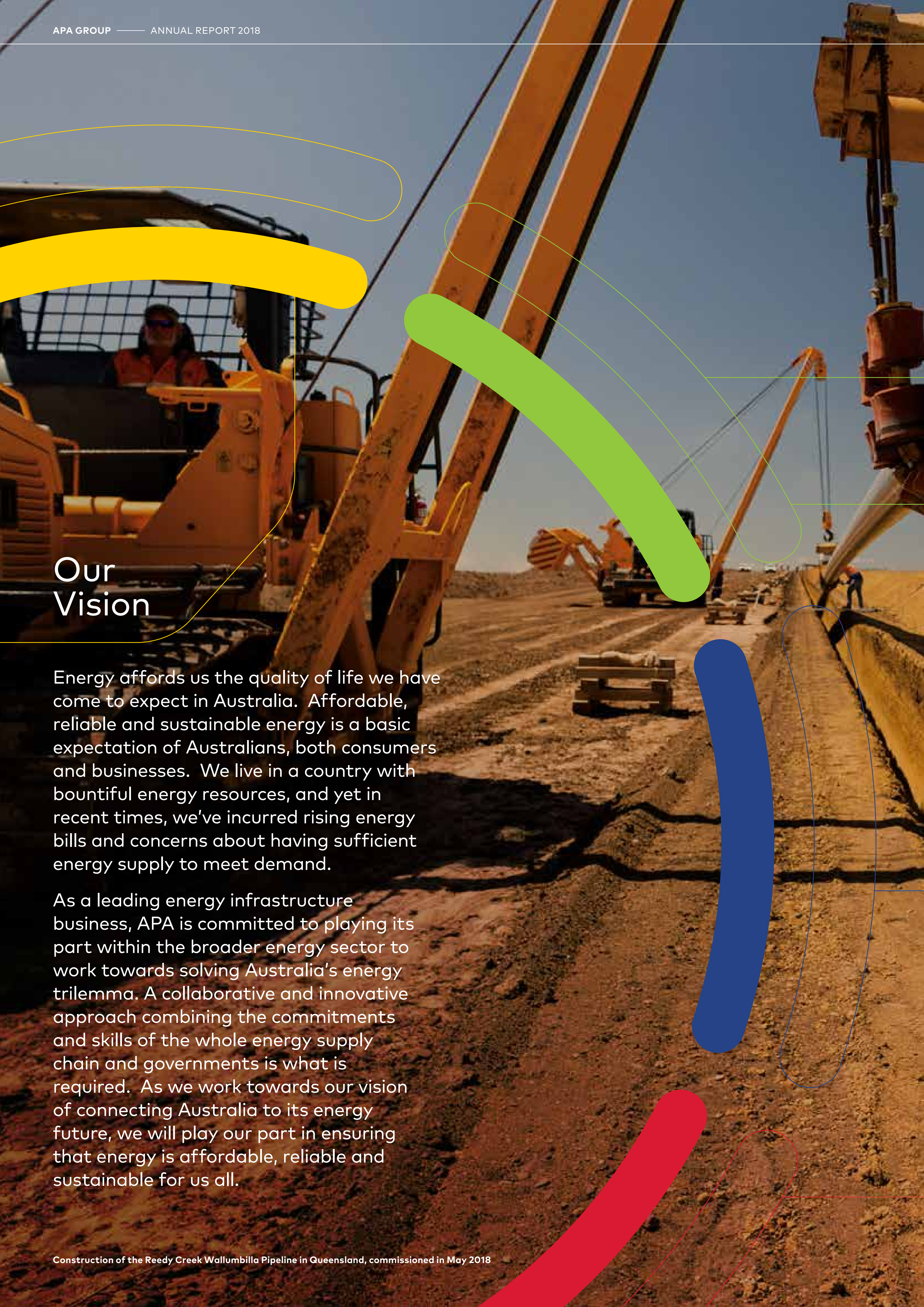
energy. connected.

apa group annual report. 2018

Our Vision

Energy affords us the quality of life we have come to expect in Australia. Affordable, reliable and sustainable energy is a basic expectation of Australians, both consumers and businesses. We live in a country with bountiful energy resources, and yet in recent times, we've incurred rising energy bills and concerns about having sufficient energy supply to meet demand.

As a leading energy infrastructure business, APA is committed to playing its part within the broader energy sector to work towards solving Australia's energy trilemma. A collaborative and innovative approach combining the commitments and skills of the whole energy supply chain and governments is what is required. As we work towards our vision of connecting Australia to its energy future, we will play our part in ensuring that energy is affordable, reliable and sustainable for us all.



Construction of the Reedy Creek Wallumbilla Pipeline in Queensland, commissioned in May 2018

Contents

Our Strategy

MAINTAIN APA'S FINANCIAL STRENGTH

GROWTH FOCUS TO ENHANCE OUR PORTFOLIO OF:

gas transmission pipelines

power generation: gas-fired and renewables

mid-stream energy

infrastructure assets, including gas storage and gas processing

CONTINUE TO STRENGTHEN ASSET MANAGEMENT, DEVELOPMENT AND OPERATIONAL CAPABILITIES

chairman's report.

APA's vision is to connect Australia to its energy future. That future has rapidly evolved particularly in recent years, with influences from both domestic circumstances such as our dynamic energy markets and government policy, and globally with demand for Australia's energy resources and calls for action on climate change. APA plays a key role in enabling Australian consumers and businesses to have access to affordable, reliable and sustainable energy. During the 2018 financial year, we stepped up our commitment to this role, working with industry and our customers and investing over $700 million in new organic growth projects that will contribute to providing a solution to Australia's energy trilemma.

In my first year as your Chairman, I am delighted to share some highlights about the progress APA has made in delivering on its strategy this past financial year.

Since its inception in 2000, APA has gone from strength to strength and our disciplined investment approach has delivered a portfolio of assets that we own and/or operate of over $20 billion. APA's vision to connect Australia to its energy future is being realised as we progress our strategic growth trajectory and continue to deliver value for our Securityholders.

Financial results

In FY2018, APA has presented the market with a solid set of financial results. Revenue has increased by 2.8 per cent to $1,941.4 million (1). Off the back of the growth that we continue to deliver, earnings before interest, tax, depreciation and amortisation (EBITDA) have increased by 3.3 per cent to $1,518.5 million and net profit after tax has increased by 11.8 per cent to $264.8 million.

The very nature of APA's business enables predictable results for our Securityholders that are largely unaffected by market conditions. This is achieved through the longevity of our contracts to supply energy and services to our customers. These contracts, in turn, support the ongoing investment in our infrastructure. Over the last few years, the Australian market has been challenged by fluctuating commodity prices. We are conscious that the relative price of these commodities may have an impact on our customer's demand for infrastructure in the future. By applying a customer centric approach, APA sees itself as an energy industry team player with the ability to offer flexible services that meet our customers' long-term needs.

Our total distributions for FY2018 of 45 cents per security represent a 3.4 per cent increase over distributions for FY2017. Securityholders have also benefited from a total of 6.33 cents per security of franking credits which accompany the distributions. In accordance with our distribution policy, distributions have been fully covered by operating cash flows. A portion of these cash flows have also been retained within the business to support our ongoing growth.

With growth continuing to drive our strategy, we are working on in excess of $1.4 billion of growth projects that have been agreed with our customers to meet their future energy needs. In FY2018, APA commissioned the Emu Downs Solar Farm, Reedy Creek Wallumbilla Pipeline, the Mt Morgans Gas Pipeline and the Yamarna Gas Pipeline.

1) Total revenue, excluding pass-through (revenue on which no margin is earned).

These assets will all contribute to earnings in FY2019 and beyond. Operating cash flow for FY2018 increased by 5.9 per cent to $1,031.6 million. Operating cash flow per security held strong and increased by 4.1 per cent to 90.7 cents per security, despite over 65 million new securities being issued during FY2018 as part of the $500 million equity capital raise that was undertaken in February.

Delivering for stakeholders

Our success is not only judged by the value created for Securityholders, but from our ability to service our customers' long-term energy infrastructure needs. In FY2018, APA was one of 15 energy supply chain businesses that pledged to develop a consumer charter, putting customers first. We believe that for APA to continue to succeed, we need to be delivering for our customers and Australia's energy users. Instilling customer confidence in the energy industry requires an industry-wide commitment across the supply chain for both gas and electricity. At the heart of The Energy Charter is an assurance to improve the culture throughout the energy industry by putting the customer at the centre of each of our business decisions. At APA we are committed to The Energy Charter and developing a culture of customer focus and good conduct across the business.

Energy policy

Throughout FY2018, national energy policy remained highly topical within Australia. As policy makers seek to tackle the energy 'trilemma' and solve a decade-long failure to effectively integrate energy and climate policy, ongoing uncertainty prevails in the market. This affects investment decisions, prices and energy reliability for Australian consumers and businesses.

Policy certainty and clarity are the crucial components to maintaining investment confidence in Australia. This requires a collaborative approach with the energy industry and governments working together. APA continues to support integrated energy and climate policies that will meet Australia's carbon reduction commitments, whilst ensuring affordability and reliability.

In this context, APA continues to encourage the development of a bipartisan national energy policy which will give that certainty for future investment in the sector. Gas remains a viable, low-emissions fuel supply that Australia has in abundance.

Governance

Throughout FY2018, I have had the opportunity to meet directly with investors, listening to their feedback about APA's strategic direction, board composition and remuneration report.

In FY2018, we farewelled Mr Leonard Bleasel AM as Chairman of the APA Board after ten successful years at the Board's helm. I was delighted to follow in Len's footsteps and accept the position as Chairman, after contributing in my role as an APA Non-Executive Director since 2015. APA's Board also saw Non-Executive Director Mr John Fletcher retire and welcomed two new Non-Executive Directors, Ms Shirley In't Veld and Mr Peter Wasow who each have a wealth of experience to help navigate the opportunities and challenges facing the energy market. During the year, Non-Executive Director Ms Patricia McKenzie announced her intention to retire at the 2018 Annual Meeting. Given the CKI proposal, I am delighted to advise that Patricia has agreed to continue as a Director beyond the Annual Meeting.

CKI Consortium Proposal

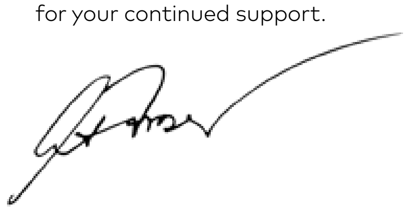
As at the time of writing this Report, there have been no further developments to the proposed transaction between APA and the CKI Consortium since the announcement by APA on 13 August 2018 that both parties had entered into a binding Implementation Agreement for the CKI Consortium to acquire 100 per cent of APA's securities. Your Board believes the Offer of $11.00 cash per security is compelling for APA Securityholders and we unanimously recommend it to you. It represents a premium of over 30 per cent (2) on the price APA securities were trading at prior to the announcement on 13 June 2018 and an FY2017 Enterprise Value/EBITDA multiple of 15.3 times and FY2018 Enterprise Value/EBITDA of 14.8 times (3). We will keep Securityholders informed as the transaction progresses, with the expectation of a Securityholder meeting and vote on the Schemes to be held in late November 2018.

Outlook

The past year has provided Securityholders with continued growth, as APA has delivered solid financial performance and further creation of value. Going forward, we will certainly continue to act in your best interests to ensure the best possible returns.

APA's guidance for FY2019 is for EBITDA of between $1,550 million and $1,575 million and net interest costs of between $500 million and $510 million. In the event that the CKI proposal does not proceed and APA remains as a stand-alone listed company for the full financial year, total distributions per security are expected to be in the order of 46.5 cents per security, prior to the benefits of any franking credits that may arise as a result of the ongoing payment of company tax by APA.

On behalf of the Board, I would like to thank our Managing Director Mick McCormack, the APA leadership team and APA's employees for their contribution this year. Importantly, I would also like to thank all our Securityholders for your continued support.



Michael Fraser
Chairman

2) The value of $11.00 per security represents a 30%-35% premium to the 12 June 2018 trading price based on the 5 day, 1 month and 3 month volume weighted average prices of $8.434, $8.374 and $8.144 respectively.

3) Based on 1,179,893,848 APA stapled securities on issue, APA net debt as at 30 June 2018 as per Note 18 of the FY2018 financial statements, APA FY2017 EBITDA of A$1,470.1 million for the FY2017 multiple and APA FY2018 EBITDA of A$1,518.5 million for the FY2018 multiple.

managing director's report.

At APA, we have always looked to continually improve our business, leverage our strengths and deliver for our stakeholders. The solid 2018 financial year results reflect the success of our approach and as we work towards completing the $1.4 billion plus of committed growth projects in FY2019, we are on track to continue this success.

Without our customers, there would be no APA. In FY2018, we commenced a program to foster a greater customer centric mindset across the business. The energy industry has had a tough couple of years in terms of regulatory intervention and political focus. Much of this has stemmed from the view that the industry is not meeting society's expectations, particularly when it comes to energy affordability and consumer trust is at an all-time low. For Australian businesses to do well in the longer term, the entire energy industry needs to be delivering for consumers. I am very proud that APA is a foundation member of The Energy Charter initiative. This commitment to put customers at the centre of Australia's energy system by each of these businesses is a major step in solving Australia's energy trilemma and meeting community expectations.

In the past year, energy continued to be a highly charged and emotive political issue in Australia with any bipartisan energy policy still to be agreed. Various mechanisms have been touted to address the issues including the Finkel Review and resultant draft National Energy Guarantee. At APA, we are acutely aware that gas is critical to energy security, affordability and sustainability, now and into the future. Gas-fired power generation is critical to keeping electricity prices down and Australian businesses viable. Gas currently accounts for around 40 per cent of mid merit and peaking generation capacity in the National Electricity Market. Governments and the energy industry need to work collaboratively to make more gas available and therefore affordable. Whether supporting gas import terminals or unlocking additional gas resources that Australia is rich with, it is important that all stakeholders work together to facilitate and develop new projects, communicating the facts and evidence to be considered in a well informed public debate.

Safety and our people remain a priority

The importance of fostering a workplace culture that operates safely is a key driver at APA. Compliance with our health, safety and environmental (HSE) obligations shows continuous improvement and we are working to build a sustainable future across our workforce. In FY2018, we completed an overhaul of our Alcohol & Other Drugs Policy and protocols and launched an online Health and Wellbeing platform for employees. Despite our team's best efforts, the Total Recordable Injury Frequency Rate result of 8.9 exceeded its target, predominantly due to contractor injuries. This indicates that we still have some work to do to ensure procedures are in place to keep all of our workers safe. We will use data analytics as part of initiatives to improve injury performance including contractor performance and management, manual handling and hand injury prevention.

In FY2018, APA introduced stakeholder engagement initiatives as a way to drive best practice in our strategic thinking and across our operations. These initiatives, such as articulating the APA Way and revising our Code of Conduct, contributed to enhancing a more progressive and customer centric corporate culture.

The APA Way is a blueprint that guides how our employees are expected to behave and ultimately, defines how we strive to manage our business. At its core, our five STARS values drive our behaviours and these are supported by the five principles of our Decision Compass, which guide the way we make decisions. The APA Way and our Code of Conduct will help us achieve our vision by ensuring the way we work and do business aligns with the expectations of all of our stakeholders.

Strategy

As part of our overall strategy, we continued to deliver customer focused energy solutions whilst engaging positively with the communities and respecting the environment in which we operate. Our $1.4 billion plus pipeline of growth projects continues to be realised with the commissioning of a variety of new energy infrastructure assets across Australia as detailed in the Chairman's Report. We also announced a number of significant contracts and renewals, as well as a new solar farm development at Badgingarra in Western Australia and the potential Crib Point Pakenham Pipeline in Victoria linking AGL's proposed floating LNG regasification terminal to APA's East Coast Grid (subject to AGL FID).

During a year when much uncertainty was generated with the introduction of the new gas pipelines arbitration and disclosure regimes, APA's reliable, low risk business model and pro-active approach of innovative continual improvement came to the fore. In particular, we continued to manage counterparty risks by diversifying our customer and industry exposure, assessing counterparties' creditworthiness and entering into long-term contracts to support major capital spend. As testament to this, the average contract tenor at APA is in excess of 12 years and all contracts and renewals have continued to be negotiated with our customers.

Growth and securityholder value

In FY2017, we embarked upon a three year growth program which will see APA invest in excess of $1.4 billion in a variety of energy infrastructure growth projects. As at the end of FY2018, we had committed $1 billion in capital expenditure with the balance to be realised in FY2019. We estimate the additional revenue contribution from these new assets to be in excess of $75 million in FY2019, increasing to over $215 million per annum in FY2020.

And still we see more growth in front of us with in excess of $4 billion of growth opportunities currently identified over the next four to five years. These opportunities range across gas pipeline developments, gas and renewables power generation and other opportunities that are currently at various stages of development. Despite the challenges of continual regulatory reform initiatives and an offer to acquire our business, the APA team has remained focused on delivering for its customers and growth.

Long term view

As we have detailed in the 2018 Sustainability Report which is contained in this report, APA recognises that climate change is a risk that warrants our consideration both as a business and as a good global citizen. APA is supportive of Australia's commitment under the Paris Agreement to reduce emissions by between 26 and 28 per cent on 2005 levels by 2030. To meet these emissions reductions, major changes are required for the Australian energy industry.

We are also aware that the physical impacts of climate change may impact operational aspects of APA's operations and financial performance, such as: the ability to operate in extreme conditions; maintenance requirements and our ability to respond to extreme weather events; as well as consequential changes in insurance costs; our supply chain. To reinforce our commitment to improving APA's Environmental, Social and Governance (ESG) performance, we have initiated a new program and engaged an external advisory firm to review APA's strategic direction for our ESG management and reporting. It is important for the sustainability of any business to understand the opportunities and risks associated with climate change and how we incorporate those into our strategy. A plan is being developed which will see a number of ESG initiatives rolled out from FY2019 and beyond.

This financial year, APA has strengthened its advocacy in environmental stewardship. We believe that gas is a viable, lower-emissions fuel supply that can help respond to the intermittent nature of renewable energy generation while technology continues to evolve in energy generation. APA continues to expand its renewable generation portfolio with the commissioning of the Emu Downs Solar Farm and the development of our Darling Downs Solar Farm and Badgingarra Wind and Badgingarra Solar Farms.

APA's extensive gas pipeline footprint was built with Australia's future in mind. Our assets are built for the long term to meet our customers' needs for long term energy supply. Sustainable business practice is incorporated into the way we work with all our stakeholders including customers, the environment, community, employees and investors.

Looking ahead

It is prudent to add that while APA has spent the past 18 years building a pipeline of energy infrastructure assets and a growth trajectory to create securityholder value, your Board, has advised its unanimous support for the Implementation Agreement with the CKI Consortium to acquire 100 per cent of APA. The compelling offer is testament to APA's success, evolving from a simple point-to-point pipeline business with an enterprise value of around $1 billion in 2000, to a business now being valued by a potential acquirer at $22 billion.

Regardless of the outcome of the proposed transaction which remains subject to a number of conditions, our vision to connect Australia to its energy future, remains. I believe that our burgeoning portfolio of infrastructure assets will continue to deliver energy solutions to the people, businesses and communities of Australia affordably, efficiently and reliably for generations to come. I am very proud to have been a part of APA's growth and success and to work alongside all 1,700 members of APA's team over the past year.

Mick McCormack
Chief Executive Officer and Managing Director

apa group board.

1

Michael Fraser

BCom FCPA FTI MAICD

Independent Chairman

Appointed 1 September 2015

Appointed Chairman 27 October 2017

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 Non-Executive 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 Audit and Risk Management Committee and the Chairman of the Nomination Committee.

5

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 Chairman of Argo Investments Limited and of Argo Global Listed Infrastructure 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.

2

Michael (Mick) McCormack

BSurv GradDipEng MBA FAICD

Chief Executive Officer and Managing Director

CEO – Appointed 1 July 2005

MD – Appointed 1 July 2006

Mick has over 35 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 power generation, gas processing, LNG and underground storage.

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

Shirley In't Veld

BCom LLB (Hons)

Independent Director

Appointed 19 March 2018

Shirley has considerable expertise and experience in the energy, mining and renewables sectors.

Shirley is currently a Non-Executive Director with Northern Star Resources Limited and NBN Co Limited and Deputy Chair of CSIRO. She is formerly a Non-Executive Director of Perth Airport, DUET Group, Asciano Limited, Alcoa of Australia Limited and a Council Member of the Chamber of Commerce and Industry of Western Australia. She was also the Managing Director of Verve Energy (2007 – 2012) and, before that, she worked for 10 years in senior roles at Alcoa of Australia, WMC Resources Ltd, Bond Corporation and BankWest.

In 2014, she was Chairman of the Queensland Government Expert Electricity Panel and a member of the Renewable Energy Target Review Panel for the Department of Prime Minister and Cabinet and, was until recently, a Council member of the Australian Institute of Company Directors (WA) and an Advisory Board member of the SMART Infrastructure Facility (University of Wollongong).

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

3

Steven (Steve) Crane

BComm FAICD SF Fin

Independent Director

Appointed 1 January 2011

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 a member of the Audit and Risk Management Committee and a member of the People and Remuneration Committee.

7

Patricia McKenzie

LLB FAICD

Independent Director

Appointed 1 January 2011

Patricia has considerable expertise and experience in energy market regulation and extensive corporate legal experience. She is currently Chair of Essential Energy.

Patricia was formerly the Chair and a Director of Healthdirect Australia; 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, and a member of the People and Remuneration Committee.

4

Debra (Debbie) Goodin

BEc FCA MAICD

Independent Director

Appointed 1 September 2015

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 Senex Energy Limited, oOh!media Limited and Atlas Arteria Limited, and Chairs the Audit and Risk Committees of Senex Energy Limited and oOh!media Limited and Chairs the Remuneration Committee for Atlas Arteria Limited. She was formerly a Director of Ten Network Holdings Limited.

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

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

8

Peter Wasow

BCom, GradDip (Management)

Fellow (CPA Australia)

Independent Director

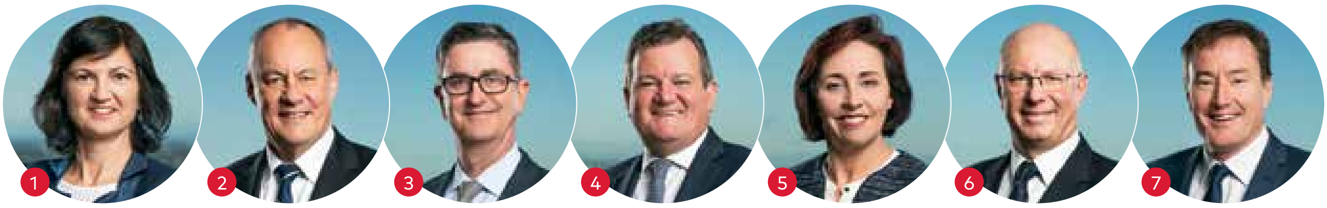
Appointed 19 March 2018

Peter has extensive experience in the resources sector as both a senior executive and director. He retired as Managing Director and Chief Executive Officer of Alumina Limited in mid-2017. Previously, he had held the position of Executive Vice President and Chief Financial Officer at Santos Limited and, in a 20-year plus career at BHP, he held senior positions including Vice President, Finance, and other senior roles in Petroleum, Services, Corporate, Steel and Minerals.

Peter is a Non-Executive Director with Oz Minerals Limited and the privately held GHD Group. He is formerly a Non-Executive Director of Alcoa of Australia Limited, AWA Brazil Limitada, AWAC LLC and Alumina Limited.

Peter is the Chair of the People and Remuneration Committee and a member of the Audit and Risk Management Committee.

apa group senior management.



1

Nevenka Codevelle

BCom LLM GAICD

Group Executive Governance, Risk and Legal

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 has 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.

5

Elise Manns

BBus CAHRI

Group Executive People, Safety and Culture

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 and 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.

2

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 energy infrastructure, financial services and investment banking organisations across Australia, New Zealand and Asia.

6

Sam Pearce

BSc LLB MBA

Group Executive Networks & 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.

3

Ross Gersbach

BBus MAICD

Chief Executive Strategy and 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.

7

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. Rob has over 20 years' of experience in Australia and internationally, in energy infrastructure and telecommunications, across roles in finance, commercial, strategy, infrastructure investments and M&A, as well as regulatory.

4

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.

highlights FY2018.

$1,518.5m

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

+3.3%
on FY2017

$875.5m

total capital and investment expenditure in FY2018

~$425m
Expected in FY2019

$1,031.6m

operating cash flow

5.9%
on FY2017

$11.6b

Market capitalisation as at 30 June 2018

232mw

renewable power generation owned and/or operated as at FY2018

257.5mw
under construction to be completed in FY2019

45.0¢

FY2018 total distribution per security

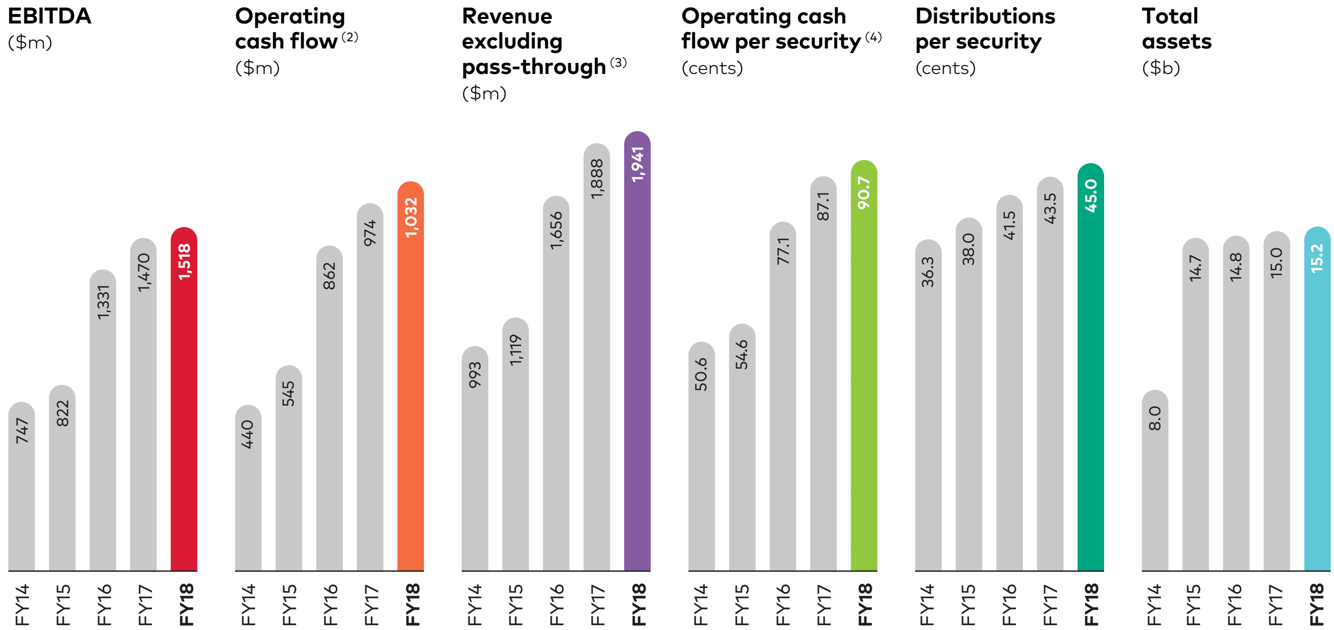
+3.4%
on FY2017

plus total franking credits of 6.33 cents per security

252km

of new pipelines constructed and commissioned in FY2018 connecting to APA's east and west coast pipeline grids

normalised[(1)] business performance.



Financial results.

$ million	**30 June 2018**	30 June 2017	Changes (%)
Revenue	**2,386.7**	2,326.4	2.6
Revenue excluding pass-through [(3)]	**1,941.4**	1,888.3	2.8
EBITDA	**1,518.5**	1,470.1	3.3
Profit after tax	**264.8**	236.8	11.8
Operating cash flow [(2)]	**1,031.6**	973.9	5.9
Financial position			
Total assets	**15,227.2**	15,046.0	1.2
Total drawn debt [(5)]	**8,810.4**	9,249.7	4.7
Total equity	**4,126.8**	3,978.2	3.9
Financial ratios			
Operating cash flow per security [(4)] (cents)	**90.7**	87.1	3.8
Earnings per security (cents)	**23.3**	21.2	9.4
Distribution per security (cents)	**45.0**	43.5	3.4
Distribution payout ratio (%)	**51.5**	49.8	3.4
Gearing [(6)] (%)	**65.4**	67.4	3.0
Interest cover ratio (times)	**2.7**	2.8	(3.6)

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) On the 23 March 2018, APA Group issued 65,586,479 new ordinary securities on completion of the fully underwritten pro-rata accelerated institutional tradeable renounceable entitlement offer (Entitlement Offer), resulting in total securities on issue as at 30 June 2018 of 1,179,893,848. The Entitlement Offer was offered at $7.70 per security, a discount to APA Group's closing market price of $8.26 per security on the 23 February 2018, the last trading day before the record date of 26 February 2018. The numbers of securities used for calculation of earnings per security and operating cash flow per security from FY2018 to FY2014 have been adjusted. An adjustment factor of 1.0038 has been calculated, being the closing market price per security on 23 February 2018, divided by the theoretical ex-rights price (TERP) of $8.23 per security.

   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 to account for that 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.

directors' report.

AUSTRALIAN PIPELINE TRUST AND ITS CONTROLLED ENTITIES

Australian Pipeline Trust and its Controlled Entities (ARSN 091 678 778)

Directors' Report for the year ended 30 June 2018

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 2018. This report refers to the consolidated results of APT and APT Investment Trust (APTIT).

1. Directors

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

Michael Fraser	Chairman from 27 October 2017
Michael (Mick) McCormack	Chief Executive Officer and Managing Director
Steven (Steve) Crane	
Debra (Debbie) Goodin	
Russell Higgins AO	
Patricia McKenzie	
Shirley In't Veld	Appointed 19 March 2018
Peter Wasow	Appointed 19 March 2018
Leonard Bleasel AM	Retired as Chairman and Director 27 October 2017
John Fletcher	Retired as a Director 21 February 2018

The Company Secretary of the Responsible Entity during and since the year to 30 June 2018 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; and 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

On 13 June 2018, APA announced that an unsolicited, indicative non-binding proposal had been received from a consortium comprising CK Infrastructure Holdings Limited (CKI), CK Asset Holdings Limited (CKA) and Power Assets Holdings Limited (PAH) (together, the Consortium), to acquire all of the stapled securities in APA. The indicative price proposed by the Consortium was $11.00 cash per stapled security, plus the final six months distribution for FY2018 of 24.0 cents per stapled security to be paid in September as scheduled. The Board considered it was in the best interests of Securityholders to further engage with the Consortium and allow due diligence which was undertaken during June – August 2018.

Subsequently, on 13 August 2018, APA announced that it had entered into a conditional Implementation Agreement with CKI, CKA, PAH and CKM Australia Bidco Pty Ltd (Bidder) under which Bidder (a wholly owned subsidiary of CKA) will acquire all of the stapled securities in APA under trust schemes (Schemes).

If the Schemes are implemented, APA Securityholders will receive A$11.00 cash per APA stapled security. The transaction does not affect APA's final distribution for the 2018 financial year, which the Board announced on 22 August 2018, will be 24.0 cents per stapled security, and will be paid on 12 September 2018.

If the Schemes are implemented at any time after 31 December 2018, APA Securityholders will receive an additional distribution of 4.0 cents per APA stapled security for each full month in calendar 2019 which elapses prior to implementation of the Schemes (up to, and including, March 2019).

Implementation of the Schemes is subject to certain conditions outlined in the Implementation Agreement (a copy of which was attached to APA's ASX announcement on 13 August 2018). The conditions include:

— Approval of the Australian Competition and Consumer Commission and the Foreign Investment Review Board;

— An Independent Expert opining that the Schemes are fair and reasonable and in the best interests of APA Securityholders;

— No "material change" or "prescribed events" occurring in relation to APA;

— CKA shareholder approval;

— APA Securityholder approval; and

— Court approval.

The APA Directors unanimously recommend the transaction in the absence of a superior proposal and subject to an Independent Expert concluding (and continuing to conclude) that the Schemes are fair and reasonable and in the best interests of APA Securityholders.

Depending on the progress of regulatory approvals, a meeting of APA Securityholders is targeted to be held in late November 2018 to consider the Schemes, with implementation and payment to APA Securityholders targeted to occur in mid December 2018.

directors' report. continued.

AUSTRALIAN PIPELINE TRUST AND ITS CONTROLLED ENTITIES

4. Subsequent Events

The following events have occurred subsequent to the period end:

— On 2 July 2018 a new $1,000 million syndicated bank facility came into effect. This new facility has two tranches maturing on 30 June 2023 and 31 December 2023 respectively.

— On 13 August 2018, APA announced that it had entered into a conditional Implementation Agreement with CKI, CKA, PAH and CKM Bidder under which Bidder (a wholly owned subsidiary of CKA) will acquire all of the stapled securities in APA under trust schemes (Schemes). If the Schemes are implemented, APA Securityholders will receive A$11.00 cash per stapled security. The transaction does not affect APA's final distribution for the 2018 financial year. If the Schemes are implemented at any time after 31 December 2018, APA Securityholders will receive an additional distribution of 4.0 cents per APA stapled security for each full month in calendar 2019 which elapses prior to implementation of the Schemes (up to, and including, March 2019). Implementation of the Schemes is subject to certain conditions, including regulatory and shareholder approvals.

— On 22 August 2018, the Directors declared a final distribution of 24.0 cents per security ($283.2 million) for APA Group, an increase of 4.3%, or 1.0 cent per security over the previous corresponding period (2H FY2017: 23.0 cents). This is comprised of a distribution of 17.96 cents per security from APT and a distribution of 6.04 cents per security from APTIT. The APT distribution represents a 8.93 cents per security fully franked profit distribution and 9.03 cents per security capital distribution. The APTIT distribution represents a 2.90 cents per security profit distribution and a 3.14 cents per security capital distribution. Franking credits of 3.83 cents per security will be allocated to the APT franked profit distribution. The distribution is expected to be paid on 12 September 2018.

Other than what is noted above and as disclosed elsewhere in this report, there has not arisen in the interval between the end of the full year to 30 June 2018 and the date of this report any matter or circumstance that has significantly affected, or may significantly affect, the Group's operations, the results of those operations, or the Group's state of affairs, in future financial years.

5. About APA

5.1 APA overview

APA is a leading Australian 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 1,700 people.

APA has a diverse portfolio of over 15,000 kilometres [(1)] 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 28,600 kilometres of gas mains and pipelines, and almost 1.4 million gas consumer connections.

APA also has interests in 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 24-fold to $11.8 billion [(2)], and it has achieved securityholder returns of 17.8% [(3)] per annum on an annual compounding basis since listing on 13 June 2000 through to 20 August 2018.

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; and
  – of midstream energy infrastructure assets, including gas storage and gas processing.

— Continue to strengthen asset management, development and operational capabilities.

— Maintain APA's financial strength.

These strategies are underpinned by the 'APA Way' – how we do business. This new blueprint was integrated into APA's culture and mindset during the reporting period. The APA Way is a combination of how we behave, guided by our values (our 'STARS'), and how we make decisions, guided by APA's Decision Compass.

1) Owned and/or operated by APA.

2) Market capitalisation as at 20 August 2018.

3) 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.

directors' report. continued.

AUSTRALIAN PIPELINE TRUST AND ITS CONTROLLED ENTITIES

5.2 APA objectives and strategies (continued)

Our 'STARS' values set the benchmark for how we operate to ensure business integrity:

- **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.

Good decision-making is at the core of successful strategy execution and APA's Decision Compass sets out clear principles for all our employees, empowering them to make good decisions with confidence. Employees and all decision makers right through to the Board, are encouraged to take a moment and ask "is this decision consistent with each of the key decision compass points" as below:

- Do things safely
- Take a long term focus
- Manage APA money as if it's our own
- Do what we say we will do
- Know our reputation matters

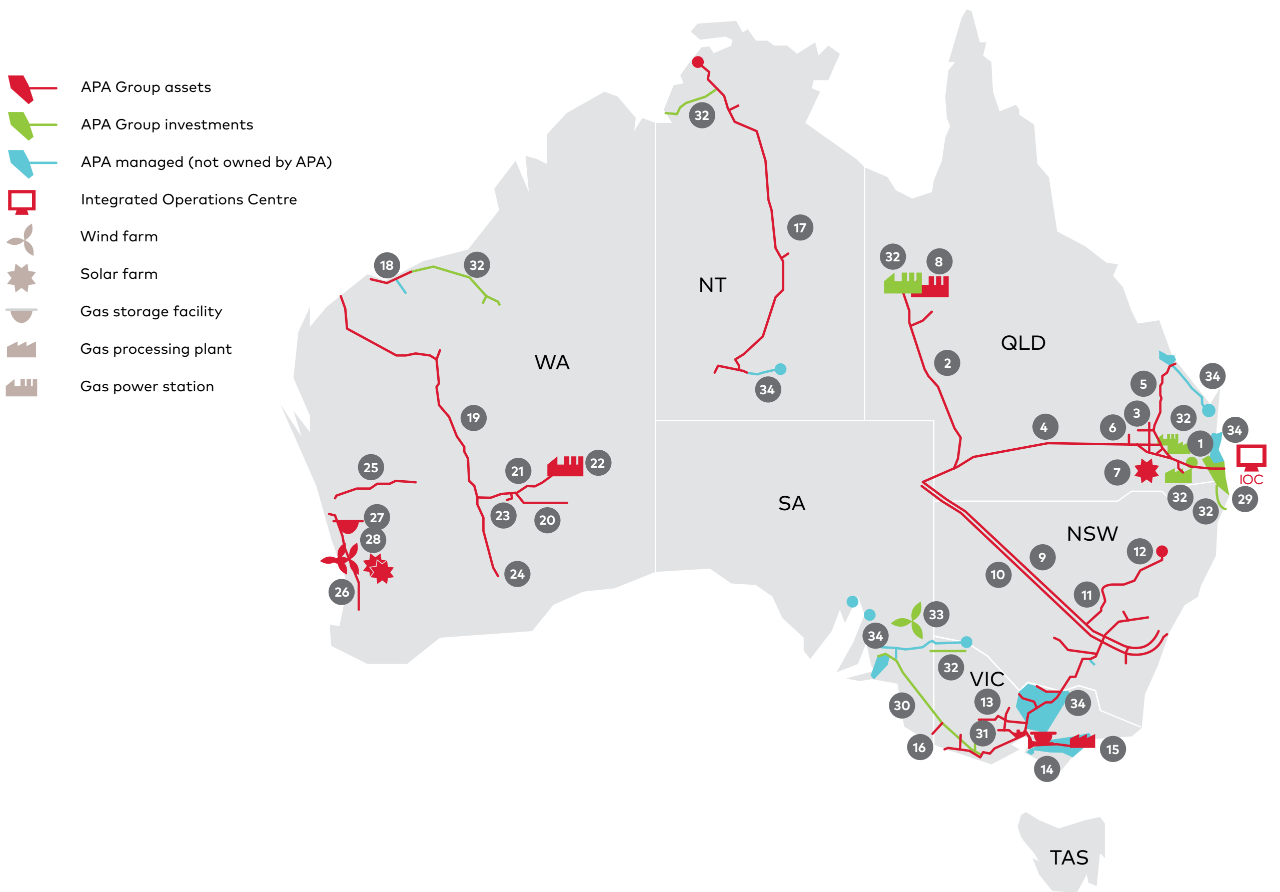
The APA Way puts all employees on the same page, ensuring that the way we work and the many decisions we make are based on consistent values and principles, and are aligned to what we need to execute on our strategy.

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.



directors' report. continued.

