



22 August 2018

ASX ANNOUNCEMENT

APT Pipelines Limited (ASX: AQH)

Annual Report

The following announcement is attached for release to the market:

- APT Pipelines Limited Annual Report

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

Nevenka Codevelle
Company Secretary
APT Pipelines Limited

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About APA Group (APA)

APA is a leading Australian energy infrastructure business, owning and/or operating in excess of \$20 billion of energy infrastructure assets. Its gas transmission pipelines span every state and territory on mainland Australia, delivering approximately half of the nation's gas usage. APA has direct management and operational control over its assets and the majority of its investments. APA also holds ownership interests in a number of energy infrastructure enterprises including SEA Gas Pipeline, SEA Gas (Mortlake) Partnership, Energy Infrastructure Investments and GDI Allgas Gas Networks.

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

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

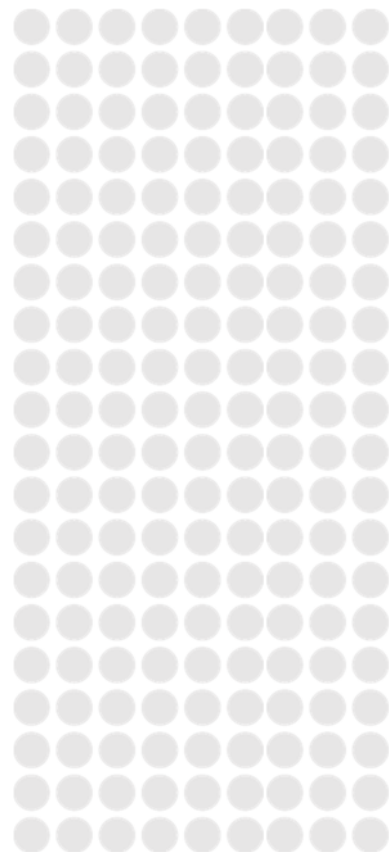


APT Pipelines Limited

ABN 89 009 666 700

Annual Report.

For the financial year ended
30 June 2018



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APT PIPELINES LIMITED DIRECTORS' REPORT

The Directors of APT Pipelines Limited ("APTPL") submit their report and the annual financial report of APTPL and its controlled entities (together "Consolidated Entity") for the financial year ended 30 June 2018.

1 Directors

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

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

3 State of Affairs

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

4 Subsequent Events

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.

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.

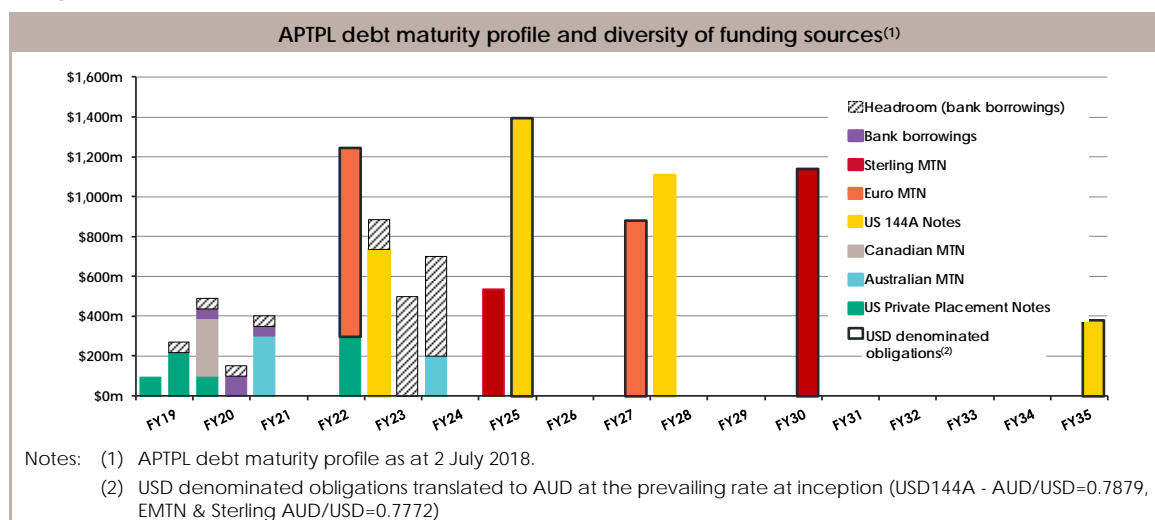
5 Review of Operations

The Consolidated Entity reported profit after tax of \$222.8 million (FY2017: \$179.8 million) on total revenue of \$2,384.6 million (FY2017: \$2,323.0 million).

5.1 Capital Management

The 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 syndicated facilities maturing in September 2018 and 2020. Financial close on the new facility was achieved on 2 July 2018. Maturity dates of a number of existing bilateral bank facilities with commitments totalling \$250 million, were also extended out to FY2020 and FY2023.

APTPL'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⁽¹⁾ 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 July 2, 2018 syndicated debt facility, as well as ongoing access to a broad range of debt capital markets available.



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

APTPL's risk 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 on the business from adverse movements in markets. Other than noted below, all interest rate and foreign currency exposures on debt raised in foreign currencies have been hedged.

The majority of the revenues to be received over the remaining 17 years of the foundation contracts on the Wallumbilla Gladstone Pipeline will be in USD. The US\$3.7 billion of debt raised to fund that acquisition is being managed as a "designated hedge" for these revenues and therefore 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 APTPL'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 that designated hedge relationship with the USD debt and as such, when that revenue is receivable, it will be recognised in the P&L at an average rate of around 0.78.

APTPL also enters into hedges to manage its interest rate exposure on its floating rate and non-Australian dollar borrowings. As at 30 June 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.

5.2 Borrowings and finance costs

As at 30 June 2018, APTPL 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, and United States 144A Notes. APTPL also had \$868.8 million of undrawn committed syndicated and bilateral bank facilities.

APTPL reported net finance costs of \$549.5million (FY2017: \$557.6 million). The decrease is primarily due to having a lower level of net drawn debt in FY18 relative to FY17. The average interest rate (including credit margins)⁽²⁾ 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.

5.3 Credit ratings

APTPL maintained the following two investment grade credit ratings during this 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.

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

5.4 Dividends

Unfranked dividends of \$144.0 million were paid to the sole shareholder, Australian Pipeline Trust, during the financial year (FY2017: \$279.9 million).

On 21 August 2018, the Directors declared and paid a final dividend of \$103.5 million to the sole shareholder.

6 Auditor's independence declaration

A copy of the independence declaration of the auditor, Deloitte Touche Tohmatsu ("Auditor") as required under section 307C of the Corporations Act 2001 is included at page 80.

7 Rounding of amounts

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

8 Authorisation

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

On behalf of the Directors



Michael Fraser
Chairman



Debra Goodin
Director

SYDNEY, 22 August 2018

Remuneration Report

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 Act 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

⁽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 28 October 2017.

⁽³⁾ Appointed 19 March 2018.

⁽⁴⁾ Appointed 19 March 2018.

⁽⁵⁾ Retired 27 October 2017.

⁽⁶⁾ Retired 21 February 2018.

