTI). The equal emphasis on short and long-term performance (i.e., through STI and LTI awards) ensures executives are appropriately rewarded for delivering sustained APA performance. The proportion of fixed versus 'at risk' remuneration varies between roles within APA, reflecting the different capacity of executives to influence APA's operational performance and returns to securityholders.



3.4 Remuneration components

TFR

TFR is reviewed annually and is determined by reference to independent external remuneration benchmarking information, taking into account an individual's responsibilities, performance, qualifications and experience. APA's policy is to position TFR at least at the median against comparable ASX listed companies.

STI

The table below sets out the key elements of the executive STI plan.

STI plan element	Description						
STI opportunity	STI opportunity is expressed as a percentage of TPO and varies by role. Target STI opportunities are set out in the table below. Maximum STI is 150% of target STI opportunity. <table border="1"> <thead> <tr> <th>Participant</th><th>Target STI as a % of TPO</th></tr> </thead> <tbody> <tr> <td>CEO/MD</td><td>30%</td></tr> <tr> <td>Senior executives</td><td>25%</td></tr> </tbody> </table>	Participant	Target STI as a % of TPO	CEO/MD	30%	Senior executives	25%
Participant	Target STI as a % of TPO						
CEO/MD	30%						
Senior executives	25%						
Performance gateway	OCFPS acts as a gateway for awards under the STI plan. STI opportunity is only realisable if the OCFPS threshold level of performance set by the Board is met (i.e., the "gate opens").						
Plan funding	Provided the OCFPS threshold is met, the STI opportunity available may be modified based on the level of OCFPS performance achieved.						
Performance measures	Once the "gate opens" and the STI is funded, STI awards are subject to performance against individual KPIs based on a balanced scorecard of APA-wide, business unit and personal objectives covering:						

APT Pipelines Limited and its Controlled Entities
Remuneration Report for the year ended 30 June 2016

STI plan element	Description
	- Financial measures: cost control, revenue and cash generation and capital expenditure management, credit ratings. - Health, Safety & Environment measures: targets against key lead and lag indicators - Non-financial measures: strategy delivery, customer and stakeholder management, project delivery, efficiency/improvement initiatives, leadership/talent development and reinforcement of our ethical and values-based culture.
Timing and delivery	All STI awards are paid in cash, usually in September of the new financial year, following the completion of the audit of the annual accounts.
Clawback	The Board in its discretion may determine that some, or all, of an executive's STI award is forfeited in the event of misconduct or of a material misstatement in the year end financial statements in the preceding three years.
Cessation of employment	If a participant resigns or is dismissed (with or without notice), all unvested STI awards are forfeited. If an employee leaves for any other reason, an STI award will be paid out based on the proportion of the period that has passed and performance at the time of cessation (subject to Board discretion).
Change of control	Subject to Board discretion, and in line with market practice, if a change of control occurs, an STI award will be paid out based on the proportion of the period that has passed at the time of change of control

LTI

The table below sets out the key elements of the executive LTI plan.

LTI plan element	Description						
Award vehicle	As a stapled security and under our Constitution, the use of actual securities in the LTI plan would not be practicable. Instead, APA operates a reference unit incentive plan to create alignment with securityholders. Reference units exactly mirror the performance of APA securities and are settled in cash. To further align executives and securityholders, APA has introduced a mandatory securityholding policy, effective from FY2016, requiring executives to hold a substantial number of securities in APA (see Section 3.2 for further detail). Reference Units are valued at allocation based on the 30 trading day volume weighted average market price ("VWAP") of an APA security up to two days immediately preceding the announcement of APA's annual financial results to the ASX and as published in this Report.						
LTI opportunity	LTI opportunities for each participant are set as a percentage of TPO, vary by role and are shown in Section 3.3 . Maximum LTI is 150% of target opportunity.						
	<table> <tr> <th>Participant</th><th>Target LTI as a % of TPO</th></tr> <tr> <td>CEO/MD</td><td>30%</td></tr> <tr> <td>Senior executives</td><td>25%</td></tr> </table>	Participant	Target LTI as a % of TPO	CEO/MD	30%	Senior executives	25%
Participant	Target LTI as a % of TPO						
CEO/MD	30%						
Senior executives	25%						
LTI allocation	The actual individual LTI allocation is determined at the completion of the financial year based on TSR performance against the S&P/ASX100 comparator group and EBITDA/FE performance.						
Performance measures and targets	- Awards are subject to two equally weighted measures: Relative TSR and EBITDA / FE. Relative TSR - TSR measures the percentage change in security price, plus the value of dividends or distributions received during the period, assuming all dividends and distributions are re-invested into new securities. - APA Group's TSR is measured relative to a peer group comprising of S&P/ASX 100 constituents and is measured over three financial years. - Relative TSR has been selected as a LTI performance measure as it provides the most direct measure of securityholder return and reflects an investor's choice to invest in APA or direct competitors. Executives only derive value from the TSR component of the LTI plan if APA's performance is at least at the median of S&P/ASX 100 companies over a three year period. EBITDA /FE - EBITDA/FE reflects Earnings Before Interest, Tax, Depreciation and Amortisation divided by						

LTI plan element	Description
	Funds Employed. EBITDA/FE hurdle is set as a percentage growth compared to budget and is measured over three financial years. The Board determines the EBITDA/FE target each year through the rigorous budget setting process to improve the capital efficiency of the organisation. EBITDA/FE has been selected as an LTI performance measure as it helps determine the operating cash flow leverage being achieved based on the operating assets available to the business. It is a longer term performance measure based on the integrity of earnings performance against funds employed.
Retesting	There is no retesting of the allocation. However each vesting tranche is subject to the relevant price at vesting reflecting the movement in value of APA's securities each year.
Timing and delivery	An LTI allocation vests in three equal instalments over the three financial years following the allocation, with the initial one-third vesting at the end of the first financial year following the first award, one-third at the end of the second financial year, and one-third at the end of the third financial year. Upon vesting, the LTI is delivered in cash. The cash payment is equal to the number of units vesting on the vesting date multiplied by the VWAP published in the Annual Report. From FY2016, APA will require Executives to hold a number of APA securities. Executives may apply vested LTI amounts to the purchase of securities to fulfil the securityholding requirement. Executives are currently required to purchase APA Securities 'on market' and in accordance with APA Securities Trading Policy and within authorised trading windows.
Restrictions	LTI allocations of reference units do not entitle participants to vote at securityholders meetings nor to be paid distributions. No options or other equity instruments are issued to APA employees or non-executive directors under the LTI plan.
Clawback	The Board in its discretion may determine that some, or all, of an executive's current year LTI allocation is forfeited in the event of misconduct or of a material misstatement in the year end financial statements in the preceding three years.
Cessation of employment	If a participant resigns or is dismissed (with or without notice), all unvested reference units are forfeited. If an employee leaves for any other reason the Board determines the number of reference units which will lapse or are retained, subject to vesting on the original schedule.
Change of control	Subject to Board discretion, and in line with market practice, if a change of control occurs, all previously allocated units will vest. A further number of units will be allocated based on the proportion of the period that has passed in the current financial year at the time of change of control and will also vest on change of control.

4 Executive Contracts

4.1 Contractual arrangements

Remuneration arrangements for Executives are formalised in individual employment agreements. The terms of the contractual arrangements for Executives are set out in the table below:

Executive	Contract type	Notice period	Termination entitlement (without cause)
CEO/MD	Permanent	12 months	52 weeks TFR
Senior Executives	Permanent	6 months	13 weeks TFR

4.2 Sign-on / termination payments provided to executives

APA did not pay any sign-on payments during FY2016. APA made the following termination payments during FY2016.

Executive	Position Held	Terminated	Termination Payments	
			Payments at time of Termination	On-going Payments
Mark Knapman	Company Secretary	Retired 30 October 2015	Statutory Entitlements plus 3 months TFR in lieu of notice plus pro-rata STI plus pro-rata LTI Allocation	Unvested reference units will vest in accordance with the original vesting schedule
Peter Wallace	Group Executive Human Resources	Retired 02 October 2015	Statutory Entitlements plus 6 months TFR in lieu of notice plus pro-rata STI plus pro-rata LTI Allocation	Unvested reference units will vest in accordance with the original vesting schedule

5 Remuneration Governance

5.1 Role of People and Remuneration Committee

The People and Remuneration Committee has been established by the Board to oversee Executive and non-executive director remuneration. The role of the People and Remuneration Committee is to ensure the provision of a robust remuneration and reward system that aligns employee and investor interests and facilitates effective attraction, retention and development of employees. The People and Remuneration Committee's activities are governed by its Charter (a copy of the Charter is available on APA's website).

In addition to making recommendations regarding APA's broad remuneration strategy and policy (including diversity matters), the People and Remuneration Committee is responsible for:

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

5.2 Composition of People and Remuneration Committee

The members of the People and Remuneration Committee, all of whom are independent non-executive directors, are:

- John Fletcher (Chairman);
- Steven Crane;
- Patricia McKenzie;
- Michael Fraser.

The Chairman of the Board attends all meetings of the People and Remuneration Committee and the CEO/MD attends by invitation, where management input is required. The People and Remuneration Committee met three times during the year.

5.3 Use of external advisors

The People and Remuneration Committee seeks external professional advice from time to time on any matter within its terms of reference. Remuneration advisors are engaged by the People and Remuneration Committee and report directly to the Committee.

During FY2016, the following remuneration information was obtained and considered by the People and Remuneration Committee:

- Ernst & Young provided remuneration benchmarking information, undertook a review of APA's executive remuneration framework and assisted with remuneration governance;
- Egan & Associates provided fee and remuneration benchmarking information for non-executive director fees and certain members of the executive team, respectively; and
- Orient Capital (Link Group) provided TSR benchmarking analysis.

6 Non-executive Director Arrangements

6.1 Determination of non-executive director fees

The Board seeks to attract and retain high calibre non-executive directors who are equipped with diverse skills to oversee all functions of APA in an increasingly complex environment.

Selection and appointment of new Directors, Board succession and related matters were handled by the Board until December 2015 when a Nomination Committee was established comprising of APA Group's non-executive Directors.

The Board determines Board fees and Committee fees annually. It acts on advice from the People and Remuneration Committee which obtains external benchmark information from independent remuneration specialists. Such information includes market comparisons paid by comparable S&P/ASX 100 organisations.

Non-executive director fees comprise:

- a Board fee;
- an additional fee for serving on a committee of the Board; and
- statutory superannuation contributions.

Non-executive directors do not receive incentive payments nor participate in incentive plans of any type.

One off 'per diems' may be paid in exceptional circumstances. No payments have been made under this arrangement in this reporting period or the prior reporting period.

The Board members are subject to a minimum securityholding requirement of 100% of annual base fees in line with the changes introduced for the CEO/MD and Executives.

Superannuation is provided in accordance with the statutory requirements under with the Superannuation Guarantee Act.

Following external benchmarking and a review of APA's performance relative to other companies, Board fees and committee fees were increased effective 1 January 2016 (see table below).

Board and Committee fees per annum (excluding statutory superannuation) are outlined below. The Board Chairman does not receive additional fees for attending committee meetings.

Fees	Effective 1 January 2016		Effective 1 January 2015	
	Chairman \$000	Member \$000	Chairman \$000	Member \$000
Board	440	154	400	140
Audit and Risk Management Committee	42	21	38	19
Health Safety and Environment Committee	35	17.5	32	16
People and Remuneration Committee	35	17.5	32	16

7 Additional Key Management Personnel Disclosures

7.1 Fees paid to non-executive directors

The following table sets out fees paid to non-executive directors in FY2015 and FY2016 in accordance with statutory rules and applicable accounting standards.

Year ended 30 June	Short-term employment benefits	Post-employment benefits		Total \$
	Salary/fees \$	Superannuation \$	Retirement Benefit \$	
Leonard Bleasel AM				
FY2016	420,000	39,900	-	459,900
FY2015	385,000	36,100	-	421,100
Steven Crane				
FY2016	194,250	18,462	-	212,712
FY2015	169,500	15,912	-	185,412
John Fletcher				
FY2016	186,500	33,073	-	219,573
FY2015	173,500	29,397	-	202,897
Russell Higgins AO				
FY2016	200,500	19,073	-	219,573
FY2015	185,500	17,397	-	202,897
Patricia McKenzie				
FY2016	180,500	17,170	-	197,670
FY2015	166,500	15,620	-	182,120
Debbie Goodin⁽¹⁾				
FY2016	154,583	14,692	-	169,275
FY2015	-	-	-	-

APT Pipelines Limited and its Controlled Entities
Remuneration Report for the year ended 30 June 2016

Year ended 30 June	Short-term employment benefits	Post-employment benefits		Total \$
	Salary/fees \$	Superannuation \$	Retirement Benefit \$	
Michael Fraser⁽²⁾				
FY2016	151,833	14,447	-	166,280
FY2015	-	-	-	-
Robert Wright				
FY2016	60,258	5,724	54,500⁽³⁾	120,482
FY2015	188,500	17,679	-	206,179
Total				
FY2016	1,548,424	162,541	54,500	1,765,465
FY2015	1,268,500	132,105	-	1,400,605

(1) Debbie Goodin commenced 01 September 2015.

(2) Michael Fraser commenced 01 September 2015.

(3) Robert Wright retired 22 October 2015. Following changes in superannuation regulations in 2003, the Board terminated the Non-executive directors' retirement benefit plan. Benefits to participating non-executive directors accruing up to the termination date were quantified and preserved for payment on retirement of those non-executive directors. Robert Wright was the only non-executive director entitled to a preserved benefit under the plan and this was paid on his retirement from the Board on 22 October 2015.

7.2 Total remuneration earned and received by Executives

The following table outlines the total remuneration earned by Executives during FY2015 and FY2016, calculated in accordance with applicable accounting standard AASB 2: *Share-based Payment*. This requires the three equal instalments to be accounted for over a four year period, that is, the year of service to which the allocation is awarded plus the following three year period during which vesting rights are satisfied.