AUSTRALIAN PIPELINE TRUST AND ITS CONTROLLED ENTITIES

5.3 APA assets and operations (continued)

Energy Infrastructure assets (numbers correspond with those on the map on page 12)	Length [1]
East Coast and Central Region assets	
1 Roma Brisbane Pipeline (including Peat Lateral)	583 km
2 Carpentaria Gas Pipeline	944 km
3 Berwyndale Wallumbilla Pipeline	112 km
4 South West Queensland Pipeline	936 km
5 Wallumbilla Gladstone Pipeline (including Laterals)	556 km
6 Reedy Creek Wallumbilla Pipeline	49 km
7 Darling Downs Solar Farm [2]	110 MW
8 Diamantina and Leichhardt Power Stations	242 MW / 60 MW
9 Moomba Sydney Pipeline	2,029 km
10 Ethane Pipeline	1,375 km
11 Central West Pipeline	255 km
12 Central Ranges Pipeline and	295 km
Tamworth Gas Network (gas distribution)	~250 km of gas mains, ~3,600 gas consumer connections
13 Victorian Transmission System	1,847 km
14 Dandenong LNG Storage Facility	12,000 tonnes
15 Orbost Gas Processing Plant [2] (with connection pipeline)	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
19 Goldfields Gas Pipeline (88.2%)	1,546 km
20 Eastern Goldfields Pipeline	293 km
21 Yamarna Gas Pipeline	198 km
22 Yamarna Power Station [2]	45 MW
23 Mt Morgans Gas Pipeline	5 km
24 Kalgoorlie Kambalda Pipeline	44 km
25 Mid West Pipeline (50%)	362 km
26 Parmelia Gas Pipeline	448 km
27 Mondarra Gas Storage and Processing Facility	18 PJ
28 Emu Downs Wind Farm	80 MW
28 Emu Downs Solar Farm	20 MW
28 Badgingarra Wind Farm [2]	130 MW
28 Badgingarra Solar Farm [2]	17.5 MW

Energy Investment	**Ownership interest**	**Detail**
29 GDI (EII)	20%	**Gas distribution:** Allgas Gas Network ~3,630 km of gas mains, ~108,500 gas consumer connections in Qld and NSW
30 South East Australia Gas Pty Ltd	50%	**Gas pipeline:** 687 km SEA Gas Pipeline
31 SEA Gas (Mortlake) Partnership	50%	**Gas pipeline:** 83 km Mortlake Gas Pipeline
32 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 (33 TJ/d)
33 EII2	20.2%	**Wind generation:** North Brown Hill Wind Farm (132MW), SA
34 Australian Gas Networks	Nil	**Gas distribution:** ~24,710 km of gas mains and pipelines, ~1.28 million gas consumer connections, 1,124 km of transmission gas pipelines in SA, Vic, NSW, Qld & NT

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.

1) Pipeline capacities are available online (www.apa.com.au).

2) Assets under construction.

directors' report. continued.

AUSTRALIAN PIPELINE TRUST AND ITS CONTROLLED ENTITIES

6. Financial Overview (continued)

For the financial year to 30 June 2018, APA reported EBITDA of $1,518.5 million, an increase of 3.3% or $48.4 million on the previous corresponding period EBITDA of $1,470.1 million. This is slightly above the upper level of APA's guidance range of $1,475 million to $1,510 million, as advised at the announcement of our FY2017 results and reconfirmed at our 1HFY18 results.

Total revenue (excluding pass-through revenue) increased by $53.1 million to $1,941.4 million, an increase of 2.8% on the previous corresponding period (FY2017: $1,888.3 million).

Increased revenues and EBITDA were primarily attributable to:

— part year contributions from newly commissioned organic growth assets including the Reedy Creek Wallumbilla Pipeline (QLD), Mt Morgans Gas Pipeline (WA) and the Emu Downs Solar Farm (WA). Less than $5 million in revenue in FY2018 was from the new growth projects, with the full accretive impact from these projects to flow from FY2019;

— new gas transportation contracts across APA's East and West Coast Grids, and a new mining customer for the Diamantina Power Station; and

— US CPI escalation and favourable USD/AUD exchange rates in relation to the Wallumbilla Gas Pipeline.

The solid FY2018 results endorse APA's prudent and consistent strategy of pursuing secure and sustainable growth opportunities that earn fair commercial returns. The astute investments, acquisitions and organic growth developments over the last 18 years, continue to sustain the business as it undertakes the largest growth expansion capital spend in the Group's history. Across the three-year period of FY2017 to FY2019, APA will spend in excess of $1.4 billion on committed growth projects, all of which will contribute to future operating cash flow.

In FY2018, operating cash flow was $1,031.6 million. This represents an increase of 5.9% or $57.7 million over the previous year (FY2017: $973.9 million), with operating cash flow per security increasing by 4.1%, or 3.6 cents, to 90.7 cents per security (FY2017: 87.1 [4] cents per security).

On 22 August 2018, the Directors announced a final distribution of 24.0 cents per security, which will take APA's distributions in respect of the financial year to a total of 45.0 cents per security. This represents an increase of 3.4%, or 1.5 cents, over FY2017 distributions of 43.5 cents. Franking credits of 3.83 cents per security will be allocated to the final distribution, resulting in the FY2018 franking credits totalling 6.33 cents per security. APA maintains a sustainable distribution policy to ensure its ability to fully fund its distributions out of operating cash flows on a going forward sustainable basis, whilst also retaining appropriate levels of cash in the business to support ongoing growth. APA's distributions have consistently increased every year for the 18 years the company has been listed.

The following table provides a summary of key financial data for FY2018.

	30 June 2018 $000	30 June 2017 $000	Changes $000	Changes %
Total revenue	**2,386,722**	2,326,420	60,302	2.6%
Pass-through revenue [a]	**445,307**	438,140	7,167	1.6%
Total revenue excluding pass-through	**1,941,415**	1,888,280	53,135	2.8%
EBITDA	**1,518,474**	1,470,122	48,352	3.3%
Depreciation and amortisation expenses	**(578,916)**	(570,021)	(8,895)	(1.6%)
EBIT	**939,558**	900,101	39,457	4.4%
Finance costs and interest income	**(509,664)**	(513,767)	4,103	0.8%
Profit before income tax	**429,894**	386,334	43,560	11.3%
Income tax expense	**(165,055)**	(149,488)	(15,567)	(10.4%)
Profit after income tax	**264,839**	236,846	27,993	11.8%
Operating cash flow [b]	**1,031,627**	973,936	57,691	5.9%
Operating cash flow per security (cents)	**90.7**	87.1	3.6	4.1%
Earnings per security (cents)	**23.3**	21.2	2.1	9.9%
Distribution per security (cents)	**45.0**	43.5	1.5	3.4%
Distribution payout ratio [c]	**51.5%**	49.8%	1.7%	3.4%
Weighted average number of securities (000) [d]	**1,136,875**	1,118,523	18,352	1.6%

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

a) 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.

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

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

d) On the 23 March 2018, APA Group issued 65,586,479 new ordinary securities on completion of the fully underwritten pro-rata accelerated institutional tradeable renounceable entitlement offer (Entitlement Offer), resulting in total securities on issue as at 30 June 2018 of 1,179,893,848. The Entitlement Offer was offered at $7.70 per security, a discount to APA Group's closing market price of $8.26 per security on the 23 February 2018, the last trading day before the record date of 26 February 2018. The number of securities used for FY2018 and FY2017 calculation of earnings per security and operating cash flow per security have been adjusted.

4) Operating cash flow per security has been adjusted for the Entitlement Offer completed on the 23 March 2018. An adjustment factor of 1.0038 has been calculated, being the closing market price per security on 23 February 2018, divided by the theoretical ex-rights price (TERP) of $8.23 per security.

directors' report. continued.

AUSTRALIAN PIPELINE TRUST AND ITS CONTROLLED ENTITIES

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 June 2018	30 June 2017	Changes	
	$000	$000	$000	%
Revenue				
Energy Infrastructure				
East Coast: Queensland	**1,153,214**	1,114,428	38,786	3.5%
East Coast: New South Wales	**166,506**	176,000	(9,494)	(5.4%)
East Coast: Victoria	**153,699**	156,946	(3,247)	(2.1%)
East Coast: South Australia	**2,998**	2,958	40	1.4%
Northern Territory	**32,861**	30,932	1,929	6.2%
Western Australia	**294,681**	291,728	2,953	1.0%
Energy Infrastructure total	**1,803,959**	1,772,992	30,967	1.7%
Asset Management	**108,537**	86,424	22,113	25.6%
Energy Investments	**23,068**	24,382	(1,314)	(5.4%)
Total segment revenue	**1,935,564**	1,883,798	51,766	2.7%
Pass-through revenue	**445,307**	438,140	7,167	1.6%
Unallocated revenue [(a)]	**5,851**	4,482	1,369	30.5%
Total revenue	**2,386,722**	2,326,420	60,302	2.6%
EBITDA				
Energy Infrastructure				
East Coast: Queensland	**962,231**	925,366	36,865	4.0%
East Coast: New South Wales	**147,095**	149,484	(2,389)	(1.6%)
East Coast: Victoria	**124,631**	123,008	1,623	1.3%
East Coast: South Australia	**2,577**	2,319	258	11.1%
Northern Territory	**22,923**	18,771	4,152	22.1%
Western Australia	**237,639**	234,724	2,915	1.2%
Energy Infrastructure total	**1,497,096**	1,453,672	43,424	3.0%
Asset Management	**66,204**	58,719	7,485	12.7%
Energy Investments	**23,068**	24,382	(1,314)	(5.4%)
Corporate costs	**(67,894)**	(66,651)	(1,243)	(1.9%)
Total EBITDA	**1,518,474**	1,470,122	48,352	3.3%

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

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

APA has delivered a solid result in FY2018 reflecting sustainable operations and the intrinsic value of the business, which is more than the sum of its individual assets. APA's diversity of expertise, asset type and geographic spread all contribute to APA's business sustainability.

Total EBITDA increased by $48.4 million, or 3.3%, to $1,518.5 million, over the FY2017 result of $1,470.1 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 consists of all APA's interconnected energy infrastructure footprint across mainland Australia including gas transmission, gas compression, processing and storage assets, renewable energy power generation, and gas-fired power generation.

This segment is the largest contributor to group revenue, contributing 93.2% (excluding pass-through) and 94.4% of group EBITDA (before corporate costs) during the financial year. Revenue (excluding pass-through revenue) was $1,804.0 million, an increase of 1.7% on the previous year (FY2017: $1,773.0 million). EBITDA (before corporate costs) increased by 3.0% on the previous year to $1,497.1 million (FY2017: $1,453.7 million).

This segment is characterised by the East Coast Gas Grid and the West Coast Gas Grid, the nature of which will result in both positive and negative swings over the longer term in revenue and EBITDA on the individual assets that make up each of those grids. In FY2018, for example, increased revenue and EBITDA in Queensland offset reductions in New South Wales and Victoria as customers with more flexible multi-asset, multi service contracts determined their respective needs, period on period, for gas sourcing and delivery.

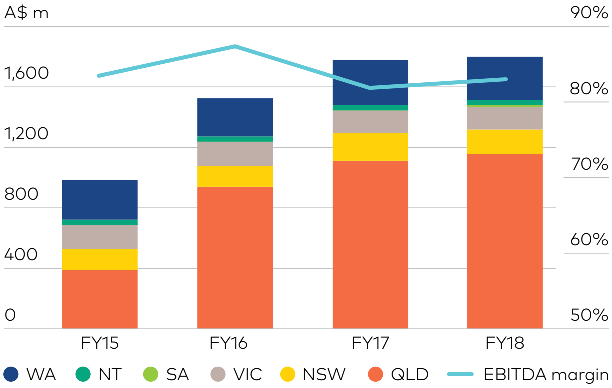
directors' report. continued.

AUSTRALIAN PIPELINE TRUST AND ITS CONTROLLED ENTITIES

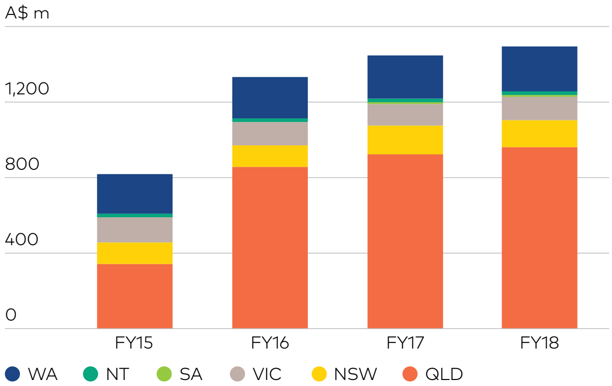
7.1 Energy Infrastructure (continued)

During the reporting period, new earnings were realised from recently completed and commissioned assets including the Reedy Creek Wallumbilla Pipeline, the Mt Morgans Gas Pipeline and the Emu Downs Solar Farm. FY2018 earnings for Energy Infrastructure also benefitted from the US CPI increase on the Wallumbilla Gladstone Pipeline contract, along with a favourable USD/AUD exchange rate as the majority of contract revenues are in USD.

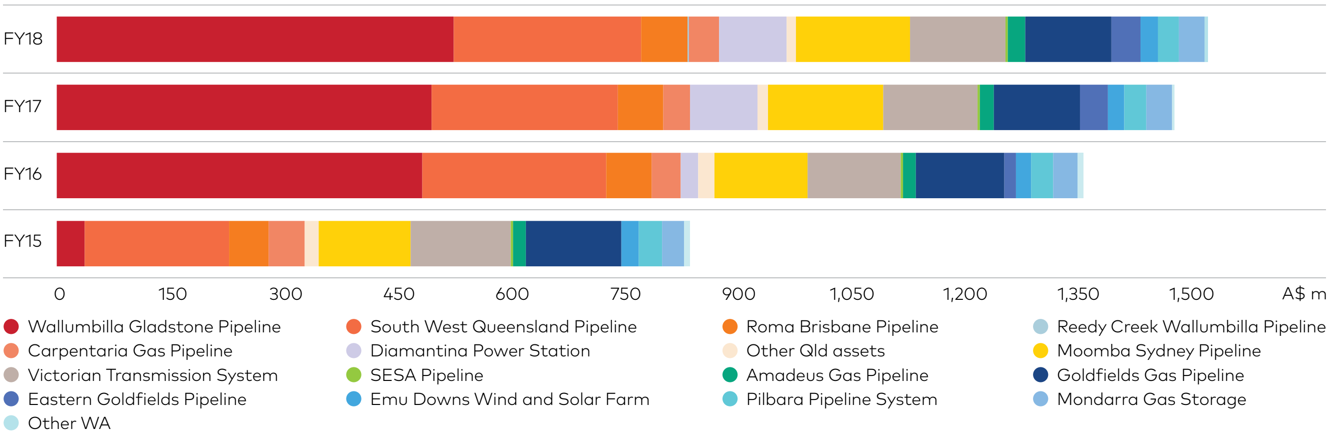
Energy Infrastructure Revenue by State



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 derive from either regulatory arrangements or long term capacity-based contracts. Contracts generally have the majority of the revenue fixed over the term of the relevant contract.

WORKING WITH APA'S CUSTOMERS ~ a short term solution for Incitec Pivot

On 25 June 2018, APA announced a one year gas transportation contract with Incitec Pivot (IPL) to deliver gas from the Northern Territory to IPL's Gibson Island fertiliser plant near Brisbane. IPL is a long term customer of APA and the importance of this contract was to assist IPL in keeping its Gibson Island plant operations running for another year whilst other options are explored for future economically viable gas supply, given the East Coast's tight gas supply market.

Quote from Jeanne Johns, Managing Director and CEO, Incitec Pivot Limited

"An affordable and reliable gas supply is critical to securing the sustainable future of Incitec Pivot's Gibson Island fertiliser manufacturing plant. The Gibson Island site employs around 450 people and produces 550,000 tonnes of fertiliser per year, which is then used within Australia and globally to support farming communities that grow food to feed millions of people.

It was very satisfying to see the whole of the gas industry supply-chain working together with us to develop an interim gas solution that will allow our Gibson Island plant in Queensland to operate for another year.

Despite a gas supply being almost on our doorstep, the current local gas price required us to source a more affordable gas supply from over 3,300 kms away. The one-year interim solution has demonstrated that the industry working together can make a huge difference. APA, along with our other project partners has worked with Incitec Pivot to make that long journey viable."

directors' report. continued.

AUSTRALIAN PIPELINE TRUST AND ITS CONTROLLED ENTITIES

7.1 Energy Infrastructure (continued)

During FY2018, APA refreshed its suite of gas pipeline services, to provide customers with more options and additional flexibility making it simpler for customers to better manage their gas portfolios. The refreshed services and approach provide additional clarity and ease of access for customers to APA's infrastructure, which will help promote gas market liquidity.

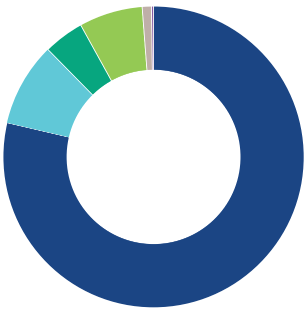
During the reporting period, APA announced several significant new or renewal contracts including: a new $40 million revenue contract over three years for gas transportation and storage from Queensland into southern markets; a $38 million contract extension over two years for an East Coast Grid customer; and a new gas transportation agreement with Incitec Pivot to transport gas over 3,300 km from the Northern Territory to their Gibson Island fertilizer plant near Brisbane.

Changes to Part 23 of the National Gas Rules during the reporting period provide a commercial arbitration framework in the event parties cannot agree a negotiated contract. APA has continued to successfully negotiate all new contracts and contract renewals with its customers.

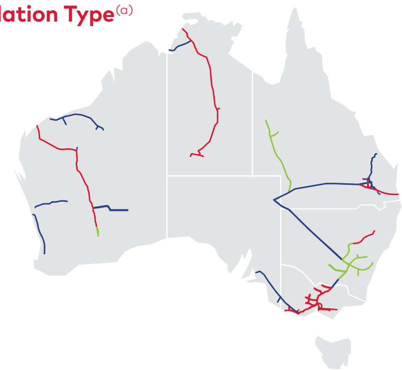
During the financial year, 78.7% of Energy Infrastructure revenue (excluding pass-through) was from capacity reservation charges from term contracts, 4.3% from other contracted fixed revenues and 6.8% from throughput charges and other variable components. Given the dynamic east coast gas market, there were additional revenues from the provision of flexible short term services, accounting for around 1.0%. The regulated portion of APA's revenue makes up 9.0% of total FY2018 Energy Infrastructure revenue. Given the take-or-pay nature of the majority of APA's Energy Infrastructure contracts, APA had direct oversight of 92.0% of its revenue earning for this business segment during the reporting period.

As part of APA's product refresh of gas transportation services during the period, many of APA's standard service offerings and tariffs are now effectively 100% capacity reservation.

FY2018 Energy Infrastructure by Revenue Type



APA Pipelines by Regulation Type[a]

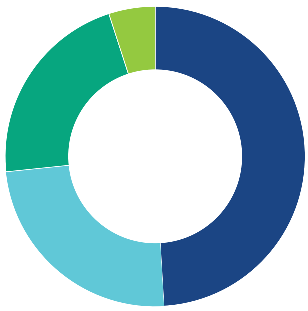


a) Owned and/or operated by APA

APA manages its counterparty risk in a variety of ways. One aspect is to consider customers' credit ratings. During FY2018, 95.6% 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.

FY2018 Energy Infrastructure Revenues by Counterparty Credit Rating

FY2018 Energy Infrastructure Revenues by Customer Industry Segment



a) An investment grade credit rating from either S&P (BBB- or better) or Moody's (Baa3 or better), or joint venture with an investment grade average rating across owners. Ratings shown as equivalent to S&P rating scale.

APA strives to continually enhance the service offerings available to customers to better address their increasingly complex and dynamic gas portfolio needs. Significant investment by APA has been made in energy infrastructure in the last decade to support customers' needs. The state-of-the-art Integrated Operations Centre (IOC) is one of those customer focused initiatives that APA has invested in to deliver seamless and reliable services for the benefit of the Australian energy market.

APA's IOC in Brisbane has dramatically improved Australia's gas transmission operations, providing customers access to greater operating flexibility and smarter gas portfolio management. It improves market resilience significantly by utilising the breadth of the Grid to respond to contingencies. The facility continues to evolve its services and functions to meet the growing and changing needs of both our customers and APA's operations.

The IOC plays a major role in APA being able to provide the benefits of system flexibility, efficiencies, cost effective solutions and safety from having real-time visibility across transmission assets throughout Australia, 24 hours a day, seven days a week.

directors' report. continued.

AUSTRALIAN PIPELINE TRUST AND ITS CONTROLLED ENTITIES

7.1 Energy Infrastructure (continued)

Engineering, commercial and systems operation skills integrate into daily decision making to give the business both big picture and detailed oversight of operations. Gas market opportunities for customers can be quickly realised as can immediate response and management to periods of unplanned plant, market or customer disruption.

The IOC also plays a key role in keeping our remote employees safe by monitoring and managing the In-Vehicle Monitoring System (IVMS) thereby better managing APA's operational risk. More importantly, it provides employees and their families with a high level of comfort that someone knows where they are at all times whilst they travel between remote locations.

THE IOC – THE EYES AND EARS OF APA TRANSMISSION
~ ensuring security of supply in southern markets during Longford operational constraints

During mid-June 2018, the Longford gas facility in Victoria suffered an operational issue resulting in a risk to the security of gas supply in southern markets. The Longford gas plant currently supplies the majority of Victoria's gas requirements, as well as gas supplies for NSW and Tasmania.

Peak winter and summer periods are often times when "if something can go wrong, it will...and usually at the worst time." Gas constraints were already in place that week at Longford to undertake repairs of a gas train. APA also had planned maintenance and other works underway on the Roma Brisbane Pipeline and at Moomba. Therefore, when the Longford gas plant undertook to resolve the operational issue during a further two day period, there was a real possibility of a gas supply shortage in southern markets.

A highly coordinated combination of solutions from across APA's East Coast Grid and other external stakeholders were put into play to ultimately manage gas supply security. This included increased instantaneous southern flow capacity from APA's Grid into the Declared Wholesale Gas Market; optimisation and management of Moomba Sydney Pipeline (MSP) line pack; Roma Brisbane Pipeline assistance to allow rebuild of MSP line pack; and Young, Culcairn and Bulla Park compressors placed on standby.

The successful outcome as a result of APA's interconnected grid system with IOC oversight, meant that all demand for gas across eastern Australia was met, and businesses and consumers that rely on gas as their energy source were not impacted.

Nicholas Edmiston overseeing operations in APA's Integrated Operations Centre in Brisbane

East Coast and Central Region

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 in Queensland.

EBITDA from APA's assets on the east coast increased by 3.0% during the financial year.

In NSW and Victoria, continued demand for bi-directional services due to dynamic southern and northern gas markets contributed to the earnings increase. The Moomba Sydney Pipeline continues to play a critical role to the operation of the East Coast Grid as both a bi-directional gas transmission highway and gas storage facility.

In Queensland, the South West Queensland Pipeline and its bi-directional capability played a key role in gas moving both east and west. APA's newest Queensland pipeline and extension to the East Coast Grid - the 49km Reedy Creek Wallumbilla Pipeline - was completed and commissioned in May 2018. An official opening by the Queensland Premier, the Hon. Annastacia Palaszczuk, the Minister for Natural Resources, Mines and Energy, the Hon. Dr Anthony Lynham, and the Mayor for Maranoa Regional Council, Tyson Golder was held in June 2018, at APA's Wallumbilla operations site.

directors' report. continued.

AUSTRALIAN PIPELINE TRUST AND ITS CONTROLLED ENTITIES

7.1 Energy Infrastructure (continued)

APA RESPONDING TO CUSTOMER NEEDS
~ connecting APLNG directly to the dynamic east coast domestic gas market

In September 2016, APA announced construction of the new 49 km Reedy Creek Wallumbilla Pipeline to connect the Australia Pacific LNG Pipeline (APLNG) at Reedy Creek to APA's 7,500 km East Coast Grid system at Wallumbilla. Less than two years on, the recently commissioned pipeline (May 2018) is operating and providing APLNG access to the dynamic eastern Australian domestic gas market.

The new bi-directional pipeline was officially opened by the Queensland Premier, The Hon. Annastacia Palaszczuk, at APA's Wallumbilla operations site. Also attending was the Minister for Natural Resources, Mines and Energy, The Hon. Dr Anthony Lynham, APLNG's Chief Executive Warwick King, APA's Chairman Michael Fraser, APA's Managing Director Mick McCormack and Tyson Golder, the Mayor for Maranoa Regional Council (image below).

"This new pipeline gives APLNG efficient, flexible access to Australia's dynamic east coast gas market via Wallumbilla," Mr King said. "We are pleased to have reached a long-term agreement with APA that enables us to support the efficient movement of gas."

APA entered into a 20-year contract with APLNG to provide a bi-directional service of up to 300 TJ/d on the new pipeline. APA is able to utilise its unique gas grid to provide bespoke services that supports our customers' commercial requirements, and shoring up gas security for domestic markets.

From delivery of pipes in November 2016, to the official opening in June 2018, the Reedy Creek Wallumbilla Pipeline is already providing commercial options for APLNG to move its gas

APA's Diamantina gas-fired power station in Mount Isa, Queensland benefitted from a new mining customer during the period. Capricorn Copper operates the Capricorn Copper mine, north of Mount Isa and was in ramp-up mode for the first seven months of FY2018, and is now at full contract capacity. The mine is a restart of prior mining operations, which recommenced in 2017.

During the financial year, APA's assets in the Northern Territory recorded an uplift in earnings from additional contracting achieved on the Amadeus Gas Pipeline. South Australian earnings were in line with expectations.

Western Australia

APA services a range of customers in Western Australia within the resources, industrial and utility sectors. In recent years, interconnections off the main Goldfields pipeline to mining sites has not only extended the Western Australian Grid, but also reinforced the importance of the Goldfields Gas Pipeline in moving gas from the north into the south-eastern region of Western Australia.

EBITDA from APA's Western Australian assets for the financial year increased by 1.2% compared with FY2017.

The Eastern Goldfields Pipeline continues to contribute to increased earnings for APA's Western Australian assets. During the period, the new Mt Morgans Gas Pipeline was completed to supply gas to Dacian Gold mining operations. APA has a 10.5 year gas transportation agreement with Dacian Gold and the pipeline commenced generating earnings in the second half of the reporting period.

In June 2017, APA announced the Yamarna Gas Pipeline and Power Station greenfield projects on behalf of the Gruyere Joint Venture mine project. Construction and commissioning of the 198 km pipeline was completed during the reporting period, with the power station construction completed recently in August. Commissioning of the Yamarna Power Station will take place between August and October. First gold pour is scheduled for the FY2019 June quarter.

With the addition of the Gruyere mine in June 2019, the Eastern Goldfields Pipeline will have five mines using approximately 1,700 kms of interconnected pipelines to the eastern goldfields region in Western Australia. APA expects further opportunities for growth in this area as miners are seeking reliable and economical energy solutions to ensure their operations are viable for the life of the mines.

APA is developing a significant renewable energy precinct in the West and during FY2018 completed and commissioned the 20 MW Emu Downs Solar Farm which was underpinned by a 13 year power purchase agreement with Synergy. The project received $5.5 million funding from the Australian Renewable Energy Agency (ARENA).

directors' report. continued.

AUSTRALIAN PIPELINE TRUST AND ITS CONTROLLED ENTITIES

7.1 Energy Infrastructure (continued)

CO-LOCATED EMU DOWNS WIND AND SOLAR FARMS ~ maximising resources and infrastructure

The site is co-located with APA's 80 MW Emu Downs Wind Farm, taking advantage of shared transmission connection infrastructure. The wind and solar generation profiles at this location are largely predictable and complementary, enabling APA to leverage the combined wind and solar resources and transmit renewable energy through a single infrastructure network. During the period, there was a minor impact on earnings for the Emu Downs Wind Farm due to the cut-in of the Solar Farm, this was more than offset by the contribution of the Solar Farm, in the latter part of the financial year.

In FY2017, APA announced construction of the 130 MW Badgingarra Wind Farm after entering into a long term offtake agreement with Alinta to satisfy its renewable energy requirements. Construction was advanced during the reporting period and is due for completion in early 2019. During FY2018, APA agreed with Alinta to extend the original 12 year power purchase agreement for the Badgingarra Wind Farm by five years, and undertake a new 17.5 MW co-located Solar Farm on the Badgingarra site, which is adjacent to the Emu Downs renewables farm. Both Badgingarra Wind and Solar farms will also share transmission connection infrastructure.

When complete, APA will have an energy precinct in Western Australia delivering over 245 MW of renewable energy capitalising on the complementary wind and solar relationship in this region.

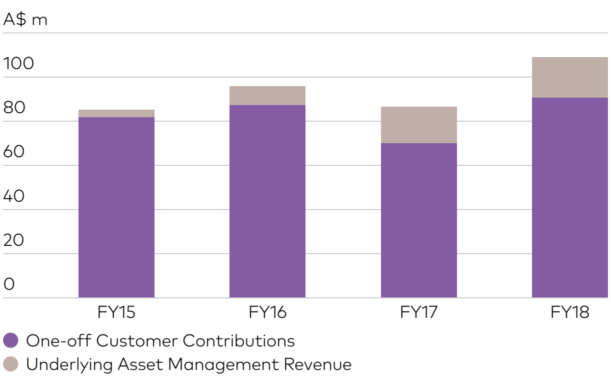
7.2 Asset Management

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) [(5)], Energy Infrastructure Investments and GDI (EII). Asset management services are provided to these customers under long-term contracts.

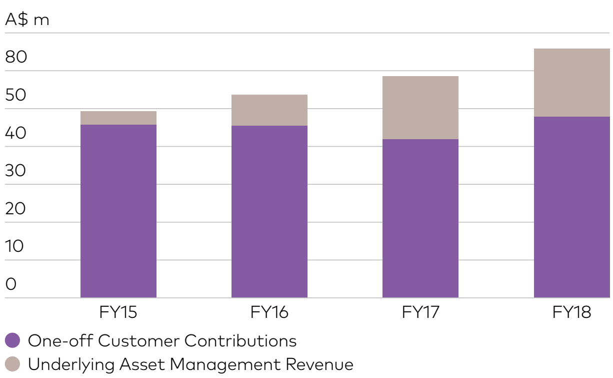
APA has the expertise and diversified skillset to provide whole-of-life asset management and operational services for high voltage power, power generation, gas rotating plant and equipment, stationary engines, gas transmission pipelines and gas distribution pipelines. These services also include asset inspection, vegetation management, aerial patrols, metering services and specialist utility asset services.

Revenue (excluding pass-through revenue) from asset management services increased by $22.1 million or 25.6% to $108.5 million (FY2017: $86.4 million) and EBITDA (excluding corporate costs) increased by $7.5 million or 12.7% to $66.2 million (FY2017: $58.7 million).

Asset Management Revenue



Asset Management EBITDA



Note: From FY2017 onwards, DPS and the Ethane Pipeline became fully owned assets and are managed within APA's Energy Infrastructure segment and therefore no asset management fees earnt.

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

directors' report. continued.

AUSTRALIAN PIPELINE TRUST AND ITS CONTROLLED ENTITIES

7.2 Asset Management (continued)

GAS IS A FUEL OF CHOICE ~ 2018 Commonwealth Games village

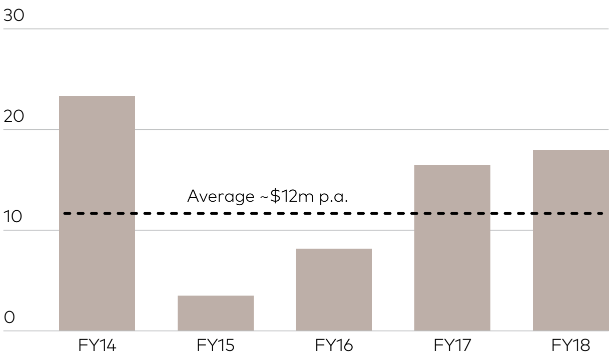
APA as the operator and a minority investor in the GDI Allgas Distribution Network in Brisbane was engaged by the Gold Coast Commonwealth Games organisers in 2015 to supply natural gas to the proposed new Athletes' Village in time for Games held on the Gold Coast in April 2018. The work involved extending the GDI gas network to the greenfield site and reticulating the gas infrastructure throughout the development as construction proceeded.

Redevelopment of the precinct was one of the largest urban renewal projects ever undertaken on the Gold Coast. Natural gas was used to supply bulk hot water and cooking to apartments, pool heating and catering.

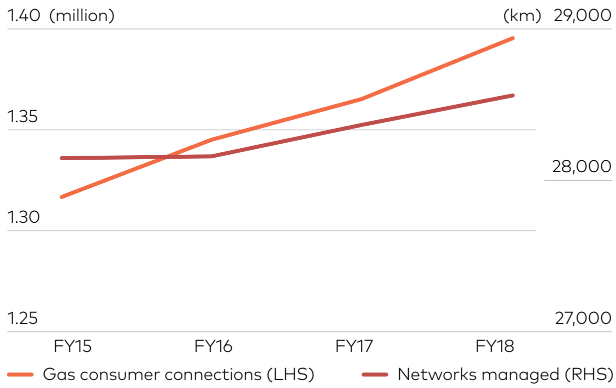
Transformation of the athletes' accommodation is underway to develop permanent apartments for both student and general accommodation. The remainder of the site is also being developed into a new Gold Coast Health and Knowledge precinct.

APA worked closely with the developer to ensure that the construction of the gas infrastructure was well coordinated to work in with the immediate and future needs of the site, and ensured gas was provided to the facilities well in advance of the Commonwealth Games.

Customer Contributions



APA Operated Gas Networks Statistics



Customer contributions are payments received from a third party for APA to undertake work on the assets it manages to accommodate that third party's project. Customer contributions have increased in FY2018 moving the long term average per annum to approximately $12 million from $10 million per annum average over the last five years. APA continues to expect annual swings in customer contributions, as these are driven by customer requirements.

Excluding customer contributions, both revenue and EBITDA increased for the Asset Management business due to tariff adjustments in line with regulatory approvals. Solid connection growth for the gas distribution businesses of AGN and GDI continues through ongoing investment in new housing estates and high-rise apartment developments, with natural gas continuing to be a fuel of choice for cooking, hot water and heating in these markets.

REWARDING EXCELLENCE ~ APA Employee Excellence Award winner focusing on Network customers

Each year, APA holds annual awards to celebrate the efforts and success of our employees. During FY2018, the awards were refreshed and rebranded to the APA Excellence Awards and were aligned to APA's five 'STARS' values - Safety, Trustworthy, Adaptable, Results and Service.

Nicole Butler from APA's Commercial Networks division was the dual winner of the APA Excellence "Service" Award, along with Silvana Alessandro from the Financial Accounting division. Nicole won the award for her role in removing barriers and roadblocks that were making new Network connection processes unnecessarily complicated for internal and external customers.

Nicole's belief that every customer is important resonates with APA's Values. Nicole is a team player, reinforcing a customer centric ethos and believes that while it may only take one person to care about the customer's needs, it takes a team of people to ensure those needs are met. Nicole's commitment is testament to all of APA's Values (S.T.A.R.S) Safety, Trustworthy, Adaptable, Results and importantly for our Network customers, Service.

directors' report. continued.

AUSTRALIAN PIPELINE TRUST AND ITS CONTROLLED ENTITIES

7.3 Energy Investments

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

Asset and ownership interests			Asset details an APA services	Partners
Mortlake Gas Pipeline		**50%** SEA Gas (Mortlake) Partnership	**83 km** gas pipeline connecting the Otway Gas Plant to the Mortlake Power Station MAINTENANCE	**Rest**
SEA Gas Pipeline		**50%** South East Australia Gas Pty Ltd	**687 km** gas pipeline from Iona and Port Campbell in Victoria to Adelaide MAINTENANCE	**Rest**
North Brown Hill Wind Farm		**20.2%** EII2	**132 MW** wind farm in South Australia CORPORATE SERVICES	**Infrastructure Capital Group** **Osaka Gas**
Allgas Gas Distribution Network		**20%** GDI (EII)	**~3,630 km** Allgas gas distribution network in Queensland with **~108,500** connections CORPORATE SERVICES	**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 **45 TJ/day** Electricity transmission cables **244 km** Gas pipelines totaling **786 km** CORPORATE SERVICES	**Marubeni Corporation** **Osaka Gas** OPERATIONAL MANAGEMENT

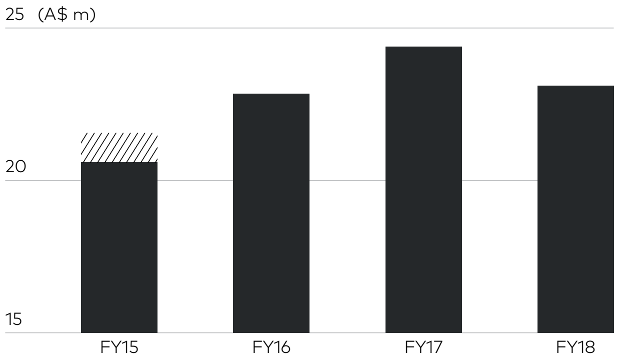
APA's ability to manage these investments and provide operational and/or corporate support services gives it flexibility in the way it grows the business and harnesses expertise in-house, thereby delivering services from a lower cost base due to portfolio synergies.

EBITDA from Energy Investments was marginally reduced for the reporting period to $23.0 million (FY2017: $24.4 million).

7.4 Corporate Costs

Corporate costs of $67.9 million for the financial year were slightly above the previous corresponding period (FY2017: $66.7 million) due to additional costs associated with the new Part 23 compliance requirements. Excluding those additional compliance costs, APA has kept corporate costs contained during the largest organic growth cycle that the business has undertaken.

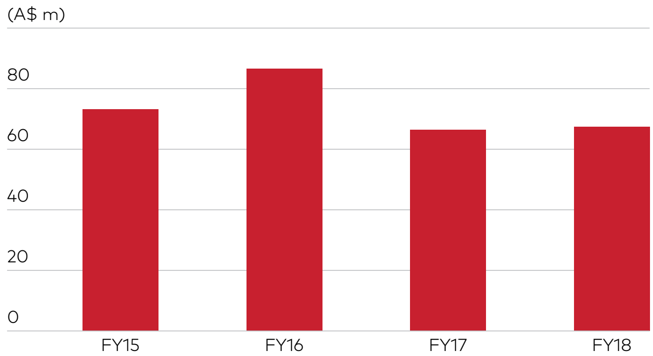
Energy Investments Revenue & EBITDA



Divested & transferred investments
Continuing investments

Note: DPS and EPX earnings are classified as divested and transferred investments within Energy Investments up until financial close for the purpose of the segment reporting.

Corporate Costs



directors' report. continued.

AUSTRALIAN PIPELINE TRUST AND ITS CONTROLLED ENTITIES

8. Capital and Investment Expenditure

Capital and investment expenditure for FY2018 totalled $875.5 million. Total capital expenditure (including stay-in-business capital expenditure but excluding acquisitions and other investing cash flows) for FY2018 was $855.5 million compared with $340.7 million last year. Growth project expenditure of $742.9 million (FY2017: $271.9 million) was largely related to the following projects during the year:

- Construction of the Darling Downs Solar Farm and completion and commissioning of the Reedy Creek Wallumbilla Pipeline in Queensland;
- Construction and completion of Western Australia projects including the Yamarna Gas Pipeline, Mt Morgans Gas Pipeline and Emu Downs Solar Farm;
- Construction of the Murrin Compressor Station. Yamarna Power Station and Badgingarra Wind Farm are also well underway, and will be completed in FY2019;
- Commencement of the upgrade of the Orbost Gas Processing Plant in Victoria; and
- Pre-investigative and preliminary license approval undertakings for the proposed Western Slopes Pipeline and Crib Point Pakenham Pipeline.

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 FY2018 is detailed in the table below.