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

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

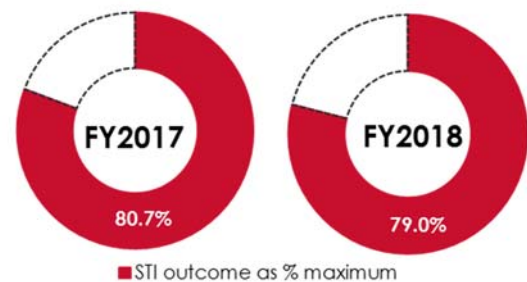
In FY18, APA continued to see strong business performance and delivery of value to Securityholders. This drove an increase in the average (actual) total remuneration received compared to FY17.



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.



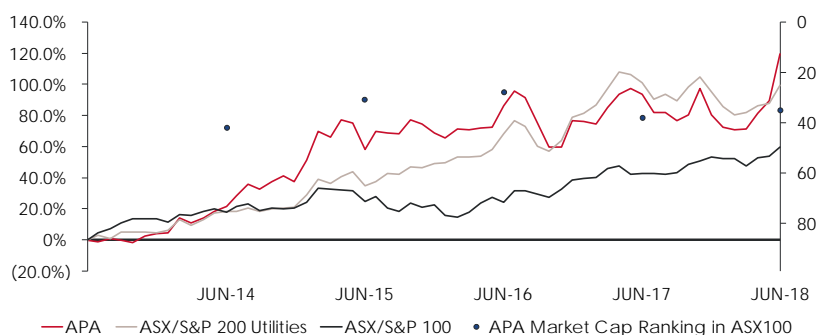
⁽⁷⁾ Normalised financial results are the statutory financial results excluding significant items. The Board considers these measures to best reflect the core earnings of APA

⁽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.

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

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 FY18 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.

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.

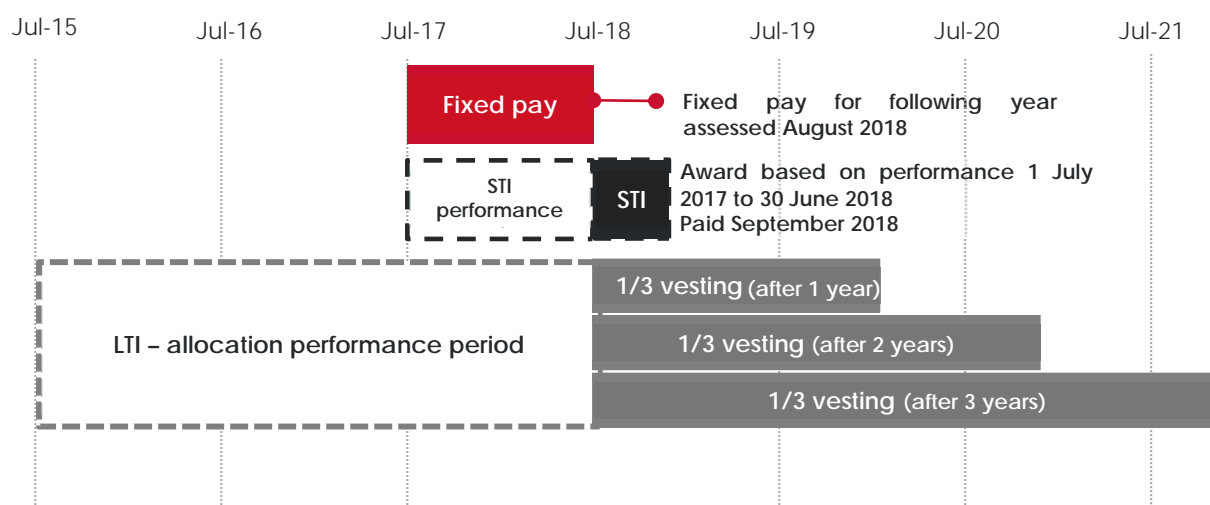
3 Executive Remuneration Framework

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.

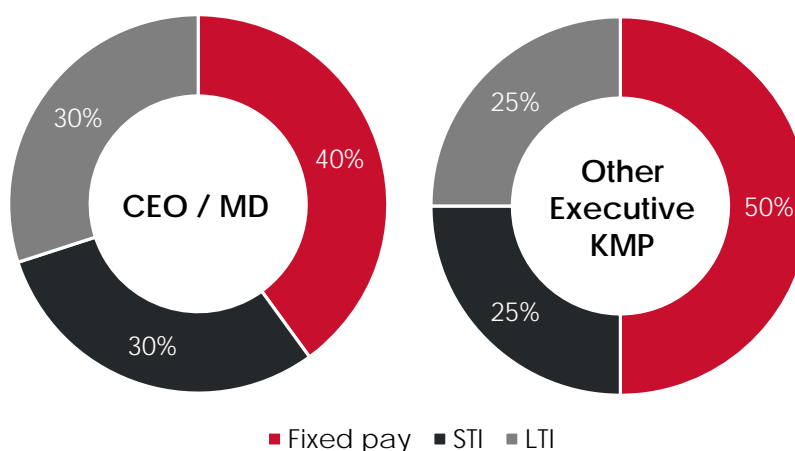
3.1 Remuneration overview for FY2018

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



3.2 Remuneration structure

The table below 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.

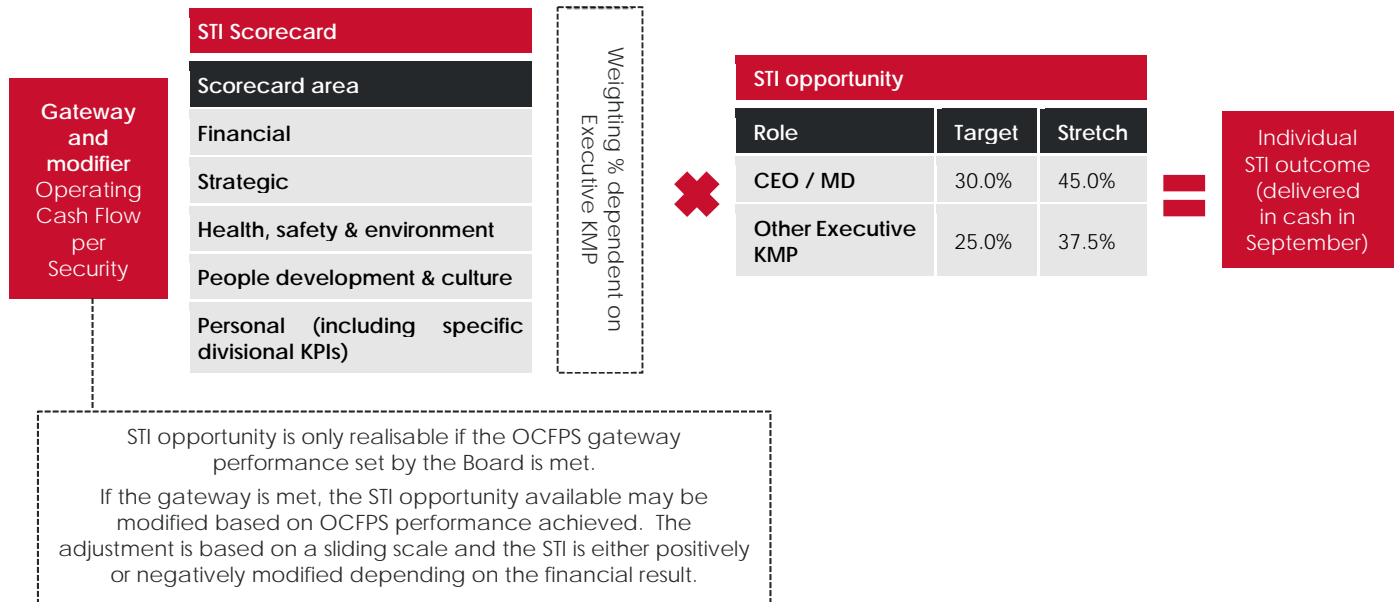
The size of the “pool” of funds available for the short term incentive is determined by the Group’s OCFPS for the year. This is then subject to individual performance of executives against key measures. Actual performance against STI objectives is assessed at the end of the financial year. This assessment 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.