Year ended 30 June	Short-Term Employment Benefits			Post-Employment	LTI Plans	Other Payments ⁽²⁾	Total \$
	Salary/Fees \$	STI \$	Non-Monetary \$	Superannuation \$	Security-Based Payments ⁽¹⁾ \$		
Michael McCormack							
FY2016	1,730,000	1,814,861	-	35,000	1,581,283	-	5,161,144
FY2015	1,500,000	1,609,447	-	35,000	1,564,212	-	4,708,659
Peter Fredricson							
FY2016	800,000	604,331	-	35,000	543,124	-	1,982,455
FY2015	745,000	561,600	-	35,000	570,885	202,000	2,114,485
Ross Gersbach							
FY2016	805,078	584,685	11,922	35,000	576,019	-	2,012,704
FY2015	792,295	589,844	11,922	18,783	622,328	228,666	2,263,838

APT Pipelines Limited and its Controlled Entities
Remuneration Report for the year ended 30 June 2016

Year ended 30 June	Short-Term Employment Benefits			Post-Employment	LTI Plans		Total \$
	Salary/Fees \$	STI \$	Non-Monetary \$	Superannuation \$	Security-Based Payments ⁽¹⁾ \$	Other Payments ⁽²⁾ \$	
Robert Wheals							
FY2016	648,000	469,854	-	30,000	384,858	-	1,532,712
FY2015	560,000	408,162	-	30,000	344,570	-	1,342,732
John Ferguson							
FY2016	552,000	411,194	-	35,000	345,605	-	1,343,799
FY2015	489,000	361,560	-	35,000	318,204	-	1,203,764
Kevin Lester							
FY2016	516,000	360,767	-	35,000	309,242	-	1,221,009
FY2015	444,000	311,757	-	35,000	215,410	-	1,006,167
Nevenka Codevelle ⁽³⁾							
FY2016	388,367	270,489	-	24,708	262,163	-	945,727
FY2015	-	-	-	-	-	-	-
Elise Manns ⁽⁴⁾							
FY2016	357,640	247,427	-	30,000	331,385	-	966,452
FY2015	-	-	-	-	-	-	-
Mark Knapman							
FY2016	157,699	61,600	-	34,999	262,163	236,224 ⁽⁵⁾	752,685
FY2015	474,005	260,406	-	34,995	272,908	-	1,042,314
Peter Wallace							
FY2016	132,057	68,504	-	20,427	331,385	305,278 ⁽⁵⁾	857,651
FY2015	497,000	361,893	-	35,000	334,123	-	1,228,016
Total Remuneration							
FY2016	6,086,841	4,893,712	11,922	315,134	4,927,227	541,502	16,776,338
FY2015	5,501,300	4,464,669	11,922	258,778	4,242,640	430,666	14,909,975

(1) Cash settled security-based payments. Reference units subject to Board allocation in August 2016 based on an estimated VWAP of \$9.4614.

(2) Other payments include Loyalty Payment instalments. Refer to "Executive contracts" section for more information.

(3) Nevenka Codevelle, Company Secretary and General Counsel from 31 October 2015.

(4) Elise Manns, Group Executive Human Resources from 02 October 2015.

(5) Termination payment.

Note: Volume Weighted Average Price ("VWAP") is calculated over 30 trading days and 2 days prior to the release of APA results on 24 August 2016.

7.3 Outstanding LTI awards

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

APT Pipelines Limited and its Controlled Entities
Remuneration Report for the year ended 30 June 2016

Executives	Grant Date (financial year)	Opening balance at 1 July 2015	Allocated	Paid	Closing balance at 30 June 2016	Units subject to allocation by the Board in August 2016 ⁽¹⁾	Reference units allocated that have not yet vested or been paid and the financial years in which they will vest ⁽²⁾			
							FY2017	FY2018	FY2019	FY2020
Michael McCormack	FY2012	66,077		(66,077)	-		-	-	-	-
	FY2013	123,278		(61,639)	61,639		61,639	-	-	-
	FY2014	135,141		(45,047)	90,094		45,047	45,047	-	-
	FY2015		188,295		188,295		62,765	62,765	62,765	-
	FY2016					155,544	-	51,848	51,848	51,848
	Total						169,451	159,660	114,613	51,848
Peter Fredricson	FY2012	26,300		(26,300)	-		-	-	-	-
	FY2013	45,134		(22,567)	22,567		22,567	-	-	-
	FY2014	47,250		(15,750)	31,500		15,750	15,750	-	-
	FY2015		63,954		63,954		21,318	21,318	21,318	-
	FY2016					49,056	-	16,352	16,352	16,352
	Total						59,635	53,420	37,670	16,352
Ross Gersbach	FY2012	29,772		(29,772)	-		-	-	-	-
	FY2013	49,580		(24,790)	24,790		24,790	-	-	-
	FY2014	49,833		(16,611)	33,222		16,611	16,611	-	-
	FY2015		67,479		67,479		22,493	22,493	22,493	-
	FY2016					50,055	-	16,685	16,685	16,685
	Total						63,894	55,789	39,178	16,685
Robert Wheals	FY2012	11,320		(11,320)	-		-	-	-	-
	FY2013	27,954		(13,977)	13,977		13,977	-	-	-
	FY2014	31,500		(10,500)	21,000		10,500	10,500	-	-
	FY2015		48,375		48,375		16,125	16,125	16,125	-
	FY2016					39,831	-	13,277	13,277	13,277
	Total						40,602	39,902	24,402	13,277

APT Pipelines Limited and its Controlled Entities
Remuneration Report for the year ended 30 June 2016

Executives	Grant Date (financial year)	Opening balance at 1 July 2015	Allocated	Paid	Closing balance at 30 June 2016	Units subject to allocation by the Board in August 2016 ⁽¹⁾	Reference units allocated that have not yet vested or been paid and the financial years in which they will vest ⁽²⁾			
							FY2017	FY2018	FY2019	FY2020
John Ferguson	FY2012	11,057		(11,057)	-		-	-	-	-
	FY2013	25,800		(12,900)	12,900		12,900	-	-	-
	FY2014	28,980		(9,660)	19,320		9,660	9,660	-	-
	FY2015		42,963		42,963		14,321	14,321	14,321	-
	FY2016					34,485	-	11,495	11,495	11,495
	Total						36,881	35,476	25,816	11,495
Kevin Lester	FY2013	21,190		(10,595)	10,595		10,595	-	-	-
	FY2014	26,460		(8,820)	17,640		8,820	8,820	-	-
	FY2015		39,273		39,273		13,091	13,091	13,091	-
	FY2016					32,370	-	10,790	10,790	10,790
	Total						32,506	32,701	23,881	10,790
Nevenka Codevelle ⁽³⁾	FY2016					21,732	-	7,244	7,244	7,244
	Total						-	7,244	7,244	7,244
Elise Manns ⁽⁴⁾	FY2016					21,042	-	7,014	7,014	7,014
	Total						-	7,014	7,014	7,014
Mark Knapman ⁽⁵⁾	FY2012	13,073		(13,073)			-	-	-	-
	FY2013	21,268		(10,634)	10,634		10,634	-	-	-
	FY2014	21,897		(7,299)	14,598		7,299	7,299	-	-
	FY2015		30,219		30,219		10,073	10,073	10,073	-
	FY2016					-	-	-	-	-
	Total						28,006	17,372	10,073	-
Peter Wallace ⁽⁶⁾	FY2012	13,606		(13,606)	-		-	-	-	-
	FY2013	24,924		(12,462)	12,462		12,462	-	-	-
	FY2014	29,166		(9,722)	19,444		9,722	9,722	-	-
	FY2015		43,620		43,620		14,540	14,540	14,540	-
	FY2016					-	-	-	-	-
	Total						36,724	24,262	14,540	-

(1) Reference units subject to Board allocation in August 2016 based on an estimated VWAP of \$9.4614.

(2) Reference units multiplied by 30 trading days VWAP to be paid in cash in September 2016.

(3) Nevenka Codevelle, Company Secretary and General Counsel from 30 October 2015.

(4) Elise Manns, Group Executive Human Resources from 2 October 2015.

(5) Mark Knapman retired 30 October 2015.

(6) Peter Wallace, retired 02 October 2015.

7.4 Loans to KMP and related parties

No loans have been made to KMP and related parties.

7.5 Securityholdings

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

Year ended 30 June	Opening Balance at 1 July 2015	Securities Acquired	Securities Disposed	Closing Balance at 30 June 2016
Non-executive directors				
Leonard Bleasel AM	614,216	-	-	614,216
Steven Crane	130,000	-	-	130,000
John Fletcher	88,250	-	-	88,250
Russell Higgins AO	122,719	-	-	122,719
Patricia McKenzie	19,986	2,903	-	22,889
Debbie Goodin	0	19,000	-	19,000
Michael Fraser	0	25,000	-	25,000
Robert Wright	52,592*	-	-	-
Executive director				
Michael McCormack	278,120	21,880	-	300,000
Senior executives				
Peter Fredricson	21,788	1,212	-	23,000
Ross Gersbach	485	10,000	-	10,485
Robert Wheals	2,000	15,000	-	17,000
John Ferguson	2,622	10,000	-	12,622
Kevin Lester	7,369	12,000	-	19,369
Nevenka Codevelle	0	800	-	800
Elise Manns	0	5,900	-	5,900

* Robert Wright retired as a director of APA Group on 22 October 2015. His Final Director's Interest Notice (Appendix 3Z) lodged with the ASX on 22 October 2015 reflected a final holding of 52,592.

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

7.6 Other transactions with KMP of APA and the Responsible Entity and related parties

Leonard Bleasel AM holds 10,000 subordinated notes that were issued by APT Pipelines Limited, a subsidiary of APT.

Other than non-executive director fees, executive compensation and equity and debt holdings disclosed in this report, there are no other transactions with the KMP of APA and the Responsible Entity.

APT Pipelines Limited and its Controlled Entities
Consolidated Statement of Profit or Loss and Other Comprehensive Income
For the financial year ended 30 June 2016

	Note	2016 \$000	2015 \$000
Continuing operations			
Revenue	5	2,071,262	1,536,642
Share of net profits of associates and joint ventures using the equity method	5	16,021	12,557
		2,087,283	1,549,199
Asset operation and management expenses		(128,359)	(65,508)
Depreciation and amortisation expense	6	(520,066)	(208,200)
Other operating costs - pass-through	6	(438,330)	(434,382)
Finance costs	6	(561,265)	(367,648)
Employee benefit expense	6	(180,057)	(176,174)
Other expenses		(6,584)	(24,233)
Profit before tax		252,622	273,054
Income tax expense	7	(124,423)	(81,944)
Profit for the year		128,199	191,110
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		(8,148)	18,354
Income tax relating to items that will not be reclassified subsequently		2,444	(5,506)
		(5,704)	12,848
Items that may be reclassified subsequently to profit or loss:			
Transfer of loss on cash flow hedges to profit or loss		121,922	68,960
Loss on cash flow hedges taken to equity		(249,150)	(316,555)
Loss on associate hedges taken to equity		(8,086)	(9,247)
Recycling of reserves on disposal of associate		15,099	-
Income tax relating to items that may be reclassified subsequently		36,096	77,052
		(84,119)	(179,790)
Other comprehensive income for the year (net of tax)		(89,823)	(166,942)
Total comprehensive income for the year		38,376	24,168
Profit attributable to:			
Equityholders of the parent		96,451	167,925
Non-controlling - other		31,748	23,185
		128,199	191,110
Total comprehensive income attributable to:			
Equityholders of the parent		6,628	983
Non-controlling - other		31,748	23,185
		38,376	24,168

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

APT Pipelines Limited and its Controlled Entities
Consolidated Statement of Financial Position
As at 30 June 2016

	Note	2016 \$000	2015 \$000
Current assets			
Cash and cash equivalents	18	77,937	411,839
Trade and other receivables	9	263,800	254,800
Receivables from related parties	9	139,625	135,942
Other financial assets	21	35,140	24,789
Inventories		24,891	21,290
Other		12,715	8,314
Current assets		554,108	856,974
Non-current assets			
Trade and other receivables	9	17,283	92,470
Other financial assets	21	431,371	472,223
Investments accounted for using the equity method	24	197,185	257,425
Property, plant and equipment	11	9,048,052	8,355,193
Goodwill	12	1,184,588	1,140,500
Other intangible assets	12	3,364,334	3,556,246
Other	15	28,622	33,069
Non-current assets		14,271,435	13,907,126
Total assets		14,825,543	14,764,100
Current liabilities			
Trade and other payables	10	238,528	398,300
Payables to related parties	10	2,613,186	2,907,055
Borrowings	19	410,532	165,023
Other financial liabilities	21	114,674	145,815
Provisions	14	91,672	85,452
Unearned revenue		13,735	7,477
Current liabilities		3,482,327	3,709,122
Non-current liabilities			
Trade and other payables	10	3,007	3,261
Payables to related parties	10	895,102	876,911
Borrowings	19	9,323,621	9,151,448
Other financial liabilities	21	194,591	44,793
Deferred tax liabilities	7	540,905	451,522
Provisions	14	69,991	60,410
Unearned revenue		41,895	16,801
Non-current liabilities		11,069,112	10,605,146
Total liabilities		14,551,439	14,314,268
Net assets		274,104	449,832

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

APT Pipelines Limited and its Controlled Entities
Consolidated Statement of Financial Position (continued)
As at 30 June 2016

	Note	2016 \$000	2015 \$000
<u>Equity</u>			
APT Pipelines Limited equity:			
Issued capital	22	117,330	117,330
Reserves		(390,174)	(306,055)
Retained earnings		427,642	519,252
Equity attributable to equityholders of the parent		154,798	330,527
Non-controlling interest	23	119,306	119,305
Total equity		274,104	449,832

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

APT Pipelines Limited and its Controlled Entities
Consolidated Statement of Changes in Equity
For the financial year ended 30 June 2016

