

energy. connected.



our vision.

to connect Australia to

our strategy.

Growth focus to enhance our portfolio of:



gas transmissions pipelines

power generation:
gas-fired and renewables

mid-stream energy infrastructure
assets, including gas storage and
gas processing

and by exploring opportunities
in North America

Maintain APA's
financial strength



Continue to
strengthen asset
management,
development
and operational
capabilities



its energy future.

APA is a business that is committed to delivering connected and sustainable energy solutions that are safe, reliable, innovative and cost-effective so that all our stakeholders are better off as we work together with our customers to create a better energy future for Australia.

During FY2017, we announced in excess of \$1.2 billion of committed projects in areas of pipeline extensions and expansions, renewables and midstream assets.

We have been investing in energy infrastructure for 17 years and will continue to do so as our energy infrastructure assets will play an important role in reducing Australia's carbon footprint, as energy consumption shifts from carbon-intensive fuels such as coal, to more carbon-efficient fuels such as natural gas and renewables.

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Information contained in this document is current as at 23 August 2017.

APA is a business that is committed to investing in and connecting to Australia's energy future.



From humble beginnings in 2000, APA has grown into a top 50 Australian listed company. We began as a \$1 billion company (by total assets) owning the Moomba Sydney Pipeline and interests in several other pipelines. Today, APA owns and/or operates over \$20 billion worth of assets across gas pipelines, storage, processing, network distribution, gas-fired and renewable energy and electricity interconnectors. We have achieved this through execution of a consistent and prudent strategy – building on our core capabilities and financial strength to grow our portfolio of energy infrastructure assets, whilst increasing the value of our Securityholders' investment. This strategy of long term growth has served APA and our Securityholders well for almost two decades.

Financial results

For FY2017, APA delivered another solid financial performance. Revenue increased by 14.0 per cent to \$1,888.3 million¹. Earnings before interest, tax, depreciation and amortisation (EBITDA) increased by 10.5 per cent to \$1,470.1 million. Net profit after tax increased by 32.0 per cent to \$236.8 million.

Our business model delivers highly predictable results in all market conditions. Given the continued challenge in FY2017 of low commodity prices for many of our customers, APA has again demonstrated the resilience of our prudent approach to growth. We are in business to meet the needs of our customers, working with them to deliver innovative and cost effective solutions. This in turn generates returns for our investors.

The total distributions for FY2017 of 43.5 cents per security represent a 4.8 per cent or 2.0 cents per security increase over FY2016. Securityholders also benefitted from a total of 4.0 cents per security of franking credits attached to those distributions. As per our distribution policy, distributions have been fully covered by operating cash flows with an appropriate amount of those cash flows retained within the business to support ongoing growth.

And we continue to grow. What has also been as pleasing as our sound results, is the fact that we have announced \$1.2 billion worth of committed growth projects during the year, which will add to APA's cash flow in future years. Operating cash flow for FY2017, increased by 12.9 per cent to \$973.9 million. Given there were no new securities issued during the year, operating cash flow per security also increased by 12.9 per cent to 87.4 cents. We continue to do what we say we will do and that is to grow the business for the benefit of all stakeholders.

Another busy year

APA's Energy Infrastructure segment contributed 94.6 per cent of group EBITDA (before corporate costs) in FY2017. This segment includes the interconnected energy infrastructure footprint including gas transmission, gas compression, processing and storage assets, renewable energy power generation and gas-fired power generation. The increase in FY2017 earnings for this segment was primarily due to the full year contribution from the Eastern Goldfields Pipeline in Western Australia, the Diamantina and Leichhardt Power Stations in Queensland and the

¹) Total revenue, excluding pass-through.

Ethane Pipeline in New South Wales. The benefit of our diverse asset and geographical footprint is clearly evident in our results.

Add to this the committed projects announced during the year, including three renewable energy projects, gas processing facilities, a gas-fired power station and two greenfield pipelines - and indeed it has been a busy year.

Working with stakeholders

Maintaining our existing operations and developing new projects not only requires capital and technical skills, but also investment in relationships. Our achievements during the year around community stakeholder engagement are detailed in APA's FY2017 Sustainability Report. Within the Directors' Report are also examples of our engagement with other stakeholders during the year including customers and other businesses, federal and state entities, emergency response bodies and other utility teams and local council and economic development organisations.

We recognise that as a business, we have an impact on a broad range of stakeholders. And we work collaboratively to continue to create value and maintain our reputation as a company that does what it says it's going to do.

Energy policy

Energy policy continued to be a hotly debated topic during the year, with a number of reports finalised over the last two years. A number of the regulatory reform initiatives around gas markets are being developed and implemented by the Gas Market Reform Group led by Dr Michael Vertigan. One of these initiatives is the Information Disclosure and Commercial Arbitration regime.

APA continues to be actively engaged in these reform initiatives. Amendments to the National Gas Rules giving effect to the new Information Disclosure and Commercial Arbitration Regime came into effect on 1 August. The new regime is intended to facilitate more balanced commercial negotiations through additional information disclosure with commercial arbitration as a back stop in the event negotiations are unsuccessful. APA has, and will continue to work with our customers to ensure commercial outcomes are sustainable and mutually beneficial for both parties. To-date, APA has invested over \$13 billion in building and developing a network of over 15,000 kilometres of interconnected gas pipelines across mainland Australia to give customers the flexible seamless services they require, enabling the industry to grow. But more investment is still required to bring additional gas supply into the market. This will put downward pressure on gas prices and ultimately energy prices in the market.

Dr Finkel's Independent Review into the Future Security of the National Electricity Market called for increased system security and future reliability of the National Electricity Market as well as lower emissions for Australia and rewarding consumers. APA continues to believe that gas is critical to future energy security and affordability in this country. Gas emits half as much emissions as coal and moreover, gas-fired electricity generation can respond quickly to meet peak demand.

APA agrees that climate change is a real and current issue before the Australian energy sector. As international and domestic carbon policies and markets mature, APA's energy infrastructure assets will play an important role in reducing Australia's carbon footprint.

Given the global challenges ahead as we transition to a lower carbon economy, we understand the need for

investors to have access to objective disclosure of the climate change risks, opportunities and management strategies before APA. To achieve this, we have elected to follow as far as practicable, the framework recently released by the Task Force on Climate-related Financial Disclosure by reporting on governance, strategy and risk management measures to address risks posed by climate change. You can read more about APA's approach on our website as well as within the Directors' and Sustainability Reports.

Good governance

Given the structure of APA, there are certain governance and remuneration related obligations under the Corporations Act 2001 and the ASX Listing Rules that do not normally apply to APA, but which would ordinarily apply to ASX listed public companies. The Board is committed to the highest standards of corporate governance, and on 1 July 2017 APA adopted a corporate governance framework which is designed to be as consistent, as far as is practicable, with the best practice procedures of public listed companies.

The new APA Corporate Governance Framework gives Securityholders a number of additional entitlements in relation to governance and remuneration matters. This includes giving Securityholders the right to remove Directors from the Board, and to also vote on APA's annual Remuneration Report. If at two consecutive Annual Meetings at least 25% of the votes cast on the Remuneration Report are voted against its adoption, then the 'two strikes' mechanism under the Corporations Act would be triggered, giving Securityholders the opportunity to spill the Board. A summary of the Corporate Governance Framework and those additional entitlements is available on APA's website.

The Annual Meeting this year will be held at the ASX Auditorium, 18 Bridge Street, Sydney on Friday, 27 October 2017. This is a change of venue from last year. Full details will be included in the Notice of Meeting, which will be sent to Securityholders in September.

Outlook

The Board is confident that APA remains well placed to continue delivering sustainable and profitable growth for you, our Securityholders.

Prospects for growth are strong, with over \$1.2 billion of committed projects announced during FY2017, of which \$800 million is expected to be spent during FY2018. These projects will commence generating revenue from FY2019.

With this in mind, our guidance for FY2018 is for EBITDA of \$1,475 million to \$1,510 million and net interest costs of \$525 million to \$535 million. Total distributions per security are expected to be in the order of 45.0 cents per security, prior to the benefit of any franking credits that may arise as a result of the filing of the FY2017 tax return.

On behalf of the Board, I would like to thank our Managing Director Mick McCormack, his leadership team and APA's people for their contributions this year.

I also thank you, our Securityholders, for your continued support.



Len Bleasel AM
Chairman

I am pleased to report another solid financial result for APA, and with the \$1.2 billion of growth projects committed during FY2017, we can expect this to continue.

Working with our customers to meet their needs has grown both our business and Australia's energy market over the last 17 years. We pride ourselves on APA's growth strategy that not only generates stable and predictable returns for our Securityholders, but allows us to continue to do what we say we will do. That is, to invest in Australia's energy future for the benefit of both customers and consumers.

FY2017 has seen energy policy dominating the headlines. We all want energy to be affordable, reliable and lower in carbon emissions and we understand the government's desire to reduce energy prices overall. We have had numerous regulatory interventions thrust upon the industry in quick succession with minimal industry consultation. While we understand the government's objectives, such measures cannot work effectively without appropriate industry input and consultation. They also need to be left to work, so rolling out successive reform upon reform simply does not provide the breathing space to determine whether the initiatives have worked. APA will continue to work with all relevant stakeholders, including customers, industry and government to realise immediate as well as longer term solutions so that the domestic market benefits from cheaper gas.

One such reform initiative that came into effect from 1 August 2017 is the new Information Disclosure and Commercial Arbitration Regime. This regime is intended to facilitate more balanced commercial negotiations with a back stop of commercial arbitration. While the regime is new, we will do what we have always done, and that is enter into commercial arrangements with our customers that benefit both parties and that sustainably grow the gas market.

As Australia's leading energy infrastructure business, APA is well positioned to facilitate connecting Australia to its energy future in the dynamic energy environment. Given our asset footprint, diverse skills and the reach of our stakeholder relationships, we recognise and take seriously our obligation to be part of the solution for all Australians. We have been doing just that. In recent months, we have progressed and completed agreements that will facilitate more gas for domestic users. These include enabling flexibility in existing contracts on the South West Queensland Pipeline and the Moomba Sydney Pipeline that will deliver gas to southern markets; a new contract on the Roma Brisbane Pipeline that will support gas being delivered more than 2,500 kilometres away in South Australia to the Pelican Point Power Station; contracts on the Victorian-Northern Interconnect to deliver gas from Longford to Sydney for two industrial customers; and a number of other short term contracts at a discount to our published tariff.

Gas is a critical fuel to provide back-up generation as Australia moves to greater reliance on renewables. Making gas more affordable so it can play this critical role is key.

And the solution to gas affordability is quite simple, we need more gas supplies to be developed. The execution is more challenging. Australia is rich with natural gas supplies however, gas production moratoria and approval restrictions in certain States have restricted gas supplies putting upward pressure on prices. At APA, we are doing all we can, working with our customers, to get more gas to market. Our efforts include progressing the pipeline development in New South Wales connecting the proposed Narrabri gas supplies to ease the domestic market shortage and working with producers in Queensland to develop resources that could potentially satisfy east coast gas demand for many years.

Robust strategy

The FY2017 results demonstrate the soundness of APA's strategy. All key financial metrics - revenue, EBITDA, net profit after tax and operating cash flow - increased, whilst pleasingly, our corporate costs reduced. The results continue to reflect the benefit of our investments and innovation from past years. In FY2017, we enjoyed full year contributions from three assets that commenced as investments before being fully acquired by APA in FY2016 - the Diamantina and Leichhardt Power Stations and the Ethane Pipeline. The results also reflect a full year contribution from APA's latest new build pipeline, the Eastern Goldfields Pipeline in Western Australia which is an extension to three other existing connected pipelines now servicing many customers.

APA's capital and investment expenditure for FY2017 totalled \$377.5 million. During the year, we completed the latest stage of the Victorian-Northern Interconnect expansion project which has expanded the bi-directional capacity between Victoria and New South Wales; improved efficiency of the East Coast Grid by completing the Moomba Interconnect project; and commenced work on the multitude of growth projects announced during the period.

Growth continues

At APA's FY2016 results, we indicated \$1.5 billion of organic growth opportunities had been identified as potential projects over the following three years. I am very pleased to say that one year on, we have committed to \$1.2 billion of these projects. These will require \$800 million of growth capital investment over the next 12 months. We estimate that we will see long term revenue uplift from FY2019, with FY2020 seeing up to a \$200 million increase in revenue from these growth projects.

FY2018 and into early FY2019 will be a hive of construction activity for APA as we progress the seven major projects - the 50km Reedy Creek Wallumbilla Pipeline in Queensland; 20MW Emu Downs Solar Farm and 130MW Badgingarra Wind Farm in Western Australia; the 110MW Darling Downs Solar Farm in Queensland; 198km new build Yamarna Gas Pipeline and 45MW gas-fired Yamarna Power Station in Western Australia; and finally refurbishment of the Orbost Gas Processing Facility in Victoria. A necessary part of the solution to Australia's current energy woes is to bring on more gas supply.

Long term thinking

APA acknowledges that climate change is a real risk and we support Australia's commitment under the Paris Agreement to reduce emissions by between 26 and 28 per cent on 2005 levels by 2030. However, achieving these emissions reductions will require major changes to Australia's energy mix for power generation.

Gas currently accounts for approximately 40 per cent of registered mid merit and peaking power generation capacity in the National Electricity Market. Renewables will certainly be part of the future energy mix, hence why APA began its investment in renewable power generation almost 10 years ago – but the technology simply isn't where it needs to be to enable renewables to be our primary source of reliable, cost effective energy. Similarly, today's battery technology is just not capable of delivering the scale and reliability Australia needs and at a cost we can afford. With coal increasingly unattractive to users and most politicians – gas has well and truly come to the fore as the energy source this country needs and from a practical perspective, Australia has sufficient reserves and the infrastructure to get it to where it is needed.

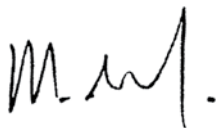
Our infrastructure is built for the long term. This meets our customers' needs for long term supply. APA incorporates sustainable processes into the way we approach our business with other stakeholders – whether it is sustainable returns for our investors; safe and engaging work practices and facilities for our employees; or ensuring we only leave a positive community experience and minimal environmental footprint.

I am pleased to report an improvement in our safety statistics in FY2017. These continue the downward trend over the past five years. The Sustainability Report is contained in this report and provides further details on our FY2017 performance and approach to risk management.

What's ahead

APA's focus is on delivering smart energy solutions for our customers. We also generate energy from gas, wind and as mentioned earlier, solar energy will soon be added to our core capabilities of energy infrastructure operation and ownership. Additionally, we facilitate the distribution of energy to over 1.3 million consumers. We have grown rapidly in the nearly two decades of operating, increasing our skillset and asset portfolio to meet our customers' growing requirements to supply Australia's energy needs. And there is still more to do, with plenty of growth opportunities ahead.

It's been an exciting and challenging year, but our results demonstrate the resilience of our business and the benefit of strong foundations. I thank APA's 1,600 employees for their significant contribution and continued enthusiasm to grow our business.



Mick McCormack

Chief Executive Officer and Managing Director





1 Leonard Bleasel AM
FAICD FAIM

Independent Chairman

APPOINTED: 28 August 2007

APPOINTED CHAIRMAN:
30 October 2007

Leonard (Len) had a long career in the energy industry before retiring from management in 2001. He started his career in AGL in 1958 and worked in a variety of roles, culminating in the position of Managing Director and CEO from 1990 to 2001.

Len's past appointments have included lead non-executive Director of QBE Insurance Group Limited and Chairman of Foodland Associated Limited, ABN AMRO Australia Holdings Pty Limited, Solaris Power, Natural Gas Corporation Holdings Ltd (New Zealand), Elgas Ltd, East Australian Pipeline Ltd, the Advisory Council for CIMB Securities International (Australia) Pty Ltd and the Taronga Conservation Society Australia. He was also a Director of St George Bank Limited, O'Connell Street Associates Pty Limited and Gas Valpo (Chile).

Len was awarded an AM in the General Division of the Order of Australia for services to the Australian gas and energy industries and the community.

5 Michael Fraser
BCom FCPA FTI MAICD

Independent Director

(since 19 July 2016)

APPOINTED: 1 September 2015

Michael has more than 30 years' experience in the Australian energy industry. He has held various executive positions at AGL Energy culminating in his role as Managing Director and Chief Executive Officer for the period of seven years until February 2015.

Michael is a Director of Aurizon Holdings Limited. He is also a former Chairman of the Clean Energy Council, Elgas Limited, ActewAGL and the NEMMCo Participants Advisory Committee, as well as a former Director of Queensland Gas Company Limited, the Australian Gas Association and the Energy Retailers Association of Australia.

Michael is a member of the People and Remuneration Committee, a member of the Audit and Risk Management Committee and a member of the Nomination Committee.

2 Michael McCormack
BSurv GradDipEng
MBA FAICD

Chief Executive Officer and Managing Director

APPOINTED CEO: 1 July 2005

APPOINTED MD: 1 July 2006

Michael (Mick) has over 30 years' experience in the energy infrastructure sector in Australia, and his career has encompassed all aspects of the sector, including commercial development, design, construction, operation and management of most of Australia's natural gas pipelines and gas distribution systems. His experience extends to gas-fired and renewable energy power generation.

Mick is a former Director of Envestra (now Australian Gas Networks), the Australian Pipeline Industry Association (now Australian Pipelines and Gas Association) and the Australian Brandenburg Orchestra.

6 Debra Goodin
BEc FCA MAICD

Independent Director

APPOINTED: 1 September 2015

Debra (Debbie) has considerable experience as a non-executive director, including as a member and Chair of Board Audit and Risk Committees. She is currently a Director of ASX-listed companies Ten Network Holdings Limited, Senex Energy Limited and oOh!media Limited, and chairs the Audit and Risk Committees of each of those Boards.

Debbie also has extensive executive experience in operations and corporate development, including with engineering and professional services firms, and is a Fellow of Chartered Accountants Australia and New Zealand.

Debbie is a member of the Audit and Risk Management Committee, a member of the Health Safety and Environment Committee and a member of the Nomination Committee

3 Steven Crane
BComm FAICD SF Fin

Independent Director

APPOINTED: 1 January 2011

Steven (Steve) has over 30 years' experience in the financial services industry. His background is in investment banking, having previously been Chief Executive Officer of ABN AMRO Australia and BZW Australia.

Steve has considerable experience as a non-executive Director of listed entities. He is currently Chairman of nib holdings limited and the Taronga Conservation Society Australia.

He was formerly Chairman of Adelaide Managed Funds Limited and Investa Property Group Limited, a Director of Bank of Queensland Limited, Transfield Services Limited, Adelaide Bank Limited, Foodland Associated Limited and APA Ethane Limited, the responsible entity of Ethane Pipeline Income Fund, and a member of the Advisory Council for CIMB Securities International (Australia) Pty Ltd.

Steve is the Chairman of the Audit and Risk Management Committee, a member of the People and Remuneration Committee and a member of the Nomination Committee.

7 Russell Higgins AO
BEc FAICD

Independent Director

APPOINTED: 7 December 2004

Russell has extensive experience both locally and internationally, in the energy sector and in economic and fiscal policy. He was Secretary and Chief Executive Officer of the Department of Industry, Science and Resources from 1997 to 2002 and Chairman of the Australian Government's Energy Task Force from 2003 to 2004.

Russell is a Director of Telstra Corporation Limited and Argo Investments Limited. He is a former Chairman of the Global Carbon Capture and Storage Institute, the CSIRO Energy Transformed Flagship Advisory Committee and Snowy Hydro, as well as a former Director of Leighton Holdings Limited, Ricegrowers Limited (trading as SunRice), St James Ethics Foundation, Australian Biodiesel Group Limited, EFIC and the CSIRO. He was also previously a member of the Prime Ministerial Task Group on Emissions Trading.

Russell is Chairman of the Health Safety and Environment Committee, a member of the Audit and Risk Management Committee and a member of the Nomination Committee.

4 John Fletcher
BSc MBA FAICD

Independent Director

APPOINTED: 27 February 2008

John has over 35 years' experience in the energy industry, having held a number of executive positions in AGL (including Chief Financial Officer) prior to his retirement in 2003. John is a Director of Essential Energy and has previously been a Director of Integral Energy, Natural Gas Corporation Holdings Ltd (New Zealand), Foodland Associated Limited, Sydney Water Corporation and Alinta Energy Group. He brings a wide commercial and financial practical knowledge to the Board.

John was previously an AGL appointed Director of Australian Pipeline Limited from 2000 to 2005.

John is the Chairman of the People and Remuneration Committee, a member of the Audit and Risk Management Committee and a member of the Nomination Committee.

8 Patricia McKenzie
LLB FAICD

Independent Director

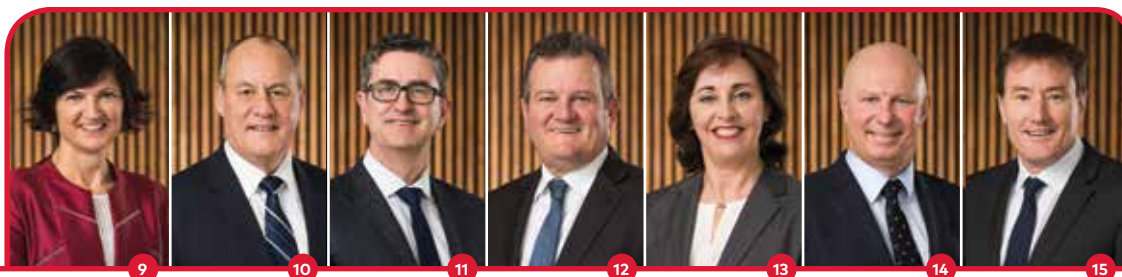
APPOINTED: 1 January 2011

Patricia has considerable expertise and experience in energy market regulation and, as a qualified solicitor, extensive corporate legal experience. She is currently Chair of Essential Energy and Healthdirect Australia.

Patricia was formerly a Director of Macquarie Generation, TransGrid and the Australian Energy Market Operator Limited (AEMO), the national energy market operator for electricity and gas, and formerly the Chief Executive Officer of Gas Market Company Limited, the market administrator for retail competition in the gas industry in New South Wales and the Australian Capital Territory.

Patricia is a member of the Health Safety and Environment Committee, a member of the People and Remuneration Committee and a member of the Nomination Committee.

apa group senior management.



9 Nevenka Codevelle
BCom LL M GAICD

Company Secretary and General Counsel

Nevenka is responsible for APA Group's Secretariat and Legal division. The division comprises the company secretarial, legal, and group risk and compliance functions.

Nevenka joined APA Group in February 2008 and held the role of General Counsel since June 2012. In October 2015, she also assumed the role of Company Secretary and joined the Executive team. Nevenka is a lawyer with over 20 years' experience in energy and other infrastructure industries, with particular focus on project development, mergers and acquisitions, competition and industry regulation.

12 Kevin Lester
BEng(Civil) MIEAust
GAICD

Group Executive Infrastructure Development

Kevin is responsible for the project development, engineering, procurement and delivery of APA Group's infrastructure expansion projects. This division also has responsibility for providing asset engineering services, the technical regulation of all pipeline related assets, procurement, engineering services and the provision of land, approvals and asset protection services across APA.

Kevin joined APA Group in August 2012 continuing a career in the management of major infrastructure projects, including energy infrastructure. Kevin is a Director and a Past President of the Australian Pipelines and Gas Association.

15 Rob Wheals
BCom CA GAICD

Group Executive Transmission

Rob is responsible for the management of APA Group's transmission and gas storage assets including all aspects of commercial and operational performance.

Rob joined APA Group in September 2008 and is responsible for managing APA's customers and revenue contracts, as well as growing APA's gas transmission revenues. Rob is also responsible for managing all operational aspects of APA's 15,000 kilometres of owned and operated gas transmission pipelines and gas storage facilities. Prior to joining APA, Rob had over 15 years of experience in Australia and internationally, predominantly in telecommunications, including roles in finance, commercial, strategy, infrastructure investments and M&A, as well as regulatory.

10 Peter Fredricson
BCom CA GAICD

Chief Financial Officer

Peter is responsible for all financial aspects of APA Group, including accounting and financial reporting, financial compliance and governance, taxation, treasury, balance sheet management, capital strategy, insurance, Investor Relations and Information Technology.

Peter joined APA Group in June 2009. He has considerable expertise in the listed energy infrastructure sector and over 30 years' experience in senior financial roles in financial services and investment banking organisations across Australia, New Zealand and Asia.

13 Elise Manns
BBus CAHRI

Group Executive Human Resources

Elise is responsible for managing APA Group's Human Resources division, which covers APA's people strategy, safety and environment performance and governance and all activities relating to APA's people, their development, health, wellbeing and employment arrangements.

Elise joined APA Group in May 2012 as General Manager Human Resources and in October 2015 joined the Executive team becoming Group Executive Human Resources. Elise has a strong background in employment relations and workplace change, organisational restructuring and business improvement. Elise has over 25 years' human resources experience in Australia's heavy manufacturing, engineering, steel and utilities sectors.

11 Ross Gersbach
BBus MAICD

Chief Executive Strategy & Development

Ross is responsible for APA Group's, strategy, energy investments, regulatory and government affairs, environmental development, and mergers and acquisitions.

He has responsibility for further enhancing APA Group's portfolio of assets that complement the value of its infrastructure, including APA Group's investments in midstream gas infrastructure, and the operation and development of these assets.

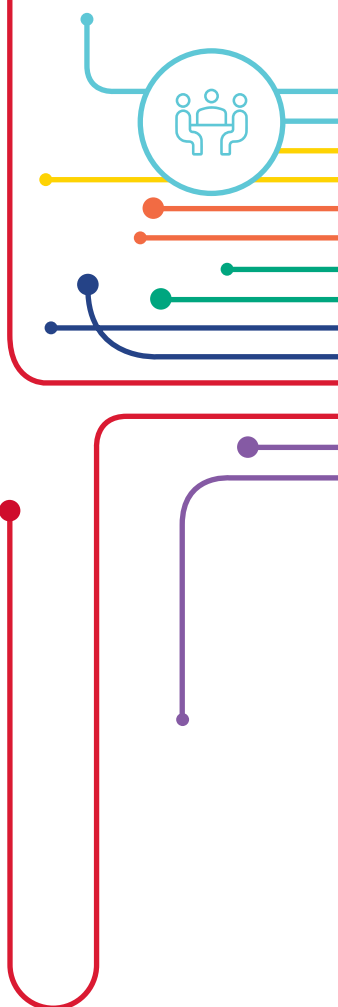
Ross was previously a Director of APA Group from 2004 to 2008 joining the management team in April 2008 where he was responsible for all commercial aspects of APA Group. He has over 20 years' experience in senior positions across a range of energy related sectors, covering areas such as infrastructure investments, mergers and acquisitions and strategic developments. Additionally, Ross has extensive commercial experience and has managed a portfolio of infrastructure assets in the natural gas and electricity distribution network sector.

14 Sam Pearce
BSc LLB MBA

Group Executive Networks and Power

Sam is responsible for the operation and management of APA Group's fully and minority owned gas distribution and power generation and electricity transmission assets, as well as for Australian Gas Networks' assets.

Sam joined APA Group in July 2008 and was formerly General Manager Corporate Development and Investments. Sam has over 20 years' experience in the energy sector, covering mergers and acquisitions, investment management, commercial and business development, greenfields project development, strategy and operations.



\$10.2b

market capitalisation
as at 30 June 2017

\$1,470.1m

earnings before interest, tax,
depreciation and amortisation
(EBITDA)

+10.5% on FY2016

\$1.2b

committed projects
announced in FY2017

\$377.5 m

total capital and investment
expenditure in FY2017

~\$800m expected in FY2018

\$973.9 m

operating cash flow

+12.9% on FY2016

+260 MW

announced projects to be
added to APA's renewables
portfolio

43.5c

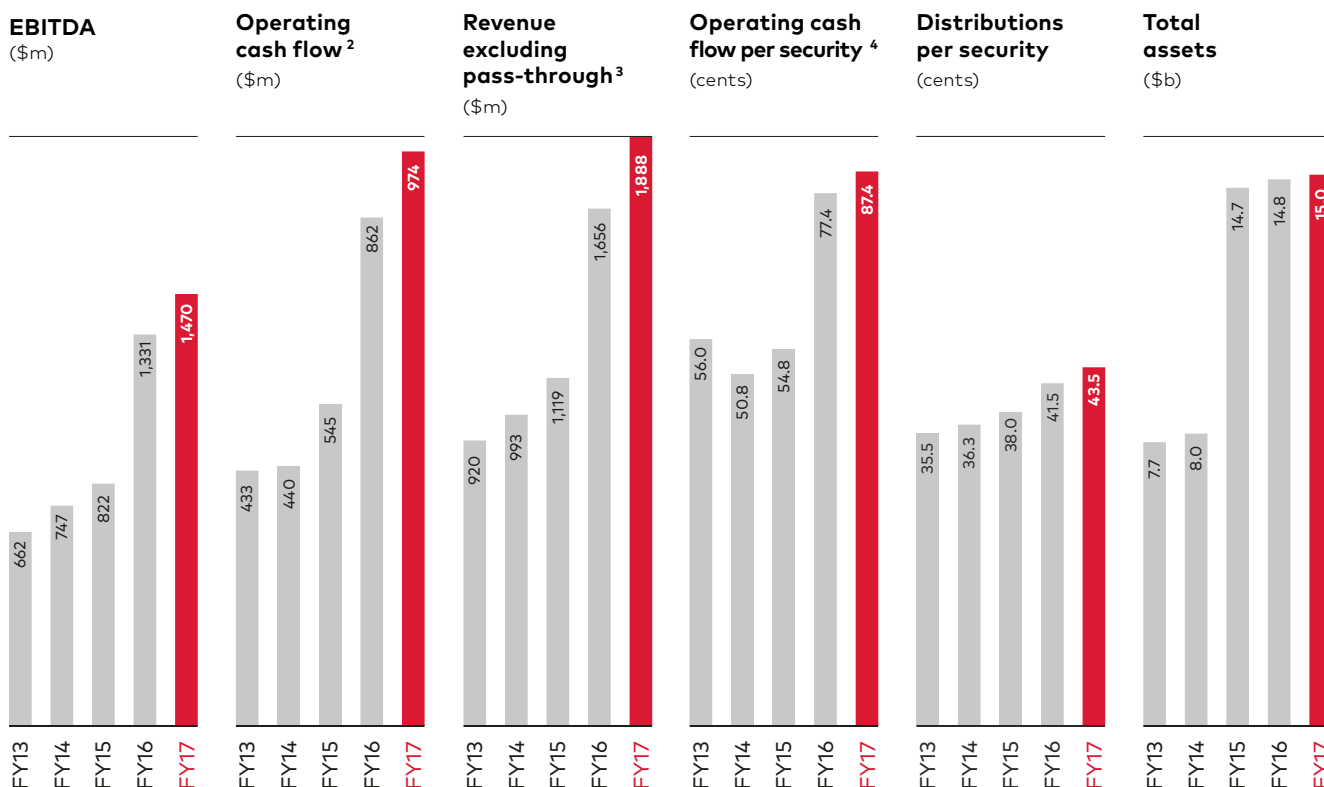
FY2017 total distribution
per security

+4.8% on FY2016 plus total
franking credits of 4.0 cents
per security

+248 km

of committed greenfield
pipelines under construction

normalised¹ business performance



financial results

\$ million	30 June 2017	30 June 2016	Changes
Revenue	2,326.4	2,094.3	11.1%
Revenue excluding pass-through ³	1,888.3	1,656.0	14.0%
EBITDA	1,470.1	1,330.5	10.5%
Profit after tax	236.8	179.5	32.0%
Operating cash flow ²	973.9	862.4	12.9%
Financial position			
Total assets	15,046.0	14,842.7	1.4%
Total drawn debt ⁵	9,249.7	9,037.3	2.4%
Total equity	3,978.2	4,029.1	(1.3%)
Financial ratios			
Operating cash flow per security ⁴ (cents)	87.4	77.4	12.9%
Earnings per security (cents)	21.3	16.1	32.3%
Distribution per security (cents)	43.5	41.5	4.8%
Distribution payout ratio (%)	49.8	53.6	nm
Gearing ⁶ (%)	67.4	66.4	nm
Interest cover ratio (times)	2.8	2.6	nm

1) Normalised financial results exclude significant items.

2) Operating cash flow = net cash from operations after interest and tax payments.

3) Pass-through revenue is revenue on which no margin is earned. Pass-through revenue arises in the asset management operations in respect of costs incurred and passed on to Australian Gas Networks Limited (AGN) and GDI in respect of the operation of the AGN and GDI assets respectively.

4) Between 23 December 2014 and 28 January 2015, APA issued a total of 278,556,562 new ordinary securities, resulting in total securities on issue of 1,114,307,369. The weighted average number of securities for FY2015 has been adjusted in accordance with the accounting principles of AASB133: 'Earnings per Share', for the rights issue.

5) APA's liability to repay debt at relevant due dates of the drawn facilities. This amount represents current and non-current borrowings as per balance sheet and is adjusted for deferred borrowing costs, the effect of unwinding of discount, unrealised foreign exchange differences reported in equity and deducting other financial liabilities that are reported as part of borrowings in the balance sheet.

6) Gearing = net debt divided by net debt plus equity.

Australian Pipeline Trust and its Controlled Entities (ARSN 091 678 778) Directors' Report for the year ended 30 June 2017

The Directors of Australian Pipeline Limited (Responsible Entity) submit their financial report of Australian Pipeline Trust (APT) and its controlled entities (together APA or Consolidated Entity) for the year ended 30 June 2017. This report refers to the consolidated results of APT and APT Investment Trust (APTIT).

1. Directors

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

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

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

Nevenka Codevelle

2. Principal Activities

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

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

3. State of Affairs

No significant change in the state of affairs of APA 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 APA, the results of those operations or the state of affairs of APA in future years.

5. About APA

5.1 APA overview

APA is Australia's leading energy infrastructure business. It owns and/or operates in excess of \$20 billion of energy infrastructure assets across Australia, and operates these with a skilled workforce of in excess of 1,600 people.

APA has a diverse portfolio of over 15,000 kilometres¹ of gas transmission pipelines that spans every state and territory on mainland Australia and delivers about half the nation's natural gas. It also owns or has interests in other related energy infrastructure assets such as gas storage facilities, gas processing facilities, gas compression facilities and renewable and gas fired power generation assets.

APA has ownership interests in, and/or operates, GDI (EII) Pty Ltd (GDI) and Australian Gas Networks Limited gas distribution networks, which together own approximately 28,400 kilometres of gas mains and pipelines, and approximately 1.3 million gas consumer connections.

APA also has interests in, and operates, other energy infrastructure assets and businesses, including SEA Gas Pipeline, Mortlake Gas Pipeline, Energy Infrastructure Investments (EII) and EII2.

APA is listed on the Australian Securities Exchange (ASX) and is included in the S&P ASX 50 Index. Since listing in June 2000, APA's market capitalisation has increased more than 19-fold to \$9.37 billion (as at 22 August 2017), and it has achieved securityholder returns of 17.4%² per annum on a compounded basis since listing on 13 June 2000 through to 18 August 2017.

1) Owned and or operated by APA.

2) Total securityholder return is the capital appreciation of APA's security price, adjusted for capital management actions (such as security splits and consolidations) and assuming reinvestment of distributions at the declared distribution rate per security. Figures quoted are sourced from IRESS.

5.2 APA objectives and strategies

APA will continue to be a leading energy infrastructure business, developing, owning and operating energy infrastructure. We are committed to delivering connected and sustainable energy solutions that are safe, reliable, innovative and cost-effective so that all of our stakeholders are better off as we work together to create a connected and sustainable energy future. Our strategy is as follows:

- Our growth focus is to enhance our portfolio:
 - of gas transmission pipelines;
 - of power generation: gas-fired and renewable;
 - of midstream energy infrastructure assets, including gas storage and gas processing; and
 - by exploring opportunities in North America.
- Continue to strengthen asset management, development and operational capabilities.
- Maintain APA's financial strength.

These strategies are underpinned by our values ('STARS') that guide our decision-making and how we go about our business:

- **Safe** – We will maintain a safe environment and a professional workplace where staff work collaboratively, are valued and treated with respect.
- **Trustworthy** – We act with honesty and integrity and accept individual and collective responsibility for the delivery of all business outcomes. We do what we say we are going to do.
- **Adaptable** – We continually respond and adapt to our changing environment by innovating, modifying our behaviour and continually improving our processes and systems to take advantage of opportunities to enhance, improve and grow our business.
- **Results** – We consistently meet our commitments and deliver excellent results to the benefit of our employees, customers, investors and the community through tenacity and perseverance.
- **Service** – We are committed to high quality service delivery achieved through listening, understanding, anticipating and responding to our customer needs.

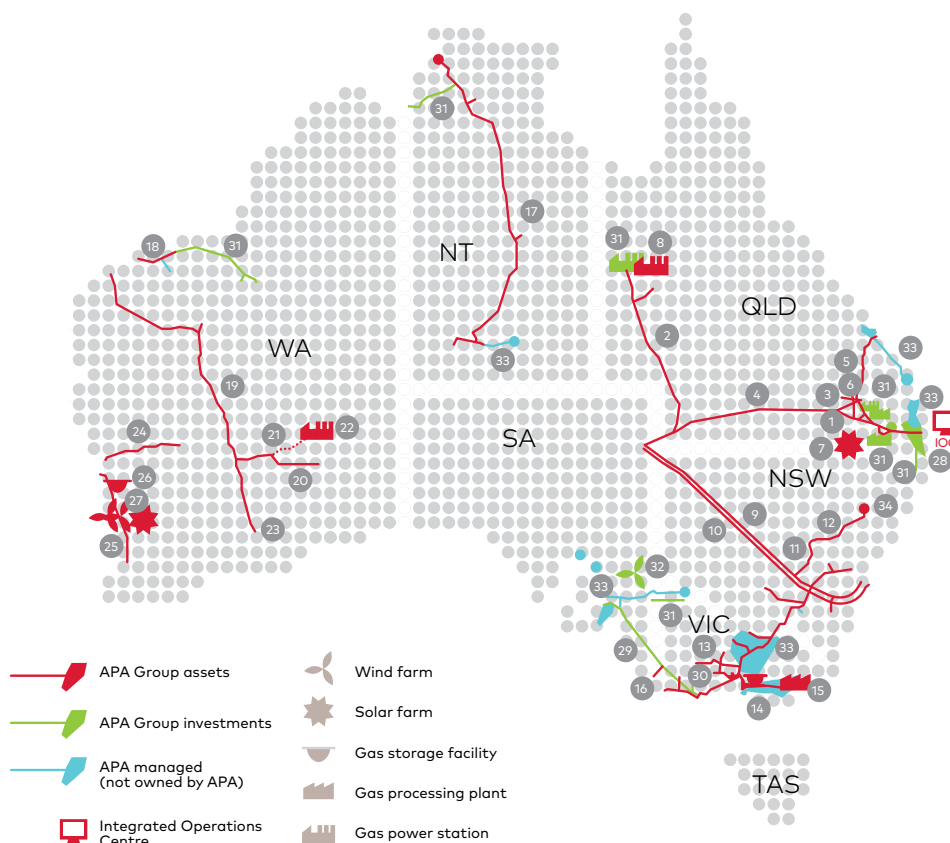
5.3 APA assets and operations

APA is a major participant in developing, owning and operating natural gas transportation and energy infrastructure assets across Australia.

APA's assets and operations are reported in three principal business segments:

- Energy Infrastructure, which includes all of APA's wholly or majority owned pipelines, gas storage assets, gas compression and processing assets and gas-fired and renewable energy power generation assets;
- Asset Management, which provides commercial, operating services and/or asset maintenance services to its energy investments and third parties for appropriate fees; and
- Energy Investments, which includes APA's strategic stakes in a number of investment vehicles that house energy infrastructure assets, generally characterised by long-term secure cash flows, with low ongoing capital expenditure requirements.