4 Executive Incentive Plans and FY2018 Outcomes

4.1 Short term incentive plan

The diagram below outlines the STI plan design for FY2018.



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	53%	<div><div></div></div>	
	Delivery of capital projects		<div><div></div></div>	
Strategic	Regulatory Management	25%	<div><div></div></div>	
	Strategy Development		<div><div></div></div>	
	Non-Pipeline Growth		<div><div></div></div>	
Health, safety & environment	TRIFR	5%	<div><div></div></div>	
	CHAT (Contractor HSE Assessment Tool) Audits complete		<div><div></div></div>	
People development & culture	Leadership & Succession	7%	<div><div></div></div>	
	Diversity & Inclusion		<div><div></div></div>	
Personal	At Board Discretion	10%	<div><div></div></div>	
Total		100%	85.0%	

Remuneration Report for the year ended 30 June 2018

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.

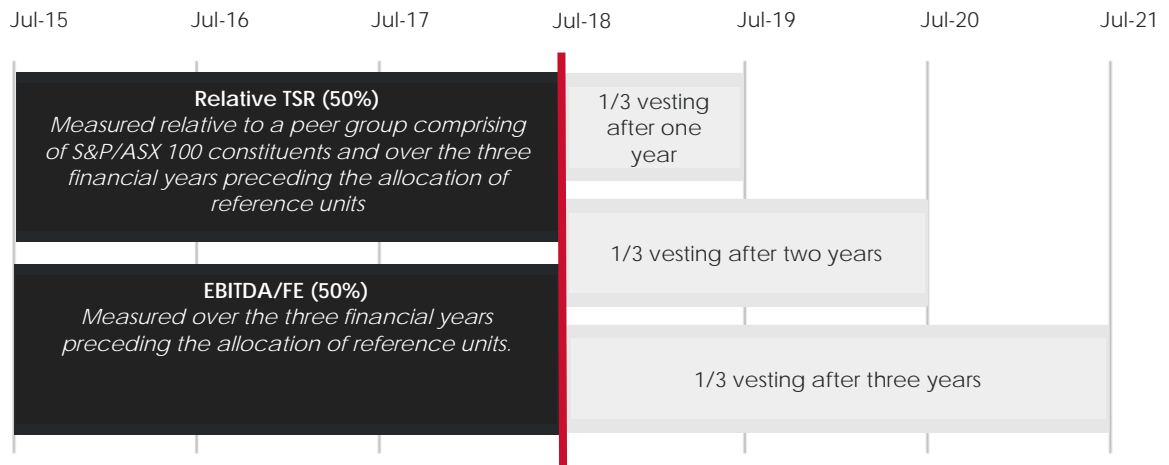
Executive KMP	KPI outcomes against target outcome (maximum opportunity)		
	Financial KPIs	Non-financial KPIs	Performance outcome
P Fredricson	100.0% (45.0%)	74.7% (55.0%)	86.1% (100%)
R Gersbach	100.0% (25.0%)	79.6% (75.0%)	84.7% (100%)
R Wheals	100.0% (38.0%)	90.6% (62.0%)	94.2% (100%)

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%).

Executive KMP	STI earned		STI forfeited	
	% 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.

Year allocation	Performance assessment		LTI awarded % of maximum allocation
	Relative TSR (50%)	EBITDA/FE (50%)	
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

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

⁽¹³⁾ The potential value of the allocation has been estimated based on the cash award valuations at the allocation date.

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.

⁽¹⁴⁾ Subsequently appointed Executive KMP have three years from their date of appointment to meet the minimum security ownership requirement.

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.

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⁾.

Fees	Effective 1 January 2018	
	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

⁽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.

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.

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.

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

Financial Year	Short-term employment benefits	Post-employment benefits	Total \$
	Fees \$	Superannuation \$	
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

⁽²⁰⁾ Appointed Chairman 28 October 2017.⁽²¹⁾ Appointed 19 March 2018.⁽²²⁾ Appointed 19 March 2018.⁽²³⁾ Retired 27 October 2017.⁽²⁴⁾ Retired 21 February 2018.

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.

	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

⁽²⁵⁾ Effective from 22 August 2018, being the date of Board approval.

⁽²⁶⁾ The units have been adjusted following the discounted equity entitlement offer.

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.

⁽²⁷⁾ Appointed Chairman 28 October 2017.

⁽²⁸⁾ Appointed 19 March 2018.

⁽²⁹⁾ Appointed 19 March 2018.

APT Pipelines Limited and its Controlled Entities
Consolidated Statement of Profit or Loss and Other Comprehensive Income
For the financial year ended 30 June 2018

	Note	2018 \$000	2017 \$000
Continuing operations			
Revenue	4	2,364,734	2,303,284
Share of net profits of associates and joint ventures using the equity method	4	19,908	19,727
		2,384,642	2,323,011
Asset operation and management expenses		(214,628)	(207,514)
Depreciation and amortisation expense	5	(578,916)	(570,336)
Other operating costs - pass-through	5	(445,307)	(438,140)
Finance costs	5	(555,295)	(562,010)
Employee benefit expense	5	(197,545)	(197,700)
Other expenses		(5,206)	(16,916)
Profit before tax		387,745	330,395
Income tax expense	6	(164,951)	(150,620)
Profit for the year		222,794	179,775
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		7,361	6,335
Income tax relating to items that may be reclassified subsequently		53,287	(78,977)
		(124,282)	184,353
Other comprehensive income for the year (net of tax)		(123,170)	188,169
Total comprehensive income for the year		99,624	367,944
Profit attributable to:			
Equityholders of the parent		194,815	151,165
Non-controlling - other		27,979	28,610
		222,794	179,775
Total comprehensive income attributable to:			
Equityholders of the parent		71,645	339,334
Non-controlling - other		27,979	28,610
		99,624	367,944

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

APT Pipelines Limited and its Controlled Entities
Consolidated Statement of Financial Position
As at 30 June 2018