	APT Pipelines Limited and its Controlled Entities					Non-controlling interest				
	Issued Capital \$000	Asset Revaluation Reserve \$000	Hedging Reserve \$000	Retained earnings \$000	Attributable to owner of the parent \$000	Issued Capital \$000	Other Reserves \$000	Retained earnings \$000	Non- Controlling Interest \$000	Total \$000
Balance at 1 July 2014	117,330	8,669	(134,934)	461,805	452,870	119,257	1	46	119,304	572,174
Profit for the year	-	-	-	167,925	167,925	-	-	23,185	23,185	191,110
Other comprehensive income	-	-	(256,842)	18,354	(238,488)	-	-	-	-	(238,488)
Income tax relating to components of other comprehensive income	-	-	77,052	(5,506)	71,546	-	-	-	-	71,546
Total comprehensive income for the year	-	-	(179,790)	180,773	983	-	-	23,185	23,185	24,168
Payment of dividends (Note 8)	-	-	-	(123,326)	(123,326)	-	-	(23,184)	(23,184)	(146,510)
Balance at 30 June 2015	117,330	8,669	(314,724)	519,252	330,527	119,257	1	47	119,305	449,832
Balance at 1 July 2015	117,330	8,669	(314,724)	519,252	330,527	119,257	1	47	119,305	449,832
Profit for the year	-	-	-	96,451	96,451	-	-	31,748	31,748	128,199
Other comprehensive income	-	-	(120,215)	(8,148)	(128,363)	-	-	-	-	(128,363)
Income tax relating to components of other comprehensive income	-	-	36,096	2,444	38,540	-	-	-	-	38,540
Total comprehensive income for the year	-	-	(84,119)	90,747	6,628	-	-	31,748	31,748	38,376
Payment of dividends (Note 8)	-	-	-	(182,357)	(182,357)	-	-	(31,747)	(31,747)	(214,104)
Balance at 30 June 2016	117,330	8,669	(398,843)	427,642	154,798	119,257	1	48	119,306	274,104

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

APT Pipelines Limited and its Controlled Entities
Consolidated Statement of Cash Flows
For the financial year ended 30 June 2016

	Note	2016 \$000	2015 \$000
Cash flows from operating activities			
Receipts from customers		2,281,549	1,584,738
Payments to suppliers and employees		(961,275)	(828,349)
Receipts of Hastings Funds Management fees	3	-	17,201
Dividends received from associates and joint ventures		17,727	21,748
Proceeds from repayment of finance leases		3,399	4,621
Interest received		9,582	30,229
Interest and other costs of finance paid		(543,502)	(312,559)
Net cash provided by operating activities		807,480	517,629
Cash flows from investing activities			
Payments for property, plant and equipment		(456,219)	(2,814,559)
Proceeds from sale of property, plant and equipment		386	876
Payments for equity accounted investments		-	(17,383)
Payments for other assets		-	(18,612)
Payments for controlled entities net of cash acquired	25	(98,271)	-
Payments for intangible assets		(705)	(3,429,281)
Loans advanced to related parties		-	(3,490)
Proceeds from sale of finance lease asset		-	8,683
Net cash used in investing activities		(554,809)	(6,273,766)
Cash flows from financing activities			
Proceeds from borrowings		1,110,153	5,279,188
Repayments of borrowings		(1,176,899)	(1,429,500)
Payment of debt issue costs		(9,623)	(32,398)
Proceeds from early settlement of derivatives		-	19,515
Dividends paid to:			
Equityholders of APT Pipelines Limited	8	(182,357)	(123,326)
Equityholders of the non-controlling interest		(31,747)	(23,184)
Advances (to)/from related parties		(296,462)	2,470,909
Net cash (used in)/provided by financing activities		(586,935)	6,161,204
Net (decrease)/increase in cash and cash equivalents		(334,264)	405,067
Cash and cash equivalents at beginning of financial year		411,839	6,793
Unrealised exchange gains/(losses) on cash held		362	(21)
Cash and cash equivalents at end of financial year		77,937	411,839

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

APT Pipelines Limited and its Controlled Entities
Consolidated Statement of Cash Flows (continued)
For the financial year ended 30 June 2016

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

	Note	2016 \$000	2015 \$000
Profit for the year		128,199	191,110
Gain on previously held interest on obtaining control		(5,036)	-
Acquisition costs from business combinations		353	-
Loss on disposal of property, plant and equipment		447	3,337
Loss on write-off of inventories		127	-
Profit on sale of finance lease asset		-	(1,764)
Impairment of goodwill	3	-	10,000
Share of net profits of joint ventures and associates using the equity method		(16,021)	(12,557)
Dividends/distributions received from equity accounted investments		17,727	21,748
Depreciation and amortisation expense		520,066	208,200
Finance costs		12,219	21,221
Unrealised foreign exchange (gain)/loss		(938)	35
Realised hedging loss/(gain)		7,540	(19,258)
Changes in assets and liabilities:			
Trade and other receivables		(17,575)	(49,872)
Inventories		(3,605)	(3,936)
Other assets		6,248	(22,287)
Trade and other payables		(5,081)	64,988
Provisions		2,949	14,725
Other liabilities		35,438	9,995
Income tax balances		124,423	81,944
Net cash provided by operating activities		807,480	517,629

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

APT Pipelines Limited and its Controlled Entities
Notes to the consolidated financial statements
For the financial year ended 30 June 2016

Basis of Preparation

1. About this report

The content and format of the financial statements is streamlined to present the financial information in a meaningful manner. Note disclosures are grouped into six sections being Basis of Preparation, Financial Performance, Operating Assets and Liabilities, Capital Management, Group Structure and Other. Each note sets out the accounting policies applied in producing the results along with any key judgements and estimates used. The purpose of the format is to provide readers with a clearer understanding of what are the key drivers of financial performance for the Consolidated Entity.

Basis of Preparation



1. About this report
2. General information
3. Significant items and events

Financial Performance



4. Segment information
5. Revenue
6. Expenses
7. Income tax
8. Dividends

Operating Assets and Liabilities



9. Receivables
10. Payables
11. Property, plant and equipment
12. Goodwill and intangibles
13. Impairment of non-financial assets
14. Provisions
15. Other non-current assets
16. Employee superannuation plans
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Capital Management



18. Cash and cash equivalents
19. Borrowings
20. Financial risk management
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Group Structure



23. Non-controlling interests
24. Joint arrangements and associates
25. Business combinations
26. Subsidiaries

Other



27. Commitments and contingencies
28. Director and senior executive remuneration
29. Remuneration of external auditor
30. Related party transactions
31. Parent entity information
32. Adoption of new and revised Accounting
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APT Pipelines Limited and its Controlled Entities
Notes to the consolidated financial statements (continued)
For the financial year ended 30 June 2016

Basis of Preparation

2. General information

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

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

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

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

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

The consolidated general purpose financial report for the year ended 30 June 2016 was authorised for issue in accordance with a resolution of the directors on 24 August 2016.

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

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

Working capital position

The working capital position as at 30 June 2016 for the Consolidated Entity is that current liabilities exceed current assets by \$2,928.2 million (2015: \$2,852.1 million). Excluding current related party loan balances held with Australian Pipeline Trust, the Consolidated Entity's current liabilities exceed current assets by \$454.7 million (2015: \$81.0 million) primarily as a result of \$114.7 million (AUD equivalent) of cash flow hedge liabilities and current borrowings of \$410.5 million.

The Consolidated Entity has access to available committed, un-drawn bank facilities of \$672.5 million as at 30 June 2016 (2015: \$1,175.0 million).

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

Foreign currency transactions

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

APT Pipelines Limited and its Controlled Entities
Notes to the consolidated financial statements (continued)
For the financial year ended 30 June 2016

Basis of Preparation

3. Significant items and events

Individually significant items included in profit after income tax expense are as follows:

	2016	2015
	\$000	\$000
Significant items impacting EBITDA		
Recovery of fees paid by HDF to Hastings Funds Management Limited ^(a)	-	17,201
Reassessment of goodwill ^(b)	-	(10,000)
Total significant items impacting EBITDA	-	7,201
Income tax related to significant items above	-	(1,417)
Profit from significant items after income tax	-	5,784

(a) In November 2014, the Consolidated Entity successfully appealed the NSW Supreme Court decision in a matter regarding performance fees previously paid by Hastings Diversified Utilities Fund (HDF) to Hastings Funds Management Limited (HFML).

(b) Reassessment of the goodwill carrying value in the asset management business to reflect future growth opportunities.

APT Pipelines Limited and its Controlled Entities
Notes to the consolidated financial statements (continued)
For the financial year ended 30 June 2016

Financial Performance

4. Segment information

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

The Consolidated Entity comprises the following reportable segments:

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

Reportable segments

	Energy infrastructure \$000	Asset management \$000	Energy investments \$000	Other \$000	Consolidated \$000
2016					
Segment revenue ^(a)					
External sales revenue	1,522,568	96,793	-	-	1,619,361
Equity accounted net profits	-	-	16,021	-	16,021
Pass-through revenue	29,586	408,744	-	-	438,330
Finance lease and investment interest income	1,917	-	8,038	-	9,955
Total segment revenue	1,554,071	505,537	24,059	-	2,083,667
Other interest income					3,616
Consolidated revenue					2,087,283
Segment result					
Earnings before interest, tax, depreciation and amortisation ("EBITDA")	1,330,570	55,220	5,036	-	1,390,826
Share of net profits of joint ventures and associates	-	-	16,021	-	16,021
Finance lease and investment interest income	1,917	-	8,038	-	9,955
Corporate costs	-	-	-	(86,465)	(86,465)
Total EBITDA	1,332,487	55,220	29,095	(86,465)	1,330,337
Depreciation and amortisation	(507,631)	(12,435)	-	-	(520,066)
Earnings before interest and tax ("EBIT")	824,856	42,785	29,095	(86,465)	810,271
Net finance costs ^(b)					(557,649)
Profit before tax					252,622
Income tax expense					(124,423)
Profit for the year					128,199

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

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

APT Pipelines Limited and its Controlled Entities
Notes to the consolidated financial statements (continued)
For the financial year ended 30 June 2016

Financial Performance

4. Segment information (continued)

Reportable segments (continued)

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

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

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

2015	Energy infrastructure \$000	Asset management \$000	Energy investments \$000	Other \$000	Consolidated \$000
Segment revenue ^(a)					
External sales revenue	984,184	85,056	-	-	1,069,240
Equity accounted net profits	-	-	12,557	-	12,557
Pass-through revenue	13,514	420,868	-	-	434,382
Finance lease and investment interest income	2,896	-	5,869	-	8,765
Total segment revenue	1,000,594	505,924	18,426	-	1,524,944
Other interest income					24,255
Consolidated revenue					1,549,199

APT Pipelines Limited and its Controlled Entities
Notes to the consolidated financial statements (continued)
For the financial year ended 30 June 2016

Financial Performance

4. Segment information (continued)

Reportable segments (continued)

	Energy infrastructure \$000	Asset management \$000	Energy investments \$000	Other \$000	Consolidated \$000
2015					
Segment result					
Earnings before interest, tax, depreciation and amortisation ("EBITDA")	838,004	39,448	-	-	877,452
Share of net profits of joint ventures and associates	-	-	12,557	-	12,557
Finance lease and investment interest income	2,896	-	5,869	-	8,765
Corporate costs	-	-	-	(74,129)	(74,129)
Total EBITDA	840,900	39,448	18,426	(74,129)	824,645
Depreciation and amortisation	(195,635)	(12,565)	-	-	(208,200)
Earnings before interest and tax ("EBIT")	645,265	26,883	18,426	(74,129)	616,445
Net finance costs ^(b)					(343,391)
Profit before tax					273,054
Income tax benefit					(81,944)
Profit for the year					191,110

(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.

	Energy infrastructure \$000	Asset management \$000	Energy investments \$000	Consolidated \$000
2015				
Segment assets and liabilities				
Segment assets	13,146,345	239,798	86,138	13,472,281
Carrying value of investments using the equity method	-	-	257,425	257,425
Unallocated assets ^(a)				1,034,394
Total assets				14,764,100
Segment liabilities	500,180	71,521	-	571,701
Unallocated liabilities ^(b)				13,742,567
Total liabilities				14,314,268

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

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

Information about major customers

Included in revenues arising from energy infrastructure of \$1,522.6 million (2015: \$984.2 million) are revenues of approximately \$652.0 million (2015: \$437.4 million) which arose from sales to the Consolidated Entity's top three customers.

APT Pipelines Limited and its Controlled Entities
Notes to the consolidated financial statements (continued)
For the financial year ended 30 June 2016

Financial Performance

5. Revenue

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

	2016 \$000	2015 \$000
Energy infrastructure revenue	1,521,960	983,587
Pass-through revenue	29,586	13,514
Energy infrastructure revenue	1,551,546	997,101
Asset management revenue	96,793	85,056
Pass-through revenue	408,744	420,868
Asset management revenue	505,537	505,924
Operating revenue	2,057,083	1,503,025
Interest	3,616	24,255
Redeemable preference shares (GDI) interest income	8,038	5,869
Finance lease income	1,917	2,896
Finance income	13,571	33,020
Rental income	608	597
Total revenue	2,071,262	1,536,642
Share of net profits of joint ventures and associates using the equity method	16,021	12,557
	2,087,283	1,549,199

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

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

APT Pipelines Limited and its Controlled Entities
Notes to the consolidated financial statements (continued)
For the financial year ended 30 June 2016

Financial Performance

6. Expenses

	2016 \$000	2015 \$000
Depreciation of non-current assets	336,346	182,084
Amortisation of non-current assets	183,720	26,116
Depreciation and amortisation expense	520,066	208,200
Gas pipeline costs	29,586	13,514
Management, operating and maintenance costs	408,744	420,868
Other operating costs - pass-through	438,330	434,382
Interest on bank overdrafts and borrowings ^(a)	500,588	357,255
Interest on related party loans	49,419	18,635
Amortisation of deferred borrowing costs	9,227	14,978
Finance lease charges - related party	497	529
Other finance costs	5,084	14,641
	564,815	406,038
Less: amounts included in the cost of qualifying assets	(6,157)	(20,002)
	558,658	386,036
Gain on derivatives	(698)	(19,643)
Unwinding of discount on non-current liabilities	3,305	1,255
Finance costs	561,265	367,648
Defined contribution plans	11,402	10,116
Defined benefit plans (Note 16)	2,741	4,146
Post-employment benefits	14,143	14,262
Termination benefits	2,995	2,172
Cash settled security-based payments ^(b)	27,585	23,629
Other employee benefits	135,334	136,111
Employee benefit expense	180,057	176,174

(a) The average interest rate on funds borrowed is 5.80% p.a. (2015: 7.12% p.a.) including amortisation of borrowing costs and other finance costs.