Capital and investment expenditure (a)	Description of major projects	**30 June 2018 ($ million)**	30 June 2017 ($ million)
Growth expenditure			
Regulated	Victorian-Northern Interconnect expansion, South West Pipeline Westernhaul Expansion	**33.0**	106.1
Non-regulated			
Queensland	Darling Downs Solar Farm, Reedy Creek Wallumbilla Pipeline	**199.2**	78.3
Victoria	Orbost Gas Processing Plant, early works on Crib Point to Pakenham Pipeline	**116.7**	–
New South Wales	Western Slopes Pipeline early works	**10.7**	0.4
Western Australia and Northern Territory	Yamarna Gas Pipeline and Power Station, Emu Downs Solar Farm, Badgingarra Wind Farm, Mt Morgans Gas Pipeline, Murrin Compressor Station	**369.1**	30.6
Other	VIC Metering	**14.2**	56.5
Sub-total non-regulated capex		**709.9**	165.8
Total growth capex		**742.9**	271.9
Stay-in business capex		**112.6**	68.8
Total capital expenditure		**855.5**	340.7
Investment and acquisitions		**20.0** (b)	36.8
Total capital and investment expenditure		**875.5**	377.5

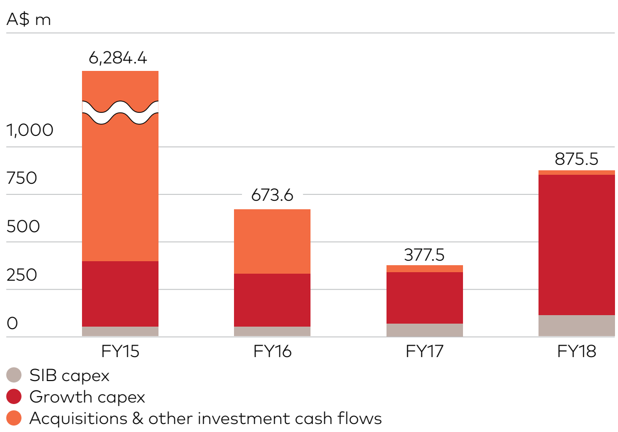
Notes: Numbers in the table may not add up due to rounding.

a) 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.

b) Represents the share purchase price for the Orbost Gas Processing Plant.

As part of the FY2016 results, APA announced that it had identified around $1.5 billion of organic growth opportunities across FY2017 to FY2019. APA continues to successfully pursue organic growth opportunities. To-date across FY2017 and FY2018, APA has spent in excess of $1.0 billion on these growth projects in the areas of pipeline extensions and expansions, renewables and mid-stream assets.

Capital and investment expenditure



directors' report. continued.

AUSTRALIAN PIPELINE TRUST AND ITS CONTROLLED ENTITIES

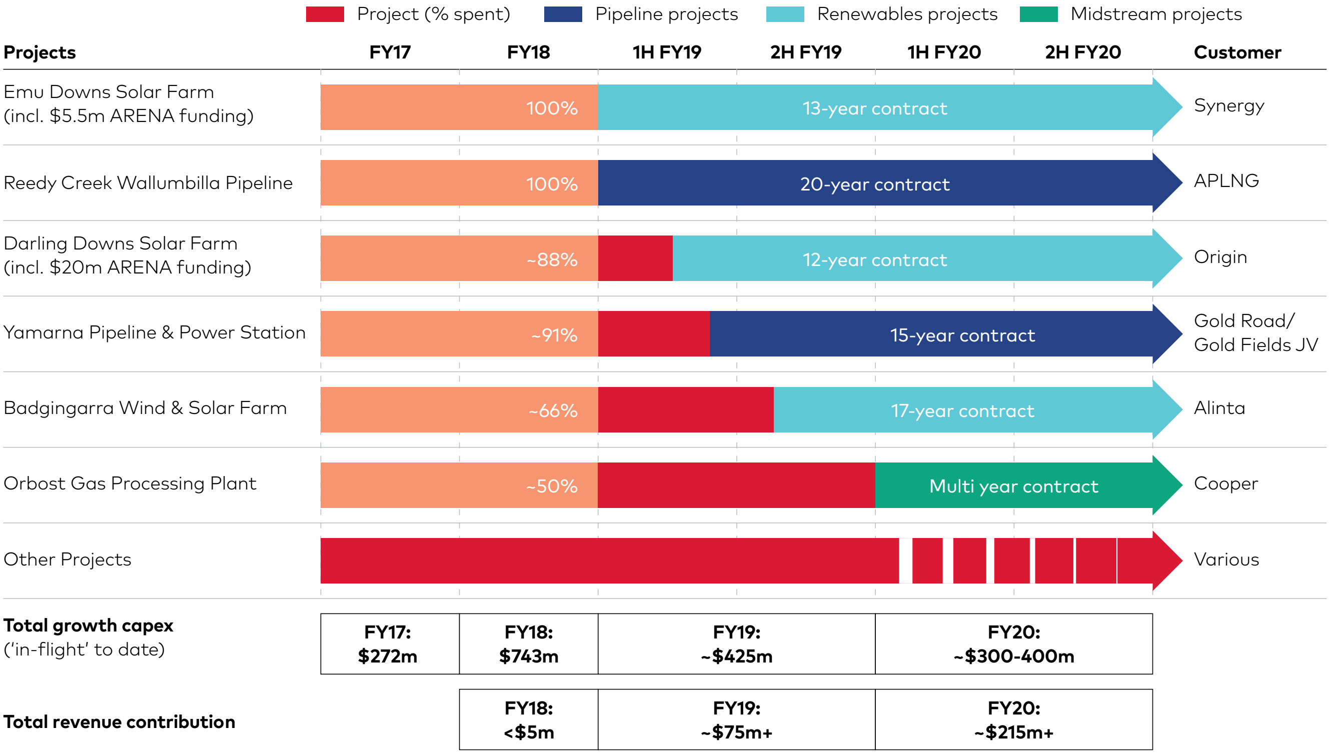
8. Capital and Investment Expenditure (continued)

In FY2018, growth capex expenditure was $742.9 million, which is almost double the average annual growth capex spend of previous years. The FY2018 actual spend is lower than the approximate $850 million figure indicated to the market in May 2018. This is due to finessing of project timings for procurement contracts as projects have progressed to ensure materials are better timed to arrive when required. This has resulted in some committed capital expenditure moving from FY2018 into FY2019. APA expects to spend in the order of $425 million during FY2019 on the in-flight committed organic growth projects as detailed in the table below.

Some of the new projects completed in FY2018 have now commenced generating revenues. These revenues will increase in FY2019 as more projects are completed and the projects completed in FY2018 provide a full year of earnings. The full benefit of the now $1.4 billion plus of growth projects will be received from FY2020 onwards.

Beyond the approximately $425 million guidance for FY2019, APA expects growth capital expenditure in the order of $300 to $400 million per annum over the next two to three years as further growth projects come to fruition across all energy infrastructure sectors. All projects will continue to be underwritten by long term contracts with customers and will increase APA's earnings base as they are commissioned.

Growth Projects Announced FY2017 – FY2019



Note: Above diagram is illustrative only.

As detailed in Section 7 above, progress on the remaining major committed projects is as follows:

— The Badgingarra Wind Farm (130MW wind farm) project was extended during the reporting period to include a co-located 17.5 MW solar farm that will share transmission connection infrastructure with the wind farm. Badgingarra is located adjacent to APA's operational 100 MW Emu Downs Wind and Solar Farm in Western Australia. Alinta Energy also extended the offtake agreement for another 5 years for both the energy and the Large Scale Generation Certificates, commencing January 2019 through to end CY2035. The wind farm will consist of 37 turbines each with a total blade and tower height of 150 metres and the solar farm will have approximately 61,800 solar tracking panels. Both projects are on track for commissioning in December 2018 for contract commencement in January 2019.

directors' report. continued.

AUSTRALIAN PIPELINE TRUST AND ITS CONTROLLED ENTITIES

8. Capital and Investment Expenditure (continued)

— The Orbost Gas Processing Plant acquired by APA in FY2018 will process raw natural gas from Cooper Energy's offshore Sole gas field under a multi-year Gas Processing Agreement from mid-2019. When complete, up to 70TJ per day of gas will be available for the east coast gas market from this new source of supply. APA is undertaking an upgrade of the site, whilst also adding a hydrogen sulphide treatment plant to the facility. During the reporting period, APA undertook extensive stakeholder engagement with the surrounding community, as well as providing local sponsorship and opportunities for employment of local contractors. In March 2018, The Hon. Lily D'Ambrosio, Minister for Energy, Environment and Climate Change toured the site and congratulated both APA and Cooper Energy for working together to deliver more gas into Victoria and the East Coast gas market and jointly creating more than 800 jobs during construction of onshore and offshore facilities.

— The Darling Downs Solar Farm near Dalby in Queensland is a 110MW solar farm, being built at a cost of around $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 Large Scale Generation Certificates. The project is on track for completion in September 2018. Over 423,000 fixed solar panels will be installed over a 250 hectare site, connecting to the existing Braemar Substation. The Queensland Premier, The Hon. Annastacia Palaszczuk toured the site in January 2018, along with The Hon. Dr Anthony Lynham, Minister for Mines and Energy; The Hon. Mark Furner, Minister for Agricultural Industry Development and Natural Resources; Paul McVeigh, Mayor of the Western Downs Regional Council; and Deputy Mayor, Andrew Smith.

— APA announced the new build Yamarna Gas Pipeline (YGP) and the Yamarna Power Station (YPS) projects in FY2017. APA will transport gas a total of almost 1,600 kms over four APA interconnected pipelines, including the greenfield YGP that will connect to the YPS, to deliver energy to the Gruyere Gold Project in Western Australia. The 198 km YGP was fully constructed during FY2018 and has now been commissioned to allow the constructed 45MW YPS to be commissioned, which is expected to be complete in between August and October 2018. 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. Total project cost is estimated to be $180 million.

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.

APA continues to talk with customers to develop new opportunities and help them manage their energy portfolio requirements including the potential projects of the Western Slopes Pipeline, the Crib Point Pakenham Pipeline, future mining connection opportunities in Western Australia and connecting Northern Queensland gas basins to APA's East Coast Grid.

In FY2017, APA announced that it had contracted with a subsidiary of Santos Limited to commence development of a new 450 km Western Slopes Pipeline connecting the proposed Narrabri Gas Project (NGP) to APA's East Coast Grid through the Moomba Sydney Pipeline. The project is subject to FID of the NGP by Santos. During the reporting period, APA commenced engagement with stakeholders along a possible pipeline route.

directors' report. continued.

AUSTRALIAN PIPELINE TRUST AND ITS CONTROLLED ENTITIES

8. Capital and Investment Expenditure (continued)

During FY2018, APA announced that it had entered into a Development Agreement and an associated 20 Year Gas Transportation Agreement with AGL Energy to develop and construct a new 60 km pipeline with a capacity of at least 550TJ/day. The Crib Point Pakenham Pipeline would connect AGL's proposed floating LNG regasification plant at Crib Point, to APA's East Coast Grid via the Victorian Transmission System at Pakenham. APA's potential capital expenditure investment would be in the range of $160 million to $200 million. Since announcing the project in June 2018, APA has been undertaking engagement with local communities and environmental reviews to determine the best possible route for the pipeline. The project is subject to Final Investment Decision by AGL during FY2019.

PROPOSED CRIB POINT PAKENHAM PIPELINE ~ Community Consultation

On 12 June 2018, APA entered into a Development Agreement and associated Gas Transportation Agreement with AGL Energy for the development and construction of the Crib Point Pakenham Pipeline. The project is subject to AGL Energy making a Final Investment Decision during FY2019.

During FY2018, APA commenced a comprehensive program of community and stakeholder consultation for the proposed Crib Point Pakenham Pipeline project including:

— Multiple one-on-one and community meetings
— Direct mail-outs
— Community sessions
— Development of a project website

In May 2018, APA hosted community drop in sessions in Cardinia and Nar Nar Goon to answer community queries about the proposed Crib Point Pipeline project. Topics discussed included cultural and heritage surveys, environment, water and pipeline alignment. AGL representatives were also present to provide information. The sessions were well attended by landowners and other community members.

A further five community sessions were held in the towns of Balnarring, Hastings, Crib Point, Nar Nar Goon and Cardinia for landowners, members of the community and other interested stakeholders in July/August 2018. APA presented key findings of environmental investigations conducted to-date and answered questions from the community. AGL representatives and technical specialists were also present and participated in the Q&A session following APA's pipeline presentation.

Stay-in business capex increased to $112.6 million in FY2018 from $68.8 million in FY2017. This remains in line with both the long term asset management planning cycle across our assets and the increasing scale of the business and did reflect in FY2018 ongoing business and technology spend of in the order of $22.4 million – reflecting the continuing growth of the business.

9. Financing Activities

9.1 Capital Management

As at 30 June 2018, APA had 1,179,893,848 securities on issue. This changed from 30 June 2017, with 65,586,479 new stapled securities issued following the $500 million capital raise (Entitlement Offer) announced on 21 February 2018 and completed on 23 March 2018. This additional equity strengthened APA's balance sheet enabling it to efficiently and prudently fund the approximately $1.4 billion plus of committed growth capex projects, due for completion through the period to June 2019.

Over many years, APA has consistently maintained the process of funding its growth from a mix of cash generated from within the business and appropriate levels of debt and equity.

Significant debt transactions during FY2018 were the redemption of the $515 million of Subordinated Notes at their first-call date of 31 March 2018 and the repayment of $125.8 million (JPY 10 billion) Japanese Medium Term Notes at maturity on 22 June 2018. Committed bank debt funding was increased and extended with the execution in May 2018 of a two tranche 5 and 5.5 year $1,000 million Syndicated Bank Facility, to replace the $518.8 million of syndicated facilities maturing in September 2018 and 2020. Maturity dates of a number of existing bilateral bank facilities with commitments totalling $250 million, were also extended during the year.

APA's debt portfolio has a broad spread of maturities extending out to FY2035, with an average maturity of drawn debt of 6.9 years at 30 June 2018. APA's gearing (6) of 65.4% at 30 June 2018 was lower than the 67.4% at 30 June 2017 due to the $500 million equity raised through the Entitlement Offer. APA remains well positioned to fund its planned growth activities with around $1,400 million in cash and committed undrawn facilities post completion of the 2 July 2018 syndicated debt facility, as well as ongoing access to a broad range of debt capital markets.

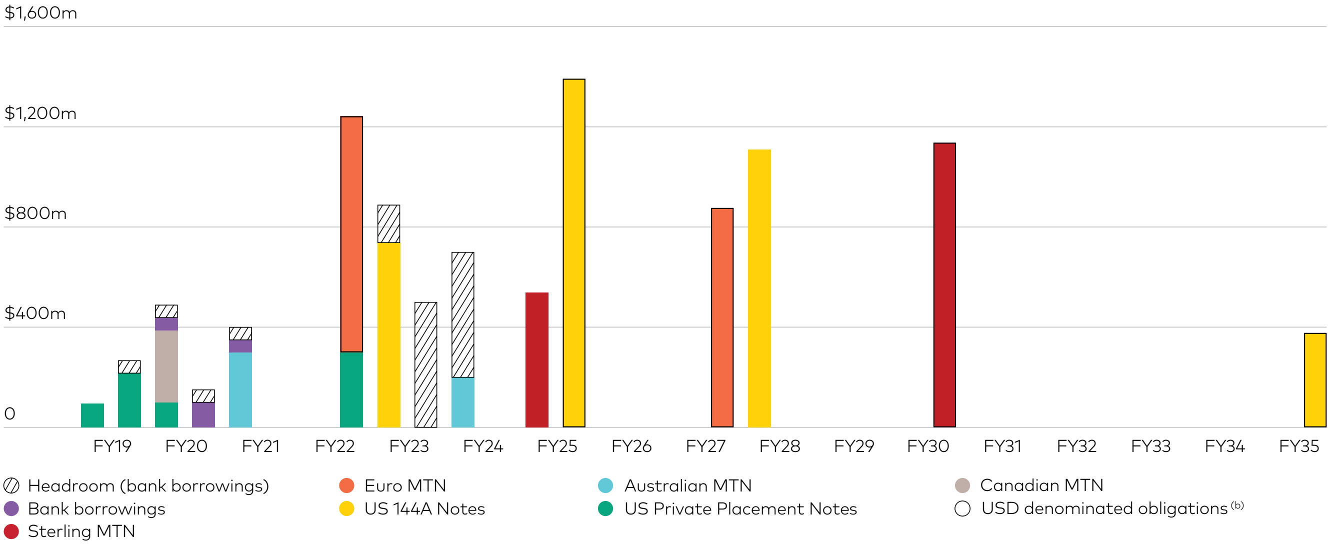
6) For the purposes of the calculation, drawn debt that has been kept in USD (rather than AUD) has been nominally exchanged at AUD/USD exchange rates of 0.7772 for Euro and GBP MTN issuances and 0.7879 for US144A notes at their respective inception dates.

directors' report. continued.

AUSTRALIAN PIPELINE TRUST AND ITS CONTROLLED ENTITIES

9.1 Capital Management (continued)

APA debt maturity profile and diversity of funding sources (a)



a) APA debt maturity profile as at 2 July 2018.

b) USD denominated obligations translated to AUD at the prevailing rate at inception (USD144A - AUD/USD=0.7879, EMTN & Sterling AUD/USD=0.7772).

APA's appetite for foreign currency and interest rate risk is low. This is reflected in the Treasury Risk Management Policy that requires conservative levels of hedging of interest rate and foreign currency exposures to minimise the potential impacts from adverse movements in markets. Other than as 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 17 years of the foundation contracts on the Wallumbilla Gladstone Pipeline w ill be in received 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 have 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
FY2019 (to Feb 2019)	0.6927

A large portion of the net revenue from March 2019 is in a 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 2018, 97.7% (30 June 2017: 94.5%) 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 2018, APA had borrowings of $8,810.4 million ($9,249.7 million at 30 June 2017) from a mix of US Private Placement Notes, Medium Term Notes in several currencies, United States 144A Notes and committed bank facilities.

Net finance costs decreased by $4.1 million, or 0.8%, to $509.7million (FY2017: $513.8 million). The decrease is primarily due to having a lower level of net drawn debt in FY2018 relative to FY2017. The average interest rate (including credit margins) (7) applying to drawn debt was 5.65% for the current period (FY2017: 5.56%).

APA's interest cover ratio for the current period was 2.7 times (June 2017: 2.8 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 the FY2018 financial year:

— BBB long-term corporate credit rating assigned by Standard & Poor's (S&P) in June 2009, and was placed on CreditWatch Positive on 14 August 2018; and

— Baa2 long-term corporate credit rating (outlook Stable) assigned by Moody's Investors Service (Moody's) in April 2010, and affirmed on 13 August 2018.

9.4 Income tax

Income tax expense for the financial year of $165.1 million results in an effective income tax rate of 38.4%, compared to 38.7% for the previous corresponding period. The high effective rate is due to the significant amortisation charges relating to contract intangibles acquired with the Wallumbilla Gladstone Pipeline, which are not deductible for tax purposes.

7) 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 their respective inception dates.

directors' report. continued.

AUSTRALIAN PIPELINE TRUST AND ITS CONTROLLED ENTITIES

9.4 Income tax (continued)

After utilisation of available tax losses and research and development tax offsets, income tax of $52.0 million will be payable in respect of the year ended 30 June 2018. With PAYG instalments of $18.2 million having already been paid, a tax provision of $33.8 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 FY2017 distribution paid 13 September 2017		**Interim FY2018 distribution paid 14 March 2018**	
	Cents per security	Total distribution $000	**Cents per security**	**Total distribution $000**
APT franked profit distribution	4.67	52,001	5.83	65,001
APT unfranked profit distribution	0.79	8,802	2.47	27,490
APT capital distribution	10.78	120,183	7.29	81,202
APTIT profit distribution	3.07	34,198	3.03	33,821
APTIT capital distribution	3.69	41,107	2.38	26,490
Total	**23.00**	**256,291**	**21.00**	**234,004**
Franking credits allocated	2.00		2.50	

On 22 August 2018, the Directors declared a final distribution for APA for the financial year of 24.0 cents per security which is payable on 12 September 2018. Franking credits of 3.83 cents per security will be allocated to the APT franked profit distribution. The FY2018 final distribution will comprise the following components:

	Final FY2018 distribution payable 12 September 2018	
	Cents per security	**Total distribution $000**
APT franked profit distribution	8.93	105,412
APT capital distribution	9.03	106,513
APTIT profit distribution	2.90	34,228
APTIT capital distribution	3.14	37,022
Total	**24.00**	**283,175**
Franking credits allocated	3.83	

As a result, the total distribution applicable to the year ended 30 June 2018 is 45.0 cents per security, a 3.4% increase over the total distribution of 43.5 cents per security applicable to the year ended 30 June 2017. Franking credits allocated for the year ended 30 June 2018 distribution totalled 6.33 cents per security.

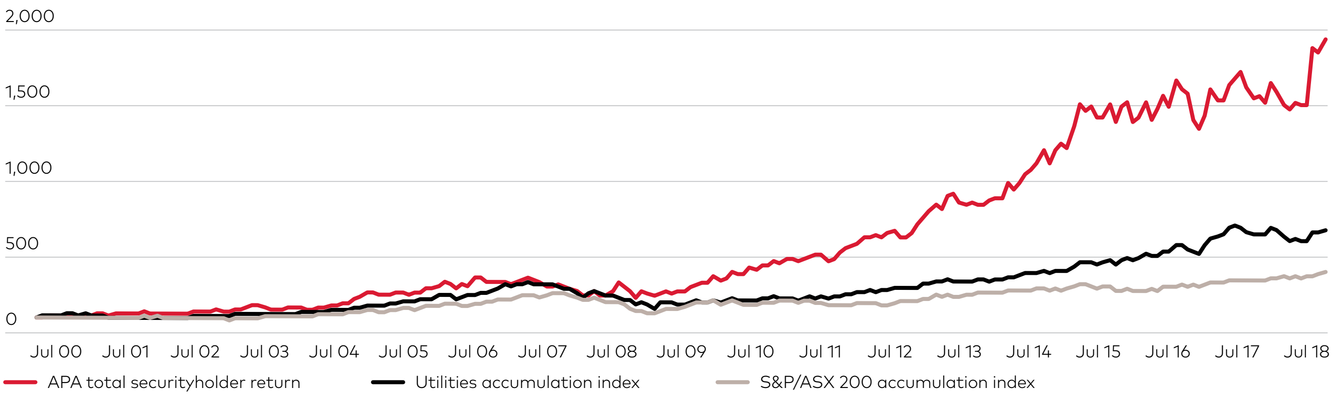
The Distribution Reinvestment Plan remains suspended.

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 11.2% [(8)].

APA's total securityholder return since listing in June 2000 on the ASX, is 1,978 [(9)], a compound annual growth rate of 17.8%.

APA total securityholder returns since listing (June 2000) to 20 August 2018



8) Figures quoted are sourced from IRESS and measured as at 30 June 2018.

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

directors' report. continued.

AUSTRALIAN PIPELINE TRUST AND ITS CONTROLLED ENTITIES

9.7 Guidance for 2019 financial year

Based on current operating plans and available information, APA expects EBITDA for the full year to 30 June 2019 to be in a range of $1,550 million to $1,575 million.

Net interest cost is expected to be in a range of $500 million to $510 million.

In the event that the CKI proposal does not proceed and APA remains as a stand-alone listed company for the full financial year, distributions per security for the 2019 financial year are expected to be in the order of 46.5 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.

	FY2019 guidance	FY2018 actual
EBITDA ($ millions)	$1,550 to $1,575	$1,518.5
Net interest cost ($ millions)	$500 to $510	$509.7
Total distribution (cents per security)	In the order of 46.5 cents (10)	45.0 cents

10. Regulatory Matters

Gas Policy developments

Australia's economic compliance regime for gas pipelines is set out in the National Gas Law (NGL) and the National Gas Rules (NGR). Some of APA's pipelines have been covered by the National Gas Access Regime since it was introduced in the 1990's. This regime includes mechanisms for regulatory pricing approval for "fully regulated" pipelines, and lesser obligations for "light regulation" pipelines.

Additional information disclosure and commercial arbitration rules came into effect in August 2017 (December 2017 in Western Australia) and applies to APA's unregulated pipelines, which are known by the term "non-scheme" pipelines. APA has worked with the Gas Market Reform Group, Australian Energy Markets Operator and the industry on the design and implementation of the additional rules.

Under the additional rules, pipeline operators are required to publish their pricing methodologies for non-scheme pipelines. This information for APA's East Coast and Central Region gas transmission assets was published on APA's website on 31 January 2018 and for APA's Western Australian gas transmission assets on 19 June 2018. It includes APA's pricing methodology and other information in relation to pipeline services and tariffs for these assets consistent with the requirements of the National Gas Rules (Part 23). The published tariffs are consistent with tariffs that APA has agreed with its customers over a number of years and with competitive outcomes. APA supports this initiative of improved information transparency. Additional disclosure provisions require publication by 31 October 2018 of individual pipeline financial statements and average prices.

The commercial arbitration rules provide negotiating parties who cannot reach agreement, access to an arbitrator to determine a commercial outcome consistent with the outcomes that would occur in a workably competitive market. APA has continued to successfully negotiate all new contracts and contract renewals with its customers since the additional rules came into effect.

The COAG Energy Council has agreed to final recommendations on the design and implementation of a pipeline capacity trading reform package following industry discussions that APA participated in, including:

- A capacity trading platform to be operated by the Australian Energy Market Operator, to facilitate the secondary trade of pipeline capacity between shippers;
- A daily auction of un-nominated contracted shipper capacity, run by the Australian Energy Market Operator, on all major pipelines.

The new capacity trading market mechanisms are scheduled to commence in March 2019.

Limited Merits Review

On 30 October 2017, the Australian Government abolished the limited merits review process of the Australian Competition Tribunal in relation to decisions by the Australian Energy Regulator or Economic Regulation Authority (Western Australia). Judicial review continues to be available as a means of challenging an error by the regulator in its access arrangement determinations.

AEMC review of economic regulatory rules

During the year, the Australian Energy Market Commission (AEMC) undertook a review of the scope of economic regulation applied to regulated pipelines under Parts 8-12 of the National Gas Rules.

On July 3 2018, the AEMC released its final report recommending a variety of legislative and rule changes. The key recommendations from APA's perspective are:

- The alignment of the arbitration process for covered pipelines to that which applies in Part 23 of the National Gas Rules to non-scheme pipelines;
- All expansions of regulated pipelines, past and present, covered or uncovered are to be included in the access arrangement for the pipeline. This means that the currently uncovered expansions of the Goldfields Gas Pipeline would be included in that pipeline's next access arrangement due in January 2020; and
- The regulator to set an initial capital base for light regulated pipelines that don't currently have one. This will have application to the Carpentaria Gas Pipeline and the Kalgoorlie Kambalda Pipeline.

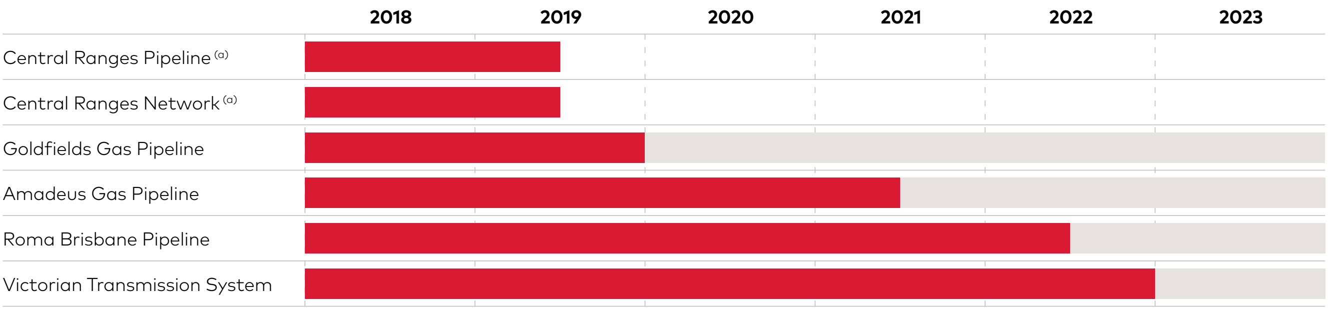
10) In the event that the CKI proposal does not proceed and APA remains as a stand-alone listed company for the full financial year.

directors' report. continued.

AUSTRALIAN PIPELINE TRUST AND ITS CONTROLLED ENTITIES

Regulatory resets

The diagram below outlines the scheduled regulatory reset dates for pipelines owned and operated by APA. During FY2018, approximately 9.0% of APA's Energy Infrastructure revenues were revenues that are subject to regulated outcomes.



a) Asset will cease to be covered as of 1 July 2019 in accordance with the National Gas Law and Rules. ● Current regulatory period ● Next regulatory period

Key regulatory matters addressed during the year included:

Victorian Transmission System Access Arrangement

In November 2017, the Australian Energy Regulator published its final decision on the access arrangement applying to the Victorian Transmission System from 1 January 2018. The Australian Energy Regulator approved APA's recent significant expansions of the system to enable gas flows between Victoria and New South Wales, as well as the need for further future expansions of the Victorian system, as prudent expenditure. Average tariffs will be largely unchanged from the previous period.

Roma Brisbane Pipeline Access Arrangement

In November 2017, the Australian Energy Regulator also published its final decision on the Roma Brisbane Access Arrangement which will apply from 1 January 2018. The Regulator in its decision recognises changes in the pipeline configuration and demand profile since the Regulator's last review through the approval of a bi-directional postage stamp tariff structure. The new tariff is in line with that applying in the previous period, and APA's ongoing revenues that flow from longer term contracts that are currently in place, are unchanged by the determination.

Other access arrangement information

In July 2018, the Australian Energy Regulator released its draft rate of return guideline. The revised guideline, subject to implementation, would not apply to any APA pipeline until 2021. APA has a number of concerns with the rate of return proposed in the draft decision and will be making submission to the Australian Energy Regulator on that basis. A final decision is expected in December 2018.

The Economic Regulation Authority of Western Australia released in June 2018 its draft rate of return guideline. This guideline when finalised will apply to the Goldfields Gas Pipeline's next Access Arrangement, which is due to commence in January 2020. There are aspects of the guideline with which APA does not agree and these will be pursued in submissions to the Regulator.

Energy industry developments

THE ENERGY CHARTER ~ the energy industry working together to deliver energy for a better Australia

Energy is an essential service and delivering it in accordance with community expectations is what the whole energy industry needs to do every day. APA plays an essential part in Australia's energy supply chain, as does each and every producer, generator, pipeline and network operator and retailer.

The Energy Charter

In FY2018, 15 CEOs (including APA's Mick McCormack), from across the Australian energy supply chain, committed to develop a consumer charter to put customers first and foremost within each of their businesses and the energy industry as a whole. The Energy Charter aims to engender collective accountability for customer outcomes across the whole industry to ensure that customers can feel confident that their energy needs are being met and that the energy sector is working in customers' interests. This commitment will be demonstrated through the embedding of customer focused culture; improving affordability; focussing on reliability, safety and sustainability; improving the customer experience; and supporting customers in vulnerable circumstances. It is also about working collaboratively with each other, government and community to deliver better outcomes for customers and the community.

Energy Consumers Australia is playing a leadership role in the development of The Energy Charter. All energy businesses will be invited to commit to The Energy Charter, by which they agree to publicly identify how they are delivering against the Charter Principles, and if not, why not.

Collaboration with consumer and end user advocacy groups with the energy industry has been a critical feature of the Energy Charter's development. Together, our aim is to deliver better energy outcomes for all customers and Australians alike.

Public consultation on the process to provide input is expected later in CY2018. For more information go to www.theenergycharter.com.au.

directors' report. continued.

AUSTRALIAN PIPELINE TRUST AND ITS CONTROLLED ENTITIES

11. Health, Safety and Environment

11.1 Health and safety reporting

During the reporting period, APA continued implementing the Health, Safety and Environment (HSE) Strategic Plan with FY2018 being the second year of a three year undertaking. The plan is designed to further develop APA's HSE framework, systems, culture and initiatives to prevent harm to our people, contractors and the broader community, and to deliver a sustainable future. Key achievements of the HSE strategic initiatives during the period included:

— Undertaking a comprehensive review of how APA and its contractors report and manage asset strikes to gas and other utility underground infrastructure, particularly within Networks operations where infrastructure is located in populated areas. The comprehensive review resulted in a focus on asset strike prevention and the trialling of new work practices and innovative equipment such as a ground penetrating radar, that has helped reduce the number of related strike incidents;

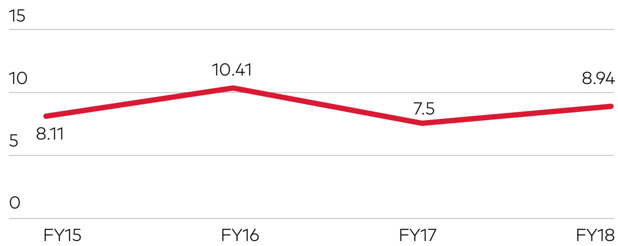
— APA's Alcohol and Other Drugs Policy was updated to reflect a blood alcohol level of 0.00 for all employees and contractors. A new protocol was introduced that provides greater emphasis on managing risks associated with alcohol and other drugs. It provides for random testing for both field and corporate personnel. The protocol was rolled out with an education and awareness program and forms part of the induction and ongoing training program of all employees and contractors; and

— Introduction of the 'Bounce – Aspire, Participate, Achieve' Health and Wellbeing Program. This included the rollout of an online Health and Wellbeing portal for all employees that provides the latest information on key wellness topics, as well as access to confidential assessments.

APA continues to target being a zero harm workplace for its employees, contractors and the broader communities in which it operates. Disappointingly, despite an increased focus on safety and training, APA's key injury metrics deteriorated during the reporting period.

The Lost Time Injury Frequency Rate (LTIFR) at the financial year end was 1.76, up from 0.52 in the last financial year and the Total Reportable Injury Frequency Rate (TRIFR) for FY2018 was 8.94, up from 7.50 in FY2017. Both frequency rates cover employees and contractors. There were multiple factors impacting the increases including continued increase in reporting and a large amount of project work and challenges in effective contractor management, which will become key areas for improvement in FY2019. Going forward, APA will be focussing on TRIFR as its main lag metric as it is a truer indicator of health and safety performance than LTIFR. Importantly, there were no fatalities of employees or contractors in FY2018 (FY2017: nil).

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.

Injuries were predominantly hand and musculoskeletal type injuries. As a result, APA has introduced targeted programs such as the Hand Safety campaign and is also undertaking a comprehensive review of work practices with the goal to prevent manual handling injuries through task risk assessments and improved targeted manual handling training.

ASSET STRIKE – KNOW WHAT'S BELOW ~ LOCATE before you EXCAVATE

With the majority of gas and other utility infrastructure buried underground and out of sight, asset strikes are an ongoing risk to APA's business, particularly within Networks operations where infrastructure is located in populated areas. To reduce this risk, a comprehensive reporting mechanism was implemented in 2016 to capture detailed asset strike data. This includes recording any strike on both gas and electrical assets classified as high risk.

Increasing visibility on the incidence of asset strikes and having a measure of how significant the issue might possibly be, meant that investigations, process reviews and preventative actions can take place to reduce the risk of incidence. All incidents are investigated following the Incident, Cause, Analysis Method (ICAM) which is based around 4 key questions: 1) what happened?; 2) why did it happen?; 3) what are we going to do about it?: and 4) what did we learn that we can share?

Following a comprehensive review of all the incident root causes recorded post implementation of the new reporting system, a range of causal issues were revealed, notably:

— Failure to locate assets – both accurately and effectively
— Limitations of existing cable locating equipment
— Proliferation of mechanical excavation within three metres of assets
— Non-compliant installation practices
— Dial Before You Dig (DBYD) information incorrect, or not properly displayed

In response, APA developed a series of initiatives to address these root causes, including:

— Ground Penetrating Radar (GPR) which has been successfully trialled
— Locating equipment training for supervisors and users
— Locating device performance specifications to be standardised
— Asset owners including APA are required to review and update their DBYD information where it is found to be not correct or incomplete
— Change in work practices and mindset
— Successful trial of Excavation Process flowchart and checklist

With the change in mindset from implementing these initiatives, there has been a sizable reduction in asset strike incidences during the reporting period.

DIAL BEFORE YOU DIG
www.1100.com.au

directors' report. continued.

AUSTRALIAN PIPELINE TRUST AND ITS CONTROLLED ENTITIES

11.1 Health and safety reporting (continued)

The Strategic Improvement Plan and the planned initiatives for FY2018 have been achieved during the year with further details contained in the Sustainability Report. Of particular note for the period was APA's focus on continuing to foster a positive Health and Safety culture at APA. During the reporting period, further development of our leaders to 'lead a safety culture' was undertaken through various training and development programs.

APA's employees continue to enthusiastically participate in APA's annual awards recognition initiative. In FY2018, the format of the Excellence Awards was refreshed to align to APA's 'STARS' values of Safety (including health and environment), Trustworthy, Adaptable, Results and Service. Over 130 nominations were received, including over 40 for the Safety Award. This award recognises those who go above and beyond to ensure APA is a safe and environmentally conscious organisation where people feel respected, valued and where their health and wellbeing is a primary focus. The winner in FY2018 was Carlo Corso, APA's Operational Services Manager, for his leadership in assisting colleagues to understand, support and educate each other on the importance of APA safety systems, including the Permit to Work system, fire prevention and control, and Safe Work Method Statements.

APA's initiative in FY2016 as part of the Strategic Improvement Plan *SafeDrive+* program of installing in vehicle monitoring systems (IVMS) in APA vehicles continues to reap safety benefits and manage APA's operational risk. APA has a fleet of around 550 vehicles, with over 300 currently fitted with the IVMS technology. In FY2018, with over 15 million kilometres travelled by APA vehicles, there was a significant reduction in the high risk violation metrics in the areas of speed and wearing a seatbelt whilst moving. Vehicle movements are monitored via APA's Integrated Operations Centre in Brisbane which provides employees working remotely and/or driving long distances, and their families, with a high level of comfort that APA knows where they are at all times and when they should arrive at their nominated destinations.

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

For further information on APA's health and safety initiatives, please refer to the Sustainability Report (page S11 to S15), which forms part of this report.

11.2 Environmental Strategy

Following the completion of APA's Environmental Strategy and Improvement Plan in FY2017, an Environmental Management Plan (EMP) Improvement Program has been developed and was approved by the Board during the reporting period. Implementation of the EMP Program has also commenced.

The purpose of the EMP Program is to apply, at the asset level, the environment framework delivered under the Environmental Strategy and Improvement Plan. The central deliverable of the EMP Program is a refresh of APA's existing environmental compliance tools that will achieve alignment, standardisation and more streamlined integration of controls into business operations.

As the EMP Program is being implemented across the whole business, input will be incorporated from all operational business divisions in Transmission and Networks and Power and the compliance methods applied to these business units will also be integrated into APA's Infrastructure Development projects as they commence.

A key component of the EMP Program is the rollout of a revised environmental risk assessment process. This bespoke risk assessment methodology developed under the environmental framework will ensure alignment and standardisation of how APA assesses environmental risk throughout the organisation.

The EMP Program also links to and integrates with existing businesses systems and processes wherever possible, for example GIS capabilities, training and on-boarding programs, work planning and scheduling, contractor management, emergency response and incident management.

The EMP Program will see interdepartmental collaboration across the enterprise, linking processes and aligning thinking between the Environment Team and key departments including the Group Risk and Compliance, Technical and Regulator Compliance, Systems and Assurance, Infrastructure Protection, Enterprise Asset Management and Engineering.

During FY2018, significant planning work was commenced to set the EMP Program up for success. Compliance registers have been combined, asset hazard analyses commenced and two pilot Environmental Management Plans have been completed for the Dandenong LNG facility (Victoria) and the Central Ranges Pipeline (NSW). These pilots validated the risk assessment methodology, tested the system integration of control methods and have been supported by extensive communication and awareness in operational business units.

A new Environment Homepage was launched on APA's Intranet in March 2018. This is designed as the central landing point for all APA employees to find compliance plans, learning resources, tools and guidelines and more. The site and central information bank for environmental resources has demonstrated its worth by the increased awareness and understanding of environmental risk and compliance across APA.

For further information on APA's environmental management initiatives, please refer to the Sustainability Report (page S04 to S07), which forms part of this report.

11.3 Environmental regulations

Environmental regulatory frameworks continued to evolve and change across Australia in FY2018. APA monitors, adapts and complies with changes in environmental compliance requirements. Where appropriate, APA contributes industry knowledge for consideration in the development of environmental legislation.

APA operates its assets under approved licences within relevant state and territory jurisdictions. Collaboration between APA's compliance and environmental functions ensures that environmental obligations are planned for concurrently with other regulatory requirements so that pipeline, distribution, power and gas processing assets owned and/or operated by APA are designed, constructed, tested, operated and maintained in accordance with licences issued by the relevant state and territory technical regulators.

directors' report. continued.