	Note	2018 \$000	2017 \$000
Current assets			
Cash and cash equivalents	17	100,604	394,478
Trade and other receivables	8	251,717	289,707
Receivables from related parties	8	194,000	198,086
Other financial assets	19	55,525	52,334
Inventories		28,534	25,260
Other		12,492	10,421
Current assets		642,872	970,286
Non-current assets			
Trade and other receivables	8	14,030	15,496
Other financial assets	19	591,487	458,773
Investments accounted for using the equity method	22	253,041	240,772
Property, plant and equipment	10	9,691,666	9,150,165
Goodwill	11	1,183,604	1,183,604
Other intangible assets	11	2,992,431	3,174,282
Other	14	33,310	31,223
Non-current assets		14,759,569	14,254,315
Total assets		15,402,441	15,224,601
Current liabilities			
Trade and other payables	9	347,700	283,758
Payables to related parties	9	2,920,773	2,726,031
Borrowings	17	329,993	127,596
Other financial liabilities	19	139,401	145,768
Provisions	13	83,629	93,773
Unearned revenue		20,922	19,225
Current liabilities		3,842,418	3,396,151
Non-current liabilities			
Trade and other payables	9	5,089	4,984
Payables to related parties	9	948,592	893,867
Borrowings	17	9,329,113	9,582,417
Other financial liabilities	19	128,510	182,087
Deferred tax liabilities	6	755,402	725,270
Provisions	13	71,951	69,051
Unearned revenue		60,183	37,236
Non-current liabilities		11,298,840	11,494,912
Total liabilities		15,141,258	14,891,063
Net assets		261,183	333,538

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

APT Pipelines Limited and its Controlled Entities
Consolidated Statement of Financial Position (continued)
As at 30 June 2018

	Note	2018 \$000	2017 \$000
Equity			
APT Pipelines Limited equity:			
Issued capital	20	117,330	117,330
Reserves		(330,103)	(205,821)
Retained earnings		354,650	302,723
Equity attributable to equityholders of the parent		141,877	214,232
Non-controlling interest	21	119,306	119,306
Total equity		261,183	333,538

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

APT Pipelines Limited and its Controlled Entities
Consolidated Statement of Changes in Equity
For the financial year ended 30 June 2018

	APT Pipelines Limited and its Controlled Entities					Non-controlling interest				
	Issued Capital \$000	Asset Revaluation Reserve \$000	Hedging Reserve \$000	Retained earnings \$000	Attributable to owners of the parent \$000	Issued Capital \$000	Other Reserves \$000	Retained earnings \$000	Non- Controlling Interest \$000	Total \$000
Balance at 1 July 2016	117,330	8,669	(398,843)	427,642	154,798	119,257	1	48	119,306	274,104
Profit for the year	-	-	-	151,165	151,165	-	-	28,610	28,610	179,775
Other comprehensive income	-	-	263,330	5,452	268,782	-	-	-	-	268,782
Income tax relating to components of other comprehensive income	-	-	(78,977)	(1,636)	(80,613)	-	-	-	-	(80,613)
Total comprehensive income for the year	-	-	184,353	154,981	339,334	-	-	28,610	28,610	367,944
Payment of dividends (Note 7)	-	-	-	(279,900)	(279,900)	-	-	(28,610)	(28,610)	(308,510)
Balance at 30 June 2017	117,330	8,669	(214,490)	302,723	214,232	119,257	1	48	119,306	333,538
Balance at 1 July 2017	117,330	8,669	(214,490)	302,723	214,232	119,257	1	48	119,306	333,538
Profit for the year	-	-	-	194,815	194,815	-	-	27,979	27,979	222,794
Other comprehensive income	-	-	(177,569)	1,588	(175,981)	-	-	-	-	(175,981)
Income tax relating to components of other comprehensive income	-	-	53,287	(476)	52,811	-	-	-	-	52,811
Total comprehensive income for the year	-	-	(124,282)	195,927	71,645	-	-	27,979	27,979	99,624
Payment of dividends (Note 7)	-	-	-	(144,000)	(144,000)	-	-	(27,979)	(27,979)	(171,979)
Balance at 30 June 2018	117,330	8,669	(338,772)	354,650	141,877	119,257	1	48	119,306	261,183

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

APT Pipelines Limited and its Controlled Entities
Consolidated Statement of Cash Flows
For the financial year ended 30 June 2018

	Note	2018 \$000	2017 \$000
<u>Cash flows from operating activities</u>			
Receipts from customers		2,635,338	2,509,027
Payments to suppliers and employees		(1,111,989)	(1,066,000)
Dividends received from associates and joint ventures		15,000	17,722
Proceeds from repayment of finance leases		1,774	2,290
Interest received		9,903	5,684
Interest and other costs of finance paid		(513,023)	(525,188)
Net cash provided by operating activities		1,037,003	943,535
<u>Cash flows from investing activities</u>			
Payments for property, plant and equipment		(875,040)	(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		-	(130,406)
Payments for intangible assets		(1,161)	(1,456)
Net cash used in investing activities		(875,538)	(507,172)
<u>Cash flows from financing activities</u>			
Proceeds from borrowings		309,718	2,144,581
Repayments of borrowings		(761,733)	(1,944,932)
Loans advanced to related parties		(282)	-
Payment of debt issue costs		(1,580)	(8,446)
Dividends paid to:			
Equityholders of APT Pipelines Limited	7	(144,000)	(279,900)
Equityholders of the non-controlling interest		(27,979)	(28,610)
Advances from/(to) related parties		170,763	(1,905)
Net cash used in financing activities		(455,093)	(119,212)
Net (decrease)/increase in cash and cash equivalents		(293,628)	317,151
Cash and cash equivalents at beginning of financial year		394,478	77,937
Unrealised exchange losses on cash held		(246)	(610)
Cash and cash equivalents at end of financial year		100,604	394,478

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

APT Pipelines Limited and its Controlled Entities
Consolidated Statement of Cash Flows (continued)
For the financial year ended 30 June 2018

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

	Note	2018 \$000	2017 \$000
Profit for the year		222,794	179,775
Loss on the disposal on contract intangibles		-	8,315
Profit on disposal of property, plant and equipment		(466)	(311)
Share of net profits of joint ventures and associates using the equity method		(19,908)	(19,727)
Dividends/distributions received from equity accounted investments		15,000	17,722
Depreciation and amortisation expense		578,916	570,336
Finance costs		15,569	13,925
Unrealised foreign exchange loss		1,976	27
Realised hedging loss		6,904	7,514
Changes in assets and liabilities:			
Trade and other receivables		18,894	(16,193)
Inventories		(3,177)	(371)
Other assets		(1,806)	1,806
Trade and other payables		20,492	26,819
Provisions		(11,303)	(562)
Other liabilities		28,167	3,840
Income tax balances		164,951	150,620
Net cash provided by operating activities		1,037,003	943,535

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

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

Basis of Preparation	Financial Performance	Operating Assets and Liabilities
1. About this report	3. Segment information	8. Receivables
2. General information	4. Revenue	9. Payables
	5. Expenses	10. Property, plant and equipment
	6. Income tax	11. Goodwill and intangibles
	7. Dividends	12. Impairment of non-financial assets
		13. Provisions
		14. Other non-current assets
		15. Employee superannuation plans
		16. Leases
Capital Management	Group Structure	Other
17. Net debt	21. Non-controlling interests	24. Commitments and contingencies
18. Financial risk management	22. Joint arrangements and associates	25. Director and senior executive remuneration
19. Other financial Instruments	23. Subsidiaries	26. Remuneration of external auditor
20. Issued capital		27. Related party transactions
		28. Parent entity information
		29. Adoption of new and revised Accounting Standards
		30. Events occurring after reporting date

APT Pipelines Limited and its Controlled Entities

Notes to the consolidated financial statements (continued)

For the financial year ended 30 June 2018

Basis of Preparation

2. General information

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

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

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

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

Level 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 the Consolidated Entity is that current liabilities exceed current assets by \$3,199.5 million (2017: \$2,425.9 million). Excluding current related party loan balances held with Australian Pipeline Trust, the Consolidated Entity's current liabilities exceed current assets by \$472.8 million primarily as a result of current borrowings of \$330.0 million and \$139.4 million (AUD equivalent) of cash flow hedge liabilities. (2017: current assets exceed current liabilities by \$102.1 million).