APA GROUP ASSETS AND OPERATIONS



Energy Infrastructure assets (numbers correspond with those on the map on page 11)

	Length/Capacity
East Coast and Northern Territory assets	
1) Roma Brisbane Pipeline (including Peat Lateral)	583 km / 233 TJ/d
2) Carpentaria Gas Pipeline	944 km / 119 TJ/d
3) Berwyndale Wallumbilla Pipeline	112 km
4) South West Queensland Pipeline	936 km / 384 TJ/d
5) Wallumbilla Gladstone Pipeline (including Laterals)	556 km / 1,510 TJ/d
6) Reedy Creek Wallumbilla Pipeline*	50 km / 300 TJ/d
7) Darling Downs Solar Farm*	110 MW
8) Diamantina and Leichhardt Power Stations	242 MW / 60 MW
9) Moomba Sydney Pipeline	2,029 km / 489 TJ/d
10) Ethane Pipeline	1,375 km
11) Central West Pipeline	255 km
12) Central Ranges Pipeline	295 km
13) Victorian Transmission System	1,847 km
14) Dandenong LNG Storage Facility	12,000 tonnes
15) Orbost Gas Processing Plant**	12 km / ~70 TJ/d
16) SESA Pipeline	45 km
17) Amadeus Gas Pipeline (including Laterals)	1,661 km
West Australian assets	
18) Pilbara Pipeline System	249 km / 166 TJ/d
19) Goldfields Gas Pipeline (88.2%)	1,546 km / 202 TJ/d
20) Eastern Goldfields Pipeline	293 km
21) Yamarna Gas Pipeline*	198 km / 8 TJ/d
22) Yamarna Power Station*	45 MW
23) Kalgoorlie Kambalda Pipeline	44 km
24) Mid West Pipeline (50%)	362 km / 11 TJ/d
25) Parmelia Gas Pipeline	448 km / 50 TJ/d
26) Mondarra Gas Storage and Processing Facility	18 PJ
27) Emu Downs Wind Farm	80 MW
27) Emu Downs Solar Farm*	20 MW
27) Badgingarra Wind Farm**	130 MW

Note:

* Assets under construction.

** Project subject to satisfaction of conditions precedent.

Energy Investments and Asset Management (numbers correspond with those on the map on page 11)

Energy Investment	Ownership interest	Detail
(28) GDI (EII)	20%	Gas distribution: Allgas Gas Network – 3,476 km of gas mains, 104,589 gas consumer connections in Qld
(29) South East Australia Gas Pty Ltd	50%	Gas pipeline: 687 km SEA Gas Pipeline
(30) SEA Gas (Mortlake) Partnership	50%	Gas pipeline: 83 km Mortlake Gas Pipeline
(31) Energy Infrastructure Investments	19.9%	Gas pipelines: Telfer/Nifty Gas Pipelines and lateral (488 km); Bonaparte Gas Pipeline (286 km); Wickham Point Pipeline (12 km) Electricity transmission cables: Murraylink (180 km) and Directlink (64 km) Gas-fired power stations: Daandine Power Station (30MW) and X41 Power Station (41 MW) Gas processing facilities: Kogan North (12 TJ/d); Tipton West (29 TJ/d)
(32) EII2	20.2%	Wind generation: North Brown Hill Wind Farm (132MW), SA
(33) Australian Gas Networks	Nil	Gas distribution: 24,670 km of gas mains and pipelines, 1.26 million gas consumer connections, 1,124 km of transmission gas pipelines in SA, Vic, NSW, Qld & NT
(34) Tamworth Gas Network	100%	Gas distribution: 241 km of gas mains, 3,351 gas consumer connections

6. Financial Overview

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

For the financial year to 30 June 2017 APA reported EBITDA of \$1,470.1 million, an increase of 10.5% or \$139.6 million on the previous corresponding period EBITDA of \$1,330.5 million.

Total revenue (excluding pass-through revenue) increased by \$232.3 million to \$1,888.3 million, an increase of 14.0% on the previous corresponding period (FY2016: \$1,656.0 million).

Increased revenues and EBITDA were primarily attributable to:

- a full year contribution from the Eastern Goldfields Pipeline, Ethane Pipeline and the Diamantina and Leichhardt Power Stations (DPS);
- contributions from various new contracts that commenced on the East Coast Grid; and
- a decrease in corporate costs, where the FY2016 results included certain one-off items.

Most significantly, during FY2017, APA announced in excess of \$1.2 billion of new growth projects to be commissioned over the next 2 years. Timing of these projects is detailed in sections 7 and 8 below.

All of these projects will contribute to future operating cash flow, which in FY2017 was \$973.9 million. This represents an increase of 12.9% or \$111.5 million over the previous year (FY2016: \$862.4 million), with operating cash flow per security increasing by 12.9%, or 10 cents, to 87.4 cents per security (FY2016: 77.4 cents per security).

On 22 August 2017, the directors announced a final distribution of 23.0 cents per security, which will take APA's distributions in respect of the financial year to a total of 43.5 cents per security. This represents an increase of 4.8%, or 2.0 cents, over FY2016 distributions of 41.5 cents. Franking credits of 2.0 cents per security will be allocated to the final distribution, resulting in the FY2017 franking credits totalling 4.0 cents per security. APA maintains a sustainable distribution policy to ensure its ability to fully fund its distributions out of operating cash flows whilst also retaining appropriate levels of cash in the business to support ongoing growth. APA's ongoing execution of its growth strategy requires the Board to strike a prudent balance between increasing distributions for Securityholders and retaining funds in the business to fund that growth, for the future benefit of Securityholders.

The following table provides a summary of key financial data for FY2017.

	30 June 2017 \$'000	30 June 2016 \$'000	Changes	
			\$'000	%
Total revenue	2,326,420	2,094,304	232,116	11.1%
Pass-through revenue ¹	438,140	438,330	(190)	–
Total revenue excluding pass-through	1,888,280	1,655,974	232,306	14.0%
EBITDA	1,470,122	1,330,543	139,579	10.5%
Depreciation and amortisation expenses	(570,021)	(520,890)	(49,131)	(9.4%)
EBIT	900,101	809,653	90,448	11.2%
Finance costs and interest income	(513,767)	(507,658)	(6,109)	(1.2%)
Profit before income tax	386,334	301,995	84,339	27.9%
Income tax (expense) / benefit	(149,488)	(122,524)	(26,964)	(22.0%)
PROFIT AFTER INCOME TAX	236,846	179,471	57,375	32.0%
Operating cash flow ²	973,936	862,435	111,501	12.9%
Operating cash flow per security (cents)	87.4	77.4	10.0	12.9%
Earnings per security (cents)	21.3	16.1	5.2	32.3%
Distribution per security (cents)	43.5	41.5	2.0	4.8%
Distribution payout ratio ³	49.8%	53.6%	(3.8%)	(7.1%)
Weighted average number of securities (000)	1,114,307	1,114,307	–	–

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

1) Pass-through revenue is revenue on which no margin is earned. Pass-through revenue arises in the asset management operations in respect of costs incurred in, and passed on to Australian Gas Networks Limited (AGN) and GDI in respect of the operation of the AGN and GDI assets respectively.

2) Operating cash flow = net cash from operations after interest and tax payments.

3) Distribution payout ratio = total distribution applicable to the financial year as a percentage of operating cash flow.

7. Business Segment Performances and Operational Review

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

	30 Jun 2017 \$000	30 Jun 2016 \$000	Changes	
			\$000	%
Revenue				
Energy Infrastructure				
East Coast: Queensland	1,114,428	939,963	174,465	18.6%
East Coast: NSW	176,000	143,427	32,573	22.7%
East Coast: Victoria	156,946	152,991	3,955	2.6%
East Coast: South Australia	2,958	2,871	87	3.0%
Northern Territory	30,932	28,843	2,089	7.2%
Western Australia	291,728	260,481	31,247	12.0%
Energy Infrastructure total	1,772,992	1,528,576	244,416	16.0%
Asset Management	86,424	95,430	(9,006)	(9.4%)
Energy Investments	24,382	28,271	(3,889)	(13.8%)
Total segment revenue	1,883,798	1,652,277	231,521	14.0%
Pass-through revenue	438,140	438,330	(190)	–
Unallocated revenue ¹	4,482	3,697	785	21.2%
Total revenue	2,326,420	2,094,304	232,116	11.1%
EBITDA				
Energy Infrastructure				
East Coast: Queensland	925,366	855,753	69,613	8.1%
East Coast: NSW	149,484	121,709	27,775	22.8%
East Coast: Victoria	123,008	120,583	2,425	2.0%
East Coast: South Australia	2,319	2,536	(217)	(8.6%)
Northern Territory	18,771	17,460	1,311	7.5%
Western Australia	234,724	217,558	17,166	7.9%
Energy Infrastructure total	1,453,672	1,335,599	118,073	8.8%
Asset Management	58,719	53,858	4,861	9.0%
Energy Investments	24,382	27,796	(3,414)	(12.3%)
Corporate costs	(66,651)	(86,710)	20,059	23.1%
Total EBITDA	1,470,122	1,330,543	139,579	10.5%

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

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

APA's financial performance during the financial year reflects solid operations and continued investment in our assets.

Total segment EBITDA increased by \$139.6 million, or 10.5%, to \$1,470.1 million, over the FY2016 result of \$1,330.5 million.

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

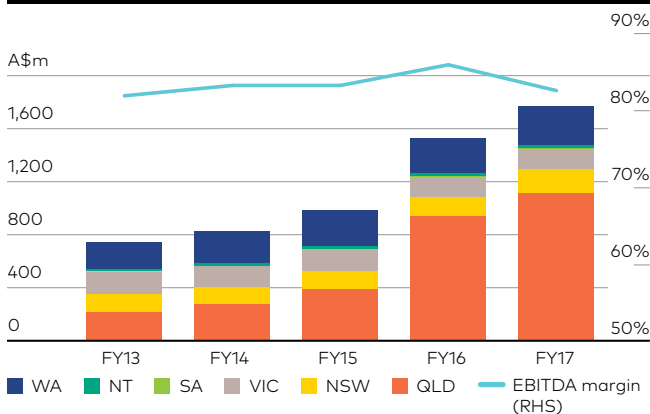
7.1 Energy Infrastructure

The Energy Infrastructure segment includes the interconnected energy infrastructure footprint across the mainland of Australia and includes gas transmission, gas compression, processing and storage assets, renewable energy power generation, and gas-fired power generation.

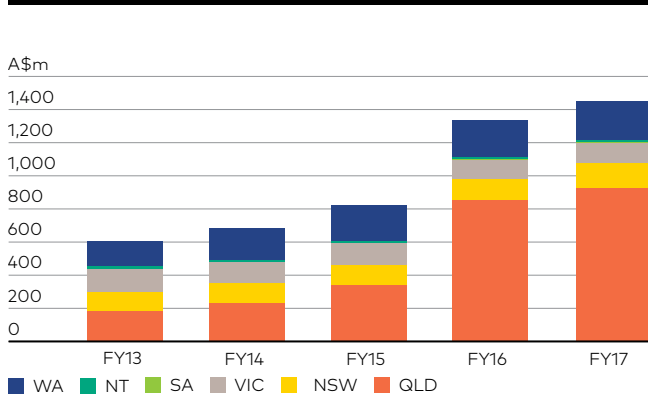
This segment contributed 94.1% of group revenue (excluding pass-through) and 94.6% of group EBITDA (before corporate costs) during the financial year. Revenue (excluding pass-through revenue) was \$1,773.0 million, an increase of 16% on the previous year (FY2016: \$1,528.6 million). EBITDA (before corporate costs) increased by 8.8% on the previous year to \$1,453.7 million (FY2016: \$1,335.6 million).

The increase in FY2017 earnings for Energy Infrastructure was primarily due to the full year contribution from the Eastern Goldfields Pipeline, the Diamantina and Leichhardt Power Stations (DPS) and the Ethane Pipeline.

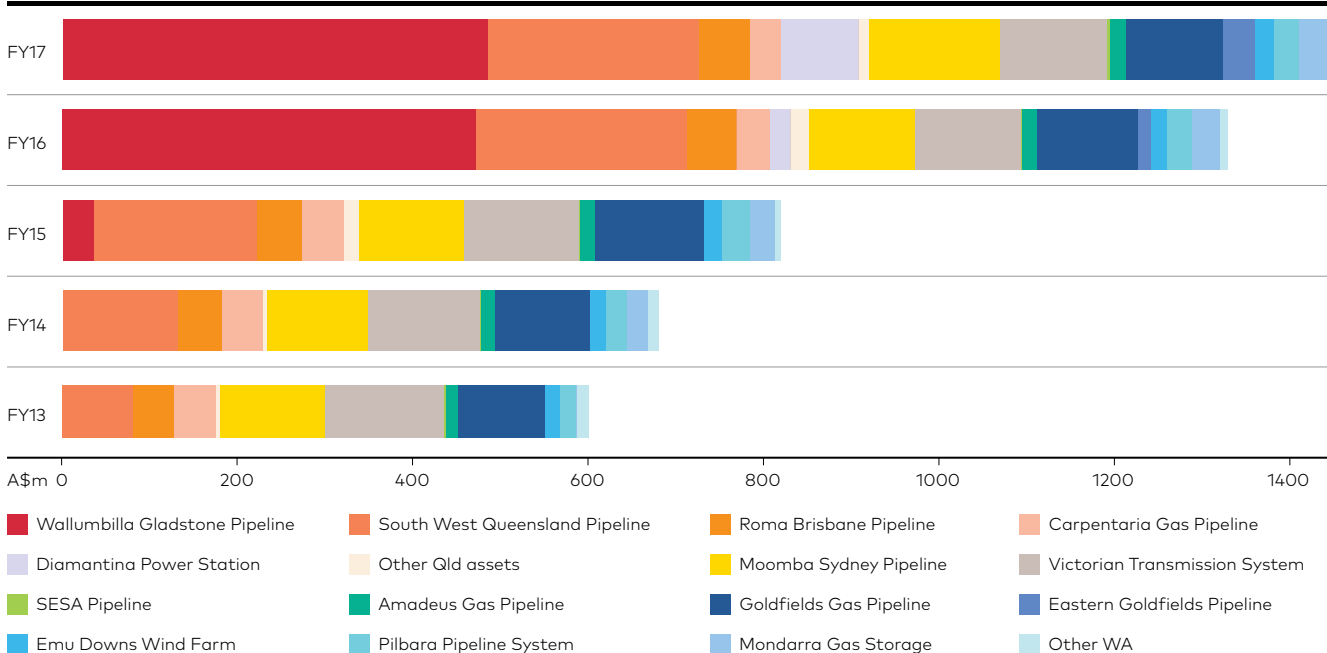
ENERGY INFRASTRUCTURE REVENUE BY STATE



ENERGY INFRASTRUCTURE EBITDA BY STATE



ENERGY INFRASTRUCTURE EBITDA BY ASSET



Note: The charts above exclude discontinued operations previously accounted for within Energy Infrastructure, including earnings from Allgas Networks and Moomba to Adelaide Pipeline.

The majority of revenues in the Energy Infrastructure segment are derived from either regulatory arrangements or long term capacity-based contracts. Regulatory arrangements on regulated assets are usually reviewed every five years. A national regulatory regime includes mechanisms for regulatory pricing and is encapsulated in the National Gas Law and National Gas Rules. The economic regulation aspects of the regime apply to most gas distribution networks and a number of gas transmission pipelines in Australia.

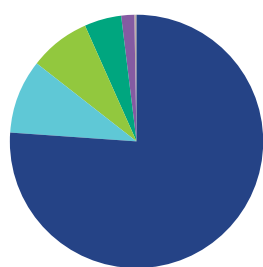
The regime provides for two forms of regulation based on a pipeline's relative market power – full regulation and light regulation. For assets under full regulation, the regulator approves price and other terms of access for standard ("reference") services as part of an access arrangement process, such that the asset owner has a reasonable opportunity to recover at least the efficient costs of owning and operating the asset to provide the reference services. Access arrangement periods usually run for five years. For assets under light regulation, contractual terms (including price) are negotiated between the service provider and customer with recourse to dispute resolution by the regulator in the absence of agreement.

During FY2017, the COAG Energy Council accepted the recommendations from Dr Michael Vertigan to increase information disclosure and implement a commercial arbitration framework for unregulated pipelines. These and other gas market regulatory reform initiatives have now moved to further development and implementation. Please refer to Section 10 (Regulatory Matters) of this report for further details.

Contracted revenues are sourced from unregulated assets and assets under light regulation as well as assets under full regulation. Contracts generally entitle customers to capacity reservation, with the majority of the revenue fixed over the term of the relevant contract. There is typically a small portion of the contract subject to throughput volume. The split between capacity charge and throughput charge differs between contracts and generally ranges from 85%/15% to 100%/0%.

During the financial year, 74.2% of Energy Infrastructure revenue (excluding pass-through) was from capacity reservation charges from term contracts, 4.6% from other contracted fixed revenues and 9.9% from throughput charges and other variable components. Given the dynamic east coast gas market, there were additional revenues from provision of flexible short term services, accounting for around 1.7%. The portion of APA's regulated revenue is 9.4% of FY2017 Energy Infrastructure revenue.

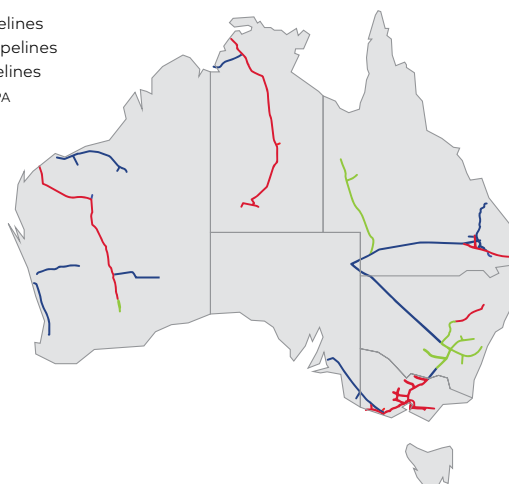
FY2017 ENERGY INFRASTRUCTURE BY REVENUE TYPE



- Capacity charge revenue: 76.2%
- Regulated revenue: 9.4%
- Throughput charge & other variable revenue: 7.8%
- Contracted fixed revenue: 4.7%
- Flexible short term services: 1.7%
- Other: 0.2%

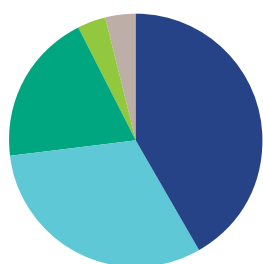
APA* PIPELINES BY REGULATION TYPE

- Full regulation pipelines
 - Light regulation pipelines
 - Not regulated pipelines
- * Owned and/or operated by APA



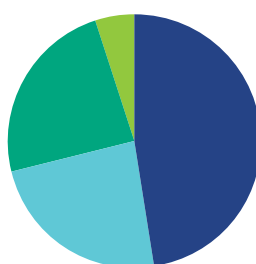
APA manages its counterparty risk in a variety of ways. One aspect is to consider customers' credit ratings. During FY2017, more than 92% of Energy Infrastructure revenue was received from investment grade counterparties. Diversification of customer base is another strength of APA's business, with our customers split across the energy, utility, resources and industrial sectors, as shown in the chart below.

FY2017 ENERGY INFRASTRUCTURE REVENUES BY COUNTERPARTY CREDIT RATING



- A- rated or better: 41.7%
- BBB & BBB+ rated: 31.6%
- Investment grade: 19.4%
- Not rated: 3.6%
- Sub-investment grade: 3.7%

FY2017 ENERGY INFRASTRUCTURE REVENUES BY CUSTOMER INDUSTRY SEGMENT



- Energy: 47.4%
- Utility: 23.9%
- Resources: 23.7%
- Industrial & others: 5.0%

APA's Integrated Operations Centre in Brisbane has continued to generate operational, safety and financial benefits from having real-time visibility across transmission assets throughout Australia. Integrating the elements of engineering, commercial and system operation in daily decision making has enabled better outcomes for our customers under both normal operating conditions as well as unplanned plant, market or customer disruption periods. Knowledge around individual customer requirements and nuances are captured to improve and customise services to APA's customers, as well as to enhance operational risk management across the national platform.

East Coast and Northern Territory

APA's 7,500 plus kilometre integrated pipeline grid on the east coast of Australia has the ability to transport gas seamlessly from multiple gas production facilities to gas users across four states and the ACT, as well as to the export LNG market which has developed out of Gladstone.

EBITDA from APA's assets on the eastern states increased by 9% during the year.

A Symbiotic Relationship – working with customers to meet their needs

APA continues to offer products and services to meet the needs of our customers in a very dynamic gas market. By working closely with our customers and understanding their gas portfolio management needs, APA is able to utilise its unique gas grid to provide bespoke services that ensure gas security.

"APA responded to a request for proposal from Australia Pacific LNG for construction and a 20-year transportation services for a new pipeline. The proposed pipeline would connect Australia Pacific LNG's high pressure pipeline network at Reedy Creek to Wallumbilla Hub. A key aspect of APA's successful bid response was its understanding of how Australia Pacific LNG's supply and demand requirements would be integrated with existing commitments at the Wallumbilla Hub. The entire RFP process, negotiations, and corporate and shareholder approvals for the agreement took less than eight months." Comment from Australia Pacific LNG.



Pipe stockpile at the new Reedy Creek Wallumbilla Pipeline project

During FY2017, NSW earnings were boosted by a full year contribution from the Ethane Pipeline. The Victorian–Northern Interconnect expansion was also completed, and new contracts progressively contributed to additional earnings across both Victorian and NSW pipeline systems, including the multi-services contract with AGL that commenced on 1 January 2017. Victoria's EBITDA also benefited from a colder winter and spring, earlier in the financial year.

In Queensland, FY2017 saw the first full year contribution from DPS, the remaining 50% of which was acquired during FY2016. Whilst the Queensland results also benefited from a number of multi-asset contracts which commenced during the period, this was partially offset by a reduction in short term revenues seen during LNG projects ramping up in FY2016.

Working with our stakeholders – Badgingarra Wind Farm



Badgingarra Wind Farm site (Emu Downs Wind Farm in the background)

APA will commence construction in late 2017 of our 130MW Badgingarra Wind Farm in Western Australia. This is the culmination of APA working with a number of stakeholders including our customer Alinta Energy, the Western Australian Government, Australian Energy Market Operator (AEMO) and Western Power since purchasing the site in 2011. The greenfield site is adjacent to APA's operating 80MW Emu Downs Wind Farm, also acquired in 2011 as part of the same transaction. APA is also constructing a 20MW solar farm at Emu Downs to be commissioned by 2018.

The Badgingarra Wind Farm's biggest challenge was access to the transmission network and APA has worked closely with the local transmission operator Western Power over the last six years to bring the Badgingarra project to commercial fruition.

The motivation to keep the project moving forward was derived from our analysis that the Badgingarra Wind Farm project was commercially attractive enough to fit into the Federal Government's Renewable Energy Target of 33,000 GWh by 2020.

After negotiations with State Government, AEMO, Western Power, the Public Utilities Office of Western Australia and Alinta Energy, APA was able to find a solution that satisfied all stakeholders.

The Badgingarra Wind Farm is expected to be commissioned in early 2019, contributing to APA's renewable energy precinct in Western Australia, which will total 230MW.

APA continues to develop new opportunities for its assets on the east coast of Australia. Growth projects announced during the year were:

- the Reedy Creek Wallumbilla Pipeline, which will connect Australia Pacific LNG's coal seam gas fields directly to APA's East Coast Grid. Construction is on track and commissioning is expected mid-2018, at which time, APLNG will have the capability to move up to 300TJ per day of gas into and out of the East Coast Grid, helping to balance domestic gas supply and demand.
- the Orbost Gas Processing Plant, for which works have also commenced late in FY2017. The plant will be connected to Cooper Energy's Sole gas field and bring in much needed additional gas supply to the eastern markets.
- the 110MW Darling Downs Solar Farm project, which APA purchased from Origin Energy. It has a 12 year offtake contract with Origin Energy and is expected to start producing electricity by late 2018.

During the financial year, APA's assets in the Northern Territory continued to perform to expectations.

Western Australia

In Western Australia, APA's assets serve a variety of customers in the resources, industrial and utility sectors, mainly in the Perth, Pilbara and Goldfields regions.

EBITDA from APA's Western Australian assets for the financial year was up by 7.9% compared with FY2016.

Full year earnings from the Eastern Goldfields Pipeline contributed to the increased earnings for APA's Western Australian assets. The additional transaction announced during the year to connect the Gruyere Gold Project to reliable energy across 1,500 km using APA's Goldfields Gas Pipeline, Murrin Murrin Lateral, Eastern Goldfields Pipeline and the to be constructed Yamarna Gas Pipeline further underwrites the value of our interconnected gas infrastructure into the minerals rich region of Goldfields and Pilbara. Both the pipeline and the power station have commenced construction with a target commissioning date of late 2018.

In APA's energy precinct north of Perth, earnings from the Mondarra Gas Storage and Processing Facility increased year on year, due to a well enhancement project in FY2016. The Emu Downs Wind Farm benefited from better wind resource. This site will be further enhanced as APA is erecting solar panels with a capacity of 20MW (Emu Downs Solar Farm) and expanding its wind farm footprint to an adjacent site at Badgingarra with the construction of a 130MW wind farm (Badgingarra Wind Farm). All three renewable energy power generation assets will share existing infrastructure and on-the-ground resources, and generate additional revenues for APA once completed.

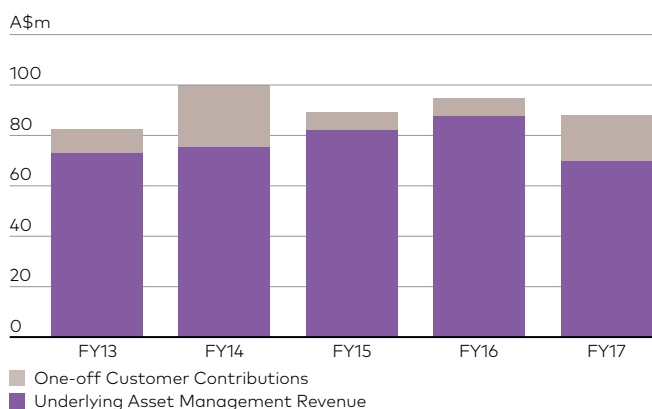
The increase in revenue from Mondarra Gas Storage and Processing Facility were partially offset by a reduction in revenue from the Goldfields Gas Pipeline for the current period, reflecting tariff reductions contained in the new access arrangement that came into effect during the period.

7.2 Asset Management

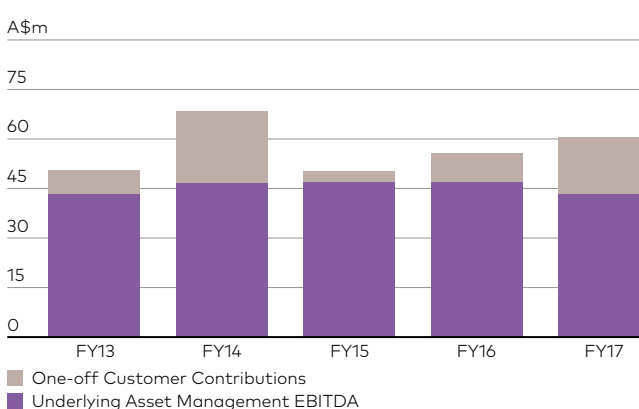
APA provides asset management and operational services to the majority of its energy investments and to a number of third parties. Its main customers are Australian Gas Networks Limited (AGN)³, Energy Infrastructure Investments and GDI (EII). Asset management services are provided to these customers under long-term contracts.

Revenue (excluding pass-through revenue) from asset management services decreased by \$9.0 million or 9.4% to \$86.4 million (FY2016: \$95.4 million) and EBITDA (excluding corporate costs) increased by \$4.9 million or 9.0% to \$58.7 million (FY2016: \$53.9 million).

ASSET MANAGEMENT REVENUE



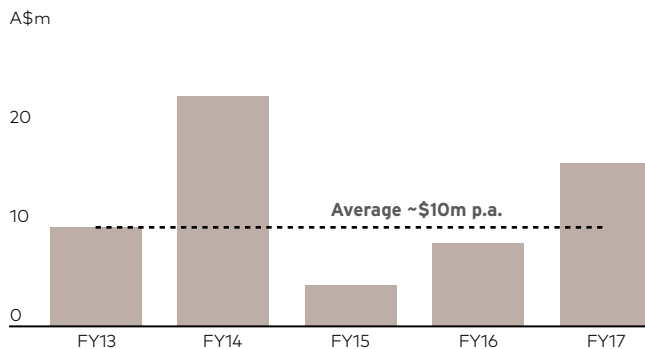
ASSET MANAGEMENT EBITDA



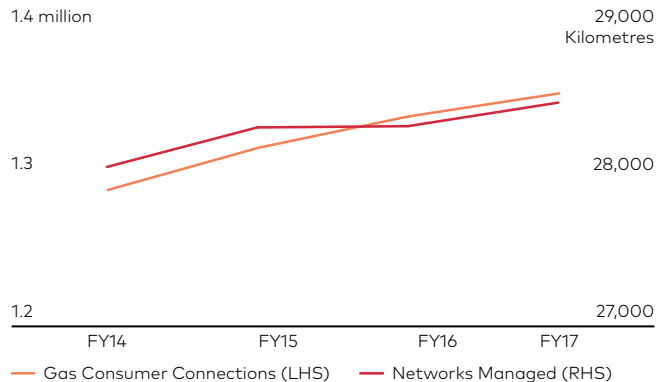
Note: Fees from DPS and the Ethane Pipeline were no longer received in FY17 due to these assets being fully owned and managed within the Energy Infrastructure segment.

3) APA sold its 33.05% stake in AGN in August 2014, however, the operating and maintenance agreements remain on foot until 2027.

CUSTOMER CONTRIBUTIONS



APA OPERATED GAS NETWORKS STATISTICS



Cyclone Debbie

– maintaining safe and reliable gas supply

Cyclone Debbie (March 2017) caused significant damage and flooding in the populous areas of south east Queensland and Northern Rivers. Major damage to the John Muntz causeway on the Coomera River occurred as a result of a section of the bridge being washed away resulting in approximately 20 metres of GDI (EII) high pressure steel mains on each side of the river being exposed. No serious damage was done to the pipe, which is used to supply gas to 20,000 customers, however, the situation of the exposed pipe with further strong currents and water debris expected over the following weeks required action to ensure safe and reliable supply to users.

APA's Networks team promptly undertook remedial action including a pipeline integrity check; building of a temporary groyne to protect the pipe from floating debris; and organising the relocation of an at risk power pole away from the damaged embankment. In the months since Cyclone Debbie, the exposed section has been replaced with a new length of pipe that has been directionally drilled 10 metres under the river bed from a starting point of around 20 metres back on each side of the embankment. Importantly, supply at full pressure was maintained throughout the entire event and repair period.



John Muntz causeway remedial works underway






Customer contributions, which are payments received from a third party for APA to undertake work on the assets it manages to accommodate that third party's project, remains in-line with the long term average of approximately \$10 million per annum. APA continues to expect annual swings in customer contributions, as these are driven by customers' requirements.

Excluding customer contributions, both revenue and EBITDA decreased slightly for the Asset Management business. Whilst a colder winter contributed to higher network volumes this was offset by lower tariffs on AGN's South Australian distribution network, given the new access arrangement that took effect from the beginning of FY2017, as well as the transfer of the Ethane Pipeline and Diamantina and Leichhardt Power Stations to full ownership by APA, and now included under Energy Infrastructure. The Australian Energy Regulator is expected to hand down its final decision on the Access Arrangement for AGN's Victorian distribution network during 1H FY2018, with the new tariffs applying from January 2018.

The gas distribution businesses of AGN and GDI have seen solid connection growth through continued investment in new housing estates and high rise apartment developments as natural gas continues to be a fuel of choice for cooking, hot water and heating in these markets.

7.3 Energy Investments

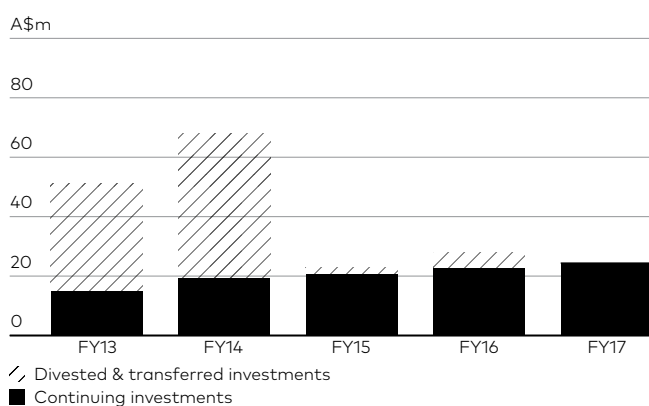
APA has interests in a number of complementary energy investments across Australia.

Asset and ownership interests	Asset details and APA services	Partners
Mortlake Gas Pipeline  50% SEA Gas (Mortlake) Partnership	83 km gas pipeline connecting the Otway Gas Plant to the Mortlake Power Station MAINTENANCE	Retail Employees Superannuation Trust – REST
SEA Gas Pipeline  50% South East Australia Gas Pty Ltd	687 km gas pipeline from Iona and Port Campbell in Victoria to Adelaide MAINTENANCE	Retail Employees Superannuation Trust – REST
North Brown Hill Wind Farm  20.2% EII2	132 MW wind farm in South Australia CORPORATE SUPPORT	Infrastructure Capital Group Osaka Gas
Allgas Gas Distribution Network  20% GDI (EII)	3,476 km Allgas gas distribution network in Queensland with 104,589 connections CORPORATE SUPPORT	Marubeni Corporation State Super OPERATIONAL MANAGEMENT
Daandine and X41 Power Stations Kogan North and Tipton West Processing Plants Directlink and Murraylink Electricity Interconnectors Nifty and Telfer Gas Pipelines Wickham Point and Bonaparte Gas Pipelines  19.9% Energy Infrastructure Investments	Gas-fired power generation 71 MW Gas processing facilities 41 TJ/day Electricity transmission cables 244 km Gas pipelines totaling 786 km CORPORATE SUPPORT	Marubeni Corporation Osaka Gas OPERATIONAL MANAGEMENT

APA's ability to manage these investments and provide operational and/or corporate support services gives it flexibility in the way it grows the business and harnesses expertise in-house.

EBITDA from Energy Investments was \$24.4 million (FY2016: \$27.8 million). The reduction is due to DPS and the Ethane Pipeline being transferred to the Energy Infrastructure segment from Energy Investments segment, partly offset by increased income from our investment in GDI(EII).

ENERGY INVESTMENT REVENUE & EBITDA

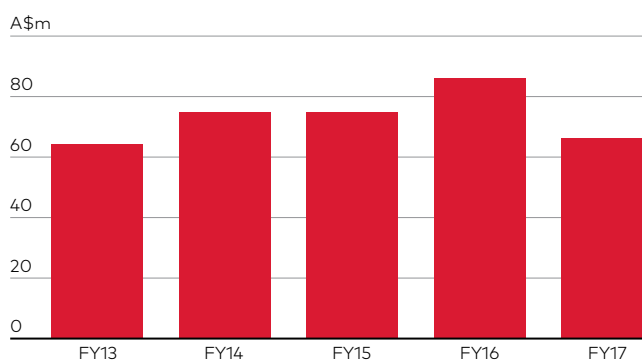


Note: "Divested & transferred investments" relate mainly to AGN sold in FY2014. DPS and EPX earnings are classified as divested & transferred investments within Energy Investments up until financial close for the purpose of the segment reporting.

7.4 Corporate Costs

Corporate costs for the financial year decreased by \$20.0 million over the previous corresponding period to \$66.7 million (FY2016: \$86.7 million). This reflects the one-off nature of certain costs incurred in the previous corresponding period (around \$13 million) and ongoing cost control within the business.

CORPORATE COSTS



8. Capital and Investment Expenditure

Capital and investment expenditure for FY2017 totalled \$377.5 million.

Total capital expenditure (including stay-in-business capital expenditure but excluding acquisitions and other investing cash flows) for FY2017 was \$340.7 million compared with \$333.7 million last year. Growth project expenditure of \$271.9 million (FY2016: \$281.0 million) was related to the following projects during the year:

- completion of the latest stage of the Victorian–Northern Interconnect expansion project, which has expanded the bi-directional interconnect;
- Moomba Interconnect project, which, for minimal capital spend, has increased the efficiency of the operation of APA's East Coast Grid, facilitating gas flows through Moomba; and
- commencement of growth projects announced during the year, including Reedy Creek Wallumbilla Pipeline, Emu Downs Solar Farm, Badgingarra Wind Farm, Darling Downs Solar Farm and the Orbest Gas Processing Plant.

APA's growth capital expenditure continues to be fully underwritten through long-term contractual arrangements or to have regulatory approval through a relevant access arrangement. Capital and investment expenditure for the financial year is detailed in the table below.

Working together to keep gas infrastructure safe

APA's Networks and Transmission businesses have jointly signed a Memorandum of Understanding with Queensland's Department of Transport and Main Roads (DTMR) which will reduce the likelihood of damage to APA-managed infrastructure in Queensland.

The MoU provides a mechanism to share information and enhance operational and communication processes to reduce the likelihood of un-notified or uncontrolled excavation. Third party and uncontrolled excavation is a common threat to gas infrastructure.

Networks and Transmission are now participating in quarterly Joint Working Group meetings with DTMR to pursue continuous improvement benefits.



APA and DTMR working together

Capital and investment expenditure ¹	Description of major projects	30 Jun 2017 (\$ million)	30 Jun 2016 (\$ million)
Growth expenditure			
Regulated	Victorian–Northern Interconnect expansion	106.1	130.9
Non-regulated			
Queensland	Darling Downs Solar Farm, Reedy Creek Wallumbilla Pipeline	78.3	14.0
New South Wales		0.4	4.8
Western Australia	Badgingarra Wind Farm, Emu Downs Solar Farm, Yamarna Pipeline & Power Station	30.6	97.6
Other		56.5	33.7
Sub-total unregulated capex		165.8	150.1
Total growth capex		271.9	281.0
Stay-in business capex		68.8	52.7
Total capital expenditure		340.7	333.7
Investment and acquisitions ²		36.8	339.9
Total capital and investment expenditure		377.5	673.6

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

1) The capital expenditure shown in this table represents net cash used in investing activities as disclosed in the cash flow statement, and excludes accruals brought forward from the prior period and carried forward to next period.

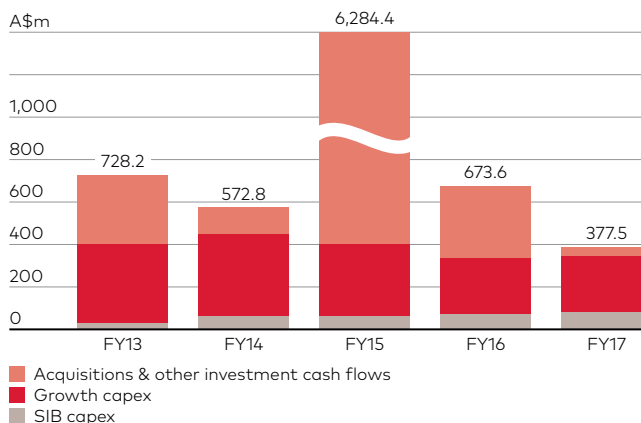
2) Investments & acquisitions capital expenditure is net of gains on disposals.

APA announced at its FY2016 annual results presentation last August that it had identified around \$1.5 billion of organic opportunities in the near term.

During the course of FY2017, APA announced in excess of \$1.2 billion of projects in the areas of pipeline extensions and expansions, renewables and mid-stream assets that will require in the order of \$800 million of growth capital investment in FY2018, with revenues to be received from early FY2019.

Beyond FY2018 APA expects \$300 to \$400 million per annum over the next two to three years in growth projects coming to fruition across all of those sectors, as we continue to engage with our customers on what their needs are within that timeframe. These projects are underwritten by long term contracts with our customers and will increase APA's earnings base as they are commissioned.

CAPITAL AND INVESTMENT EXPENDITURE



Note: FY13 HDUF acquisition represents only cash outflow, given scrip based acquisition.

GROWTH PROJECTS ANNOUNCED DURING FY17

Projects	Capex		Pipeline projects		Renewable projects		Midstream Projects	Customer
	FY 17	1H FY 18	2H FY 18	1H FY 19	2H FY 19	1H FY 20	2H FY 20	
FY17 (incl. VNIE, excl. projects listed below)	\$213.7m							various
Reedy Creek Wallumbilla Pipeline	\$80m project		20-year contract					APLNG
Emu Downs Solar Farm (incl. \$5.5m ARENA funding)	\$50m project		13-year contract					Synergy
Badgingarra Wind Farm	\$315m project		12-year contract					Alinta
Orbost Gas Processing Plant	\$270m project		Multi year contract					Cooper
Darling Downs Solar Farm (incl. \$20m ARENA funding)	\$200m project		12-year contract					Origin
Yamarna Pipeline & Power Station	\$180m project		15-year contract					Gold Road/ Gold Fields JV
Total growth capex (‘in-flight’ to date)	FY17: \$271.9m	FY18: ~\$800m	FY19: ~\$150m					
Total revenue contribution		FY18: <\$5m	FY19: ~\$70m		FY20: ~\$200m			

Note: Above diagram is illustrative only.