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

APT Pipelines Limited and its Controlled Entities
Notes to the consolidated financial statements (continued)
For the financial year ended 30 June 2016

Financial Performance

7. Income tax

The major components of tax expense are:

	2016 \$000	2015 \$000
Income statement (continuing operations)		
Current tax (expense)/benefit in respect of the current year	(14,584)	6,537
Adjustments recognised in the current year in relation to current tax of prior years	(43)	913
Deferred tax expense relating to the origination and reversal of temporary differences	(109,796)	(89,394)
Total tax expense	(124,423)	(81,944)
Tax reconciliation (continuing operations)		
Profit before tax	252,622	273,054
Income tax expense calculated at 30%	(75,787)	(81,916)
Non deductible expenses	(62,164)	(13,167)
Non assessable income	11,478	10,698
Unfranked dividends from associates	1,731	1,528
	(124,742)	(82,857)
Previously unbooked losses now recognised	229	-
Adjustment recognised in the current year in relation to the current tax of prior years	90	913
	(124,423)	(81,944)

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

APT Pipelines Limited and its Controlled Entities
Notes to the consolidated financial statements (continued)
For the financial year ended 30 June 2016

Financial Performance

7. Income tax (continued)

Deferred tax balances

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

	Opening balance	Charged to income	Charged to equity	Acquisitions	Transfer to head entity	Closing balance
2016	\$000	\$000	\$000	\$000	\$000	\$000
Gross deferred tax liabilities						
Intangible assets	(2,668)	2,668	-	-	-	-
Property, plant and equipment	(586,107)	(102,732)	-	(18,767)	-	(707,606)
Deferred expenses	(51,671)	(3,400)	-	26	-	(55,045)
Other	3,708	(4,438)	-	-	-	(730)
	(636,738)	(107,902)	-	(18,741)	-	(763,381)
Gross deferred tax assets						
Provisions	45,051	(1,109)	-	983	-	44,925
Cash flow hedges	127,473	(712)	38,268	-	-	165,029
Deferred revenue	6,795	(984)	-	-	-	5,811
Investments equity accounted	6,904	595	(2,172)	-	-	5,327
Defined benefit obligation	(1,007)	(53)	2,444	-	-	1,384
Tax losses	-	369	-	-	(369)	-
	185,217	(1,894)	38,540	983	(369)	222,477
Net deferred tax liability	(451,522)	(109,796)	38,540	(17,758)	(369)	(540,905)
2015						
Gross deferred tax liabilities						
Intangible assets	(3,437)	769	-	-	-	(2,668)
Property, plant and equipment	(486,632)	(99,475)	-	-	-	(586,107)
Defined benefit obligation	4,328	171	(5,506)	-	-	(1,007)
Deferred expenses	(49,680)	(1,991)	-	-	-	(51,671)
	(535,421)	(100,526)	(5,506)	-	-	(641,453)
Gross deferred tax assets						
Provisions	37,430	7,621	-	-	-	45,051
Cash flow hedges	52,515	193	74,765	-	-	127,473
Deferred revenue	2,500	4,295	-	-	-	6,795
Investments equity accounted	3,909	2,995	-	-	-	6,904
Other	39	1,382	2,287	-	-	3,708
Tax losses	-	(5,354)	-	-	5,354	-
	96,393	11,132	77,052	-	5,354	189,931
Net deferred tax liability	(439,028)	(89,394)	71,546	-	5,354	(451,522)

APT Pipelines Limited and its Controlled Entities
Notes to the consolidated financial statements (continued)
For the financial year ended 30 June 2016

Financial Performance

7. Income tax (continued)

Deferred tax

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

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

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

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

Tax consolidation

The parent of APT Pipelines Limited, Australian Pipeline Trust and its wholly-owned Australian resident entities formed a tax-consolidated group with effect from 1 July 2003 and are therefore taxed as a single entity from that date. The head entity within the tax-consolidated group is Australian Pipeline Trust. Members of the tax-consolidated group are identified at Note 26.

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

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

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

Nature of tax funding arrangement and tax sharing agreement

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

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

APT Pipelines Limited and its Controlled Entities
Notes to the consolidated financial statements (continued)
For the financial year ended 30 June 2016

Financial Performance

8. Dividends

	APT Pipelines Limited			
	2016	2016	2015	2015
	cents per	Total	cents per	Total
	share	\$000	share	\$000
Recognised amounts				
Final dividend paid on 26 August 2015				
(2015: 20 August 2014)				
Dividend ^(a)	3.8	2,357	198.5	123,326
Interim dividend paid on 16 March 2016				
(2015: 25 February 2015)				
Dividend ^(a)	289.7	180,000	-	-
Unrecognised amounts				
Final dividend payable on 24 August 2016				
(2015: 26 August 2015)				
Dividend ^(a)	278.5	173,000	3.8	2,357

(a) Profit dividends were unfranked (2015: unfranked).

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

APT Pipelines Limited and its Controlled Entities
Notes to the consolidated financial statements (continued)
For the financial year ended 30 June 2016

Operating Assets and Liabilities

9. Receivables

	2016 \$000	2015 \$000
Trade receivables	250,875	223,668
Allowance for doubtful debts	(2,658)	(4,411)
Trade receivables	248,217	219,257
Receivables from associates and other related parties	13,021	15,630
Finance lease receivables (Note 17)	2,290	4,005
Interest receivable	85	686
Other debtors	187	15,222
Trade and other receivables	263,800	254,800
Receivables from related parties	139,625	135,942
Current	403,425	390,742
Finance lease receivables (Note 17)	17,283	18,968
Loan receivable - related party	-	73,502
Non-current	17,283	92,470

Trade receivables are non-interest bearing and are generally on 30 day terms.

There are no material trade receivables past due and not provided for.

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

10. Payables

Trade payables ^(a)	27,310	29,754
Other payables ^(b)	211,218	368,546
Trade and other payables	238,528	398,300
Payables to related parties ^(c)	2,613,186	2,907,055
Current	2,851,714	3,305,355
Trade and other payables	3,007	3,261
Payables to related parties	895,102	876,911
Non-current	898,109	880,172

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

(b) Other payables at 30 June 2015 include \$137.2 million of stamp duty on the acquisition of Wallumbilla Gladstone Pipeline (formerly QCLNG Pipeline), other expenditure accruals and external interest payable accruals.

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

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

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

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

APT Pipelines Limited and its Controlled Entities
Notes to the consolidated financial statements (continued)
For the financial year ended 30 June 2016

Operating Assets and Liabilities

11. Property, plant and equipment

	Freehold land and buildings - at cost \$000	Leasehold improvements - at cost \$000	Plant and equipment - at cost \$000	Work in progress - at cost \$000	Total \$000
Gross carrying amount					
Balance at 1 July 2014	139,434	5,015	5,766,626	478,861	6,389,937
Additions	78,679	-	2,501,924	386,406	2,967,009
Disposals	(165)	(571)	(17,367)	(52)	(18,155)
Transfers	11,103	-	686,038	(697,141)	-
Balance at 30 June 2015	229,051	4,444	8,937,221	168,074	9,338,791
Additions	-	-	22,105	282,842	304,947
Acquisitions through business combinations (note 25)	740	-	713,101	11,250	725,091
Disposals	(651)	(285)	(15,323)	-	(16,259)
Transfers	3,204	913	262,989	(267,106)	-
Balance at 30 June 2016	232,344	5,072	9,920,093	195,060	10,352,570
Accumulated depreciation					
Balance at 1 July 2014	(21,854)	(2,288)	(791,313)	-	(815,455)
Disposals	75	571	13,296	-	13,942
Depreciation expense	(3,257)	(486)	(178,341)	-	(182,084)
Balance at 30 June 2015	(25,036)	(2,203)	(956,358)	-	(983,598)
Disposals	434	285	14,707	-	15,426
Depreciation expense	(7,274)	(358)	(328,714)	-	(336,346)
Transfers	(89)	(4)	93	-	-
Balance at 30 June 2016	(31,965)	(2,280)	(1,270,272)	-	(1,304,518)
Net book value					
As at 30 June 2015	204,014	2,241	7,980,863	168,074	8,355,193
As at 30 June 2016	200,378	2,792	8,649,821	195,060	9,048,052

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

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

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

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

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

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

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

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

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

APT Pipelines Limited and its Controlled Entities
Notes to the consolidated financial statements (continued)
For the financial year ended 30 June 2016

Operating Assets and Liabilities

12. Goodwill and Intangibles

	2016 \$000	2015 \$000
Goodwill		
Balance at beginning of financial year	1,140,500	1,150,500
Acquisitions (note 25)	44,088	-
Goodwill impairment	-	(10,000)
Balance at end of financial year	1,184,588	1,140,500

Allocation of goodwill to cash-generating units

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

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

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

Asset management business	21,456	21,456
Energy infrastructure		
East Coast Grid	1,060,681	1,060,681
Diamantina Power Station	44,088	-
Other energy infrastructure ^(a)	58,363	58,363
	1,184,588	1,140,500

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

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

Contract and other intangibles

Gross carrying amount

Balance at beginning of financial year	3,623,011	209,286
Acquisitions / additions	705	3,414,122
Disposals	-	(397)
Balance at end of financial year	3,623,716	3,623,011

Accumulated amortisation and impairment

Balance at beginning of financial year	(66,765)	(38,482)
Amortisation expense	(183,720)	(26,116)
Impairment	(8,897)	(2,564)
Disposals	-	397
Balance at end of financial year	(259,382)	(66,765)
Net book value	3,364,334	3,556,246

APT Pipelines Limited and its Controlled Entities
Notes to the consolidated financial statements (continued)
For the financial year ended 30 June 2016

Operating Assets and Liabilities

12. Goodwill and Intangibles (continued)

The Consolidated Entity holds various third party operating and maintenance contracts. The combined gross carrying amount of \$3,623.7 million amortises over terms ranging from one to 20 years. Useful life is determined based on the underlying contractual terms plus estimations of renewal of up to two terms where considered probable by management. Amortisation expense is not a cash item, and is included in the line item of depreciation and amortisation expense in the statement of profit or loss and other comprehensive income.

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

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

13. Impairment of non-financial assets

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

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

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

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

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

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

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

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

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

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

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

Cash flow projections are estimated for a period of up to 20 years, with a terminal value, recognising the long term nature of the assets. The pre-tax discount rates used are 8.25% p.a. (2015: 8.25% p.a.) for Energy Infrastructure assets and 8.25% p.a. (2015: 8.25% p.a.) for Asset Management.

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

APT Pipelines Limited and its Controlled Entities
Notes to the consolidated financial statements (continued)
For the financial year ended 30 June 2016

Operating Assets and Liabilities

14. Provisions

	2016 \$000	2015 \$000
Employee benefits	83,240	76,953
Other	8,432	8,499
Current	91,672	85,452
Employee benefits	36,903	30,484
Other	33,088	29,926
Non-current	69,991	60,410
Employee benefits		
Incentives	28,401	25,556
Cash settled security-based payments	9,477	10,009
Leave balances	39,587	39,608
Termination benefits	5,775	1,780
Current	83,240	76,953
Cash settled security-based payments	19,467	17,215
Retirement benefit liability (Note 16)	7,017	4,425
Leave balances	10,419	8,844
Non-current	36,903	30,484

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

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

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

Provision is made for benefits accruing to employees in respect of wages and salaries, incentives, annual leave, long service leave and sick leave when it is probable that settlement will be required and they are capable of being measured reliably. Provisions made in respect of employee benefits expected to be settled within 12 months are measured at their nominal values using the remuneration rates expected to apply at the time of settlement. Provisions made in respect of employee benefits which are not expected to be wholly settled within 12 months are measured as the present value of the estimated future cash outflows to be made by the Consolidated Entity in respect of services provided by employees up to reporting date.

15. Other non-current assets

Line pack gas	20,208	20,200
Gas held in storage	6,010	5,085
Defined benefit asset (Note 16)	2,404	7,784
	28,622	33,069

APT Pipelines Limited and its Controlled Entities
Notes to the consolidated financial statements (continued)
For the financial year ended 30 June 2016

Operating Assets and Liabilities

16. Employee superannuation plans

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

The most recent actuarial valuations of plan assets and the present value of the defined benefit obligations were determined at 30 June 2016. The present value of the defined benefit obligations, and the related current service cost and past service cost, were measured using the projected unit credit method.

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

	2016 \$000	2015 \$000
Amounts recognised in the statement of profit or loss and other comprehensive income		
Current service cost	2,783	3,730
Net interest expense	(42)	416
Components of defined benefit costs recognised in profit or loss (Note 6)	2,741	4,146
Amounts recognised in the statement of financial position		
Fair value of plan assets	138,488	140,500
Present value of benefit obligation	(143,101)	(137,141)
Defined benefit asset - non-current (Note 15)	2,404	7,784
Defined benefit liability - non-current (Note 14)	(7,017)	(4,425)
Opening defined benefit obligation	137,141	144,621
Current service cost	2,783	3,730
Interest cost	5,807	4,909
Contributions from plan participants	1,332	1,388
Actuarial gains and losses arising from changes in financial assumptions	625	(9,747)
Actuarial gains and losses arising from experience adjustments	3,268	(1,181)
Benefits paid	(7,855)	(6,579)
Closing defined benefit obligation	143,101	137,141
Movements in the present value of the plan assets in the current period were as follows:		
Opening fair value of plan assets	140,500	130,195
Interest income	5,849	4,493
Actual return on plan assets excluding interest income	(4,255)	7,426
Contributions from employer	2,917	3,577
Contributions from plan participants	1,332	1,388
Benefits paid	(7,855)	(6,579)
Closing fair value of plan assets	138,488	140,500

APT Pipelines Limited and its Controlled Entities
Notes to the consolidated financial statements (continued)
For the financial year ended 30 June 2016

Operating Assets and Liabilities

16. Employee superannuation plans (continued)

Defined contribution plans

Contributions to defined contribution plans are expensed when incurred.