AUSTRALIAN PIPELINE TRUST AND ITS CONTROLLED ENTITIES

11.3 Environmental regulations (continued)

APA a contributor to the ongoing update of the Australian Standard AS 2885 "Pipelines – Gas and Liquid Petroleum" suite of documents during the reporting period. This Australian Standard is a key part of all pipeline-related environmental compliance frameworks for the high-pressure pipeline industry.

During the period, APA also contributed the expertise of our employees to the working group of the Australian Pipelines and Gas Association (APGA) that revised the 'APGA Code of Environmental Practice (2017)'. The APGA Code of Environmental Practice is an important document that provides industry accepted guidance on environmental management through the planning and asset acquisition, construction, operational and decommissioning phases of a pipelines' lifecycle.

Internal compliance audits were completed across the Transmission, Networks, Power and Infrastructure Development business divisions during FY2018. Senior management reviews audit report findings and any material non-compliances and incidents are communicated.

APA did not receive any penalty notices relating to environmental compliance in any Australian jurisdictions during the reporting period.

11.4 Environmental reporting

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

APA's business units also submitted periodic Environmental Reports (including monthly and annual reports) to state and territory regulators in FY2018, verifying the implementation of environmental controls and minimisation of environmental risk across our business activities.

In October 2017, APA complied with Australia's National Greenhouse and Energy Reporting (NGER) obligations for FY2017. APA's main sources of emissions are from the combustion of natural gas in compressor stations, from fugitive emissions associated with natural gas pipelines, and from gas fired power stations. NGER 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.

APA's summary of Scope 1 and 2 emissions and energy consumption for the 2017 financial year as reported under the NGER, are set out in the following table. Reports are completed each year at the end of October for the prior financial year to allow organisations time to collect, collate and calculate their energy and emissions data. APA will report its FY2018 data to the Clean Energy Regulator in October 2018.

	FY2017	FY2016	Change
Scope 1 [(a)] CO_2 emissions (tonnes)	1,228,807	1,084,236	13.33%
Scope 2 [(b)] CO_2 emissions (tonnes)	25,012	26,555	(5.81%)
Energy consumption [(c)] (GJ)	23,930,506	19,510,937	22.65%

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

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

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

The variations compared to the previous corresponding period are due to FY2016 figures not including Daandine Power Station as this was reported in the on-site service provider's report only.

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 System sets out the approach for ensuring risk is effectively identified, managed and monitored. This comprises three elements including the Risk Management Policy; Risk Management Enablers providing for governance, a strong risk culture, technology support and ongoing training; and the Risk Management Framework which sets out key risk management processes.

The Enterprise Risk Management System is aligned to the international risk standard ISO 31000. All other functional risk frameworks align to the Enterprise Risk Management System to provide consistency and a common language for risk which is integral to key business decisions.

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. 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.

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/.

directors' report. continued.

AUSTRALIAN PIPELINE TRUST AND ITS CONTROLLED ENTITIES

12. Risk Overview (continued)

APA Risk Management

APA Group Board

APA Group Audit & Risk Management Committee

Executive Risk Management Committee

- Approve risk strategy, risk policy and risk framework
- Approve risk appetite
- Approve key risk and compliance policies
- Review and monitor current and emerging material risks and actions

- Review current and emerging material risks
- Review key risks and compliance policies
- Review insurance arrangements
- Review of risk strategy and framework
- Approve crisis management plan
- Promote a risk aware culture

Group Risk & Compliance/ Group Insurance

- Enterprise Risk Management/ Compliance Frameworks, systems and guidance
- Business Continuity and Crisis Management framework
- Asset, project and corporate insurance program

Functional risk frameworks

Aligned to Enterprise Risk Management Framework including
- IT Security
- Safety & Environment
- Treasury Risk
- Project Risk

APA Divisions

- Implement Risk Frameworks
- Own risks, controls and actions
- Own compliance plans and controls
- Support provided from functional risk specialists
- Review and report risk exposures
- Apply risk appetite in key decisions

Independent Review

- Internal Audit
- External Audit
- Third party audits and reviews

Divisional Review

- Functional risk review
- Divisional audits and testing

12.1 Key risks

Type of Risk	Description	Management Actions to Mitigate Risks
Strategic risks – risks arising from the industry and geographical environments within which APA operates, including its markets, customers, brand and reputation, and regulatory policy.		
Economic regulation	APA has a number of significant assets and investments in its portfolio subject to economic regulation, which includes the regulation of prices that APA is permitted to charge for certain services. Government policy in relation to the Australian domestic gas market also continues to develop. Changes in policy as to which assets are regulated and the settings applicable to regulated assets can impact APA's business.	— Strong regulatory and policy functions, active in regulatory management and policy development. — Assessment of key policy change proposals for potential impacts on APA's business.
Bypass and competition risk	APA's future earnings may be reduced if customers purchase gas transportation services from new pipelines that by-pass or compete with APA's pipelines, rather than from APA's existing pipelines.	— Structured and flexible services that leverage APA's capability and infrastructure. — Customer relationship engagement and active management of business development opportunities. — Asset management plans aligned with capacity contracting strategy.
Gas demand risk	Reduced end user demand for gas driven by its price, relative to competing energy sources or gas swap contracts, may reduce demand levels for services on APA's assets.	— Monitoring commodity markets, export outlook and gas market developments for throughput impacts. — Flexible gas transport and storage services supporting gas fired generators. — Long term gas storage/transportation agreements.
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.	— Recontracting strategy and market monitoring. — Knowledge and monitoring of gas reserves to identify potential opportunities.

directors' report. continued.

AUSTRALIAN PIPELINE TRUST AND ITS CONTROLLED ENTITIES

12.1 Key risks (continued)

Type of Risk	Description	Management Actions to Mitigate Risks
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.	— Portfolio of investment grade credit rated customers. — Strong counterparty credit due diligence with customer credit exposures closely monitored. — Contractual credit support arrangements in place.
Contract renewal risk	Due to a range of factors, APA may not be successful in recontracting available pipeline capacity or power generation capacity when it comes due for contract renewal, or may only be able to recontract at reduced prices or for shorter periods.	— Recontracting strategy in place with close monitoring of contract renewal portfolio. — Monitoring of emerging gas supply alternatives and power generation market developments to identify opportunities.
Reputation risk	APA relies on a level of public acceptance for the development and operation of its assets. Community sentiment in relation to the energy industry as a whole, as well as APA's business may impact APA's commercial opportunities, its ability to develop new projects and operate its assets.	— Engagement with key stakeholders (landowners, producers, customers, government etc). — Industry engagement and contribution to Energy Charter initiative.
Climate Risk	APA and its customers may be adversely affected by the physical impacts of climate change including increases in temperature, sea levels, and the frequency of adverse climatic events including fires, storms, floods and droughts.	— Commitment to implementation of Task Force on Climate Related Financial Disclosures (TCFD). — Program of work to understand climate change impacts on business and strengthen climate risk governance is underway.
Financial risks – risks arising from the management of APA's financial resources, accounting, tax and financial disclosure.		
Interest rates and refinancing risks	APA is exposed to movements in interest rates where floating interest rate funds are not effectively hedged. It also remains exposed to refinancing risk if it is unable to replace an existing loan with a new one at a critical time.	— Risk limits set by the Board and managed in line with APA's Treasury Risk Management Policy. — Debt structured to spread maturities over a number of years. — Maximum and minimum interest rate hedging levels defined and managed using derivatives and debt issued at fixed interest rates through to maturity. — Access to broad range of global debt capital markets maintained.
Foreign exchange risks	APA is subject to currency fluctuations in relation to the purchase, supply and installation of goods and services revenue, and borrowings, in a currency other than Australian dollars. There can be no assurance that APA will be able to effectively hedge its foreign currency exposure, particularly in periods of significant currency volatility, and/or that APA's hedges will prove effective.	— Risk limits set by the Board and managed in line with APA's Treasury Risk Management Policy. — Hedging instruments used to cap non-AUD denominated revenue and expenses. — Foreign currency borrowings fully hedged.
Investment risk	Assumptions and forecasts used in making decisions to acquire assets and make investments, may ultimately not be realised. This may result in lower than expected returns, unanticipated costs, new skillsets or capabilities needing to be acquired, new types of regulatory approvals being needed where APA has limited experience.	— Board approved corporate and asset models used for investment decisions and planning. — Models underpinning investment decisions independently reviewed. — Oversight by APA's Due Diligence Committees for material investment transactions.
Credit rating risks	Any downgrade in APA's credit rating could harm its ability to obtain financing, could increase its financing costs or cause the instruments governing APA's future debt to contain more restrictive covenants.	— Board approves all treasury transactions with counterparties falling below defined credit rating thresholds. — Counterparties are risk assessed with credit ratings monitored and credit support obtained to limit risk exposure.

directors' report. continued.

AUSTRALIAN PIPELINE TRUST AND ITS CONTROLLED ENTITIES

12.1 Key risks (continued)

Type of Risk	Description	Management Actions to Mitigate Risks
Operational Risks – risks arising from inadequate or failed internal processes, people or systems or from external events including construction and corporate projects, technology, environment, and health and safety.		
Operations risk	APA is exposed to a number of risks affecting operations including those resulting in equipment failures or breakdowns, pipeline ruptures, employee or equipment shortages, workplace safety issues, 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.	— Operations are subject to operational safety and environment management programs. — Maintenance of engineering standards, including integrity monitoring and maintenance programs as part of risk based asset life cycle management. — Asset monitoring through control rooms to manage flows and asset maintenance issues. — Comprehensive insurance arrangements provided as part of asset protection program.
Information technology and cyber risk	APA's operations rely on a number of information technology systems, applications and business processes utilised in the delivery of business functions, including APA's customer management system, grid network and integrated operations centre.	— IT infrastructure managed in accordance with recognised industry standards across hardware, software, applications and communication systems. — Cyber security standards across APA IT infrastructure, including IT vendors continually assessed for new threats and vulnerabilities. — IT systems including SCADA are subject to regular reviews and independent testing.
People risk	APA is dependent on its ability to attract, engage, develop and retain the right employees within a market where there is varying supply of skilled workers. APA's operations are geographically dispersed which can make attraction and retention of skilled employees in regional and remote locations a challenge.	— Leadership capability programs in place. — Recruitment practices in place and subject to improvement. — Talent management programs to identify and develop technical and leadership personnel. — Comprehensive training programs in place to maintain and develop competencies.
Construction and development risk	APA's business strategy includes the development of new pipeline capacity, renewable and gas-fired power generation plants, gas storage facilities and gas processing assets. This involves a number of typical construction risks, including potential failure to obtain necessary approvals, employee or equipment shortages, third party contractor failure, higher than budgeted construction costs and project delays.	— Access and approvals management for new construction projects. — Dedicated construction project management capability and governance to manage efficient, safe and quality delivery of construction projects.
Compliance risks – legal or regulatory risks arising in respect of laws, regulations, licences and recognised practising codes including health, safety and environment, asset construction and operation, and other corporate compliance requirements.		
Compliance and operating licences	APA is subject to a range of operational regulatory requirements including environmental laws and regulations, occupational health and safety requirements and technical and safety standards. Changes in any such laws, regulations or policies may increase compliance requirements and costs.	— Comprehensive Enterprise Compliance Management System with regulations identified, controls monitored and assurance. — Comprehensive safety management system including safety compliance monitoring. — Dedicated specialist teams providing asset level assurance for technical and environment compliance.

directors' report. continued.

AUSTRALIAN PIPELINE TRUST AND ITS CONTROLLED ENTITIES

13. Directors

13.1 Information on Directors and Company Secretary

See pages 06 to 07 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
Michael Fraser	Aurizon Holdings Limited	Since February 2016
Michael McCormack	–	–
Steven Crane	nib holdings limited	Since September 2010, Chair since October 2011
Debra Goodin	Senex Energy Limited	Since May 2014
	oOh!media Limited	Since November 2014
	Ten Network Holdings Limited	August 2016 to November 2017
	Atlas Arteria Limited	Since September 2017
Russell Higgins AO	Telstra Corporation Limited	Since September 2009
	Argo Investments Limited	Since September 2011, Chair since July 2018
	Argo Global Listed Infrastructure Limited	Chair since July 2018
Patricia McKenzie	–	–
Shirley In't Veld	Asciano Limited	November 2010 to August 2016
	DUET Group	August 2013 to May 2017
	Northern Star Resources Limited	Since September 2016
Peter Wasow	Alcoa Australia Limited	January 2014 to July 2017
	Oz Minerals Limited	Since November 2017
	Alumina Limited	September 2011 to May 2017

13.3 Directors' meetings

During the financial year, 17 Board meetings, four Audit and Risk Management Committee meetings, four People and Remuneration Committee meetings, four Health Safety and Environment Committee meetings and six 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:

	Board		People & Remuneration Committee		Audit & Risk Management Committee		Health Safety & Environment Committee		Nomination Committee	
Directors	A	B	A	B	A	B	A	B	A	B
Michael Fraser	17	16	2	2	4	4	–	–	6	6
Michael McCormack	17	17	–	–	–	–	–	–	–	–
Steven Crane	17	17	4	3	4	4	–	–	1	1
Debra Goodin	17	17	–	–	4	4	4	4	6	6
Russell Higgins AO	17	17	–	–	4	4	4	4	6	6
Patricia McKenzie	17	17	4	4	–	–	4	4	1	1
Shirley Int'd Veld	7	6	2	2	–	–	2	2	–	–
Peter Wasow	7	6	2	2	1	1	–	–	–	–
Leonard Bleasel AM (11)	6	6	–	–	–	–	–	–	1	1
John Fletcher (12)	10	9	2	2	3	3	–	–	1	1

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.

11) Leonard Bleasel AM retired as a Director on 27 October 2017.

12) John Fletcher retired as a Director on 21 February 2018.

directors' report. continued.

AUSTRALIAN PIPELINE TRUST AND ITS CONTROLLED ENTITIES

13.4 Directors' securityholdings

The aggregate number of APA securities held directly, indirectly or beneficially by Directors or their related entities at 30 June 2018 is 800,118 (2017: 1,365,674 (13)).

The following table sets out Directors' relevant interests in APA securities as at 30 June 2018:

Directors	Fully paid securities as at 1 July 2017	Securities acquired	Securities disposed	**Fully paid securities as at 30 June 2018**
Michael Fraser	25,000	77,942	–	**102,942**
Michael McCormack	320,000	30,000	–	**350,000**
Steven Crane	130,000	–	–	**130,000**
Debra Goodin	19,200	3,800	–	**23,000**
Russell Higgins AO	122,719	7,220	–	**129,939**
Patricia McKenzie	22,889	1,348	–	**24,237**
Shirley Int'd Veld (14)	–	25,000	–	**25,000**
Peter Wasow (15)	–	15,000	–	**15,000**
Leonard Bleasel AM (16)	637,616	–	–	**–**
John Fletcher (17)	88,250	–	–	**–**
	1,365,674	160,310	–	**800,118**

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

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 specific 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.

13) At 30 June 2017 the aggregate number of APA securities held directly or beneficially by Directors or their related entities included 637,616 securities held by Leonard Bleasel AM who retired on 27 October 2017 and 88,250 securities held by John Fletcher who retired on 21 February 2018. The aggregate number of APA Securities held directly or beneficially by the current Directors or their related entities as at 30 June 2017 was 639,808.

14) Shirley In't Veld was appointed as a Director effective 19 March 2018. She held 25,000 securities on appointment.

15) Peter Wasow was appointed as a Director effective 19 March 2018. He held nil securities on appointment.

16) Leonard Bleasel AM retired as the Chairman and a Director on 27 October 2017. He held 637,616 securities on retirement.

17) John Fletcher retired as a Director on 21 February 2018. He held 88,250 securities on retirement.

directors' report. continued.

AUSTRALIAN PIPELINE TRUST AND ITS CONTROLLED ENTITIES

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 95.

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 27 to the financial statements.

The Board has considered those non-audit services provided by the Auditor and, in accordance with advice provided by 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 28 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 21 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

Michael Fraser
Chairman

Debra Goodin
Director

Sydney, 22 August 2018

remuneration report.

AUSTRALIAN PIPELINE TRUST AND ITS CONTROLLED ENTITIES
FOR THE YEAR ENDED 30 JUNE 2018

1. Individuals covered by this Remuneration Report

The Remuneration Report for APA for FY2018 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 Action 2001*, unless indicated otherwise, and forms part of the Directors' Report.

This Report includes the following KMP:

— Non-executive Directors (NEDs) – current and former; and

— Executive Key Management Personnel (KMP) (1).

Name	Role	Term as KMP in 2018
NEDs		
Michael Fraser	Chairman	Full year (2)
Steven Crane	Director	Full year
Debra (Debbie) Goodin	Director	Full year
Russell Higgins AO	Director	Full year
Shirley In't Veld	Director	Part year (3)
Patricia McKenzie	Director	Full year
Peter Wasow	Director	Part year (4)
Leonard Bleasel AM	Chairman (former)	Part year (5)
John Fletcher	Director (former)	Part year (6)
Executive KMP		
Michael (Mick) McCormack	Chief Executive Officer/Managing Director (CEO/MD)	Full year
Peter Fredricson	Chief Financial Officer (CFO)	Full year
Ross Gersbach	Chief Executive Strategy and Development	Full year
Robert Wheals	Group Executive Transmission	Full year

2. Executive Summary

2.1 FY2018 Remuneration highlights

The table below provides a snapshot of the key changes and outcomes under the relevant remuneration frameworks.

APA's financial performance 2014 to 2018

Normalised financial results (7)	FY2014	FY2015	FY2016	FY2017	FY2018
Earnings Before Interest Tax Depreciation and Amortisation (EBITDA) ($m)	747.3	822.3	1,330.5	1,470.1	1,518.5
Profit after tax ($m)	199.6	203.9	179.5	236.8	264.8
Operating cash flow per security (cents) (8)	49.6	56.3	77.1	87.1	90.7
Distribution per security (cents) (9)	36.3	38.0	41.5	43.5	45.0
Closing security price at 30 June ($)	6.89	8.24	9.24	9.17	9.85

1) The Board reviewed the composition of Executive KMP from 1 July 2017. It was recognised that members of the Executive Committee all had some degree of authority and responsibility for planning, directing and controlling the activities of the entity, directly or indirectly. However, by the nature of their positions, some had a greater focus on planning and strategy, whilst, conversely, others concentrated more on the tactical execution of the business strategy. The Executive KMP disclosed are those whom, the Board deemed, most accurately met the definition prescribed under Australian Accounting Standards Board (AASB) 124.

2) Appointed Chairman 27 October 2017.

3) Appointed 19 March 2018.

4) Appointed 19 March 2018.

5) Retired 27 October 2017.

6) Retired 21 February 2018.

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

8) The number of securities used for the calculation of operating cash flow per security from FY2018 to FY2014 have been adjusted by an adjustment factor of 1.0038 to reflect the discounted rights offer issued in March 2018. The average number of securities for FY2015 and FY2014 has been further adjusted by an adjustment factor of 1.0360 to reflect the discounted rights offer issued between 23 December 2014 and 28 January 2015. The average number of securities for FY2015 and FY2014 has been further adjusted by an adjustment factor of 1.0360 to reflect the discounted rights offer issued between 23 December 2014 and 28 January 2015.

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

remuneration report. continued.

AUSTRALIAN PIPELINE TRUST AND ITS CONTROLLED ENTITIES
FOR THE YEAR ENDED 30 JUNE 2018

2.1 FY2018 Remuneration highlights (continued)

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.

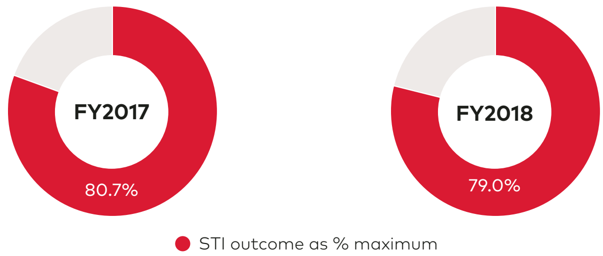
Total remuneration outcomes

In FY2018, APA continued to see strong business performance and delivery of value to Securityholders. This drove an increase in the average (actual) total remuneration received compared to FY2017.

Short term incentive

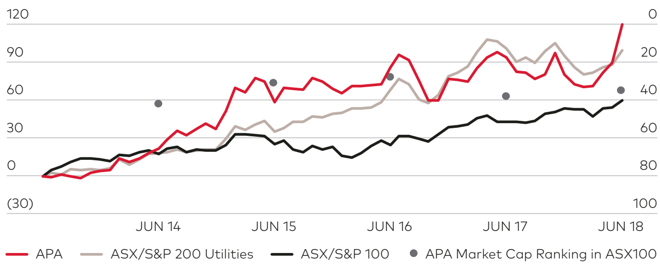
STI performance continues to be assessed against a balanced scorecard.

STI awards are subject to the performance gateway of Operating Cash Flow per Security (OCFPS). For FY2018, OCFPS performance was assessed at 137.1% out of a maximum of 150%. This provides the total opportunity to which the individual executive performance outcomes are applied.



Long term incentive

Reflecting the link between organisational performance and executive reward, executives will forfeit 50% of their LTI allocation under the Relative TSR performance hurdle. The internal hurdle, EBITDA/Funds Employed (FE), achieved an outcome of 95.4%. This means that 47.7% of the total LTI opportunity will be awarded in respect of the FY2018 financial year.



Minimum shareholding requirements

The Directors, CEO/MD and CFO met the minimum security holding requirement, the only exception being Mr Wasow, as a newly appointed Director (19 March 2018). The remaining Executive KMP continued to progress towards the required level for this requirement.

Non-executive Directors fees

There were no increases to Non-executive Director and Committee fees. Effective 1 January 2018, the Board adopted a total remuneration approach, whereby all NED emoluments are inclusive of any superannuation contributions.

2.2 Actual remuneration earned in FY2018

The table below summarises the actual remuneration earned by the current executive KMP relating to the past financial year.

Name	Fixed pay (10) $	STI (11) $	LTI vested (12) $	**Total $**
M McCormack	1,955,000	1,708,690	1,740,831	**5,404,521**
P Fredricson	903,000	532,960	559,233	**1,995,193**
R Gersbach	924,980	535,330	577,932	**2,038,242**
R Wheals	780,000	503,680	446,764	**1,730,444**

This table supplements, and is different to, the Statutory Remuneration table, which presents the accounting expense for both vested and unvested awards in accordance with the Australian Accounting Standards.

10) Fixed pay is inclusive of cash salary and any salary sacrifice items (including any relevant fringe benefits tax) such as car parking, motor vehicles and superannuation.
11) STI refers to performance achieved in FY2018 and is paid in September 2018.
12) LTI vested refers to the cash amount paid in September 2018, based on the VWAP and number of reference units vesting at that time.

remuneration report. continued.

AUSTRALIAN PIPELINE TRUST AND ITS CONTROLLED ENTITIES
FOR THE YEAR ENDED 30 JUNE 2018

2.3 Looking ahead to Financial Year 2019 (FY2019)

The table below provides an overview of the activities concerning remuneration strategies and frameworks planned for FY2019.

Fixed pay	We will continue to set fixed pay levels with reference to comparable external benchmarks.
Short term incentive (STI)	Consistent with prior financial years, balanced scorecards will be established for each Executive KMP, covering key performance indicators across financial, business, strategic, people development and health, safety and environment with measures for target and stretch outcomes in FY2019.
Long term incentive (LTI)	The Board continues to believe that the LTI provides the most effective link between executive retention and alignment with the creation of longer term Securityholder value.

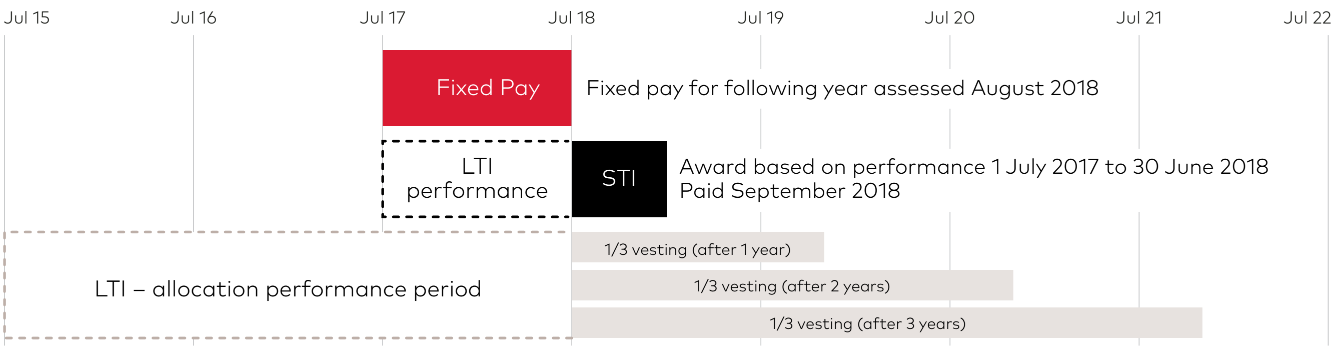
3. Executive Remuneration Framework

The Board recognises 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 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 an appropriate component of remuneration is linked to the creation of value for our investors.

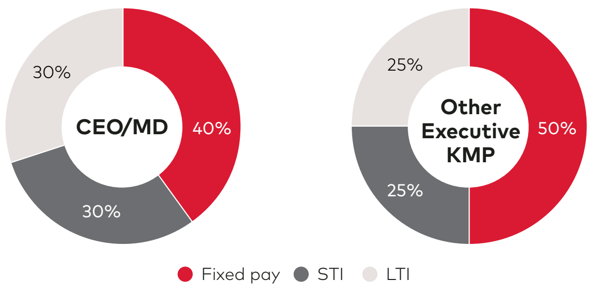
3.1 Remuneration overview for FY2018

The following timeline illustrates the time frame for the assessment and delivery of fixed remuneration and variable reward.



3.2 Remuneration structure

The table to the right provides an overview of the pay mix for Executive KMP. Each remuneration element is expressed as a percentage of the target total reward opportunity.



Fixed pay

Fixed pay includes base salary and any salary sacrifice items (including any relevant fringe benefits tax) such as car parking, motor vehicles and superannuation. The level of fixed pay is based on a number of factors, including the skills and experience of the individual, external market positioning and the size and complexity of the role.

APA benchmarks each Executive KMP role against external positions in companies with comparable market capitalisation, similar industries and key comparators to gain a comprehensive view of all elements of executive remuneration.

Variable reward

Variable reward consists of incentive schemes which focus on APA and individual performance on an annual (STI) and longer term (LTI) basis.

The size of the "pool" of funds available for the short term incentive is determined by the Group's OCFPS for the year. This is then subject to individual performance of executives against key measures. Actual performance against STI objectives is assessed at the end of the financial year. This assessment is reviewed by the People and Remuneration Committee (the Committee). The Committee (in conjunction with the Board) reviews the assessment of each executive's outcome in light of the overall business performance, and provides final approval of the STI outcomes upon completion of the review.

The LTI complements the STI by focussing executives on the long term performance of APA. Performance is assessed over the three years preceding the LTI allocation, based on relative shareholder returns (relative TSR measure) and cash flow leverage achieved based on operating assets (EBITDA/FE measure). The Committee reviews the performance over the preceding three year period, with the Board providing final approval of the LTI allocation.

remuneration report. continued.

AUSTRALIAN PIPELINE TRUST AND ITS CONTROLLED ENTITIES
FOR THE YEAR ENDED 30 JUNE 2018

4. Executive Incentive Plans and FY2018 Outcomes

4.1 Short term incentive plan

The diagram below outlines the STI plan design for FY2018.

Gateway and modifier
Operating Cash Flow per Security

STI Scorecard
Scorecard area
Financial
Strategic
Health, safety & environment
People development & culture
Personal (including specific divisional KPIs)

Weighting % dependent on Executive KMP

×

STI opportunity		
Role	Target	Stretch
CEO/MD	30.0%	45.0%
Other Executive KMP	25.0%	37.5%

=

Individual STI outcome (delivered in cash in September)

STI opportunity is only realisable if the OCFPS gateway performance set by the Board is met.
If the gateway is met, the STI opportunity available may be modified based on OCFPS performance achieved.
The adjustment is based on a sliding scale and the STI is either positively or negatively modified depending on the financial result.

FY2018 STI outcomes – CEO/MD

The Board reviewed the CEO/MD's performance in light of APA's performance in FY2018, taking into account his performance against the key performance indicators (KPIs) in his STI scorecard, and determined that the STI outcome is 85.0% of his Target.

CEO/MD FY18 STI scorecard outcomes

Scorecard area	KPI measure	Weighting	Outcome (Threshold – 100%)
Financial	Deliver OCFPS targets Delivery of capital projects	53%	
Strategic	Regulatory Management Strategy Development Non-Pipeline Growth	25%	
Health, safety & environment	TRIFR CHAT (Contractor HSE Assessment Tool) Audits complete	5%	
People development & culture	Leadership & Succession Diversity & Inclusion	7%	
Personal	At Board Discretion	10%	
Total		**100%**	**85%**

The CEO/MD sets the scorecard measures for the other Executive KMP, ensuring scorecards reflect the priorities of the relevant area of the business as well as APA as a whole. FY2018 STI scorecard outcomes for the Executive KMP ranged between 84.7% and 94.2% of Target (i.e. 100%).

These are individual performance outcomes which are then adjusted by APA's performance against the OCFPS performance modifier, which acts as a form of 'gate opener' and a determinant of the overall STI opportunity.

FY2018 STI outcomes – Executive KMP

Detailed below are the individual scorecard outcomes for each of the Executive KMP. While there are a number of shared KPIs, different weightings and KPIs have also been set for each Executive KMP, reflecting the nature of their role and its contribution to APA's business outcomes.

	KPI outcomes against target outcome (maximum opportunity)		
Executive KMP	Financial KPIs	Non-financial KPIs	Performance outcome
P Fredricson	100.0% (45.0%)	74.7% (55.0%)	86.1% (100%)
R Gersbach	100.0% (25.0%)	79.6% (75.0%)	84.7% (100%)
R Wheals	100.0% (38.0%)	90.6% (62.0%)	94.2% (100%)

remuneration report. continued.

AUSTRALIAN PIPELINE TRUST AND ITS CONTROLLED ENTITIES
FOR THE YEAR ENDED 30 JUNE 2018

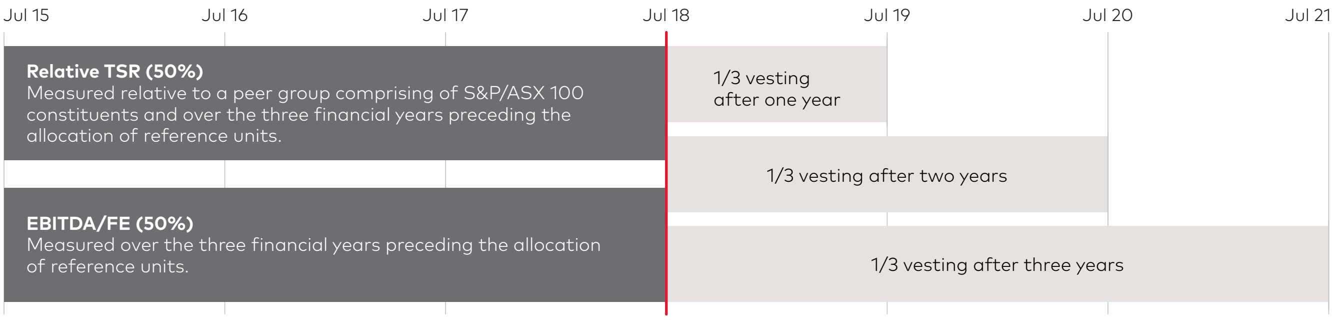
FY2018 STI outcomes – Executive KMP (continued)

The table below provides an overview of the STI outcomes for FY2018, representing the combination of both individual performance outcomes (against agreed objectives) and the application of the STI Plan modifier (i.e. the OCFPS performance level of 137.1% out of a maximum of 150%).

	STI earned		STI forfeited	
Executive KMP	% of maximum opportunity	$ earned	% of maximum opportunity	$ foregone
M McCormack	77.7%	1,708,690	22.3%	490,685
P Fredricson	78.7%	532,960	21.3%	144,290
R Gersbach	77.4%	535,330	22.6%	156,170
R Wheals	86.1%	503,680	13.9%	81,320

4.2 Long term incentive plan

The Executive KMP have a target LTI opportunity of 100% of their allocated percentage of total reward, increasing to a maximum of 150%, where outstanding performance is achieved against the performance hurdles. The diagram below outlines the LTI plan design for FY2018.



Allocation of reference units based on relative TSR and EBITDA/FE performance using a 30-day VWAP. Reference units are settled in cash, and do not entitle the executive to voting rights or distributions. There is no retesting of the allocation.

Determining the number of reference units

Relative TSR	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 over a three year period.
EBITDA/FE	A sliding scale also ranges between 0% and 150%, which becomes progressively more challenging with the maximum amount of 150% available only when EBITDA/FE performance is significantly above the agreed financial metrics.

Allocation schedules

Measure	Performance outcome	Allocation outcome
Relative TSR	Less than 50 percentile	0% of eligible reference units
	Between 50 percentile and 82.5 percentile	Sliding scale between 0% and 150% of eligible reference units
EBITDA/FE	Less than 10.372%	0% of eligible reference units
	Greater than 10.372%	Sliding scale between 80% and 150% of eligible reference units

FY2018 LTI outcomes

Eligible executives received cash-settled reference units with an allocation date of August 2018 (vesting and paid in September over the three following years of 2019, 2020 and 2021 in equal parts). The table below provides a summary of LTI awards based on performance against the hurdles for the current and previous three years.

	Performance assessment		
Year allocation	Relative TSR (50%)	EBITDA/FE (50%)	LTI awarded % of maximum allocation
FY2015	100.0	90.8	95.4
FY2016	85.3	62.9	74.1
FY2017	73.4	83.2	78.3
FY2018	0.0	63.6	31.8

remuneration report. continued.

AUSTRALIAN PIPELINE TRUST AND ITS CONTROLLED ENTITIES
FOR THE YEAR ENDED 30 JUNE 2018

FY2018 LTI outcomes (continued)

Below is a summary of LTI allocations relating to FY2018 based on performance against the hurdles over the three year performance period. These units were allocated in August 2018.

Executive KMP	Number of reference units allocated	Potential value of allocation yet to vest ($) [13]
M McCormack	71,364	699,032
P Fredricson	21,975	215,252
R Gersbach	22,437	219,777
R Wheals	18,981	185,925

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	Termination without cause	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 Additional provisions

The table below summarises additional provisions as they relate to the remuneration of Executive KMP.

Provision	STI	LTI
Clawback	The Board in its discretion may determine that some, or all, of an Executive KMP's 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.	
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).	If a participant resigns or is dismissed (with or without notice), all unvested reference units are forfeited. If an employee leaves for any other reason, the Board determines the number of reference units which will lapse or are retained, subject to vesting on the original schedule.
Change of control	Subject to Board discretion, if a change of control occurs, an STI award will be paid out based on the proportion of the period that has passed at the time of change of control to the extent to which performance conditions have been met.	Subject to Board discretion, if a change of control occurs, all previously allocated reference units will vest to the extent to which performance conditions have been met, i.e. tenure. A further number of reference units will be allocated based on the proportion of the period that has passed in the current financial year at the time of change of control and will also vest on change of control.

5.3 Minimum security ownership requirement

The minimum security ownership requirement helps to ensure the interests of Directors, Executive KMP and investors are aligned.

Executive KMP [14] are expected to grow their holding to the minimum security ownership requirement within five years from the date of the implementation of the minimum security ownership requirement policy in 2016. These security holdings have to be acquired from post-tax income as APA does not have an equity-settled LTI. As at 30 June 2018:

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

5.4 Sign-on/loans/termination payments provided to Executive KMP

APA did not pay any sign-on payments to Executive KMP during FY2018.

No loans have been made to any Executive KMP and/or related parties.

No termination payments have been made to Executive KMP during FY2018.

13) The potential value of the allocation has been estimated based on the cash award valuations at the allocation date.
14) Subsequently appointed Executive KMP have three years from their date of appointment to meet the minimum security ownership requirement.

remuneration report. continued.

AUSTRALIAN PIPELINE TRUST AND ITS CONTROLLED ENTITIES
FOR THE YEAR ENDED 30 JUNE 2018

6. Non-executive Directors

6.1. 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 or participate in incentive plans of any type. One off 'per diems' may be paid in exceptional circumstances. No payments were made under this arrangement in this or the prior reporting period. Fees are inclusive of superannuation contributions which are provided in accordance with the statutory requirements under the Superannuation Guarantee Act.

The Board Chairman does not receive additional fees for attending committee meetings.

6.2 Aggregate fee pool

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

6.3 Director fees

No changes were made to NED fees in FY2018. Note that the fees detailed below are inclusive of superannuation [15].

	Effective 1 January 2018	
Fees	Chairman $000	Member $000
Board	511.4	174.1
Audit and Risk Management Committee	47.9	23.9
Health, Safety and Environment Committee	39.9	19.9
People and Remuneration Committee	39.9	19.9
Nominations Committee	None paid	None paid

6.4 Minimum security ownership requirement

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 NEDs and is a requirement of their employment agreement. As at 30 June 2018 all NEDs met this requirement, with the exception of Peter Wasow, who was newly appointed in March 2018.

7. Remuneration Governance

7.1 Role of People and Remuneration Committee

The Committee has been established by the Board to oversee Executive KMP and NED remuneration. The role of the Committee is to ensure the provision of a robust remuneration system that aligns employee and investor interests whilst 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 and talent plans.

7.2 Composition of the Committee

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

- Peter Wasow (Chairman);
- Steven Crane;
- Shirley In't Veld; and
- Patricia McKenzie.

The CEO/MD and nominated senior executives attend meetings of the Committee by invitation. The Committee met four times during the year.

15) NED fees, as reported in FY2017 and FY2016, were exclusive of superannuation. Effective 1 January 2018, APA adopted a total remuneration approach, whereby all NED emoluments are inclusive of any superannuation contributions.

remuneration report. continued.

AUSTRALIAN PIPELINE TRUST AND ITS CONTROLLED ENTITIES
FOR THE YEAR ENDED 30 JUNE 2018

7.3 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 FY2018, 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
- 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, providing analysis to the Committee and Board. This advice is used as a guide, and does not serve as a substitute for the thorough consideration of the issues by each Director.

8. Statutory Tables

8.1 Total remuneration earned and received by Executive KMP [16]

	Short-Term Employment Benefits $		Post-Employment $	LTI Plans $	Total $
	Salary [17]	Awarded STI [18]	Superannuation	Security-Based Payments [19]	
M McCormack					
2018	**1,930,000**	**1,708,690**	**25,000**	**1,479,646**	**5,143,336**
2017	1,865,000	1,724,472	35,000	1,485,242	5,109,714
P Fredricson					
2018	**878,000**	**532,960**	**25,000**	**472,995**	**1,908,955**
2017	842,000	541,944	35,000	485,756	1,904,700
R Gersbach					
2018	**904,931**	**535,330**	**20,049**	**488,139**	**1,948,449**
2017	860,000	512,739	35,000	504,246	1,911,985
R Wheals					
2018	**755,000**	**503,680**	**25,000**	**381,368**	**1,665,048**
2017	702,000	461,765	30,000	374,026	1,567,791
Total Remuneration					
2018	**4,467,931**	**3,280,660**	**95,049**	**2,822,148**	**10,665,788**
2017	4,269,000	3,240,920	135,000	2,849,270	10,494,190

16) This table outlines the total remuneration earned by Executive KMP during FY2017 and FY2018, calculated in accordance with the appropriate accounting standard, *AASB 2: Share-based Payments*. The FY2017 total remuneration differs from the amount disclosed in the Report last year due to the review of Executive KMP.

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) 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. Cash settled reference units which were allocated during FY2018, based on an estimated VWAP of $9.7953.

remuneration report. continued.