As have been detailed in Section 7 above, major projects announced to date are:

- The Reedy Creek Wallumbilla Pipeline is a 50km, 300TJ per day, bi-directional pipeline connected to APA's East Coast Grid that will provide a key link to the Wallumbilla Gas Hub for Australia Pacific LNG Marketing Pty Limited, at an estimated cost of \$80 million and scheduled to complete around the middle of 2018. APA has entered into a 20-year contract with APLNG.
- The Emu Downs Solar Farm is a 20MW solar farm, being built next to the Emu Downs Wind Farm site. Synergy, the Western Australian energy provider has entered into a 13-year offtake agreement for both the energy and the Large-scale Renewable Generation Certificates (LGCs), commencing January 2018. The estimated \$50 million project will be partially funded with a \$5.5 million grant from the Australian Renewable Energy Agency (ARENA).
- The Badgingarra Wind Farm is a 130MW wind farm, to be built at an estimated cost of \$315 million, on the site adjacent to the existing Emu Downs Wind Farm (final condition precedent expected to be met in August 2017). Alinta Energy has entered into a 12-year offtake agreement for both the energy and the LGCs, commencing January 2019.
- The Orbost Gas Processing Plant is (subject to conditions precedent) being acquired and upgraded by APA for an estimated cost of \$270 million and upon completion of the refurbishment, will process raw natural gas from Cooper Energy's offshore Sole gas field under a multi-year Gas Processing Agreement from mid-2019.
- The Darling Downs Solar Farm is a 110MW solar farm, to be built at an estimated cost of \$200 million (partially funded with a \$20 million grant from ARENA). Origin Energy has entered into a 12-year offtake agreement for both the energy and the LGCs from late 2018.
- The Yamarna Gas Pipeline (YGP) and the Yamarna Power Station (YPS) which will deliver energy to the Gruyere Gold Project in Western Australia. The YGP is a 198km pipeline that will deliver gas to the 45MW YPS across 1,500km, connecting through the Goldfields Gas Pipeline, Murrin Murrin Lateral and the Eastern Goldfields Pipeline. A 15-year gas transportation agreement and a 15-year electricity supply agreement have been entered into with the Gruyere Gold Project, a 50:50 joint venture between ASX listed Gold Road Resources Ltd and the global miner Gold Fields Limited. Commissioning is expected in late 2018, and total project cost is estimated to be \$180 million.

In addition to these committed projects, APA continues to develop opportunities with our customers to deliver more energy to users, including the Western Slopes Pipeline, which, subject to Santos' FID, will connect the proposed Narrabri Gas Project to APA's Moomba Sydney Pipeline and feasibility study to connect Northern Queensland gas basins to APA's East Coast Grid.

APA's growth strategy will continue to be considered using the same principles and criteria that APA has always adhered to, which are to:

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

Stay-in business capex increased from \$52.7 million in FY2016 to \$68.8 million during this financial year. This was in line with both the long term asset management planning cycle across our assets and the increasing scale of the business.

9. Financing Activities

9.1 Capital Management

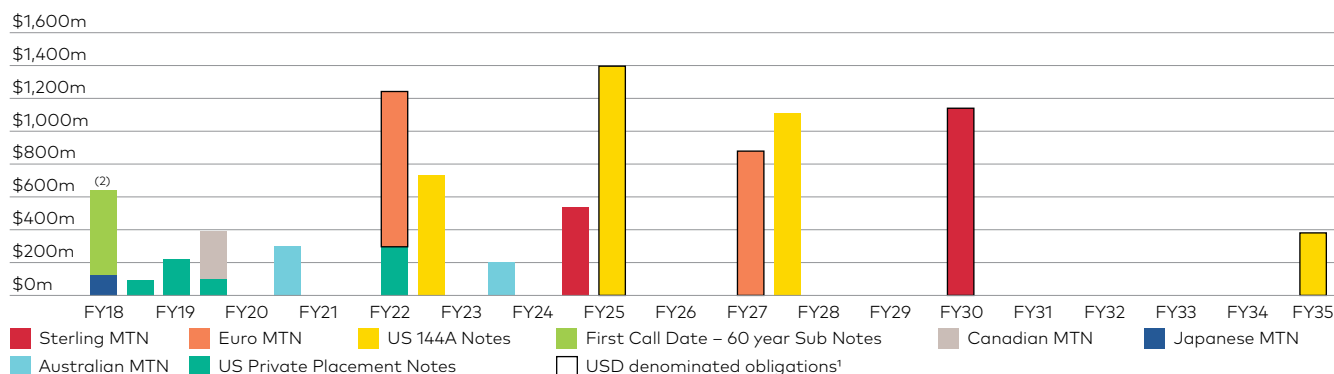
As at 30 June 2017, APA had 1,114,307,369 securities on issue. This was unchanged from 30 June 2016.

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

APA's debt portfolio has a broad spread of maturities extending out to FY2035, with an average maturity of drawn debt of 7.5 years at 30 June 2017. APA's gearing⁴ of 67.4% at 30 June 2017 was marginally higher than the 66.4% at 30 June 2016. APA remains well positioned to fund its planned growth activities with over \$1,460 million in cash and committed undrawn facilities, as well as ongoing access to a broad range of debt capital markets available as at 30 June 2017.

⁴ 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.

APA DEBT MATURITY PROFILE AND DIVERSITY OF FUNDING SOURCES



- Notes:**
 1) USD denominated obligations translated to AUD at the prevailing rate at inception (USD144A – AUD/USD=0.7879, EMTN & Sterling AUD/USD=0.7772).
 2) Subordinated Notes first call date of 31 March 2018. Contractual maturity date is 30 September 2072.

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

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

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

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

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

9.2 Borrowings and finance costs

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

Net finance costs increased by \$6.1 million, or 1.2%, to \$513.8 million (FY2016: \$507.7 million). The increase is primarily due to having a higher level of drawn debt in FY17 relative to FY16. The average interest rate (including credit margins)⁵ applying to drawn debt was 5.56% for the current period (FY2016: 5.78%).

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

9.3 Credit ratings

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

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

5) 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.

9.4 Income tax

Income tax expense for the financial year of \$149.5 million results in an effective income tax rate of 38.7%, compared to 40.6% for the previous corresponding period. The high effective rate is due to the significant amortisation charges relating to contract intangibles acquired with the Wallumbilla to Gladstone Pipeline which are not deductible for tax purposes.

After utilisation of available tax losses and franking and research and development tax offsets, income tax of \$32.1 million will be payable in respect of the year ended 30 June 2017. With PAYG instalments of \$3.2 million having already been paid, a tax provision of \$28.9 million has been recognised. APA has provided a Tax Transparency Report which includes a reconciliation of profit to income tax payable on APA's website at <https://www.apa.com.au/investors/my-securities/tax-information/>.

9.5 Distributions

Distributions paid to securityholders during the financial year were:

	Final FY2016 distribution paid 16 September 2016		Interim FY2017 distribution paid 15 March 2017	
	Cents per security	Total distribution \$000	Cents per security	Total distribution \$000
APT franked profit distribution	–	–	4.67	52,001
APT unfranked profit distribution	16.34	182,063	4.92	54,889
APT capital distribution	1.78	19,869	5.47	60,959
APTIT profit distribution	3.75	41,811	3.48	38,770
APTIT capital distribution	0.63	6,976	1.96	21,814
Total	22.50	250,719	20.50	228,433
Franking credits allocated	–	–	2.00	22,286

On 22 August 2017, the Directors declared a final distribution for APA for the financial year of 23.0 cents per security which is payable on 13 September 2017. Franking credits of 2.0 cents per security will be allocated to the APT franked profit distribution. The FY2017 final distribution will comprise the following components:

	Final FY2017 distribution payable 13 September 2017	
	Cents per security	Total distribution \$000
APT franked profit distribution	4.67	52,001
APT unfranked profit distribution	0.79	8,802
APT capital distribution	10.78	120,183
APTIT profit distribution	3.07	34,198
APTIT capital distribution	3.69	41,107
Total	23.00	256,291
Franking credits allocated	2.00	22,286

As a result, the total distribution applicable to the year ended 30 June 2017 is 43.5 cents per security, a 4.8% increase over the total distribution of 41.5 cents per security applicable to the year ended 30 June 2016. Franking credits allocated for the year ended 30 June 2017 distribution totalled 4.0 cents per security.

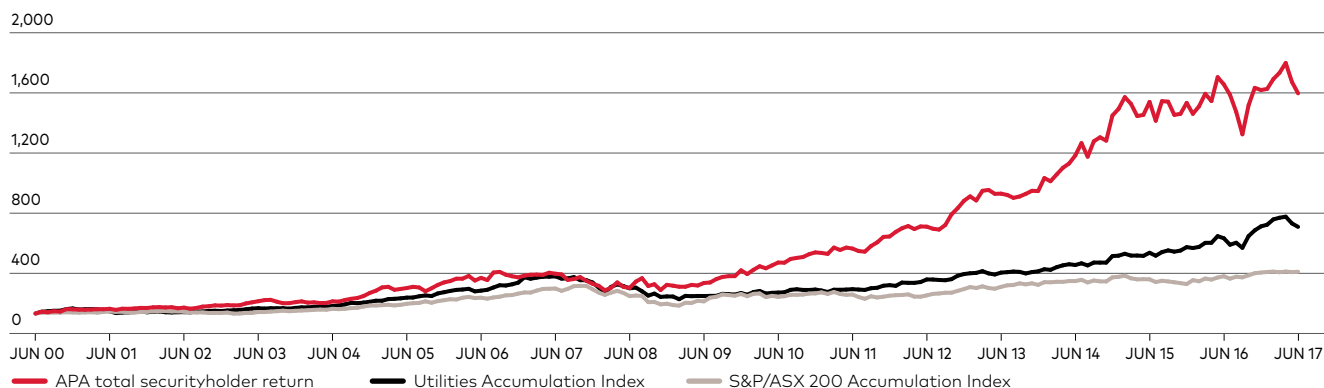
The Distribution Reinvestment Plan remains suspended.

9.6 Total securityholder return

APA's total securityholder return for the financial year, which accounts for distributions paid plus the capital appreciation of APA's security price and assumes the reinvestment of distributions at the declared time, was 4.1%⁶.

APA's total securityholder return since listing in June 2000 on the ASX, is 1,572⁷, a compound annual growth rate of 17.4%.

APA TOTAL SECURITYHOLDER RETURNS SINCE LISTING (JUNE 2000) TO 18 AUGUST 2017



9.7 Guidance for 2018 financial year

Based on current operating plans and available information, APA expects EBITDA for the full year to 30 June 2018 to be in a range of \$1,475 million to \$1,510 million.

APA has entered into forward exchange contracts for FY2018, for the net USD cash flow from the gas transportation agreements for the Wallumbilla Gladstone Pipeline (WGP), after servicing USD denominated debt. In forecasting the AUD equivalent EBITDA contribution from WGP, the forward exchange rates for these hedged revenues have been used.

Net interest cost is expected to be in a range of \$525 million to \$535 million.

Distributions per security for the 2018 financial year are expected to be in the order of 45.0 cents per security, with franking credits which may be allocated to those distributions enhancing that cash payout.

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

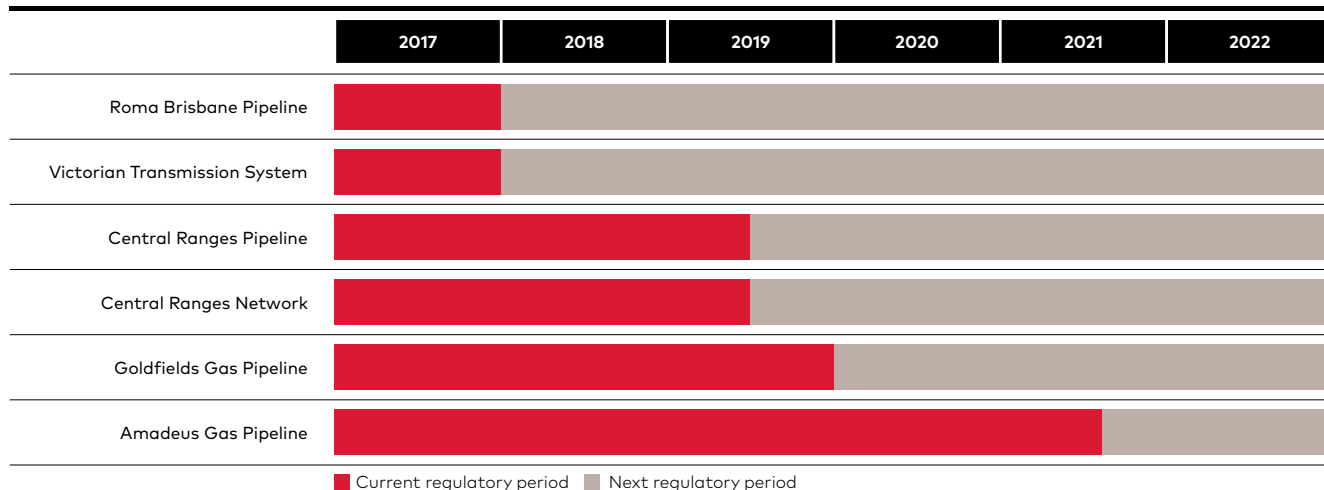
	FY2018 guidance	FY2017 actual
EBITDA (\$ millions)	1,475 to 1,510	1,470.1
Net interest cost (\$ millions)	525 to 535	513.8
Total distribution (cents per security)	In the order of 45 cents	43.5 cents

10. Regulatory Matters

Regulatory resets

The diagram below outlines the scheduled regulatory reset dates for pipelines owned and operated by APA. During FY2017, approximately 9.4% of APA's Energy Infrastructure revenues were revenues that are subject to regulated outcomes.

REGULATORY RESET SCHEDULE



6) Figures quoted are sourced from IRESS and measured as at 30 June 2017.

7) Indexed from 13 June 2000, the date of APA's listing on the ASX.

Key regulatory matters addressed during the year included:

Victorian Transmission System access arrangement

The process to revise the access arrangement applying to the Victorian Transmission System (VTS) is currently underway, with the Australian Energy Regulator (AER) issuing its draft decision on APA's access arrangement revision proposal on 6 July 2017.

The AER's draft decision sets aggregate forecast revenue for the next 5-year period (2018-22) at 12.9% higher than its approved forecast revenue for the previous period, largely driven by the significant increase in the capital base due to APA's capital expenditure to enhance system capacity through the Victorian-Northern Interconnect Expansion (VNIE) project and the proposed Wester Outer Ring Main (WORM) project.

APA does not agree with the rate of return that the AER provided in the draft decision and has responded with strong counter arguments.

Roma Brisbane Pipeline access arrangement

The process to revise the access arrangement for the Roma Brisbane Pipeline is underway and a draft decision by the AER was released on 6 July 2017. The AER is currently 4 months behind expected timeframes. The AER has advised this delay will be taken into account when reaching its final determination.

The AER's draft decision provides for a tariff relatively equivalent to the existing tariff. Currently the majority of shipper's pay individually negotiated tariffs.

Limited Merits Review

Currently, economic regulatory decisions of the AER in relation to gas and electricity transmission and distribution assets, may be reviewed by the Australian Competition Tribunal. This system is called the Limited Merits Review (LMR).

In August 2016, the COAG Energy Council tasked the Council's Senior Committee of Officials (SCO) with undertaking a review of the LMR. In June 2017, the Prime Minister and the Minister for Environment and Energy announced that the Commonwealth would abolish LMR. A Bill abolishing LMR in relation to decisions of the AER was introduced into Parliament in August 2017. If the Bill is passed, LMR would no longer be available for regulatory decisions of the AER, including decisions on access arrangements applying to gas transmission and distribution pipelines. Judicial review of the AER's decisions would however, continue to be available.

Gas Policy developments

The eastern Australian gas market has been subject to unprecedented change following commencement of production at the three LNG facilities at Gladstone from 2014. Numerous governmental reviews and inquiries have considered changes to gas market regulatory and policy settings. Development and implementation of a number of the regulatory reform initiatives are being undertaken by the Gas Market Reform Group (GMRG), led by Dr Michael Vertigan.

APA continues to be an active participant in these processes, highlighting the significant contribution that APA has made through its portfolio of pipeline assets and responsive customer services to the development of the gas market, and seeking to ensure that changes to the market do not undermine the elements of success in relation to investment, innovation and service provision.

In December 2016, the GMRG recommended development and implementation of an Information Disclosure and Commercial Arbitration regime to apply to unregulated pipelines. This recommendation was adopted by the COAG Energy Council and National Gas Rules giving effect to the new regime came into effect 1 August 2017.

The Information Disclosure and Commercial Arbitration Framework involves requirements for information on unregulated pipelines to be published on each pipeline operator's website, including details of available services, prices, pricing methodologies, costs of service and average prices paid by current shippers. Included in this will be detailed financial reporting, which will also be made public, the details of which are yet to be determined.

In addition to these new disclosure requirements, a commercial arbitration regime has been implemented as a back stop, where parties fail to reach agreement on the terms of pipeline access. If an arbitration is activated, the arbitrator must determine the price to reflect cost including a commercial rate of return commensurate with prevailing market conditions and the risks in providing the service. In determining the value of the assets used to provide the service, the arbitrator must apply a methodology that achieves price outcomes that reflect those of a workably competitive market.

Further GMRG developments include the establishment of a secondary pipeline capacity trading platform, to be operated by the Australian Energy Market Operator. The trading platform is intended to assist contracted shippers to trade capacity between themselves, and in doing so increase the liquidity of the gas trading market. The platform design builds on the innovative capacity trading products developed by APA for its shippers to readily trade capacity.

The GMRG is also implementing the earlier decision by the COAG Energy Council to put in place an auction process for contracted but un-nominated capacity. APA is providing input into the GMRG's development of the auction design and process, to ensure incentives to invest are maintained while maximising pipeline utilisation.

Since early 2015 the Australian Energy Market Commission (AEMC) has been undertaking a review of the Victorian Declared Wholesale Gas Market. In July the final report by the AEMC was provided to the Victorian Government. The final recommendation is to undertake refinements to the existing market design in the short term to increase consistency across the east coast market. The AEMC recommends a further review in 2020 to consider further, the transition from the current structure where pipeline capacity is allocated through the wholesale gas market to an entry-exit structure, where there are separate firm capacity rights to use the Victorian Transmission System. APA will actively participate in the consultation.

11. Health, Safety and Environment

11.1 Health and safety reporting

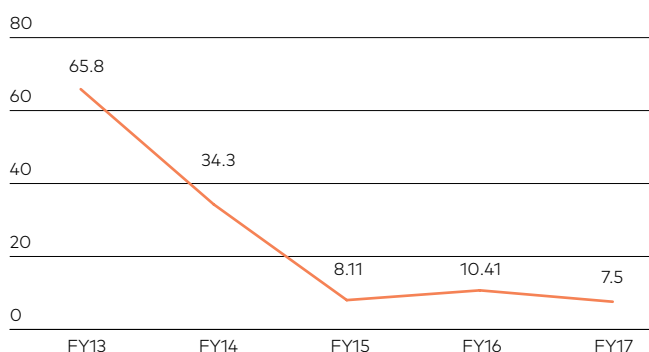
This financial year was the first year of our new three-year HSE Strategic Plan that aims to further develop APA's HSE framework, systems and initiatives to prevent harm to our people, contractors and the broader community and to deliver a sustainable future. We made significant progress with a number of the HSE strategic initiatives including:

- a thorough review of our Fatal Risk Protocols, which cover high risk activities such as excavation and trenching, confined spaces and driving. The review has resulted in further improvements to APA's Fatal Risk Protocols, including the need to develop better targeted training and the identification of a new Fatal Risk Protocol for gas safety;
- training over seventy five of our managers in Incident Causation Analysis Methodology⁸ resulting in improved investigation outcomes and improved corrective actions to prevent reoccurrences; and
- continuing the development of our Safedrive+ program including the production of two new Safedrive videos on In Vehicle Monitoring System and Speeding. APA also received the Australian Pipeline Gas Association's Health and Safety Excellence award for its SafeDrive+ Arrive Alive program.

We also continued to improve our Health and Safety Management Systems with further refinements made to our reporting systems and improved analytics to identify specific Health and Safety data trends. The new incident reporting platform introduced in FY2016, Safeguard+, has resulted in a significant improvement in both the quality of incident data and the timeliness of incident reporting. Benefit has also come from the ability to undertake further in-depth analytics to better understand APA's incident and injury trends.

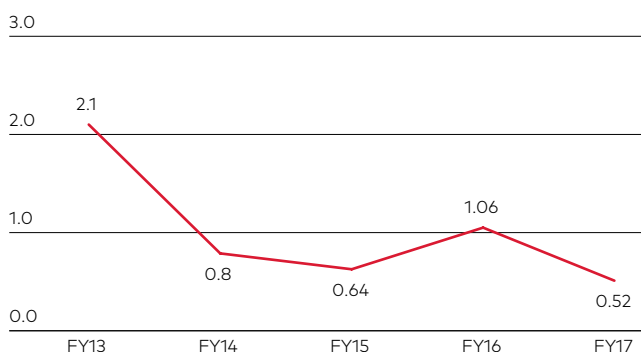
The Lost Time Injury Frequency Rate (LTIFR) at the financial year end was 0.52 (for employees and contractors), down from 1.01 in the last financial year. There was one employee and two contractor lost time injuries during the financial year. The Total Reportable Injury Frequency Rate (TRIFR) for FY2017 was 7.50 (for employees and contractors combined), a significant decrease of 2.89 from 10.41 in FY2016. Importantly, there were no fatalities of employees or contractors for FY2017.

TOTAL REPORTABLE INJURY FREQUENCY RATE (TRIFR)



Note: TRIFR is measured as the number of lost time and medically treated injuries sustained per million hours worked. Data includes both employees and contractors.

LOST TIME INJURY FREQUENCY RATE (LTIFR)



Note: LTIFR is measured as the number of lost time injuries per million hours worked. FY14 includes both employees and contractors. Prior to that, employee data only.

APA continues to target being a zero harm workplace for its employees, contractors and the broader communities in which it operates. Our injury performance this year continues to show a downward trend over the past five years that is supported by the strong focus we place on Health and Safety throughout APA.

The Strategic Improvement Plan and the planned initiatives for FY2017 have been achieved during the year with further details contained in the Sustainability Report. Focus continues to ensure we foster a positive Health and Safety Culture at APA. This has been demonstrated with the large response received from our employees in relation to Health and Safety Excellence Awards. This year we received over 52 nominations from our employees with three finalists selected from the categories of Health and Safety Initiative of the Year, Best Individual Contribution to Health and Safety and Incident Learning of the Year.

During the year, an independent Health and Safety Audit of our Contractor Management processes was conducted. The audit, which targeted all of our business divisions, found no major non-conformances and confirmed APA's sound processes to manage our Contractor's Health and Safety performance.

The Safety and Operating Plan for the distribution networks in NSW that APA operates has been audited during the financial year, in accordance with technical regulatory requirements.

⁸ The Incident Causation Analysis Methodology (ICAM) is an internationally recognised methodology to the causes of accidents and incidents and supports the notion that most incidents and accidents are caused rarely by a single act or condition, but rather by a number of factors working together. It looks at the different factors that might have contributed to an incident, including organisational factors, task and environmental conditions, individual actions and absent failed defences.

In Vehicle Monitoring System

– keeping our people safe and managing operational risk

APA's 750 motor vehicles cover more than 17 million kilometres per annum, hence driving is one of APA's operational risks. Last year, we installed In Vehicle Monitoring Systems (IVMS) throughout APA's vehicle fleet, as part of 12 initiatives under **SafeDrive+**.

A year on, such a small gadget has had a huge impact in our business, helping to ensure our people are safe on the road whilst continually improving driver behaviour through data and monitoring via our Integrated Operations Centre (IOC) in Brisbane.

The IVMS has already demonstrated its worth during FY2017. A lifesaver alert was triggered in a vehicle which sent an email alert to APA's IOC of a possible vehicle crash. An IOC controller made contact with the driver within 2 minutes and was informed that the vehicle had been forced off the road from a blown tyre. The driver was shaken but uninjured. However, the vehicle was un-driveable. The driver's manager and HSE manager were notified and promptly managed the incident response.

The system detects accidents through inertial changes in monitored vehicles. Drivers can also manually trigger alerts via a dash-mounted button or a duress pendant when they are working away from the vehicle. The alerts are instantaneous and provide the driver's precise location, a big improvement on the previous system where it could take up to two hours for an alert to be raised if a driver failed to make their regular call-in and their location was not specified.

Not only is APA better managing its operational risk, but our employees' families have expressed their increased level of comfort knowing that someone is keeping an eye on their loved ones whilst working remotely.



For further information on APA's health and safety initiatives, please refer to the Sustainability Report (page S10 to S11), which forms part of this report.

11.2 Environmental Strategy

During FY2017, APA successfully completed the delivery of its two year Environmental Strategy and Improvement Plan. This consisted of 12 initiatives that were aimed at enhancing APA's environmental management and was delivered on time and on budget, as approved by the Board HSE Committee.

The initiatives have delivered an improved framework that standardises environmental management across APA, and is also integrated with our Safeguard HSE Management System to ensure consistency and ease of managing environmental risk at APA.

One of the initiatives involved the development and implementation of the Environmental Training and Awareness package. On-line training was completed by all employees and additional face-to-face training sessions for over 600 operational employees were conducted during FY2017. In FY2018, an online package will be available as part of an updated HSE induction programme. The success of the Environmental Training and Awareness package was recognised at the 2017 LearnX Impact Awards with the program winning Platinum in the Best Learning Transfer category and Gold in the Best Behavioural Change category.

The increased awareness and understanding of environmental risks across APA is already evident through increases in APA environmental risk identification metrics captured in Safeguard+. The refreshed environmental corporate governance framework is now part of APA's risk management practices and compliance systems will facilitate our FY2018 activities. One of the key activities will be the review of APA's Environmental Management Plans to continue to improve how environmental risks are managed.

For further information on APA's environmental management initiatives, please refer to the Sustainability Report (page S4 to S6), which forms part of this report.

11.3 Environmental regulations

All pipeline, distribution and gas processing assets owned and/or operated by APA are designed, constructed, tested, operated and maintained in accordance with pipeline and distribution licences issued by the relevant state and territory technical regulators. All licences require compliance with relevant federal, state and territory environmental legislation and Australian Standards.

The pipeline licences also require compliance with the Australian Standard AS 2885 "Pipelines – Gas and Liquid Petroleum", which has specific requirements for the management of environmental matters associated with all aspects of the high pressure pipeline industry.

Major project construction activities are audited or inspected in accordance with Environmental Management Plan requirements. In accordance with AS 2885 and the Australian Pipeline and Gas Association (APGA) Code of Environmental Practice, Environmental Management Plans are in place for applicable operating pipelines and are managed in accordance with APA's contracts and the terms and conditions of the licences that APA has been issued.

Regulatory compliance internal audits were completed across the Transmission and Networks business divisions during FY2017. Senior management review audit report findings and any material breaches and incidents are communicated to the Board.

During the financial year, the NSW Department of Planning and Environment issued two penalty notices to the Victorian–Northern Interconnect Expansion project in relation to erosion and sediment controls. The project was impacted by unprecedented rainfall in the region during the period of looping construction. APA remediated the impacted area and importantly completed an investigation resulting in amending our procedures in relation to soil management to prevent this type of event in the future.

11.4 Environmental reporting

In October 2016, APA reported its Scope 1 and 2 greenhouse gas emissions to the Clean Energy Regulator under the National Greenhouse and Energy Reporting Act (NGER Act).

APA's main sources of GHG emissions are from the combustion of natural gas in compressor stations, fugitive emissions associated with natural gas pipelines and from gas fired power stations. NGER Act compliance reporting applies to assets under APA's operational control, which includes gas transmission/distribution pipelines, power generation facilities (including wind farms), gas storage, gas processing, cogeneration, electricity transmission interconnectors and corporate offices. Energy reporting for FY2017 will be submitted to the Clean Energy Regulator by 31 October 2017.

APA's summary of Scope 1 and 2 greenhouse gas emissions, energy consumption and energy produced for the 2016 financial year and previous years is set out in the following table:

	FY2016	FY2015	Change
Scope 1 ¹ CO ₂ emissions (tonnes)	1,084,236	350,922	209.0%
Scope 2 ² CO ₂ emissions (tonnes)	26,555	26,857	(1.1%)
Energy consumption ³ (GJ)	19,510,937	4,633,613	321.1%

- Notes:**
- 1) Scope 1: emissions associated directly with APA facilities, such as company vehicles, 'fuel combustion' and fugitive emissions from gas pipelines.
 - 2) Scope 2: are indirect emissions that are emitted by sources owned by another company, but result from the facilities activities such as consumption of purchased electricity/fuel not generated by the facility but used under its operations.
 - 3) Energy Consumption is referring to the total calculation of all energy consumed and produced by the APA facilities i.e. it's the calculation of net energy consumption and energy production. Scope 1 and energy consumption figures are correlated as the more gas that goes through APA's system, more gas is consumed as energy consumption to drive the compressors to transport gas through the pipelines, thereby increasing Scope 1 emissions as well as energy consumption.

The variations compared to the previous corresponding period are due to the addition of the Diamantina and Leichhardt Power Stations (DPS), as well as an increase of gas transported across APA pipeline assets. APA moved to full ownership of DPS during FY2016.

12. Risk Overview

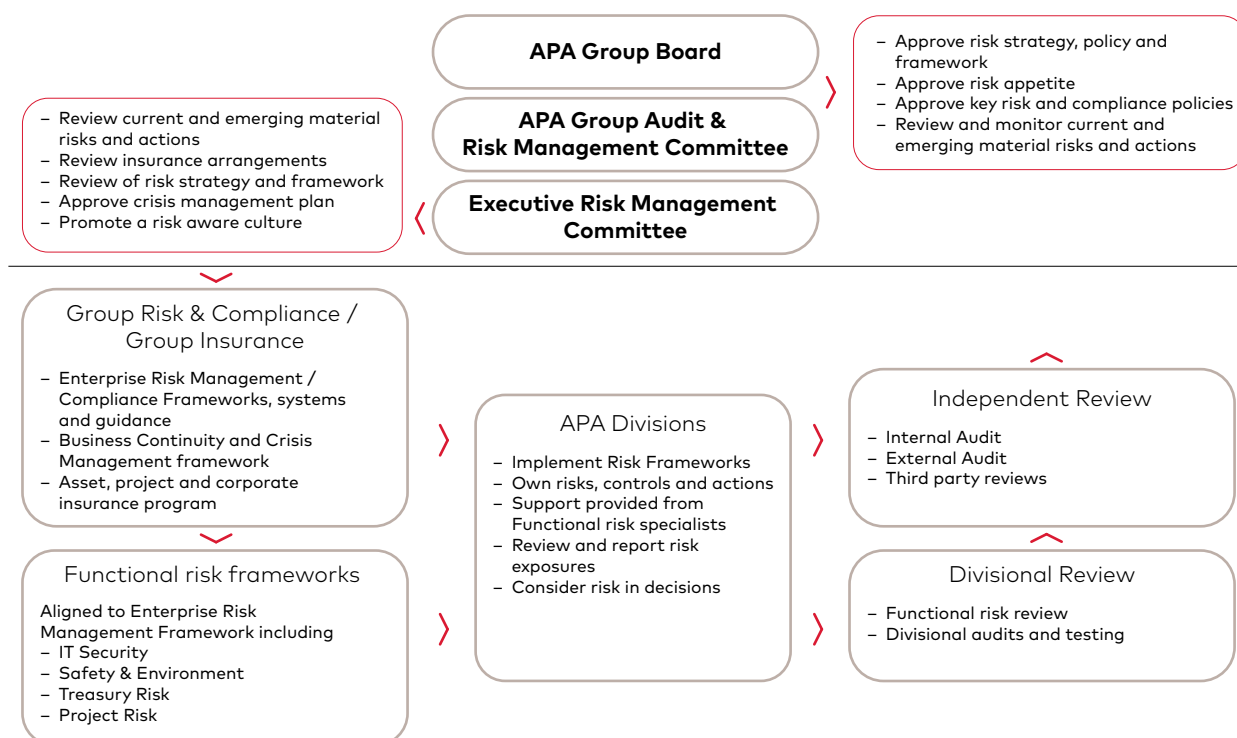
APA identifies risks to its business and puts in place mitigation strategies to remove or minimise the negative effect and maximise opportunities in respect of those risks. Material risks are reviewed on an ongoing basis by APA's Executive Risk Management Committee and the Board Audit and Risk Management Committee, together with the relevant business units and both internal and where appropriate, external, experts.

The Enterprise Risk Management Framework governs the management of risk across APA and is based on the international risk standard ISO 31000. All other functional risk frameworks align to this framework to provide consistency and a common language for risk which is integral to key business decisions.

Further information on this process is provided in APA's Corporate Governance Statement (refer to Principle 7), the Sustainability Report (contained in this report) and APA's website at <https://www.apa.com.au/about-apa/our-organisation/corporate-governance/>.

Risk assessments consider a combination of the probability and consequence of identified risks. Listed below are a number of key risks that could materially affect APA negatively. However, the risks listed may not include all risks associated with APA's ongoing operations. The materiality of risks may change and previously unidentified risks may emerge.

APA RISK MANAGEMENT



Key risks***Economic regulation***

APA has a number of price regulated assets and investments in its portfolio. Regulatory pricing periods generally run for five years and reflect the regulator's determination of, amongst other matters, APA's projected operating and capital costs, and weighted average cost of capital. The price regulation outcomes determined by the Australian Energy Regulator or Economic Regulation Authority (for Western Australia) under an access arrangement process for a full regulation asset may adversely affect APA's revenue in respect of that asset.

A number of APA's assets are subject to light regulation which, while not a price regulation regime, does enable the regulator to determine any disputes with customers on price and other terms of access. In addition, under the National Gas Law, any person may make an application that an unregulated pipeline becomes "covered" and subject to economic regulation, which may adversely affect APA's economic position.

During the year, COAG established the GMRG to implement domestic gas market changes, following industry reviews by the ACCC and the AEMC. The GMRG has an extensive work program to undertake detailed design, consultation and implementation of the agreed market interventions over the next two years. The most significant elements of the changes are the introduction of an information disclosure and binding arbitration regime for access to unregulated pipelines, and the proposed introduction of day ahead auctions for contracted but un-nominated pipeline capacity.

The information disclosure and commercial arbitration regime came into effect on 1 August 2017. There is uncertainty as to the impact on our business of the regime. There is a risk that prices for pipeline services and therefore revenues, will reduce as a result of implementation of the regime adversely affecting APA's business.

The final design of the capacity auction reform initiative has not yet been finalised but there is a risk that the final design may adversely affect APA's business. Auctions of capacity may reduce the volumes of ancillary services sold by APA. In addition, to the extent that auction prices are less than the price of the ancillary services, APA's revenue may be adversely affected.

The Australian Energy Market Commission has released its final report on the review of the Victorian Declared Wholesale Market. The report contains recommended changes to the structure of the Victorian wholesale gas market, which will require amendment to the National Gas Rules. These amendments may change the business risk profile of the Victorian Transmission System.

Bypass and competition risk

Bypass and competition risk occurs when a new transmission pipeline offers gas transportation services to the same end market serviced by existing pipelines. If a bypass risk eventuates, APA's future earnings may be reduced if customers purchase gas transportation services from new pipelines rather than from APA's existing pipelines. Competitive pressures including changes in market conditions, new market entrants and increased competitive cost pressure, could impact our customer relationships and have a unfavourable effect on APA's financial performance.

Gas demand risk

Reduced demand for gas and increased use of gas swap contracts by customers may reduce the future demand for pipeline capacity and transportation services and may adversely affect APA's future revenue, profits and financial position.

Gas supply risk

A long-term shortage of competitively priced gas, either as a result of gas reserve depletion, allocation of gas to other markets, or the unwillingness or inability of gas production companies to produce gas, may adversely affect APA's contracted revenue and the carrying value of APA's assets.

Counterparty risk

The failure of a counterparty to meet its contractual commitments to APA, whether in whole or in part, could reduce future anticipated revenue, unless and until APA is able to secure an alternative customer. Counterparty risk also arises when deposits of surplus cash are placed, and hedge contracts entered into, with financial institutions.

Interest rates and refinancing risks

APA is exposed to movements in interest rates where floating interest rate funds are not effectively hedged. There is a risk that adverse interest rate movements may affect APA's earnings, both directly (through increased interest payments) and indirectly (through the impact on asset carrying values).

APA has borrowings extending through to 2035. Access to financing sources to extend and/or refinance debt facilities is important. An inability to secure new debt facilities at a similar quantum and cost to existing debt facilities may adversely affect APA's operations and/or financial position and performance.

Foreign exchange risks

APA is exposed to movements in foreign exchange rates and there is a risk that AUD/USD exchange rate movements may adversely affect APA's earnings (through reduced AUD proceeds received from the exchange of USD denominated revenues) and debt levels (through translation of USD denominated debt).

Investment risk

APA may acquire infrastructure and related assets, undertake additional or incremental investment in its existing assets and develop new assets. There is a risk that assumptions and forecasts used in making investment decisions may ultimately not be realised, unanticipated costs occur, new skillsets or capabilities that APA is not familiar with are required together with new types of regulatory approvals needed where APA has limited experience. If these risks materialise, this may adversely affect APA's operations, financial performance and reputation.

Contract renewal risk

A large part of APA's revenues are the subject of long-term negotiated revenue contracts with end customers. Due to a range of factors, including gas demand risk, gas supply risk, counterparty risk, shorter term contracts, and bypass and competition risk, APA may not be successful in recontracting the available pipeline or power generation capacity when it comes due for contract renewal. Contract renewal risk also arises under long term contracts where costs to perform the contracted services could equal or exceed revenues over periods of years. This may adversely affect APA's future financial position and performance.

Operational risk

APA is exposed to a number of operational risks including those resulting in equipment failures or breakdowns, pipeline ruptures, employee or equipment shortages, workplace safety incidents, environmental damage, contractor defaults, damage by third parties, integration incidents from acquired or newly constructed assets and damage from natural hazards, sabotage or terrorist attacks. Operational disruption, together with the cost of repairing or replacing damaged assets, may adversely affect APA's financial position and reputation.

Information technology risk

APA is reliant on information systems and technology (IT) to support its business operations. This exposes APA to a number of typical IT operational risks which can result in system corruption or failure, technology breakdown, and cyber incidents or attacks. Operational disruption together with the cost of remediating damaged or compromised systems and data, may adversely affect APA's financial performance and reputation.

Compliance, operating licences and authorisations

All pipeline, distribution, gas processing, storage and electricity generation assets owned and/or operated by APA require compliance with relevant laws, regulations, approved standards and relevant licence requirements. Any changes may have an impact on APA's pricing, costs or compliance regimes, which may adversely affect APA's operations and/or financial position and performance. APA is also subject to health, safety and environmental laws and regulations. Certain licences, permits or regulatory consents may not be renewed, granted, continued or such renewal, grant or continuation may be on more onerous terms or subject to loss or forfeiture, which may adversely affect APA's operations and/or financial position and performance.

Construction and development risk

APA develops new assets and undertakes expansion of its existing assets. This involves a number of typical construction risks, including the failure to obtain necessary approvals, employee or equipment shortages, third party contractor failure, higher than budgeted construction costs and project delays, which may impact the commerciality and economics of the development or otherwise impact on APA's other assets. If these risks materialise, this may adversely affect APA's operations and/or financial position and performance.

Disputes and litigation risks

In the course of its operations, APA may be involved in disputes and litigation. There is a risk that material or costly disputes or litigation may adversely affect APA's financial position and performance.

Credit rating risks

There is no assurance that any credit rating will remain in effect for a given period of time or that any credit rating will not be revised or withdrawn entirely by a credit rating agency in the future if, in the credit rating agency's judgement, circumstances warrant. Withdrawal or review of APA's credit ratings may adversely affect APA's financial position and performance.

13. Directors

13.1 Information on Directors and Company Secretary

See pages 6 to 7 for information relating to qualifications and experience on Directors and the Company Secretary.