The Consolidated Entity has access to available committed, un-drawn bank facilities of \$868.8 million as at 30 June 2018 (2017: \$1,068.8 million).

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

Foreign currency transactions

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

APT Pipelines Limited and its Controlled Entities
Notes to the consolidated financial statements (continued)
For the financial year ended 30 June 2018

Financial Performance

3. Segment information

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

The Consolidated Entity comprises the following reportable segments:

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

Reportable segments

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	-	-	19,908	-	19,908
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	21,052	-	2,378,855
Other interest income					5,787
Consolidated revenue					2,384,642
Segment result					
Earnings before interest, tax, depreciation and amortisation ("EBITDA")	1,495,353	66,204	-	-	1,561,557
Share of net profits of joint ventures and associates using the equity method	-	-	19,908	-	19,908
Finance lease and investment interest income	1,454	-	1,144	-	2,598
Corporate costs	-	-	-	(67,894)	(67,894)
Total EBITDA	1,496,807	66,204	21,052	(67,894)	1,516,169
Depreciation and amortisation	(567,925)	(10,991)	-	-	(578,916)
Earnings before interest and tax ("EBIT")	928,882	55,213	21,052	(67,894)	937,253
Net finance costs ^(b)					(549,508)
Profit before tax					387,745
Income tax expense					(164,951)
Profit for the year					222,794

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

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

APT Pipelines Limited and its Controlled Entities
Notes to the consolidated financial statements (continued)
For the financial year ended 30 June 2018

Financial Performance

3. Segment information (continued)

Reportable segments (continued)

	Energy infrastructure \$000	Asset management \$000	Energy investments \$000	Consolidated \$000
2018				
Segment assets and liabilities				
Segment assets	13,994,976	212,521	10,967	14,218,464
Carrying value of investments using the equity method	-	-	253,041	253,041
Unallocated assets ^(a)				930,936
Total assets				15,402,441
Segment liabilities	406,311	64,829	-	471,140
Unallocated liabilities ^(b)				14,670,118
Total liabilities				15,141,258

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

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

	Energy infrastructure \$000	Asset management \$000	Energy investments \$000	Other \$000	Consolidated \$000
2017					
Segment revenue ^(a)					
External sales revenue	1,771,349	86,596	-	-	1,857,945
Equity accounted net profits	-	-	19,727	-	19,727
Pass-through revenue	48,646	389,494	-	-	438,140
Finance lease and investment interest income	1,643	-	1,144	-	2,787
Total segment revenue	1,821,638	476,090	20,871	-	2,318,599
Other interest income					4,412
Consolidated revenue					2,323,011

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

APT Pipelines Limited and its Controlled Entities
Notes to the consolidated financial statements (continued)
For the financial year ended 30 June 2018

Financial Performance

3. Segment information (continued)

Reportable segments (continued)

	Energy infrastructure \$000	Asset management \$000	Energy investments \$000	Other \$000	Consolidated \$000
2017					
Segment result					
Earnings before interest, tax, depreciation and amortisation ("EBITDA")	1,451,890	50,576	-	-	1,502,466
Share of net profits of joint ventures and associates using the equity method	-	-	19,727	-	19,727
Finance lease and investment interest income	1,643	-	1,144	-	2,787
Corporate costs	-	-	-	(66,651)	(66,651)
Total EBITDA	1,453,533	50,576	20,871	(66,651)	1,458,329
Depreciation and amortisation	(559,034)	(11,302)	-	-	(570,336)
Earnings before interest and tax ("EBIT")	894,499	39,274	20,871	(66,651)	887,993
Net finance costs ^(a)					(557,598)
Profit before tax					330,395
Income tax expense					(150,620)
Profit for the year					179,775

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

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

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

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

Information about major customers

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

APT Pipelines Limited and its Controlled Entities
Notes to the consolidated financial statements (continued)
For the financial year ended 30 June 2018

Financial Performance

4. Revenue

An analysis of the Consolidated Entity'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	86,596
Pass-through revenue	401,042	389,494
Asset management revenue	509,579	476,090
Operating revenue	2,355,806	2,295,530
Interest income	5,787	4,412
Redeemable preference shares (GDI) interest income	1,144	1,144
Finance lease income	1,454	1,643
Finance income	8,385	7,199
Rental income	543	555
Total revenue	2,364,734	2,303,284
Share of net profits of joint ventures and associates using the equity method	19,908	19,727
	2,384,642	2,323,011

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

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

APT Pipelines Limited and its Controlled Entities
Notes to the consolidated financial statements (continued)
For the financial year ended 30 June 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	183,196
Depreciation and amortisation expense	578,916	570,336
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
Interest on related party loans	39,350	43,297
Amortisation of deferred borrowing costs	8,968	9,578
Finance lease charges - related party	430	464
Other finance costs	6,990	5,742
	573,241	565,205
Less: amounts included in the cost of qualifying assets	(23,697)	(7,099)
	549,544	558,106
Gain on derivatives	743	(152)
Unwinding of discount on non-current liabilities	5,008	4,056
Finance costs	555,295	562,010
Defined contribution plans	12,417	11,305
Defined benefit plans (Note 15)	2,280	3,033
Post-employment benefits	14,697	14,338
Termination benefits	(4,221)	2,295
Cash settled security-based payments ^(b)	20,915	25,993
Other employee benefits	166,154	155,074
Employee benefit expense	197,545	197,700

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

APT Pipelines Limited and its Controlled Entities
Notes to the consolidated financial statements (continued)
For the financial year ended 30 June 2018

Financial Performance

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	(83,149)	(63,078)
Adjustments recognised in the current year in relation to current tax of prior years	441	(432)
Deferred tax expense relating to the origination and reversal of temporary differences	(82,243)	(87,110)
Total tax expense	(164,951)	(150,620)
Tax reconciliation		
Profit before tax	387,745	330,395
Income tax expense calculated at 30%	(116,324)	(99,118)
Non deductible expenses	(58,170)	(60,888)
Non assessable income	8,412	8,577
	(166,082)	(151,429)
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	441	(432)
	(164,951)	(150,620)

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

APT Pipelines Limited and its Controlled Entities
Notes to the consolidated financial statements (continued)
For the financial year ended 30 June 2018