AUSTRALIAN PIPELINE TRUST AND ITS CONTROLLED ENTITIES
FOR THE YEAR ENDED 30 JUNE 2018

8.2 NED Statutory Remuneration Disclosure – NED Remuneration for FY2017 and FY2018

	Short-term employment benefits	Post-employment benefits	
Financial Year	Fees $	Superannuation $	Total $
M Fraser [20]			
FY2018	**377,667**	**35,900**	**413,567**
FY2017	196,227	18,854	215,081
S Crane			
FY2018	**208,125**	**19,775**	**227,900**
FY2017	217,200	20,650	237,850
D Goodin			
FY2018	**211,775**	**20,125**	**231,900**
FY2017	195,750	18,600	214,350
R Higgins AO			
FY2018	**217,200**	**20,600**	**237,800**
FY2017	213,600	20,300	233,900
P McKenzie			
FY2018	**195,400**	**18,600**	**214,000**
FY2017	192,200	18,300	210,500
S In't Veld [21]			
FY2018	**56,252**	**5,355**	**61,607**
P Wasow [22]			
FY2018	**62,527**	**5,930**	**68,457**
L Bleasel AM [23]			
FY2018	**152,129**	**14,464**	**166,593**
FY2017	453,500	43,100	496,600
J Fletcher [24]			
FY2018	**144,800**	**13,733**	**158,533**
FY2017	213,600	20,300	233,900
Total			
FY2018	**1,625,875**	**154,482**	**1,780,357**
FY2017	1,682,077	160,104	1,842,181

8.3 Outstanding LTI awards

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

Reflecting the equity raising in February 2018, all unvested units have been adjusted by a factor of 1.0017. The adjustment [25] is not retrospective and only impacts allocations vesting in August 2018, August 2019 and August 2020.

20) Appointed Chairman 27 October 2017.
21) Appointed 19 March 2018.
22) Appointed 19 March 2018.
23) Retired 27 October 2017.
24) Retired 21 February 2018.
25) Effective from 22 August 2018, being the date of Board approval.

remuneration report. continued.

AUSTRALIAN PIPELINE TRUST AND ITS CONTROLLED ENTITIES
FOR THE YEAR ENDED 30 JUNE 2018

8.3 Outstanding LTI awards (continued)

	Allocation Date	Opening balance at 1 Jul 2017 [26]	Units allocated in 2018	Cash settled reference units paid	Closing balance at 30 Jun 2018	Units subject to allocation by the Board in Aug 2018	Reference units allocated that have not yet vested or been paid and the months in which they will vest: Aug 2018	Aug 2019	Aug 2020	Aug 2021
M McCormack	2014	45,047		(45,047)						
	2015	125,636		(62,765)	62,871		62,871			
	2016	155,720		(51,848)	103,872		51,936	51,936		
	2017		188,742		188,742		62,914	62,914	62,914	
	2018					71,364		23,788	23,788	23,788
	Total						**177,721**	**138,638**	**86,702**	**23,788**
P Fredricson	2014	15,750		(15,750)						
	2015	42,672		(21,318)	21,354		21,354			
	2016	49,110		(16,352)	32,758		16,379	16,379		
	2017		58,077		58,077		19,359	19,359	19,359	
	2018					21,975		7,325	7,325	7,325
	Total						**57,092**	**43,063**	**26,684**	**7,325**
R Gersbach	2014	16,611		(16,611)						
	2015	45,024		(22,493)	22,531		22,531			
	2016	50,111		(16,685)	33,426		16,713	16,713		
	2017		59,271		59,271		19,757	19,757	19,757	
	2018					22,437		7,479	7,479	7,479
	Total						**59,001**	**43,949**	**27,236**	**7,479**
R Wheals	2014	10,500		(10,500)						
	2015	32,277		(16,125)	16,152		16,152			
	2016	39,875		(13,277)	26,598		13,299	13,299		
	2017		48,477		48,477		16,159	16,159	16,159	
	2018					18,981		6,327	6,327	6,327
	Total						**45,610**	**35,785**	**22,486**	**6,327**

8.4 Securityholdings

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

Year ended 30 June 2018	Opening Balance at 1 July 2017	Securities Acquired	Securities Disposed	Closing Balance at 30 June 2018
Non-executive Directors				
M Fraser [27]	25,000	77,942	–	102,942
S Crane	130,000	–	–	130,000
D Goodin	19,200	3,800	–	23,000
R Higgins AO	122,719	7,220	–	129,939
P McKenzie	22,889	1,348	–	24,237
S In't Veld [28]	–	25,000	–	25,000
P Wasow [29]	–	15,000	–	15,000
Executive KMP				
M McCormack	320,000	30,000	–	350,000
P Fredricson	40,000	8,500	–	48,500
R Gersbach	20,485	1,206	–	21,691
R Wheals	32,000	1,883	–	33,883

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) The units have been adjusted following the discounted equity entitlement offer.
27) Appointed Chairman 27 October 2017.
28) Appointed 19 March 2018.
29) Appointed 19 March 2018.

consolidated statement of profit or loss and other comprehensive income.

AUSTRALIAN PIPELINE TRUST AND ITS CONTROLLED ENTITIES
FOR THE FINANCIAL YEAR ENDED 30 JUNE 2018

	Note	2018 $000	2017 $000
Continuing operations			
Revenue	4	**2,364,798**	2,304,627
Share of net profits of associates and joint ventures using the equity method	4	**21,924**	21,793
		2,386,722	2,326,420
Asset operation and management expenses		**(214,339)**	(207,329)
Depreciation and amortisation expense	5	**(578,916)**	(570,021)
Other operating costs – pass-through	5	**(445,307)**	(438,140)
Finance costs	5	**(515,515)**	(518,249)
Employee benefit expense	5	**(197,545)**	(197,747)
Other expenses		**(5,206)**	(8,600)
Profit before tax		**429,894**	386,334
Income tax expense	6	**(165,055)**	(149,488)
Profit for the year		**264,839**	236,846
Other comprehensive income, net of income tax			
Items that will not be reclassified subsequently to profit or loss:			
Actuarial gain on defined benefit plan		**1,588**	5,452
Income tax relating to items that will not be reclassified subsequently		**(476)**	(1,636)
		1,112	3,816
Items that may be reclassified subsequently to profit or loss:			
Transfer of gain on cash flow hedges to profit or loss		**93,901**	92,459
(Loss)/gain on cash flow hedges taken to equity		**(278,831)**	164,536
Gain on associate hedges taken to equity		**8,632**	10,921
Income tax relating to items that may be reclassified subsequently		**52,906**	(80,354)
		(123,392)	187,562
Other comprehensive income for the year (net of tax)		**(122,280)**	191,378
Total comprehensive income for the year		**142,559**	428,224
Profit attributable to:			
Unitholders of the parent		**196,790**	163,879
Non-controlling interest – APT Investment Trust unitholders		**68,049**	72,967
APA stapled securityholders		**264,839**	236,846
Total comprehensive income attributable to:			
Unitholders of the parent		**74,510**	355,257
Non-controlling interest – APT Investment Trust unitholders		**68,049**	72,967
APA stapled securityholders		**142,559**	428,224

Earnings per security		**2018**	2017 (Restated)
Basic and diluted (cents per security)	7	**23.3**	21.2

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 2018

	Note	2018 $000	2017 $000
Current assets			
Cash and cash equivalents	18	**100,643**	394,501
Trade and other receivables	9	**251,720**	289,709
Other financial assets	20	**55,525**	52,334
Inventories		**28,534**	25,260
Other		**12,487**	10,527
Current assets		**448,909**	772,331
Non-current assets			
Trade and other receivables	9	**14,030**	15,496
Other financial assets	20	**591,487**	458,773
Investments accounted for using the equity method	23	**271,597**	259,882
Property, plant and equipment	11	**9,691,666**	9,150,165
Goodwill	12	**1,183,604**	1,183,604
Other Intangible assets	12	**2,992,431**	3,174,282
Other	15	**33,502**	31,415
Non-current assets		**14,778,317**	14,273,617
Total assets		**15,227,226**	15,045,948
Current liabilities			
Trade and other payables	10	**381,676**	312,611
Borrowings	18	**329,219**	126,858
Other financial liabilities	20	**139,401**	145,768
Provisions	14	**83,629**	93,773
Unearned revenue		**20,922**	19,225
Current liabilities		**954,847**	698,235
Non-current liabilities			
Trade and other payables	10	**5,089**	4,984
Borrowings	18	**9,321,377**	9,573,907
Other financial liabilities	20	**128,510**	182,087
Deferred tax liabilities	6	**558,442**	502,265
Provisions	14	**71,951**	69,051
Unearned revenue		**60,183**	37,236
Non-current liabilities		**10,145,552**	10,369,530
Total liabilities		**11,100,399**	11,067,765
Net assets		**4,126,827**	3,978,183
Equity			
Australian Pipeline Trust equity:			
Issued capital	21	**3,288,123**	3,114,617
Reserves		**(331,165)**	(207,773)
Retained earnings		**105,412**	60,804
Equity attributable to unitholders of the parent		**3,062,370**	2,967,648
Non-controlling interests:			
APT Investment Trust:			
Issued capital		**1,030,176**	976,284
Retained earnings		**34,228**	34,198
Equity attributable to unitholders of APT Investment Trust	22	**1,064,404**	1,010,482
Other non-controlling interest		**53**	53
Total non-controlling interests		**1,064,457**	1,010,535
Total equity		**4,126,827**	3,978,183

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 2018

	Australian Pipeline Trust					APT Investment Trust			Other non-controlling interest				
	Issued Capital $000	Asset Revaluation Reserve $000	Hedging Reserve $000	Retained earnings $000	Attributable to owners of the parent $000	Issued Capital $000	Retained earnings $000	APT Investment Trust $000	Issued Capital $000	Other $000	Retained earnings $000	Other non-controlling Interest $000	Total $000
Balance at 1 July 2016	3,195,445	8,669	(404,004)	182,062	2,982,172	1,005,074	41,812	1,046,886	4	1	48	53	4,029,111
Profit for the year	–	–	–	163,879	163,879	–	72,967	72,967	–	–	–	–	236,846
Other comprehensive income	–	–	267,916	5,452	273,368	–	–	–	–	–	–	–	273,368
Income tax relating to components of other comprehensive income	–	–	(80,354)	(1,636)	(81,990)	–	–	–	–	–	–	–	(81,990)
Total comprehensive income for the year	–	–	187,562	167,695	355,257	–	72,967	72,967	–	–	–	–	428,224
Payment of distributions (Note 8)	(80,828)	–	–	(288,953)	(369,781)	(28,790)	(80,581)	(109,371)	–	–	–	–	(479,152)
Balance at 30 June 2017	3,114,617	8,669	(216,442)	60,804	2,967,648	976,284	34,198	1,010,482	4	1	48	53	3,978,183
Balance at 1 July 2017	**3,114,617**	**8,669**	**(216,442)**	**60,804**	**2,967,648**	**976,284**	**34,198**	**1,010,482**	**4**	**1**	**48**	**53**	**3,978,183**
Profit for the year	**–**	**–**	**–**	**196,790**	**196,790**	**–**	**68,049**	**68,049**	**–**	**–**	**–**	**–**	**264,839**
Other comprehensive income	**–**	**–**	**(176,298)**	**1,588**	**(174,710)**	**–**	**–**	**–**	**–**	**–**	**–**	**–**	**(174,710)**
Income tax relating to components of other comprehensive income	**–**	**–**	**52,906**	**(476)**	**52,430**	**–**	**–**	**–**	**–**	**–**	**–**	**–**	**52,430**
Total comprehensive income for the year	**–**	**–**	**(123,392)**	**197,902**	**74,510**	**–**	**68,049**	**68,049**	**–**	**–**	**–**	**–**	**142,559**
Payment of distributions (Note 8)	**(201,385)**	**–**	**–**	**(153,294)**	**(354,679)**	**(67,597)**	**(68,019)**	**(135,616)**	**–**	**–**	**–**	**–**	**(490,295)**
Securities issued under entitlement offer	**380,782**	**–**	**–**	**–**	**380,782**	**124,234**	**–**	**124,234**	**–**	**–**	**–**	**–**	**505,016**
Issue cost of securities	**(8,415)**	**–**	**–**	**–**	**(8,415)**	**(2,745)**	**–**	**(2,745)**	**–**	**–**	**–**	**–**	**(11,160)**
Tax relating to security issue costs	**2,524**	**–**	**–**	**–**	**2,524**	**–**	**–**	**–**	**–**	**–**	**–**	**–**	**2,524**
Balance at 30 June 2018	**3,288,123**	**8,669**	**(339,834)**	**105,412**	**3,062,370**	**1,030,176**	**34,228**	**1,064,404**	**4**	**1**	**48**	**53**	**4,126,827**

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
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	Note	2018 $000	2017 $000
Cash flows from operating activities			
Receipts from customers		**2,635,344**	2,508,269
Payments to suppliers and employees		**(1,111,969)**	(1,065,473)
Dividends received from associates and joint ventures		**18,841**	22,411
Proceeds from repayment of finance leases		**1,774**	2,290
Interest received		**9,967**	5,755
Interest and other costs of finance paid		**(473,243)**	(481,427)
Income tax paid		**(49,087)**	(17,889)
Net cash provided by operating activities		**1,031,627**	973,936
Cash flows from investing activities			
Payments for property, plant and equipment		**(875,030)**	(340,753)
Proceeds from sale of property, plant and equipment		**663**	693
Payments for equity accounted investments		**–**	(35,250)
Payments for controlled entities net of cash acquired		**–**	(760)
Payments for intangible assets		**(1,161)**	(1,456)
Net cash used in investing activities		**(875,528)**	(377,526)
Cash flows from financing activities			
Proceeds from borrowings		**309,718**	2,144,576
Repayments of borrowings		**(761,733)**	(1,944,932)
Loans advance to related parties		**(282)**	–
Proceeds from issue of securities		**505,016**	–
Payments of security issue costs		**(10,554)**	–
Payment of debt issue costs		**(1,581)**	(8,446)
Release of restricted cash		**–**	2,149
Distributions paid to:			
Unitholders of APT		**(354,679)**	(369,781)
Unitholders of non-controlling interests – APTIT		**(135,616)**	(109,371)
Net cash used in financing activities		**(449,711)**	(285,805)
Net (decrease)/increase in cash and cash equivalents		**(293,612)**	310,605
Cash and cash equivalents at beginning of financial year		**394,501**	84,506
Unrealised exchange losses on cash held		**(246)**	(610)
Cash and cash equivalents at end of financial year	18	**100,643**	394,501

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 2018

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

	2018 $000	2017 $000
Profit for the year	**264,839**	236,846
Acquisition costs from business combinations	**–**	(101)
Profit on disposal of property, plant and equipment	**(466)**	(311)
Share of net profits of joint ventures and associates using the equity method	**(21,924)**	(21,793)
Dividends/distributions received from equity accounted investments	**18,841**	22,411
Depreciation and amortisation expense	**578,916**	570,021
Finance costs	**15,569**	13,926
Unrealised foreign exchange loss	**1,966**	28
Realised hedging loss	**6,904**	7,514
Changes in assets and liabilities:		
Trade and other receivables	**18,894**	(16,766)
Inventories	**(3,177)**	(371)
Other assets	**(1,695)**	266
Trade and other payables	**20,115**	27,286
Provisions	**(11,303)**	(562)
Other liabilities	**28,167**	3,943
Income tax balances	**115,981**	131,599
Net cash provided by operating activities	**1,031,627**	973,936

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 2018

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.

notes to the consolidated financial statements. continued.

AUSTRALIAN PIPELINE TRUST AND ITS CONTROLLED ENTITIES
FOR THE FINANCIAL YEAR ENDED 30 JUNE 2018

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 25
580 George Street
Sydney NSW 2000
Tel: (02) 9693 0000

The consolidated general purpose financial report for the year ended 30 June 2018 was authorised for issue in accordance with a resolution of the directors on 22 August 2018.

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

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

Working capital position

The working capital position as at 30 June 2018 for APA Group is that current liabilities exceed current assets by $505.9 million (2017: current assets exceeded current liabilities by $74.1 million) primarily as a result of current borrowings of $329.2 million and $139.4 million (AUD equivalent) of cash flow hedge liabilities.

APA Group has access to sufficient available committed, un-drawn bank facilities of $868.8 million as at 30 June 2018 (2017: $1,068.8 million) to meet the repayment of current borrowings on due date.

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

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 2018

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

2018	Energy Infrastructure $000	Asset Management $000	Energy Investments $000	Other $000	Consolidated $000
Segment revenue (a)					
External sales revenue	**1,802,505**	**108,537**	**–**	**–**	**1,911,042**
Equity accounted net profits	**–**	**–**	**21,924**	**–**	**21,924**
Pass-through revenue	**44,265**	**401,042**	**–**	**–**	**445,307**
Finance lease and investment interest income	**1,454**	**–**	**1,144**	**–**	**2,598**
Total segment revenue	**1,848,224**	**509,579**	**23,068**	**–**	**2,380,871**
Other interest income					**5,851**
Consolidated revenue					**2,386,722**
Segment result					
Earnings before interest, tax, depreciation and amortisation ("EBITDA")	**1,495,642**	**66,204**	**–**	**–**	**1,561,846**
Share of net profits of joint ventures and associates using the equity method	**–**	**–**	**21,924**	**–**	**21,924**
Finance lease and investment interest income	**1,454**	**–**	**1,144**	**–**	**2,598**
Corporate costs	**–**	**–**	**–**	**(67,894)**	**(67,894)**
Total EBITDA	**1,497,096**	**66,204**	**23,068**	**(67,894)**	**1,518,474**
Depreciation and amortisation	**(567,925)**	**(10,991)**	**–**	**–**	**(578,916)**
Earnings before interest and tax ("EBIT")	**929,171**	**55,213**	**23,068**	**(67,894)**	**939,558**
Net finance costs (b)					**(509,664)**
Profit before tax					**429,894**
Income tax expense					**(165,055)**
Profit for the year					**264,839**
Segment assets and liabilities					
Segment assets	**13,995,163**	**212,521**	**10,967**	**–**	**14,218,651**
Carrying value of investments using the equity method	**–**	**–**	**271,597**	**–**	**271,597**
Unallocated assets (c)					**736,978**
Total assets					**15,227,226**
Segment liabilities	**440,276**	**64,829**	**–**	**–**	**505,105**
Unallocated liabilities (d)					**10,595,294**
Total liabilities					**11,100,399**

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

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

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

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

notes to the consolidated financial statements. continued.

AUSTRALIAN PIPELINE TRUST AND ITS CONTROLLED ENTITIES
FOR THE FINANCIAL YEAR ENDED 30 JUNE 2018

Financial Performance

3. Segment information (continued)

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
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 [(c)]					894,921
Total assets					15,045,948
Segment liabilities	376,220	55,626	–	–	431,846
Unallocated liabilities [(d)]					10,635,919
Total liabilities					11,067,765

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

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

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

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

Information about major customers

Included in revenues arising from energy infrastructure of $1,802.5 million (2017: $1,771.3 million) are revenues of approximately $689.4 million (2017: $704.8 million) which arose from sales to APA Group's top three customers.

notes to the consolidated financial statements. continued.

AUSTRALIAN PIPELINE TRUST AND ITS CONTROLLED ENTITIES
FOR THE FINANCIAL YEAR ENDED 30 JUNE 2018

Financial Performance

4. Revenue

An analysis of APA Group's revenue for the year is as follows:	2018 $000	2017 $000
Energy Infrastructure revenue	**1,801,962**	1,770,794
Pass-through revenue	**44,265**	48,646
Energy Infrastructure revenue	**1,846,227**	1,819,440
Asset Management revenue	**108,537**	86,424
Pass-through revenue	**401,042**	389,494
Asset Management revenue	**509,579**	475,918
Operating revenue	**2,355,806**	2,295,358
Interest income	**5,851**	4,482
Interest income on redeemable preference shares (GDI) [(a)]	**1,144**	2,589
Finance lease income	**1,454**	1,643
Finance income	**8,449**	8,714
Rental income	**543**	555
Total revenue	**2,364,798**	2,304,627
Share of net profits of joint ventures and associates using the equity method	**21,924**	21,793
	2,386,722	2,326,420

a) 2017 includes interest on redeemable ordinary shares (EII)

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.

notes to the consolidated financial statements. continued.

AUSTRALIAN PIPELINE TRUST AND ITS CONTROLLED ENTITIES
FOR THE FINANCIAL YEAR ENDED 30 JUNE 2018

Financial Performance

5. Expenses

	2018 $000	2017 $000
Depreciation of non-current assets	**395,904**	387,140
Amortisation of non-current assets	**183,012**	182,881
Depreciation and amortisation expense	**578,916**	570,021
Energy infrastructure costs – pass-through	**44,265**	48,646
Asset management costs – pass-through	**401,042**	389,494
Other operating costs – pass-through	**445,307**	438,140
Interest on bank overdrafts and borrowings [a]	**517,503**	506,124
Amortisation of deferred borrowing costs	**8,968**	9,578
Other finance costs	**6,990**	5,742
	533,461	521,444
Less: amounts included in the cost of qualifying assets	**(23,697)**	(7,099)
	509,764	514,345
Gain on derivatives	**743**	(152)
Unwinding of discount on non-current liabilities	**5,008**	4,056
Finance costs	**515,515**	518,249
Defined contribution plans	**12,417**	11,308
Defined benefit plans (Note 16)	**2,280**	3,033
Post-employment benefits	**14,697**	14,341
Termination benefits	**(4,221)**	2,295
Cash settled security-based payments [b]	**20,915**	25,993
Other employee benefits	**166,154**	155,118
Employee benefit expense	**197,545**	197,747

a) The average interest rate applying to drawn debt is 5.65% p.a. (2017: 5.56% 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.

6. Income tax

The major components of tax expense are:

	2018 $000	2017 $000
Income statement		
Current tax expense in respect of the current year	**(54,536)**	(34,518)
Adjustments recognised in the current year in relation to current tax of prior years	**612**	456
Deferred tax expense relating to the origination and reversal of temporary differences	**(111,131)**	(115,426)
Total tax expense	**(165,055)**	(149,488)
Tax reconciliation		
Profit before tax	**429,894**	386,334
Income tax expense calculated at 30%	**(128,968)**	(115,900)
Non-assessable trust distribution	**20,415**	21,891
Non deductible expenses	**(58,319)**	(59,263)
Non assessable income	**19**	319
	(166,853)	(152,953)
Franking credits received	**–**	708
Previously unbooked losses now recognised	**690**	533
Adjustments recognised in the current year in relation to the current tax of prior years	**612**	456
R&D tax incentive	**496**	1,768
	(165,055)	(149,488)

notes to the consolidated financial statements. continued.

AUSTRALIAN PIPELINE TRUST AND ITS CONTROLLED ENTITIES
FOR THE FINANCIAL YEAR ENDED 30 JUNE 2018

Financial Performance

6. Income tax (continued)

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 $165.1 million (2017: $149.5 million). An income tax provision of $33.8 million (2017: $28.9 million) has been recognised after utilisation of all available group tax losses and partial utilisation of available transferred tax losses (refer to Note 10).

Deferred tax balances

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

2018	Opening balance $000	Charged to income $000	Charged to equity $000	Closing balance $000
Gross deferred tax liabilities				
Property, plant and equipment	**(810,121)**	**(93,648)**	**–**	**(903,769)**
Deferred expenses	**(56,480)**	**1,677**	**–**	**(54,803)**
Defined benefit obligation	**(68)**	**47**	**(476)**	**(497)**
Other	**(1,054)**	**821**	**–**	**(233)**
	(867,723)	**(91,103)**	**(476)**	**(959,302)**
Gross deferred tax assets				
Provisions	**45,891**	**(2,500)**	**–**	**43,391**
Cash flow hedges	**87,819**	**(118)**	**53,534**	**141,235**
Security issue costs	**3,624**	**(2,317)**	**2,524**	**3,831**
Deferred revenue	**4,406**	**9,342**	**–**	**13,748**
Investments equity accounted	**2,441**	**(108)**	**(628)**	**1,705**
Tax losses	**221,277**	**(24,327)**	**–**	**196,950**
	365,458	**(20,028)**	**55,430**	**400,860**
Net deferred tax liability	**(502,265)**	**(111,131)**	**54,954**	**(558,442)**
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)

Unrecognised deferred tax assets

	2018 $000	2017 $000
The following deferred tax assets have not been brought to account as assets:		
Tax losses – capital	**1,641**	1,641

notes to the consolidated financial statements. continued.

AUSTRALIAN PIPELINE TRUST AND ITS CONTROLLED ENTITIES
FOR THE FINANCIAL YEAR ENDED 30 JUNE 2018

Financial Performance

6. Income tax (continued)

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 24.

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

	2018 cents	2017 (Restated) cents
Basic and diluted earnings per security	**23.3**	21.2

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

	2018 $000	2017 $000
Net profit attributable to securityholders for calculating basic and diluted earnings per security	**264,839**	236,846

	2018 No. of securities 000	2017 (Restated) No. of securities 000
Adjusted weighted average number of ordinary securities used in the calculation of basic and diluted earnings per security	**1,136,875**	1,118,522

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

notes to the consolidated financial statements. continued.

AUSTRALIAN PIPELINE TRUST AND ITS CONTROLLED ENTITIES
FOR THE FINANCIAL YEAR ENDED 30 JUNE 2018

Financial Performance

8. Distributions

	2018 cents per security	2018 Total $000	2017 cents per security	2017 Total $000
Recognised amounts				
Final distribution paid on 13 September 2017				
(2017: 16 September 2016)				
Profit distribution – APT [(a)]	**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
Interim distribution paid on 14 March 2018				
(2017: 15 March 2017)				
Profit distribution – APT [(b)]	**8.30**	**92,491**	9.59	106,890
Capital distribution – APT	**7.29**	**81,202**	5.47	60,959
Profit distribution – APTIT [(a)]	**3.03**	**33,821**	3.48	38,770
Capital distribution – APTIT	**2.38**	**26,490**	1.96	21,814
	21.00	**234,004**	20.50	228,433
Total distributions recognised				
Profit distributions	**19.86**	**221,313**	33.16	369,534
Capital distributions	**24.14**	**268,982**	9.84	109,618
	44.00	**490,295**	43.00	479,152
Unrecognised amounts				
Final distribution payable on 12 September 2018 [(c)]				
(2017: 13 September 2017)				
Profit distribution – APT [(d)]	**8.93**	**105,412**	5.46	60,803
Capital distribution – APT	**9.03**	**106,513**	10.78	120,183
Profit distribution – APTIT [(a)]	**2.90**	**34,228**	3.07	34,198
Capital distribution – APTIT	**3.14**	**37,022**	3.69	41,107
	24.00	**283,175**	23.00	256,291

a) Profit distributions were unfranked (2017: unfranked).

b) Interim profit distributions were 5.83 cents per security franked and 2.47 cents per security unfranked (2017: 4.67 cents per security franked and 4.92 cents per security unfranked).

c) Record date 29 June 2018.

d) Final profit distributions are to be fully franked (2017: 4.67 cents per security franked and 0.79 cents per security 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.

	2018 $000	2017 $000
Adjusted franking account balance (tax paid basis)	**3,228**	4,413

notes to the consolidated financial statements. continued.

AUSTRALIAN PIPELINE TRUST AND ITS CONTROLLED ENTITIES
FOR THE FINANCIAL YEAR ENDED 30 JUNE 2018

Operating Assets and Liabilities

9. Receivables

	2018 $000	2017 $000
Trade receivables	**226,315**	275,331
Allowance for doubtful debts	**(1,494)**	(2,120)
Trade receivables	**224,821**	273,211
Receivables from associates and related parties	**25,252**	13,028
Finance lease receivables (Note 17)	**1,480**	1,787
Interest receivable	**88**	1,605
Other debtors	**79**	78
Current	**251,720**	289,709
Finance lease receivables (Note 17)	**14,030**	15,496
Non-current	**14,030**	15,496

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

	2018 $000	2017 $000
Trade payables [(a)]	**41,392**	40,827
Income tax payable	**33,754**	28,914
Other payables	**306,530**	242,870
Current	**381,676**	312,611
Other payables	**5,089**	4,984
Non-current	**5,089**	4,984

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.

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 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
Additions	**702**	**–**	**31,278**	**905,622**	**937,602**
Disposals	**–**	**–**	**(4,071)**	**–**	**(4,071)**
Transfers	**5,282**	**493**	**272,876**	**(278,651)**	**–**
Balance at 30 June 2018	**248,717**	**10,660**	**10,651,086**	**856,378**	**11,766,841**

notes to the consolidated financial statements. continued.

AUSTRALIAN PIPELINE TRUST AND ITS CONTROLLED ENTITIES
FOR THE FINANCIAL YEAR ENDED 30 JUNE 2018

Operating Assets and Liabilities

11. Property, plant and equipment (continued)

	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
Accumulated depreciation					
Balance at 1 July 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)
Disposals	**–**	**–**	**3,874**	**–**	**3,874**
Depreciation expense (Note 5)	**(7,184)**	**(923)**	**(387,797)**	**–**	**(395,904)**
Balance at 30 June 2018	**(46,345)**	**(3,952)**	**(2,024,878)**	**–**	**(2,075,175)**
Net book value					
As at 30 June 2017	203,572	7,138	8,710,048	229,407	9,150,165
As at 30 June 2018	**202,372**	**6,708**	**8,626,208**	**856,378**	**9,691,666**

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

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

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

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

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

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

	2018 $000	2017 $000
Goodwill		
Balance at beginning of financial year	**1,183,604**	1,184,588
Finalisation of provisional purchase price accounting	**–**	(984)
Balance at end of financial year	**1,183,604**	1,183,604

notes to the consolidated financial statements. continued.

AUSTRALIAN PIPELINE TRUST AND ITS CONTROLLED ENTITIES
FOR THE FINANCIAL YEAR ENDED 30 JUNE 2018

Operating Assets and Liabilities

12. Goodwill and intangibles (continued)

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:

	2018 $000	2017 $000
Asset Management business	**21,456**	21,456
Energy Infrastructure		
East Cost Grid	**1,060,681**	1,060,681
Diamantina Power Station	**43,104**	43,104
Other energy infrastructure [(a)]	**58,363**	58,363
	1,183,604	1,183,604

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.

Contract and other intangibles

	2018 $000	2017 $000
Gross carrying amount		
Balance at beginning of financial year	**3,589,799**	3,604,143
Acquisitions / additions	**1,161**	1,456
Write-offs	**–**	(15,800)
Balance at end of financial year	**3,590,960**	3,589,799
Accumulated amortisation and impairment		
Balance at beginning of financial year	**(415,517)**	(248,436)
Amortisation expense (Note 5)	**(183,012)**	(182,881)
Write-offs	**–**	15,800
Balance at end of financial year	**(598,529)**	(415,517)
	2,992,431	3,174,282

APA Group holds various third party operating and maintenance contracts. The combined gross carrying amount of $3,591.0 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.

notes to the consolidated financial statements. continued.

AUSTRALIAN PIPELINE TRUST AND ITS CONTROLLED ENTITIES
FOR THE FINANCIAL YEAR ENDED 30 JUNE 2018

Operating Assets and Liabilities

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.

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 1.0% p.a. (2017: 1.1% 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. (2017: 8.25% p.a.) for Energy Infrastructure assets and 8.25% p.a. (2017: 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

	2018 $000	2017 $000
Employee benefits	**78,433**	83,787
Other	**5,196**	9,986
Current	**83,629**	93,773
Employee benefits	**30,180**	33,598
Other	**41,771**	35,453
Non-current	**71,951**	69,051
Employee benefits		
Incentives	**28,153**	29,357
Cash settled security-based payments	**8,299**	8,857
Leave balances	**41,981**	39,976
Termination benefits	**–**	5,597
Current	**78,433**	83,787
Cash settled security-based payments	**14,791**	18,939
Defined benefit liability (Note 16)	**5,032**	4,645
Leave balances	**10,357**	10,014
Non-current	**30,180**	33,598

notes to the consolidated financial statements. continued.

AUSTRALIAN PIPELINE TRUST AND ITS CONTROLLED ENTITIES
FOR THE FINANCIAL YEAR ENDED 30 JUNE 2018

Operating Assets and Liabilities

14. Provisions (continued)

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 yield in respect of services provided by employees up to reporting date.

15. Other non-current assets

	2018 $000	2017 $000
Line pack gas	**20,607**	20,343
Gas held in storage	**6,010**	6,010
Defined benefit asset (Note 16)	**6,693**	4,870
Other assets	**192**	192
	33,502	31,415

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 2018. 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	**2,234**	2,842
Net interest expense	**46**	191
Components of defined benefit costs recognised in profit or loss (Note 5)	**2,280**	3,033
Amounts recognised in the statement of financial position		
Fair value of plan assets	**135,620**	135,029
Present value of benefit obligation	**(133,959)**	(134,804)
Defined benefit asset – non-current (Note 15)	**6,693**	4,870
Defined benefit liability – non-current (Note 14)	**(5,032)**	(4,645)
Opening defined benefit obligation	**134,804**	143,101
Current service cost	**2,234**	2,842
Interest cost	**5,369**	4,599
Contributions from plan participants	**786**	1,001
Actuarial loss	**5,138**	1,550
Benefits paid	**(13,873)**	(17,665)
Administrative expenses, taxes and premiums paid	**(499)**	(624)
Closing defined benefit obligation	**133,959**	134,804

notes to the consolidated financial statements. continued.

AUSTRALIAN PIPELINE TRUST AND ITS CONTROLLED ENTITIES
FOR THE FINANCIAL YEAR ENDED 30 JUNE 2018

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:

	2018 $000	2017 $000
Opening fair value of plan assets	**135,029**	138,488
Interest income	**5,323**	4,408
Actual return on plan assets excluding interest income	**6,726**	7,002
Contributions from employer	**2,128**	2,419
Contributions from plan participants	**786**	1,001
Benefits paid	**(13,873)**	(17,665)
Administrative expenses, taxes and premiums paid	**(499)**	(624)
Closing fair value of plan assets	**135,620**	135,029

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 benefit obligation is a discount rate of 4.1% gross of tax (2017: 4.1%), based on the corporate bond yield curve published by Milliman, an expected salary increase rate of 3.0% (2017: 3.0%), and pension indexation rate of 2.0% (2017: 2.0%). 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 $5,722,000 (increase by $6,321,000); and

— If the expected salary growth increases (decreases) by 0.5%, the defined benefit obligation would increase by $1,813,000 (decrease by $1,715,000).

— If the expected pension indexation rate increases (decreases) by 0.5%, the defined benefit obligation would increase by $4,313,000 (decrease by $3,932,000).

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 to pay $2.0 million in contributions to the defined benefit plans during the year ending 30 June 2019.

notes to the consolidated financial statements. continued.

AUSTRALIAN PIPELINE TRUST AND ITS CONTROLLED ENTITIES
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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.

	2018 $000	2017 $000
Finance lease receivables		
Not longer than 1 year	**2,775**	3,227
Longer than 1 year and not longer than 5 years	**8,763**	9,655
Longer than 5 years	**12,832**	14,715
Minimum future lease payments receivable [a]	**24,370**	27,597
Gross finance lease receivables	**24,370**	27,597
Less: unearned finance lease receivables	**(8,860)**	(10,314)
Present value of lease receivables	**15,510**	17,283
Included in the financial statements as part of:		
Current trade and other receivables (Note 9)	**1,480**	1,787
Non-current receivables (Note 9)	**14,030**	15,496
	15,510	17,283

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	**13,641**	12,970
Longer than 1 year and not longer than 5 years	**36,487**	41,660
Longer than 5 years	**22,437**	26,462
	72,565	81,092

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 recognis ed 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 2018

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 2018 and 2017 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 issuance, new debt or the redemption of existing debt and through a disciplined distribution payment policy.

18. Net debt

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 detailed in the table below.

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.

	2018 $000	2017 $000
Cash at bank and on hand	**99,277**	43,087
Short-term deposits	**1,366**	351,414
Cash and cash equivalents	**100,643**	394,501
Guaranteed senior notes [(a)]	**(318,373)**	(115,738)
Other financial liabilities	**(10,846)**	(11,120)
Current borrowings	**(329,219)**	(126,858)
Guaranteed senior notes [(a)]	**(9,089,991)**	(9,022,710)
Bank borrowings [(b)]	**(200,000)**	–
Subordinated notes [(c)]	**–**	(515,000)
Other financial liabilities	**(73,458)**	(82,059)
Less: unamortised borrowing costs	**42,072**	45,862
Non-current borrowings	**(9,321,377)**	(9,573,907)
Total borrowings	**(9,650,596)**	(9,700,765)
Net debt	**(9,549,953)**	(9,306,264)

a) Represents USD denominated private placement notes of US$384 million, CAD medium term notes (MTN) of C$300 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 (2017: Includes JPY MTN of ¥10,000 million). Refer to Note 19 for details of interest rates and maturity profiles.

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

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

notes to the consolidated financial statements. continued.

AUSTRALIAN PIPELINE TRUST AND ITS CONTROLLED ENTITIES
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Capital Management

18. Net debt (continued)

	Cash and cash equivalents $000	Borrowings due within 1 year $000	Borrowings due after 1 year $000	Net debt $000
Reconciliation of net debt				
Net debt as at 1 July 2016	84,506	(409,829)	(9,314,373)	(9,639,696)
Cash movements	310,605	392,437	(592,081)	110,961
Foreign exchange movements due to fair value changes	(610)	27,519	196,360	223,269
Transfer from due after 1 year to due within 1 year	–	(136,985)	136,985	–
Amortisation of deferred borrowing costs	–	–	(798)	(798)
Net debt as at 30 June 2017	394,501	(126,858)	(9,573,907)	(9,306,264)
Net debt as at 1 July 2017	**394,501**	**(126,858)**	**(9,573,907)**	**(9,306,264)**
Cash movements	**(293,612)**	**137,015**	**315,000**	**158,403**
Foreign exchange movements due to fair value changes	**(246)**	**(13,298)**	**(384,758)**	**(398,302)**
Transfer from due after 1 year to due within 1 year	**–**	**(326,078)**	**326,078**	**–**
Amortisation of deferred borrowing costs	**–**	**–**	**(3,790)**	**(3,790)**
Net debt as at 30 June 2018	**100,643**	**(329,219)**	**(9,321,377)**	**(9,549,953)**

	2018 $000	2017 $000
Financing facilities available		
Total facilities		
Guaranteed senior notes [(a)]	**9,408,364**	9,138,448
Bank borrowings [(b)]	**1,068,750**	1,068,750
Subordinated notes [(c)]	**–**	515,000
	10,477,114	10,722,198
Facilities used at balance date		
Guaranteed senior notes [(a)]	**9,408,364**	9,138,448
Bank borrowings [(b)]	**200,000**	–
Subordinated notes [(c)]	**–**	515,000
	9,608,364	9,653,448
Facilities unused at balance date		
Guaranteed senior notes [(a)]	**–**	–
Bank borrowings [(b)]	**868,750**	1,068,750
Subordinated notes [(c)]	**–**	–
	868,750	1,068,750

a) Represents USD denominated private placement notes of US$384 million, CAD medium term notes (MTN) of C$300 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 (2017: Includes JPY MTN of ¥10,000 million). Refer to Note 19 for details of interest rates and maturity profiles.

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

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

19. 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.

notes to the consolidated financial statements. continued.

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Capital Management

19. Financial risk management (continued)

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 and electricity price risk arising from the electricity contract for difference.

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). 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.

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:

2018	Cash & cash equivalents $000	Receivables $000	Total borrowings $000	Cross currency swaps $000	Foreign exchange contract $000	Net foreign currency position $000
US Dollar (USD)	**3,143**	**–**	**(4,576,684)**	**(433,791)**	**(109,807)**	**(5,117,139)**
Japanese Yen (JPY)	**–**	**–**	**–**	**–**	**–**	**–**
Canadian Dollar (CAD)	**–**	**–**	**(308,496)**	**308,496**	**–**	**–**
British Pound (GBP)	**–**	**–**	**(1,694,493)**	**1,694,493**	**–**	**–**
Euro (EUR)	**–**	**–**	**(2,129,801)**	**2,129,801**	**18,911**	**18,911**
Swedish Krona (SEK)	**–**	**–**	**–**	**–**	**43,344**	**43,344**
Danish Krona (DKK)	**–**	**–**	**–**	**–**	**4,102**	**4,102**
	3,143	**–**	**(8,709,474)**	**3,698,999**	**(43,450)**	**(5,050,782)**
2017						
US Dollar (USD)	3,393	40,002	(4,406,537)	(417,663)	(347,362)	(5,128,167)
Japanese Yen (JPY)	–	–	(115,738)	115,738	–	–
Canadian Dollar (CAD)	–	–	(301,230)	301,230	–	–
British Pound (GBP)	–	–	(1,610,280)	1,610,280	–	–
Euro (EUR)	–	–	(2,007,377)	2,007,377	45,024	45,024
Swedish Krona (SEK)	–	–	–	–	61,196	61,196
Danish Krona (DKK)	–	–	–	–	104,038	104,038
	3,393	40,002	(8,441,162)	3,616,962	(137,104)	(4,917,909)

notes to the consolidated financial statements. continued.