Defined benefit plans

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

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

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

Key actuarial assumptions used in the determination of the defined benefit obligation is a discount rate of 3.3%, based on the corporate bond yield curve published by Milliman, and an expected salary increase rate of 3.0%. The sensitivity analysis below has been determined based on reasonable possible changes of the respective assumptions occurring at the end of the reporting period, while holding all other assumptions constant:

- If the discount rate is 50 basis points higher (lower), the defined benefit obligation would decrease by \$5,680,000 (increase by \$6,373,000); and
- If the expected salary growth increases (decreases) by 0.5%, the defined benefit obligation would increase by \$6,136,000 (decrease by \$5,525,000).

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

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

The Consolidated Entity expects \$3.0 million in contributions to be paid to the defined benefit plans during the year ending 30 June 2017.

APT Pipelines Limited and its Controlled Entities
Notes to the consolidated financial statements (continued)
For the financial year ended 30 June 2016

Operating Assets and Liabilities

17. Leases

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

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

	2016 \$000	2015 \$000
Finance lease receivables		
Not longer than 1 year	3,933	5,317
Longer than 1 year and not longer than 5 years	10,646	12,347
Longer than 5 years	16,951	19,183
Minimum future lease payments receivable ^{(a) (b)}	31,530	36,847
Gross finance lease receivables	31,530	36,847
Less: unearned finance lease receivables	(11,957)	(13,874)
Present value of lease receivables	19,573	22,973
Included in the financial statements as part of:		
Current trade and other receivables (Note 9)	2,290	4,005
Non-current receivables (Note 9)	17,283	18,968
	19,573	22,973

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

(b) X41 power station expansion was disposed of during the 2015 financial year.

Finance lease payables - related party

Not longer than 1 year	1,167	1,167
Longer than 1 year and not longer than 5 years	4,669	4,669
Longer than 5 years	7,004	8,171
Minimum future lease payments payable^(a)	12,840	14,007
Gross finance lease payables	12,840	14,007
Less: unearned finance lease payables	(2,889)	(3,386)
Present value of lease payables	9,951	10,621
Included in the financial statements as part of:		
Current borrowings (Note 19)	703	670
Non-current borrowings (Note 19)	9,248	9,951
	9,951	10,621

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

APT Pipelines Limited and its Controlled Entities
Notes to the consolidated financial statements (continued)
For the financial year ended 30 June 2016

Operating Assets and Liabilities

17. Leases (continued)

The Consolidated Entity as a lessor

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

The Consolidated Entity as a lessee

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

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

Non-cancellable operating leases

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

	2016	2015
	\$000	\$000
Not longer than 1 year	12,138	11,270
Longer than 1 year and not longer than 5 years	35,282	29,418
Longer than 5 years	25,189	21,115
	72,609	61,803

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

APT Pipelines Limited and its Controlled Entities
Notes to the consolidated financial statements (continued)
For the financial year ended 30 June 2016

Capital Management

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

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

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

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

Controlled entities are subject to externally imposed capital requirements. These relate to the Australian Financial Services Licence held by Australian Pipeline Limited, the Responsible Entity of the APA Group and were adhered to for the entirety of the 2016 and 2015 periods.

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

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

18. Cash and cash equivalents

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

	2016	2015
	\$000	\$000
Cash at bank and on hand	76,820	190,752
Short-term deposits	1,117	221,087
	77,937	411,839

The Consolidated Entity had no restricted cash as at 30 June 2016 and 30 June 2015.

APT Pipelines Limited and its Controlled Entities
Notes to the consolidated financial statements (continued)
For the financial year ended 30 June 2016

Capital Management

19. Borrowings

Borrowings are recorded initially at fair value, net of transaction costs. Subsequent to initial recognition, borrowings are measured at amortised cost with any difference between the initial recognised amount and the redemption value being recognised in the statement of profit or loss and other comprehensive income over the period of the borrowing using the effective interest method.

	2016 \$000	2015 \$000
Unsecured - at amortised cost		
Guaranteed senior notes ^(a)	398,058	158,134
Other financial liabilities	11,771	6,219
Finance lease liabilities (Note 17)	703	670
Current	410,532	165,023
Guaranteed senior notes ^(a)	8,043,377	8,481,768
Bank borrowings ^(b)	707,501	125,000
Subordinated notes ^(c)	515,000	515,000
Other financial liabilities	95,155	70,630
Less: unamortised borrowing costs	(46,660)	(50,901)
Finance lease liabilities (Note 17)	9,248	9,951
Non-current	9,323,621	9,151,448
Financing facilities available		
Total facilities		
Guaranteed senior notes ^(a)	8,441,435	8,639,902
Bank borrowings ^(b)	1,380,000	1,300,000
Subordinated notes ^(c)	515,000	515,000
	10,336,435	10,454,902
Facilities used at balance date		
Guaranteed senior notes ^(a)	8,441,435	8,639,902
Bank borrowings ^(b)	707,501	125,000
Subordinated notes ^(c)	515,000	515,000
	9,663,936	9,279,902
Facilities unused at balance date		
Guaranteed senior notes ^(a)	-	-
Bank borrowings ^(b)	672,499	1,175,000
Subordinated notes ^(c)	-	-
	672,499	1,175,000

(a) Represents USD denominated private placement notes of US\$725 million, CAD medium term notes (MTN) of C\$300 million, JPY MTN of ¥10,000 million, GBP MTNs of £950 million, EUR MTN of €1,350 million and USD denominated 144A notes of US\$2,150 million measured at the exchange rate at reporting date, and A\$315 million of AUD denominated Private Placement Notes and AUD Medium Term Notes (MTN) of A\$300 million. Refer to Note 20 for details of interest rates and maturity profiles.

(b) Relates to the non-current portion of long-term borrowings. Refer to Note 20 for interest rates and maturity profiles.

(c) Represents AUD denominated subordinated notes. Refer to Note 20 for details of interest rates and maturity profiles.

APT Pipelines Limited and its Controlled Entities
Notes to the consolidated financial statements (continued)
For the financial year ended 30 June 2016

Capital Management

20. Financial risk management

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

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

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

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

(a) Market risk

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

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

Foreign currency risk

The Consolidated Entity's foreign exchange risk arises from future commercial transactions (including revenue, interest payments and principal debt repayments on long-term borrowings and the purchases of capital equipment), and the recognition of assets and liabilities (including foreign receivables and borrowings). Exchange rate exposures are managed within approved policy parameters utilising forward exchange contracts, cross currency swap contracts and foreign currency denominated borrowings. All foreign currency exposure was managed in accordance with the Treasury Risk Management Policy in both 2016 and 2015.

APT Pipelines Limited and its Controlled Entities
Notes to the consolidated financial statements (continued)
For the financial year ended 30 June 2016

Capital Management

20. Financial risk management (continued)

(a) Market risk (continued)

Foreign currency risk (continued)

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

	Cash & cash equivalents \$000	Receivables \$000	Total borrowings \$000	Cross currency swaps \$000	Foreign exchange contract \$000	Net foreign currency position \$000
2016						
US dollar ^(a)	1,068	30,691	(3,694,558)	(1,277,253)	703,317	(4,236,735)
Japanese yen	-	-	(129,964)	129,964	-	-
Canadian dollar	-	-	(310,555)	310,555	-	-
British pound	-	-	(1,688,747)	1,688,747	-	-
Euro	-	-	(2,008,378)	2,008,378	(1,392)	(1,392)
Swedish Krona	-	-	-	-	(29,606)	(29,606)
	1,068	30,691	(7,832,202)	2,860,391	672,319	(4,267,733)
2015						
US dollar ^(a)	1,723	38,639	(3,726,507)	(1,075,496)	2,216	(4,759,425)
Japanese yen	-	-	(106,005)	106,005	-	-
Canadian dollar	-	-	(311,394)	311,394	-	-
British pound	-	-	(1,937,372)	1,937,372	-	-
Euro	-	-	(1,950,107)	1,950,107	-	-
	1,723	38,639	(8,031,385)	3,229,382	2,216	(4,759,425)

(a) Net US\$ foreign currency position of \$4,236.1 million is predominantly hedging part of the committed US\$ revenue arising from the Wallumbilla Gladstone Pipeline (2015: \$4,759.4 million).

Forward foreign exchange contracts

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

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

APT Pipelines Limited and its Controlled Entities
Notes to the consolidated financial statements (continued)
For the financial year ended 30 June 2016

Capital Management

20. Financial risk management (continued)

(a) Market risk (continued)

Foreign currency risk (continued)

Forward foreign exchange contracts (continued)

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

Cash flow hedges	Average exchange rate	Foreign currency	< 1 year	Contract Value		Fair value
2016	\$	US\$000	\$000	1 - 2 years \$000	2 - 5 years \$000	\$000
Pay USD / receive AUD						
Forecast revenue and associated receivable	0.7666	(507,689)	292,569	265,907	146,605	12,849
Pay AUD / receive USD						
Forecast capital purchases	0.7666	1,353	(995)	(313)	(457)	71
		(506,336)	291,574	265,594	146,148	12,920

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

Cash flow hedges	Average exchange rate	Foreign currency	< 1 year	Contract Value		Fair value
2016	\$	SEK\$000	\$000	1 - 2 years \$000	2 - 5 years \$000	\$000
Pay AUD / receive SEK						
Forecast capital purchases	6.0727	179,795	(16,309)	(8,009)	(5,289)	(164)
		179,795	(16,309)	(8,009)	(5,289)	(164)

Cash flow hedges	Average exchange rate	Foreign currency	< 1 year	Contract Value		Fair value
2015	\$	US\$000	\$000	1 - 2 years \$000	2 - 5 years \$000	\$000
Pay USD / receive AUD						
Forecast revenue and associated receivable	0.7574	(193,837)	255,913	-	-	1,845
Pay AUD / receive USD						
Forecast capital purchases	0.9011	1,969	(2,185)	-	-	371
		(191,868)	253,728	-	-	2,216

As at reporting date, the Consolidated Entity has entered into forward contracts to hedge US exchange rate risk arising from anticipated future transactions with an aggregate notional principal amount of \$705.1 million (2015: \$253.7 million) which are designated in cash flow hedge relationships. The hedged anticipated transactions denominated in US dollars are expected to occur at various dates between one month to three years from reporting date.

APT Pipelines Limited and its Controlled Entities
Notes to the consolidated financial statements (continued)
For the financial year ended 30 June 2016

Capital Management

20. Financial risk management (continued)

(a) Market risk (continued)

Foreign currency risk (continued)

Cross currency swap contracts

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

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

Cash flow hedges	Foreign currency	Exchange rate \$	Less than 1 year \$000	1 - 2 years \$000	2 - 5 years \$000	More than 5 years \$000
2016						
Pay AUD / receive foreign currency						
2003 USPP Notes	AUD/USD	0.6573	-	-	(95,847)	-
2007 USPP Notes	AUD/USD	0.8068	(190,878)	-	(151,215)	(153,694)
2009 USPP Notes	AUD/USD	0.7576	(85,787)	-	(98,997)	-
2012 JPY Medium Term Notes	AUD/JPY	79.4502	-	(125,865)	-	-
2012 CAD Medium Term Notes	AUD/CAD	1.0363	-	-	(289,494)	-
2012 US114A	AUD/USD	1.0198	-	-	-	(735,438)
2012 GBP Medium Term Notes	AUD/GBP	0.6530	-	-	-	(535,988)
Pay USD / receive foreign currency						
2015 EUR Medium Term Notes	USD/EUR	0.9514	-	-	-	(1,904,107)
2015 GBP Medium Term Notes	USD/GBP	0.6773	-	-	-	(1,188,888)
			(276,665)	(125,865)	(635,553)	(4,518,115)
2015						
Pay AUD / receive foreign currency						
2003 USPP Notes	USD	0.6573	(185,608)	-	(95,847)	-
2007 USPP Notes	USD	0.8068	-	(190,878)	(151,215)	(153,694)
2009 USPP Notes	USD	0.7576	-	(85,787)	(98,997)	-
2012 JPY Medium Term Notes	JPY	79.4502	-	-	(125,865)	-
2012 CAD Medium Term Notes	CAD	1.0363	-	-	(289,494)	-
2012 US144A	USD	1.0198	-	-	-	(735,438)
2012 GBP Medium Term Notes	GBP	0.6530	-	-	-	(535,988)
Pay USD / receive foreign currency						
2015 EUR Medium Term Notes	USD/EUR	0.9514	-	-	-	(1,839,073)
2015 GBP Medium Term Notes	USD/GBP	0.6773	-	-	-	(1,148,283)
			(185,608)	(276,665)	(761,418)	(4,412,476)

Foreign currency denominated borrowings

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

APT Pipelines Limited and its Controlled Entities
Notes to the consolidated financial statements (continued)
For the financial year ended 30 June 2016

Capital Management

20. Financial risk management (continued)

(a) Market risk (continued)

Foreign currency risk (continued)

Foreign currency sensitivity analysis

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

- There would be no impact on net profit as all foreign currency exposures are fully hedged (2015: nil); and
- Equity reserves would decrease by \$1,410.2 million with a 20 percent depreciation of the A\$ or increase by \$940.5 million with a 20 percent increase in foreign exchange rates (2015: decrease by \$1,268.4 million or increase by \$845.1 million respectively). The increase in sensitivity is due to the increase in the notional value of forward exchange contracts that are in a hedging relationship with highly probable forecast transactions.