Financial Performance

6. Income tax (continued)

Deferred tax balances

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

	Opening balance	Charged to income	Charged to equity	Acquisitions	Transfer to head entity	Closing balance
2018	\$000	\$000	\$000	\$000	\$000	\$000
Gross deferred tax liabilities						
Property, plant and equipment	(808,090)	(91,677)	-	-	-	(899,767)
Deferred expenses	(56,839)	1,799	-	-	-	(55,040)
Defined benefit obligation	(68)	46	(476)	-	-	(498)
Other	(1,041)	822	-	-	-	(219)
	(866,038)	(89,010)	(476)	-	-	(955,524)
Gross deferred tax assets						
Provisions	45,890	(2,500)	-	-	-	43,390
Cash flow hedges	87,821	(120)	53,534	-	-	141,235
Deferred revenue	4,406	9,342	-	-	-	13,748
Investments equity accounted	2,651	(655)	(247)	-	-	1,749
Tax losses	-	700	-	-	(700)	-
	140,768	6,767	53,287	-	(700)	200,122
Net deferred tax liability	(725,270)	(82,243)	52,811	-	(700)	(755,402)
2017						
Gross deferred tax liabilities						
Property, plant and equipment	(707,606)	(83,564)	-	(16,920)	-	(808,090)
Deferred expenses	(55,045)	(1,794)	-	-	-	(56,839)
Defined benefit obligation	1,384	184	(1,636)	-	-	(68)
Other	(730)	(325)	-	14	-	(1,041)
	(761,997)	(85,499)	(1,636)	(16,906)	-	(866,038)
Gross deferred tax assets						
Provisions	44,925	168	-	797	-	45,890
Cash flow hedges	165,029	(305)	(76,903)	-	-	87,821
Deferred revenue	5,811	(1,405)	-	-	-	4,406
Investments equity accounted	5,327	(602)	(2,074)	-	-	2,651
Tax losses	-	533	-	-	(533)	-
	221,092	(1,611)	(78,977)	797	(533)	140,768
Net deferred tax liability	(540,905)	(87,110)	(80,613)	(16,109)	(533)	(725,270)

APT Pipelines Limited and its Controlled Entities

Notes to the consolidated financial statements (continued)

For the financial year ended 30 June 2018

Financial Performance

6. Income tax (continued)

Deferred tax

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

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

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

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

Tax consolidation

The parent of APT Pipelines Limited, Australian Pipeline Trust and its wholly-owned Australian resident entities formed a tax-consolidated group with effect from 1 July 2003 and are therefore taxed as a single entity from that date. The head entity within the tax-consolidated group is Australian Pipeline Trust. Members of the tax-consolidated group are identified at Note 23.

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

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

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

Nature of tax funding arrangement and tax sharing agreement

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

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

APT Pipelines Limited and its Controlled Entities
Notes to the consolidated financial statements (continued)
For the financial year ended 30 June 2018

Financial Performance

7. Dividends

	2018 cents per share	APT Pipelines Limited 2018 Total \$000	2017 cents per share	2017 Total \$000
Recognised amounts				
Final dividend paid on 22 August 2017				
(2017: 24 August 2016)				
Dividend ^(a)	84.7	52,600	278.5	173,000
Interim dividend paid on 20 February 2018				
(2017: 21 February 2017)				
Dividend ^(a)	147.1	91,400	172.1	106,900
Unrecognised amounts				
Final dividend payable on 21 August 2018				
(2017: 22 August 2017)				
Dividend ^(a)	166.6	103,500	84.7	52,600

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

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

APT Pipelines Limited and its Controlled Entities
Notes to the consolidated financial statements (continued)
For the financial year ended 30 June 2018

Operating Assets and Liabilities

8. 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 other related parties	25,252	13,028
Finance lease receivables (Note 16)	1,480	1,787
Interest receivable	85	1,603
Other debtors	79	78
Trade and other receivables	251,717	289,707
Receivables from related parties	194,000	198,086
Current	445,717	487,793
Finance lease receivables (Note 16)	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.

9. Payables

Trade payables ^(a)	41,381	40,827
Other payables	306,319	242,931
Trade and other payables	347,700	283,758
Payables to related parties ^(b)	2,920,773	2,726,031
Current	3,268,473	3,009,789
Other payables	5,089	4,984
Payables to related parties	948,592	893,867
Non-current	953,681	898,851

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

(b) Payables to related parties mainly consists of the a loan from Australian Pipeline Trust.

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

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

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

APT Pipelines Limited and its Controlled Entities
Notes to the consolidated financial statements (continued)
For the financial year ended 30 June 2018

Operating Assets and Liabilities

10. Property, plant and equipment

	Freehold land and buildings - at cost \$000	Leasehold improvements - at cost \$000	Plant and equipment - at cost \$000	Work in progress - at cost \$000	Total \$000
Gross carrying amount					
Balance at 1 July 2016	232,344	5,072	9,920,093	195,060	10,352,569
Additions	2,280	-	5,149	340,309	347,738
Acquisitions through business combination	2,444	-	138,519	73	141,036
Disposals	(24)	-	(9,089)	-	(9,113)
Transfers	5,639	5,095	295,300	(306,034)	-
Balance at 30 June 2017	242,683	10,167	10,349,972	229,408	10,832,230
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	248,667	10,660	10,650,055	856,379	11,765,761
Accumulated depreciation					
Balance at 1 July 2016	(31,965)	(2,280)	(1,270,272)	-	(1,304,517)
Disposals	24	-	8,707	-	8,731
Depreciation expense (Note 5)	(7,430)	(750)	(378,960)	-	(387,140)
Transfers	260	-	(260)	-	-
Reclassifications to inventories	-	-	861	-	861
Balance at 30 June 2017	(39,111)	(3,030)	(1,639,924)	-	(1,682,065)
Disposals	-	-	3,874	-	3,874
Depreciation expense (Note 5)	(7,184)	(923)	(387,797)	-	(395,904)
Balance at 30 June 2018	(46,295)	(3,953)	(2,023,847)	-	(2,074,095)
Net book value					
As at 30 June 2017	203,572	7,137	8,710,048	229,408	9,150,165
As at 30 June 2018	202,372	6,707	8,626,208	856,379	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

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

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

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

APT Pipelines Limited and its Controlled Entities
Notes to the consolidated financial statements (continued)
For the financial year ended 30 June 2018

Operating Assets and Liabilities

11. 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

Allocation of goodwill to cash-generating units

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

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

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

Asset management business	21,456	21,456
Energy infrastructure		
East Coast Grid	1,060,681	1,060,681
Diamantina Power Station	43,104	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 (\$32.6 million) and Goldfields Gas Pipeline (\$18.5 million).

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

Contract and other intangibles

Gross carrying amount

Balance at beginning of financial year	3,589,799	3,623,716
Acquisitions / additions	1,161	1,456
Write-offs	-	(35,373)
Balance at end of financial year	3,590,960	3,589,799

Accumulated amortisation and impairment

Balance at beginning of financial year	(415,517)	(259,382)
Amortisation expense (Note 5)	(183,012)	(183,196)
Write-offs	-	27,061
Balance at end of financial year	(598,529)	(415,517)
	2,992,431	3,174,282

APT Pipelines Limited and its Controlled Entities
Notes to the consolidated financial statements (continued)
For the financial year ended 30 June 2018

Operating Assets and Liabilities

11. Goodwill and Intangibles (continued)

The Consolidated Entity holds various third party operating and maintenance contracts. The combined gross carrying amount of \$3,591.0 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.