AUSTRALIAN PIPELINE TRUST AND ITS CONTROLLED ENTITIES
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Capital Management

19. 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 exposures 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	Contract Value			
2018	Foreign currency	rate $	< 1 year $000	1 – 2 years $000	2 – 5 years $000	Fair value $000
Forecast revenue and associated receivable						
Pay USD / receive AUD	USD	**0.6528**	**137,462**	**–**	**–**	**15,957**
Forecast capital purchases						
Pay AUD / receive USD	USD	**0.7596**	**(27,515)**	**(140)**	**–**	**734**
Pay AUD / receive EUR	EUR	**0.6821**	**(17,039)**	**(77)**	**(1,795)**	**1,706**
Pay AUD / receive SEK	SEK	**5.7572**	**(2,087)**	**(7,045)**	**(34,212)**	**(3,142)**
Pay AUD / receive DKK	DKK	**5.1321**	**(4,102)**	**–**	**–**	**387**
			86,719	**(7,262)**	**(36,007)**	**15,642**
2017						
Forecast revenue and associated receivable						
Pay USD / receive AUD	USD	0.7082	306,474	146,605	–	33,119
Forecast capital purchases						
Pay AUD / receive USD	USD	0.7507	(92,269)	(13,308)	(140)	(2,113)
Pay AUD / receive EUR	EUR	0.6884	(26,461)	(16,691)	(1,872)	2,153
Pay AUD / receive SEK	SEK	5.8684	(18,108)	(1,831)	(41,257)	(2,129)
Pay AUD / receive DKK	DKK	5.2308	(99,936)	(4,102)	–	6,543
			69,700	110,673	(43,269)	37,573

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 $137.5 million (2017: $453.1 million) which are designated in cash flow hedge relationships. The hedged anticipated transactions denominated in US dollars are expected to occur at various dates between one month to three years from reporting date.

Cross currency swap contracts

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 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.

notes to the consolidated financial statements. continued.

AUSTRALIAN PIPELINE TRUST AND ITS CONTROLLED ENTITIES
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Capital Management

19. Financial risk management (continued)

a) Market risk (continued)

Cross currency swap contracts (continued)

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

Cash flow hedges **2018**	Foreign currency	Exchange rate $	Less than 1 year $000	1 – 2 years $000	2 – 5 years $000	More than 5 years $000
Pay AUD / receive foreign currency						
2003 USPP Notes	AUD/USD	**0.6573**	**(95,847)**	**–**	**–**	**–**
2007 USPP Notes	AUD/USD	**0.8068**	**(151,215)**	**–**	**(153,694)**	**–**
2009 USPP Notes	AUD/USD	**0.7576**	**–**	**(98,997)**	**–**	**–**
2012 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**	**–**	**–**	**(994,901)**	**(924,013)**
2015 GBP Medium Term Notes	USD/GBP	**0.6773**	**–**	**–**	**–**	**(1,198,134)**
			(247,062)	**(388,491)**	**(1,884,033)**	**(3,766,638)**
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)

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, 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 (2017: nil); and
— Equity reserves would decrease by $1,272.0 million with a 20 percent depreciation of the A$ or increase by $849.4 million with a 20 percent increase in foreign exchange rates (2017: decrease by $1,255.0 million or increase by $839.8 million respectively).

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 $100.6 million as at 30 June 2018 (2017: $394.5 million).

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Capital Management

19. Financial risk management (continued)

a) Market risk (continued)

Cross currency swap and interest rate swap contracts

Cross currency swap and interest rate swap contracts have the economic effect of converting borrowings from floating to fixed rates and/or fixed rate foreign currency to fixed or floating AUD rates on agreed notional principal amounts enabling 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	
	2018 % p.a.	2017 % p.a.	**2018 $000**	2017 $000	**2018 $000**	2017 $000
Cash flow hedges – Pay fixed AUD interest – receive floating AUD or fixed foreign currency						
Less than 1 year	**7.30**	6.80	**247,062**	125,865	**1,036**	(14,249)
1 year to 2 years	**8.05**	7.30	**388,491**	247,062	**11,950**	(9,706)
2 years to 5 years [a]	**5.14**	5.18	**1,884,033**	1,500,099	**338,786**	85,006
5 years and more [a]	**5.11**	5.38	**3,766,638**	4,423,181	**24,031**	81,206
			6,286,224	6,296,207	**375,803**	142,257

a) This amount includes a notional amount of USD 2.3 billion (2017: 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.

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 $2,000,000 or increase by $2,000,000 (2017: decrease by $5,150,000 or increase by $5,150,000). This is mainly attributable to APA Group's exposure to interest rates on its variable rate borrowings; and

— equity reserves would increase by $40,738,000 with a 100 basis point decrease in interest rates or decrease by $31,154,000 with a 100 basis point increase in interest rates (2017: increase by $31,379,000 or decrease by $27,772,000 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 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 impact of the 1.00% change in interest rates on the higher derivative fair value this year, which has been partially offset by the reduction in the tenor of the derivatives.

notes to the consolidated financial statements. continued.

AUSTRALIAN PIPELINE TRUST AND ITS CONTROLLED ENTITIES
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Capital Management

19. Financial risk management (continued)

a) Market risk (continued)

Price risk – equity price

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 (2017: $nil); and

— there is no effect on equity reserves as APA Group holds no available-for-sale investments (2017: $nil).

Price risk – electricity price

APA Group is exposed to electricity price risk arising from a contract for difference in an electricity agreement with a customer. The contract guarantees the Group a fixed price for electricity offtake. The sensitivity of the contract for difference to changes in the electricity price is provided in the fair value of financial instrument section.

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 the 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 2018 has been determined to be immaterial and no liability has been recorded (2017: $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.

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Capital Management

19. 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.

	Maturity	Average interest rate % p.a.	Less than 1 year $000	More than 1 – 5 years $000	5 years $000
2018					
Unsecured financial liabilities					
Trade and other payables		–	381,676	–	–
Unsecured bank borrowings [(a)]		3.07	6,114	204,419	–
Denominated in A$					
Other financial liabilities [(b)]			7,903	29,578	29,367
Guaranteed Senior Notes [(c)]					
Denominated in A$					
2007 Series E	15 May 19	7.40	73,214	–	–
2007 Series G	15 May 22	7.45	6,002	98,588	–
2007 Series H	15 May 22	7.45	4,617	75,837	–
2010 AUD Medium Term Notes	22 Jul 20	7.75	23,250	334,875	–
2016 AUD Medium Term Notes	20 Oct 23	3.75	7,500	30,000	203,750
Denominated in US$					
2003 Series D	9 Sep 18	6.02	99,360	–	–
2007 Series D	15 May 19	5.99	162,324	–	–
2007 Series F	15 May 22	6.14	11,354	187,787	–
2009 Series B	1 Jul 19	8.86	11,761	104,797	–
2012 US 144A	11 Oct 22	3.88	49,123	907,572	–
2015 US 144A [(b)]	23 Mar 25	4.20	62,483	249,932	1,612,832
2015 US 144A [(b)]	23 Mar 35	5.00	20,287	81,147	649,400
2017 US 144A	15 Jul 27	4.25	58,523	235,087	1,371,999
Denominated in stated foreign currency					
2012 CAD Medium Term Notes	24 Jul 19	4.25	19,529	299,179	–
2012 GBP Medium Term Notes	26 Nov 24	4.25	39,351	157,727	595,446
2015 GBP Medium Term Notes [(b)]	22 Mar 30	3.50	53,726	215,008	1,574,423
2015 EUR Medium Term Notes [(b)]	22 Mar 22	1.38	36,341	1,103,923	–
2015 EUR Medium Term Notes [(b)]	22 Mar 27	2.00	40,615	162,458	1,086,471
			1,175,053	4,477,914	7,123,688

a) Bank facilities mature or expire on 2 July 2018 ($518.75 million limit), 18 May 2019 ($50 million limit), 19 December 2019 ($100 million limit), 18 May 2020 ($150 million limit), 19 December 2020 ($100 million limit) and 18 July 2022 ($150 million limit). A new $1,000 million syndicated bank facility came into effect on 2 July 2018. The two tranches of this facility mature on 30 June 2023 and 31 December 2023 respectively.

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 2018. These amounts are fully hedged by forward exchange contracts or future US$ revenues.

c) Rates shown are the coupon rate.

notes to the consolidated financial statements. continued.

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19. Financial risk management (continued)

c) Liquidity risk (continued)	Maturity	Average interest rate % p.a.	Less than 1 year $000	1 – 5 years $000	More than 5 years $000
2017					
Unsecured financial liabilities					
Trade and other payables		–	312,611	–	–
Unsecured bank borrowings [(a)]		–	–	–	–
2012 Subordinated Notes [(b)]	1 Oct 72	6.30	32,221	142,361	2,567,692
Denominated in A$					
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 Notes	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.

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).

notes to the consolidated financial statements. continued.

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

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

Transfers between levels of the fair value hierarchy occur at the end of the reporting period. There have been no transfers between the levels during 2018 (2017: 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.

Contract for difference

The financial statements include a contract for difference arising from an electricity agreement with a customer that guarantees the Group a fixed price for electricity offtake for the agreed term which is measured at fair value. The fair value of the contract for difference is derived from internal discounted cash flow valuation methodology, which includes some assumptions that are not able to be supported by observable market prices or rates.

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

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

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

Fair value hierarchy

2018	Level 1 $000	Level 2 $000	Level 3 $000	Total $000
Financial assets measured at fair value				
Equity forwards designated as fair value through profit or loss	–	**2,045**	–	**2,045**
Cross currency interest rate swaps used for hedging	–	**592,244**	–	**592,244**
Forward foreign exchange contracts used for hedging	–	**29,130**	–	**29,130**
	–	**623,419**	–	**623,419**
Financial liabilities measured at fair value				
Interest rate swaps used for hedging	–	**800**	–	**800**
Cross currency interest rate swaps used for hedging	–	**215,641**	–	**215,641**
Forward foreign exchange contracts used for hedging	–	**13,486**	–	**13,486**
Contract for difference used for hedging (a)	–	–	**6,536**	**6,536**
	–	**229,927**	**6,536**	**236,463**

a) This represents the fair value change during the year. There were no settlements during the year.

notes to the consolidated financial statements. continued.

AUSTRALIAN PIPELINE TRUST AND ITS CONTROLLED ENTITIES
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Capital Management

19. Financial risk management (continued)

Fair value hierarchy (continued)

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

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)]	
	2018 $000	2017 $000	**2018 $000**	2017 $000
Financial liabilities				
Unsecured long term Private Placement Notes	**730,049**	710,742	**768,992**	774,803
Unsecured Australian Dollar Medium Term Notes	**500,000**	500,000	**528,646**	534,030
Unsecured Japanese Yen Medium Term Notes	**–**	115,738	**–**	116,681
Unsecured Canadian Dollar Medium Term Notes	**308,496**	301,230	**312,539**	308,490
Unsecured US Dollar 144A Medium Term Notes	**4,057,344**	3,906,504	**3,992,019**	4,008,505
Unsecured British Pound Medium Term Notes	**1,694,492**	1,610,281	**1,768,993**	1,721,799
Unsecured Euro Medium Term Notes	**2,129,801**	2,007,377	**2,108,339**	1,976,924
	9,420,182	9,151,872	**9,479,528**	9,441,232

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.

20. Other financial instruments

	Assets		Liabilities	
	2018 $000	2017 $000	**2018 $000**	2017 $000
Derivatives at fair value:				
Equity forward contracts	**1,236**	1,484	**–**	–
Derivatives at fair value designated as hedging instruments:				
Foreign exchange contracts – cash flow hedges	**29,101**	32,991	**10,656**	14,267
Interest rate swaps – cash flow hedges	**–**	–	**2,100**	4,214
Cross currency interest rate swaps – cash flow hedges	**24,903**	17,574	**120,551**	127,287
Contract for difference – cash flow hedges	**–**	–	**6,094**	–
Financial item carried at amortised cost:				
Redeemable preference share interest	**285**	285	**–**	–
Current	**55,525**	52,334	**139,401**	145,768

notes to the consolidated financial statements. continued.

AUSTRALIAN PIPELINE TRUST AND ITS CONTROLLED ENTITIES
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Capital Management

20. Other financial instruments (continued)

	Assets		Liabilities	
	2018 $000	2017 $000	**2018 $000**	2017 $000
Financial items carried at amortised cost:				
Redeemable preference shares	**10,400**	10,400	**–**	–
Derivatives – at fair value:				
Equity forward contracts	**809**	1,189	**–**	–
Indexed revenue contracts	**–**	–	**3,767**	–
Derivatives at fair value designated as hedging instruments:				
Foreign exchange contracts – cash flow hedges	**29**	32,494	**2,830**	13,645
Interest rate swaps – cash flow hedges	**–**	–	**–**	2,072
Cross currency interest rate swaps – cash flow hedges	**580,249**	414,690	**121,471**	166,370
Contract for difference – cash flow hedges	**–**	–	**442**	–
Non-current	**591,487**	458,773	**128,510**	182,087

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 19 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.

notes to the consolidated financial statements. continued.

AUSTRALIAN PIPELINE TRUST AND ITS CONTROLLED ENTITIES
FOR THE FINANCIAL YEAR ENDED 30 JUNE 2018

Capital Management

20. Other financial instruments (continued)

Impairment of financial assets

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

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

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

21. Issued capital

	2018 $000	2017 $000
Units		
1,179,893,848 securities, fully paid (2017: 1,114,307,369 securities, fully paid) [a]	**3,288,123**	3,114,617

	2018 No. of units 000	**2018 $000**	2017 No. of units 000	2017 $000
Movements				
Balance at beginning of financial year	**1,114,307**	**3,114,617**	1,114,307	3,195,445
Securities issued under entitlement offer	**65,586**	**380,782**	–	–
Capital distributions paid (Note 8)	**–**	**(201,385)**	–	(80,828)
Issue costs of securities	**–**	**(8,415)**	–	–
Tax relating to security issue costs	**–**	**2,524**	–	–
Balance at end of financial year	**1,179,893**	**3,288,123**	1,114,307	3,114,617

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 2018

Group Structure

22. 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.

	2018 $000	2017 $000
Financial position		
Current assets	**774**	738
Non-current assets	**1,063,708**	1,009,757
Total assets	**1,064,482**	1,010,495
Current liabilities	**78**	13
Total liabilities	**78**	13
Net assets	**1,064,404**	1,010,482
Equity attributable to non-controlling interests	**1,064,404**	1,010,482
Financial performance		
Revenue	**68,061**	72,979
Expenses	**(12)**	(12)
Profit for the year	**68,049**	72,967
Total comprehensive income allocated to non-controlling interests for the year	**68,049**	72,967
Cash flows		
Net cash provided by operating activities	**68,852**	75,570
Net cash (used in)/provided by investing activities	**(54,725)**	33,801
Distributions paid to non-controlling interests	**(135,616)**	(109,371)
Net cash used in financing activities	**(14,127)**	(109,371)

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.

	2018 $000	2017 $000
APT Investment Trust	**1,064,404**	1,010,482
Other non-controlling interest	**53**	53
	1,064,457	1,010,535
APT Investment Trust		
Issued capital:		
Balance at beginning of financial year	**976,284**	1,005,074
Issue of securities under entitlement offer	**124,234**	–
Distribution – capital return (Note 8)	**(67,597)**	(28,790)
Issue costs of units	**(2,745)**	–
	1,030,176	976,284
Reserves:		
	–	–
Retained earnings:		
Balance at beginning of financial year	**34,198**	41,812
Net profit attributable to APTIT unitholders	**68,049**	72,967
Distributions paid (Note 8)	**(68,019)**	(80,581)
	34,228	34,198
Other non-controlling interest		
Issued capital	**4**	4
Reserves	**1**	1
Retained earnings	**48**	48
	53	53

notes to the consolidated financial statements. continued.

AUSTRALIAN PIPELINE TRUST AND ITS CONTROLLED ENTITIES
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Group Structure

23. 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 % 2018	Ownership interest % 2017
Joint ventures				
SEA Gas	Gas transmission	Australia	**50.00**	50.00
SEA Gas (Mortlake)	Gas transmission	Australia	**50.00**	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

	2018 $000	2017 $000
Investment in joint ventures and associates using the equity method	**271,597**	259,882
Joint Ventures		
Aggregate carrying amount of investment	**242,768**	229,693
APA Group's aggregated share of:		
Profit from continuing operations	**17,105**	17,175
Other comprehensive income	**9,039**	8,007
Total comprehensive income	**26,144**	25,182
Associates		
Aggregate carrying amount of investment	**28,829**	30,189
APA Group's aggregated share of:		
Profit from continuing operations	**4,819**	4,618
Other comprehensive income	**(407)**	2,914
Total comprehensive income	**4,412**	7,532

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 25.

APA Group is a venturer in the following joint operations:

Name of venture	Principal activity	Output interest 2018 %	Output interest 2017 %
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.

notes to the consolidated financial statements. continued.

AUSTRALIAN PIPELINE TRUST AND ITS CONTROLLED ENTITIES
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Group Structure

23. Joint arrangements and associates (continued)

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.

24. 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 2018 %	Ownership interest 2017 %
Parent entity			
Australian Pipeline Trust [(a)]			
Subsidiaries			
Agex Pty. Ltd. [(b),(c)]	Australia	**100**	100
Amadeus Gas Trust [(e)]	–	**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)]	Australia	**100**	100
APA Facilities Management Pty Limited [(b),(c)]	Australia	**100**	100
APA Midstream Holdings Pty Limited [(b),(c)]	Australia	**100**	100
APA Operations (EII) Pty Limited [(b),(c)]	Australia	**100**	100
APA Operations Pty Limited [(b),(c)]	Australia	**100**	100
APA Orbost Gas Plant Pty Ltd [(c),(d)]	Australia	**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)]	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.	United States	**100**	100
APA Sub Trust No 1 [(b),(e)]	–	**100**	100

notes to the consolidated financial statements. continued.

AUSTRALIAN PIPELINE TRUST AND ITS CONTROLLED ENTITIES
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Group Structure

24. Subsidiaries (continued)

Name of entity	Country of registration/ incorporation	Ownership interest 2018 %	Ownership interest 2017 %
APA Sub Trust No 2 [b],[e]	–	**100**	100
APA Sub Trust No 3 [b],[e]	–	**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]	Australia	**100**	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],[e]	–	**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]	Australia	**100**	100
Diamantina Holding Company Pty Limited [b],[c]	Australia	**100**	100
Diamantina Power Station Pty Limited [b],[c]	Australia	**100**	100
East Australian Pipeline Pty Limited [b],[c]	Australia	**100**	100
EDWF Holdings 1 Pty Ltd [b],[c]	Australia	**100**	100
EDWF Holdings 2 Pty Ltd [b],[c]	Australia	**100**	100
EDWF Manager Pty Ltd [b],[c]	Australia	**100**	100
Epic Energy East Pipelines Trust [b],[e]	–	**100**	100
EPX Holdco Pty Limited [b],[c]	Australia	**100**	100
EPX Member Pty Limited [b],[c]	Australia	**100**	100
EPX Trust [b],[e]	–	**100**	100
Ethane Pipeline Income Financing Trust [b],[e]	–	**100**	100
Ethane Pipeline Income Trust [b],[e]	–	**100**	100
Gasinvest Australia Pty Ltd [b],[c]	Australia	**100**	100
GasNet A Trust [e]	–	**100**	100
GasNet Australia Investments Trust [e]	–	**100**	100
GasNet Australia Trust [b],[e]	–	**100**	100
GasNet B Trust [b],[e],[f]	–	**–**	100

notes to the consolidated financial statements. continued.

AUSTRALIAN PIPELINE TRUST AND ITS CONTROLLED ENTITIES
FOR THE FINANCIAL YEAR ENDED 30 JUNE 2018

Group Structure

24. Subsidiaries (continued)

Name of entity	Country of registration/ incorporation	Ownership interest 2018 %	Ownership interest 2017 %
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],[e]	–	**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 Limited [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
Votraint No. 1606 Pty Limited [b]	Australia	**100**	100
Votraint No. 1613 Pty Limited [b]	Australia	**100**	100
Western Australian Gas Transmission Company 1 Pty Ltd [b],[c]	Australia	**100**	100
Wind Portfolio Pty Ltd [b],[c]	Australia	**100**	100

a) 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 2018 year.

e) 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.

f) APA GasNet B trust terminated on 17 May 2018.

Other

25. Commitments and contingencies

	2018 $000	2017 $000
Capital expenditure commitments		
APA Group – plant and equipment	**287,506**	583,387
APA Group's share of jointly controlled operations – plant and equipment	**2,293**	2,698
	289,799	586,085
Contingent liabilities		
Bank guarantees	**52,586**	43,034

APA Group had no contingent assets as at 30 June 2018 and 30 June 2017.

notes to the consolidated financial statements. continued.

AUSTRALIAN PIPELINE TRUST AND ITS CONTROLLED ENTITIES
FOR THE FINANCIAL YEAR ENDED 30 JUNE 2018

Other

26. Director and senior executive remuneration

Remuneration of Directors

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

	2018 $	2017 $
Short-term employment benefits	**1,625,875**	1,682,077
Post-employment benefits	**154,482**	160,104
Total remuneration: Non-Executive Directors	**1,780,357**	1,842,181
Short-term employment benefits	**3,638,690**	3,589,472
Post-employment benefits	**25,000**	35,000
Cash settled security-based payments	**1,479,646**	1,485,242
Total remuneration: Executive Director (a)	**5,143,336**	5,109,714
Total remuneration: Directors	**6,923,693**	6,951,895

Remuneration of senior executives (a),(b)

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

	2018 $	2017 $
Short-term employment benefits	**7,748,591**	7,509,920
Post-employment benefits	**95,049**	135,000
Cash settled security-based payments	**2,822,148**	2,849,270
Total remuneration: senior executives	**10,665,788**	10,494,190

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.

b) The FY2017 total remuneration differs from the amount disclosed in the prior year due to the review of the composition of Executive KMP, refer to the remuneration report for further details.

27. Remuneration of external auditor

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

	2018 $	2017 $
Auditing the financial report	**734,800**	654,900
Compliance plan audit	**19,300**	18,900
Other assurance services (a)	**544,915**	263,700
Other non-audit, non-assurance services (b)	**9,091**	–
	1,308,106	937,500

a) Services provided were in accordance with the external auditor independence policy. Other assurance services mainly comprise assurance services in relation to the AER financial reporting guideline for Non-Scheme pipelines, security related transactions (equity and debt raisings) and procedures in relation to ASIC Regulatory Guide 231 requirements (2017: Consisted of 2017 144A debt issuance and procedures in relation to ASIC Regulatory 231 requirements).

b) Services provided were in accordance with the external auditor independence policy. Other non-audit, non-assurance services comprise the facilitation of an industry charter workshop.

notes to the consolidated financial statements. continued.

AUSTRALIAN PIPELINE TRUST AND ITS CONTROLLED ENTITIES
FOR THE FINANCIAL YEAR ENDED 30 JUNE 2018

Other

28. Related party transactions

a) Equity interest in related parties

Details of the percentage of ordinary securities held in subsidiaries are disclosed in Note 24 and the details of the percentage held in joint operations, joint ventures and associates are disclosed in Note 23.

b) Responsible Entity – Australian Pipeline Limited

The Responsible Entity is wholly owned by APT Pipelines Limited.

c) Transactions with related parties within 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 24 for details of the entities that comprise APA Group.

Australian Pipeline Limited

Management fees of $4,717,014 (2017: $3,967,352) 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 26.

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:

2018	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
SEA Gas	**5,975**	**3,853**	**–**	**311**	**–**
Energy Infrastructure Investments	**3,841**	**46,671**	**–**	**15,486**	**–**
EII 2	**3,253**	**764**	**–**	**47**	**–**
GDI (EII)	**5,772**	**62,053**	**–**	**7,417**	**–**
	18,841	**113,341**	**–**	**23,261**	**–**
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	–

At year end, APA Group had a shareholder loan receivable from SEA Gas of $0.3 million (2017: $nil).

notes to the consolidated financial statements. continued.

AUSTRALIAN PIPELINE TRUST AND ITS CONTROLLED ENTITIES
FOR THE FINANCIAL YEAR ENDED 30 JUNE 2018

Other

29. 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.

	2018 $000	2017 $000
Financial position		
Assets		
Current assets	**2,695,971**	2,497,220
Non-current assets	**731,861**	757,947
Total assets	**3,427,832**	3,255,167
Liabilities		
Current liabilities	**132,313**	127,269
Total liabilities	**132,313**	127,269
Net assets	**3,295,519**	3,127,898
Equity		
Issued capital	**3,288,123**	3,114,616
Retained earnings	**7,396**	13,282
Total equity	**3,295,519**	3,127,898
Financial performance		
Profit for the year	**147,408**	283,264
Total comprehensive income	**147,408**	283,264

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 (2017: $nil).

Contingent liabilities of the parent entity

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

30. 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

As per the table above a number of new standards and amendments to standards are effective for annual periods beginning after 1 January 2018 with earlier adoption permitted. APA Group has chosen not to early adopt the new or amended standards in preparing these consolidated financial statements.

notes to the consolidated financial statements. continued.

AUSTRALIAN PIPELINE TRUST AND ITS CONTROLLED ENTITIES
FOR THE FINANCIAL YEAR ENDED 30 JUNE 2018

Other

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

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

AASB 9 'Financial Instruments'

AASB 9 'Financial Instruments' (AASB 9) is effective for annual periods beginning on or after 1 January 2018, with early adoption permitted. APA Group will apply this new standard from 1 July 2018 (financial year ended 30 June 2019). AASB 9 addresses the classification, measurement and de-recognition of financial assets and financial liabilities, introduces new rules for hedge accounting and a new impairment model for financial assets.

APA Group has completed an assessment of the potential impact of the adoption of AASB 9 on the consolidated financial statements and does not expect the new standard to affect the classification and measurement of its financial assets or financial liabilities. The new hedge accounting rules will align the accounting for hedging instruments more closely with APA Group's risk management practices. AASB 9 will expand the range of eligible hedging instruments, and allow for a portfolio management approach to hedge accounting. Changes in the fair value of foreign exchange forward contracts attributable to forward points, and basis spread in relation to cross currency swaps, provide the option to be deferred in a new cost of hedging reserve within equity. The deferred amounts are to be recognised against the related hedge transaction when it occurs. APA Group confirms that its current hedge relationships will qualify as continuing hedges upon the adoption of AASB 9.

AASB 9 requires the recognition of impairment provisions based on expected credit losses rather than only incurred credit losses as is the case under AASB 139. Based upon this assessment, aside from the additional disclosure requirements, it is not expected that AASB 9 will have any material impact on APA Group's accounts.

APA Group will apply the new rules retrospectively, except for hedge accounting which is applied prospectively, with practical expedients permitted under the standard, although no material changes are expected. A review of the current classification and measurement of financial assets and liabilities has been undertaken to see if any changes are required. However due to the nature of instruments held, no changes were identified. A detailed assessment of all current hedge relationships has been undertaken to ensure they comply under the new rules and confirm if any of the new concepts could be employed to better manage the existing risks. Once again nothing has been identified. New hedge documentation has been completed for each type of current hedge relationship and regression testing completed in the Treasury Management System for a sample of relationships to ensure no system errors or constraints result, and that effectiveness results are as expected. Recognition of impairment is also not expected to change. The history of collection rates shows that APA Group does not have an expected loss on collection of debtors or loans.

AASB 15 'Revenue from Contracts with Customers'

AASB 15 is effective for annual periods beginning on or after 1 January 2018, with early adoption permitted. APA will apply this new standard from 1 July 2018 (financial year ended 30 June 2019).

APA Group has completed an assessment of the impact of the adoption of AASB 15 on the consolidated financial statements.

The key components of the assessment project included stratification of revenue streams, data gathering, review of contracts, and assessment and quantification of the expected impact.

APA Group's approach to assessing the impact of the transition to AASB 15 centred on detailed reviews of the major contracts covering each of the revenue streams, contracts were selected based on their representativeness of and significance for that revenue stream. Each contract reviewed was assessed against the AASB 15 five-step model and other considerations under the standard. A comparison was also made against APA Group's current accounting policies to quantify the impact. The key judgements and assumptions made have been reviewed by internal stakeholders.

Apart from providing more extensive disclosures on the Group's revenue transactions, APA Group does not anticipate that the application of AASB 15 will have a significant impact on the financial position and/or financial performance of the Group.

AASB 16 'Leases'

AASB 16 'Leases' (AASB 16) is effective for annual periods beginning on or after 1 January 2019. Early adoption is permitted for entities that apply AASB 15 at or before the date of initial application of AASB 16. APA will apply AASB 16 in the financial year beginning 1 July 2019 (financial year ended 30 June 2020).

Under AASB 16, the Group's accounting for leases as a lessee will result in the recognition of a right-of-use (ROU) asset and an associated lease liability in the Consolidated Statement of Financial Position. The lease liability represents the present value of future lease payments, with the exception of short-term leases. An interest expense will be recognised on the lease liabilities and a depreciation charge will be recognised for the ROU assets. There will also be additional disclosure requirements under the new standard. The Group's accounting for leases as a lessor remains unchanged under AASB 16.

APA Group has completed an initial assessment of the impact of the adoption of AASB 16 on the consolidated financial statements. This assessment covered a variety of scenarios based on the various transition options and practical expedients applied. At this stage no decision has been made as to the transition option to be taken. The key judgements and assumptions made to date have been reviewed by internal stakeholders.

APA Group's approach to assessing the impact of the transition to AASB 16 centred on data gathering, discount rate determination, detailed reviews of each lease contract, and evaluation under the requirements of AASB 16.

notes to the consolidated financial statements. continued.

AUSTRALIAN PIPELINE TRUST AND ITS CONTROLLED ENTITIES
FOR THE FINANCIAL YEAR ENDED 30 JUNE 2018

Other

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

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

As at 30 June 2018, APA Group had non-cancellable undiscounted operating lease commitments of $72.6 million as disclosed in Note 17 of the 2018 APA Group consolidated financial statements. These commitments predominantly relate to commercial offices, motor vehicles and Crown leases which will require recognition as ROU assets and associated lease liabilities. The implementation of AASB 16 is not expected to result in the recognition of ROU assets or lease liabilities each totalling more than the reported commitments as at 30 June 2018, nor does APA Group expect the adoption of AASB 16 to materially affect its financial results or to impact its ability to comply with any of its loan covenants.

31. Events occurring after reporting date

On 2 July 2018 a new $1,000 million syndicated bank facility came into effect. This new facility has two tranches maturing on 30 June 2023 and 31 December 2023 respectively.

On 13 August 2018, APA announced that it had entered into a conditional Implementation Agreement with CK Infrastructure Holdings Limited (CKI), CK Asset Holdings Limited (CKA), Power Assets Holdings Limited (PAH) and CKM Australia Bidco Pty Ltd (Bidder) under which Bidder (a wholly owned subsidiary of CKA) will acquire all of the stapled securities in APA under trust schemes (Schemes). If the Schemes are implemented, APA Securityholders will receive A$11.00 cash per stapled security. The transaction does not affect APA's final distribution for the 2018 financial year. If the Schemes are implemented at any time after 31 December 2018, APA Securityholders will receive an additional distribution of 4.0 cents per APA stapled security for each full month in calendar 2019 which elapses prior to implementation of the Schemes (up to, and including, March 2019). Implementation of the Schemes is subject to certain conditions, including regulatory and shareholder approvals.

On 22 August 2018, the Directors declared a final distribution of 24.00 cents per security ($283.2 million) for APA Group. This is comprised of a distribution of 17.96 cents per unit from APT and a distribution of 6.04 cents per unit from APTIT. The APT distribution represents a 8.93 cents per unit fully franked profit distribution and 9.03 cents per unit capital distribution. The APTIT distribution represents a 2.90 cents per unit profit distribution and a 3.14 cents per unit capital distribution. Franking credits of 3.83 cents per security will be allocated to the franked profit distribution. The distribution will be paid on 12 September 2018.

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 2018

The Directors declare that:

a) in the Directors' opinion, there are reasonable grounds to believe that Australian Pipeline Trust will be able to pay its debts as and when they become due and payable;

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; 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

Michael Fraser
Chairman

Debra Goodin
Director

Sydney, 22 August 2018

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
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22 August 2018

The Directors
Australian Pipeline Limited as responsible entity for
Australian Pipeline Trust
Level 25, 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 2018, I declare that to the best of my knowledge and belief, there have been no contraventions of:

(i) the auditor independence requirements of the *Corporations Act 2001* in relation to the audit; and

(ii) any applicable code of professional conduct in relation to the audit.

Yours sincerely

Deloitte Touche Tohmatsu

DELOITTE TOUCHE TOHMATSU

Andrew Griffiths

A V Griffiths
Partner
Chartered Accountants
Sydney, 22 August 2018

independent auditor's report.

AUSTRALIAN PIPELINE TRUST AND ITS CONTROLLED ENTITIES
TO THE UNITHOLDERS OF AUSTRALIAN PIPELINE TRUST

Deloitte.

Deloitte Touche Tohmatsu
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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 controlled entities (the "Group"), which comprises the consolidated statement of financial position as at 30 June 2018, 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, 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 2018 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 (the "Responsible Entity"), 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.

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.

independent auditor's report.

AUSTRALIAN PIPELINE TRUST AND ITS CONTROLLED ENTITIES
TO THE UNITHOLDERS OF AUSTRALIAN PIPELINE TRUST

Deloitte.

Key Audit Matter	How the scope of our audit responded to the Key Audit Matter

Carrying Value of Property, Plant and Equipment, Goodwill and Other Intangible Assets
 	
As at 30 June 2018 the Group's balance sheet includes property, plant and equipment (PPE) of $9.7 billion, goodwill of $1.2 billion and other intangible assets of $3.0 billion, which are allocated across several cash generating units (CGUs) as disclosed in Notes 11 and 12.
 	
The assessment of the recoverable amount of the Group's PPE, 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.
	Our procedures included, but were not limited to:
	
	• Assessing management's determination of the Group's CGUs based on our understanding of the business. We have 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 PPE, goodwill and other intangible assets to determine any asset impairments,
	• Challenging in conjunction with our corporate finance specialists the Group's assumptions and estimates used to determine the recoverable amount of a sample of CGUs, including those relating to:
	  ○ forecast revenue by reference to:
	    • 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:
	    • external data
	    • Deloitte developed discount rates.
	• Assessing historical accuracy of managements 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, and
	• 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
	
	We also assessed the appropriateness of the disclosures in Notes 11 and 12 to the financial statements.

independent auditor's report.

AUSTRALIAN PIPELINE TRUST AND ITS CONTROLLED ENTITIES
TO THE UNITHOLDERS OF AUSTRALIAN PIPELINE TRUST

Deloitte.

Key Audit Matter	How the scope of our audit responded to the Key Audit Matter
Derivative transactions and balances including the application of hedge accounting As at 30 June 2018 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 British Pounds and Euros as disclosed in Note 18. 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: • Interest rate swaps to mitigate the risk of rising interest rates, and • Cross currency interest rate swaps to manage the currency risk associated with foreign currency denominated borrowings. In addition, as disclosed in Note 19, 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 which are complex.	Our procedures included, but were not limited to, engaging our Treasury specialists to assist with: • Understanding management's controls over the recording of derivative transactions and the 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 on sample basis the valuation of the derivative financial instruments, and • Testing on a sample basis the application of hedge accounting (including hedge effectiveness and measurement of ineffectiveness), in particular for WGP, and validating that the derivative financial instruments qualified for hedge accounting are in accordance with the relevant accounting standards. We also assessed the appropriateness of the disclosures in Notes 18 and 19 to the financial statements.

Other Information

The directors of the Responsible Entity ("the Directors") 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 2018, 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.

independent auditor's report.

AUSTRALIAN PIPELINE TRUST AND ITS CONTROLLED ENTITIES
TO THE UNITHOLDERS OF AUSTRALIAN PIPELINE TRUST

Deloitte.

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.

independent auditor's report.

AUSTRALIAN PIPELINE TRUST AND ITS CONTROLLED ENTITIES
TO THE UNITHOLDERS OF AUSTRALIAN PIPELINE TRUST

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 the Responsible Entity of Australian Pipeline Trust included in pages 40 to 49 of the Directors' Report for the year ended 30 June 2018.

In our opinion, the Remuneration Report of Australian Pipeline Limited as responsible entity of Australian Pipeline Trust for the year ended 30 June 2018, has been prepared in accordance with section 300A of the *Corporations Act 2001*.

Responsibilities

The directors have voluntarily presented the Remuneration Report of the 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

DELOITTE TOUCHE TOHMATSU

Andrew Griffiths

A V Griffiths
Partner
Chartered Accountants
Sydney, 22 August 2018

directors' report.

APT INVESTMENT TRUST AND ITS CONTROLLED ENTITIES

APT Investment Trust and its Controlled Entities (ARSN 115 585 441)

Directors' Report for the year ended 30 June 2018

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 2018. 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 year are:

Michael Fraser	Chairman as at 27 October 2017
Michael (Mick) McCormack	Chief Executive Officer and Managing Director
Steven (Steve) Crane	
Debra (Debbie) Goodin	
Russell Higgins AO	
Patricia McKenzie	
Shirley In't Veld	Appointed 19 March 2018
Peter Wasow	Appointed 19 March 2018
Leonard Bleasel AM	Retired as Chairman and Director 27 October 2017
John Fletcher	Retired as a Director 21 February 2018

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 Group.

3. State of Affairs

On 13 June 2018, APA announced that an unsolicited, indicative non-binding proposal had been received from a consortium comprising CK Infrastructure Holdings Limited (CKI), CK Asset Holdings Limited (CKA) and Power Assets Holdings Limited (PAH) (together, the Consortium), to acquire all of the stapled securities in APA. The indicative price proposed by the Consortium was $11.00 cash per stapled security, plus the final six months distribution for FY2018 of 24.0 cents per stapled security to be paid in September as scheduled. The Board considered it was in the best interests of Securityholders to further engage with the Consortium and allow due diligence which was undertaken during June – August 2018.

Subsequently, on 13 August 2018, APA announced that it had entered into a conditional Implementation Agreement with CKI, CKA, PAH and CKM Australia Bidco Pty Ltd (Bidder) under which Bidder (a wholly owned subsidiary of CKA) will acquire all of the stapled securities in APA under trust schemes (Schemes).

If the Schemes are implemented, APA Securityholders will receive A$11.00 cash per APA stapled security. The transaction does not affect APA's final distribution for the 2018 financial year, which the Board announced on 22 August 2018, will be 24.0 cents per stapled security, and will be paid on 12 September 2018.

If the Schemes are implemented at any time after 31 December 2018, APA Securityholders will receive an additional distribution of 4.0 cents per APA stapled security for each full month in calendar 2019 which elapses prior to implementation of the Schemes (up to, and including, March 2019).

Implementation of the Schemes is subject to certain conditions outlined in the Implementation Agreement (a copy of which was attached to APA's ASX announcement on 13 August 2018). The conditions include:

- Approval of the Australian Competition and Consumer Commission and the Foreign Investment Review Board;
- An Independent Expert opining that the Schemes are fair and reasonable and in the best interests of APA Securityholders;
- No "material change" or "prescribed events" occurring in relation to APA;
- CKA shareholder approval;
- APA Securityholder approval; and
- Court approval.

The APA Directors unanimously recommend the transaction in the absence of a superior proposal and subject to an Independent Expert concluding (and continuing to conclude) that the Schemes are fair and reasonable and in the best interests of APA Securityholders.

Depending on the progress of regulatory approvals, a meeting of APA Securityholders is targeted to be held in late November 2018 to consider the Schemes, with implementation and payment to APA Securityholders targeted to occur in mid December 2018.

directors' report. continued.