13.2 Directorships of other listed companies

Directorships of other listed companies held by Directors at any time in the three years immediately before the end of the financial year are as follows:

Name	Company	Period of directorship
Leonard Bleasel AM	–	–
Michael McCormack	Envestra Limited	July 2007 to September 2014
Steven Crane	nib holdings limited Transfield Services Limited Bank of Queensland Limited	Since September 2010 February 2008 to February 2015 December 2008 to January 2015
John Fletcher	–	–
Michael Fraser	Aurizon Holdings Limited AGL Energy Limited	Since February 2016 October 2007 to February 2015
Debra Goodin	Senex Energy Limited oOh!media Limited Ten Network Holdings Limited	Since May 2014 Since November 2014 Since August 2016
Russell Higgins AO	Telstra Corporation Limited Argo Investments Limited Leighton Holdings Limited	Since September 2009 Since September 2011 June 2013 to May 2014
Patricia McKenzie	–	–

13.3 Directors' meetings

During the financial year, 12 Board meetings, four Audit and Risk Management Committee meetings, four People and Remuneration Committee meetings, five Health Safety and Environment Committee meetings and two Nomination Committee meetings were held. The following table sets out the number of meetings attended by each Director while they were a Director or a committee member:

Directors	Board		People & Remuneration Committee		Audit & Risk Management Committee		Health Safety & Environment Committee		Nomination Committee	
	A	B	A	B	A	B	A	B	A	B
Leonard Bleasel AM ¹	12	12	–	–	–	–	–	–	2	2
Michael McCormack	12	12	–	–	–	–	–	–	–	–
Steven Crane	12	11	4	4	4	4	–	–	2	2
John Fletcher	12	12	4	4	4	4	–	–	2	2
Michael Fraser ²	12	12	4	4	2	1	3	3	2	2
Debra Goodin	12	11	–	–	4	4	5	5	2	2
Russell Higgins AO	12	12	–	–	4	3	5	5	2	2
Patricia McKenzie	12	12	4	4	–	–	5	5	2	2

A: Number of meetings held during the time the Director held office or was a member of the committee during the financial year.

B: Number of meetings attended.

1) The Chairman attended all committee meetings of Audit & Risk Management and Health, People & Remuneration, Safety & Environment ex officio.

2) Michael Fraser was appointed to the Audit & Risk Management Committee and retired from the Health Safety & Environment Committee during the period.

13.4 Directors' securityholdings

The aggregate number of APA securities held directly, indirectly or beneficially by Directors or their related entities at 30 June 2017 is 1,365,674 (2016: 1,322,074).

The following table sets out Directors' relevant interests in APA securities as at 30 June 2017:

Directors	Fully paid securities as at 1 July 2016	Securities acquired	Securities disposed	Fully paid securities as at 30 June 2017
Leonard Bleasel AM	614,216	23,400	–	637,616
Michael McCormack	300,000	20,000	–	320,000
Steven Crane	130,000	–	–	130,000
John Fletcher	88,250	–	–	88,250
Michael Fraser	25,000	–	–	25,000
Debra Goodin	19,000	200	–	19,200
Russell Higgins AO	122,719	–	–	122,719
Patricia McKenzie	22,889	–	–	22,889
	1,322,074	43,600	–	1,365,674

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

The Directors hold no other rights or options over APA securities. There are no contracts to which a Director is a party or under which the Director is entitled to a benefit and that confer a right to call for or deliver APA securities.

14. Options Granted

In this report, the term "APA securities" refers to stapled securities each comprising a unit in Australian Pipeline Trust stapled to a unit in APT Investment Trust and traded on the Australian Securities Exchange (ASX) under the code "APA".

No options over unissued APA securities were granted during or since the end of the financial year, no unissued APA securities were under option as at the date of this report, and no APA securities were issued during or since the end of the financial year as a result of the exercise of an option over unissued APA securities.

15. Indemnification of Officers and External Auditor

During the financial year, the Responsible Entity paid a premium in respect of a contract insuring the Directors and Officers of the Responsible Entity and any APA Group entity against any liability incurred in performing those roles to the extent permitted by the Corporations Act 2001. The contract of insurance prohibits disclosure of the nature of the liability and the amount of the premium.

Australian Pipeline Limited, in its own capacity and as Responsible Entity of Australian Pipeline Trust and APT Investment Trust, indemnifies each Director and Company Secretary, and certain other executives, former executives and officers of the Responsible Entity or any APA Group entity under a range of deed polls and indemnity agreements which have been in place since 1 July 2000. The indemnity operates to the full extent allowed by law but only to the extent not covered by insurance, and is on terms the Board considers usual for arrangements of this type.

Under its constitution, Australian Pipeline Limited (in its personal capacity) indemnifies each person who is or has been a Director, Company Secretary or executive officer of that company.

The Responsible Entity has not otherwise, during or since the end of the financial year, indemnified or agreed to indemnify an officer or external auditor of the Responsible Entity or any APA Group entity against a liability incurred by such an officer or auditor.

16. Remuneration Report

The remuneration report is attached to and forms part of this report.

17. Auditor

17.1 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 100.

17.2 Non-audit services

Non-audit services have been provided during the financial year by the Auditor. A description of those services and the amounts paid or payable to the Auditor for the services are set out in Note 28 to the financial statements.

The Board has considered those non-audit services provided by the Auditor and, in accordance with written advice from the Audit and Risk Management Committee (Committee), is satisfied that the provision of those services by the Auditor is compatible with the general standard of independence for auditors imposed by the Corporations Act 2001 and did not compromise the auditor independence requirements of the Act. The Board's reasons for concluding that the non-audit services provided did not compromise the Auditor's independence are:

- all non-audit services were subject to APA's corporate governance procedures with respect to such matters and have been reviewed by the Committee to ensure they do not impact on the impartiality and objectivity of the Auditor;
- the non-audit services provided did not undermine the general principles relating to auditor independence as they did not involve reviewing or auditing the Auditor's own work, acting in a management or decision making capacity for APA, acting as an advocate for APA or jointly sharing risks and rewards; and
- the Auditor has provided a letter to the Committee with respect to the Auditor's independence and the Auditor's independence declaration referred to above.

18. Information Required for Registered Schemes

Fees paid to the Responsible Entity and its associates (including Directors and Secretaries of the Responsible Entity, related bodies corporate and Directors and Secretaries of related bodies corporate) out of APA scheme property during the financial year are disclosed in Note 29 to the financial statements.

Except as disclosed in this report, neither the Responsible Entity nor any of its associates holds any APA securities.

The number of APA securities issued during the financial year, and the number of APA securities on issue at the end of the financial year, are disclosed in Note 22 to the financial statements.

The value of APA's assets as at the end of the financial year is disclosed in the balance sheet in total assets, and the basis of valuation is disclosed in the notes to the financial statements.

19. Rounding of Amounts

APA is an entity of the kind referred to in ASIC Corporations 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.

20. Corporate Governance Statement

Corporate Governance Statement for the financial year is available at APA's website on <https://www.apa.com.au/about-apa/our-organisation/corporate-governance/>.

21. Authorisation

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

On behalf of the Directors



Leonard Bleasel AM
Chairman

Sydney, 23 August 2017



Steven Crane
Director

remuneration report.

AUSTRALIAN PIPELINE TRUST AND ITS CONTROLLED ENTITIES
FOR THE FINANCIAL YEAR ENDED 30 JUNE 2017

Letter from the Chairman of the People and Remuneration Committee

Dear Securityholders,

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

Governance changes

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

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

2017 Remuneration outcomes

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

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

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

Remuneration frameworks

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

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

Executive and remuneration changes

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

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

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



John Fletcher
Chairman – People and Remuneration Committee

23 August 2017

remuneration report. continued.

AUSTRALIAN PIPELINE TRUST AND ITS CONTROLLED ENTITIES
FOR THE FINANCIAL YEAR ENDED 30 JUNE 2017

1. Executive Summary

1.1 FY2017 Remuneration highlights

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

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

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

1.2 Looking ahead to Financial Year 2018 (FY2018)

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

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

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

remuneration report. continued.

AUSTRALIAN PIPELINE TRUST AND ITS CONTROLLED ENTITIES
FOR THE FINANCIAL YEAR ENDED 30 JUNE 2017

2. Remuneration Governance

2.1 Role of People and Remuneration Committee

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

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

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

2.2 Composition of the Committee

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

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

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

2.3 Use of external advisors

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

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

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

2.4 Minimum securityholding ownership requirement

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

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

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

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

2.5 Clawback policy

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

remuneration report. continued.

AUSTRALIAN PIPELINE TRUST AND ITS CONTROLLED ENTITIES
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3. Individuals Covered By This Remuneration Report

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

This Report includes the following KMP:

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

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

4. Remuneration Principles and its Components

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

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

4.1 Remuneration overview for FY2017

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

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

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

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

remuneration report. continued.

AUSTRALIAN PIPELINE TRUST AND ITS CONTROLLED ENTITIES
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4.2 Remuneration structure

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

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

Fixed pay

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

Variable reward

Annual performance assessment

Individual performance is assessed against a combination of APA, Business Unit and individual measures based on a scorecard of objectives.

Objectives for each Executive KMP are developed with reference to APA's strategic objectives over the shorter and longer terms. For the STI, the specific objectives cover the following areas:

- Financial measures account for at least 50% of the total objectives. These measures include cost control/savings, revenue and cash generation (including stretch targets), capital expenditure management, credit ratings, and debt/equity management; and
- Remaining strategic initiatives include objectives such as strategy delivery, managing the regulatory environment and material, long-term programs of work; health, safety and environment measures; risk management; project delivery, efficiency/improvement initiatives and talent development and leadership succession.

Performance is assessed against these objectives at the end of the financial year based on the actual performance of APA. This is followed by the review and endorsement by the Committee, with final approval by the Board upon the completion and audit of the financial statements. The Board reviews performance outcomes against each objective, combined with an assessment of each outcome relative to overall business performance.

STI

Plan element	Description					
STI opportunity	STI opportunity as a percentage of the total reward opportunity is provided in the table below.					
	Target STI Stretch STI					
	<table border="1"> <tbody> <tr> <td>CEO/MD</td> <td>30%</td> <td>45%</td> </tr> <tr> <td>Executive KMP</td> <td>25%</td> <td>37.5%</td> </tr> </tbody> </table>	CEO/MD	30%	45%	Executive KMP	25%
CEO/MD	30%	45%				
Executive KMP	25%	37.5%				
Performance gateway	Normalised 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	<p>Provided the OCFPS threshold is met, the STI opportunity available may be modified based on the level of OCFPS performance achieved.</p> <p>The level of adjustment is based on a sliding scale and the STI is either positively or negatively modified depending on the financial result. For example, where extraordinary performance is achieved, an STI opportunity of up to 150% could be achieved, conversely where less than 33% of agreed financial metric is met, then a zero STI outcome is likely.</p>					
Timing and delivery	All STI awards are paid in cash, usually in September of the new financial year, following completion and audit of the annual financial statements.					
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 annual financial statements in the preceding three years.					
Cessation of employment	If a participant resigns or is dismissed (with or without notice), any unpaid STI awards are forfeited. If an employee leaves for any other reason, an STI award may 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, 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.					

remuneration report. continued.

AUSTRALIAN PIPELINE TRUST AND ITS CONTROLLED ENTITIES
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LTI

Plan element	Description									
Award vehicle	<p>APA operates a shadow security scheme known as a reference unit incentive plan to create alignment with Securityholders. Reference units reflect the unit price performance of APA securities (with no entitlements to distributions) and are cash settled.</p> <p>Reference units are valued at allocation using the APA Group VWAP for the 30 day period up to and including seven working days immediately prior to the Board Audit and Risk Management Committee meeting to consider APA's annual financial results.</p> <p>Participants in the cash settled security-based LTI do not participate in any Employee Security Plan.</p> <p>The LTI performance hurdles of Relative TSR and EBITDA/FE provide the link between APA performance (and hence the creation of securityholder value) and the potential level of reward delivered to the executive.</p>									
LTI opportunity	<p>The value of the LTI at the time of grant as a percentage of the total reward opportunity is provided in the table below. The maximum LTI granted is 150% of the target LTI.</p> <table border="1"> <thead> <tr> <th></th> <th>Target LTI</th> <th>Maximum LTI</th> </tr> </thead> <tbody> <tr> <td>CEO/MD</td> <td>30%</td> <td>45%</td> </tr> <tr> <td>Executive KMP</td> <td>25%</td> <td>37.5%</td> </tr> </tbody> </table>		Target LTI	Maximum LTI	CEO/MD	30%	45%	Executive KMP	25%	37.5%
	Target LTI	Maximum LTI								
CEO/MD	30%	45%								
Executive KMP	25%	37.5%								
LTI allocation	<p>The number of reference units awarded is determined at the completion of the financial year based on APA performance against the dual performance hurdles of relative TSR and EBITDA/FE for the preceding three years.</p>									
Performance measures and targets	<p>Relative TSR</p> <ul style="list-style-type: none"> Relative TSR measures the percentage change in security price, plus the value of dividends or distributions received during the period, assuming all dividends and distributions are re-invested into new securities at the time of payment; APA's Relative TSR is measured relative to a peer group comprising of S&P/ASX 100 constituents and over the three financial years preceding the grant of reference units. For the FY2017 LTI grant, the performance period was from 1 July 2014 to 30 June 2017; Relative TSR has been selected as a LTI performance measure given it provides the most direct measure of Securityholder return and therefore alignment between the interests of Securityholders and Executive KMP; and A sliding scale is set each year to deliver between 0% and 150% of eligible reference units, where the performance gateway is the achievement of the 50th percentile. <p>EBITDA /FE</p> <ul style="list-style-type: none"> EBITDA/FE is measured over the three financial years preceding the grant of reference units. Adjustments are made to funds employed for tax and work-in-progress capital expenditure. The Board determines the EBITDA/FE target each year through the setting of financial metrics to improve the capital efficiency of the organisation. For the FY2017 LTI grant, the performance period was from 1 July 2014 to 30 June 2017; EBITDA/FE has been selected as an LTI performance measure given it helps determine the operating cash flow leverage being achieved based on the operating assets available to the business. It is a longer term performance measure based on the integrity of earnings performance against funds employed; Like relative TSR, a sliding scale is applied to determine the number of eligible reference units. This sliding scale also ranges between 0% and 150%. The sliding scale becomes progressively more challenging with the maximum amount of 150% only eligible to be granted where EBITDA/FE performance is significantly above the agreed financial metrics. 									
Retesting	<p>There is no retesting of the allocation.</p>									
Timing and delivery	<p>The LTI grant vests in three equal instalments over the three financial years following the allocation, with the initial one-third vesting at the end of the first financial year following the first award, one-third at the end of the second financial year, and one-third at the end of the third financial year following grant. For example, the first tranche of the FY2017 award will vest in August 2018.</p>									
Restrictions	<p>LTI allocations of reference units do not entitle participants to vote at Securityholders meetings nor to be paid distributions. No securities, options or other equity instruments are issued to APA employees under the LTI plan.</p>									
Clawback	<p>The Board in its discretion may determine that some, or all, of an Executive KMP's current year LTI allocation is forfeited in the event of misconduct or of a material misstatement in the annual financial statements in the preceding three years.</p>									
Cessation of employment	<p>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.</p>									
Change of control	<p>Subject to Board discretion, if a change of control occurs, all previously allocated reference units will vest. A further number of reference units will be allocated based on the proportion of the period that has passed in the current financial year at the time of change of control and will also vest on change of control.</p>									

remuneration report. continued.

AUSTRALIAN PIPELINE TRUST AND ITS CONTROLLED ENTITIES
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5. Other Remuneration Elements

5.1 Contractual arrangements

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

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

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

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

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

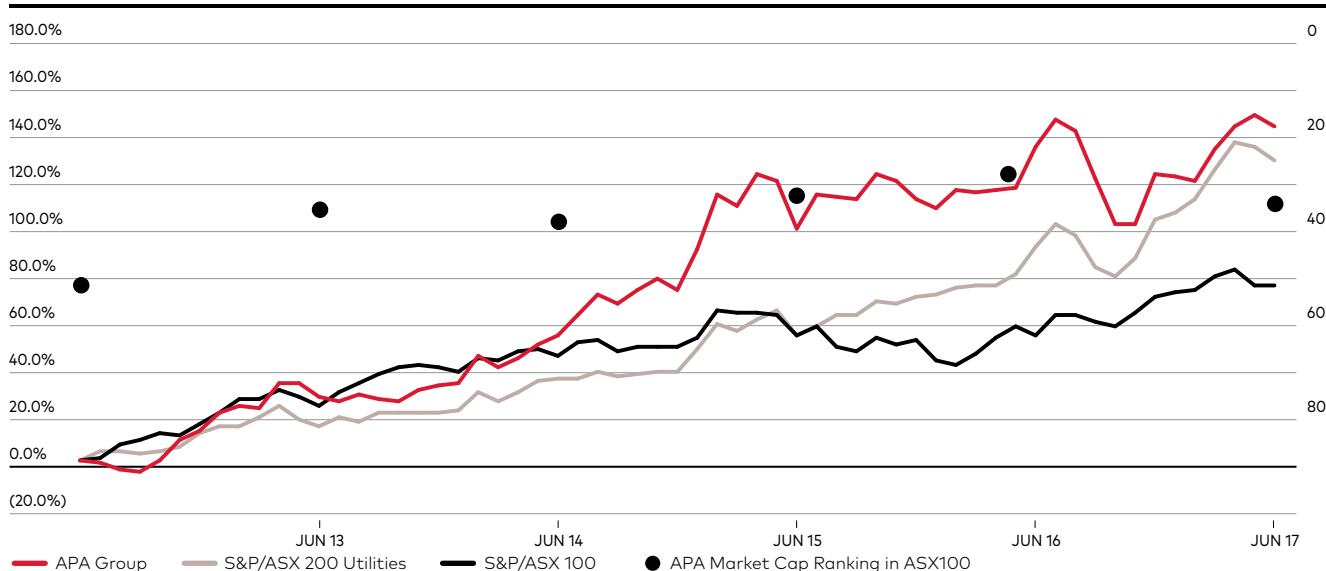
Executive KMP	Position Held	Retirement	Payments at time of termination	On-going payments
J Ferguson	Group Executive Networks	16 Dec 2016	Statutory entitlements plus five and one half months fixed pay in lieu of notice and prorata STI.	Unvested reference units will vest in accordance with the vesting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

6. Linking Remuneration To Performance

6.1 APA's financial performance 2013 to 2017

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

6.2 Five year cumulative total shareholder return performance and ASX100 Ranking



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

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

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

remuneration report. continued.

AUSTRALIAN PIPELINE TRUST AND ITS CONTROLLED ENTITIES
FOR THE FINANCIAL YEAR ENDED 30 JUNE 2017

6.3 Variable reward outcomes

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

STI outcomes

The table below provides an overview of the STI outcomes for FY2017. This table represents the combination of both individual performance outcomes (against agreed objectives) and the application of the STI Plan gateway and modifier, i.e. company performance against the OCFPS performance level.

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

LTI outcomes

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

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

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

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

remuneration report. continued.

AUSTRALIAN PIPELINE TRUST AND ITS CONTROLLED ENTITIES
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Detailed below is a summary of LTI grants relating to FY2017 based on an assessment against the performance hurdles at the time of grant.

	Number of reference units granted	Potential value of grant yet to vest (\$)⁹
Executive KMP – current		
M McCormack	188,424	1,673,167
N Codevelle	36,363	322,896
P Fredricson	57,981	514,860
R Gersbach	59,172	525,436
K Lester	40,989	363,974
E Manns	36,363	322,896
S Pearce¹⁰	17,199	152,724
R Wheals	48,396	429,747
Executive KMP – former		
J Ferguson¹¹	17,862	158,611

7. Non-Executive Directors

7.1 Determination of Non-executive Director fees

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

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

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

7.2 Aggregate fee pool

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

7.3 Director fees

Following external benchmarking and a review of APA's performance relative to other companies, Board fees and committee fees were increased effective 1 January 2017. These changes were based on a review of external fees paid to Directors in companies of a similar market capitalisation.

Fees¹²	Effective 1 January 2017		Effective 1 January 2016	
	Chairman \$000	Member \$000	Chairman \$000	Member \$000
Board	467	159	440	154
Audit and Risk Management Committee	43.7	21.8	42	21
Health Safety and Environment Committee	36.4	18.2	35	17.5
People and Remuneration Committee	36.4	18.2	35	17.5

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

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

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

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

12) Excluding superannuation.

remuneration report. continued.

AUSTRALIAN PIPELINE TRUST AND ITS CONTROLLED ENTITIES
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7.4 NED Statutory Remuneration Disclosure – NED Remuneration for FY2016 and FY2017

Financial Year ¹³	Short-term employment benefits	Post- employment benefits	Total \$
	Fees \$	Superannuation \$	
L Bleasel AM			
FY2017	453,500	43,100	496,600
FY2016	420,000	39,900	459,900
S Crane			
FY2017	217,200	20,650	237,850
FY2016	194,250	18,462	212,712
J Fletcher			
FY2017	213,600	20,300	233,900
FY2016	186,500	33,073	219,573
M Fraser¹⁴			
FY2017	196,227	18,854	215,081
FY2016	151,833	14,447	166,280
D Goodin¹⁵			
FY2017	195,750	18,600	214,350
FY2016	154,583	14,692	169,275
R Higgins AO			
FY2017	213,600	20,300	233,900
FY2016	200,500	19,073	219,573
P McKenzie			
FY2017	192,200	18,300	210,500
FY2016	180,500	17,170	197,670
Total			
FY2017	1,682,077	160,104	1,842,181
FY2016	1,488,166	156,817	1,644,983

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

14) M Fraser commenced 01 September 2015.

15) D Goodin commenced 01 September 2015.

remuneration report. continued.

AUSTRALIAN PIPELINE TRUST AND ITS CONTROLLED ENTITIES
FOR THE FINANCIAL YEAR ENDED 30 JUNE 2017

8. Statutory Tables

8.1 Total remuneration earned and received by Executive KMP

The following table outlines the total remuneration earned by Executive KMP¹⁶.

	Short-Term Employment Benefits \$		Post-	LTI Plans \$		Total \$
	Salary ¹⁷	Awarded STI ¹⁸	Employment \$	Security-Based Payments ²⁰	Other Payments	
Executive KMP – current						
M McCormack						
2017	1,865,000	1,724,472	35,000	1,485,242		5,109,714
2016	1,730,000	1,814,861	35,000	1,581,283		5,161,144
N Codevelle²¹						
2017	526,000	332,793	24,000	128,970		1,011,763
2016	388,367	270,489	24,708	51,404		734,968
P Fredricson						
2017	842,000	541,944	35,000	485,756		1,904,700
2016	800,000	604,331	35,000	543,124		1,982,455
R Gersbach						
2017	860,000	512,739	35,000	504,246		1,911,985
2016	817,000	584,685	35,000	576,019		2,012,704
K Lester						
2017	585,000	361,180	35,000	309,490		1,290,670
2016	516,000	360,767	35,000	309,242		1,221,009
E Manns²²						
2017	520,000	337,395	30,000	127,438		1,014,833
2016	357,640	247,427	30,000	49,772		684,839
S Pearce²³						
2017	239,726	162,427	22,774	38,183		463,110
R Wheals						
2017	702,000	461,765	30,000	374,026		1,567,791
2016	648,000	469,854	30,000	384,858		1,532,712
Disclosed executive – Former						
J Ferguson						
2017	398,383	135,900	35,291	276,697	269,042 ²⁴	1,115,313
2016	552,000	411,194	35,000	345,605		1,343,799
Total Remuneration						
2017	6,538,109	4,570,615	282,065	3,730,048	269,042	15,389,879
2016 ²⁵	5,809,007	4,763,608	259,708	3,841,307		14,673,630

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

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

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

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

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

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

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

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

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

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

remuneration report. continued.

AUSTRALIAN PIPELINE TRUST AND ITS CONTROLLED ENTITIES
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8.2 Outstanding LTI awards

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

Grant Date	Opening balance at 1 Jul 2016	Units allocated under 2017 grant	Cash settled reference units paid	Closing balance at 30 Jun 2017	Units subject to allocation by the Board in Aug 2017	Reference units allocated that have not yet vested or been paid and the months in which they will vest			
						Aug 2017	Aug 2018	Aug 2019	Aug 2020
Executive KMP – current									
M McCormack									
2013	61,639		(61,639)						
2014	90,094		(45,047)	45,047		45,047			
2015	188,295		(62,765)	125,530		62,765			
2016		155,544		155,544		51,848		51,848	
2017					188,424		62,808		62,808
Total						159,660	177,421	114,656	62,808
N Codevelle									
2016		21,732		21,732		7,244		7,244	
2017					36,363		12,121		12,121
Total						7,244	19,365	19,365	12,121
P Fredricson									
2013	22,567		(22,567)						
2014	31,500		(15,750)	15,750		15,750			
2015	63,954		(21,318)	42,636		21,318		21,318	
2016		49,056		49,056		16,352		16,352	
2017					57,981		19,327		19,327
Total						53,420	56,997	35,679	19,327
R Gersbach									
2013	24,790		(24,790)						
2014	33,222		(16,611)	16,611		16,611			
2015	67,479		(22,493)	44,986		22,493		22,493	
2016		50,055		50,055		16,685		16,685	
2017					59,172		19,724		19,724
Total						55,789	58,902	36,409	19,724

remuneration report. continued.

AUSTRALIAN PIPELINE TRUST AND ITS CONTROLLED ENTITIES
FOR THE FINANCIAL YEAR ENDED 30 JUNE 2017

8.2 Outstanding LTI awards

Grant Date	Opening balance at 1 Jul 2016	Units allocated under 2017 grant	Cash settled reference units paid	Closing balance at 30 Jun 2017	Units subject to allocation by the Board in Aug 2017	Reference units allocated that have not yet vested or been paid and the months in which they will vest		
						Aug 2017	Aug 2018	Aug 2019
K Lester								
2013	10,595		(10,595)					
2014	17,640		(8,820)	8,820				
2015	39,273		(13,091)	26,182	13,091	13,091		
2016		32,370		32,370	10,790	10,790	10,790	
2017					40,989	13,663	13,663	13,663
Total					32,701	37,544	24,453	13,663
E Manns								
2016		21,042		21,042	7,014	7,014	7,014	
2017					36,363	12,121	12,121	12,121
Total					7,014	19,135	19,135	12,121
S Pearce								
2017					17,199	5,733	5,733	5,733
Total						5,733	5,733	5,733
R Wheels								
2013	13,977		(13,977)					
2014	21,000		(10,500)	10,500				
2015	48,375		(16,125)	32,250	16,125	16,125		
2016		39,831		39,831	13,277	13,277	13,277	
2017					48,396	16,132	16,132	16,132
Total					39,902	45,534	29,409	16,132
Executive KMP – former								
J Ferguson								
2013	12,900		(12,900)					
2014	19,320		(9,660)	9,660				
2015	42,963		(14,321)	28,642	14,321	14,321		
2016		34,485		34,485	11,495	11,495	11,495	
2017					17,862	5,954	5,954	5,954
Total					35,476	31,770	17,449	5,954

remuneration report. continued.

AUSTRALIAN PIPELINE TRUST AND ITS CONTROLLED ENTITIES
FOR THE FINANCIAL YEAR ENDED 30 JUNE 2017

8.3 Securityholdings

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

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

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

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

consolidated statement of profit or loss and other comprehensive income.

AUSTRALIAN PIPELINE TRUST AND ITS CONTROLLED ENTITIES
FOR THE FINANCIAL YEAR ENDED 30 JUNE 2017

	Note	2017 \$'000	2016 \$'000
Continuing operations			
Revenue	4	2,304,627	2,077,327
Share of net profits of associates and joint ventures using the equity method	4	21,793	16,977
		2,326,420	2,094,304
Asset operation and management expenses		(207,329)	(129,534)
Depreciation and amortisation expense	5	(570,021)	(520,890)
Other operating costs – pass-through	5	(438,140)	(438,330)
Finance costs	5	(518,249)	(511,355)
Employee benefit expense	5	(197,747)	(180,103)
Other expenses		(8,600)	(12,097)
Profit before tax		386,334	301,995
Income tax expense	6	(149,488)	(122,524)
Profit for the year		236,846	179,471
Other comprehensive income, net of income tax			
Items that will not be reclassified subsequently to profit or loss:			
Actuarial gain/(loss) on defined benefit plan		5,452	(8,148)
Income tax relating to items that will not be reclassified subsequently		(1,636)	2,444
		3,816	(5,704)
Items that may be reclassified subsequently to profit or loss:			
Gain on available-for-sale investments taken to equity		–	1,027
Transfer of gain on cash flow hedges to profit or loss		92,459	121,922
Gain/(loss) on cash flow hedges taken to equity		164,536	(249,150)
Gain/(loss) on associate hedges taken to equity		10,921	(9,429)
Recycling of reserves on disposal of available-for-sale-investments/associate		–	11,356
Income tax relating to items that may be reclassified subsequently		(80,354)	37,136
		187,562	(87,138)
Other comprehensive income for the year (net of tax)		191,378	(92,842)
Total comprehensive income for the year		428,224	86,629
Profit attributable to:			
Unitholders of the parent		163,879	94,520
Non-controlling interest – APT Investment Trust unitholders		72,967	85,102
APA stapled securityholders		236,846	179,622
Non-controlling interest – other		–	(151)
		236,846	179,471
Total comprehensive income attributable to:			
Unitholders of the parent		355,257	2,273
Non-controlling interest – APT Investment Trust unitholders		72,967	84,507
APA stapled securityholders		428,224	86,780
Non-controlling interest – other		–	(151)
		428,224	86,629
Earnings per security			
Basic and diluted (cents per security)	7	21.3	16.1

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

consolidated statement of financial position.

AUSTRALIAN PIPELINE TRUST AND ITS CONTROLLED ENTITIES
AS AT 30 JUNE 2017

	Note	2017 \$'000	2016 \$'000
Current assets			
Cash and cash equivalents	18	394,501	84,506
Trade and other receivables	9	289,709	263,232
Other financial assets	21	52,334	35,140
Inventories		25,260	24,891
Other		10,527	13,023
Current assets		772,331	420,792
Non-current assets			
Cash on deposit	18	–	2,149
Trade and other receivables	9	15,496	17,283
Other financial assets	21	458,773	447,070
Investments accounted for using the equity method	24	259,882	197,185
Property, plant and equipment	11	9,150,165	9,189,087
Goodwill	12	1,183,604	1,184,588
Other Intangible assets	12	3,174,282	3,355,707
Other	15	31,415	28,814
Non-current assets		14,273,617	14,421,883
Total assets		15,045,948	14,842,675
Current liabilities			
Trade and other payables	10	312,611	252,661
Borrowings	19	126,858	409,829
Other financial liabilities	21	145,768	114,674
Provisions	14	93,773	93,033
Unearned revenue		19,225	13,735
Current liabilities		698,235	883,932
Non-current liabilities			
Trade and other payables	10	4,984	3,007
Borrowings	19	9,573,907	9,314,373
Other financial liabilities	21	182,087	194,591
Deferred tax liabilities	6	502,265	304,849
Provisions	14	69,051	70,917
Unearned revenue		37,236	41,895
Non-current liabilities		10,369,530	9,929,632
Total liabilities		11,067,765	10,813,564
Net assets		3,978,183	4,029,111
Equity			
Australian Pipeline Trust equity:			
Issued capital	22	3,114,617	3,195,445
Reserves		(207,773)	(395,335)
Retained earnings		60,804	182,062
Equity attributable to unitholders of the parent		2,967,648	2,982,172
Non-controlling interests:			
APT Investment Trust:			
Issued capital		976,284	1,005,074
Retained earnings		34,198	41,812
Equity attributable to unitholders of APT Investment Trust	23	1,010,482	1,046,886
Other non-controlling interest		53	53
Total non-controlling interests		1,010,535	1,046,939
Total equity		3,978,183	4,029,111

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

consolidated statement of changes in equity.

AUSTRALIAN PIPELINE TRUST AND ITS CONTROLLED ENTITIES

FOR THE FINANCIAL YEAR ENDED 30 JUNE 2017

	Australian Pipeline Trust					APT Investment Trust					Other non-controlling interest			
	Asset Revaluation Reserve \$'000	Available-for-sale Investment Revaluation Reserve \$'000	Hedging Reserve \$'000	Other Reserve \$'000	Attributable to owners of the parent \$'000	Issued Capital \$'000	Available-for-sale Investment Revaluation Reserve \$'000	Retained earnings \$'000	Investment Trust \$'000	APT Investment Trust \$'000	Issued Capital \$'000	Other \$'000	Retained earnings \$'000	Other non-controlling interest \$'000
Balance at 1 July 2015	3,195,449	8,669	1,484	(318,945)	3,350,429	1,005,086	595	26,488	1,032,169	4	1	47	52	4,382,650
Profit for the year	-	-	-	-	94,520	-	-	85,102	85,102	-	-	(151)	(151)	179,471
Other comprehensive income	-	(2,121)	(121,558)	-	(8,148)	(595)	(595)	-	(595)	-	-	-	-	(132,422)
Income tax relating to components of other comprehensive income	-	637	36,499	-	2,444	-	-	-	-	-	-	-	-	39,580
Total comprehensive income for the year	-	(1,484)	(85,059)	-	88,816	(595)	(595)	85,102	84,507	-	-	(151)	(151)	86,629
Acquisition of non-controlling interest	-	-	-	(152)	(152)	-	-	-	-	-	-	152	152	-
Transfer to retained earnings	-	-	-	152	(152)	-	-	-	-	-	-	-	-	-
Payment of distributions (Note 8)	-	-	-	(370,374)	(370,374)	-	-	(69,778)	(69,778)	-	-	-	-	(440,152)
Issue cost of securities	(6)	-	-	-	(6)	(12)	-	-	(12)	-	-	-	-	(18)
Tax relating to security issue costs	2	-	-	-	2	-	-	-	-	-	-	-	-	2
Balance at 30 June 2016	3,195,445	8,669	(404,004)	-	2,982,172	1,005,074	-	41,812	1,046,886	4	1	48	53	4,029,111
Balance at 1 July 2016	3,195,445	8,669	(404,004)	-	2,982,172	1,005,074	-	41,812	1,046,886	4	1	48	53	4,029,111
Profit for the year	-	-	-	-	163,879	-	-	72,967	72,967	-	-	-	-	236,846
Other comprehensive income	-	-	267,916	-	5,452	-	-	-	-	-	-	-	-	273,368
Income tax relating to components of other comprehensive income	-	-	(80,354)	-	(1,636)	-	-	-	-	-	-	-	-	(81,990)
Total comprehensive income for the year	-	-	187,562	-	167,695	-	-	72,967	72,967	-	-	-	-	428,224
Acquisition of non-controlling interest	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Transfer to retained earnings	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Payment of distributions (Note 8)	(80,828)	-	-	-	(288,953)	(28,790)	-	(80,581)	(109,371)	-	-	-	-	(479,152)
Balance at 30 June 2017	3,114,617	8,669	(216,442)	-	2,967,648	976,284	-	34,198	1,010,482	4	1	48	53	3,978,183

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

consolidated statement of cash flows.

AUSTRALIAN PIPELINE TRUST AND ITS CONTROLLED ENTITIES
FOR THE FINANCIAL YEAR ENDED 30 JUNE 2017

	Note	2017 \$000	2016 \$000
Cash flows from operating activities			
Receipts from customers		2,508,269	2,286,248
Payments to suppliers and employees		(1,065,473)	(964,879)
Dividends received from associates and joint ventures		22,411	22,186
Proceeds from repayment of finance leases		2,290	3,399
Interest received		5,755	9,660
Interest and other costs of finance paid		(481,427)	(493,586)
Income tax paid		(17,889)	(593)
Net cash provided by operating activities		973,936	862,435
Cash flows from investing activities			
Payments for property, plant and equipment		(340,753)	(455,975)
Proceeds from sale of property, plant and equipment		693	386
Payments for equity accounted investments		(35,250)	–
Payments for controlled entities net of cash acquired		(760)	(217,340)
Payments for intangible assets		(1,456)	(705)
Net cash used in investing activities		(377,526)	(673,634)
Cash flows from financing activities			
Proceeds from borrowings		2,144,576	1,110,153
Repayments of borrowings		(1,944,932)	(1,176,899)
Payment of debt issue costs		(8,446)	(9,623)
Payments of security issue costs		–	(77)
Release of restricted cash		2,149	20
Distributions paid to:			
Unitholders of APT		(369,781)	(370,374)
Unitholders of non-controlling interests – APTIT		(109,371)	(69,778)
Net cash used in financing activities		(285,805)	(516,578)
Net increase/(decrease) in cash and cash equivalents		310,605	(327,777)
Cash and cash equivalents at beginning of financial year		84,506	411,921
Unrealised exchange (losses)/gains on cash held		(610)	362
Cash and cash equivalents at end of financial year	18	394,501	84,506

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

consolidated statement of cash flows. continued.

AUSTRALIAN PIPELINE TRUST AND ITS CONTROLLED ENTITIES
FOR THE FINANCIAL YEAR ENDED 30 JUNE 2017

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

	2017 \$000	2016 \$000
Profit for the year	236,846	179,471
Loss on previously held interest on obtaining control	-	476
Acquisition costs from business combinations	(101)	3,387
(Profit)/loss on disposal of property, plant and equipment	(311)	447
Loss on write-off of inventories	-	127
Share of net profits of joint ventures and associates using the equity method	(21,793)	(16,977)
Dividends/distributions received from equity accounted investments	22,411	21,537
Depreciation and amortisation expense	570,021	520,890
Finance costs	13,926	12,225
Unrealised foreign exchange loss/(gain)	28	(938)
Realised hedging loss	7,514	7,540
Changes in assets and liabilities:		
Trade and other receivables	(16,766)	(15,742)
Inventories	(371)	(3,605)
Other assets	266	3,195
Trade and other payables	27,286	(8,456)
Provisions	(562)	4,524
Other liabilities	3,943	32,403
Income tax balances	131,599	121,931
Net cash provided by operating activities	973,936	862,435

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.

notes to the consolidated financial statements.

AUSTRALIAN PIPELINE TRUST AND ITS CONTROLLED ENTITIES
FOR THE FINANCIAL YEAR ENDED 30 JUNE 2017

Basis of Preparation

1. About this report

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

Basis of Preparation

1. About this report
2. General information

Financial Performance

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

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
17. Leases

Capital Management

18. Cash balances
19. Borrowings
20. Financial risk management
21. Other financial instruments
22. Issued capital

Group Structure

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

Other

26. Commitments and contingencies
27. Director and senior executive remuneration
28. Remuneration of external auditor
29. Related party transactions
30. Parent entity information
31. Adoption of new and revised Accounting Standards
32. Events occurring after reporting date

notes to the consolidated financial statements. continued.

AUSTRALIAN PIPELINE TRUST AND ITS CONTROLLED ENTITIES
FOR THE FINANCIAL YEAR ENDED 30 JUNE 2017

Basis of Preparation

2. General information

APA Group comprises of two trusts, Australian Pipeline Trust ("APT") and APT Investment Trust ("APTIT"), which are registered managed investment schemes regulated by the Corporations Act 2001. APT units are "stapled" to APTIT units on a one-to-one basis so that one APT unit and one APTIT unit form a single stapled security which trades on the Australian Securities Exchange under the code "APA".

Australian Accounting Standards require one of the stapled entities of a stapled structure to be identified as the parent entity for the purposes of preparing a consolidated financial report. In accordance with this requirement, APT is deemed to be the parent entity. The results and equity attributable to APTIT, being the other stapled entity which is not directly or indirectly held by APT, are shown separately in the financial statements as non-controlling interests.

The financial report represents the consolidated financial statements of APT and APTIT (together the "Trusts"), their respective subsidiaries and their share of joint arrangements and associates (together "APA Group"). For the purposes of preparing the consolidated financial report, APA Group is a for-profit entity.

Total comprehensive income attributable to non-controlling interests is reported as disclosed in the separate financial statements of APTIT. Comprehensive income arising from transactions between the parent (APT) group entities and the non-controlling interest (APTIT) have not been eliminated in the reporting of total comprehensive income attributable to non-controlling interests.

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, associates, and joint ventures to bring their accounting policies into line with those used by APA Group.

APT's registered office and principal place of business is as follows:

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

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

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

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

Foreign currency transactions

Both the functional and presentation currency of APA Group and APT 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.

notes to the consolidated financial statements. continued.

AUSTRALIAN PIPELINE TRUST AND ITS CONTROLLED ENTITIES
FOR THE FINANCIAL YEAR ENDED 30 JUNE 2017

Financial Performance

3. Segment information

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

APA Group comprises the following reportable segments:

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

Reportable segments

2017	Energy Infrastructure \$000	Asset Management \$000	Energy Investments \$000	Other \$000	Consolidated \$000
Segment revenue^a					
External sales revenue	1,771,349	86,424	–	–	1,857,773
Equity accounted net profits	–	–	21,793	–	21,793
Pass-through revenue	48,646	389,494	–	–	438,140
Finance lease and investment interest income	1,643	–	2,589	–	4,232
Total segment revenue	1,821,638	475,918	24,382	–	2,321,938
Other interest income					4,482
Consolidated revenue					2,326,420
Segment result					
Earnings before interest, tax, depreciation and amortisation ("EBITDA")	1,452,029	58,719	–	–	1,510,748
Share of net profits of joint ventures and associates using the equity method	–	–	21,793	–	21,793
Finance lease and investment interest income	1,643	–	2,589	–	4,232
Corporate costs	–	–	–	(66,651)	(66,651)
Total EBITDA	1,453,672	58,719	24,382	(66,651)	1,470,122
Depreciation and amortisation	(559,033)	(10,988)	–	–	(570,021)
Earnings before interest and tax ("EBIT")	894,639	47,731	24,382	(66,651)	900,101
Net finance costs ^b					(513,767)
Profit before tax					386,334
Income tax expense					(149,488)
Profit for the year					236,846

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.

notes to the consolidated financial statements. continued.