12. Impairment of non-financial assets

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

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

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

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

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

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

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

For fully regulated assets, cash flows have been extrapolated on the basis of existing transportation contracts and government policy settings, and expected contract renewals with a resulting average annual growth rate of 1.0% 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, the Consolidated Entity has assumed no capacity expansion beyond installed and committed levels; utilisation of capacity is based on existing contracts, government policy settings and expected market outcomes.

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

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

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

APT Pipelines Limited and its Controlled Entities
Notes to the consolidated financial statements (continued)
For the financial year ended 30 June 2018

Operating Assets and Liabilities

13. 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 15)	5,032	4,645
Leave balances	10,357	10,014
Non-current	30,180	33,598

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.

14. Other non-current assets

Line pack gas	20,607	20,343
Gas held in storage	6,010	6,010
Defined benefit asset (Note 15)	6,693	4,870
	33,310	31,223

APT Pipelines Limited and its Controlled Entities
Notes to the consolidated financial statements (continued)
For the financial year ended 30 June 2018

Operating Assets and Liabilities

15. Employee superannuation plans

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

The most recent actuarial valuations of plan assets and the present value of the defined benefit obligations were determined at 30 June 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:

	2018 \$000	2017 \$000
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 14)	6,693	4,870
Defined benefit liability - non-current (Note 13)	(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
Movements in the present value of the plan assets in the current period were as follows:		
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

APT Pipelines Limited and its Controlled Entities
Notes to the consolidated financial statements (continued)
For the financial year ended 30 June 2018

Operating Assets and Liabilities

15. Employee superannuation plans (continued)

Defined contribution plans

Contributions to defined contribution plans are expensed when incurred.

Defined benefit plans

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

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

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

Key actuarial assumptions used in the determination of the defined benefit obligation is a discount rate of 4.1% 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.

The Consolidated Entity expects to pay \$2.0 million in contributions to the defined benefit plans during the year ending 30 June 2019.

APT Pipelines Limited and its Controlled Entities
Notes to the consolidated financial statements (continued)
For the financial year ended 30 June 2018

Operating Assets and Liabilities

16. Leases

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

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

	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 8)	1,480	1,787
Non-current receivables (Note 8)	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.

Finance lease payables - related party

Not longer than 1 year	1,167	1,167
Longer than 1 year and not longer than 5 years	4,669	4,669
Longer than 5 years	4,669	5,836
Minimum future lease payments payable ^(a)	10,505	11,672
Gross finance lease payables	10,505	11,672
Less: unearned finance lease payables	(1,995)	(2,424)
Present value of lease payables	8,510	9,248
Included in the financial statements as part of:		
Current borrowings (Note 17)	774	738
Non-current borrowings (Note 17)	7,736	8,510
	8,510	9,248

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

APT Pipelines Limited and its Controlled Entities
Notes to the consolidated financial statements (continued)
For the financial year ended 30 June 2018

Operating Assets and Liabilities

16. Leases (continued)

The Consolidated Entity as a lessor

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

The Consolidated Entity as a lessee

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

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

Non-cancellable operating leases

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

	2018 \$000	2017 \$000
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 recognised as a liability when received and released to the statement of profit or loss on a straight line basis over the lease term.

APT Pipelines Limited and its Controlled Entities
Notes to the consolidated financial statements (continued)
For the financial year ended 30 June 2018

Capital Management

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

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

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

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

Controlled entities are subject to externally imposed capital requirements. These relate to the Australian Financial Services Licence held by Australian Pipeline Limited, the Responsible Entity of APA Group, and were adhered to for the entirety of the 2018 and 2017 periods.

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

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

17. 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. The Consolidated Entity had no restricted cash as at 30 June 2018 and 30 June 2017.

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.

APT Pipelines Limited and its Controlled Entities
Notes to the consolidated financial statements (continued)
For the financial year ended 30 June 2018

Capital Management

17. Net debt (continued)

	2018 \$000	2017 \$000
Cash at bank and on hand	99,238	43,064
Short-term deposits	1,366	351,414
Cash and cash equivalents	100,604	394,478
Guaranteed senior notes ^(a)	(318,373)	(115,738)
Other financial liabilities	(10,846)	(11,120)
Finance lease liabilities (Note 16)	(774)	(738)
Current borrowings	(329,993)	(127,596)
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)
Finance lease liabilities (Note 16)	(7,736)	(8,510)
Less: unamortised borrowing costs	42,072	45,862
Non-current borrowings	(9,329,113)	(9,582,417)
Total borrowings	(9,659,106)	(9,710,013)
Net debt	(9,558,502)	(9,315,535)

(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 18 for details of interest rates and maturity profiles.

(b) Refer to Note 18 for details of interest rates and maturity profiles.

(c) Represents AUD denominated subordinated notes. Refer to Note 18 for details of interest rates and maturity profiles.

Reconciliation of net debt

	Cash and cash equivalents \$000	Borrowings due within 1 year \$000	Borrowings due after 1 year \$000	Net debt \$000
Net debt as at 1 July 2016	77,937	(410,532)	(9,323,621)	(9,656,216)
Cash movements	317,151	392,432	(592,081)	117,502
Foreign exchange movements due to fair value changes	(610)	27,524	196,360	223,274
Transfer from due after 1 year to due within 1 year	-	(137,723)	137,723	-
Finance lease payables - related party	-	703	-	703
Amortisation of deferred borrowing costs	-	-	(798)	(798)
Net debt as at 30 June 2017	394,478	(127,596)	(9,582,417)	(9,315,535)
Net debt as at 1 July 2017	394,478	(127,596)	(9,582,417)	(9,315,535)
Cash movements	(293,628)	137,015	315,000	158,387
Foreign exchange movements due to fair value changes	(246)	(13,298)	(384,755)	(398,299)
Transfer from due after 1 year to due within 1 year	-	(326,849)	326,849	-
Finance lease payables - related party	-	735	-	735
Amortisation of deferred borrowing costs	-	-	(3,790)	(3,790)
Net debt as at 30 June 2018	100,604	(329,993)	(9,329,113)	(9,558,502)

APT Pipelines Limited and its Controlled Entities
Notes to the consolidated financial statements (continued)
For the financial year ended 30 June 2018

Capital Management

17. Net debt (continued)

	2018	2017
	\$000	\$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 MTN of £950 million, EUR MTN of €1,350 million and USD denominated 144a notes of US\$3,000 million measured at the exchange rate at reporting date, and A\$211 million of AUD denominated private placement notes and AUD MTN of A\$500 million (2017: Includes JPY MTN of ¥10,000 million). Refer to Note 18 for details of interest rates and maturity profiles.

(b) Refer to Note 18 for interest rates and maturity profiles.

(c) Represents AUD denominated subordinated notes. Refer to Note 18 for details of interest rates and maturity profiles.