APT INVESTMENT TRUST AND ITS CONTROLLED ENTITIES

4. Subsequent Events

On 13 August 2018, APA announced that it had entered into a conditional Implementation Agreement with CKI, CKA, PAH and CKM Bidder under which Bidder (a wholly owned subsidiary of CKA) will acquire all of the stapled securities in APA under trust schemes (Schemes). If the Schemes are implemented, APA Securityholders will receive A$11.00 cash per stapled security. The transaction does not affect APA's final distribution for the 2018 financial year. If the Schemes are implemented at any time after 31 December 2018, APA Securityholders will receive an additional distribution of 4.0 cents per APA stapled security for each full month in calendar 2019 which elapses prior to implementation of the Schemes (up to, and including, March 2019). Implementation of the Schemes is subject to certain conditions, including regulatory and shareholder approvals.

On 22 August 2018, the Directors declared a final distribution for the 2018 financial year of 6.04 cents per unit ($71.3 million). The distribution represents a 2.90 cents per unit unfranked profit distribution and 3.14 cents per unit capital distribution. The distribution is expected to be paid on 12 September 2018.

Other than what is noted above and as disclosed elsewhere in this report, there has not arisen in the interval between the end of the full year to 30 June 2018 and the date of this report any matter or circumstance that has significantly affected, or may significantly affect, the Group's operations, the results of those operations, or the Group's state of affairs, in future financial years.

5. Review and Results of Operations

The Consolidated Entity reported net profit after tax of $68.0 million (FY2017: $73.0 million) for the year ended 30 June 2018 and total revenue of $68.1 million (FY2017: $73.0 million).

6. Distributions

Distributions paid to Securityholders during the financial year were:

	Final FY2017 distribution paid 13 September 2017		**Interim FY2018 distribution paid 14 March 2018**	
	Cents per security	Total distribution $000	**Cents per security**	**Total distribution $000**
APTIT profit distribution	3.07	34,198	3.03	33,821
APTIT capital distribution	3.69	41,107	2.38	26,490
Total	**6.76**	**75,305**	**5.41**	**60,311**

On 22 August 2018, the Directors declared a final distribution for APTIT for the financial year of 6.04 cents per security which is payable on 12 September 2018 and will comprise the following components:

	Final FY2018 distribution payable 12 September 2018	
	Cents per security	**Total distribution $000**
APTIT profit distribution	2.90	34,228
APTIT capital distribution	3.14	37,022
Total	**6.04**	**71,250**

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 2018) 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 06 to 07 for information relating to qualifications and experience of the Directors and the Company Secretary.

directors' report. continued.

APT INVESTMENT TRUST AND ITS CONTROLLED ENTITIES

7.2 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
Michael Fraser	Aurizon Holdings Limited	Since February 2016
Michael McCormack	–	–
Steven Crane	nib holdings limited	Since September 2010, Chair since October 2011
Debra Goodin	Senex Energy Limited	Since May 2014
	oOh!media Limited	Since November 2014
	Ten Network Holdings Limited	August 2016 to November 2017
	Atlas Arteria Limited	Since September 2017
Russell Higgins AO	Telstra Corporation Limited	Since September 2009
	Argo Investments Limited	Since September 2011, Chair since July 2018
	Argo Global Listed Infrastructure Limited	Chair since July 2018
Patricia McKenzie	–	–
Shirley In't Veld	Asciano Limited	November 2010 to August 2016
	DUET Group	August 2013 to May 2017
	Northern Star Resources Limited	Since September 2016
Peter Wasow	Alcoa Australia Limited	January 2014 to July 2017
	Oz Minerals Limited	Since November 2017
	Alumina Limited	September 2011 to May 2017

7.3 Directors' meetings

During the financial year, 17 Board meetings, four Audit and Risk Management Committee meetings, four People and Remuneration Committee meetings, four Health Safety and Environment Committee meetings and six 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:

	Board		People & Remuneration Committee		Audit & Risk Management Committee		Health Safety & Environment Committee		Nomination Committee	
Directors	A	B	A	B	A	B	A	B	A	B
Michael Fraser	17	16	2	2	4	4	–	–	6	6
Michael McCormack	17	17	–	–	–	–	–	–	–	–
Steven Crane	17	17	4	3	4	4	–	–	1	1
Debra Goodin	17	17	–	–	4	4	4	4	6	6
Russell Higgins AO	17	17	–	–	4	4	4	4	6	6
Patricia McKenzie	17	17	4	4	–	–	4	4	1	1
Shirley Int'd Veld	7	6	2	2	–	–	2	2	–	–
Peter Wasow	7	6	2	2	1	1	–	–	–	–
Leonard Bleasel AM (1)	6	6	–	–	–	–	–	–	1	1
John Fletcher (2)	10	9	2	2	3	3	–	–	1	1

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) Leonard Bleasel AM retired as a Director on 27 October 2017.

2) John Fletcher retired as a Director on 21 February 2018.

directors' report. continued.

APT INVESTMENT TRUST AND ITS CONTROLLED ENTITIES

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 2018 is 800,118 (2017: 1,365,674 (3)).

The following table sets out Directors' relevant interests in APA securities as at 30 June 2018:

Directors	Fully paid securities as at 1 July 2017	Securities acquired	Securities disposed	**Fully paid securities as at 30 June 2018**
Michael Fraser	25,000	77,942	–	**102,942**
Michael McCormack	320,000	30,000	–	**350,000**
Steven Crane	130,000	0	–	**130,000**
Debra Goodin	19,200	3,800	–	**23,000**
Russell Higgins AO	122,719	7,220	–	**129,939**
Patricia McKenzie	22,889	1,348	–	**24,237**
Shirley Int'd Veld (4)	–	25,000	–	**25,000**
Peter Wasow (5)	–	15,000	–	**15,000**
Leonard Bleasel AM (6)	637,616	–	–	**–**
John Fletcher (7)	88,250	–	–	**–**
	1,365,674	160,310	–	**800,118**

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

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 specific 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.

3) At 30 June 2017 the aggregate number of APA securities held directly or beneficially by Directors or their related entities included 637,616 securities held by Leonard Bleasel AM who retired on 27 October 2017 and 88,250 securities held by John Fletcher who retired on 21 February 2018. The aggregate number of APA Securities held directly or beneficially by the current Directors or their related entities as at 30 June 2017 was 639,808.

4) Shirley In't Veld was appointed as a Director effective 19 March 2018. She held 25,000 securities on appointment.

5) Peter Wasow was appointed as a Director effective 19 March 2018. He held nil securities on appointment.

6) Leonard Bleasel AM retired as the Chairman and a Director on 27 October 2017. He held 637,616 securities on retirement.

7) John Fletcher retired as a Director on 21 February 2018. He held 88,250 securities on retirement.

directors' report. continued.

APT INVESTMENT TRUST AND ITS CONTROLLED ENTITIES

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 121.

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

Michael Fraser
Chairman

Debra Goodin
Director

Sydney, 22 August 2018

consolidated statement of profit or loss and other comprehensive income.

APT INVESTMENT TRUST AND ITS CONTROLLED ENTITIES
FOR THE FINANCIAL YEAR ENDED 30 JUNE 2018

	Note	**2018 $000**	2017 $000
Continuing operations			
Revenue	4	**68,061**	72,979
Expenses	4	**(12)**	(12)
Profit before tax		**68,049**	72,967
Income tax expense	5	**–**	–
Profit for the year		**68,049**	72,967
Other comprehensive income			
Total comprehensive income for the year		**68,049**	72,967
Profit Attributable to:			
Unitholders of the parent		**68,049**	72,967
		68,049	72,967
Total comprehensive income attributable to:			
Unitholders of the parent		**68,049**	72,967

Earnings per unit		**2018**	2017 (Restated)
Basic and diluted (cents per unit)	6	**6.0**	6.5

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
AS AT 30 JUNE 2018

	Note	**2018 $000**	2017 $000
Current assets			
Receivables	8	**774**	738
Non-current assets			
Receivables	8	**7,737**	8,511
Other financial assets	11	**1,055,971**	1,001,246
Non-current assets		**1,063,708**	1,009,757
Total assets		**1,064,482**	1,010,495
Current liabilities			
Trade and other payables	9	**78**	13
Total liabilities		**78**	13
Net assets		**1,064,404**	1,010,482
Equity			
Issued capital	13	**1,030,176**	976,284
Retained earnings		**34,228**	34,198
Total equity		**1,064,404**	1,010,482

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 2018

	Note	Issued capital $000	Retained earnings $000	Total $000
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
Balance at 1 July 2017		**976,284**	**34,198**	**1,010,482**
Profit for the year		**–**	**68,049**	**68,049**
Total comprehensive income for the year		**–**	**68,049**	**68,049**
Issue of capital (net of issue costs)	13	**121,489**	**–**	**121,489**
Distributions to unitholders	7	**(67,597)**	**(68,019)**	**(135,616)**
Balance at 30 June 2018		**1,030,176**	**34,228**	**1,064,404**

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 2018

	2018 $000	2017 $000
Cash flows from operating activities		
Trust distribution – related party	**27,979**	28,610
Interest received – related parties	**39,349**	45,531
Proceeds from repayment of finance leases	**1,167**	1,167
Receipts from customers	**369**	274
Payments to suppliers	**(12)**	(12)
Net cash provided by operating activities	**68,852**	75,570
Cash flows from investing activities		
Proceeds from transfer of financial asset to related party	**–**	32,566
(Advances to)/receipts from related parties	**(54,725)**	1,235
Net cash (used in)/provided by investing activities	**(54,725)**	33,801
Cash flows from financing activities		
Proceeds from issue of units	**124,234**	–
Payment of unit issue costs	**(2,745)**	–
Distributions to unitholders	**(135,616)**	(109,371)
Net cash used in financing activities	**(14,127)**	(109,371)
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 2018

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.

notes to the consolidated financial statements. continued.

APT INVESTMENT TRUST AND ITS CONTROLLED ENTITIES
FOR THE FINANCIAL YEAR ENDED 30 JUNE 2018

Basis of Preparation

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 25
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 2018 was authorised for issue in accordance with a resolution of the directors on 22 August 2018.

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.

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:

	2018 $000	2017 $000
Revenue		
Distributions		
Trust distribution – related party	**27,979**	28,610
	27,979	28,610
Finance income		
Interest – related parties	**39,350**	44,141
Loss on financial asset held at fair value through profit or loss	**–**	(510)
Finance lease income – related party	**430**	464
	39,780	44,095
Other revenue		
Other	**302**	274
Total revenue	**68,061**	72,979
Expenses		
Audit fees	**(12)**	(12)
Total expenses	**(12)**	(12)

notes to the consolidated financial statements. continued.

APT INVESTMENT TRUST AND ITS CONTROLLED ENTITIES
FOR THE FINANCIAL YEAR ENDED 30 JUNE 2018

Financial Performance

4. Profit from operations (continued)

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.

6. Earnings per unit

	2018 cents	2017 (Restated) cents
Basic and diluted earnings per unit	**6.0**	6.5

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

	2018 $000	2017 $000
Net profit attributable to unitholders for calculating basic and diluted earnings per unit	**68,049**	72,967

	2018 No. of units 000	2017 (Restated) No. of units 000
Adjusted weighted average number of ordinary units used in the calculation of basic and diluted earnings per unit	**1,136,875**	1,118,522

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

7. Distributions

	2018 cents per unit	**2018 Total $000**	2017 cents per unit	2017 Total $000
Recognised amounts				
Final distribution paid on 13 September 2017				
(2017: 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
Interim distribution paid on 14 March 2018				
(2017: 15 March 2017)				
Profit distribution [(a)]	**3.03**	**33,821**	3.48	38,770
Capital distribution	**2.38**	**26,490**	1.96	21,814
	5.41	**60,311**	5.44	60,584

notes to the consolidated financial statements. continued.

APT INVESTMENT TRUST AND ITS CONTROLLED ENTITIES
FOR THE FINANCIAL YEAR ENDED 30 JUNE 2018

Financial Performance

7. Distributions (continued)

	2018 cents per unit	**2018 Total $000**	2017 cents per unit	2017 Total $000
Total distributions recognised				
Profit distributions [a]	**6.10**	**68,019**	7.23	80,581
Capital distributions	**6.07**	**67,597**	2.59	28,790
	12.17	**135,616**	9.82	109,371
Unrecognised amounts				
Final distribution payable on 12 September 2018 [b]				
(2017: 13 September 2017)				
Profit distribution [a]	**2.90**	**34,228**	3.07	34,198
Capital distribution	**3.14**	**37,022**	3.69	41,107
	6.04	**71,250**	6.76	75,305

a) Profit distributions unfranked (2017: unfranked).
b) Record date 29 June 2018.

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.

Operating Assets and Liabilities

8. Receivables

	2018 $000	2017 $000
Finance lease receivable – related party (Note 10)	**774**	738
Current	**774**	738
Finance lease receivable – related party (Note 10)	**7,737**	8,511
Non-current	**7,737**	8,511

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	**78**	13

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.

notes to the consolidated financial statements. continued.

APT INVESTMENT TRUST AND ITS CONTROLLED ENTITIES
FOR THE FINANCIAL YEAR ENDED 30 JUNE 2018

Operating Assets and Liabilities

10. Leases

	2018 $000	2017 $000
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	**4,669**	5,837
Minimum future lease payments receivable [a]	**10,505**	11,673
Gross finance lease receivables	**10,505**	11,673
Less: unearned finance lease receivables	**(1,994)**	(2,424)
Present value of lease receivables	**8,511**	9,249
Included in the financial statements as part of:		
Current receivables (Note 8)	**774**	738
Non-current receivables (Note 8)	**7,737**	8,511
	8,511	9,249

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.

Capital Management

11. Other financial instruments

	2018 $000	2017 $000
Non-current		
Advance to related party	**948,592**	893,867
Investments carried at cost:		
Investment in related party [a]	**107,379**	107,379
	1,055,971	1,001,246

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.

Financial assets are classified into the following specified categories: 'available-for-sale' financial assets and 'loans and receivables'.

The classification depends on the nature and purpose of the financial assets and is determined at the time of initial recognition.

notes to the consolidated financial statements. continued.

APT INVESTMENT TRUST AND ITS CONTROLLED ENTITIES
FOR THE FINANCIAL YEAR ENDED 30 JUNE 2018

Capital Management

11. Other financial instruments (continued)

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.

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 ("ARMC") approves written principles for overall risk management, as well as policies covering specific areas such as liquidity and funding risk, foreign currency risk, interest rate risk, credit risk, contract and legal risk and operational risk. The Consolidated Entity's ARMC ensures there is an appropriate Risk Management Policy for the management of treasury risk and compliance with the policy through monthly reporting to the Board from the Treasury department.

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

a) Market risk including currency risk, interest rate risk and price risk;

b) Credit risk; and

c) Liquidity risk.

Treasury as a centralised function provides the Consolidated Entity with the benefits of efficient cash utilisation, control of funding and its associated costs, efficient and effective management of aggregated financial risk and concentration of financial expertise, at an acceptable cost, and 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.

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 within a given period of time. 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 $6,023,000 or decrease by $5,968,000 (2017: increase by $6,431,000 or decrease by $6,372,000 respectively). This is mainly attributable to the Consolidated Entity's exposure to interest rates on its variable rate inter-entity balances. The sensitivity has decreased due to lower weighted average 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 other payables of $78,000 (2017: $13,000), all of which are due in less than 1 year (2017: less than 1 year).

notes to the consolidated financial statements. continued.

APT INVESTMENT TRUST AND ITS CONTROLLED ENTITIES
FOR THE FINANCIAL YEAR ENDED 30 JUNE 2018

Capital Management

13. Issued capital

	2018 $000	2017 $000
Units		
1,179,893,848 units, fully paid (2017: 1,114,307,369 units, fully paid) [a]	**1,030,176**	976,284

	2018 No. of units 000	2018 $000	2017 No. of units 000	2017 $000
Movements				
Balance at beginning of financial year	**1,114,307**	**976,284**	1,114,307	1,005,074
Issue of units under entitlement offer	**65,586**	**124,234**	–	–
Capital distributions paid (Note 7)	**–**	**(67,597)**	–	(28,790)
Issue cost of units	**–**	**(2,745)**	–	–
Balance at end of financial year	**1,179,893**	**1,030,176**	1,114,307	976,284

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.

		Ownership interest	
Name of entity	Country of registration/ incorporation	**2018 %**	2017 %
Parent entity			
APT Investment Trust			
Subsidiary			
GasNet Australia Investments Trust	Australia	**100**	100

Other

15. Commitments and contingencies

The Consolidated Entity had no material contingent assets, liabilities and commitments as at 30 June 2018 and 30 June 2017.

16. Director and senior executive remuneration

Remuneration of Directors

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

	2018 $	2017 $
Short-term employment benefits	**1,625,875**	1,682,077
Post-employment benefits	**154,482**	160,104
Total remuneration: Non-Executive Directors	**1,780,357**	1,842,181
Short-term employment benefits	**3,638,690**	3,589,472
Post-employment benefits	**25,000**	35,000
Cash settled security-based payments	**1,479,646**	1,485,242
Total remuneration: Executive Director [a]	**5,143,336**	5,109,714
Total remuneration: Directors	**6,923,693**	6,951,895

notes to the consolidated financial statements. continued.

APT INVESTMENT TRUST AND ITS CONTROLLED ENTITIES
FOR THE FINANCIAL YEAR ENDED 30 JUNE 2018

Other

16. Director and senior executive remuneration (continued)

	2018 $	2017 $
Remuneration of senior executives [(a),(b)]		
The aggregate remuneration of senior executives of the Consolidated Entity is set out below:		
Short-term employment benefits	**7,748,591**	7,509,920
Post-employment benefits	**95,049**	135,000
Cash settled security-based payments	**2,822,148**	2,849,270
Total remuneration: senior executives	**10,665,788**	10,494,190

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.

b) The FY2017 total remuneration differs from the amount disclosed in the prior year due to the review of the composition of Executive KMP, refer to the remuneration report for further details.

17. Remuneration of external auditor

	2018 $	2017 $
Amounts received or due and receivable by Deloitte Touche Tohmatsu for:		
Auditing the financial report	**6,000**	5,900
Compliance plan audit	**5,700**	5,600
Other assurance services [(a)]	**15,990**	–
	27,690	11,500

a) Services provided were in accordance with the external auditor independence policy. Other assurance services comprise assurance services in relation to security related transactions (equity raising).

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 (2017: 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; 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 $774,000 are owing from a subsidiary of APT for amounts due under a finance lease arrangement (2017: $738,000);
- non-current receivables totalling $7,737,000 are owing from a subsidiary of APT for amounts due under a finance lease arrangement (2017: $8,511,000); and
- non-current receivables totalling $948,592,000 (2017: $893,867,000) are owing from a subsidiary of APT for amounts due under inter-entity loans.

Australian Pipeline Limited

Management fees of $1,152,000 (2017: $943,000) 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 $1,152,000 (2017: $943,000) 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 2018

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.

	2018 $000	2017 $000
Financial position		
Assets		
Current assets	**774**	738
Non-current assets	**1,063,708**	1,009,757
Total assets	**1,064,482**	1,010,495
Liabilities		
Current liabilities	**78**	13
Total liabilities	**78**	13
Net assets	**1,064,404**	1,010,482
Equity		
Issued capital	**1,030,176**	976,284
Retained earnings	**34,228**	34,198
Reserves	**–**	–
Total equity	**1,064,404**	1,010,482
Financial performance		
Profit for the year	**68,049**	72,967
Other comprehensive income	**–**	–
Total comprehensive income	**68,049**	72,967

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.

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

As per the table above a number of new standards and amendments to standards are effective for annual periods beginning after 1 January 2018 with earlier application permitted. The Consolidated Entity has not chosen to early adopt the new or amended standards in preparing these consolidated financial statements.

notes to the consolidated financial statements. continued.

APT INVESTMENT TRUST AND ITS CONTROLLED ENTITIES
FOR THE FINANCIAL YEAR ENDED 30 JUNE 2018

Other

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

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

AASB 9 'Financial Instruments'
AASB 9 is effective for annual periods beginning on or after 1 January 2018, with early adoption permitted. The Consolidated Entity will apply this new standard from 1 July 2018 (financial year ended 30 June 2019). AASB 9 addresses the classification, measurement and de-recognition of financial assets and financial liabilities, introduces new rules for hedge accounting and a new impairment model for financial assets.

The Consolidated Entity has completed an assessment of the potential impact of the adoption of AASB 9 on the consolidated financial statements and does not expect the new standard to affect the classification and measurement of its financial assets or financial liabilities. The new hedge accounting rules will align the accounting for hedging instruments more closely with APA Group's risk management practices. The new impairment model requires the recognition of impairment provisions based on expected credit losses rather than only incurred credit losses as is the case under AASB 139. Based upon the Consolidated Entity's assessment, aside from the additional disclosure requirements, it is not expected that AASB 9 will have any material impact to the Consolidated Entity's accounts.

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

AASB 15 'Revenue from Contracts with Customers'
AASB 15 is effective for annual periods beginning on or after 1 January 2018, with early adoption permitted. The Consolidated Entity will apply this new standard from 1 July 2018 (financial year ended 30 June 2019).

The Consolidated Entity has completed an assessment of the potential impact of the adoption of AASB 15. As the revenue of the Consolidated Entity is limited to interest earnt on inter-entity loans, distribution revenue and finance lease income, AASB 15 does not have any impact on the Consolidated Entity.

AASB 16 'Leases'
AASB 16 is effective for annual periods beginning on or after 1 January 2019. Early adoption is permitted for entities that apply AASB 15 at or before the date of initial application of AASB 16. The consolidated entity will apply AASB 16 in the financial year beginning 1 July 2019 (financial year ended 30 June 2020).

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

21. Events occurring after reporting date

On 13 August 2018, APA announced that it had entered into a conditional Implementation Agreement with CK Infrastructure Holdings Limited (CKI), CK Asset Holdings Limited (CKA), Power Assets Holdings Limited (PAH) and CKM Australia Bidco Pty Ltd (Bidder) under which Bidder (a wholly owned subsidiary of CKA) will acquire all of the stapled securities in APA under trust schemes (Schemes). If the Schemes are implemented, APA Securityholders will receive A$11.00 cash per stapled security. The transaction does not affect APA's final distribution for the 2018 financial year. If the Schemes are implemented at any time after 31 December 2018, APA Securityholders will receive an additional distribution of 4.0 cents per APA stapled security for each full month in calendar 2019 which elapses prior to implementation of the Schemes (up to, and including, March 2019). Implementation of the Schemes is subject to certain conditions, including regulatory and shareholder approvals.

On 22 August 2018, the Directors declared a final distribution for the 2018 financial year of 6.04 cents per unit ($71.3 million). The distribution represents a 2.90 cents per unit unfranked profit distribution and 3.14 cents per unit capital distribution. The distribution will be paid on 12 September 2018.

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 2018

The Directors declare that:

a) in the Directors' opinion, there are reasonable grounds to believe that APT Investment Trust will be able to pay its debts as and when they become due and payable;

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

Michael Fraser
Chairman

Debra Goodin
Director

Sydney, 22 August 2018

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
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22 August 2018

The Directors
Australian Pipeline Limited as responsible entity for
APT Investment Trust
Level 25, 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 2018, I declare that to the best of my knowledge and belief, there have been no contraventions of:

(i) the auditor independence requirements of the *Corporations Act 2001* in relation to the audit; and

(ii) any applicable code of professional conduct in relation to the audit.

Yours sincerely

Deloitte Touche Tohmatsu

DELOITTE TOUCHE TOHMATSU

Andrew Griffiths

A V Griffiths
Partner
Chartered Accountants
Sydney, 22 August 2018

independent auditor's report.

APT INVESTMENT TRUST AND ITS CONTROLLED ENTITIES
TO THE UNITHOLDERS OF APT INVESTMENT TRUST

Deloitte.

Deloitte Touche Tohmatsu
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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 2018, 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 2018 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.

independent auditor's report.

APT INVESTMENT TRUST AND ITS CONTROLLED ENTITIES
TO THE UNITHOLDERS OF APT INVESTMENT TRUST

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 2018, 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.

independent auditor's report.

APT INVESTMENT TRUST AND ITS CONTROLLED ENTITIES
TO THE UNITHOLDERS OF APT INVESTMENT TRUST

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

DELOITTE TOUCHE TOHMATSU

Andrew Griffiths

A V Griffiths
Partner
Chartered Accountants
Sydney, 22 August 2018

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 16 August 2018).

Twenty largest holders	No. of securities	%
HSBC Custody Nominees (Australia) Limited	251,232,285	21.29
BNP Paribas Nominees Pty Ltd	199,497,155	16.91
J P Morgan Nominees Australia Limited	144,944,108	12.28
Citicorp Nominees Pty Limited	96,896,463	8.21
National Nominees Limited	31,669,578	2.68
Custodial Services Limited	21,426,315	1.82
BNP Paribas Noms Pty Ltd	13,356,245	1.13
Argo Investments Limited	10,882,525	0.92
HSBC Custody Nominees (Australia) Limited	7,016,040	0.59
HSBC Custody Nominees (Australia) Limited-GSCO ECA	6,277,124	0.53
Citicorp Nominees Pty Limited	6,076,864	0.52
BKI Investment Company Limited	4,394,714	0.37
Bainpro Nominees Pty Limited	4,384,931	0.37
Australian Foundation Investment Company Limited	4,040,000	0.34
AMP Life Limited	3,887,302	0.33
BNP Paribas Nominees Pty Ltd	3,032,000	0.26
Milton Corporation Limited	2,077,766	0.18
Ecapital Nominees Pty Limited	1,951,896	0.17
Navigator Australia Ltd	1,718,769	0.15
HSBC Custody Nominees (Australia) Limited	1,357,648	0.12
Total for Top 20	**816,119,728**	**69.17**

Distribution of holders

Ranges	No. of holders	%	No. of securities	%
100,001 and Over	154	0.20	852,716,546	72.27
10,001 to 100,000	8,257	10.87	165,131,072	14.00
5,001 to 10,000	10,458	13.77	74,101,397	6.28
1,001 to 5,000	29,869	39.31	76,931,769	6.52
1 to 1,000	27,237	35.85	11,013,064	0.93
Total	**75,975**	**100.00**	**1,179,893,848**	**100.00**

1,821 holders hold less than a marketable parcel of securities (market value less than $500 or 51 securities based on a market price on 16 August 2018 of $9.96).

Substantial holders

By notice dated 13 March 2018, BNP Paribas Nominees Pty Limited as custodian for UniSuper Limited advised that it had an interest in 189,951,079 stapled securities, as at 9 March 2018.

By notice dated 21 June 2017, BlackRock Group advised that it had an interest in 55,818,084 stapled securities, as at 19 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)		**2018**	2017	2016	2015	2014
Revenue	$m	**2,386.7**	2,326.4	2,094.3	1,553.6	1,396.0
Revenue excluding pass-through (1)	$m	**1,941.4**	1,888.3	1,656.0	1,119.2	992.5
EBITDA	$m	**1,518.5**	1,470.1	1,330.5	1,269.5	747.3
Depreciation and amortisation expense	$m	**(578.9)**	(570.0)	(520.9)	(208.2)	(156.2)
EBIT	$m	**939.6**	900.1	809.7	1,061.3	591.1
Interest expense	$m	**(509.7)**	(513.8)	(507.7)	(324.2)	(325.1)
Tax (expense)/benefit	$m	**(165.1)**	(149.5)	(122.5)	(177.2)	77.7
Profit after tax including significant items	$m	**264.8**	236.8	179.5	559.9	343.7
Significant items – after income tax	$m	**–**	–	–	356.0	144.1
Profit after tax excluding significant items	$m	**264.8**	236.8	179.5	203.9	199.6
Financial Position						
Total assets	$m	**15,227.2**	15,045.9	14,842.7	14,652.9	7,972.5
Total drawn debt (2)	$m	**8,810.4**	9,249.7	9,037.3	8,642.8	4,789.4
Total equity	$m	**4,126.8**	3,978.2	4,029.1	4,382.7	2,496.5
Operating Cash Flow						
Operating cash flow (3)	$m	**1,031.6**	973.9	862.4	562.2	431.5
Key Financial Ratios						
Earnings per security (4)	cents	**23.3**	21.2	16.0	56.1 (5)	39.5 (5)
Operating cash flow per security (4)	cents	**90.7**	87.1	77.1	56.3	49.6
Distribution per security	cents	**45.0**	43.5	41.5	38.0	36.3
Gearing (net debt to net debt plus equity)	%	**65.4**	67.4	66.4	63.4	64.2
Interest cover ratio	times	**2.7**	2.8	2.6	2.6	2.3
Weighted average number of securities (4)	m	**1,136.9**	1,118.5	1,118.5	999.4 (5)	870.2 (5)
EBITDA by Segment (Excluding Significant Items)						
EBITDA (Continuing businesses)						
Energy Infrastructure						
East Coast:						
Queensland	$m	**962.2**	925.4	855.8	340.1	234.5
New South Wales	$m	**147.1**	149.5	121.7	120.8	115.6
Victoria	$m	**124.6**	123.0	120.6	130.2	127.6
South Australia	$m	**2.6**	2.3	2.5	1.9	2.4
Northern Territory	$m	**22.9**	18.8	17.5	18.0	15.2
Western Australia	$m	**237.6**	234.7	217.6	212.6	189.0
Asset Management	$m	**66.2**	58.7	53.9	49.5	67.6
Energy Investments	$m	**23.1**	24.4	27.8	21.8	18.0
Corporate costs	$m	**(67.9)**	(66.7)	(86.7)	(73.6)	(72.5)
Divested businesses (6)	$m	**–**	–	–	1.0	50.1

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) On the 23 March 2018, APA Group issued 65,586,479 new ordinary securities on completion of the fully underwritten pro-rata accelerated institutional tradeable renounceable entitlement offer, resulting in total securities on issue as at 30 June 2018 of 1,179,893,848. The entitlement offer was offered at $7.70 per security, a discount to APA Group's closing market price of $8.26 per security on the 23 February 2018, the last trading day before the record date of 26 February 2018. The numbers of securities used for calculation of earnings per security and operating cash flow per security from FY2018 to FY2014 have been adjusted. An adjustment factor of 1.0038 has been calculated, being the closing market price per security on 23 February 2018, divided by the theoretical ex-rights price (TERP) of $8.23 per security.
5) Between 23 December 2014 and 28 January 2015, APA Group issued a total of 278,556,562 new ordinary securities on completion of the fully underwritten accelerated renounceable entitlement offer, resulting in total securities on issue as at 30 June 2015 of 1,114,307,369. The entitlement offer 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 used for calculation of earnings per security and operating cash flow per security have been adjusted. An adjustment factor of 1.036 has been calculated, being the closing market price per security on 9 December 2014, divided by the theoretical ex-rights value (TERP) of $7.40 per security.
6) Australian Gas Networks Limited sold in August 2014.

investor information.

Calendar of events

Final distribution FY2018 record date	29 June 2018
Final distribution FY2018 payment date	12 September 2018
Annual meeting	25 October 2018
Interim results announcement	20 February 2019 (1)
Interim distribution FY2019 record date	31 December 2018 (1)
Interim distribution FY2019 payment date	13 March 2019 (1)

1) Subject to change.

Annual Meeting Details

Date: Thursday, 25 October 2018

Venue: InterContinental Sydney Hotel,
James Cook Ballroom,
117 Macquarie 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

Level 25, 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.

apa group sustainability report. 2018.

our sustainability approach.

contents

the apa way.

how we do business

the apa way is how we do business – it comprises how we behave, guided by our values & how we make decisions guided by our decision compass.

how we act and behave

Safe

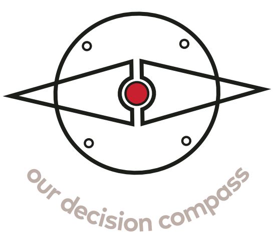
Trustworthy

Adaptable

Results

Service

how we make decisions



- Do things safely
- Take a long term focus
- Manage APA money as if it's our own
- Do what we say we do
- Know our reputation matters

APA Group is one of Australia's largest companies and a leading Australian energy infrastructure business, 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 sustainable energy solutions that are safe, reliable, innovative and cost-effective.

Through a stakeholder lens, APA profiles the five stakeholder groups that are essential to our sustainability as a business and to the energy industry as a whole. To achieve sustainable outcomes, 'how' we go about managing our business is as important as the outcomes or 'what' our business does. The actions and decisions that our **employees** make each day impact each other, our **customers**, **securityholders**, and **the communities** and **environment** in which we operate.

The APA Way guides how we behave – it is our blueprint for how we want to do business. At its core, five values known as our 'STARS' drive our behaviours. These are supported by the five principles of our Decision Compass, which guide the way we make decisions.

APA recognises the importance of addressing all aspects of sustainability. In FY2018, APA initiated an enterprise wide sustainability review and improvement program, identifying strategic improvements for our Environmental, Social and Governance (ESG) profile to ensure ongoing sustainability. The program is being resourced with senior APA staff and external consultants who bring specialised subject matter knowledge and an independent perspective to this transformational program. Given the significance and broad ranging nature of the program, it is anticipated 'it' will be undertaken over multiple years.

While the program is reviewing all aspects of ESG, key elements of the program include:

— Assessing climate risk with Task Force on Climate-related Financial Disclosures criteria;

— Reviewing environmental management practices to ensure APA is meeting or exceeding environment regulatory compliance;

— Reviewing key sustainability metrics and targets related to APA and our stakeholders.

The FY2018 Sustainability Report details APA's financial year performance against targeted sustainability actions for the period. The Report also outlines material economic, environmental and social sustainability risks, and how APA mitigates those risks.

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 Ball & Doggett 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. By using ecoStar Offset rather than a non-recycled paper, the environmental impact was reduced by:

1,892 kg of landfill

3,250 kWh of energy

55,325 litres of water

2,797 km travel in the average European car

3,074 kg of wood

280 kg CO_2 and greenhouse gases

message from the managing director.

FY2018 was a year when the message of ensuring all Australians have access to affordable, sustainable and reliable energy was heard loud and clear by the energy industry and policy makers. Solving Australia's energy trilemma requires a collaborative approach, and APA is doing its part. Gas will play a critical role in Australia's future energy mix, as will technological advancements and energy policy certainty.

APA's flexible, long-term investment approach has supported the development of the market we have today, connecting new gas sources with market participants and providing innovative solutions for our customers. In our 18 year history APA has invested over $13 billion in energy infrastructure, delivering energy to the people, businesses and communities that rely on it for essential services and to fuel Australia's growth.

In APA's FY2018 Sustainability Report, we are pleased to update you on our key sustainability initiatives as it relates to our stakeholders.

We have continued to execute on our $1.4 billion plus pipeline of growth projects with the commissioning of the Emu Downs Solar Farm, Reedy Creek Wallumbilla Pipeline, the Mt Morgans Gas Pipeline and the Yamarna Gas Pipeline. Our customers are central to APA's success and we will continue to work diligently to service their commercial needs in Australia's dynamic energy market.

APA was one of 15 energy businesses across the supply chain during the year that committed to develop a consumer charter focused on delivering improved customer outcomes. APA is a foundational member of the initiative and part of the Industry Working Group developing The Energy Charter.

As Australia's efforts to meet the Paris Agreement commitments continue, APA strengthened its advocacy in environmental stewardship. Gas is a viable, low-emissions fuel supply that Australia has in abundance. Renewable energy technology is fast evolving but its reliability to respond to market needs is some way off. So when the sun is not shining and the wind is not blowing, Australia needs access to a fast start up, flexible, reliable and low emissions energy supply which gas already provides.

In FY2018, we registered as a supporter of the Task Force on Climate-related Financial Disclosures. We also bolstered our renewable generation portfolio with the commissioning of the Emu Downs Solar Farm. We continued construction of APA's Darling Downs Solar Farm and the Badgingarra Wind Farm, and announced an adjacent new solar project.

To reinforce our commitment to improving APA's Environmental, Social and Governance (ESG) performance, we have initiated a new program and engaged an external advisory firm to comprehensively review APA's strategic direction for our ESG management and reporting.

It is important for the sustainability of any business to understand the opportunities and risks associated with climate change and how we incorporate those into our strategy. A plan is being developed which will see a number of ESG initiatives rolled out from FY2019 and beyond.

Our commitment to developing long-term community relationships runs parallel to safely operating our assets, as we are mindful of the impact our operations have on the surrounding communities and environment. We believe that continuing to maintain and improve strong connections with local communities helps foster an internal appreciation of the regions where we operate. This Report shares with you some of those two-way connections developed during FY2018.

During the financial year, APA completed numerous employee initiatives including undertaking "Strategy into Action" leadership workshops and introducing diversity and inclusion working groups to drive our inclusivity, flexibility, cross-generational and employer of choice strategic objectives. Safety of our people, the environment and communities where we operate and our assets themselves, remains paramount in our mindset and how we go about our daily business.

During FY2018, investor interest was strong with the completion of the $500 million equity capital raise to help fund the largest capital expenditure program in APA's history. We thank our investors for their support of our business.

On behalf of the whole APA team, I thank all our stakeholders for helping us deliver assets that support APA achieving our vision of connecting 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:

- Working together with customers to provide optimal energy market solutions.
- Providing market-leading flexible solutions to meet our customers' changing requirements.
- Ensuring the highest level of service reliability to enable customers to manage their operations.
- Strengthening our business relationships by seeking regular feedback to improve our services and customer experience.

FY2018 Performance

Growth

- Completion of the Emu Downs Solar Farm, Reedy Creek Wallumbilla Gas Pipeline, Mt Morgans Gas Pipeline and Yamarna Gas Pipeline.
- Progressed construction of the Darling Downs Solar Farm, Badgingarra Wind Farm, Yamarna Power Station, as well as the refurbishment of the Orbost Gas Processing Plant.
- Announced the extension of the Purchase Power Agreement with Alinta Energy from 12 years to 17 years for the 130 MW Badgingarra Wind Farm, along with the additional greenfield construction of the adjacent 17.5 MW Badgingarra Solar Farm.
- Customers entered into new flexible multi-asset contracts including a three-year contract with a major existing customer on the East Coast, expansion of existing multi-asset contracts in Western Australia and a one-year contract with Incitec Pivot to deliver gas 3,300km from the Northern Territory to Brisbane.
- Continued to connect new gas sources with market participants, including agreements entered into with AGL Energy to construct the Crib Point Pakenham Pipeline (subject to project FID by AGL).
- Continued distribution network growth with around 35,000 additional customer connections across Victoria, South Australia, Queensland and New South Wales on networks owned and/or operated by APA.

Customer Solutions

- Progressed implementation of Gas Market Reform Group (GMRG) rules, meeting information disclosure requirements on 31 January 2018 for east and central regions and on 19 June 2018 for Western Australia.
- Launched 'services refresh' and a new standard Gas Transportation Agreement framework across APA's transmission assets to better accommodate the market's needs for simplicity and flexibility of services.
- Introduced customer feedback surveys seeking feedback to improve services and customer experience.
- Foundational member of The Energy Charter initiative, which encompasses the whole energy supply chain to improve customer outcomes.

Actions for FY2019

Growth

- Progress construction and development of various energy infrastructure projects to meet agreed commissioning schedules including the Darling Downs Solar Farm, Badgingarra Wind and Solar Farms, Yamarna Power Station and the Orbost Gas Processing Plant.
- Continue to identify and capture opportunities that deliver flexible, responsive and sustainable solutions for our customers.
- Continue to work with customers to realise planned projects into committed projects to deliver projects in transmission, storage, power generation and gas processing sectors.

Customer Solutions

- Continue to offer flexible transportation and storage services and innovative solutions to meet our customers' diverse requirements across Australia.
- Continue to refine APA's Integrated Operations Centre, grid operations and customer management system to provide enhanced services and deliver reliable supply.
- Continue to implement Gas Market Reform Group rules – financial reporting, capacity trading and auction.
- Continue proactive engagement with customers and the development of feedback-led business improvement initiatives to improve services and customer experience.