AUSTRALIAN PIPELINE TRUST AND ITS CONTROLLED ENTITIES
FOR THE FINANCIAL YEAR ENDED 30 JUNE 2017

Financial Performance

3. Segment information (continued)

Reportable segments (continued)

2017	Energy Infrastructure \$000	Asset Management \$000	Energy Investments \$000	Consolidated \$000
Segment assets and liabilities				
Segment assets	13,670,034	210,449	10,662	13,891,145
Carrying value of investments using the equity method	-	-	259,882	259,882
Unallocated assets ^a				894,921
Total assets				15,045,948
Segment liabilities	376,220	55,626	-	431,846
Unallocated liabilities ^b				10,635,919
Total liabilities				11,067,765

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

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

2016	Energy Infrastructure \$000	Asset Management \$000	Energy Investments \$000	Other \$000	Consolidated \$000
Segment revenue^a					
External sales revenue	1,526,658	95,430	-	-	1,622,088
Equity accounted net profits	-	-	16,977	-	16,977
Pass-through revenue	29,586	408,744	-	-	438,330
Finance lease and investment interest income	1,917	-	10,783	-	12,700
Dividends – other entities	-	-	512	-	512
Total segment revenue	1,558,161	504,174	28,272	-	2,090,607
Other interest income					3,697
Consolidated revenue					2,094,304

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

Segment result

Earnings before interest, tax, depreciation and amortisation ("EBITDA")	1,333,682	53,858	36	-	1,387,576
Share of net profits of joint ventures and associates using the equity method	-	-	16,977	-	16,977
Finance lease and investment interest income	1,917	-	10,783	-	12,700
Corporate costs	-	-	-	(86,710)	(86,710)
Total EBITDA	1,335,599	53,858	27,796	(86,710)	1,330,543
Depreciation and amortisation	(508,710)	(12,180)	-	-	(520,890)
Earnings before interest and tax ("EBIT")	826,889	41,678	27,796	(86,710)	809,653
Net finance costs ^a					(507,658)
Profit before tax					301,995
Income tax expense					(122,524)
Profit for the year					179,471

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

notes to the consolidated financial statements. continued.

AUSTRALIAN PIPELINE TRUST AND ITS CONTROLLED ENTITIES
FOR THE FINANCIAL YEAR ENDED 30 JUNE 2017

Financial Performance

3. Segment information (continued)

Reportable segments (continued)

2016	Energy Infrastructure \$000	Asset Management \$000	Energy Investments \$000	Consolidated \$000
Segment assets and liabilities				
Segment assets	13,873,683	213,973	17,499	14,105,155
Carrying value of investments using the equity method	–	–	197,185	197,185
Unallocated assets ^a				540,335
Total assets				14,842,675
Segment liabilities	319,995	63,574	–	383,569
Unallocated liabilities ^b				10,429,995
Total liabilities				10,813,564

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

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

Information about major customers

Included in revenues arising from energy infrastructure of \$1,771.3 million (2016: \$1,526.7 million) are revenues of approximately \$704.8 million (2016: \$652.0 million) which arose from sales to APA Group's top three customers.

4. Revenue

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

	2017 \$000	2016 \$000
Energy infrastructure revenue	1,770,794	1,526,050
Pass-through revenue	48,646	29,586
Energy infrastructure revenue	1,819,440	1,555,636
Asset management revenue	86,424	95,430
Pass-through revenue	389,494	408,744
Asset management revenue	475,918	504,174
Operating revenue	2,295,358	2,059,810
Interest	4,482	3,697
Interest income on redeemable ordinary shares (EII) and redeemable preference shares (GDI) ^a	2,589	10,783
Finance lease income	1,643	1,917
Finance income	8,714	16,397
Dividends	–	512
Rental income	555	608
Total revenue	2,304,627	2,077,327
Share of net profits of joint ventures and associates using the equity method	21,793	16,977
	2,326,420	2,094,304

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

notes to the consolidated financial statements. continued.

AUSTRALIAN PIPELINE TRUST AND ITS CONTROLLED ENTITIES
FOR THE FINANCIAL YEAR ENDED 30 JUNE 2017

Financial Performance

4. Revenue (continued)

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

- **Operating revenue**, which is earned from the transportation, processing and storage of gas, generation of electricity and other related services and is recognised when the services are provided net of goods and services tax ("GST"), except where the amount of GST incurred is not recoverable from the taxation authority;
- **Pass-through revenue**, for which no margin is earned, is recognised when the services are provided and offset by corresponding pass-through costs;
- **Interest revenue**, which is recognised as it accrues and is determined using the effective interest method;
- **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 Group's net investment outstanding in respect of the leases.

5. Expenses

	2017 \$000	2016 \$000
Depreciation of non-current assets	387,140	337,426
Amortisation of non-current assets	182,881	183,464
Depreciation and amortisation expense	570,021	520,890
Energy infrastructure costs – pass-through	48,646	29,586
Asset management costs – pass-through	389,494	408,744
Other operating costs – pass-through	438,140	438,330
Interest on bank overdrafts and borrowings ^a	506,124	500,588
Amortisation of deferred borrowing costs	9,578	9,227
Other finance costs	5,742	5,084
	521,444	514,899
Less: amounts included in the cost of qualifying assets	(7,099)	(6,157)
	514,345	508,742
Gain on derivatives	(152)	(698)
Unwinding of discount on non-current liabilities	4,056	3,311
Finance costs	518,249	511,355
Defined contribution plans	11,308	11,406
Defined benefit plans (Note 16)	3,033	2,741
Post-employment benefits	14,341	14,147
Termination benefits	2,295	2,995
Cash settled security-based payments ^b	25,993	27,585
Other employee benefits	155,118	135,376
Employee benefit expense	197,747	180,103

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

b) APA Group 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.

notes to the consolidated financial statements. continued.

AUSTRALIAN PIPELINE TRUST AND ITS CONTROLLED ENTITIES
FOR THE FINANCIAL YEAR ENDED 30 JUNE 2017

Financial Performance

6. Income tax

The major components of tax expense are:

	2017 \$000	2016 \$000
Income statement (continuing operations)		
Current tax expense in respect of the current year	(34,518)	(9,076)
Adjustments recognised in the current year in relation to current tax of prior years	456	2,216
Deferred tax expense relating to the origination and reversal of temporary differences	(115,426)	(115,664)
Total tax expense	(149,488)	(122,524)
Tax reconciliation (continuing operations)		
Profit before tax	386,334	301,995
Income tax expense calculated at 30%	(115,900)	(90,599)
Non-assessable trust distribution	21,891	25,530
Non deductible expenses	(59,263)	(65,048)
Non assessable income	319	2,984
	(152,953)	(127,133)
Franking credits received	708	2,164
Previously unbooked losses now recognised	533	229
Adjustment recognised in the current year in relation to the current tax of prior years	456	1,037
R&D tax incentive ^a	1,768	1,179
	(149,488)	(122,524)

a) 2016 includes \$1.2 million in relation to adjustments recognised in relation to current tax of the prior year.

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.

Income tax expense for the year is \$149.5 million (2016: \$122.5 million). An income tax provision of \$28.9 million (2016: \$13.8 million) has been recognised after utilisation of all available group tax losses and partial utilisation of available transferred tax losses (refer to Note 10).

notes to the consolidated financial statements. continued.

AUSTRALIAN PIPELINE TRUST AND ITS CONTROLLED ENTITIES
FOR THE FINANCIAL YEAR ENDED 30 JUNE 2017

Financial Performance

6. Income tax (continued)

Deferred tax balances

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

	Opening balance \$000	Charged to income \$000	Charged to equity \$000	Acquired/ Disposed \$000	Closing balance \$000
2017					
Gross deferred tax liabilities					
Property, plant and equipment	(724,525)	(85,596)	-	-	(810,121)
Deferred expenses	(54,563)	(1,917)	-	-	(56,480)
Defined benefit obligation	1,383	185	(1,636)	-	(68)
Other	(730)	(324)	-	-	(1,054)
	(778,435)	(87,652)	(1,636)	-	(867,723)
Gross deferred tax assets					
Provisions	45,723	168	-	-	45,891
Cash flow hedges	165,027	(305)	(76,903)	-	87,819
Security issue costs	5,443	(1,819)	-	-	3,624
Deferred revenue	5,811	(1,405)	-	-	4,406
Investments equity accounted	6,445	(553)	(3,451)	-	2,441
Tax losses	245,137	(23,860)	-	-	221,277
	473,586	(27,774)	(80,354)	-	365,458
Net deferred tax liability	(304,849)	(115,426)	(81,990)	-	(502,265)
2016					
Gross deferred tax liabilities					
Intangible assets	(2,668)	2,668	-	-	-
Property, plant and equipment	(586,107)	(102,407)	-	(36,011)	(724,525)
Deferred expenses	(51,669)	(3,022)	-	128	(54,563)
Other	1,421	(2,151)	-	-	(730)
Available for sale investments	(639)	-	639	-	-
	(639,662)	(104,912)	639	(35,883)	(779,818)
Gross deferred tax assets					
Provisions	45,051	(1,136)	-	1,808	45,723
Cash flow hedges	127,474	(713)	38,266	-	165,027
Security issue costs	7,261	(1,820)	2	-	5,443
Deferred revenue	6,729	(918)	-	-	5,811
Investments equity accounted	10,192	(1,978)	(1,769)	-	6,445
Defined benefit obligation	(1,007)	(54)	2,444	-	1,383
Tax losses	249,270	(4,133)	-	-	245,137
	444,970	(10,752)	38,943	1,808	474,969
Net deferred tax liability	(194,692)	(115,664)	39,582	(34,075)	(304,849)

notes to the consolidated financial statements. continued.

AUSTRALIAN PIPELINE TRUST AND ITS CONTROLLED ENTITIES
FOR THE FINANCIAL YEAR ENDED 30 JUNE 2017

Financial Performance

6. Income tax (continued)

Unrecognised deferred tax assets

	2017 \$000	2016 \$000
The following deferred tax assets have not been brought to account as assets:		
Tax losses – capital	1,641	1,641

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

APT 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 APT. The members of the tax-consolidated group are identified at Note 25.

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

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

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

Nature of tax funding arrangement and tax sharing agreement

Entities within the tax-consolidated group have entered into a tax funding arrangement and a tax sharing agreement with the head entity. Under the terms of the tax funding arrangement, 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.

7. Earnings per security

	2017 cents	2016 cents
Basic and diluted earnings per security	21.3	16.1

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

	2017 \$000	2016 \$000
Net profit attributable to securityholders for calculating basic and diluted earnings per security	236,846	179,622

	2017 No. of securities 000	2016 No. of securities 000
Adjusted weighted average number of ordinary securities used in the calculation of basic and diluted earnings per security	1,114,307	1,114,307

notes to the consolidated financial statements. continued.

AUSTRALIAN PIPELINE TRUST AND ITS CONTROLLED ENTITIES
FOR THE FINANCIAL YEAR ENDED 30 JUNE 2017

Financial Performance

8. Distributions

	2017 cents per security	2017 Total \$000	2016 cents per security	2016 Total \$000
Recognised amounts				
Final distribution paid on 16 September 2016 (2016: 16 September 2015)				
Profit distribution – APT ^a	16.34	182,063	18.12	201,945
Capital distribution – APT	1.78	19,869	–	–
Profit distribution – APTIT ^a	3.75	41,811	2.38	26,488
Capital distribution – APTIT	0.63	6,976	–	–
	22.50	250,719	20.50	228,433
Interim distribution paid on 15 March 2017 (2016: 16 March 2016)				
Profit distribution – APT ^b	9.59	106,890	15.12	168,429
Capital distribution – APT	5.47	60,959	–	–
Profit distribution – APTIT ^a	3.48	38,770	3.88	43,290
Capital distribution – APTIT	1.96	21,814	–	–
	20.50	228,433	19.00	211,719
Total distributions recognised				
Profit distributions	33.16	369,534	39.50	440,152
Capital distributions	9.84	109,618	–	–
	43.00	479,152	39.50	440,152
Unrecognised amounts				
Final distribution payable on 13 September 2017^c (2016: 16 September 2016)				
Profit distribution – APT ^d	5.46	60,803	16.34	182,063
Capital distribution – APT	10.78	120,183	1.78	19,869
Profit distribution – APTIT ^a	3.07	34,198	3.75	41,811
Capital distribution – APTIT	3.69	41,107	0.63	6,976
	23.00	256,291	22.50	250,719

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

b) Interim profit distributions are 4.67 cents per security franked and 4.92 cents per security unfranked (2016: unfranked)

c) Record date 30 June 2017.

d) Final profit distributions are 4.67 cents per security franked and 0.79 cents per security unfranked (2016: unfranked)

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

	2017 \$000	2016 \$000
Adjusted franking account balance (tax paid basis)	4,413	8,210

notes to the consolidated financial statements. continued.

AUSTRALIAN PIPELINE TRUST AND ITS CONTROLLED ENTITIES
FOR THE FINANCIAL YEAR ENDED 30 JUNE 2017

Operating Assets and Liabilities

9. Receivables

	2017 \$000	2016 \$000
Trade receivables	275,331	250,875
Allowance for doubtful debts	(2,120)	(2,658)
Trade receivables	273,211	248,217
Receivables from associates and related parties	13,028	12,447
Finance lease receivables (Note 17)	1,787	2,290
Interest receivable	1,605	91
Other debtors	78	187
Current	289,709	263,232
Finance lease receivables (Note 17)	15,496	17,283
Non-current	15,496	17,283

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

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

10. Payables

Trade payables ^a	40,827	27,310
Income tax payable	28,914	13,848
Other payables	242,870	211,503
Current	312,611	252,661
Other payables	4,984	3,007
Non-current	4,984	3,007

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

Trade and other payables are recognised when APA Group 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.

notes to the consolidated financial statements. continued.

AUSTRALIAN PIPELINE TRUST AND ITS CONTROLLED ENTITIES
FOR THE FINANCIAL YEAR ENDED 30 JUNE 2017

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 2015	229,051	4,444	8,937,221	168,074	9,338,790
Additions	–	–	21,735	283,242	304,977
Acquisitions through business combinations	3,234	–	852,485	11,457	867,176
Disposals	(651)	(285)	(15,323)	–	(16,259)
Transfers	3,204	913	263,524	(267,641)	–
Balance at 30 June 2016	234,838	5,072	10,059,642	195,132	10,494,684
Additions	2,280	–	5,150	340,309	347,739
Disposals	(24)	–	(9,089)	–	(9,113)
Transfers	5,639	5,095	295,300	(306,034)	–
Balance at 30 June 2017	242,733	10,167	10,351,003	229,407	10,833,310
Accumulated depreciation					
Balance at 1 July 2015	(25,036)	(2,203)	(956,358)	–	(983,597)
Disposals	434	285	14,707	–	15,426
Depreciation expense (Note 5)	(7,324)	(357)	(329,745)	–	(337,426)
Transfers	(89)	(4)	93	–	–
Balance at 30 June 2016	(32,015)	(2,279)	(1,271,303)	–	(1,305,597)
Disposals	24	–	8,707	–	8,731
Depreciation expense (Note 5)	(7,430)	(750)	(378,960)	–	(387,140)
Transfers	260	–	(260)	–	–
Reclassification to inventories	–	–	861	–	861
Balance at 30 June 2017	(39,161)	(3,029)	(1,640,955)	–	(1,683,145)
Net book value					
As at 30 June 2016	202,823	2,793	8,788,339	195,132	9,189,087
As at 30 June 2017	203,572	7,138	8,710,048	229,407	9,150,165

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

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

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

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

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

notes to the consolidated financial statements. continued.

AUSTRALIAN PIPELINE TRUST AND ITS CONTROLLED ENTITIES
FOR THE FINANCIAL YEAR ENDED 30 JUNE 2017

Operating Assets and Liabilities

11. Property, plant and equipment (continued)

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

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

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

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

12. Goodwill and intangibles

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

Allocation of goodwill to cash-generating units

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

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

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

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

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

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

notes to the consolidated financial statements. continued.

AUSTRALIAN PIPELINE TRUST AND ITS CONTROLLED ENTITIES
FOR THE FINANCIAL YEAR ENDED 30 JUNE 2017

Operating Assets and Liabilities

12. Goodwill and intangibles (continued)

	2017 \$000	2016 \$000
Contract and other intangibles		
Gross carrying amount		
Balance at beginning of financial year	3,604,143	3,623,011
Acquisitions / additions	1,456	705
Write-offs	(15,800)	(19,573)
Balance at end of financial year	3,589,799	3,604,143
Accumulated amortisation and impairment		
Balance at beginning of financial year	(248,436)	(66,765)
Amortisation expense (Note 5)	(182,881)	(183,464)
Impairment	–	(8,897)
Write-offs	15,800	10,690
Balance at end of financial year	(415,517)	(248,436)
	3,174,282	3,355,707

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

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

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

13. Impairment of non-financial assets

APA Group 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 APA Group 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 APA Group'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, APA Group reviewed its CGUs for indicators of impairment at the end of the reporting period. No such indicators were identified and no impairment recognised.

notes to the consolidated financial statements. continued.

AUSTRALIAN PIPELINE TRUST AND ITS CONTROLLED ENTITIES
FOR THE FINANCIAL YEAR ENDED 30 JUNE 2017

Operating Assets and Liabilities

13. Impairment of non-financial assets (continued)

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

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

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

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

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

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

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

14. Provisions

	2017 \$000	2016 \$000
Employee benefits	83,787	83,240
Other	9,986	9,793
Current	93,773	93,033
Employee benefits	33,598	36,903
Other	35,453	34,014
Non-current	69,051	70,917
Employee benefits		
Incentives	29,357	28,401
Cash settled security-based payments	8,857	9,477
Leave balances	39,976	39,587
Termination benefits	5,597	5,775
Current	83,787	83,240
Cash settled security-based payments	18,939	19,467
Defined benefit liability (Note 16)	4,645	7,017
Leave balances	10,014	10,419
Non-current	33,598	36,903

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

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

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

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

notes to the consolidated financial statements. continued.

AUSTRALIAN PIPELINE TRUST AND ITS CONTROLLED ENTITIES
FOR THE FINANCIAL YEAR ENDED 30 JUNE 2017

Operating Assets and Liabilities

15. Other non-current assets

	2017 \$000	2016 \$000
Line pack gas	20,343	20,208
Gas held in storage	6,010	6,010
Defined benefit asset (Note 16)	4,870	2,404
Other assets	192	192
	31,415	28,814

16. Employee superannuation plans

All employees of APA Group are entitled to benefits on retirement, disability or death from an industry sponsored fund, or an alternative fund of their choice. APA Group 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 APA Group and APA Group's legal and constructive obligations are limited to these amounts.

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

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

Amounts recognised in the statement of profit or loss and other comprehensive income

Current service cost	2,842	2,783
Net interest expense	191	(42)
Components of defined benefit costs recognised in profit or loss (Note 5)	3,033	2,741

Amounts recognised in the statement of financial position

Fair value of plan assets	135,029	138,488
Present value of benefit obligation	(134,804)	(143,101)
Defined benefit asset – non-current (Note 15)	4,870	2,404
Defined benefit liability – non-current (Note 14)	(4,645)	(7,017)
Opening defined benefit obligation	143,101	137,141
Current service cost	2,842	2,783
Interest cost	4,599	5,807
Contributions from plan participants	1,001	1,332
Actuarial gains	1,550	3,893
Benefits paid	(17,665)	(7,855)
Administrative expenses, taxes and premiums paid	(624)	–
Closing defined benefit obligation	134,804	143,101

Operating Assets and Liabilities

16. Employee superannuation plans (continued)

Movements in the present value of the plan assets in the current period were as follows:

	2017 \$000	2016 \$000
Opening fair value of plan assets	138,488	140,500
Interest income	4,408	5,849
Actual return on plan assets excluding interest income	7,002	(4,255)
Contributions from employer	2,419	2,917
Contributions from plan participants	1,001	1,332
Benefits paid	(17,665)	(7,855)
Administrative expenses, taxes and premiums paid	(624)	–
Closing fair value of plan assets	135,029	138,488

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

- If the discount rate is 50 basis points higher (lower), the defined benefit obligation would decrease by \$5,466,000 (increase by \$6,043,000); and
- If the expected salary growth increases (decreases) by 0.5%, the defined benefit obligation would increase by \$2,133,000 (decrease by \$1,999,000).

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

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

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

notes to the consolidated financial statements. continued.

AUSTRALIAN PIPELINE TRUST AND ITS CONTROLLED ENTITIES
FOR THE FINANCIAL YEAR ENDED 30 JUNE 2017

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.

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

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

APA Group 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.

APA Group 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.

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

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

notes to the consolidated financial statements. continued.

AUSTRALIAN PIPELINE TRUST AND ITS CONTROLLED ENTITIES
FOR THE FINANCIAL YEAR ENDED 30 JUNE 2017

Capital Management

APA Group's objectives when managing capital are to safeguard its ability to continue as a going concern while maximising the return to securityholders through the optimisation of the debt to equity structure.

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

The capital structure of APA Group consists of cash and cash equivalents, borrowings and equity attributable to securityholders of APA. APA Group'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 APA Group's assets, make distributions to securityholders and to repay maturing debt.

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

APA Group's capital management strategy remains unchanged from the previous year.

APA Group'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. APA Group targets gearing in a range of 65% to 68%. Gearing is determined as the proportion of net debt to net debt plus equity. APA Group 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 balances

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

	2017 \$000	2016 \$000
Cash and cash equivalents		
Cash at bank and on hand	43,087	83,389
Short-term deposits	351,414	1,117
	394,501	84,506
Non-current cash on deposit		
Cash on deposit ^a	-	2,149

a) As at 30 June 2016 Gorodok Pty Limited held \$2.1 million cash on deposit to support bank guarantees in relation to various contractual arrangements. APA Group had no restricted cash as at 30 June 2017.

notes to the consolidated financial statements. continued.

AUSTRALIAN PIPELINE TRUST AND ITS CONTROLLED ENTITIES
FOR THE FINANCIAL YEAR ENDED 30 JUNE 2017

Capital Management

19. Borrowings

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

	2017 \$000	2016 \$000
Unsecured – at amortised cost		
Guaranteed senior notes ^a	115,738	398,058
Other financial liabilities	11,120	11,771
Current	126,858	409,829
Guaranteed senior notes ^a	9,022,710	8,043,377
Bank borrowings ^b	–	707,501
Subordinated notes ^c	515,000	515,000
Other financial liabilities	82,059	95,155
Less: unamortised borrowing costs	(45,862)	(46,660)
Non-current	9,573,907	9,314,373
	9,700,765	9,724,202
Financing facilities available		
Total facilities		
Guaranteed senior notes ^a	9,138,448	8,441,435
Bank borrowings ^b	1,068,750	1,380,000
Subordinated notes ^c	515,000	515,000
	10,722,198	10,336,435
Facilities used at balance date		
Guaranteed senior notes ^a	9,138,448	8,441,435
Bank borrowings ^b	–	707,501
Subordinated notes ^c	515,000	515,000
	9,653,448	9,663,936
Facilities unused at balance date		
Guaranteed senior notes ^a	–	–
Bank borrowings ^b	1,068,750	672,499
Subordinated notes ^c	–	–
	1,068,750	672,499

a) Represents USD denominated private placement notes of US\$384 million, CAD medium term notes (MTN) of C\$300 million, JPY MTN of ¥10,000 million, GBP MTNs of £950 million, EUR MTN of €1,350 million and USD denominated 144a notes of US\$3,000 million measured at the exchange rate at reporting date, and A\$211 million of AUD denominated private placement notes and AUD MTN of A\$500 million. Refer to Note 20 for details of interest rates and reporting profiles.

b) Refer to Note 20 for details of interest rates and maturity profiles.

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

Capital Management

20. Financial risk management

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

APA Group'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 APA Group 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. APA Group does not engage in speculative trading. All derivatives have been transacted to hedge underlying or existing exposures and have adhered to the ARMC approved Treasury Risk Management Policy.

(a) Market risk

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

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

APA Group is also exposed to price risk arising from its forward purchase contracts over listed equities.

Foreign currency risk

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

notes to the consolidated financial statements. continued.

AUSTRALIAN PIPELINE TRUST AND ITS CONTROLLED ENTITIES
FOR THE FINANCIAL YEAR ENDED 30 JUNE 2017

Capital Management

20. Financial risk management (continued)

(a) Market risk (continued)

Foreign currency risk (continued)

The carrying amount of APA Group'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
2017						
US Dollar	3,393	40,002	(4,406,537)	(417,663)	(347,362)	(5,128,167)
Japanese Yen	-	-	(115,738)	115,738	-	-
Canadian Dollar	-	-	(301,230)	301,230	-	-
British Pound	-	-	(1,610,280)	1,610,280	-	-
Euro	-	-	(2,007,377)	2,007,377	45,024	45,024
Swedish Krona	-	-	-	-	61,196	61,196
Danish Krona	-	-	-	-	104,038	104,038
	3,393	40,002	(8,441,162)	3,616,962	(137,104)	(4,917,909)
2016						
US Dollar	1,068	30,691	(3,694,558)	(1,277,253)	(703,317)	(5,643,369)
Japanese Yen	-	-	(129,964)	129,964	-	-
Canadian Dollar	-	-	(310,555)	310,555	-	-
British Pound	-	-	(1,688,747)	1,688,747	-	-
Euro	-	-	(2,008,378)	2,008,378	1,392	1,392
Swedish Krona	-	-	-	-	29,606	29,606
	1,068	30,691	(7,832,202)	2,860,391	(672,319)	(5,612,371)

notes to the consolidated financial statements. continued.

AUSTRALIAN PIPELINE TRUST AND ITS CONTROLLED ENTITIES
FOR THE FINANCIAL YEAR ENDED 30 JUNE 2017

Capital Management

20. Financial risk management (continued)

(a) Market risk (continued)

Forward foreign exchange contracts

To manage foreign exchange risk arising from future commercial transactions such as forecast capital purchases, revenue and interest payments, APA Group 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 APA Group to hedge 100% of all foreign exchange capital purchases in excess of US\$1 million equivalent that are certain. Forecast foreign currency denominated revenues and interest payments will be hedged by forward exchange contracts on a rolling basis with the objective being to lock in the AUD gross cash flows and manage liquidity.

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

Cash flow hedges	Average exchange rate	Foreign currency	Contract Value			Fair value
			< 1 year	1 – 2 years	2 – 5 years	
2017	\$	US\$000	\$000	\$000	\$000	\$000

Pay USD / receive AUD

Forecast revenue and associated receivable	0.7082	(320,885)	306,474	146,605	–	33,119
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Pay AUD / receive USD

Forecast capital purchases	0.7507	79,359	(92,269)	(13,308)	(140)	(2,113)
		(241,526)	214,205	133,297	(140)	31,006

Cash flow hedges	Average exchange rate	Foreign currency	Contract Value			Fair value
			< 1 year	1 – 2 years	2 – 5 years	
	\$	EUR000	\$000	\$000	\$000	\$000

Pay AUD / receive EUR

Forecast capital purchases	0.6884	30,994	(26,461)	(16,691)	(1,872)	2,153
		30,994	(26,461)	(16,691)	(1,872)	2,153

Cash flow hedges	Average exchange rate	Foreign currency	Contract Value			Fair value
			< 1 year	1 – 2 years	2 – 5 years	
	\$	SEK000	\$000	\$000	\$000	\$000

Pay AUD / receive SEK

Forecast capital purchases	5.8684	359,124	(18,108)	(1,831)	(41,257)	(2,129)
		359,124	(18,108)	(1,831)	(41,257)	(2,129)

Cash flow hedges	Average exchange rate	Foreign currency	Contract Value			Fair value
			< 1 year	1 – 2 years	2 – 5 years	
	\$	DKK000	\$000	\$000	\$000	\$000

Pay AUD / receive DKK

Forecast capital purchases	5.2308	544,203	(99,936)	(4,102)	–	6,543
		544,203	(99,936)	(4,102)	–	6,543

notes to the consolidated financial statements. continued.

AUSTRALIAN PIPELINE TRUST AND ITS CONTROLLED ENTITIES
FOR THE FINANCIAL YEAR ENDED 30 JUNE 2017

Capital Management

20. Financial risk management (continued)

(a) Market risk (continued)

Forward foreign exchange contracts (continued)

Cash flow hedges	Average exchange rate \$	Foreign currency US\$000	Contract Value			Fair value \$000
			< 1 year \$000	1 – 2 years \$000	2 – 5 years \$000	

2016

Pay USD / receive AUD

Forecast revenue and associated receivable	0.7200	(507,689)	292,570	265,907	146,605	12,849
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Pay AUD / receive USD

Forecast capital purchases	0.7666	1,353	(995)	(313)	(457)	71
		(506,336)	291,575	265,594	146,148	12,920

Cash flow hedges	Average exchange rate \$	Foreign currency EUR000	Contract Value			Fair value \$000
			< 1 year \$000	1 – 2 years \$000	2 – 5 years \$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 SEK000	Contract Value			Fair value \$000
			< 1 year \$000	1 – 2 years \$000	2 – 5 years \$000	

Pay AUD / receive SEK

Forecast capital purchases	6.0727	179,795	(16,308)	(8,009)	(5,289)	(164)
		179,795	(16,308)	(8,009)	(5,289)	(164)

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

notes to the consolidated financial statements. continued.

AUSTRALIAN PIPELINE TRUST AND ITS CONTROLLED ENTITIES
FOR THE FINANCIAL YEAR ENDED 30 JUNE 2017

Capital Management

20. Financial risk management (continued)

(a) Market risk (continued)

Cross currency swap contracts

APA Group 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. APA Group receives fixed amounts in the various foreign currencies and pays both variable interest rates (based on Australian BBSW) and fixed interest rates based on agreed swap rates for the full term of the underlying borrowings. In certain circumstances borrowings are retained in the foreign currency, or hedged from one foreign currency to another to match payments of interest and principal against expected future business cash flows in that foreign currency.

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

Cash flow hedges	Foreign currency	Exchange rate \$	Less than 1 year \$000	1 – 2 years \$000	2 – 5 years \$000	More than 5 years \$000
2017						
Pay AUD / receive foreign currency						
2003 USPP Notes	AUD/USD	0.6573	–	(95,847)	–	–
2007 USPP Notes	AUD/USD	0.8068	–	(151,215)	(153,694)	–
2009 USPP Notes	AUD/USD	0.7576	–	–	(98,997)	–
2012 JPY Medium Term Notes	AUD/JPY	79.4502	(125,865)	–	–	–
2012 CAD Medium Term Notes	AUD/CAD	1.0363	–	–	(289,494)	–
2012 US144A	AUD/USD	1.0198	–	–	–	(735,438)
2012 GBP Medium Term Notes	AUD/GBP	0.6530	–	–	–	(535,988)
2017 US144A	AUD/USD	0.7668	–	–	–	(1,108,503)
Pay USD / receive foreign currency						
2015 EUR Medium Term Notes	USD/EUR	0.9514	–	–	(957,914)	(889,661)
2015 GBP Medium Term Notes	USD/GBP	0.6773	–	–	–	(1,153,591)
			(125,865)	(247,062)	(1,500,099)	(4,423,181)
2016						
Pay AUD / receive foreign currency						
2003 USPP Notes	AUD/USD	0.6573	–	–	(95,847)	–
2007 USPP Notes	AUD/USD	0.8068	(190,878)	–	(151,215)	(153,694)
2009 USPP Notes	AUD/USD	0.7576	(85,787)	–	(98,997)	–
2012 JPY Medium Term Notes	AUD/JPY	79.4502	–	(125,865)	–	–
2012 CAD Medium Term Notes	AUD/CAD	1.0363	–	–	(289,494)	–
2012 US144A	AUD/USD	1.0198	–	–	–	(735,438)
2012 GBP Medium Term Notes	AUD/GBP	0.6530	–	–	–	(535,988)
Pay USD / receive foreign currency						
2015 EUR Medium Term Notes	USD/EUR	0.9514	–	–	–	(1,904,107)
2015 GBP Medium Term Notes	USD/GBP	0.6773	–	–	–	(1,188,888)
			(276,665)	(125,865)	(635,553)	(4,518,115)

Capital Management

20. Financial risk management (continued)

(a) Market risk (continued)

Foreign currency denominated borrowings

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

Foreign currency sensitivity analysis

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

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

Interest rate risk

APA Group's interest rate risk is derived predominately from borrowings subject to fixed and floating interest rates. This risk is managed by APA Group 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.

APA Group's exposures to interest rate risk on financial liabilities are detailed in the liquidity risk management section of this note. Exposure to financial assets is limited to cash and cash equivalents amounting to \$394.5 million as at 30 June 2017 (2016: \$84.5 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 and/or fixed rate foreign currency to fixed or floating AUD rates on agreed notional principal amounts enabling APA Group to mitigate the risk of cash flow exposures on variable rate debt held. The fair value of interest rate swaps at the reporting date is determined by discounting the future cash flows using the yield curves at reporting date. The average interest rate is based on the outstanding balances at the end of the financial year.

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

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

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

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

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

Capital Management

20. Financial risk management (continued)

(a) Market risk (continued)

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, APA Group's:

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

APA Group's profit sensitivity to interest rates has decreased during the current year due to the overall decrease in the level of APA Group'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.

Price risk

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

Price risk sensitivity

The sensitivity analysis below has been determined based on the exposure to price risks at the reporting date. At the reporting date, if the prices of APA Group's forward purchase contracts over listed equities had been 5 percent p.a. higher or lower:

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

(b) Credit risk

Credit risk refers to the risk that a counterparty will default on its contractual obligations resulting in financial loss to APA Group. APA Group 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, APA Group's policy is to only transact with counterparties that have a credit rating of A- (Standard & Poor's)/A3 (Moody's) or higher unless specifically approved by the Board. Where a counterparty's rating falls below this threshold following a transaction, no other transactions can be executed with that counterparty until the exposure is sufficiently reduced or their credit rating is upgraded above APA Group's minimum threshold. APA Group'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 ARMC. 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 APA Group's maximum exposure to credit risk in relation to those assets.

Cross guarantee

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

(c) Liquidity risk

APA Group has a policy of dealing with liquidity risk which requires an appropriate liquidity risk management framework for the management of APA Group'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 flow and where possible arranging liabilities with longer maturities to more closely match the underlying assets of APA Group.

Detailed in the table following are APA Group'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 APA Group can be required to pay. The table includes both interest and principal cash flows.

notes to the consolidated financial statements. continued.

AUSTRALIAN PIPELINE TRUST AND ITS CONTROLLED ENTITIES
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20. Financial risk management (continued)

(c) Liquidity risk (continued)

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

2017	Maturity	Average interest rate % p.a.	Less than 1 year \$000	1 – 5 years \$000	More than 5 years \$000
Unsecured financial liabilities					
Trade and other payables		–	312,611	–	–
Unsecured bank borrowings ^a		–	–	–	–
2012 Subordinated Notes ^b	1–Oct–72	6.30	32,221	142,361	2,567,692
Denominated in A\$					
Other financial liabilities ^c			7,609	30,436	33,927
Guaranteed Senior Notes^d					
Denominated in A\$					
2007 Series E	15–May–19	7.40	5,045	73,214	–
2007 Series G	15–May–22	7.45	6,002	104,590	–
2007 Series H	15–May–22	7.45	4,617	80,454	–
2010 AUD Medium Term Notes	22–Jul–20	7.75	23,250	358,125	–
2016 AUD Medium Term Note	20–Oct–23	3.75	7,500	30,000	211,250
Denominated in US\$					
2003 Series D	9–Sep–18	6.02	6,930	99,360	–
2007 Series D	15–May–19	5.99	11,111	162,324	–
2007 Series F	15–May–22	6.14	11,354	199,141	–
2009 Series B	1–Jul–19	8.86	5,897	116,558	–
2012 US 144A	11–Oct–22	3.88	49,123	196,627	760,068
2015 US 144A ^c	23–Mar–25	4.20	60,160	240,641	1,613,033
2015 US 144A ^c	23–Mar–35	5.00	19,533	78,130	644,790
2017 US 144A	15–Jul–27	4.25	48,046	235,087	1,430,522
Denominated in stated foreign currency					
2012 JPY Medium Term Notes	22–Jun–18	1.23	134,424	–	–
2012 CAD Medium Term Notes	24–Jul–19	4.25	19,529	318,708	–
2012 GBP Medium Term Notes	26–Nov–24	4.25	39,783	157,619	634,905
2015 GBP Medium Term Notes ^c	22–Mar–30	3.50	51,729	207,013	1,567,617
2015 EUR Medium Term Notes ^c	22–Mar–22	1.38	34,990	1,097,872	–
2015 EUR Medium Term Notes ^c	22–Mar–27	2.00	39,105	156,419	1,085,184
			930,569	4,084,679	10,548,988

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

b) The first call date is 31 March 2018.

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

d) Rates shown are the coupon rate.

notes to the consolidated financial statements. continued.

AUSTRALIAN PIPELINE TRUST AND ITS CONTROLLED ENTITIES
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Capital Management

20. Financial risk management (continued)

(c) Liquidity risk (continued)

2016	Maturity	Average interest rate % p.a.	Less than 1 year \$'000	1 – 5 years \$'000	More than 5 years \$'000
Unsecured financial liabilities					
Trade and other payables		–	252,661	–	–
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 A\$					
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 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
			1,129,198	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 in or fully swapped by way of CCIRS into US\$. Cashflows represent the US\$ cashflow translated at the USD/AUD spot rate as at 30 June 2016. These amounts are fully hedged by forward exchange contracts or future US\$ revenues.

c) Rates shown are the coupon rate.

Capital Management

20. Financial risk management (continued)

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

APA Group 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, APA Group 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 APA Group's credit risk.

Fair value measurements recognised in the statement of financial position

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

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

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

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

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

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

notes to the consolidated financial statements. continued.

AUSTRALIAN PIPELINE TRUST AND ITS CONTROLLED ENTITIES
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Capital Management

20. Financial risk management (continued)

Fair value hierarchy

2017	Level 1 \$000	Level 2 \$000	Level 3 \$000	Total \$000
Financial assets measured at fair value				
Equity forwards designated as fair value through profit or loss	–	2,673	–	2,673
Cross currency interest rate swaps used for hedging	–	416,256	–	416,256
Forward foreign exchange contracts used for hedging	–	65,485	–	65,485
	–	484,414	–	484,414
Financial liabilities measured at fair value				
Interest rate swaps used for hedging	–	4,977	–	4,977
Cross currency interest rate swaps used for hedging	–	269,019	–	269,019
Forward foreign exchange contracts used for hedging	–	27,912	–	27,912
	–	301,908	–	301,908
2016				
Financial assets measured at fair value				
Equity forwards designated as fair value through profit or loss	–	2,566	–	2,566
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

notes to the consolidated financial statements. continued.

AUSTRALIAN PIPELINE TRUST AND ITS CONTROLLED ENTITIES
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Capital Management

20. Financial risk management (continued)

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 APA Group are floating rate borrowings and amortised cost as recorded in the financial statements approximate their fair values.

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

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

21. Other financial instruments

	Assets		Liabilities	
	2017 \$000	2016 \$000	2017 \$000	2016 \$000
Derivatives at fair value:				
Equity forward contracts	1,484	1,864	-	-
Derivatives at fair value designated as hedging instruments:				
Foreign exchange contracts – cash flow hedges	32,991	1,389	14,267	1,421
Interest rate swaps – cash flow hedges	-	-	4,214	3,925
Cross currency interest rate swaps – cash flow hedges	17,574	31,602	127,287	109,328
Financial item carried at amortised cost:				
Redeemable preference share interest	285	285	-	-
Current	52,334	35,140	145,768	114,674
Financial items carried at amortised cost:				
Redeemable ordinary shares	-	15,699	-	-
Redeemable preference shares	10,400	10,400	-	-
Derivatives at fair value:				
Equity forward contracts	1,189	702	-	-
Derivatives at fair value designated as hedging instruments:				
Foreign currency contracts – cash flow hedges	32,494	21,552	13,645	8,716
Interest rate swaps – cash flow hedges	-	-	2,072	6,246
Cross currency interest rate swaps – cash flow hedges	414,690	398,717	166,370	179,629
Non-current	458,773	447,070	182,087	194,591

Capital Management

21. Other financial instruments (continued)

Redeemable ordinary shares related to APA Group's 19.9% investment in Energy Infrastructure Investments Pty Ltd where APL, as responsible entity for APTIT, acquired the redeemable ordinary shares, which included a debt component. The redeemable ordinary shares were redeemed for ordinary shares in Energy Infrastructure Investments Pty Ltd on 23 December 2016.