Interest rate risk

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

The Consolidated Entity's exposures to interest rate risk on financial liabilities are detailed in the liquidity risk management section of this note. Exposure to financial assets is limited to cash and cash equivalents amounting to \$77.9 million as at 30 June 2016 (2015: \$411.9 million).

Cross currency swap and interest rate swap contracts

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

APT Pipelines Limited and its Controlled Entities
Notes to the consolidated financial statements (continued)
For the financial year ended 30 June 2016

Capital Management

20. Financial risk management (continued)

(a) Market risk (continued)

Foreign currency risk (continued)

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

	Weighted average interest rate		Notional principal amount		Fair value	
	2016 % p.a.	2015 % p.a.	2016 \$000	2015 \$000	2016 \$000	2015 \$000
Cash flow hedges - Pay fixed AUD interest - receive floating AUD or fixed						
Less than 1 year	8.58	7.10	276,665	185,608	17,700	(32,637)
1 year to 2 years	6.80	8.58	125,865	276,665	(2,403)	7,520
2 years to 5 years	7.76	7.60	635,553	761,418	10,284	(31,028)
5 years and more ^(a)	5.08	5.10	4,518,115	4,412,476	116,089	352,208
			5,556,198	5,636,167	141,670	296,063

^(a) This amount includes a notional amount of USD 3 billion which is subject to USD interest rate risk.

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

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

Interest rate sensitivity analysis

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

- net profit would decrease by \$12,225,000 or increase by \$12,225,000 (2015: decrease by \$5,150,000 or increase by \$5,150,000). This is mainly attributable to the Consolidated Entity's exposure to interest rates on its variable rate borrowings, including its Australian Dollar subordinated notes; and
- equity reserves would decrease by \$143,644,000 with a 100 basis point decrease in interest rates or increase by \$129,922,000 with a 100 basis point increase in interest rates (2015 : increase by \$14,483,000 or increase by \$38,594,000 respectively). This is due to the changes in the fair value of derivative interest instruments.

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

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

20. Financial risk management (continued)

(a) Market risk (continued)

Price risk

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

Price risk sensitivity

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

- there is no effect from the forwards as the corresponding exposure will offset in full (2015: \$nil); and
- there is no effect on equity reserves as the Consolidated Entity holds no available-for-sale investments (2015: \$nil)

(b) Credit risk

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

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

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

Cross guarantee

In accordance with a deed of cross guarantee, APT Pipelines Limited has agreed to provide financial support, when and as required, to all wholly-owned controlled entities with either a deficit in shareholders' funds or an excess of current liabilities over current assets. The fair value of the financial guarantee as at 30 June 2016 has been determined to be immaterial and no liability has been recorded (2015: \$nil).

(c) Liquidity risk

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

APT Pipelines Limited and its Controlled Entities
Notes to the consolidated financial statements (continued)
For the financial year ended 30 June 2016

Capital Management

20. Financial risk management (continued)

(c) Liquidity risk (continued)

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

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

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

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

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

(c) Rates shown are the coupon rate.

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

20. Financial risk management (continued)

(c) Liquidity risk

	Maturity	Average interest rate % p.a.	Less than 1 year \$'000	1 - 5 years \$'000	More than 5 years \$'000
2015					
Unsecured financial liabilities:					
Trade and other payables		-	398,300	-	-
Unsecured bank borrowings ^(a)		3.09	2,935	125,975	-
2012 Subordinated Notes	1-Oct-72	7.20	34,203	148,917	2,795,775
Interest rate swaps (net settled)		6.28	3,844	1,302	-
Denominated in US\$					
Other financial liabilities ^(b)			7,574	30,296	48,918
Guaranteed Senior Notes^(c)					
Denominated in A\$					
2007 Series A	15-May-17	7.33	367	5,367	-
2007 Series C	15-May-17	7.38	7,318	106,475	-
2007 Series E	15-May-19	7.40	5,045	83,304	-
2007 Series G	15-May-22	7.45	6,002	24,008	92,586
2007 Series H	15-May-22	7.45	4,617	18,468	71,220
2010 AUD Medium Term Notes	22-Jul-20	7.75	23,250	93,000	311,625
Denominated in US\$					
2003 Series C	9-Sep-15	5.77	192,773	-	-
2003 Series D	9-Sep-18	6.02	6,949	113,220	-
2007 Series B	15-May-17	5.89	13,986	204,864	-
2007 Series D	15-May-19	5.99	11,111	184,546	-
2007 Series F	15-May-22	6.14	11,354	45,416	176,433
2009 Series A	1-Jul-16	8.35	9,805	90,569	-
2009 Series B	1-Jul-19	8.86	11,825	140,047	-
2012 US 144A	11-Oct-22	3.88	48,989	197,031	857,910
2015 US 144A ^(b)	23-Mar-25	4.20	59,883	239,533	1,725,377
2015 US 144A ^(b)	23-Mar-35	5.00	19,443	77,771	680,709
Denominated in stated foreign currency					
2012 JPY Medium Term Notes	22-Jun-18	1.23	4,291	147,274	-
2012 CAD Medium Term Notes	24-Jul-19	4.25	19,422	357,766	-
2012 GBP Medium Term Notes	26-Nov-24	4.25	39,567	157,943	713,823
2015 GBP Medium Term Notes ^(b)	22-Mar-30	3.50	51,894	206,081	1,663,426
2015 EUR Medium Term Notes ^(b)	22-Mar-22	1.38	35,023	139,314	1,023,163
2015 EUR Medium Term Notes ^(b)	22-Mar-27	2.00	39,142	155,699	1,158,040
			1,068,912	3,094,186	11,319,005

(a) Facilities mature on 19 September 2016 (\$400 million limit), 19 September 2017 (\$425 million limit), 19 December 2018 (\$200 million limit), and 19 September 2019 (\$275 million limit).

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

(c) Rates shown are the coupon rate.

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

20. Financial risk management (continued)

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

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

Fair value measurements recognised in the statement of financial position

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

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

There have been no transfers between the levels during 2016 (2015: none). Transfers between levels of the fair value hierarchy occur at the end of the reporting period. Transfers between level 1 and level 2 are triggered when there are changes to the availability of quoted prices in active markets. Transfers into level 3 are triggered when the observable inputs become no longer observable, or vice versa for transfer out of level 3.

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

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

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

APT Pipelines Limited and its Controlled Entities
Notes to the consolidated financial statements (continued)
For the financial year ended 30 June 2016

Capital Management

20. Financial risk management (continued)

Fair value of financial instruments (continued)

Fair value hierarchy

	Level 1 \$000	Level 2 \$000	Level 3 \$000	Total \$000
2016				
Financial assets measured at fair value				
Equity forwards designated as fair value through profit and loss	-	2,566	-	2,566
Interest rate swaps used for hedging	-	-	-	-
Cross currency interest rate swaps used for hedging	-	417,949	-	417,949
Forward foreign exchange contracts used for hedging	-	22,941	-	22,941
	-	443,456	-	443,456
Financial liabilities measured at fair value				
Interest rate swaps used for hedging	-	8,993	-	8,993
Cross currency interest rate swaps used for hedging	-	267,287	-	267,287
Forward foreign exchange contracts used for hedging	-	10,137	-	10,137
	-	286,417	-	286,417
2015				
Financial assets measured at fair value				
Equity forwards designated as fair value through profit or loss	-	5,199	-	5,199
Interest rate swaps used for hedging	-	-	-	-
Cross currency interest rate swaps used for hedging	-	461,484	-	461,484
Forward foreign exchange contracts used for hedging	-	4,016	-	4,016
	-	470,699	-	470,699
Financial liabilities measured at fair value				
Interest rate swaps used for hedging	-	17,885	-	17,885
Cross currency interest rate swaps used for hedging	-	147,537	-	147,537
Forward foreign exchange contracts used for hedging	-	1,800	-	1,800
	-	167,222	-	167,222

Fair value measurements of financial instruments measured at amortised cost

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

	Carrying amount		Fair value (level 2) ^(a)	
	2016 \$000	2015 \$000	2016 \$000	2015 \$000
Financial liabilities				
Unsecured long term Private Placement Notes	1,124,099	1,254,594	1,246,720	1,388,789
Unsecured Australian Dollar Medium Term Notes	300,000	300,000	346,153	351,024
Unsecured Japanese Yen Medium Term Notes	129,964	106,005	132,575	108,594
Unsecured Canadian Dollar Medium Term Notes	310,555	311,394	317,912	323,954
Unsecured Australian Dollar Subordinated Notes	515,000	515,000	656,141	646,661
Unsecured US Dollar 144A Medium Term Notes	2,885,325	2,786,779	3,015,771	3,000,016
Unsecured British Pound Medium Term Notes	1,688,747	1,937,372	1,822,352	1,864,624
Unsecured Euro Medium Term Notes	2,008,378	1,950,107	1,958,596	1,872,050
	8,962,068	9,161,251	9,496,220	9,555,712

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

APT Pipelines Limited and its Controlled Entities
Notes to the consolidated financial statements (continued)
For the financial year ended 30 June 2016

Capital Management

21. Other financial instruments

	Assets		Liabilities	
	2016	2015	2016	2015
	\$000	\$000	\$000	\$000
Derivatives at fair value:				
Equity forward contracts	1,864	3,527	-	-
Derivatives at fair value designated as hedging instruments:				
Foreign exchange contracts - cash flow hedges	1,389	4,016	1,421	1,800
Interest rate swaps - cash flow hedges	-	-	3,925	13,003
Cross currency interest rate swaps - cash flow hedges	31,602	16,961	109,328	131,012
Financial assets carried at amortised cost:				
Redeemable preference share interest	285	285	-	-
Current	35,140	24,789	114,674	145,815
Financial items carried at amortised cost:				
Redeemable preference shares	10,400	10,400	-	-
Derivatives - at fair value:				
Equity forward contracts	702	1,672	-	-
Derivatives at fair value designated as hedging instruments:				
Foreign exchange contracts - cash flow hedges	21,552	-	8,716	-
Interest rate swaps - cash flow hedges	-	-	6,246	8,728
Cross currency interest rate swaps - cash flow hedges	398,717	460,151	179,629	36,065
Non-current	431,371	472,223	194,591	44,793

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

Recognition and measurement

Hedge accounting

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

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

Note 20 contains details of the fair values of the derivative instruments used for hedging purposes. Movements in the hedging reserve in equity are also detailed in the Consolidated Statement of Changes in Equity.

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

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

APT Pipelines Limited and its Controlled Entities
Notes to the consolidated financial statements (continued)
For the financial year ended 30 June 2016

Capital Management

21. Other financial instruments (continued)

Recognition and measurement (continued)

Cash flow hedges

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

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

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

Impairment of financial assets

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

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

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

22. Issued capital

	2016		2015	
	\$000		\$000	
Shares				
62,127,252 shares, fully paid (2015: 62,127,252 shares, fully paid) ^(a)		117,330		117,330
	2016		2015	
	No. of		No. of	
	shares	2016	shares	2015
	000	\$000	000	\$000
Movements				
Balance at beginning of financial year	62,127	117,330	62,127	117,330
Balance at end of financial year	62,127	117,330	62,127	117,330

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

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

APT Pipelines Limited and its Controlled Entities
Notes to the consolidated financial statements (continued)
For the financial year ended 30 June 2016

Group Structure

23. Non-controlling interests

	2016 \$000	2015 \$000
Issued capital		
Balance at beginning of financial year	119,257	119,257
	119,257	119,257
Reserves		
Balance at beginning of financial year	1	1
	1	1
Retained earnings		
Balance at beginning of financial year	47	46
Profit for the year	31,748	23,185
Distributions paid	(31,747)	(23,184)
Balance at end of financial year	48	47
	119,306	119,305

24. Joint arrangements and associates

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

Name of entity	Principal activity	Country of incorporation	Ownership interest %	
			2016	2015
Joint ventures:				
SEA Gas	Gas transmission	Australia	50.00	50.00
Diamantina Power Station	Power generation (gas)	Australia	-	50.00
EII 2	Power generation (wind)	Australia	20.20	20.20
Associate:				
GDI (EII)	Gas distribution	Australia	20.00	20.00
			2016 \$000	2,015 \$000
Investment in joint ventures and associate using the equity method			197,185	257,425

APT Pipelines Limited and its Controlled Entities
Notes to the consolidated financial statements (continued)
For the financial year ended 30 June 2016

Group Structure

24. Joint arrangements and associates (continued)

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

	2016 \$000	2015 \$000
Joint Ventures		
Aggregate carrying amount of investment	170,408	228,556
The Consolidated Entity's aggregated share of:		
Profit from continuing operations	13,640	10,287
Other comprehensive income	(8,103)	(9,786)
Total comprehensive income	5,537	501
Associate		
Aggregate carrying amount of investment	26,777	28,869
The Consolidated Entity's aggregated share of:		
Profit from continuing operations	3,337	2,642
Other comprehensive income	(1,327)	126
Total comprehensive income	2,010	2,768

Investment in associates

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

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

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

Contingent liabilities and capital commitments

The Consolidated Entity's share of the contingent liabilities, capital commitments and other expenditure commitments of jointly controlled operations is disclosed in Note 27.

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

Name of venture	Principal activity	Output interest	
		2016 %	2015 %
Goldfields Gas Transmission	Gas pipeline operation - Western Australia	88.2 ^(a)	88.2 ^(a)
Mid West Pipeline	Gas pipeline operation - Western Australia	50.0 ^(b)	50.0 ^(b)

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

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

Interest in joint arrangements

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

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

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

24. Joint arrangements and associates (continued)

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

25. Business Combinations

Acquisitions of businesses are accounted for using the acquisition method. Under the acquisition method of accounting, the purchase consideration is allocated to the identifiable assets acquired and liabilities and contingent liabilities assumed (the identifiable net assets) on the basis of their fair value at the date of acquisition which is the date on which control is obtained.