Key Sustainability Risks	Risk Management
— Demand for gas – the volume of gas that is transported by APA is dependent on end user demand, which is influenced by the strength of the industry sectors that require gas to operate. 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.	— Long-term contractual agreements with strong counterparties underpin assets. — Ability to provide flexible and innovative customer solutions. — Complementary investments in gas storage and power generation and continued evaluation of emerging growth opportunities such as wind and solar farms and gas processing plants. — Ongoing monitoring and market intelligence of domestic and global gas markets.
— Supply of gas – availability of competitively priced gas is essential for ongoing use of gas infrastructure assets.	— Long-term agreements with strong counterparties underpinning APA's assets. — Connect more gas resources with additional 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. – APA's Western Australian assets have become increasingly interconnected to deliver energy across longer distances to reach remote mining locations. — Provide infrastructure connectivity/flexibility to existing and emerging gas markets. — Flexible and innovative customer solutions.
— Operations – APA and our customers are exposed to a number of operational risks such as equipment failures or breakdowns, pipeline rupture, technology failures including sabotage or terrorism attack including cyber attack.	— APA operates assets in accordance with all relevant regulations and standards, including robust maintenance and asset monitoring regimes. — Management of urban encroachment and excavation activities close to APA infrastructure. — An integrated approach to Emergency Response, Business Continuity and Crisis Management is applied across the business. — Participation in anti-terrorist exercises and testing to provide effective emergency response systems to manage a potential cyber attack.
— Poor service delivery to customers impacting customer confidence.	— Given the change in market dynamics, customers are seeking increased flexibility in their energy delivery. APA continually reviews its product and service suite and provides innovative and optimal solutions to our customers. — APA has introduced customer surveys to seek feedback on areas to improve services and customer experience.

New supplier prequalification program ~ safeguarding against supply chain risk

APA relies on a multitude of suppliers' goods and services to help deliver connected, sustainable energy solutions to our customers. In FY2018, APA's procurement team introduced a supplier prequalification assessment and compliance program to manage elements of potential supply chain risk. The new process will measure and monitor each key supplier against critical prerequisites to protect APA from risks such as Health Safety and Environment (HSE) management policies, procedures and breaches, associated legal actions, insolvency events, child labour policies and prevention, equal opportunity, diversity and fair pay. An up-to-date database of key suppliers' policies and procedures will be maintained in a central repository. This will enable APA to assess financial, legal and insurance, HSE, quality management and supply chain risks. It will also confirm that the suppliers' operations are consistent with APA's core values - safe, trustworthy, adaptable, results and service.

The new supplier prequalification process will provide greater certainty and confidence to our customers and other stakeholders about the suppliers APA works with.

Melissa Ogden from APA's Infrastructure Procurement team running training for APA's new Supplier Pre-qualification (ASP) Program

environment.

We will continue to deliver an environmentally responsible safe and essential service by:

- Taking a systematic and risk-based approach to environmental management.
- Maintaining compliance with environmental obligations in all jurisdictions we conduct our business.
- Meeting or exceeding the Australian Pipelines and Gas Association ("APGA") Code of Environmental Practice.
- Considering environmental risks in all investment and procurement decision-making.
- Contributing to policy and responding to climate change initiatives to promote the use of gas as essential to a low emissions energy mix.
- Evaluating further renewable energy and low emission gas generation opportunities.
- Expanding the understanding of Environmental, Social and Governance (ESG) and climate risks across our business.

FY2018 Performance

- APA did not receive any penalty notices relating to environmental compliance in any Australian jurisdictions in FY2018.
- Commenced an Environmental Management Plan (EMP) Improvement Program across the business.
- Registered as a supporter of the Task Force on Climate-related Financial Disclosures (TCFD) to demonstrate APA's support for voluntary and consistent climate-related financial risk disclosures and initiated a project to improve disclosures for FY2019.
- Continued to expand APA's renewable generation capacity with the completion of the Emu Downs Wind Farm, ongoing construction of the Darling Downs Solar Farm, Badgingarra Wind Farm, and the announcement of the new greenfield Badgingarra Solar Farm.
- Contributed to the ongoing update of the Australian Standard AS 2885 "Pipelines – Gas and Liquid Petroleum" suite of documents.
- Contributed to the Australian Pipelines and Gas Associations (APGA) working group that revised the 'APGA Code of Environmental Practice (2017)'.
- Contributed to climate policy discussions and recommendations contained in the Finkel Report, and in relation to the proposed National Energy Guarantee promoting the role of renewables and gas as important contributors to achieving meaningful emission reduction targets.
- Continued to develop relationships with APA's industry member bodies, the Clean Energy Council and Business Council of Australia, to promote effective climate change policy.
- FY2018 APA Annual Report and Sustainability Report was printed on 100% recycled paper made Carbon Neutral.

Actions for FY2019

- Continue to expand our renewable energy portfolio with the scheduled commissioning of the Darling Downs Solar Farm and the Badgingarra Wind and Solar Farms.
- Contribute to industry and government policy discussions on environmental regulation and climate policy.
- 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.
- Explore and analyse risks and opportunities associated with ESG and climate risk across our business in accordance with the TCFD guidelines.

Key Sustainability Risks

- Environmental Harm – If not managed appropriately, APA's activity in the operation and construction of our assets, has the potential to cause harm to the environment, through air emissions, release of chemicals or hydrocarbons, inappropriate waste storage and disposal, the disturbance of heritage sites or protected flora and fauna.

Risk Management

- APA has an HSE Management System called "Safeguard" that provides a framework to manage our Health, Safety and Environment risks.
- Operational procedures underpin this framework and include important steps to manage environmental risks such as waste storage and disposal, the handling and storage of chemicals and prevention of the spread of declared weeds.
- APA has in place management plans that identify local environmental risks and outline control measures that are applied and integrated into our operational procedures.

Environmental management at APA

Our Health, Safety and Environment (HSE) Policy approved by APA's Board HSE Committee sets outs APA's goal to achieve zero harm for all employees, contractors and third party stakeholders operating our assets or working near them. It also applies to community members living near our assets and importantly, avoiding and minimising environmental harm. Every employee, contractor and sub-contractor has an obligation to prevent or minimise any environmental harm arising from APA's operations and activities.

Environmental Social Governance (ESG) Performance

During FY2018, APA engaged an external advisory firm to commence an independent analysis of APA's strategic direction regarding Environmental, Social, Governance (ESG) practices and reporting. This work is intended to provide senior management with recommendations for improvements and inform a transformation program scheduled to commence in FY2019. This will include reviewing all key aspects of ESG such as environmental practices, climate risk management and broader sustainability practices and metrics.

Emissions management

APA's extensive energy infrastructure asset base embeds our operations across Australia's rural and metropolitan communities. As part of this, our obligation to safely operate and maintain our infrastructure includes managing potential emissions from our activities. Hence managing emissions such as noise, light, vibration or odour is part of our commitment to the community and environment.

Consideration of emissions risks is factored into our environmental risk assessments. APA stores environmental information in our Environmental Management Plans, and emissions are a key environment area in our corporate environment framework.

Across our asset footprint and across various emissions types, APA's pipeline assets have a low impact on communities. A very small proportion of our facilities trigger any local, state or territory emissions licencing thresholds. However, APA is committed to respecting the communities where we operate. We maintain lines of contact with the community via our Integrated Operations Centre, which is available 24/7 to receive notification from the community of any issues that may arise.

APA complies with the Commonwealth National Greenhouse and Energy Reporting Act 2007, and reports its annual Scope 1 and 2 emissions (refer to section 11.4 of the FY2018 Directors' Report).

Native Vegetation Management

APA takes a risk-based approach to environmental management. Identification, assessment and management of risks associated with native vegetation is undertaken through our environmental risk assessment process and actioned through environmental management plans.

Soil and Water Management

APA continues to manage our activities and our contractors' operations on land and watercourses in a way that strives to avoid or minimise risk. Some examples include: frequent patrols of our transmission pipeline easements to identify erosion issues early; we factor watercourses into our risk assessment; and avoid interaction with watercourses whenever practicable.

Reducing emissions ~ Moomba and Wallumbilla Compressor Stations

APA's compressor stations at Moomba and Wallumbilla (station 3) are integral components in the delivery of gas through both our South West Queensland Pipeline (SWQP) and Wallumbilla Gladstone Pipeline (WGP).

In FY2018, members from both our Integrated Operation Centre and SWQP Reliability Improvement Project teams modified each compressors' operating conditions to assist with their efficiency.

This was achieved by reducing the minimum on-load speed of the engine gas-producers within the compressor units by around 5%.

This modification will help towards reducing the hours a unit is required online. This is the first (and essential) step towards online optimisation of machine usage. It helps APA better align machine utilisation with the continual changes from our customer's gas orders. A win-win all around.

Achieving these kinds of sustainability benefits for the business, both financial and environmental, as well as the potential for scalability of initiatives and resulting benefits to other parts of our transmission operations is one of the key reasons why APA is one of Australia's leading energy infrastructure businesses.

Moomba Compressor Station, South Australia

Respecting indigenous cultures and the environment

The location of APA's latest greenfield gas pipeline construction project, the Yamarna Gas Pipeline (YGP) in remote Western Australia, travels through native title claimant areas and sites of cultural significance. The 198km pipeline is an extension of APA's Eastern Goldfields Pipeline, connecting the Gruyere Gold Project to a reliable gas supply for its mining operations.

From the onset, APA committed to developing the project in collaboration with the local community.

The team engaged with representatives from the Nangaanya language group in Laverton, members of the Council of Tribal Elders and the Yilka claimant group. This ensured all stakeholders were informed and comfortable with APA's plans, as well as guaranteeing that APA had met its environmental compliance obligations.

APA's extensive assessment of the landscape also provided support to multiple ethnographic and archaeological surveys, and contributed substantial data to the regional knowledgebase.

From these surveys, six unregistered culturally significant sites were identified and three previously known sites were accurately positioned. This information was provided to the Department of Land, Planning and Heritage to assist with future management.

Bunting boundary protecting Yamarna cultural heritage site during construction of the Yamarna Gas Pipeline, Western Australia

Managing Climate Change Issues

Carbon Disclosure Project

APA participated in the Carbon Disclosure Project during the reporting period, a voluntary disclosure to investors on carbon emissions, liability, reduction activities, strategies and management. APA's overall score of "C", which is in line with the sector peers and ASX200 average.

APA's ESG Improvement Program will recommend initiatives that will positively impact APA's overall score in future years.

Task Force on Climate-related Financial Disclosures

APA expressed support for voluntary and consistent climate-related financial disclosures in FY2018 by registering as a supporter of the Task Force on Climate-related Financial Disclosures (TCFD). APA is currently undertaking an extensive review of its Environmental, Social and Governance reporting with the assistance of an independent advisory firm, to determine climate-related opportunities and risks for the business. This includes a detailed assessment of APA's climate risk disclosure against the four TCFD categories of governance, strategy, risk management and metrics and developing an associated plan to improve this disclosure in FY2019.

Clean energy policy

APA continues to support reducing carbon emissions as a risk mitigation response to minimise the effects of climate change. APA supports technology agnostic domestic solutions that integrate energy and climate policies to meet Australia's carbon reduction commitments, while ensuring affordability and reliability. APA continues to encourage the development of bipartisan national energy policy. Certainty, clarity and a commitment to a national energy policy are crucial to maintaining investment confidence. APA's mix of assets will play an important role in meeting these goals through the combination of intermittent renewable generation with reliable, low emissions gas-fuelled generation in Australia's future energy mix.

Investing in renewable energy

In 2018, APA commissioned the 20 MW Emu Downs Solar Farm, which will add to the production and reliability of the Emu Downs Wind Farm. APA also announced the Badgingarra Solar Farm project which is a 17.5 MW tracking array that will be co-located with the 130 MW Badgingarra Wind Farm. It is the same concept that APA deployed at the adjacent Emu Downs Wind and Solar Farm. In this particular location, wind and solar have complementary generation profiles due to the predictable nature of the underlying wind and solar resources. APA's combined solar and wind farm site maximises the collection and generation of renewable energy, efficiently transmitting that energy through the same transmission connection infrastructure. Taking advantage of this complementary resource and maximising use of shared infrastructure has enabled APA to successfully develop this project.

During FY2019, APA expects to commission the 110 MW Darling Downs Solar Farm, the 130 MW Badgingarra Wind Farm and the 17.5 MW Badgingarra Solar Farm. APA continues to evaluate further renewable energy opportunities together with stand-alone and integrated low emission gas generation. This combination of intermittent renewable generation with reliable, low emissions gas-fuelled generation is well positioned to help deliver energy to people, businesses and communities that use it, affordably, efficiently and reliably.

Construction of APA's Badgingarra Wind Farm, Western Australia

community.

We will positively engage with the communities where 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 awareness initiatives and giving programs that target vulnerable communities.

— Exploring opportunities to involve employees in the community programs we support, and reciprocating by inviting socially disadvantaged children and young adults to APA workplaces to learn about our business and encourage education.

FY2018 Performance

— APA donated to four initiatives as part of its Building Brighter Futures program: Clontarf Foundation, Bill Crews Charitable Trust Literacy Program, The Fred Hollows Foundation and Australian Schools Plus.

— APA undertook key sponsorships of the Taronga Zoo Foundation and the Australian Brandenburg Orchestra. As part of the Australian Brandenburg Orchestra sponsorship, APA sponsored concerts in two locations where it has substantial operations with a concert in Brisbane and a free community concert in Toowoomba.

— Selected APA employees engaged directly with our Building Brighter Futures partners by travelling to their communities to work with them. This included the five-day Clontarf Kununurra Experience; the week-long Fred Hollows Foundation See Australia field trip to Bourke; and multiple day-long exchanges with Clontarf Foundation academies at the schools where they operate and at APA sites.

— Diversity & Inclusion (D&I) is an important aspect of working life at APA, and APA supported three D&I-focused charities: Dress for Success, Orange Sky Laundry and White Ribbon Australia.

— As part of an APA program where employees were sponsored by APA to donate time to a charity, several APA employees volunteered at registered charitable organisations of their choice.

— APA offices held individually organised events to raise money for causes such as Australia's Biggest Morning Tea, Pink Ribbon Day (both Cancer Council), Black Dog Institute and Movember.

— APA continued with ongoing annual contact and engagement programs with landowners and occupiers along existing transmission pipelines to facilitate safety awareness and provide a forum for concerns and issues to be raised and addressed.

— 29 APA employees participated in the Sydney Street Choir Corporate Challenge in Martin Place which raised $5,000 to help men and women dealing with homelessness, mental illness, addiction and/or social disadvantage.

— Commenced a community and stakeholder consultation program for the proposed Crib Point Pakenham Pipeline project.

— Continued ongoing community and stakeholder consultation for the proposed Western Slopes Pipeline project.

Actions for FY2019

— Maintain support of our community investment program, Building Brighter Futures, through headline partnerships and promote and support fundraising events across the business.

— Financially support and maintain employee engagement with our three key D&I charitable initiatives: Dress for Success, Orange Sky Laundry and White Ribbon Australia.

— Continue to financially support community events by encouraging and empowering APA worksites across Australia to organise fundraising events.

— Progress the community and stakeholder consultation program of activities for the various new infrastructures projects across the business.

Raj Kallath – Reedy Creek Wallumbilla Pipeline Project Manager, Wallumbilla, Queensland

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 with pipeline location changes.

— Supplier practices – working with our suppliers to manage environment, safety and social responsibility issues.

Risk Management

— APA engagement with community interests including through local sponsorships.

— Community education and communication for construction activities including "Dial Before you Dig" (DBYD) service.

— Landowner liaison and education.

— Participation in Australian Pipelines and Gas Association Corridor Committee/pipeline operator groups.

— Liaison with council and planning authorities to manage potential encroachment issues.

— Prequalification and ongoing monitoring of suppliers to ensure compliance with APA standards.

Community Investment Program

Building Brighter Futures is APA's community investment program. Designed to provide support to socially disadvantaged communities including Indigenous and Torres Strait Islander communities, the program targets locations where APA operates. In addition to financial support, APA's relationships with Building Brighter Futures beneficiaries is an intrinsic partnership including knowledge sharing, employee engagement and exchange activities.

In financial year 2018, APA's Building Brighter Futures headline partnerships included: The Clontarf Foundation; The Fred Hollows Foundation; Bill Crews Charitable Trust Literacy Program; and Australian Schools Plus.

Furthermore, APA donated to three charitable organisations that supported our Diversity and Inclusion focus on age, gender and culture:

— Orange Sky Laundry.

— Dress for Success.

— White Ribbon Australia.

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:

— Improve the lives of the individuals and communities we are supporting.

— 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 FY2018 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; two locations where we have substantial operations.

APA and the Clontarf Foundation supporting Indigenous communities

APA has been supporting the Clontarf Foundation for eight years, as part of its commitment to promote community development. With many of APA's facilities situated at or near Indigenous Australian communities, the Clontarf Foundation's goal to improve the health and educational standards for young Indigenous Australians is an important one. APA's partnership with the Clontarf Foundation provides financial support, sharing of skills via mentoring, traineeships and work experience to help deliver the Clontarf program to over 6,000 boys nationally each year.

APA Corporate Development team member Gordon Sue with Clontarf youngsters and other partner representatives during their engagement experience, in the Top End, Northern Territory

Reedy Creek Wallumbilla Pipeline stakeholder engagement ~ testimonial from Colin Maunder – owner of Maunder Pastoral Company

"Right from the start of the Reedy Creek Pipeline proposal we have found APA a good company to work with. Consultation with people involved was always done in a positive and non-threatening manner. Ian Crombie, our Liaison Officer, was polite and co-operative, as a go to person and Matthew Morrow explained the construction processes clearly. We would have to agree that we were well informed about the project development and progress.

We found the communication networks easy to work with. Employees explained the process clearly and they were prepared to listen to us in a respectful manner. APA kept us well informed regarding all aspects of the projects development.

The easement negotiation process was straightforward and we found APA to be reasonable. If any concerns arose, there was always someone whom we could contact easily. If our Officer was going to be away/on leave he advised us, by phone or email, what to do if we had any concerns.

Regular feedback about developments occurring regarding the routing of the pipeline was offered. We did suggest the re-routing of the pipeline because of rough terrain and this was taken on board. APA observed suggestions and concerns about existing infrastructure, such as access lanes to cattle yards, and these problems were worked around effectively.

We were kept up to date regarding key project developments in the lead up to construction so nothing occurred that surprised us as landholders.

Compensation for the easement granted by APA seemed adequate and fair, and we felt our overall relationship with them was valued.

We were adequately informed regarding key milestones in the lead up to construction, and were satisfied that suitable arrangements were in place to manage the impacts that may inevitably occur.

Given the fact that we were compensated for inconveniences, it must be said that when the pipeline was completed we were happy that impacts of construction had been suitably managed and best practice observed. We were able to continue our grazing operation without any major inconveniences due to construction works.

The rehabilitation progress is satisfactory at this point in time.

APA also were involved with fundraising activities within the community, which was to be admired, as sometimes, it is difficult for these companies to be seen by the general public as doing anything good for the communities. There is always a lot of negativity presented by the likes of the media, and vocal groups.

Overall commitments made by APA were observed and the journey so far has been amicable throughout, leading us to believe APA have done their best to form positive relationships with landholders."

Community and Stakeholder Engagement

APA values and respects its relationships with the stakeholders and communities where 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 project's consultation process, and ensure that they remain fully informed.
- **Be inclusive**: ensure the community has easy access to clear and concise information about projects, while ensuring it is communicated in language (for example, 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 stakeholders.
- **Be a part of the community**: use the business' projects as a way to contribute to stronger local communities with the potential to provide economic and social benefits.
- **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 identifying who in the project team has responsibility for engaging the stakeholder(s) and the best timing and format for these engagements.

The plans are not static documents, evolving as the project progresses. They require revision and flexibility to meet changing needs and circumstances. Each project plan is usually reviewed every three months or as required.

Business Continuity/Emergency Response/ Crisis Management

APA's approach to emergency recovery is integral to our operations and values. It seeks to protect our assets, property, people and IT systems, and to consider the environment and local communities we impact. Our integrated approach to Business Continuity/Emergency Response/Crisis Management provides for effective recovery whilst continuing to service our customers and meet regulatory requirements by assessing:

- Emergency response for energy infrastructure assets incidents.
- Business continuity response for premises, people, IT systems and cyber type incidents.
- Crisis management response, involving APA's Executive team which focusses on high severity incidents.

APA maintains programs of testing to ensure our approach remains current and reflects changes in our business, our customers and the communities we are part of.

APA regularly participates in internal and external testing of emergency response procedures, exploring scenarios and stress testing our emergency response plans and crisis management plans. This ensures that should an emergency situation occur, APA is equipped with the necessary tools to help manage the situation.

Exploring scenarios and testing emergency response and crisis management plans is a vital way to share information and best practice. In FY2018, APA participated in the Australian Government's Trusted Information Sharing Network for Critical Infrastructure Resilience full-day workshop. Representatives from the banking and finance, communications, food and grocery and health sectors also attended, along with the police. The exercise focused on emergency information and communication needs, the interdependencies between the different sectors and the importance of raising awareness amongst all stakeholders.

employees.

We are committed to providing an inclusive, rewarding and collaborative working environment where all our people can contribute, perform and succeed. We do this by:

- Fostering a culture to ensure our health, safety and environmental obligations show continuous improvement in performance and that risks are identified and managed to 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.
- Developing deep technical expertise in a continuous learning environment with inspiring, accountable leaders.
- Living and embedding the APA Way so our culture is a key enabler of our success.

FY2018 Performance

Safety

- All leading HSE indicators (1) were met or exceeded including HSE leadership activities.
- The Total Recordable Injury Frequency Rate (TRIFR) result was 8.9 (2), predominantly due to contractor injuries exceeding target. No fatalities occurred.
- The Lost Time Injury Frequency Rate (LTFIR) result was 1 .76 which exceeded the FY2018 target of <1.
- Completed overhaul of Alcohol & Other Drugs Policy and protocols.
- An online Health and Wellbeing platform was launched for employees with good uptake.
- Commenced implementation of action plan to improve Chain of Responsibility capability which will meet new National Chain of Responsibility laws and managing our supply chain risk.
- Targeted promotion and education on key HSE matters such as contractor management, distractions, gas safety and safety leadership.
- Utilised data from APA's In Vehicle Monitoring System to develop campaigns to target speeding and use of seat belts.
- Conducted necessary Crisis and Emergency Management training and tests.
- Delivered a safety reset training module to employees and contractors in APA's Transmission and Networks business to address safety risks, seek employee input about how APA can improve its safety performance and reinforce the collective responsibility employees have in being mindful of workplace safety.

Leading for growth and diversity

- 297 leaders completed Leadership Styles & Climate "Strategy into Action" workshops with structured coaching sessions.
- Employee Survey conducted with 78% participation and a positive engagement score (71% favourable).
- Engineering capability framework completed and ready for roll-out in FY2019.
- HR Systems review project commenced but put on hold for some months due to resourcing constraints.
- Introduction of Diversity & Inclusion (D&I) Working Groups to assist in the implementation of D&I Strategy in key objectives of Inclusivity, Flexibility, Cross-generational and Employer of Choice.
- APA's Board approved a Gender Targets Action Plan to work towards achievement of female participation targets.
- Introduced new, structured Talent Review process to improve talent and succession outcomes.
- Continued promotion of APA values and culture via the launch of The APA Way, APA Excellence Awards, leadership programs, and extensive refresh of APA's Code of Conduct.

Actions for FY2019

Safety

- Target TRIFR of no more than 7. APA will use data analytics to develop activities to improve injury performance including (but not limited to) contractor performance and management, manual handling and focus on prevention of hand injuries.
- Continued development of a comprehensive process safety framework, measures and integration with current Safety Management system.
- Implement company-wide Health and Wellbeing program targeting areas identified from APA's Health and Wellbeing online platform.
- Safety Leadership initiatives and programs as part of APA's overall leadership and development framework.
- Improve mobility and usability of HSE reporting.

Leading for growth and diversity

- Launch a new people management fundamentals program called Leading @ APA, aimed at new and frontline leaders.
- Implementation of engineering capability framework.
- Develop business specific competencies and learning frameworks to embed and improve technical know-how and capability.
- HR Systems project re-commenced to upgrade people processes and system capability.
- Improve capability and processes around key people functions such as recruitment, resource planning, business partnering, change management and learning design.
- Continue work on the D&I strategy with emphasis on:
  - Development of Employee Value Proposition
  - Gender Targets Action Plan implementation
  - New Apprenticeship program
  - Increased use of flexibility arrangements.
- Review and redesign the performance and reward/remuneration models.
- Refreshed Code of Conduct to be rolled out to employees and contractors.

1) Leading HSE indicators refers to performance measures of activities undertaken in the workplace at the time they occur aimed at preventing HSE incidents.

2) Lag indicators refer to performance measures capturing HSE events after they have occurred. TRIFR 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	Risk Management
— Failure to provide a safe workplace resulting in serious or fatal injuries (Safety).	— 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.
— Potential for legal proceedings for failure to comply with Health, Safety and Environmental legislative obligations.	— 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.
— Employee capability, recruitment and engagement – Failure to develop, attract and retain talented 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.
— Failure to focus on the health and wellbeing of our people impacting productivity, absenteeism and culture/behaviour.	— 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. — Health and wellbeing education and awareness is a key element of the system. In FY2018 APA introduced a Health and Wellbeing employee platform to support employee learning. — As part of our assurance framework and HSE audits, APA regularly reviews its people metrics and trends, as well as conducting employee surveys.
— Failure to comply with Employment, Discrimination (sex, race, disability, age, gender), EEO and Diversity regulations resulting in potential fines or negative publicity.	— APA has several initiatives in place to strengthen the cultural, gender and age diversity of APA's workforce including the 2017-2020 Diversity & Inclusion Strategy and Gender Targets Action Plan. — Employees are regularly trained in their obligations with respect to lawful and appropriate behaviour, discrimination and complaints and investigation processes are in place to address issues. — Employment terms and conditions are established and regularly reviewed to ensure they meet or exceed legislative requirements.
— Potential for a Process Safety incident at an APA asset resulting in a major accident or explosion.	— A Process Safety framework is currently under development and is being incorporated into APA's HSE Management system. — It is predicated on Industry best practice and the principals of understanding Process Safety risk, specifying the critical control measures to safeguard those risks. — As part of APA's assurance program, Health and Safety audits are also undertaken in all parts of the business, including on some key Process Safety critical controls.

Leading for growth

In FY2018, 297 of APA's leaders participated in our Leadership Styles and Climate (Strategy into Action) program which now has seen all of APA's existing leaders attend in the last two years. This program focused on connecting leaders to the APA strategy, setting a standard on how to lead at APA and then providing tools and techniques on how to leverage various leadership styles to lead for growth, improved team climate and performance.

Via this program, 138 leaders (those who manage >3 people) received a 1:1 report debrief and coaching on how they lead and the impact this has on the climate in their team. After this training, 91% of attendees reported to have communicated the strategy to their team with the majority also reporting positive team improvements. In FY2019, we will commence re-assessing our leaders who have previously completed the program and will provide this program to new leaders within APA.

We also successfully piloted a new leadership program to build core people management skills expected of all leaders at APA: **Leading at APA**. It is aimed at new and frontline leaders in particular, and covers such topics as:

- Understanding their role as a leader at APA.
- Building high trust relationships.
- Conducting good quality conversations - in person and remotely – to:
  - Manage for performance, set expectations, provide enriched feedback, delegate tasks and develop their people.
  - Empower people to take ownership of and be accountable for achieving their goals while managing the how, not just the result.
  - Be fair and consistent in how they manage.
  - Leverage delegation as a way to develop and grow team member capability.

In FY2019 we will commence the rollout of this programme to leaders within APA.

Diversity and inclusion

APA's 2017-2020 Diversity & Inclusion Strategy focuses on achieving diversity of thought, by strengthening the cultural, gender and age diversity of APA's workforce.

To achieve this goal, in FY2018 APA established four working groups aligned to the diversity and inclusion priority areas of Flexibility, Inclusion, Cross-Generational and Employer of Choice, with the objective of creating a workplace where APA is known as:

- **Inclusive** – where differences are recognised and language and behaviour demonstrate organisational commitment to diversity and inclusion;
- **An Employer of Choice** – attracting and retaining diverse talent and increased female representation in senior leadership and engineering/operational roles;
- **Flexible** – flexible work practices providing greater role accessibility and supporting individuals to balance personal and work requirements; and
- **Cross-generational** – a strong talent pipeline, supported by an engaged and skilled workforce, mentoring and succession planning, leverage and transfer of critical skills and knowledge.

Each working group is led by a member of APA's Executive Committee as the sponsor and comprises representatives from across the business who meet at least monthly to design and deliver initiatives aligned to APA's Diversity & Inclusion Strategy.

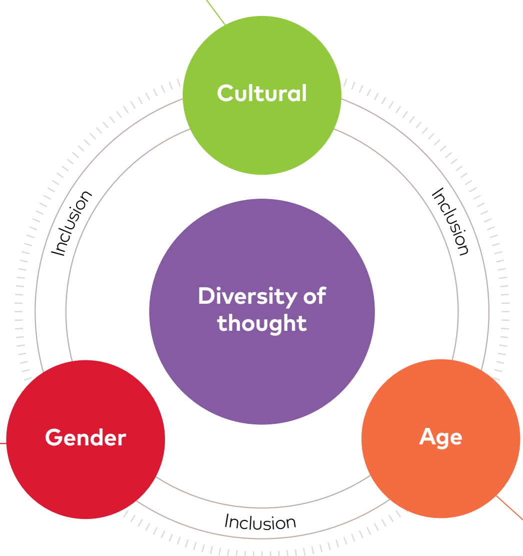
In addition, APA has established a Diversity and Inclusion Champion network, comprising of employees across the business who meet approximately once a month to keep informed on APA's diversity and inclusion progress, as well as to contribute to the discussion and help design and co-ordinate future initiatives and priorities.

Some of the work undertaken by the D&I Working Groups is highlighted below:

Inclusive

The "Inclusivity" working group co-ordinated a series of diversity and inclusion site events to recognise and celebrate inclusivity, including Harmony Day and International Women's Day. These events were promoted across the business to increase awareness and generate discussion about creating an inclusive work environment. Focus areas for FY2019 include:

- Recognising and celebrating the National Aboriginal and Islanders Day of Celebration with our partners The Fred Hollows Foundation and Clontarf Foundation.
- Launching an Inclusive Leadership Program for all people leaders, alongside Unconscious Bias training for employees, commencing in FY2019.



diversity of thought: APA's workplace is naturally inclusive and respectful of all employees. Employees are empowered to think innovatively and leverage cultural, gender and age diversity to improve business performance

cultural: APA embraces differences in culture, beliefs and customs to build upon our diversity of thought

gender: APA seeks to attract and retain a high quality, gender balanced workforce

age: APA leverages value through the experience and potential of a cross-generational workforce

An Employer of Choice

APA is aiming to increase the female participation in its workforce and set targets in FY2017 to be achieved by 2022. The targets and our progress to achieving them are set out below:

Area	Female % Target by 2022	FY18 status against Target	FY17 status against Target
Total Workforce	30%	27%	27%
Senior Leaders [3]	25%	17%	17%
Talent Pipeline [4]	>30%	30%	22%

The "Employer of Choice" working group has carriage of the Gender Targets. During FY2018 we completed the Gender Targets Action Plan, which was approved by the Board. The Plan sets out APA's actions for the next four years to achieve its gender targets including:

— *Attraction of females to APA* – ensuring APA has a positive image and is attracting diverse talent (e.g. improved advertising and promotion; external partnerships).

— *Recruitment/Selection* – increasing the quantity of females recruited in line with APA's merit/quality requirements (e.g. improved recruitment capability and policies).

— *Development* – ensuring our development efforts are effective for women and men at all levels in APA (e.g. revised Talent Review process, coaching, networking, and technical development opportunities).

— *Retention* – improving retention of females at all points of their career (e.g. senior sponsorship; pay equity).

— *Performance and Metrics* – what gets measured, gets done (e.g. KPIs for senior leaders; regular reporting; recruitment targets).

This working group has also undertaken work on reviewing how our recruitment companies "sell" the benefits of APA to external candidates as well as completing an internal survey on what APA's Employee Value Proposition should be. This will be a key input into the development of our Employer of Choice program in FY2019.

Flexibility

The "Flexibility" working group analysed how many people are on flexible working agreements and has also liaised with external organisations on what flexibility they are offering to their employees. It is currently redefining flexibility for APA and educating leaders through a new initiative on how to manage flexibly. APA provides primary carers with 14 weeks of parental leave at full pay, or 28 weeks at half pay. In 2017 – 2018, APA achieved a return-to-work rate of 94% for those on parental leave and continues to pro-actively work with and support working parents with flexible work options. APA provides a supportive working environment for breastfeeding mothers and is accredited by the Australian Breastfeeding Association as a Breastfeeding Friendly Workplace.

Cross-Generational

The "Cross-Generational" working group analysed the demographic composition of the workforce at APA. It identified a number of key areas of focus including, the development of new capabilities and bringing different generations into specific skill areas. During the Reporting Period, the focus has been on developing an apprenticeship program and revising and extending our current graduate program. An APA wide mentoring program and a phased retirement program has also been established.

APA's Gender Diversity Profile

The following tables provide an overview of the percentage of women at APA, as well as the percentage of women in leadership roles, as reported to the Workplace Gender Equality Agency (**WGEA**) in 2018.

Table 1: Women profile *(as reported to WGEA for the period 1 April 2017 - 31 March 2018)*

Percentage of non-executive Directors who are women	42%
Percentage of workforce who are women	27%
Percentage of total leadership roles filled by women [1]	20%
Percentage of technical and trades roles filled by women	3%

1) Leadership roles are defined in accordance with the WGEA occupational categories and comprise all levels of management (i.e. key management personnel, general managers, senior managers and other manager roles excluding team leader and supervisory roles.)

Table 2: Breakdown of women in leadership roles *(as reported to WGEA for the period 1 April 2017-31 March 2018)*

CEO	0%
Executive Committee	29%
Other executives/general managers	24%
Senior managers	14%
Other managers	22%

3) Senior Leaders comprises "Other executives/general managers" and "senior managers" as reported to WGEA above.

4) Talent Pipeline refers to the pipeline of candidates in our talent pools

Developing Talent and Capability

APA's leaders continue to participate in talent management sessions to identify and build a strong pipeline of critical capability to meet the organisation's current and future requirements and ensure long-term continuation of core business activities.

All senior leaders have participated in the talent review process in 2018, to identify high potential and emerging talent as well as potential successors for key roles. The process was also to identify capability gaps across the organisation. This year employees were asked to submit a detailed employee profile that captured their career aspirations, mobility and their strengths and development needs. This information fed into the talent review process. Employees identified through this process receive development via a talent program ranging from structured assessments and feedback, on-the-job training, secondments, coaching and tailored development. Approximately 150 employees were assessed using a new structured talent review process.

APA continues to focus on building its internal development tools. It will be launching an APA mentoring program in August 2018 to proactively develop talent and potential successors for key roles.

Work has also been ongoing in establishing key technical and functional capability frameworks and learning environments to continue to improve and deepen APA's technical expertise. During the reporting period areas of focus included establishing a broad, company-wide Engineering Capability framework, improved competency development at our LNG facility in Dandenong, a learning framework for our Transmission Market Services functions and improved training and assessments for permit issuing.

Developing and celebrating APA's culture

Employee Survey

During the Reporting period, APA conducted its two yearly employee survey, *Your Voice*, aimed at gaining a better understanding of the organisation's culture, identifying strengths and opportunities.

78% of APA's employees participated in the survey with the top results including:

- Safety approach (90% favourable).
- Diversity & Inclusion (77% favourable).
- Employee Engagement (71% favourable).
- Business Alignment and Collaboration (both 69% favourable).

The key areas identified for improvement across the company were Agility, Personal Growth and Development, and Process Efficiency. Corporate and divisional action plans are in place and being regularly monitored to look to address areas of concern.

Employee Awards

As part of continuing to strengthen the implementation and articulation of APA's values, the APA Excellence Awards for 2017-18 were redesigned and structured around the STARS values. There were six awards – five individual awards, one for each value, namely Safety, Trustworthy, Adaptable, Results and Service, and a sixth Team award for the team displaying at least 3 of the 5 values. There were an unprecedented 135 nominations for this year's Awards with winners announced across Australia in April 2018, through a series of presentations recognising all nominees as well as winners.

Case study ~ Health and Safety program bounces into action

APA's three-year Health Safety and Environment (HSE) Strategic Plan aims to promote employee wellbeing and progress our HSE framework, systems, culture and initiatives to prevent harm to our employees and the broader community. One of FY2018's key HSE highlights was the introduction of an employee Health and Wellbeing program 'Bounce' that has the tagline Aspire, Participate, Achieve (APA). This online Health and Wellbeing portal was launched in August 2017 and provides employees with up-to-date information on topical health and wellbeing subjects such as exercise tips, healthy recipes and managing stress, as well as offering access to confidential online health assessments. An extension of the program will be rolled out in FY2019 across the company, with specific target areas identified from the platform driving next year's initiatives.

bounce.

aspire, participate, achieve

investors.

We will continue to be a reliable and attractive investment which delivers solid 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.
- Providing clarity and transparency of the business through appropriate and timely reporting and communication.

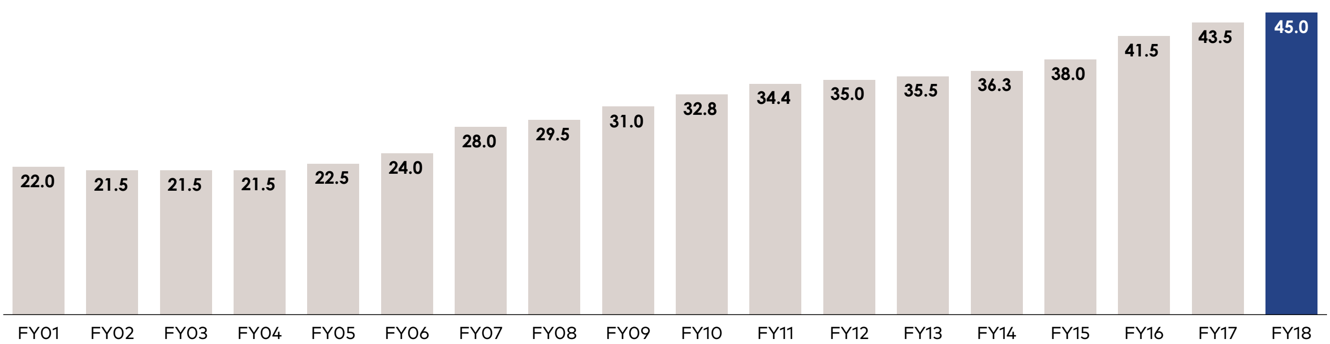
FY2018 Performance

- Total securityholder return of 11.2% for FY2018 (FY2017, 4.1%).
- Delivered investors a 3.4% increase in distributions.
- Maintained investment grade credit ratings (BBB/Baa2).
- Raised ~$500 million through a fully underwritten pro-rata accelerated institutional tradeable retail renounceable entitlement offer in Feb 2018. New Securities were offered at a 6.8% discount to the last closing price on 20 February 2018. Both the Institutional and Retail campaigns were well supported by investors. ~65.6 million new securities were issued in March 2018.
- Redeemed the $515 million Subordinated Notes at the first call date in March 2018, reducing net interest by $4.1 million to $509.7 million. (FY2017, $513.8 million).
- Maintained corporate costs as a proportion of EBITDA (continuing business) at 4.3% in FY2018 (FY2017, 4.3 %).
- APA remains on track in delivering $1.4 billion plus of growth opportunities between FY2017-2019, which will contribute incremental annual revenue of ~$215 million of revenue from FY2020.
- $875.5 million of capital and investment expenditure during FY2018.
- Voluntarily published APA's third 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 2017-2018 Budget announcements.

Actions for FY2019

- Ensure APA's communications with investors regarding the current CKI Consortium takeover proposal are clear and timely.
- Progress or complete current growth capital projects underway.
- Continue to evaluate and develop additional revenue streams in related energy infrastructure businesses.
- Maintain investment grade credit ratings.

APA'S HISTORICAL ANNUAL DISTRIBUTIONS (CENTS PER SECURITY), HAS CONTINUED TO INCREASE



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.

As at 30 June 2018, APA had over 77,000 securityholders holding 1.2 billion securities, with the top 20 investors holding 68.7% of securities. Currently, approximately 74% of APA's investors are based in Australia and/or New Zealand.

Emu Downs Solar Farm, Western Australia