Redeemable preference shares relate to APA Group'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

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

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

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

The fair value of hedging derivatives is classified as either current or non-current based on the timing of the underlying discounted 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.

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.

notes to the consolidated financial statements. continued.

AUSTRALIAN PIPELINE TRUST AND ITS CONTROLLED ENTITIES
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Capital Management

22. Issued capital

	2017		2016	
	No. of units		units	
	000	\$000	000	\$000
Units				
1,114,307,369 units, fully paid (2016: 1,114,307,369 units, fully paid) ^a		3,114,617		3,195,445
Movements				
Balance at beginning of financial year	1,114,307	3,195,445	1,114,307	3,195,449
Capital distributions paid (Note 8)	-	(80,828)	-	-
Issue costs of securities	-	-	-	(6)
Deferred tax on issue costs of securities	-	-	-	2
Balance at end of financial year	1,114,307	3,114,617	1,114,307	3,195,445

a) Fully paid securities carry one vote per security 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 Trust does not have a limited amount of authorised capital and issued securities do not have a par value.

notes to the consolidated financial statements. continued.

AUSTRALIAN PIPELINE TRUST AND ITS CONTROLLED ENTITIES
FOR THE FINANCIAL YEAR ENDED 30 JUNE 2017

Group Structure

23. Non-controlling interests

APT is deemed the parent entity of APA Group comprising of the stapled structure of APT and APTIT. Equity attributable to other trusts stapled to the parent is a form of non-controlling interest and represents 100% of the equity of APTIT.

Summarised financial information for APTIT is set out below, the amounts disclosed are before inter-company eliminations.

	2017 \$000	2016 \$000
Financial position		
Current assets	738	704
Non-current assets	1,009,757	1,046,193
Total assets	1,010,495	1,046,897
Current liabilities	13	11
Total liabilities	13	11
Net assets	1,010,482	1,046,886
Equity attributable to non-controlling interests	1,010,482	1,046,886
Financial performance		
Revenue	72,979	85,483
Expenses	(12)	(381)
Profit for the year	72,967	85,102
Other comprehensive income	–	(595)
Total comprehensive income allocated to non-controlling interests for the year	72,967	84,507
Cash flows		
Net cash provided by operating activities	75,570	86,451
Net cash provided by / (used in) investing activities	33,801	(16,647)
Distributions paid to non-controlling interests	(109,371)	(69,778)
Net cash used in financing activities	(109,371)	(69,804)

The accounting policies of APTIT are the same as those applied to APA Group.

There are no material guarantees, contingent liabilities or restrictions imposed on APA Group from APTIT's non-controlling interests.

notes to the consolidated financial statements. continued.

AUSTRALIAN PIPELINE TRUST AND ITS CONTROLLED ENTITIES
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Group Structure

23. Non-controlling interests (continued)

	2017 \$000	2016 \$000
APT Investment Trust	1,010,482	1,046,886
Other non-controlling interest	53	53
	1,010,535	1,046,939
APT Investment Trust		
Issued capital:		
Balance at beginning of financial year	1,005,074	1,005,086
Distribution – capital return (Note 8)	(28,790)	–
Issue costs of units	–	(12)
	976,284	1,005,074
Reserves:		
Available-for-sale investment revaluation reserve:		
Balance at beginning of financial year	–	595
Valuation loss recognised	–	(595)
	–	–
Retained earnings:		
Balance at beginning of financial year	41,812	26,488
Net profit attributable to APTIT unitholders	72,967	85,102
Distributions paid (Note 8)	(80,581)	(69,778)
	34,198	41,812
Other non-controlling interest		
Issued capital	4	4
Reserves	1	1
Retained earnings	48	48
	53	53

24. Joint arrangements and associates

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

Name of entity	Principal activity	Country of incorporation	Ownership interest %	
			2017	2016
Joint ventures:				
SEA Gas	Gas transmission	Australia	50.00	50.00
SEA Gas (Mortlake)	Gas transmission	Australia	50.00	–
Energy Infrastructure Investments	Energy infrastructure	Australia	19.90	19.90
EII 2	Power generation (wind)	Australia	20.20	20.20
Associates:				
GDI (EII)	Gas distribution	Australia	20.00	20.00

notes to the consolidated financial statements. continued.

AUSTRALIAN PIPELINE TRUST AND ITS CONTROLLED ENTITIES
FOR THE FINANCIAL YEAR ENDED 30 JUNE 2017

Group Structure

24. Joint arrangements and associates (continued)

	2017 \$000	2016 \$000
Investment in joint ventures and associates using the equity method	259,882	197,185
Joint Ventures		
Aggregate carrying amount of investment	229,693	170,408
APA Group's aggregated share of:		
Profit from continuing operations	17,175	13,640
Other comprehensive income	8,007	(8,103)
Total comprehensive income	25,182	5,537
Associates		
Aggregate carrying amount of investment	30,189	26,777
APA Group's aggregated share of:		
Profit from continuing operations	4,618	3,337
Other comprehensive income	2,914	(1,327)
Total comprehensive income	7,532	2,010

Investment in associates

An associate is an entity over which APA Group 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 APA Group, including any goodwill on acquisition. In subsequent periods the carrying amount of the investment is adjusted to reflect APA Group'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 APA Group'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 APA Group has made payments on behalf of the associate or joint venture.

Contingent liabilities and capital commitments

APA Group's share of the contingent liabilities, capital commitments and other expenditure commitments of joint operations is disclosed in Note 26.

APA Group is a venturer in the following joint operations:

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

a) On 17 August 2004, APA 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, APA Group receives a 70.8% share of operating income and expenses.

Interest in joint arrangements

A joint arrangement is an arrangement whereby 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. APA Group 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

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, APA Group recognises its share of assets and liabilities, revenue from the sale of its share of the output and its share of any revenue generated from the sale of the output by the joint operation and its share of expenses. These are incorporated into APA Group's financial statements under the appropriate headings.

notes to the consolidated financial statements. continued.

AUSTRALIAN PIPELINE TRUST AND ITS CONTROLLED ENTITIES
FOR THE FINANCIAL YEAR ENDED 30 JUNE 2017

Group Structure

25. Subsidiaries

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

Name of entity	Country of registration/ incorporation	Ownership interest	
		2017 %	2016 %
Parent entity			
Australian Pipeline Trust ^a			
Subsidiaries			
Agex Pty. Ltd. ^{b,c}	Australia	100	100
Amadeus Gas Trust ^g	–	96	96
APA (BWF Holdco) Pty Ltd ^{b,c}	Australia	100	100
APA (EDWF Holdco) Pty Ltd ^{b,c}	Australia	100	100
APA (EPX) Pty Limited ^{b,c}	Australia	100	100
APA (NBH) Pty Limited ^{b,c}	Australia	100	100
APA (Pilbara Pipeline) Pty Ltd ^{b,c}	Australia	100	100
APA (SWQP) Pty Limited ^{b,c}	Australia	100	100
APA (WA) One Pty Limited ^{b,c}	Australia	100	100
APA AIS 1 Pty Limited ^{b,c}	Australia	100	100
APA AIS 2 Pty Ltd ^{b,c}	Australia	100	100
APA AIS Pty Limited ^{b,c}	Australia	100	100
APA AM (Allgas) Pty Limited ^{b,c}	Australia	100	100
APA BIDCO Pty Limited ^{b,c}	Australia	100	100
APA Biobond Pty Limited ^{b,c}	Australia	100	100
APA Country Pipelines Pty Limited ^{b,c}	Australia	100	100
APA DPS Holdings Pty Limited ^{b,c}	Australia	100	100
APA DPS2 Pty Limited ^{b,c}	Australia	100	100
APA East Pipelines Pty Limited ^{b,c}	Australia	100	100
APA EE Australia Pty Limited ^{b,c}	Australia	100	100
APA EE Corporate Shared Services Pty Limited ^{b,c}	Australia	100	100
APA EE Holdings Pty Limited ^{b,c}	Australia	100	100
APA EE Pty Limited ^{b,c}	Australia	100	100
APA Ethane Pty Limited ^{b,c,f}	Australia	100	100
APA Facilities Management Pty Limited ^{b,c}	Australia	100	100
APA Midstream Holdings Pty Limited ^{b,c,d}	Australia	100	–
APA Operations (EII) Pty Limited ^{b,c}	Australia	100	100
APA Operations Pty Limited ^{b,c}	Australia	100	100
APA Pipelines Investments (BWP) Pty Limited ^{b,c}	Australia	100	100
APA Power Holdings Pty Limited ^{b,c}	Australia	100	100
APA Power PF Pty Limited ^{b,c}	Australia	100	100
APA Reedy Creek Wallumbilla Pty Limited ^{b,c,e}	Australia	100	100
APA SEA Gas (Mortlake) Holdings Pty Ltd ^{b,c}	Australia	100	100
APA SEA Gas (Mortlake) Pty Ltd ^b	Australia	100	100
APA Services (Int) Inc. ^d	United States	100	–
APA Sub Trust No 1 ^{b,g}	–	100	100
APA Sub Trust No 2 ^{b,g}	–	100	100

notes to the consolidated financial statements. continued.

AUSTRALIAN PIPELINE TRUST AND ITS CONTROLLED ENTITIES
FOR THE FINANCIAL YEAR ENDED 30 JUNE 2017

Group Structure

25. Subsidiaries (continued)

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

notes to the consolidated financial statements. continued.

AUSTRALIAN PIPELINE TRUST AND ITS CONTROLLED ENTITIES
FOR THE FINANCIAL YEAR ENDED 30 JUNE 2017

Group Structure

25. Subsidiaries (continued)

Name of entity	Country of registration/ incorporation	Ownership interest	
		2017 %	2016 %
EDWF Holdings 2 Pty Ltd ^{b,c}	Australia	100	100
EDWF Manager Pty Ltd ^{b,c}	Australia	100	100
Epic Energy East Pipelines Trust ^{b,g}	–	100	100
EPX Holdco Pty Limited ^{b,c}	Australia	100	100
EPX Member Pty Limited ^{b,c}	Australia	100	100
EPX Trust ^{b,g}	–	100	100
Ethane Pipeline Income Financing Trust ^{b,g}	–	100	100
Ethane Pipeline Income Trust ^{b,g}	–	100	100
Gasinvest Australia Pty Ltd ^{b,c}	Australia	100	100
GasNet A Trust ^g	–	100	100
GasNet Australia Investments Trust ^g	–	100	100
GasNet Australia Trust ^{b,g}	–	100	100
GasNet B Trust ^{b,g}	–	100	100
Goldfields Gas Transmission Pty Ltd ^b	Australia	100	100
Gorodok Pty. Ltd. ^{b,c}	Australia	100	100
Griffin Windfarm 2 Pty Ltd ^b	Australia	100	100
Moomba to Sydney Ethane Pipeline Trust ^{b,g}	–	100	100
N.T. Gas Distribution Pty Limited ^{b,c}	Australia	100	100
N.T. Gas Easements Pty. Limited ^{b,c}	Australia	100	100
N.T. Gas Pty Limited	Australia	96	96
Roverton Pty. Ltd. ^{b,c}	Australia	100	100
SCP Investments (No. 1) Pty Limited ^{b,c}	Australia	100	100
SCP Investments (No. 2) Pty Limited ^{b,c}	Australia	100	100
SCP Investments (No. 3) Pty Limited ^{b,c}	Australia	100	100
Sopic Pty. Ltd. ^{b,c}	Australia	100	100
Southern Cross Pipelines (NPL) Australia Pty Ltd ^{b,c}	Australia	100	100
Southern Cross Pipelines Australia Pty Limited ^{b,c}	Australia	100	100
Trans Australia Pipeline Pty Ltd ^{b,c}	Australia	100	100
Votrait No. 1606 Pty Ltd ^b	Australia	100	100
Votrait No. 1613 Pty Ltd ^b	Australia	100	100
Western Australian Gas Transmission Company 1 Pty Ltd ^{b,c}	Australia	100	100
Wind Portfolio Pty Ltd ^{b,c}	Australia	100	100

a) Australian Pipeline Trust is the head entity within the APA tax-consolidated group.

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

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

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

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

f) Entity changed its company type from Limited to Pty. Limited during the 2017 year.

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

notes to the consolidated financial statements. continued.

AUSTRALIAN PIPELINE TRUST AND ITS CONTROLLED ENTITIES
FOR THE FINANCIAL YEAR ENDED 30 JUNE 2017

Other

26. Commitments and contingencies

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

APA Group had no contingent assets as at 30 June 2017 and 30 June 2016.

27. Director and senior executive remuneration

Remuneration of Directors

The aggregate remuneration of Directors of APA Group is set out below:

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

Remuneration of senior executives^a

The aggregate remuneration of senior executives of APA Group is set out below:

Short-term employment benefits	11,108,724	10,992,475
Post-employment benefits	551,107	856,636
Cash settled security-based payments	3,730,048	4,429,999
Total remuneration: senior executives	15,389,879	16,279,110

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

28. Remuneration of external auditor

Amounts received or due and receivable by Deloitte Touche Tohmatsu for:

Auditing the financial report	654,900	643,000
Compliance plan audit	18,900	18,500
Other assurance services ^a	263,700	75,000
	937,500	736,500

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

notes to the consolidated financial statements. continued.

AUSTRALIAN PIPELINE TRUST AND ITS CONTROLLED ENTITIES
FOR THE FINANCIAL YEAR ENDED 30 JUNE 2017

Other

29. Related party transactions

(a) Equity interest in related parties

Details of the percentage of ordinary securities held in subsidiaries are disclosed in Note 25 and the details of the percentage held in joint operations, joint ventures and associates are disclosed in Note 24.

(b) Responsible Entity – Australian Pipeline Limited

The Responsible Entity is wholly owned by APT Pipelines Limited.

(c) Transactions with related parties within APA Group

Transactions between the entities that comprise APA Group 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 Group charges interest on inter-entity loans from time to time.

All transactions between the entities that comprise APA Group have been eliminated on consolidation.

Refer to Note 25 for details of the entities that comprise APA Group.

Australian Pipeline Limited

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

Australian Pipeline Limited, in its capacity as trustee and Responsible Entity of the Trust, 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.

(d) Transactions with other associates and joint ventures

The following transactions occurred with APA Group's associates and joint ventures on normal market terms and conditions:

	Dividends from related parties \$000	Sales to related parties \$000	Purchases from related parties \$000	Amount owed by related parties \$000	Amount owed to related parties \$000
2017					
SEA Gas	10,357	3,717	–	96	–
Energy Infrastructure Investments	4,689	26,553	–	5,792	–
EII 2	3,244	752	–	46	–
GDI (EII)	4,121	51,711	99	7,094	–
	22,411	82,733	99	13,028	–
2016					
SEA Gas	10,523	3,371	–	10	–
Energy Infrastructure Investments	3,810	35,114	157	4,344	–
EII 2	3,102	725	–	45	–
APA Ethane Ltd	–	192	–	–	–
Diamantina Power Station ^a	–	950	–	–	–
GDI (EII)	4,102	55,775	54	7,830	–
	21,537	96,127	211	12,229	–

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

notes to the consolidated financial statements. continued.

AUSTRALIAN PIPELINE TRUST AND ITS CONTROLLED ENTITIES
FOR THE FINANCIAL YEAR ENDED 30 JUNE 2017

Other

30. Parent entity information

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

	2017 \$000	2016 \$000
Financial position		
Assets		
Current assets	2,497,220	2,573,646
Non-current assets	757,947	752,939
Total assets	3,255,167	3,326,585
Liabilities		
Current liabilities	127,269	112,169
Total liabilities	127,269	112,169
Net assets	3,127,898	3,214,416
Equity		
Issued capital	3,114,616	3,195,445
Retained earnings	13,282	18,971
Total equity	3,127,898	3,214,416
Financial performance		
Profit for the year	283,264	186,014
Other comprehensive income	–	2,258
Total comprehensive income	283,264	188,272

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

Australian Pipeline Limited, in its capacity as trustee and Responsible Entity of the Trust, 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.

Due to the contingent nature of these financial guarantees no liability has been recorded (2016: \$nil).

Contingent liabilities of the parent entity

No contingent liabilities have been identified in relation to the parent entity.

notes to the consolidated financial statements. continued.

AUSTRALIAN PIPELINE TRUST AND ITS CONTROLLED ENTITIES
FOR THE FINANCIAL YEAR ENDED 30 JUNE 2017

Other

31. Adoption of new and revised Accounting Standards

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

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

Standards and Interpretations issued not yet adopted

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

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

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

32. Events occurring after reporting date

On 22 August 2017, the Directors declared a final distribution of 23.00 cents per security (\$256.3 million) for APA Group. This is comprised of a distribution of 16.24 cents per unit from APT and a distribution of 6.76 cents per unit from APTIT. The APT distribution represents a 4.67 cents per unit franked profit distribution, a 0.79 cents per unit unfranked profit distribution and 10.78 cents per unit capital distribution. The APTIT distribution represents a 3.07 cent per unit profit distribution and a 3.69 cents per unit capital distribution. Franking credits of 2.0 cents per security will be allocated to the franked profit distribution. The distribution will be paid on 13 September 2017.

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

directors' declaration.

AUSTRALIAN PIPELINE TRUST AND ITS CONTROLLED ENTITIES

For the financial year ended 30 June 2017

The Directors declare that:

- (a) in the Directors' opinion, there are reasonable grounds to believe that Australian Pipeline Trust will be able to pay its debts as and when they become due and payable;
- (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 APA Group;
- (c) in the Directors' opinion, the financial statements and notes thereto are in accordance with International Financial Reporting Standards issued by the International Accounting Standards Board;
- (d) the Directors have been given the declarations by the Chief Executive Officer and Chief Financial Officer required by section 295A of the Corporations Act 2001.

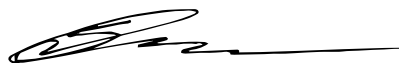
Signed in accordance with a resolution of the Directors of the Responsible Entity made pursuant to section 295(5) of the Corporations Act 2001.

On behalf of the Directors



Leonard Bleasel AM
Chairman

Sydney, 23 August 2017



Steven Crane
Director

auditor's independence declaration.

AUSTRALIAN PIPELINE TRUST AND ITS CONTROLLED ENTITIES

TO AUSTRALIAN PIPELINE LIMITED AS RESPONSIBLE ENTITY FOR AUSTRALIAN PIPELINE TRUST

Deloitte.

Deloitte Touche Tohmatsu
ABN 74 490 121 060

Grosvenor Place
225 George Street
Sydney NSW 2000
PO Box N250 Grosvenor Place
Sydney NSW 1220 Australia

DX: 10307SSE
Tel: +61 (0) 2 9322 7000
Fax: +61 (0) 2 9322 7001
www.deloitte.com.au

23 August 2017

The Directors
Australian Pipeline Limited as responsible entity for
Australian Pipeline Trust
HSBC Building
Level 19, 580 George Street
Sydney NSW 2000

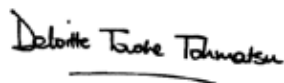
Dear Directors

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

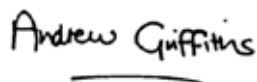
In accordance with section 307C of the *Corporations Act 2001*, I am pleased to provide the following declaration of independence to the directors of Australian Pipeline Limited as responsible entity for Australian Pipeline Trust.

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

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



DELOITTE TOUCHE TOHMATSU



A V Griffiths
Partner
Chartered Accountants
Sydney, 23 August 2017

Liability limited by a scheme approved under Professional Standards Legislation
Member of Deloitte Touche Tohmatsu Limited



Deloitte Touche Tohmatsu
ABN 74 490 121 060

Grosvenor Place
225 George Street
Sydney NSW 2000
PO Box N250 Grosvenor Place
Sydney NSW 1220 Australia

DX: 10307SSE
Tel: +61 (0) 2 9322 7000
Fax: +61 (0) 2 9322 7001
www.deloitte.com.au

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

Report on the Audit of the Financial Report

Opinion

We have audited the financial report of Australian Pipeline Trust (the "Trust") and its subsidiaries (the "Group"), which comprises the consolidated statement of financial position as at 30 June 2017, the consolidated statement of profit or loss and other comprehensive income, the consolidated statement of changes in equity and the consolidated statement of cash flows for the year then ended, notes to the financial statements, including a summary of significant accounting policies and other explanatory information, and the directors' declaration.

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

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

Basis for Opinion

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

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

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

Deloitte.

Key Audit Matters

Key audit matters are those matters that, in our professional judgement, were of most significance in our audit of the financial report for the current period. These matters were addressed in the context of our audit of the financial report as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters.

Key Audit Matter	How the scope of our audit responded to the Key Audit Matter
<p>Carrying Value of Property, Plant and Equipment, Goodwill and Other Intangible Assets</p> <p>As disclosed in Note 11 and 12, at 30 June 2017 the Group's balance sheet includes property, plant and equipment of \$9.2 billion, goodwill of \$1.2 billion and other intangible assets of \$3.2 billion, which are allocated across several cash generating units (CGUs).</p> <p>The assessment of the recoverable amount of the Group's property, plant and equipment, goodwill and other intangible asset balances requires the exercise of significant judgement in respect of factors such as discount rates, future contract renewals, contracting of spare capacity, as well as economic assumptions such as inflation.</p> <p>The outcome of this assessment could vary significantly if different assumptions were applied and as a result the evaluation of the carrying value of property, plant and equipment, goodwill and other intangible assets is a key audit matter.</p>	<p>Our procedures included, amongst others:</p> <ul style="list-style-type: none"> • Assessing management's determination of the Group's CGUs based on our understanding of the business. We also analysed the internal reporting to assess how earning streams are monitored and reported • Understanding the appropriateness of management's controls over the evaluation of the carrying value of the Group's property, plant and equipment, goodwill and other intangible assets to determine any asset impairments • In conjunction with our corporate finance specialists, challenging the Group's assumptions and estimates used to determine the recoverable amount of a sample of CGUs, including those relating to: <ul style="list-style-type: none"> ○ forecast revenue by reference to: <ul style="list-style-type: none"> • future contract renewals • contracting of spare capacity ○ operating and maintenance expenses with reference to actual costs incurred in the current period and approved budgets for forecast periods ○ discount rates with reference to: <ul style="list-style-type: none"> • external data • Deloitte developed discount rates. • Assessing historical accuracy of budgeting and forecasting of the Group • Testing, on a sample basis, the mathematical accuracy of the cash flow models and agreeing relevant data to approved budgets and latest forecasts • Performing sensitivity analysis in relation to key assumptions, with particular focus on the discount rate and assumptions relating to contract renewals and contracting of spare capacity; and • Assessing the adequacy of the disclosures in the financial statements.



Key Audit Matter	How the scope of our audit responded to the Key Audit Matter
<p>Derivative transactions and balances including the application of hedge accounting</p> <p>As disclosed in Note 19, the Group has variable and fixed rate borrowings totalling \$9.7 billion extending through to 2035. These borrowings are denominated in Australian, US and Canadian dollars as well as Japanese Yen, British Pounds and Euros. As a result the Group is exposed to interest rate and foreign exchange rate movements and enters into the following types of derivative financial instruments to manage those exposures:</p> <ul style="list-style-type: none"> • Interest rate swaps to mitigate the risk of rising interest rates • Cross currency interest rate swaps to manage the currency risk associated with foreign currency denominated borrowings. <p>In addition, as disclosed in Note 20, revenue for the Wallumbilla Gladstone Pipeline (WGP) is denominated in US dollars. In order to manage the currency risk the Group designates US dollar borrowings (which acts as a natural hedge of the forecast US dollar denominated revenue) against a portion of the US dollar revenue stream. The Group also uses forward exchange contracts to hedge that portion of the exchange rate risk not covered by the US dollar borrowings. The Group applies hedge accounting in respect of these arrangements.</p> <p>The Group's hedging arrangements and accounting for these arrangements are complex.</p>	<p>In conjunction with our Treasury specialists, we performed procedures including:</p> <ul style="list-style-type: none"> • Understanding management's controls over the recording of derivative transactions and application of hedge accounting • Testing the accuracy and completeness of derivative transactions and balances by agreeing to third-party confirmations • Evaluating the appropriateness of the valuation methodologies applied and testing the valuation of the derivative financial instruments on a sample basis • Testing the application of hedge accounting on a sample basis (including hedge effectiveness and measurement of ineffectiveness), in particular for WGP, and validating that the derivative financial instruments qualified for hedge accounting in accordance with AASB 139; and • Assessing the adequacy of the disclosures in notes 19 and 20.

Other Information

The directors of Australian Pipeline Limited ("the directors") as responsible entity of Australian Pipeline Trust are responsible for the other information. The other information comprises the information included in the Group's annual report for the year ended 30 June 2017, but does not include the financial report and our auditor's report thereon.

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

In connection with our audit of the financial report, our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the financial report or our knowledge obtained in the audit, or otherwise appears to be materially misstated. If, based on the work we have performed, we conclude that there is a material

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misstatement of this other information, we are required to report that fact. We have nothing to report in this regard.

Responsibilities of the directors for the Financial Report

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

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

Auditor's Responsibilities for the Audit of the Financial Report

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

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

- Identify and assess the risks of material misstatement of the financial report, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Group's internal control.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by the directors.
- Conclude on the appropriateness of the directors' use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Group's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the financial report or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Group to cease to continue as a going concern.
- Evaluate the overall presentation, structure and content of the financial report, including the disclosures, and whether the financial report represents the underlying transactions and events in a manner that achieves fair presentation.
- Obtain sufficient appropriate audit evidence regarding the financial information of the entities or business activities within the Group to express an opinion on the financial report. We are responsible for the direction, supervision and performance of the Group audit. We remain solely responsible for our audit opinion.

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

We also provide the directors with a statement that we have complied with relevant ethical requirements regarding independence, and to communicate with them all relationships and other matters that may reasonably be thought to bear on our independence, and where applicable, related safeguards.

From the matters communicated with the directors, we determine those matters that were of most significance in the audit of the financial report of the current period and are therefore the key audit matters. We describe these matters in our auditor's report unless law or regulation precludes public disclosure about the matter or when, in extremely rare circumstances, we determine that a matter should not be communicated in our report because the adverse consequences of doing so would reasonably be expected to outweigh the public interest benefits of such communication.

Report on the Remuneration Report

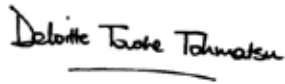
Opinion on the Remuneration Report

We have audited the Remuneration Report of Australian Pipeline Limited as responsible entity of Australian Pipeline Trust included in pages 36 to 49 of the directors' report of Australian Pipeline Limited as responsible entity of Australian Pipeline Trust for the year ended 30 June 2017.

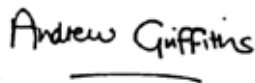
In our opinion, the Remuneration Report of Australian Pipeline Limited as responsible entity of Australian Pipeline Trust for the year ended 30 June 2017, has been prepared in accordance with section 300A of the *Corporations Act 2001*.

Responsibilities

The directors have voluntarily presented the Remuneration Report of Australian Pipeline Limited as responsible entity of Australian Pipeline Trust in accordance with the requirements of section 300A of the *Corporations Act 2001*. We conducted our audit in accordance with Australian Auditing Standards.



DELOITTE TOUCHE TOHMATSU



A V Griffiths
Partner
Chartered Accountants
Sydney, 23 August 2017

APT Investment Trust and its Controlled Entities (ARSN 115 585 441) Directors' Report for the year ended 30 June 2017

The Directors of Australian Pipeline Limited ("Responsible Entity") submit their report and the annual financial report of APT Investment Trust ("APTIT") and its controlled entities (together "Consolidated Entity") for the financial year ended 30 June 2017. This report refers to the consolidated results of APTIT, one of the two stapled entities of APA Group, with the other stapled entity being Australian Pipeline Trust (together "APA").

1. Directors

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

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

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

Nevenka Codevelle

2. Principal Activities

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

3. State of Affairs

No significant change in the state of affairs of the Consolidated Entity occurred during the 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 and Results of Operations

The Consolidated Entity reported net profit after tax of \$73.0 million (FY2016: \$85.1 million) for the year ended 30 June 2017 and total revenue of \$73.0 million (FY2016: \$85.5 million).

6. Distributions

Distributions paid to securityholders during the financial year were:

	Final FY 2016 distribution paid 16 September 2016		Interim FY 2017 distribution paid 15 March 2017	
	Cents per security	Total distribution \$000	Cents per security	Total distribution \$000
APTIT profit distribution	3.75	41,811	3.48	38,770
APTIT capital distribution	0.63	6,976	1.96	21,814
Total	4.38	48,787	5.44	60,584

On 22 August 2017, the Directors declared a final distribution for APTIT for the financial year of 6.76 cents per security which is payable on 13 September 2017 and will comprise the following components:

Final FY 2017 distribution payable 13 September 2017		
	Cents per security	Total distribution \$000
APTIT profit distribution	3.07	34,198
APTIT capital distribution	3.69	41,107
Total	6.76	75,305

Distribution information is presented on an accounting classification basis. The APA Group Annual Tax Statement and Annual Tax Return Guide (to be released in September 2017) will provide the classification of distribution components for the purposes of preparation of securityholder income tax returns.

7. Directors

7.1 Information on Directors and Company Secretary

See pages 6 to 7 for information relating to qualifications and experience on Directors and the Company Secretary.

7.1 Directorships of other listed companies

Directorships of other listed companies held by Directors at any time in the three years immediately before the end of the financial year are as follows:

Name	Company	Period of directorship
Leonard Bleasel AM	–	–
Michael McCormack	Envestra Limited	July 2007 to September 2014
Steven Crane	nib holdings limited Transfield Services Limited Bank of Queensland Limited	Since September 2010 February 2008 to February 2015 December 2008 to January 2015
John Fletcher	–	–
Michael Fraser	Aurizon Holdings Limited AGL Energy Limited	Since February 2016 October 2007 to February 2015
Debra Goodin	Senex Energy Limited oOh!media Limited Ten Network Holdings Limited	Since May 2014 Since November 2014 Since August 2016
Russell Higgins AO	Telstra Corporation Limited Argo Investments Limited Leighton Holdings Limited	Since September 2009 Since September 2011 June 2013 to May 2014
Patricia McKenzie	–	–

7.3 Directors' meetings

During the financial year, 12 Board meetings, four Audit and Risk Management Committee meetings, four People and Remuneration Committee meetings, five Health Safety and Environment Committee meetings and two Nomination Committee meetings were held. The following table sets out the number of meetings attended by each Director while they were a Director or a committee member:

Directors	Board		People and Remuneration Committee		Audit & Risk Management Committee		Health Safety & Environment Committee		Nomination Committee	
	A	B	A	B	A	B	A	B	A	B
Leonard Bleasel AM ¹	12	12	–	–	–	–	–	–	2	2
Michael McCormack	12	12	–	–	–	–	–	–	–	–
Steven Crane	12	11	4	4	4	4	–	–	2	2
John Fletcher	12	12	4	4	4	4	–	–	2	2
Michael Fraser ²	12	12	4	4	2	1	3	3	2	2
Debra Goodin	12	11	–	–	4	4	5	5	2	2
Russell Higgins AO	12	12	–	–	4	3	5	5	2	2
Patricia McKenzie	12	12	4	4	–	–	5	5	2	2

A: Number of meetings held during the time the Director held office or was a member of the committee during the financial year.

B: Number of meetings attended.

1) The Chairman attended all committee meetings of People and Remuneration, Audit & Risk Management and Health, Safety & Environment ex officio.

2) Michael Fraser was appointed to the Audit & Risk Management Committee and retired from the Health Safety & Environment Committee during the period.

7.4 Directors' securityholdings

The aggregate number of APA securities held directly, indirectly or beneficially by Directors or their Director related entities at 30 June 2017 is 1,365,674 (2016: 1,322,074).

The following table sets out Directors' relevant interests in APA securities as at 30 June 2017:

Directors	Fully paid securities as at 1 July 2016	Securities acquired	Securities disposed	Fully paid securities as at 30 June 2017
Leonard Bleasel AM	614,216	23,400	–	637,616
Michael McCormack	300,000	20,000	–	320,000
Steven Crane	130,000	–	–	130,000
John Fletcher	88,250	–	–	88,250
Michael Fraser	25,000	–	–	25,000
Debra Goodin	19,000	200	–	19,200
Russell Higgins AO	122,719	–	–	122,719
Patricia McKenzie	22,889	–	–	22,889
	1,322,074	43,600	–	1,365,674

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

The Directors hold no other rights or options over APA securities. There are no contracts to which a Director is a party or under which the Director is entitled to a benefit and that confer a right to call for or deliver APA securities.

8. Options Granted

In this report, the term "APA securities" refers to stapled securities each comprising a unit in Australian Pipeline Trust stapled to a unit in APT Investment Trust and traded on the Australian Securities Exchange (ASX) under the code "APA".

No options over unissued APA securities were granted during or since the end of the financial year, no unissued APA securities were under option as at the date of this report, and no APA securities were issued during or since the end of the financial year as a result of the exercise of an option over unissued APA securities.

9. Indemnification of Officers and External Auditor

During the financial year, the Responsible Entity paid a premium in respect of a contract insuring the Directors and Officers of the Responsible Entity and any APA Group entity against any liability incurred in performing those roles to the extent permitted by the Corporations Act 2001. The contract of insurance prohibits disclosure of the nature of the liability and the amount of the premium.

Australian Pipeline Limited, in its own capacity and as Responsible Entity of Australian Pipeline Trust and APT Investment Trust, indemnifies each Director and Company Secretary, and certain other executives, former executives and officers of the Responsible Entity or any APA Group entity under a range of deed polls and indemnity agreements which have been in place since 1 July 2000. The indemnity operates to the full extent allowed by law but only to the extent not covered by insurance, and is on terms the Board considers usual for arrangements of this type.

Under its constitution, Australian Pipeline Limited (in its personal capacity) indemnifies each person who is or has been a Director, Company Secretary or executive officer of that company.

The Responsible Entity has not otherwise, during or since the end of the financial year, indemnified or agreed to indemnify an officer or external auditor of the Responsible Entity or any APA Group entity against a liability incurred by such an officer or auditor.

10. Information Required for Registered Schemes

Fees paid to the Responsible Entity and its associates (including Directors and Secretaries of the Responsible Entity, related bodies corporate and Directors and Secretaries of related bodies corporate) out of APA scheme property during the financial year are disclosed in Note 18 to the financial statements.

Except as disclosed in this report, neither the Responsible Entity nor any of its associates holds any APTIT units.

The number of APTIT units issued during the financial year, and the number of APTIT units on issue at the end of the financial year, are disclosed in Note 13 to the financial statements.

The value of the Consolidated Entity's assets as at the end of the financial year is disclosed in the balance sheet in total assets, and the basis of valuation is disclosed in the notes to the financial statements.

11. Auditor's Independence Declaration

A copy of the independence declaration of the auditor, Deloitte Touche Tohmatsu ("Auditor") as required under section 307C of the Corporations Act 2001 is included at page 127.

12. Rounding of Amounts

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

13 Authorisation

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

On behalf of the Directors



Leonard Bleasel AM
Chairman



Steven Crane
Director

Sydney, 23 August 2017

consolidated statement of profit or loss and other comprehensive income.

APT INVESTMENT TRUST AND ITS CONTROLLED ENTITIES
FOR THE FINANCIAL YEAR ENDED 30 JUNE 2017

	Note	2017 \$000	2016 \$000
Continuing operations			
Revenue	4	72,979	85,483
Expenses	4	(12)	(381)
Profit before tax		72,967	85,102
Income tax expense	5	-	-
Profit for the year		72,967	85,102
Other comprehensive income			
Items that may be reclassified subsequently to profit or loss:			
Loss on disposal of available-for-sale investments		-	(595)
Other comprehensive income for the year		-	(595)
Total comprehensive income for the year		72,967	84,507
Profit attributable to:			
Unitholders of the parent		72,967	85,102
		72,967	85,102
Total comprehensive income attributable to:			
Unitholders of the parent		72,967	84,507
Earnings per unit			
Basic and diluted (cents per unit)	6	6.5	7.6

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

consolidated statement of financial position.

APT INVESTMENT TRUST AND ITS CONTROLLED ENTITIES
FOR THE FINANCIAL YEAR ENDED 30 JUNE 2017

	Note	2017 \$000	2016 \$000
Current assets			
Receivables	8	738	704
Non-current assets			
Receivables	8	8,511	9,249
Other financial assets	11	1,001,246	1,036,944
Non-current assets		1,009,757	1,046,193
Total assets		1,010,495	1,046,897
Current liabilities			
Trade and other payables	9	13	11
Total liabilities		13	11
Net assets		1,010,482	1,046,886
Equity			
Issued capital	13	976,284	1,005,074
Retained earnings		34,198	41,812
Total equity		1,010,482	1,046,886

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

consolidated statement of changes in equity.

APT INVESTMENT TRUST AND ITS CONTROLLED ENTITIES
FOR THE FINANCIAL YEAR ENDED 30 JUNE 2017

	Note	Issued capital \$000	Reserves \$000	Retained earnings \$000	Total \$000
Balance at 1 July 2015		1,005,086	595	26,488	1,032,169
Profit for the year		–	–	85,102	85,102
Other comprehensive income for the year		–	(595)	–	(595)
Total comprehensive income for the year		–	(595)	85,102	84,507
Issue of capital (net of issue costs)	13	(12)	–	–	(12)
Distributions to unitholders	7	–	–	(69,778)	(69,778)
Balance at 30 June 2016		1,005,074	–	41,812	1,046,886
Balance at 1 July 2016		1,005,074	–	41,812	1,046,886
Profit for the year		–	–	72,967	72,967
Total comprehensive income for the year		–	–	72,967	72,967
Distributions to unitholders	7	(28,790)	–	(80,581)	(109,371)
Balance at 30 June 2017		976,284	–	34,198	1,010,482

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

consolidated statement of cash flows.

APT INVESTMENT TRUST AND ITS CONTROLLED ENTITIES
FOR THE FINANCIAL YEAR ENDED 30 JUNE 2017

	2017 \$000	2016 \$000
Cash flows from operating activities		
Trust distribution – related party	28,610	31,747
Dividends received	–	126
Interest received – related parties	45,531	53,229
Proceeds from repayment of finance leases	1,167	1,167
Receipts from customers	274	193
Payments to suppliers	(12)	(11)
Net cash provided by operating activities	75,570	86,451
Cash flows from investing activities		
Proceeds from transfer of financial asset to related party	32,566	–
Receipts from/(advances to) related parties	1,235	(18,192)
Proceeds from disposal of available-for-sale investment	–	1,545
Net cash provided by/(used in) investing activities	33,801	(16,647)
Cash flows from financing activities		
Payment of unit issue costs	–	(26)
Distributions to unitholders	(109,371)	(69,778)
Net cash used in financing activities	(109,371)	(69,804)
Net increase in cash and cash equivalents	–	–
Cash and cash equivalents at beginning of financial year	–	–
Cash and cash equivalents at end of financial year	–	–

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

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.

notes to the consolidated financial statements.

APT INVESTMENT TRUST AND ITS CONTROLLED ENTITIES
FOR THE FINANCIAL YEAR ENDED 30 JUNE 2017

Basis of Preparation

1. About this report

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

Basis of Preparation	Financial Performance	Operating Assets and Liabilities
1. About this report	3. Segment information	8. Receivables
2. General information	4. Profit from operations	9. Payables
	5. Income tax	10. Leases
	6. Earnings per unit	
	7. Distributions	

Capital Management	Group Structure	Other
11. Other financial instruments	14. Subsidiaries	15. Commitments and contingencies
12. Financial risk management		16. Director and senior executive remuneration
13. Issued capital		17. Remuneration of external auditor
		18. Related party transactions
		19. Parent entity information
		20. Adoption of new and revised Accounting Standards
		21. Events occurring after reporting date

2. General information

APT Investment Trust ("APTIT" or "Trust") is one of the two stapled trusts of APA Group, the other stapled trust being Australian Pipeline Trust ("APT"). Each of APT and APTIT are registered managed investment schemes regulated by the Corporations Act 2001. APTIT units are "stapled" to APT units on a one-to-one basis so that one APTIT unit and one APT unit form a single stapled security which trades on the Australian Securities Exchange under the code "APA".