Provisional fair values allocated at a reporting date are finalised within 12 months of the acquisition date. The excess of the consideration transferred, the amount of any non-controlling interest in the acquiree and the acquisition-date fair value of any previous equity interest in the acquiree over the fair value of the identifiable net assets acquired is recorded as goodwill. Any shortfall is immediately recognised in the statement of profit or loss.

Costs related to the acquisition of a subsidiary are expensed as incurred.

On an acquisition-by-acquisition basis, the Consolidated Entity recognises any non-controlling interest in the acquiree either at the non-controlling interest's proportionate share of the acquiree's identifiable net assets or at fair value. Goodwill and amounts attributable to non-controlling interests will differ depending on the basis used.

Where the Consolidated Entity has a previously held non-controlling interest in the acquiree, this is remeasured to fair value at the date control is gained with any gain or loss recognised in the statement of profit or loss. Amounts recognised in other comprehensive income prior to the acquisition are reclassified to profit or loss.

Subsidiaries acquired

Name of entity	Principal activity	Date of Acquisition	Proportion of shares acquired %	Cost of acquisition \$000
2016				
Diamantina Power Station	Power generation (gas)	31 March 2016	50.00	151,000
APA Ethane Limited	Trustee	15 June 2016	50.50	-

Diamantina Power Station

On 31 March 2016, the Consolidated Entity acquired the remaining 50 per cent of the Diamantina Power Station (DPS) that it did not already own from AGL Energy Limited for a cash payment of \$151.0 million.

The acquisition includes two power stations with shared infrastructure, the 242MW Diamantina Power Station with combined cycle gas turbines and the 60MW Leichhardt Power Station with an open cycle gas turbine. These energy assets are connected to our East Coast Grid and are underwritten by two highly credit worthy counterparties.

Included in the consolidated net profit for the year is revenue of \$56.3 million and earnings before interest, tax, depreciation and amortisation of \$23.3 million attributable to DPS.

Had the business combination been effected at 1 July 2015, DPS would have contributed revenue of \$245.5 million and earnings before interest, tax, depreciation and amortisation of \$89.3 million.

APA Ethane Limited

On 15 June 2016, the Consolidated Entity acquired the remaining 50 shares that it did not already own in APA Ethane Limited, the Responsible Entity of Ethane Pipeline Income Fund.

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

25. Business Combinations (continued)

Assets acquired and liabilities assumed at the date of acquisition

	APA Ethane \$000	DPS \$000	Total \$000
Net assets acquired			
Current assets			
Cash and cash equivalents	20	53,062	53,082
Trade and other receivables	-	5,508	5,508
Other financial assets	-	347	347
Inventories	-	5,937	5,937
Other	17	6,066	6,083
Non-current assets			
Other financial assets	-	597	597
Property, plant & equipment	-	725,091	725,091
Goodwill	-	44,088	44,088
Current liabilities			-
Trade and other payables	(19)	(26,292)	(26,311)
Income tax payable	-	-	-
Current borrowings	-	(447,051)	(447,051)
Other financial liabilities	-	(16,134)	(16,134)
Provisions	-	(549)	(549)
Other	(18)	-	(18)
Non-current liabilities			-
Deferred tax liabilities	-	(17,758)	(17,758)
Other financial liabilities	-	(28,208)	(28,208)
Provisions	-	(2,728)	(2,728)
Fair value of net assets acquired	-	301,976	301,976
Previously held interest	-	(150,976)	(150,976)
Cost of acquisition	-	151,000	151,000
Cash balances acquired	(20)	(53,062)	(53,082)
Transaction costs paid	-	353	353
Net cash (inflow)/ outflow on acquisition	(20)	98,291	98,271

The accounting for the acquisition of APA Ethane and DPS has been provisionally determined at the reporting date.

APT Pipelines Limited and its Controlled Entities
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26. Subsidiaries

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

Name of entity	Country of registration/ incorporation	Ownership interest	
		2016 %	2015 %
Parent entity			
APT Pipelines Limited ^(a)			
Subsidiaries			
Australian Pipeline Limited ^(b)	Australia	100	100
Agex Pty Ltd ^{(b),(c)}	Australia	100	100
Amadeus Gas Trust	Australia	96	96
APT Goldfields Pty Ltd ^{(b),(c)}	Australia	100	100
APT Management Services Pty Limited ^{(b),(c)}	Australia	100	100
APT Parmelia Holdings Pty Ltd ^{(b),(c)}	Australia	100	100
APT Parmelia Pty Ltd ^{(b),(c)}	Australia	100	100
APT Parmelia Trust ^(b)	Cayman Islands	100	100
APT Petroleum Pipelines Holdings Pty Limited ^{(b),(c)}	Australia	100	100
APT Petroleum Pipelines Pty Limited ^{(b),(c)}	Australia	100	100
APT Pipelines (NSW) Pty Limited ^{(b),(c)}	Australia	100	100
APT Pipelines (NT) Pty Limited ^{(b),(c)}	Australia	100	100
APT Pipelines (QLD) Pty Limited ^{(b),(c)}	Australia	100	100
APT Pipelines (WA) Pty Limited ^{(b),(c)}	Australia	100	100
APT Pipelines Investments (NSW) Pty Limited ^{(b),(c)}	Australia	100	100
APT Pipelines Investments (WA) Pty Limited ^{(b),(c)}	Australia	100	100
East Australian Pipeline Pty Limited ^{(b),(c)}	Australia	100	100
Gasinvest Australia Pty Ltd ^{(b),(c)}	Australia	100	100
Goldfields Gas Transmission Pty Ltd ^(b)	Australia	100	100
N.T. Gas Distribution Pty Limited ^{(b),(c)}	Australia	100	100
N.T. Gas Easements Pty Limited ^{(b),(c)}	Australia	100	100
N.T. Gas Pty Limited	Australia	96	96
Roverton Pty Ltd ^{(b),(c)}	Australia	100	100
SCP Investments (No. 1) Pty Limited ^{(b),(c)}	Australia	100	100
SCP Investments (No. 2) Pty Limited ^{(b),(c)}	Australia	100	100
SCP Investments (No. 3) Pty Limited ^{(b),(c)}	Australia	100	100
Sopic Pty Ltd ^{(b),(c)}	Australia	100	100
Southern Cross Pipelines (NPL) Australia Pty Ltd ^{(b),(c)}	Australia	100	100
Southern Cross Pipelines Australia Pty Limited ^{(b),(c)}	Australia	100	100
Trans Australia Pipeline Pty Ltd ^{(b),(c)}	Australia	100	100
Western Australian Gas Transmission Company 1 Pty Ltd ^{(b),(c)}	Australia	100	100
GasNet Australia Trust ^(b)	Australia	100	100
APA VTS Australia (Holdings) Pty Limited ^{(b),(c)}	Australia	100	100
APA VTS Australia (Operations) Pty Limited ^{(b),(c)}	Australia	100	100
APA VTS A Pty Limited ^{(b),(c)}	Australia	100	100

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26. Subsidiaries (continued)

Name of entity	Country of registration/ incorporation	Ownership interest	
		2016 %	2015 %
GasNet A Trust	Australia	100	100
APA VTS Australia (NSW) Pty Limited ^{(b),(c)}	Australia	100	100
APA VTS B Pty Limited ^{(b),(c)}	Australia	100	100
APA VTS Australia Pty Limited ^{(b),(c)}	Australia	100	100
GasNet B Trust ^(b)	Australia	100	100
APA Operations Pty Limited ^{(b),(c)}	Australia	100	100
APT AM Holdings Pty Limited ^{(b),(c)}	Australia	100	100
APT O&M Holdings Pty Ltd ^{(b),(c)}	Australia	100	100
APT O&M Services Pty Ltd ^{(b),(c)}	Australia	100	100
APT O&M Services (QLD) Pty Ltd ^{(b),(c)}	Australia	100	100
APT AM (Stratus) Pty Limited ^{(b),(c)}	Australia	100	100
APT Facility Management Pty Limited ^{(b),(c)}	Australia	100	100
APT AM Employment Pty Limited ^{(b),(c)}	Australia	100	100
APT Sea Gas Holdings Pty Limited ^{(b),(c)}	Australia	100	100
APT SPV2 Pty Ltd ^(b)	Australia	100	100
APT SPV3 Pty Ltd ^(b)	Australia	100	100
APT Pipelines (SA) Pty Limited ^{(b),(c)}	Australia	100	100
APT (MIT) Services Pty Limited ^{(b),(c)}	Australia	100	100
APA Operations (EII) Pty Limited ^{(b),(c)}	Australia	100	100
Central Ranges Pipeline Pty Ltd ^{(b),(c)}	Australia	100	100
APA Country Pipelines Pty Limited ^{(b),(c)}	Australia	100	100
APA Facilities Management Pty Limited ^{(b),(c)}	Australia	100	100
APA (NBH) Pty Limited ^{(b),(c)}	Australia	100	100
APA Pipelines Investments (BWP) Pty Limited ^{(b),(c)}	Australia	100	100
APA Power Holdings Pty Limited ^{(b),(c)}	Australia	100	100
APA (EDWF Holdco) Pty Ltd ^{(b),(c)}	Australia	100	100
APA (BWF Holdco) Pty Ltd ^{(b),(c)}	Australia	100	100
EDWF Holdings 1 Pty Ltd ^{(b),(c)}	Australia	100	100
EDWF Holdings 2 Pty Ltd ^{(b),(c)}	Australia	100	100
EDWF Manager Pty Ltd ^{(b),(c)}	Australia	100	100
Wind Portfolio Pty Ltd ^{(b),(c)}	Australia	100	100
Griffin Windfarm 2 Pty Ltd ^(b)	Australia	100	100
APA AM (Allgas) Pty Limited ^{(b),(c)}	Australia	100	100
APA DPS Holdings Pty Limited ^{(b),(c)}	Australia	100	100
APA Power PF Pty Limited ^{(b),(c)}	Australia	100	100
APA Sub Trust No 1 ^(b)	Australia	100	100
APA Sub Trust No 2 ^(b)	Australia	100	100
APA Sub Trust No 3 ^(b)	Australia	100	100
APA (Pilbara Pipeline) Pty Ltd ^{(b),(c)}	Australia	100	100
APA (Sub No 3) International Holdings 1 Pty Ltd ^{(b),(e),(f)}	Australia	-	100
APA (Sub No 3) International Holdings 2 Pty Ltd ^{(b),(e),(f)}	Australia	-	100
APA (Sub No 3) International Nominees Pty Ltd ^{(b),(e),(f)}	Australia	-	100

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26. Subsidiaries (continued)

Name of entity	Country of registration/ incorporation	Ownership interest	
		2016 %	2015 %
APA (SWQP) Pty Limited ^{(b),(c)}	Australia	100	100
APA (WA) One Pty Limited ^{(b),(c)}	Australia	100	100
APA AIS 1 Pty Limited ^{(b),(c)}	Australia	100	100
APA AIS 2 Pty Ltd ^{(b),(c)}	Australia	100	100
APA AIS Pty Limited ^{(b),(c)}	Australia	100	100
APA Biobond Pty Limited ^{(b),(c)}	Australia	100	100
APA East One Pty Limited ^{(b),(e),(f)}	Australia	-	100
APA East Pipelines Pty Limited ^{(b),(c)}	Australia	100	100
APA EE Pty Limited ^{(b),(c)}	Australia	100	100
APA EE Australia Pty Limited ^{(b),(c)}	Australia	100	100
APA EE Corporate Shared Services Pty Limited ^{(b),(c)}	Australia	100	100
APA EE Holdings Pty Limited ^{(b),(c)}	Australia	100	100
Epic Energy East Pipelines Trust ^(b)	Australia	100	100
APA (NT) Pty Limited ^{(b),(e),(f)}	Australia	-	100
APA Bid Co Pty Limited ^{(b),(c)}	Australia	100	100
APA Transmission Pty Limited ^{(b),(c),(g)}	Australia	100	100
APA WGP Pty Limited ^{(b),(c)}	Australia	100	100
APA Newco Pty Limited ^{(b),(d)}	Australia	100	-
APA SEA Gas (Mortlake) Holdings Pty Ltd ^{(b),(d)}	Australia	100	-
APA SEA Gas (Mortlake) Pty Ltd ^{(b),(d)}	Australia	100	-
APA DPS2 Pty Limited ^{(b),(d)}	Australia	100	-
Diamantina Holding Company Pty Limited ^{(b),(h)}	Australia	100	-
Diamantina Power Station Pty Limited ^{(b),(h)}	Australia	100	-
APA Ethane Limited ^{(b),(h)}	Australia	100	-
Votaint No 1613 Pty Limited ^{(b),(h)}	Australia	100	-
EPX Hold Co Pty Limited ^{(b),(d)}	Australia	100	-
APA (EPX) Pty Limited ^{(b),(d)}	Australia	100	-
EPX Trust ^{(b),(d)}	Australia	100	-
EPX Member Pty Limited ^{(b),(d)}	Australia	100	-

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

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

(c) These wholly-owned subsidiaries have entered into a deed of cross guarantee with APT Pipelines Limited pursuant to ASIC Class Order 98/1418 and are relieved from the requirement to prepare and lodge an audited financial report.

(d) Entity was acquired or registered during the 2016 year.

(e) Entity was deregistered during the 2016 year.

(f) Entity party to a revocation deed, in relation to the APT Pipelines Limited deed of cross guarantee, lodged with ASIC on 1 August 2014 which has taken effect in the 2015 year and therefore is no longer a party to the deed.

(g) Entity previously known as "APA Holdco Pty Limited" during the 2015 year.