This financial report represents the consolidated financial statements of APTIT and its controlled entities (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.

APTIT's registered office and principal place of business is as follows:

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

APTIT operates as an investment entity within APA Group.

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

This general purpose financial report has been prepared in accordance with the requirements of the Corporations Act 2001, Australian Accounting Standards and other authoritative pronouncements of the Australian Accounting Standards Board (AASB), and also complies 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.

notes to the consolidated financial statements. continued.

APT INVESTMENT TRUST AND ITS CONTROLLED ENTITIES
FOR THE FINANCIAL YEAR ENDED 30 JUNE 2017

Financial Performance

3. Segment information

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

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

4. Profit from operations

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

	2017 \$000	2016 \$000
Revenue		
Distributions		
Trust distribution – related party	28,610	31,747
Other entities	–	95
	28,610	31,842
Finance income		
Interest – related parties	44,141	53,684
Loss on financial asset held at fair value through profit or loss	(510)	(756)
Finance lease income – related party	464	497
	44,095	53,425
Other revenue		
Other	274	216
Total revenue	72,979	85,483
Expenses		
Audit fees	(12)	(11)
Loss on disposal of available-for-sale investment	–	(370)
Total expenses	(12)	(381)

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

- **Interest revenue**, which is recognised as it accrues and is determined using the effective interest method;
- **Distribution revenue**, which is recognised when the right to receive a distribution has been established;
- **Finance lease income**, which is recognised when receivable.

5. Income tax

Income tax expense is not brought to account in respect of APTIT as, pursuant to Australian taxation laws, APTIT is not liable for income tax provided that its realised taxable income (including any assessable realised capital gains) is fully distributed to its unitholders each year.

notes to the consolidated financial statements. continued.

APT INVESTMENT TRUST AND ITS CONTROLLED ENTITIES
FOR THE FINANCIAL YEAR ENDED 30 JUNE 2017

Financial Performance

6. Earnings per unit

	2017 cents	2016 cents
Basic and diluted earnings per unit	6.5	7.6

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

	2017 \$000	2016 \$000
Net profit attributable to unitholders for calculating basic and diluted earnings per unit	72,967	85,102

	2017 No. of units 000	2016 No. of units 000
Adjusted weighted average number of ordinary units used in the calculation of basic and diluted earnings per unit	1,114,307	1,114,307

7. Distributions

	2017 cents per unit	2017 Total \$000	2016 cents per unit	2016 Total \$000
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Recognised amounts

Final distribution paid on 16 September 2016

(2016: 16 September 2015)

Profit distribution ^a	3.75	41,811	2.38	26,488
Capital distribution	0.63	6,976	–	–
	4.38	48,787	2.38	26,488

Interim distribution paid on 15 March 2017

(2016: 16 March 2016)

Profit distribution ^a	3.48	38,770	3.88	43,290
Capital distribution	1.96	21,814	–	–
	5.44	60,584	3.88	43,290

Total distributions recognised

Profit distributions ^a	7.23	80,581	6.26	69,778
Capital distributions	2.59	28,790	–	–
	9.82	109,371	6.26	69,778

Unrecognised amounts

Final distribution payable on 13 September 2017^b

(2016: 16 September 2016)

Profit distribution ^a	3.07	34,198	3.75	41,811
Capital distribution	3.69	41,107	0.63	6,976
	6.76	75,305	4.38	48,787

a) Profit distributions unfranked (2016: unfranked).

b) Record date 30 June 2017.

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

notes to the consolidated financial statements. continued.

APT INVESTMENT TRUST AND ITS CONTROLLED ENTITIES
FOR THE FINANCIAL YEAR ENDED 30 JUNE 2017

Operating Assets and Liabilities

8. Receivables

	2017 \$000	2016 \$000
Finance lease receivable – related party (Note 10)	738	704
Current	738	704
Finance lease receivable – related party (Note 10)	8,511	9,249
Non-current	8,511	9,249

In determining the recoverability of a receivable, the Consolidated Entity considers any change in the credit quality of the receivable from the date the credit was initially granted up to the reporting date. The directors believe that there is no credit provision required.

None of the above receivables is past due.

9. Payables

Other payables	13	11
----------------	----	----

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 stated at amortised cost.

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.

10. Leases

Finance leases

Leasing arrangements – receivables

Finance lease receivables relate to the lease of a pipeline lateral.

There are no contingent rental payments due.

Finance lease receivables

Not longer than 1 year	1,167	1,167
Longer than 1 year and not longer than 5 years	4,669	4,669
Longer than 5 years	5,837	7,004
Minimum future lease payments receivable ^a	11,673	12,840
Gross finance lease receivables	11,673	12,840
Less: unearned finance lease receivables	(2,424)	(2,887)
Present value of lease receivables	9,249	9,953
Included in the financial statements as part of:		
Current receivables (Note 8)	738	704
Non-current receivables (Note 8)	8,511	9,249
	9,249	9,953

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

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

Consolidated Entity as lessor

Amounts due from a lessee under a finance lease are recorded as receivables. Finance lease receivables are initially recognised at the amount 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 receipts are allocated between interest revenue and reduction of the lease receivable over the term of the lease in order to reflect a constant periodic rate of return on the net investment outstanding in respect of the lease.

notes to the consolidated financial statements. continued.

APT INVESTMENT TRUST AND ITS CONTROLLED ENTITIES
FOR THE FINANCIAL YEAR ENDED 30 JUNE 2017

Capital Management

11. Other financial instruments

	2017 \$000	2016 \$000
Non-current		
Advance to related party	893,867	895,102
Investments carried at cost:		
Investment in related party ^a	107,379	107,379
	1,001,246	1,002,481
Financial assets carried at fair value:		
Redeemable ordinary shares ^b	-	34,463
	1,001,246	1,036,944

a) The investment in related party reflects GasNet Australia Investments Trust's ("GAIT") investment in 100% of the B Class units in GasNet A Trust. The B Class units give GAIT preferred rights to the income and capital of GasNet A Trust, but hold no voting rights. The A Class unitholder may however suspend for a period or terminate all of the B Class unitholder rights to income and capital. As such, GAIT neither controls nor has a significant influence over GasNet A Trust. GasNet Australia Trust, a related party wholly owned by APA Group, owns 100% of the A Class units in GasNet A Trust and, accordingly, GasNet A Trust is included in the consolidation of the APA Group. The investment has not been measured at fair value as the units of GasNet A Trust are not available for trade on an active market and as such, the fair value of the units cannot be reliably determined. The Consolidated Entity does not intend to dispose of its interest in GasNet A Trust.

b) Financial assets carried at fair value related to APA Group's 19.9% investment in Energy Infrastructure Investments Pty Ltd where Australian Pipeline Limited (APL), as Responsible Entity for APTIT, acquired the redeemable ordinary shares ("ROS"). This investment was classified at fair value through profit or loss. The redeemable ordinary shares held in Energy Infrastructure Investments were disposed of by the Consolidated Entity on 22 December 2016, transferring the investment to another entity within the APA Group via an inter-company loan.

Financial assets are classified into the following specified categories: 'available-for-sale' financial assets, 'loans and receivables' and 'fair value through profit or loss'.

The classification depends on the nature and purpose of the financial assets and is determined at the time of initial recognition.

Effective interest method

The effective interest method is a method of calculating the amortised cost of a financial asset and of allocating interest income over the relevant period. The effective interest rate is the rate that exactly discounts estimated future cash receipts through the expected life of the financial asset, or where appropriate, a shorter period.

Fair value through profit or loss

Financial assets at fair value through profit or loss are stated at fair value, with any resultant gain or loss recognised in profit or loss. The net gain or loss recognised in profit or loss incorporates any dividend or interest earned on the financial asset.

Receivables and loans

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 stated at their amortised cost less impairment.

Impairment of financial assets

Financial assets are assessed for indicators of impairment at the end of each reporting date. Financial assets are impaired where, as a result of one or more events that occurred after initial recognition of the financial asset, there is objective evidence that the estimated future cash flows of the investment have been adversely impacted.

12. Financial risk management

APA Group's corporate Treasury department is responsible for the overall management of the Consolidated Entity's capital raising activities, liquidity, lender relationships and engagement, debt portfolio management, interest rate and foreign exchange hedging, credit rating maintenance and third party indemnities (bank guarantees) within risk management parameters reviewed by the Board. The Audit and Risk Management Committee 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:

- Market risk including currency risk, interest rate risk and price risk;
- Credit risk; and
- 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 minimises risks through the use of natural hedges and derivative instruments. The Consolidated Entity does not engage in speculative trading. All derivatives have been transacted to hedge underlying or existing exposures and have adhered to the Audit and Risk Management Committee approved Treasury Risk Management Policy.

Capital Management

12. Financial risk management (continued)

(a) Market risk

The Consolidated Entity's activities exposure is primarily to the financial risk of changes in interest rates. There has been no change to the Consolidated Entity's exposure to market risk or the manner in which it manages and measures the risk from the previous year.

Interest rate sensitivity analysis

The sensitivity analysis below has been determined based on the exposure to interest rates on loans with related parties. A 100 basis points 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 constant, the Consolidated Entity's net profit would increase by \$6,431,000 or decrease by \$6,372,000 (2016: increase by \$5,963,000 or decrease by \$5,883,000 respectively). This is mainly attributable to the Consolidated Entity's exposure to interest rates on its variable rate inter-entity balances and the fair value movement on the ROS. The sensitivity has increased due to higher inter-entity balances.

(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 & Poors)/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 Board. These limits are regularly reviewed by the Board.

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.

(c) Liquidity risk

The Consolidated Entity's exposure to liquidity risk is limited to trade payables of \$13,000 (2016: \$11,000), all of which are due in less than 1 year (2016: less than 1 year).

(d) Fair value of financial instruments

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

Fair value measurements recognised in the statement of financial position

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

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

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

notes to the consolidated financial statements. continued.

APT INVESTMENT TRUST AND ITS CONTROLLED ENTITIES
FOR THE FINANCIAL YEAR ENDED 30 JUNE 2017

Capital Management

12. Financial risk management (continued)

(d) Fair value of financial instruments (continued)

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

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

Unlisted redeemable ordinary shares

The 2016 financial statements included redeemable ordinary shares ("ROS") held in an unlisted entity which were measured at fair value (Note 11). The redeemable ordinary shares held in Energy Infrastructure Investments were disposed of by the Consolidated Entity on 22 December 2016, transferring the investment to another entity within APA Group. In 2016 the fair market value of the ROS was derived from a binomial tree model, which included some assumptions that were not able to be supported by observable market prices or rates. The model mapped the different possible valuation paths of three distinct components:

- value of the debt component;
- value of the ROS discretionary dividends; and
- value of the option to convert to ordinary shares.

In determining the fair value in 2016, the following assumptions were used:

- the risk adjusted rate for the ROS was estimated as the required rate of return based on projected cash flows to equity at issuance assuming the ROS price at issuance (\$0.99) and the ordinary price at issuance (\$0.01) are at their fair value;
- the risk free rate of return was 1.57% per annum and was based upon an interpolation of the three and five year Government bond rates at the valuation date;
- the ROS discretionary dividends were estimated based on an internal forecasted cash flow model;
- the value of the option to convert was deemed to be zero. For conversion to occur, a number of conditions must be met. At the reporting date, it was deemed highly unlikely these conditions would occur based on an internal forecasting model; and
- these instruments were classified in the fair value hierarchy at level 3.

The fair value was impacted by the following unobservable inputs:

- an increase in the discount rate would have resulted in a decrease in the fair value;
- an increase in discretionary dividends would have resulted in an increase in the fair value; and
- meeting conditions to trigger the conversion of the option would result in an increase in the fair value.

Fair value hierarchy

2017	Level 1 \$000	Level 2 \$000	Level 3 \$000	Total \$000
Financial assets measured at fair value				
Unlisted redeemable ordinary shares				
Energy Infrastructure Investments	–	–	–	–
	–	–	–	–
2016				
Financial assets measured at fair value				
Unlisted redeemable ordinary shares				
Energy Infrastructure Investments	–	–	34,463	34,463
	–	–	34,463	34,463
			Fair value through Profit or Loss	
			2017	2016
			\$000	\$000

Reconciliation of Level 3 fair value measurements of financial assets

Opening balance	34,463	34,765
Total gains or losses:		
– in profit or loss: Interest – related parties	1,071	4,264
– in profit or loss: Loss on financial asset held at fair value through profit or loss	(510)	(756)
Distributions	(2,459)	(3,810)
Disposal ^a	(32,565)	–
Closing balance	–	34,463

a) The redeemable ordinary shares held in Energy Infrastructure Investments were disposed of by the Consolidated Entity on 22 December 2016, transferring the investment to another entity within APA Group.

notes to the consolidated financial statements. continued.

APT INVESTMENT TRUST AND ITS CONTROLLED ENTITIES
FOR THE FINANCIAL YEAR ENDED 30 JUNE 2017

Capital Management

13. Issued capital

	2017 \$000	2016 \$000
Units		
1,114,307,369 units, fully paid (2016: 1,114,307,369 units, fully paid) ^a	976,284	1,005,074

	2017 No. of units 000	2017 \$000	2016 No. of units 000	2016 \$000
Movements				
Balance at beginning of financial year	1,114,307	1,005,074	1,114,307	1,005,086
Capital distributions paid (Note 7)	-	(28,790)	-	-
Issue cost of units	-	-	-	(12)
Balance at end of financial year	1,114,307	976,284	1,114,307	1,005,074

a) Fully paid units carry one vote per unit 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 Trust does not have a limited amount of authorised capital and issued securities do not have a par value.

Group Structure

14. Subsidiaries

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

Name of entity	Country of registration	Ownership interest	
		2017 %	2016 %
Parent entity			
APT Investment Trust			
Subsidiary			
GasNet Australia Investments Trust	Australia	100	100

notes to the consolidated financial statements. continued.

APT INVESTMENT TRUST AND ITS CONTROLLED ENTITIES
FOR THE FINANCIAL YEAR ENDED 30 JUNE 2017

Other

15. Commitments and contingencies

The Consolidated Entity had no material contingent assets, liabilities and commitments as at 30 June 2017 and 30 June 2016.

16. Director and senior executive remuneration

Remuneration of Directors

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

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

Remuneration of senior executives^a

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

Short-term employment benefits	11,108,724	10,992,475
Post-employment benefits	551,107	856,636
Cash settled security-based payments	3,730,048	4,429,999
Total remuneration: senior executives	15,389,879	16,279,110

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

17. Remuneration of external auditor

Amounts received or due and receivable by Deloitte Touche Tohmatsu for:

Auditing the financial report	5,900	5,800
Compliance plan audit	5,600	5,500
	11,500	11,300

Other

18. Related party transactions

(a) Equity interest in related parties

Details of the percentage of ordinary securities held in subsidiaries are disclosed in Note 14.

(b) Responsible Entity – Australian Pipeline Limited

The Responsible Entity is wholly owned by APT Pipelines Limited (2016: 100% owned by APT Pipelines Limited).

(c) Transactions with related parties within the Consolidated Entity

During the financial year, the following transactions occurred between the Trust and its other related parties:

- loans advanced and payments received on long-term inter-entity loans;
- disposal of unlisted redeemable ordinary shares; and
- payments of distributions.

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

Refer to Note 14 for details of the entities that comprise the Consolidated Entity.

(d) Transactions with other related parties

APTIT and its controlled entities have a loan receivable balance with another entity in APA. This loan is repayable on agreement between the parties. Interest is recognised by applying the effective interest method, agreed between the parties at the end of each month and is determined by reference to market rates.

The following balances arising from transactions between APTIT and its other related parties are outstanding at reporting date:

- current receivables totalling \$738,000 are owing from a subsidiary of APT for amounts due under a finance lease arrangement (2016: \$704,000);
- non-current receivables totalling \$8,511,000 are owing from a subsidiary of APT for amounts due under a finance lease arrangement (2016: \$9,249,000); and
- non-current receivables totalling \$893,867,000 (2016: \$895,102,000) are owing from a subsidiary of APT for amounts due under inter-entity loans.

Australian Pipeline Limited

Management fees of \$943,000 (2016: \$957,000) were paid to the Responsible Entity as reimbursement of costs incurred on behalf of APTIT. No amounts were paid directly by APTIT to the Directors of the Responsible Entity.

Australian Pipeline Trust

Management fees of \$943,000 (2016: \$957,000) were reimbursed by APT.

notes to the consolidated financial statements. continued.

APT INVESTMENT TRUST AND ITS CONTROLLED ENTITIES
FOR THE FINANCIAL YEAR ENDED 30 JUNE 2017

Other

19. Parent entity information

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

	2017 \$000	2016 \$000
Financial position		
Assets		
Current assets	738	704
Non-current assets	1,009,757	1,046,193
Total assets	1,010,495	1,046,897
Liabilities		
Current liabilities	13	11
Total liabilities	13	11
Net assets	1,010,482	1,046,886
Equity		
Issued capital	976,284	1,005,074
Retained earnings	34,198	41,812
Reserves	-	-
Total equity	1,010,482	1,046,886
Financial performance		
Profit for the year	72,967	85,102
Other comprehensive income	-	(595)
Total comprehensive income	72,967	84,507

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

No guarantees have been entered into by the parent entity in relation to the debts of its subsidiaries.

Contingent liabilities of the parent entity

No contingent liabilities have been identified in relation to the parent entity.

notes to the consolidated financial statements. continued.

APT INVESTMENT TRUST AND ITS CONTROLLED ENTITIES
FOR THE FINANCIAL YEAR ENDED 30 JUNE 2017

Other

20. Adoption of new and revised Accounting Standards

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

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

Standards and Interpretations issued not yet adopted

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

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

The potential impacts of the initial application of the standards above are not expected to be material for the consolidated entity.

21. Events occurring after reporting date

On 22 August 2017, the Directors declared a final distribution for the 2017 financial year of 6.76 cents per unit (\$75.3 million). The distribution represents a 3.07 cents per unit unfranked profit distribution and 3.69 cents per unit capital distribution. The distribution will be paid on 13 September 2017.

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

directors' declaration.

APT INVESTMENT TRUST AND ITS CONTROLLED ENTITIES

For the financial year ended 30 June 2017

The Directors declare that:

- (a) in the Directors' opinion, there are reasonable grounds to believe that APT Investment Trust will be able to pay its debts as and when they become due and payable;
- (b) in the Directors' opinion, the attached financial statements and notes thereto are in accordance with the Corporations Act 2001, including compliance with Accounting Standards and giving a true and fair view of the financial position and performance of the Consolidated Entity;
- (c) in the Directors' opinion, the financial statements and notes thereto are in accordance with International Financial Reporting Standards issued by the International Accounting Standards Board; and
- (d) the Directors have been given the declarations by the Chief Executive Officer and Chief Financial Officer required by section 295A of the Corporations Act 2001.

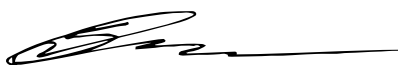
Signed in accordance with a resolution of the Directors of the Responsible Entity made pursuant to section 295(5) of the Corporations Act 2001.

On behalf of the Directors



Leonard Bleasel AM
Chairman

Sydney, 23 August 2017



Steven Crane
Director

auditor's independence declaration.

APT INVESTMENT TRUST AND ITS CONTROLLED ENTITIES

TO AUSTRALIAN PIPELINE LIMITED AS RESPONSIBLE ENTITY FOR APT INVESTMENT TRUST

Deloitte.

Deloitte Touche Tohmatsu
ABN 74 490 121 060

Grosvenor Place
225 George Street
Sydney NSW 2000
PO Box N250 Grosvenor Place
Sydney NSW 1220 Australia

DX: 10307SSE
Tel: +61 (0) 2 9322 7000
Fax: +61 (0) 2 9322 7001
www.deloitte.com.au

23 August 2017

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

Dear Directors

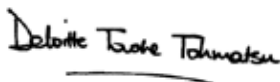
Auditor's Independence Declaration to Australian Pipeline Limited as responsible entity for APT Investment Trust

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

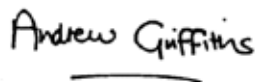
As lead audit partner for the audit of the financial statements of APT Investment Trust for the financial year ended 30 June 2017, I declare that to the best of my knowledge and belief, there have been no contraventions of:

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

Yours sincerely



DELOITTE TOUCHE TOHMATSU



A V Griffiths
Partner
Chartered Accountants
Sydney, 23 August 2017

Liability limited by a scheme approved under Professional Standards Legislation
Member of Deloitte Touche Tohmatsu Limited



Deloitte Touche Tohmatsu
ABN 74 490 121 060

Grosvenor Place
225 George Street
Sydney NSW 2000
PO Box N250 Grosvenor Place
Sydney NSW 1220 Australia

DX: 10307SSE
Tel: +61 (0) 2 9322 7000
Fax: +61 (0) 2 9322 7001
www.deloitte.com.au

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

Report on the Audit of the Financial Report

Opinion

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

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

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

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

Basis for Opinion

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

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

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

Deloitte.

Other Information

The directors of Australian Pipeline Limited ("the directors") as responsible entity for the consolidated entity are responsible for the other information. The other information comprises the information included in the consolidated entity's annual report for the year ended 30 June 2017, but does not include the financial report and our auditor's report thereon.

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

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

Responsibilities of the Directors for the Financial Report

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

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

Auditor's Responsibilities for the Audit of the Financial Report

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

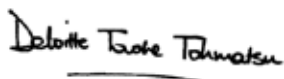
As part of an audit in accordance with the Australian Auditing Standards, we exercise professional judgement and maintain professional scepticism throughout the audit. We also:

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

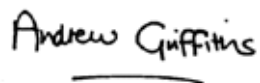
Deloitte.

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

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



DELOITTE TOUCHE TOHMATSU



A V Griffiths
Partner
Chartered Accountants
Sydney, 23 August 2017

additional information.

Additional information required by the Listing Rules of the Australian Securities Exchange Limited and not provided elsewhere in this report (the information is applicable as at 18 August 2017).

Twenty largest holders

	No. of securities	%
HSBC Custody Nominees	268,539,284	24.10
BNP Paribas Nominees Pty Ltd	196,746,463	17.66
J P Morgan Nominees	107,253,921	9.63
Citicorp Nominees Pty Limited	89,082,402	7.99
Custodial Services Limited	21,388,772	1.92
National Nominees Limited	20,156,813	1.81
Argo Investments Limited	10,277,940	0.92
Australian Foundation Investment Company Limited	5,075,000	0.46
AMP Life Limited	4,586,205	0.41
BKI Investment Company Limited	3,659,452	0.33
Milton Corporation Limited	2,023,727	0.18
Bond Street Custodians Limited	1,897,775	0.17
Nulis Nominees (Australia)	1,334,027	0.12
National Nominees Limited	1,319,500	0.12
Invia Custodian Pty Limited	1,315,487	0.12
IOOF Investment Management Limited	1,301,658	0.12
Bond Street Custodians Limited	1,212,588	0.11
HSBC Custody Nominees (Australia) Limited	1,162,487	0.10
Navigator Australia Limited	1,096,608	0.10
Investment Custodial Services Limited	1,069,424	0.10
Total for Top 20	740,499,533	66.47

Distribution of holders

Ranges	No. of holders	%	No. of securities	%
100,001 and Over	157	0.20	767,636,092	68.89
10,001 to 100,000	8,729	11.06	174,483,004	15.66
5,001 to 10,000	11,115	14.09	79,453,487	7.13
1,001 to 5,000	31,418	39.83	81,546,122	7.32
1 to 1,000	27,466	34.82	11,188,664	1.00
Total	81,091	100.00	1,114,307,369	100.00

2,044 holders hold less than a marketable parcel of securities (market value less than \$500 or 60 securities based on a market price on 18 August 2017 of \$8.39).

Substantial holders

By notice dated 17 July 2017, BNP Paribas Nominees Pty Limited as custodian for UniSuper Limited advised that it had an interest in 170,059,308 stapled securities, as at 14 July 2017.

By notice dated 21 June 2017, BlackRock Group advised that it had an interest in 55,818,084 stapled securities, as at 14 June 2017.

By notice dated 4 January 2017, The Vanguard Group Inc. advised that it had an interest in 56,186,718 stapled securities, as at 30 December 2017.

Voting rights

On a show hands, each holder has one vote.

On a poll, each holder has one vote for each dollar of the value of the total interests they have in the scheme.

On-market buy-back

There is no current on-market buy-back.

five year summary.

Financial Performance (Statutory)		2017	2016	2015	2014	2013 ⁶
Revenue	\$m	2,326.4	2,094.3	1,553.6	1,396.0	1,272.3
Revenue excluding pass-through ¹	\$m	1,888.3	1,656.0	1,119.2	992.5	919.5
EBITDA	\$m	1,470.1	1,330.5	1,269.5	747.3	763.6
Depreciation and amortisation expense	\$m	(570.0)	(520.9)	(208.2)	(156.2)	(130.5)
EBIT	\$m	900.1	809.7	1,061.3	591.1	633.2
Interest expense	\$m	(513.8)	(507.7)	(324.2)	(325.1)	(290.9)
Tax (expense) / benefit	\$m	(149.5)	(122.5)	(177.2)	77.7	(49.9)
Profit after tax including significant items	\$m	236.8	179.5	559.9	343.7	295.1
Significant items – after income tax	\$m	–	–	356.0	144.1	120.0
Profit after tax excluding significant items	\$m	236.8	179.5	203.9	199.6	172.3

Financial Position

Total assets	\$m	15,045.9	14,842.7	14,652.9	7,972.5	7,698.9
Total drawn debt ²	\$m	9,249.7	9,037.3	8,642.8	4,789.4	4,412.0
Total equity	\$m	3,978.2	4,029.1	4,382.7	2,496.5	2,513.9

Operating Cash Flow

Operating cash flow ³	\$m	973.9	862.4	562.2	431.5	374.4
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Key Financial Ratios

Earnings per security ⁴	cents	21.3	16.1	56.3	39.7	38.2
Operating cash flow per security ⁴	cents	87.4	77.4	56.5	49.8	48.5
Distribution per security	cents	43.5	41.5	38.0	36.3	35.5
Gearing (net debt to net debt plus equity)	%	67.4	66.4	63.4	64.2	62.8
Interest cover ratio	times	2.8	2.6	2.6	2.3	2.3
Weighted average number of securities ⁴	m	1,114.3	1,114.3	995.2	866.0	772.3

EBITDA by Segment (Excluding Significant Items)

EBITDA (Continuing businesses)

Energy Infrastructure

East Coast:

Queensland	\$m	925.4	855.8	340.1	234.5	180.7
New South Wales	\$m	149.5	121.7	120.8	115.6	120.2
Victoria	\$m	123.0	120.6	130.2	127.6	136.9
South Australia	\$m	2.3	2.5	1.9	2.4	2.4
Northern Territory	\$m	18.8	17.5	18.0	15.2	13.5
Western Australia	\$m	234.7	217.6	212.6	189.0	149.4
Asset Management	\$m	58.7	53.9	49.5	67.6	51.6
Energy Investments	\$m	24.4	27.8	21.8	18.0	15.6
Corporate costs	\$m	(66.7)	(86.7)	(73.6)	(72.5)	(64.5)
Divested businesses ⁵	\$m	–	–	1.0	50.1	56.2

Notes:

- 1) Pass-through revenue is revenue on which no margin is earned. Pass-through revenue arises in the asset management operations in respect of costs incurred and passed on to Australian Gas Networks Limited (AGN) and GDI in respect of the operation of the AGN and GDI assets respectively.
- 2) APA's liability to repay debt at relevant due dates of the drawn facilities. This amount represents current and non-current borrowings as per balance sheet and is adjusted for deferred borrowing costs, the effect of unwinding of discount, unrealised foreign exchange differences reported in equity and deducting other financial liabilities that are reported as part of borrowings in the balance sheet.
- 3) Operating cash flow = net cash from operations after interest and tax payments.
- 4) Between 23 December 2014 and 28 January 2015, APA issued a total of 278,556,562 new ordinary securities, resulting in total securities on issue as at 30 June 2015 of 1,114,307,369. The issue was offered at \$6.60 per security, a discount to APA's closing market price of \$7.67 per security on 9 December 2014, the last trading day before the record date of the entitlement offer of 15 December 2014. The weighted average number of securities for FY2015 and FY2014 have been adjusted in accordance with the accounting principles of AASB 133: 'Earnings per Share', for the discounted rights issue.
- 5) Australian Gas Networks Limited sold in August 2014, Moomba Adelaide Pipeline System sold in FY2013, APA Gas Network Queensland (Allgas) was sold into GDI (EIL) Pty Ltd in FY2012, with APA retaining a 20 per cent interest in GDI (EIL) Pty Ltd and operates the assets under a long term asset management agreement.
- 6) The balances for June 2013 have been restated for the effect of applying AASB: 119 'Employee Benefits'.

Calendar of events

Final distribution FY2017 record date	30 June 2017
Final distribution FY2017 payment date	13 September 2017
Annual meeting	27 October 2017
Interim results announcement	21 February 2018 ¹
Interim distribution FY2018 record date	29 December 2017 ¹
Interim distribution FY2018 payment date	14 March 2018 ¹

1) Subject to change.

ANNUAL MEETING DETAILS

Date: Friday, 27 October 2017

Venue: ASX Auditorium,
Lower ground floor,
Exchange Square,
18 Bridge Street
Sydney NSW

Time: 10.30am

Registration commences at 10.00am

ASX LISTING

An APA Group security comprises a unit in Australian Pipeline Trust and a unit in APT Investment Trust. These units are stapled together to form a stapled security which is listed on the ASX (ASX Code: APA). Australian Pipeline Limited is the Responsible Entity of those trusts.

APA GROUP RESPONSIBLE ENTITY AND REGISTERED OFFICE

Australian Pipeline Limited
ACN 091 344 704

580 George Street,
Sydney NSW 2000

PO Box R41,
Royal Exchange NSW 1225

Telephone: +61 2 9693 0000

Facsimile: +61 2 9693 0093

Website: apa.com.au

APA GROUP REGISTRY

Link Market Services Limited
Level 12, 680 George Street,
Sydney NSW 2000

Locked Bag A14,
Sydney South NSW 1235

Telephone: +61 1800 992 312

Facsimile: +61 2 9287 0303

Email:

apagroup@linkmarketservices.com.au

Website: linkmarketservices.com.au

SECURITYHOLDER DETAILS

It is important that Securityholders notify the APA Group registry immediately if there is a change to their address or banking arrangements. Securityholders with enquiries should also contact the APA Group registry.

DISTRIBUTION PAYMENTS

Distributions will be paid semi-annually in March and September. Securityholders will receive annual tax statements with the final distribution in September. Payment to Securityholders residing in Australia and New Zealand will be made only by direct credit into an Australian or New Zealand bank account. Securityholders with enquires should contact the APA Group registry.

ONLINE INFORMATION

Further information on APA is available at apa.com.au, including:

- Results, market releases and news
- Asset and business information
- Corporate responsibility and sustainability reporting
- Securityholder information such as the current APA security price, distribution and tax information.

ELECTRONIC COMMUNICATION

Securityholders can elect to receive communication electronically by registering their email address with the APA Group registry. Electing to receive annual reports electronically will reduce the adverse impact we have on the environment.

Disclaimer:

APA Group comprises two registered investment schemes, Australian Pipeline Trust (ARSN 091 678 778) and APT Investment Trust (ARSN 115 585 441), the securities of which are stapled together. Australian Pipeline Limited (ACN 091 344 704) is the responsible entity of Australian Pipeline Trust and APT Investment Trust. Please note that Australian Pipeline Limited is not licensed to provide financial product advice in relation to securities in APA Group. This publication does not constitute financial product advice and has been prepared without taking into account your objectives, financial situation or particular needs. Before relying on any statements contained in this publication, including forecasts and projections, you should consider the appropriateness of the information, having regard to your own objectives, financial situations and needs and seek professional advice if necessary.

This publication contains forward looking information, including about APA Group, its financial results and other matters which are subject to risk factors. APA Group believes that there are reasonable grounds for these statements and whilst due care and attention have been used in preparing this publication, certain forward looking statements are made in this publication which are not based on historical fact and necessarily involve assumptions as to future events and analysis, which may or may not be correct. These forward looking statements should not be relied on as an indication or guarantee of future performance.

All references to dollars, cents or '\$' in this presentation are to Australian currency, unless otherwise stated.

EBIT, EBITDA and other "normalised" measures are non-IFRS measures that are presented to provide an understanding of the performance of APA Group. Such non-IFRS information is unaudited, however the numbers have been extracted from the audited financial statements.





sustainability. matters.



our sustainability approach.

contents.

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APA Group is one of Australia's largest companies – in fact we are Australia's number one gas infrastructure business and as such are a leader within the energy industry, playing a key role in defining and delivering the future of Australian energy. Our infrastructure is built for long term use and is underpinned by long term contracts with creditworthy counterparties. Our business practices must be sustainable to reflect and support these long term customer and capital commitments.

Our vision is to connect Australia to its energy future and to do this we must connect with and respect our stakeholders. We are committed to delivering connected and long term energy solutions that are safe, reliable, innovative and cost-effective so that: **our customers** can meet their business objectives; **our securityholders** earn secure and predictable returns; **our employees** have a safe and stimulating workplace; and we continue to add value to **the communities and the environment** that we operate in.



At APA we are guided by 'Our Values' which anchor how we act and how we make decisions. We reach for the STARS quite literally:

Safe

We will maintain a safe environment and a professional workplace where we work collaboratively, and treat each other with respect

Trustworthy

We accept individual and collective responsibility for the delivery of all business outcomes. We do what we say we're going to do

Adaptable

We respond and adapt to our changing environment by innovating, modifying our behaviours and improving our processes and systems

Results

We meet our commitments and deliver excellent results to the benefit of our stakeholders through tenacity and perseverance

Service

We are committed to high quality service delivery achieved through listening, understanding, anticipating and responding to our customers' needs

APA's Annual Report and Sustainability Report are printed on ecoStar uncoated 100% recycled paper. ecoStar is an environmentally responsible paper made Carbon Neutral. The greenhouse gas emissions of the manufacturing process including transportation of the finished product to BJ Ball Papers Warehouses has been measured by the

Edinburgh Centre for Carbon Neutral Company and the fibre source has been independently certified by the Forest Stewardship Council (FSC). ecoStar is manufactured from 100% Post Consumer Recycled paper in a Process Chlorine Free environment under the ISO 14001 environmental management system.

message from **the managing director.**

As Australia's leading energy infrastructure company, we take our leadership role and responsibility seriously, particularly our approach to sustainable growth.

At APA, we are focused on connecting Australia to its energy future, investing over \$13 billion in energy infrastructure across mainland Australia to-date. Our infrastructure is built for the long term to meet our customers' needs for reliable and sustainable energy supply. We are committed to practices and relationships with our stakeholders that ensure we are all here for the long run and that our impact on communities and the environment is a positive one for all concerned.

I am pleased to provide you with APA's 2017 Sustainability Report as a record of our performance and accountability to our stakeholders.

Our customers are why we are in business. In FY2017, we committed to \$1.2 billion of growth projects to meet our customers' energy needs. These projects are diverse in infrastructure and location but have the common purpose of providing more energy for Australia. In Western Australia we will be constructing a wind farm; a solar farm; a 198 kilometre pipeline and a gas-fired power station. In Victoria, APA will overhaul and refurbish a moth-balled gas processing plant that will enable our customer to develop a new offshore gas field to inject gas into the eastern Australian market. In Queensland, not only will we be developing a large scale solar farm, but we have also commenced construction of a pipeline that will facilitate injection of much needed gas supplies into the domestic market.

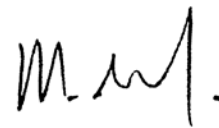
As part of the development process for all these long-life projects, as well as our business-as-usual practices, our management frameworks and systems must take a full life-cycle approach. In planning we consider the impact on communities and surrounding environment not only during construction, but also in the years to follow as our infrastructure becomes a permanent fixture of the region that will need to be maintained.

Our people are also intrinsic to this sustainable approach. Safety, diversity and inclusion, encouraging innovation and organisational development are all key aspects of APA's people management framework. It is essential for the success of our projects, to have committed, skilled, conscientious and motivated people working across the life-cycle of APA's projects.

It is a dynamic world we live in and our actions today will determine the consequences of how we live and operate tomorrow and the years to come. APA has long held the view that climate change is a real, current and future issue for the Australian energy sector as it is also for the rest of the world. Our two primary activities - natural gas and renewable energy - are key enablers of Australia's transition to a lower carbon sustainable economy. Our foray into gas-fired power generation and renewables around a decade ago in addition to gas transmission was with the future in mind. Ten years on, we have developed the experience and knowledge to be part of the solution of Australia's future energy needs, so that Australia's carbon and climate goals support the need to maintain both energy security and business competitiveness.

For our investors who back our business, we understand their need to have access to objective disclosure, not only quantitative measures of standard financial reporting as contained in the Directors' Report, but also on the qualitative aspects of APA's strategy.

To all our stakeholders, I thank you for working alongside APA as we continue to connect Australia to its energy future.



Mick McCormack
Chief Executive Officer and
Managing Director



customers.

We will deliver value to our customers and create responsive solutions to meet their needs by:

- Providing market-leading flexible solutions to meet our customers' changing requirements.
- Working with customers to provide optimal energy market solutions.
- Ensuring the highest level of service reliability to enable customers to manage their operations.
- Delivering value to customers by optimising the use of APA's infrastructure assets.
- Maximise use of existing assets and profitably continue to expand APA's asset portfolio in order to meet customers' needs.

FY2017 Performance

Growth

- Completed the latest stage of the Victorian Northern Interconnect expansion project, increasing the bi-directional capacity between Victoria and New South Wales.
- Won a competitive bid process to design, construct and operate the 50km greenfield Reedy Creek Wallumbilla Gas Pipeline that will connect into APA's East Coast Grid. APA entered into a 20 year GTA with APLNG which underwrites the pipeline construction.
- Successful in winning the competitive tenders for both the 198 km greenfield Yamarna Gas Pipeline and 45MW Yamarna gas-fired Power Station in Western Australia. Gas will flow through four APA pipelines to the new Yamarna Power Station which will supply reliable power to the Gruyere JV gold mine project.
- Entered into a 13 year power purchase agreement with Synergy, an existing customer in Western Australia, which underpins development and construction of APA's new 20MW Emu Downs Solar Farm. Synergy already takes the wind generated power from APA's Emu Downs Wind Farm which is adjacent to the greenfield solar farm site. The two sites will share infrastructure.
- Entered into a 12 year offtake agreement with existing customer Alinta that will underpin construction of APA's new 130MW Badgingarra Wind Farm in Western Australia. The site is adjacent to Emu Downs and will share operational synergies with the existing wind farm and new solar farm.
- Acquired the 110MW Darling Downs Solar Farm greenfields project in Queensland, including a long term offtake agreement until December 2030 with Origin Energy for all energy and the Large-scale Renewable Generation Certificates generated.
- Contracted with Santos to commence development of the planned new 450km Western Slopes Pipeline to connect the proposed (subject to FID) Narrabri Gas Project to APA's East Coast Grid, bringing more gas supply into the domestic market.
- Signed a Memorandum of Understanding with new customer Blue Energy to explore the development of new pipeline and mid-stream infrastructure to bring potential new gas sources online from the Bowen Basin in Queensland.

Flexible Customer Solutions

- Entered into a new 3 year multi-asset, multi-service gas transportation contract with AGL Energy to replace an expiring point-to-point contract.
- Worked with new customer Cooper Energy and entered into an agreement with them to acquire, upgrade and operate the Orbost Gas Processing Plant to increase gas supply into the tight east coast gas market.
- Improved gas nomination and billing platforms as well as information transparency to customers and the market. APA now provides details on all its gas pipeline capacities and the expected flow on those pipelines as part of the Bulletin Board information service. This allows the market to determine what capacity may be available on a day.

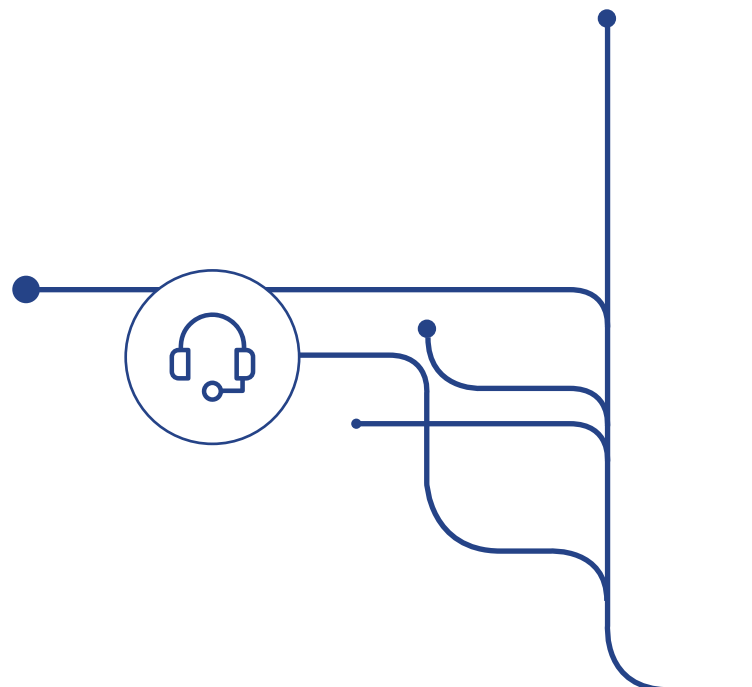
Actions For FY2018

Growth

- Progress construction of the various projects announced in FY2017 to meet agreed commissioning schedules including the Darling Downs Solar Farm; Badgingarra Wind Farm; Emu Downs Solar Farm; Yamarna Gas Pipeline; Yamarna Power Station; and Orbost Gas Processing Plant.
- Continue to identify and capture revenue growth opportunities that deliver flexible, responsive and sustainable solutions for our customers.
- Continue to work with customers such as Santos and Blue Energy to realise planned projects into committed projects.

Flexible Customer Solutions

- Continue to offer flexible transportation and storage services and innovative solutions to meet our customers' diverse requirements across Australia.
- Continue to refine the Integrated Operations Centre (IOC), grid operations and customer management system to deliver reliable supply and enhanced services.
- Business implementation of Gas Market Reform Group (GMRG) rules and ongoing proactive engagement with customers.



Key Sustainability Risks

– Demand for gas – The volume of gas that is transported by APA is dependent on end user demand. The relative price of gas and its competitive position with other energy sources (such as electricity, coals, fuel oil, renewable sources) may change demand levels for services on APA's assets.

– Supply of gas – Availability of competitively priced gas is essential for ongoing use of gas infrastructure assets.

– Counterparty – If a counterparty is unable to meet its commitments to APA, there is risk that future anticipated revenue would be reduced unless and until APA is able to secure an alternative customer.

– Operations – APA and our asset management customers are exposed to a number of operational risks which can result in equipment failures or breakdowns, pipeline rupture, technology failures including sabotage or terrorism attack (including cyber-attack).

– Economic regulation – APA may be negatively impacted as a result of a change in regulatory settings. There are a number of pipeline sector regulatory reform initiatives currently being developed by the Gas Market Reform Group (GMRG) that could adversely impact the regulatory environment that APA operates in.

Risk Management

– Long term agreements with strong counterparties underpin assets.
 – Flexible and innovative customer solutions.
 – Complementary investments in gas storage and power generation and continued evaluation of emerging growth opportunities such as wind, solar farms and gas processing plants.
 – Ongoing monitoring and market intelligence of domestic and global gas markets.

– Long term agreements with strong counterparties underpin assets.
 – Connect more gas resources with more gas markets such as:
 – East Coast Grid provides flexibility for customers to manage their gas portfolios.
 – Working with new / emerging gas producers to bring new gas supply to market.
 – West Coast assets increasingly interconnected to deliver energy for longer distances to remote mining locations.
 – Provide infrastructure connectivity / flexibility to existing and emerging gas markets.
 – Flexible and innovative customer solutions.

– Creditworthiness test applied to new customers and projects, as well as ongoing monitoring.
 – Regular updating of supply / demand studies, customer information and market intelligence.
 – Appropriate customer guarantees in place.

– APA operates assets in accordance with all relevant regulations and standards.
 – An integrated approach to Emergency Response, Business Continuity and Crisis Management.
 – Participation in anti-terrorist exercises and testing to provide effective and emergency response to cyber attack.

– The current regulatory regime is well understood and encapsulated in national law.
 – The reset dates of APA's price regulated assets are staggered, with on average one review each year.
 – Composition of asset portfolio is optimised to manage exposure to regulator settings.
 – Engagement with policymakers and other stakeholders.
 – Business implementation of new GMRG rules and proactive engagement with customers.

The capacity of APA's Victorian-Northern Interconnect has been expanded several times over recent years in response to working with our customers to connect their gas resources to their markets.



environment.

We will continue to deliver an environmentally responsible, safe and essential service by:

- Taking a systematic and risk-based approach to environmental risk management.
- Maintaining compliance with environmental laws in all jurisdictions where we conduct our business, including our emissions reporting obligations.

- Including environmental risk management in all investment and procurement decision-making.
- Meeting or exceeding the Australian Pipelines and Gas Association (APGA) Code of Environmental Practice.
- Contributing to policy and responding to climate change initiatives to promote the use of gas as essential to a cleaner energy mix.
- Evaluating further renewable energy and low emission gas generation opportunities.

FY2017 Performance

- Successfully awarded \$25.5 million of funding from the Australian Renewable Energy Agency (ARENA) in respect of the two solar projects - Emu Downs and Darling Downs.
- Continued to evaluate wind and solar generation opportunities. APA announced three new renewable energy projects during FY2017: 130MW Badgingarra Wind Farm; 20MW Emu Downs Solar Farm; and the 110MW Darling Downs Solar Farm.
- Participated directly and through industry bodies in policy discussions and promoted the role of gas as an important contribution to meeting Australia's 26 to 28% Paris COP21 carbon reduction commitment.
- Continued to apply control measures in line with APA's environmental procedures, leading to compliance with license and regulatory requirements, with the exception of two breach notices issued by the NSW Department of Planning and Environment for the Victorian Northern Interconnect Expansion project in relation to erosion and sediment controls. The site has been remediated and procedures amended.
- Delivered the remaining objectives of the Environmental Strategy leading to continual improvement of our Environmental Management System.
- Restructured the environment team to a national service model to ensure consistency across APA's operations.
- Won the Golden Gecko Award recognising excellence and leadership in Environmental Management.
- Awarded Platinum in the Best Learning Transfer category and Gold in the Best Behavioural Change category for APA's Environmental Training and Awareness Package at the LearnX Impact Awards.
- Contributed to the drafting of the revised of the APGA Code of Environmental Practice due to come into effect FY18.
- All old IT equipment is sent to an IT manufacturer for recycling.
- Replaced all office copiers, faxes, scanners and printers with multi-function devices that allow for "follow-me/pull printing". Jobs can only be printed using a scan card and uncollected jobs are deleted without printing. Default settings are set to double-sided grayscale, thereby reducing unnecessary colour printing and machines default to power saving mode. Paper savings of 20% have been realised as have power savings, reduced printing costs and ink cartridge use.
- Throughout all APA offices, we have switched to using 100% recycled paper from Muru Group which also supports indigenous communities.
- APA commenced a battery recycling facility at its offices in Sydney, Adelaide, Melbourne and Brisbane to keep batteries and their hazardous contents out of landfill.

Actions for FY2018

- Evaluate further wind and solar generation opportunities such as the potential Beelbee Solar Farm Development site (adjacent to Darling Downs Solar Farm).
- Contribute to climate policy discussions and recommendations contained in the Finkel Report. Promote the role of renewables and gas as important contributors to achieving meaningful emission reduction targets.
- Continue to develop relationships with APA's industry member bodies, the Clean Energy Council and Business Council of Australia, to promote effective climate change policy.
- Continue to apply control measures in line with APA's environmental procedures, leading to compliance with license and regulatory requirements.
- Review Environmental Management Plans to ensure that they are fit for purpose.
- Redevelopment of the Dandenong office will include consolidation of two servers into one reducing power and cooling requirements, as well as installation of solar and battery backup.



Key Sustainability Risks

- Significant damage to the environment and breach of environmental regulatory requirements has the potential to result in significant penalties and affect operational activities.

Risk Management

- The Environmental Strategy and Improvement Plan seek to apply robust controls to manage identified environmental risks such as chemicals and contamination, cultural heritage disturbance and vegetation and fauna impacts.
- Controls may include specific targeted procedures, Environmental Management Plans, and training/awareness programs.
- APA operates assets in accordance with all relevant regulations and standards.
- Update APA's HSE Induction to better on-board contractors and new starters in environmental risk management.
- Further integrate HSE with APA's business systems to ensure environmental risk information is implemented into the daily work done on each asset.
- Asset based risk registers are to be refreshed or developed, which will better inform the over-arching Environment risk register.

Environmental management at APA

Our Health, Safety and Environment (HSE) Policy approved by APA's Board HSE Committee sets out APA's commitment to achieve our overall goal of zero harm. That's zero harm for all our employees, contractors and third party stakeholders that either operate our assets or work near them; community members who live within the vicinity of our assets; and importantly avoiding and minimising environmental harm where our assets are located. Every employee, including contractors and sub-contractors has an obligation to prevent or minimise any environmental harm arising from APA's operations and activities.

APA's HSE Management System "Safeguard+" provides a framework to manage our Health, Safety and Environment risks and includes a planning element that results in the development of a HSE Strategic Plan that outlines the key initiatives for APA's Environmental Management approach as listed above.

In FY2017, we completed delivery of APA's two-year Environmental Strategy and Improvement Plan that commenced in 2015. The Strategy has delivered a corporate governance framework that standardises how environmental management is conducted across all business units in Australia. APA focuses on eight key environment areas: Approvals and Planning; Vegetation and Fauna; Emissions; Chemicals and Contamination; Waste; Soil and Water; Heritage; and Data and Reporting.

Native vegetation management

APA's extensive energy infrastructure assets mean we are an intrinsic part of Australia's diverse natural landscapes. APA understands that our obligation to safely operate and maintain our infrastructure also includes managing native vegetation over and around our assets in accordance with legal requirements. We are shared users of much of the land we occupy so minimising and avoiding potential impacts on native vegetation is one way we recognise the value of vegetation to the community and environment.

We have a systematic approach for determining whether native vegetation is cleared or can be retained. We store environmental information in our Environmental Management Plans and have a new Native Vegetation Management Procedure that outlines the minimum management measures to be applied in the absence of site-specific documentation.

This approach allows us to comply with environmental laws so that we can continue to play our critical role in Australia's energy mix whilst retaining environmental value for future generations.

Soil and water management

APA understands that watercourses are sensitive environmental features, which are important for ecosystem function. Managing our activities and our contractors' operations on land surrounding watercourses is a significant focus area for APA because risks in these areas.

For projects that have potential to affect a watercourse, we strive to manage our activities in order to maximise benefits and minimise risks to the environment and community. For instance, we factor the sensitivity of watercourses into our risk assessments; avoid interaction with watercourses whenever practicable and focus on installing and maintaining sedimentation mitigation methods.

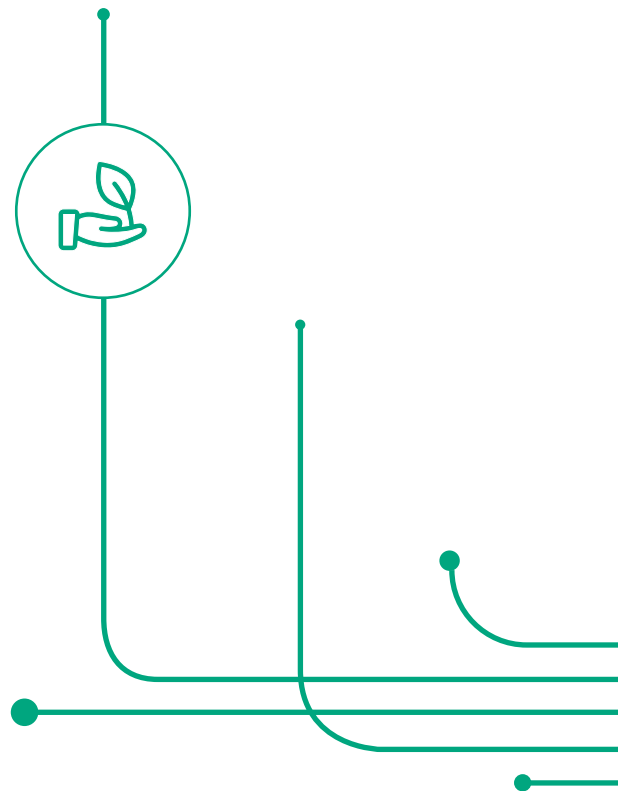
As a part of the Environmental Strategy, APA has developed Soil and Water Procedures to drive national environmental management consistency. These procedures are being implemented across all applicable business areas in FY2018.

Operations and Environment go hand in hand

The Toowoomba Second Range Crossing Project on the Roma Brisbane Pipeline (RBP) demonstrated APA's in-house expertise and ability to successfully deliver a construction project whilst ensuring environmental impacts were minimised.

The project involved the relocation of just over 1km of the RBP to facilitate the realignment of the Roma to Brisbane Road. Successful environmental management on the project was based on proactive communication between APA's project team and our environment team, as well as the construction contractor including review and approval of the construction environmental management plan (CEMP) prepared by the construction contractor.

The project was time critical, and sat within a much larger site, with a suite of environmental approvals, on top of the existing RBP Environmental Authority (Licence). It was therefore critical to ensure the CEMP and project documentation and processes adequately addressed all environmental requirements. This occurred through direct consultation between client and contractor dedicated environmental personnel. The Project went on to be delivered well, with no major incidents or environmental harm.





Emu Downs Solar Farm – first panels

Construction of APA's first solar farm commenced in FY2017. The 20MW solar farm will form part of APA's 230MW renewable energy precinct in Western Australia.

The solar farm will share the transmission connection and facilities with APA's existing 80MW Emu Downs Wind Farm, acquired in June 2011. The 130MW Badgingarra Wind Farm which is due to commence construction in early FY2018, will also leverage existing operational on the ground resources.

National greenhouse and energy reporting

APA complies with the Commonwealth National Greenhouse and Energy Reporting Act 2007 which establishes a national framework for corporations to report greenhouse emissions, energy consumption and production should specific thresholds be met.

APA's emissions are mainly the result of power generation activities, the combustion of natural gas in compressor stations and from fugitive emissions. In FY2016, APA reported 1,084,236 tonnes of carbon dioxide equivalent (scope 1 emissions). The increase in Scope 1 emissions in FY2016 is predominantly due to the addition of the Diamantina and Leichhardt Power Stations (DPS). APA moved to full ownership of DPS during FY2016. Emissions also increased as a result of the increase in the amount of gas transported on the South West Queensland Pipeline with all six Gladstone LNG trains now in operation, as well as gas flowing west to the domestic market.

Managing climate change issues

Carbon Disclosure Project

APA participated for the seventh time in the Carbon Disclosure Project, a voluntary disclosure to investors on carbon emissions, liability, reduction activities, strategies and management. APA's overall score of "B-" ranked highest amongst its direct peers.

Clean energy policy

APA continues to support reducing carbon emissions as a responsible risk mitigation response to climate change. APA supports technology agnostic domestic carbon abatement policies to meet Australia's 26% to 28% Paris COP21 carbon reduction commitment. APA is also broadly supportive of the June 2017 Finkel Report concepts and recommendations, with the key to any climate change policy requiring bipartisan support to ensure investment certainty.

In the longer term, as international and domestic carbon policy and markets mature, APA's assets will play an important role in meeting Australia's long term emission reduction targets as energy consumption shifts from carbon intensive fuels, such as coal, to more carbon efficient fuels, such as natural gas.

Investing in renewable energy

In 2017, APA announced three new renewable energy projects totalling approximately \$565 million; 130MW Badgingarra Wind Farm, 110MW Darling Downs Solar Farm and 20MW Emu Downs Solar Farm.

APA continues to evaluate further renewable energy and low emission gas generation opportunities as Australia moves to a low carbon economy.

For more information, refer to APA's website: <https://www.apa.com.au/about-apa/sustainability/>.



community.

We will positively engage with the communities within which we operate by:

- Building long term strategic community relationships to maintain support and goodwill for APA's activities.
- Increasing employee connections with local communities through sponsorships, employee volunteering and giving programs targeting vulnerable communities.

FY2017 Performance

- Maintain support of our community investment program, Building Brighter Futures, by continuing our three headline partnerships and promoting and supporting employee fundraising events across the company.
- Extended the reach of Building Brighter Futures to include employee volunteering, and support diversity and inclusion strategies.
- Continue financial support for community events.
- Commenced stakeholder engagement in relation to proposed Western Slopes Pipeline project.

Key Sustainability Risks

- Community relations - Maintaining community support and goodwill for APA's activities.
- Encroachment - Urban encroachment around existing pipeline easements can increase the potential for damage. A change in pipeline location class may also increase compliance costs.

Actions for FY2018

- Maintain support of our community investment program, Building Brighter Futures, by continuing our three headline partnerships and promoting and supporting employee fundraising events across the company.
- Continue Volunteering Program.
- Continue financial support for community events.
- Progress the community and stakeholder consultation program of activities for the Western Slopes Pipeline.

Risk Management

- Remain in touch with community interests and issues.
- APA actively engages with its communities through sponsorships.
- Education and communication around APA's activities.
- Construct and operate infrastructure using industry recognised standards or better.
- Landowner liaison and community education and support of "Dial Before You Dig" (DBYD) service. Increasing awareness of DBYD through APA presentations.
- Pipeline easement monitoring and surveillance.
- Dedicated Infrastructure Protection and Planning department for processes and assurance; urban planning; asset protection; and, access and approvals.
- Participation in APGA Corridor Committee / pipeline operator groups.
- Liaise with council and planning authorities to effectively manage potential encroachment issues.

Community investment program

APA's 'Building Brighter Futures' program continues to provide an effective platform for delivering meaningful support to the communities in which we operate, and through which employees can contribute to causes meaningful to them with support from APA. The program establishes an effective foundation for further building and developing our community relationships, enhancing the APA brand and demonstrating APA's support for the communities in which we work.

APA expanded the 'Building Brighter Futures' community investment program in FY2017. In addition to Headline Partnerships with The Clontarf Foundation, The Fred Hollows Foundation and the Darwin Literacy Centre, and our Employee fundraising events, we added:

- Corporate support for three charities, each with a Diversity and Inclusion (D&I) focus:
 - Orange Sky Laundry
 - Dressed for Success
 - White Ribbon Australia
- A pilot employee volunteering program, encouraging our employees to give back to our local communities by donating our time and skills to registered Australian charity organisations.



APA employees from the Southbank office celebrate our support for Orange Sky laundry.

Orange Sky Laundry was launched in Australia in 2014 as the world's first free mobile laundry service for the homeless. Starting in the streets of Brisbane, Orange Sky has now grown to 13 services across Australia, in Brisbane, the Gold Coast, Melbourne, Sydney, the Sunshine Coast, Canberra, Perth, Adelaide, South East Melbourne and Hobart.

Orange Sky Laundry now does over 6.9 tonnes of laundry every week and provides 1,300 hours of positive and genuine conversations every week. APA has sponsored Orange Sky to support this free service for the disadvantaged.



APA Sydney employees Jillian Summers (left) and Tracy Hutchinson (right) delivering clothes to Dress for Success Sydney Operations Manager Toni Purnell (centre).

Dress for Success is an international not-for-profit organisation that empowers women to achieve economic independence by providing a network of support, professional attire and the development tools to help women thrive in work and in life.

In Australia, Dress for Success is represented by six affiliates, five of which APA is supporting through direct company donations as well as locally organised clothing drives and volunteering.

Community and stakeholder engagement

APA values and respects its relationships with stakeholders and communities in which we operate. We are committed to building and maintaining long term relationships with our stakeholders, as well as meeting all applicable regulatory and legislative requirements.

APA's approach to stakeholder engagement is guided by the following principals:

- **No surprises:** Inform and engage community members and key stakeholders early in the process, and ensure they remain fully informed.
- **Be inclusive:** Ensure the community has easy access to clear and concise information about projects, ensuring all communications use language (e.g. non-technical) appropriate for each audience.
- **Be honest and act with integrity:** Always use facts and speak the truth. If the answer is not known then the question will be taken on notice, the appropriate parties spoken with and a response provided promptly.
- **Be responsive:** Respond to all stakeholder contact in a timely manner and make every effort to resolve issues to the satisfaction of all involved.
- **Be a part of the community:** Use projects to contribute to stronger local communities and provide economic and social benefit.
- **Honour all obligations:** Deliver on promises made to the community and stakeholders.

Where Community Consultation is required, APA develops a Community Consultation Plan to identify stakeholders and their likely area of interest in the proposed Project, along with whom in the Project team has responsibility for engaging the stakeholder(s) and the timing and mechanisms for these engagements.

The plans are not static documents, evolving as the project progresses. They will require revision and flexibility to meet changing needs and circumstances. Each project plan is usually reviewed every three months or as required.

The purpose of a Community Consultation Plan is to:

- Find opportunities to listen to what the community's issues and expectations are;
- Actively respond to identified issues and expectations;
- Be open and transparent about plans for the Project, - addressing issues and informing the community about key Project phases;
- Be consistent in messaging and provide opportunities for the community to interact with APA in a variety of forums; and
- Respond efficiently to complaints as and when they arise to reinforce APA's commitment to responsiveness.



(left to right) Jens Schulz, Project Manager RCR Infrastructure, Neil Weatherly APA's Manager Access & Approvals, Paul McVeigh Mayor, Western Downs Regional Council and Ross Larsen APA's IPP Senior Town Planner

Working together

APA, Western Downs Regional Council and RCR Infrastructure prepare for a Local Vendor Opportunities information session for the Darling Downs Solar Farm Project. Local businesses, suppliers and tradespeople were invited to the forum to discuss a range of packages and service opportunities during the construction of APA's 110MW wind farm.





Western Slopes Community Consultation

As part of our commitment to community engagement, APA has commenced a comprehensive program of community and stakeholder consultation for the Western Slopes Pipeline project. Specific activities either completed or proposed include:

- Establishment of a project website, toll-free information line and project email address, including a mechanism for stakeholders to provide feedback regarding the project
- Direct contact with landowners along the preliminary alignment followed by individual landowner briefings and regular ongoing contact
- Advertisements and editorial in local newspapers regarding key announcements, project activities and upcoming events
- Community information sessions
- Consultation with relevant government agencies (Federal, State and Local)
- Presentations to existing forums including Local Government Council meetings and special interest groups
- Direct engagement with interested Aboriginal Parties in accordance with the applicable Government guidelines
- Direct contact with a range of other stakeholders with a potential interest in the project

In addition, the NSW Department of Planning and Environment's Secretary's Environmental Assessment Requirements (SEASs) for the project require APA to establish and operate a Community Consultative Committee (CCC). The CCC will be a key forum for discussion between APA and representatives of the community, a range of stakeholder groups and the local councils on issues directly relating to the Western Slopes Pipeline project.

Sponsorship and donations

APA continued to provide monetary and in-kind support to a number of groups or causes that achieve one or more of the following:

- Strengthen APA's reputation in the local community.
- Enhance APA's relationships with key community stakeholders.
- Increase community awareness and understanding of APA.
- Provide positive networking opportunities with community stakeholders.

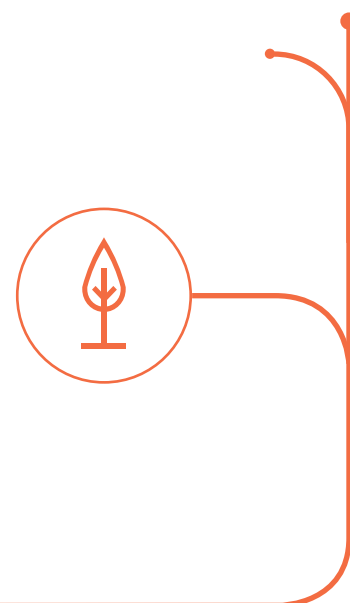
Of these, the two major sponsorships in FY2017 were for Taronga Zoo Foundation and the Australian Brandenburg Orchestra. As part of our support for the Australian Brandenburg Orchestra we sponsored a concert in Brisbane and a free community concert in Toowoomba where we have substantial operations.

Business continuity / emergency response / crisis management

APA's approach to recovery is integral to our operations and our values and seeks to protect our assets, property, people, and IT systems as well considering the environment and local communities we affect. Our integrated approach provides for effective recovery whilst continuing to service our customers and meet regulatory requirements:

- Emergency response for energy infrastructure assets incidents;
- Business continuity response for premises, people, IT systems and cyber type incidents; and
- Crisis management response involving the APA Executive which focusses on high severity incidents.

We maintain programs of testing to ensure our approach remains current and reflects changes in our business, our customers and the communities we are part of.



employees.

We are committed to providing an inclusive, rewarding and collaborative working environment where all our people can contribute, perform and succeed. We will do this by:

- Continually improving our health, safety and environment performance to reduce risks, prevent harm and build a sustainable future.
- Attracting, developing and enabling our people to build their own and the organisation's capability for future growth and success.
- Living and embedding the APA values so our culture is a key enabler of our success.

FY2017 Performance

Safety

- Strong improvement in safety performance with lead and lag indicators being met or exceeded; LTIFR¹ of 0.52 and TRIFR² of 7.50 have both improved over 25%. Importantly, no fatalities occurred.
- Completed over 1,000 safety management interactions and over 5,000 permit reviews with employees and contractors - both key critical controls to protect our people and assets.
- New three-year HSE Strategic plan rolled out with key themes that resulted in the following achievements:
 - Full review of APA's Fatal Risk Protocols (FRP) with the establishment of national FRP governance network;
 - Incident investigation training delivered to over 80 leaders with visible improvement in investigation quality and outcomes;
 - Successful independent audit of APA's contractor management system (no non-compliances);
 - Alcohol and Other Drugs education and awareness training delivered to all employees;
 - Completion of the establishment of the APA Environmental Management system, including Environmental awareness training for all employees; and
 - Revised Contractor Management Assessment tool to include HSE requirements.

Leading for growth and diversity

- Strategy-into-Action workshops and Leadership Styles and Climate programs, workshops, assessments and coaching delivered involving around 150 leaders.
- Inaugural national APA Excellence Awards presented for Innovation, Living the APA Values, Customer Service and HSE with positive feedback.
- Delivered key diversity and inclusion initiatives including an independent Gender Pay Parity review, expanded the APA Graduate and Intern Programs with further intakes, Diversity and Inclusion Workshops for over 250 people managers, and Women in Leadership programs for female talent.
- Develop and launch new Diversity and Inclusion strategy for launch in FY2018.
- Completion of detailed analysis of current HR system capability in preparation for project to upgrade to new people systems technology.

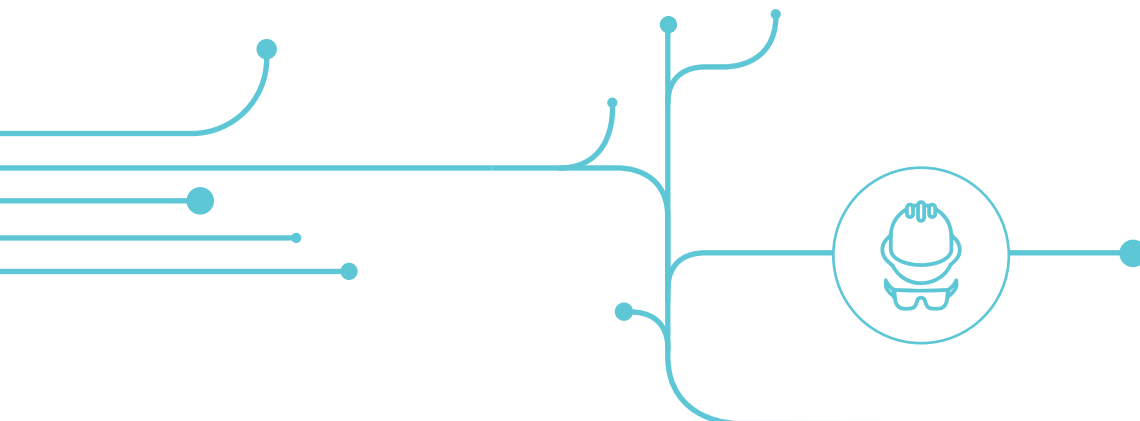
Actions for FY2018

Safety

- Target an LTIFR of less than 1 and a TRIFR target of no more than 8.
- Strong emphasis on improving HSE performance and cultural maturity to continue through the HSE Strategic plan, specifically around:
 - Continue to monitor the effectiveness of contractors HSE performance through increased HSE audits;
 - Introduce a revised Alcohol and Other Drugs policy, including testing protocols;
 - Launch of Health and Wellbeing platform;
 - Continue to develop education and awareness initiatives through our Safedrive+ program to manage the key risk of driving.

Leading for growth and diversity

- HR Systems Review Project to upgrade our people systems and capability (employee and business processes, people analytics and enhanced talent and planning capability).
- Review of Performance, Reward and Talent strategies to deliver on organisational strategy.
- Continued work throughout organisation on Leadership Styles and Climate and living the APA values and culture.
- Launch of new Diversity and Inclusion strategy with key focus areas of gender, age and culture, with key initiatives such as:
 - Works towards achievement of 2022 female participation targets; (see S11)
 - Leverage partnerships to broaden workforce participation; and
 - Ongoing education around unconscious bias, inclusive leadership and appropriate conduct.
- Continue to develop competency based frameworks or core capabilities to improve technical and professional development.
- Conduct an Employee Engagement Survey and implement follow up actions.



1) LTFR Lost time Injury Frequency Rate is measured as the number of lost time injuries per million hours worked. APA's figure includes employees and contractors.

2) TRIFR Total Reportable Injury Frequency Rate is measured as the number of lost time and medically treated injuries sustained per million hours worked. APA's figure includes employees and contractors.

Key Sustainability Risks

- Failure to provide a safe workplace resulting in serious or fatal injuries (Safety).
- Potential for legal proceedings for failure to comply with Health, Safety and Environmental legislative obligations.
- Employee capability, recruitment and engagement - Failure to develop, attract and retain talented employees.

Risk Management

- APA maintains a comprehensive workplace HSE Management System. It is predicated on the principles of hazard and risk identification, control measures and a robust assurance framework.
- HSE training, education and awareness is a cornerstone of the HSE Management System.
- As part of our assurance framework, Health and Safety audits are undertaken across all parts of the business to ensure that health and safety risks are effectively controlled.
- Maintain and monitor compliance to APA's HSE Management System including undertaking regular compliance monitoring through audits and workplace inspections.
- Provide Health, Safety and Environment training to managers and employees.
- APA maintains a number of initiatives to ensure there is a pool of talent and internal capability for now and in the future.
- These include formal succession and talent management, a diversity and inclusion strategy, as well as technical, functional, business and leadership development.
- The business has introduced a strong internal recruitment capability to ensure we identify and secure external resources as and when needed.

Leading for growth and diversity

To build and sustain core leadership capabilities within APA, a foundational program, Strategy-into-Action, was launched for all leaders that focuses on connecting our leaders to the APA strategy and explores how to leverage various leadership styles to lead for growth. Over 150 leaders have participated in our program to date with another 270 scheduled to complete in FY2018. Our leadership program:

- creates foundational understanding of our strategy with all of our leaders;
- sets a standard for how we will achieve that strategy through our people i.e. how we lead at APA; and
- creates an understanding of the impact that leadership style has on the climate within our teams.

Leaders completing the program are skilled to:

- share a vision and long term focus with their team which can be translated into short term deliverables;
- develop a more collaborative, enterprise-wide mindset; and
- provide effective coaching and feedback to team members.

In addition to this, Diversity and Inclusion training has been rolled out to all people leaders in APA. These workshops are aimed at increasing awareness of APA's Diversity and Inclusion strategy and covering key topics like why diversity matters, the impact of unconscious bias, the benefits of flexible work and the skills to lead and create an inclusive workplace.



Diversity and inclusion

In July 2017 we launched our new 3 year Diversity and Inclusion strategy with key focus areas ahead being Gender, Age and Culture (ethnicity) underpinned by the principles encouraging diversity of thought and an inclusive work culture. The objective of this Strategy is for APA to be known as a workplace that is:

- Inclusive
- An Employer of Choice
- Flexible
- Cross-generational

Gender diversity

The following table provides an overview of the percentage of women at APA, as reported to the Workplace Gender Equality Agency (WGEA) in 2017 (for the period 1 April 2016 - 31 March 2017):

APA Workforce Gender Profile – Women	2017	2016
Non-Executive Directors	29.0%	29.0%
Workforce	27.0%	26.5%
Leadership roles ³ (defined as all roles with management or leadership responsibilities)	19.0%	20.0%
Trade and Technical roles	4.0%	4.0%

APA recognises that without deliberate action, attention and new thinking in this area, change will not occur. It is also recognised that leadership is key – setting the right examples, providing opportunities and having clear role models (male and female) who embody the behaviours and attitudes of a diverse and inclusive workplace.

3) Leadership roles are defined in accordance with the Workplace Gender Equality Agency ("WGEA", Australia and New Zealand Standard Classification of Occupations) occupational categories and comprise all levels of management (i.e. general managers, key management personnel, manager roles) excluding team leader and supervisory roles. APA's public report to the WGEA is available at <https://www.apa.com.au/careers/working-at-apa>.

Flexible work in action

In November 2016 over 160 APA employees based in Melbourne undertook a significant change when their place of work moved from Dandenong (in the south-eastern suburbs of Melbourne) to Southbank, near Melbourne's CBD some 40km away.

Months of preparation involving all those impacted were required to make the transition a success – from the physical changes of moving many records from paper-based to electronic through to the personal change impacts of adjusting to longer travel times and for many, public transport for the first time in years. One of the important contributors to the success of the move was making flexible work arrangements available to all employees. The benefit for APA has been our ability to retain employees' skills and knowledge and provide a more productive work environment.

Developing talent

APA continues to undergo systematic planning to identify, build and retain a strong pipeline of critical capability to meet the organisation's current and future requirements and to ensure long term continuation of core business activities.

Leaders participate in a talent management process to identify high potential and emerging talent and potential successors for key roles. Employees identified through this process receive development via one of two talent programs. In FY2017 almost 100 employees were identified in this process (with 28% being female) who then participated in a range of development activities from structured assessments, to secondments and specific on-the-job training.

Also during FY2017, APA piloted two women in leadership programs to target development of female talent. Participants were invited to participate in either the Women in Leadership Program or Emerging Executive Women in Leadership Program. Both programs focused on creating opportunities for participants to build self-awareness, leadership skills, and their network both within APA and externally.

In FY2017, the APA Graduate Program that was developed in early 2016 was expanded with a further intake in January 2017 of three engineering graduates based in our Melbourne offices. The program provides for three, nine month rotations across different parts of APA's business with a view to growing beyond the engineering discipline. To complement the Graduate Program APA has piloted this year an Intern Program to provide undergraduates with 4-6 weeks paid work experience. Following the success of the pilot, plans are in place to establish this program as a key feature to increase our channels of entry to employment at APA whilst also encouraging younger employees to join APA.

All of the above development initiatives are complemented with a variety of coaching and mentoring opportunities, utilising both internal and external resources.

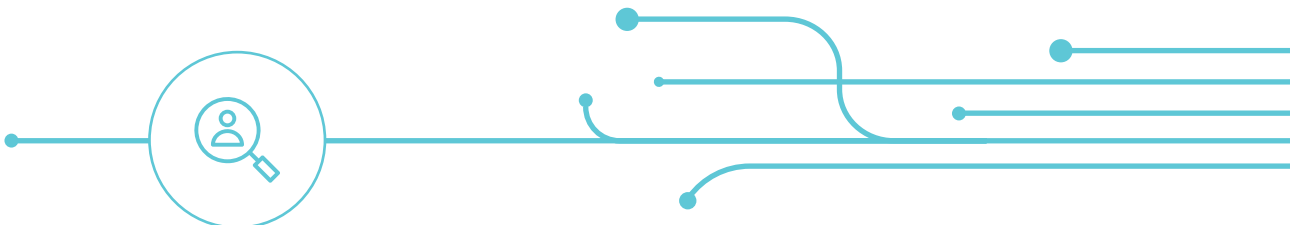
Rewarding excellence

In response to feedback in our last Employee Engagement survey and to increase employee recognition, APA launched its inaugural Excellence Awards in October 2016. These Awards recognised outstanding achievements and contributions of individual employees who have gone above and beyond the usual course of duty. Awards were made across the categories of Health, Safety and Environment (HSE), Living the APA Values, Customer Service and Innovation. Nominated by their fellow employees, the Award winners came from across all parts of the company and country, their achievements celebrated in their home location with special Award ceremonies.



Living the values

Paul McKinnon from APA's Networks and Power division was announced as the winner for Living the APA Values. He was recognised for his consistent demonstration of the APA values throughout his work and in particular in the critical role he played in minimising damage to the Berri converter station during the South Australia state-wide blackout last year. Working long hours and as APA's only employee permanently based in Berri, Paul closely monitored equipment and engaged extensively with external customers and staff throughout the night, adapting to changing circumstances. Paul's written log was invaluable in the subsequent black-out investigations and his commitment and adaptability throughout the situation was a clear demonstration of all APA's Values (S.T.A.R.S) Safety, Trustworthy, Adaptable, Results and Service.



investors.

We will continue to be a reliable and attractive investment which delivers superior returns for Securityholders by:

- Achieving reliable and sustainable earnings growth by focusing on long term revenue and reduced costs.
- Maintaining a strong and robust balance sheet.
- Identifying and evaluating additional attractive infrastructure style investments in related energy businesses.

FY2017 Performance

- Total securityholder return of 4.1% for FY2017.
- Delivered investors a 4.8% increase in distributions.
- Maintained investment grade credit ratings (BBB/Baa2).
- Issued A\$200 million of 7-year fixed-rate Australian dollar Medium Term Notes in October 2016 and US\$850 million (A\$1,109 million) of 10.3-year senior guaranteed notes into the US 144A market in March 2017.
- Repaid \$85.8 million (US\$65.0 million) and \$295.0 million (US\$154.0 million and A\$104.2 million) of US Private Placement Notes when they matured in July 2016 and May 2017 respectively.
- Corporate costs for FY2017 decreased by \$20.0 million to \$66.7 million (FY2016: \$86.7 million).
- Since FY2016 results, APA has announced \$1.2 billion of growth opportunities, which coupled with the Victorian-Northern Interconnect expansion project already in flight, will add up to around \$800 million of growth capital investment required over the next 12 months.
- \$377.5 million of capital and investment expenditure during FY2017.
- Voluntarily published APA's second Tax Transparency Report (available on APA's website). The Federal Government with support of the Australian Board of Taxation were seeking greater public disclosure of tax information by businesses and endorsed the Tax Transparency Code as part of the 2016-2017 Budget announcements.

Actions for FY2018

- Progress or complete current growth capital projects underway and ensure prudent funding strategies are in place and are executed.
- Continue to evaluate and develop additional revenue streams in related energy infrastructure businesses.
- Maintain investment grade credit rating levels.

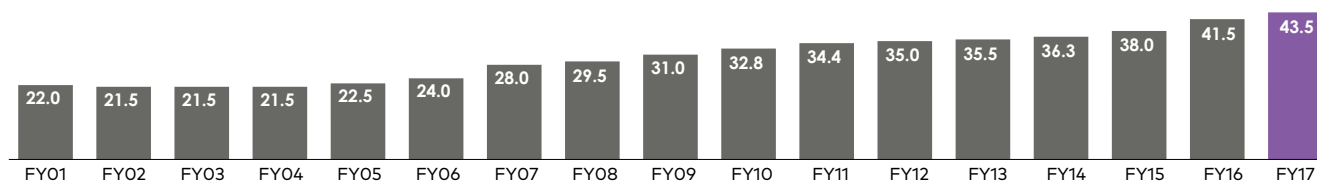
Key Sustainability Risks

- Debt and equity - Ensuring continued support from debt and equity markets for ongoing capital requirements. Inability to secure new debt facilities at appropriate quantum and price may adversely affect APA's operations and/or financial position and performance.

Risk Management

- APA's investment decisions are made and its balance sheet is utilised with a continuous focus on maintaining long term investment grade credit ratings.
- A diverse portfolio of long-life assets underpinned by regulated and long term bilateral agreements, underscores APA's ability to service debt and sustain steady equity distributions.
- Maintain diversified funding base and access to deep and liquid global debt capital and banking markets.
- APA has a long term sustainable distribution policy having regard for the capital needs of the business and economic conditions. Distributions are fully covered by operating cash flow.
- Financial results and other salient developments are communicated regularly to investors in a timely manner.

APA'S HISTORICAL ANNUAL DISTRIBUTIONS (CENTS PER SECURITY), HAS CONTINUED TO INCREASE



As at 30 June 2017, APA had over 78,000 securityholders holding 1.1 billion securities, with the top 20 investors holding 65.4% of securities. Currently, approximately 74% of APA's investors are based in Australian and/or New Zealand.