(h) Remaining shares/units acquired during the 2016 year, entity now classified as a subsidiary (refer to Note 25)

APT Pipelines Limited and its Controlled Entities
Notes to the consolidated financial statements (continued)
For the financial year ended 30 June 2016

Group Structure

26. Subsidiaries (continued)

The consolidated income statement of the entities party to the deed of cross guarantee are:

	Cross Guarantee Group	
	2016	2015
	\$000	\$000
Continuing operations		
Revenue	2,007,596	1,534,642
Share of net profits of associates and joint ventures using the equity method	7,647	4,659
	2,015,243	1,539,301
Asset operation and management expenses	(83,096)	(73,407)
Depreciation and amortisation expense	(508,509)	(208,200)
Other operating costs - pass-through	(431,080)	(434,382)
Finance costs	(630,460)	(439,409)
Employee benefit expense	(192,796)	(186,260)
Other expenses	(5,943)	(24,233)
Profit before tax	163,359	173,410
Income tax expense	(106,479)	(61,329)
Profit for the year	56,880	112,081
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	(8,148)	18,354
Income tax relating to (loss)/gain on defined benefit plan	2,444	(5,506)
	(5,704)	12,848
Items that may be reclassified subsequently to profit or loss:		
Transfer of gain on cash flow hedges to profit or loss	121,922	68,960
Loss on cash flow hedges taken to equity	(249,150)	(316,556)
Loss on associate hedges taken to equity	(7,857)	(5,053)
Recycling of reserves on disposal of associate	15,099	-
Income tax relating to other comprehensive income components	36,028	77,066
	(83,958)	(175,583)
Other comprehensive expense in the year (net of tax)	(89,662)	(162,735)
Total comprehensive income for the year	(32,782)	(50,654)

APT Pipelines Limited and its Controlled Entities
Notes to the consolidated financial statements (continued)
For the financial year ended 30 June 2016

Group Structure

26. Subsidiaries (continued)

The consolidated statement of financial position of the entities party to the deed of cross guarantee are:

	Cross Guarantee Group	
	2016	2015
	\$000	\$000
Current assets		
Cash and cash equivalents	76,591	410,595
Trade and other receivables	1,821,958	944,587
Other financial assets	35,139	24,789
Inventories	18,909	21,286
Other	6,625	8,314
Current assets	1,959,222	1,409,571
Non-current assets		
Receivables	17,283	107,321
Other financial assets	1,524,939	1,024,747
Investments accounted for using the equity method	87,635	150,831
Property, plant and equipment	8,331,356	8,352,104
Goodwill	1,133,150	1,140,131
Other intangible assets	3,371,317	3,556,244
Other	28,622	33,069
Non-current assets	14,494,302	14,364,447
Total assets	16,453,524	15,774,018
Current liabilities		
Trade and other payables	4,891,155	4,945,205
Borrowings	410,532	165,023
Other financial liabilities	114,674	145,815
Provisions	91,027	85,452
Unearned revenue	13,735	7,477
Current liabilities	5,521,123	5,348,972
Non-current liabilities		
Trade and other payables	640,357	654,165
Borrowings	9,323,621	9,151,448
Other financial liabilities	194,591	44,793
Deferred tax liabilities	513,501	448,804
Unearned revenue	67,224	60,349
Other	41,895	16,801
Non-current liabilities	10,781,189	10,376,360
Total liabilities	16,302,312	15,725,332
Net assets	151,212	48,686
Equity		
Issued capital	117,330	117,330
Reserves	(386,106)	(300,346)
Retained earnings	419,988	231,702
Equity attributable to equityholders of the parent	151,212	48,686

APT Pipelines Limited and its Controlled Entities
Notes to the consolidated financial statements (continued)
For the financial year ended 30 June 2016

Other

27. Commitments and contingencies

	2016 \$000	2015 \$000
Capital expenditure commitments		
The Consolidated Entity - plant and equipment	151,710	94,169
The Consolidated Entity's share of jointly controlled operations - plant and equipment	4,402	5,987
	156,112	100,156
Contingent liabilities		
Bank guarantees	42,027	49,049

The Consolidated Entity had no contingent assets as at 30 June 2016 and 30 June 2015.

28. Director and senior executive remuneration

Remuneration of Directors

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

	2016 \$	2015 \$
Short-term employment benefits	1,548,424	1,268,500
Post-employment benefits	217,041	132,105
Total remuneration: Non-Executive Directors	1,765,465	1,400,605
Short-term employment benefits	3,544,861	3,109,447
Post-employment benefits	35,000	35,000
Cash settled security-based payments	1,579,531	1,564,212
Total remuneration: Executive Director^(a)	5,159,392	4,708,659
Total remuneration: Directors	6,924,857	6,109,264

Remuneration of senior executives^(a)

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

Short-term employment benefits	10,992,475	9,977,891
Post-employment benefits	856,636	258,778
Cash settled security-based payments	4,429,999	4,242,640
Retention award	-	430,666
Total remuneration: senior executives	16,279,110	14,909,975

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

APT Pipelines Limited and its Controlled Entities
Notes to the consolidated financial statements (continued)
For the financial year ended 30 June 2016

Other

29. Remuneration of external auditor

	2016 \$	2015 \$
Amounts received or due and receivable by Deloitte Touche Tohmatsu for:		
Auditing the financial report	643,000	659,500
Other assurance services ^(a)	60,000	211,500
	703,000	871,000

(a) Services provided were in accordance with the external auditor independence policy. Other assurance services mainly comprise assurance services in relation to Diamantina Holding Company Pty Limited and Diamantina Power Station Pty Limited.

30. Related party transactions

(a) Equity interest in related parties

Details of the percentage of ordinary securities held in subsidiaries are disclosed in Note 26 and the details of the percentage held in joint operations, joint ventures and associates are disclosed in Note 24.

(b) Responsible Entity – Australian Pipeline Limited

The Responsible Entity is wholly owned by APT Pipelines Limited.

(c) Transactions with related parties within the Consolidated Entity

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

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

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

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

Refer to Note 26 for details of the entities that comprise the consolidated group.

Australian Pipeline Limited

Management fees of \$3,999,694 (2015: \$3,451,167) were paid to the Responsible Entity as reimbursement of costs incurred on behalf of the Consolidated Entity. No amounts were paid directly by the Consolidated Entity to the Directors of the Responsible Entity.

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

APT Pipelines Limited and its Controlled Entities
Notes to the consolidated financial statements (continued)
For the financial year ended 30 June 2016

Other

30. Related party transactions (continued)

(d) Transactions with associates and joint ventures

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

	Dividends from related parties \$000	Sales to related parties \$000	Purchases from related parties \$000	Amount owed by related parties \$000	Amount owed to related parties \$000
2016					
SEA Gas	10,523	3,371	-	10	-
Energy Infrastructure Investments	3,810	35,114	157	4,344	-
EII 2	3,102	725	-	45	-
APA Ethane Ltd	-	192	-	-	-
Diamantina Power Station ^(a)	-	950	-	-	-
GDI (EII)	4,102	55,775	54	7,830	-
Ethane Pipeline Income Fund ^(b)	-	1,231	-	-	-
	21,537	97,358	211	12,229	-
2015					
SEA Gas	14,164	3,733	-	181	-
Energy Infrastructure Investments	3,460	27,021	139	3,074	139
EII 2	3,105	661	-	-	-
APA Ethane Ltd	-	200	-	-	-
Diamantina Power Station ^(a)	-	1,608	-	-	-
GDI (EII)	4,479	51,190	-	5,749	-
	25,208	84,413	139	9,004	139

(a) At 30 June 2015, the Consolidated Entity had a shareholder loan receivable from Diamantina Power Station of \$75.7 million. Following the Consolidated Entity's acquisition of the remaining 50% of Diamantina Power Station on 31 March 2016, the shareholder loan receivable from Diamantina Power Station now forms part of the inter-entity balances and is eliminated on consolidation.

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

APT Pipelines Limited and its Controlled Entities
Notes to the consolidated financial statements (continued)
For the financial year ended 30 June 2016

Other

31. Parent entity information

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

	2016 \$000	2015 \$000
Financial position		
Assets		
Current assets	216,046	529,679
Non-current assets	16,235,297	15,290,345
Total assets	16,451,343	15,820,024
Liabilities		
Current liabilities	661,054	453,558
Non-current liabilities	15,596,474	15,264,267
Total liabilities	16,257,528	15,717,825
Net assets	193,815	102,199
Equity		
Issued capital	117,330	117,330
Retained earnings	148,895	80,917
Reserves	(72,410)	(96,047)
Total equity	193,815	102,200
Financial performance		
Profit for the year	250,336	137,286
Other comprehensive income	24,412	22,759
Total comprehensive income	274,748	160,045

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

APT Pipelines Limited has entered into a deed of cross guarantee with a number of its wholly-owned subsidiaries. These subsidiaries are listed in full in Note 26.

Contingent liabilities of the parent entity

Refer to Note 27 for contingent liabilities. Bank guarantees are issued by the parent entity.

APT Pipelines Limited and its Controlled Entities
Notes to the consolidated financial statements (continued)
For the financial year ended 30 June 2016

Other

32. Adoption of new and revised Accounting Standards

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

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

Standards and Interpretations issued not yet adopted

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

Standard/Interpretation	Effective for annual reporting periods beginning on or after	Expected to be initially applied in the financial year ending
• AASB 9 'Financial Instruments', and the relevant amending standards	1 January 2018	30 June 2019
• AASB 15 'Revenue from Contracts with Customers' and AASB 2014-5 'Amendments to Australian Accounting Standards arising from AASB 15'	1 January 2018	30 June 2019
• AASB 16 "Leases"	1 January 2019	30 June 2020

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

33. Events occurring after reporting date

On 23 August 2016, the Directors declared a final dividend of 278.5 cents per share (\$173.0 million). The dividend will be paid on 23 August 2016 to sole equityholder, Australian Pipeline Limited as Responsible Entity and Trustee of Australian Pipeline Trust.

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

APT Pipelines Limited and its Controlled Entities
Declaration by the Directors of APT Pipelines Limited
For the financial year ended 30 June 2016

The Directors declare that:

- (a) in the Directors' opinion, there are reasonable grounds to believe that APT Pipelines Limited will be able to pay its debts as and when they become due and payable;
- (b) in the Directors' opinion, the attached financial statements and notes thereto are in accordance with the Corporations Act 2001, including compliance with Accounting Standards and giving a true and fair view of the financial position and performance of the Consolidated Entity;
- (c) in the Directors' opinion, the financial statements and notes thereto are in accordance with International Financial Reporting Standards issued by the International Accounting Standard Board; and
- (d) the Directors have been given the declarations by the Managing Director and Chief Financial Officer required by section 295A of the Corporations Act 2001.
- (e) At the date of this declaration, APT Pipelines Limited is within the class of companies affected by ASIC Class Order 98/1418. The nature of the deed of cross guarantee is such that each company, which is party to the deed, guarantees to each creditor, payment in full of any debt in accordance with the deed of cross guarantee. In the Directors' opinion, there are reasonable grounds to believe that APT Pipelines Limited and the companies to which the ASIC Class Order applies, as detailed in Note 26 to the financial statements will, as a group, be able to meet any obligations or liabilities to which they are, or may become, subject by virtue of the deed of cross guarantee.

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

On behalf of the Directors



Leonard Bleasel AM
Chairman



Steven Crane
Director

SYDNEY, 24 August 2016

24 August 2016

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

Dear Directors

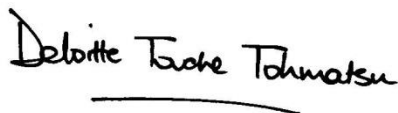
Auditors Independence Declaration to APT Pipelines Limited

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

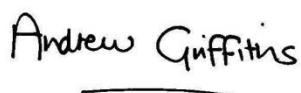
As lead audit partner for the audit of the financial statements of APT Pipelines Limited for the financial year ended 30 June 2016, I declare that to the best of my knowledge and belief, there have been no contraventions of:

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

Yours sincerely



DELOITTE TOUCHE TOHMATSU



A V Griffiths
Partner
Chartered Accountants
Sydney, 24 August 2016

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

Report on the Financial Report

We have audited the accompanying financial report of APT Pipelines Limited, which comprises the statement of financial position as at 30 June 2016, the statement of profit or loss and other comprehensive income, the statement of cash flows and the statement of changes in equity for the 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 company and the entities it controlled at the year's end or from time to time during the financial year as set out on pages 26 to 82.

Directors' Responsibility for the Financial Report

The directors of APT Pipelines Limited are responsible for the preparation of the financial report that gives a true and fair view in accordance with Australian Accounting Standards and the *Corporations Act 2001* and for such internal control as the directors determine is necessary to enable the preparation of the financial report that is free from material misstatement, whether due to fraud or error. In Note 2, the directors also state, in accordance with Accounting Standard AASB 101 *Presentation of Financial Statements*, that the financial statements comply with International Financial Reporting Standards.

Auditor's Responsibility

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

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

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

Auditor's Independence Declaration

In conducting our audit, 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 APT Pipelines Limited, would be in the same terms if given to the directors as at the time of this auditor's report.

Opinion

In our opinion:

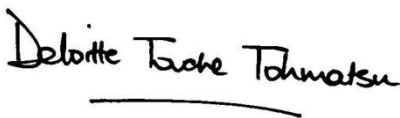
- (a) the financial report of APT Pipelines Limited is in accordance with the *Corporations Act 2001*, including:
 - (i) giving a true and fair view of the consolidated entity's financial position as at 30 June 2016 and of its performance for the year ended on that date; and
 - (ii) complying with Australian Accounting Standards and the *Corporations Regulations 2001*; and
- (b) the financial statements also comply with International Financial Reporting Standards as disclosed in Note 2.

Report on the Remuneration Report

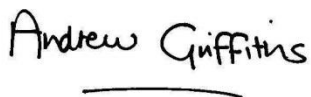
We have audited the Remuneration Report included in pages 5 to 25 of the directors' report for the year ended 30 June 2016. The directors of the company are responsible for the preparation and presentation of the Remuneration Report in accordance with section 300A of the *Corporations Act 2001*. Our responsibility is to express an opinion on the Remuneration Report, based on our audit conducted in accordance with Australian Auditing Standards.

Opinion

In our opinion the Remuneration Report of APT Pipelines Limited for the year ended 30 June 2016, complies with section 300A of the *Corporations Act 2001*.



DELOITTE TOUCHE TOHMATSU



A V Griffiths
Partner
Chartered Accountants
Sydney, 24 August 2016