APT Pipelines Limited and its Controlled Entities
Notes to the consolidated financial statements (continued)
For the financial year ended 30 June 2018

Capital Management

18. Financial risk management

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

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

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

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

(a) Market risk

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

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

The Consolidated Entity is 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

The Consolidated Entity's foreign exchange risk arises from future commercial transactions (including revenue, interest payments and principal debt repayments on long-term borrowings and the purchases of capital equipment). 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.

APT Pipelines Limited and its Controlled Entities
Notes to the consolidated financial statements (continued)
For the financial year ended 30 June 2018

Capital Management

18. Financial risk management (continued)

(a) Market risk (continued)

Foreign currency risk (continued)

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

	Cash & cash equivalents \$000	Receivables \$000	Total borrowings \$000	Cross currency swaps \$000	Foreign exchange contract \$000	Net foreign currency position \$000
2018						
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)

Forward foreign exchange contracts

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

It is the policy of the Consolidated Entity to hedge 100% of all foreign exchange 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.

APT Pipelines Limited and its Controlled Entities
Notes to the consolidated financial statements (continued)
For the financial year ended 30 June 2018

Capital Management

18. Financial risk management (continued)

(a) Market risk (continued)

Foreign currency risk (continued)

Forward foreign exchange contracts (continued)

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

Cash flow hedges	Foreign exchange rate currency	Average exchange rate \$	Contract Value			Fair value \$000
			< 1 year \$000	1 - 2 years \$000	2 - 5 years \$000	
2018						
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, the Consolidated Entity has entered into forward contracts to hedge net US exchange rate risk arising from anticipated future transactions with an aggregate notional principal amount of \$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.

APT Pipelines Limited and its Controlled Entities
Notes to the consolidated financial statements (continued)
For the financial year ended 30 June 2018

Capital Management

18. Financial risk management (continued)

(a) Market risk (continued)

Foreign currency risk (continued)

Cross currency swap contracts

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

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

Cash flow hedges	Foreign currency	Exchange rate \$	Less than 1 year \$000	1 - 2 years \$000	2 - 5 years \$000	More than 5 years \$000
2018						
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)

APT Pipelines Limited and its Controlled Entities
Notes to the consolidated financial statements (continued)
For the financial year ended 30 June 2018

Capital Management

18. Financial risk management (continued)

(a) Market risk (continued)

Foreign currency risk (continued)

Cross currency swap contracts (continued)

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

Foreign currency denominated borrowings

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

Foreign currency sensitivity analysis

The analysis below shows the effect on profit and total equity of retranslating cash, receivables, payables and interest-bearing liabilities denominated in USD, 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

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

The Consolidated Entity's exposures to interest rate risk on financial liabilities are detailed in the liquidity risk management section of this note. Exposure to financial assets is limited to cash and cash equivalents amounting to \$100.6 million as at 30 June 2018 (2017: \$394.5 million).

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

18. Financial risk management (continued)

(a) Market risk (continued)

Interest rate risk (continued)

Cross currency swap and interest rate swap contracts

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

The following table details the notional principal amounts and remaining terms of the cross currency swap 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						
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 swaps and interest rate swaps settle on a quarterly or semi-annual basis. The floating rate benchmark on the interest rate swaps is Australian BBSW. The Consolidated Entity will settle the difference between the fixed and floating interest rate on a net basis.

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

Interest rate sensitivity analysis

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

- net profit would decrease by \$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 the Consolidated Entity'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.

The Consolidated Entity's profit sensitivity to interest rates has decreased during the current year due to the overall decrease in the level of the Consolidated Entity's unhedged floating rate borrowings. The 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.

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

18. Financial risk management (continued)

(a) Market risk (continued)

Price risk - equity price

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

Price risk sensitivity

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

- net profit would have been unaffected as there is no effect from the forwards as the corresponding exposure will offset in full (2017: \$nil); and
- there is no effect on equity reserves as the Consolidated Entity holds no available-for-sale investments (2017: \$nil).

Price risk - electricity price

The Consolidated Entity is exposed to electricity price risk arising from a contract for difference in an electricity agreement with a customer. The contract guarantees the Consolidated Entity 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 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 the risk of loss. For financial investments or market risk hedging, the Consolidated Entity's policy is to only transact with counterparties that have a credit rating of A- (Standard & Poor's)/A3 (Moody's) or higher unless specifically approved by the Board. Where a counterparty's rating falls below this threshold following a transaction, no other transactions can be executed with that counterparty until the exposure is sufficiently reduced or their credit rating is upgraded above the Consolidated Entity's minimum threshold. The Consolidated Entity's exposure to financial instrument and deposit credit risk is closely monitored against counterparty credit limits imposed by the Treasury Risk Management Policy approved by the Audit and Risk Management Committee. These limits are regularly reviewed by the Board.

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

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

Cross guarantee

In accordance with a deed of cross guarantee, APT Pipelines Limited has agreed to provide financial support, when and as required, to all wholly-owned controlled entities with either a deficit in shareholders' funds or an excess of current liabilities over current assets. The fair value of the financial guarantee as at 30 June 2018 has been determined to be immaterial and no liability has been recorded (2017: \$nil).

(c) Liquidity risk

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

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

18. Financial risk management (continued)

(c) Liquidity risk (continued)

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

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

	Maturity	Average interest rate % p.a.	Less than 1 year \$'000	1 - 5 years \$'000	More than 5 years \$'000
2018					
Unsecured financial liabilities					
Trade and other payables		-	347,700	-	-
Unsecured bank borrowings ^(a)		3.07	6,114	204,419	-
Denominated in US\$					
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
			1,141,077	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 May 2021 (\$150 million limit). A new \$1,000 million syndicated bank facility came into effect on 2 July 2018. The two \$500m 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.

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

18. 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		-	283,758	-	-
Unsecured bank borrowings ^(a)		-	-	-	-
2012 Subordinated Notes ^(b)	1-Oct-72	6.30	32,221	142,361	2,567,692
Denominated in US\$					
Other financial liabilities ^(c)			7,609	30,436	33,927
Guaranteed Senior Notes ^(a)					
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
			901,716	4,084,679	10,548,988

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

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

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

(d) Rates shown are the coupon rate.

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

18. Financial risk management (continued)

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

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

Fair value measurements recognised in the statement of financial position

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

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

Transfers between levels of the fair value hierarchy occur at the end of the reporting period. There have been no transfers between the levels during 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 Consolidated Entity's financial assets and liabilities that are measured at fair value on a recurring basis

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

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

Contract for difference

The financial statements include a contract for difference arising from an electricity agreement with a customer that guarantees the Consolidated Entity 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.

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

18. Financial risk management (continued)

Fair value of financial instruments (continued)

Contract for difference (continued)

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

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

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

Fair value hierarchy

	Level 1 \$000	Level 2 \$000	Level 3 \$000	Total \$000
2018				
Financial assets measured at fair value				
Equity forwards designated as fair value through profit or loss	-	2,045	-	2,045
Cross currency interest rate swaps used for hedging	-	592,244	-	592,244
Forward foreign exchange contracts used for hedging	-	29,130	-	29,130
	-	623,419	-	623,419
Financial liabilities measured at fair value				
Interest rate swaps used for hedging	-	800	-	800
Cross currency interest rate swaps used for hedging	-	215,641	-	215,641
Forward foreign exchange contracts used for hedging	-	13,486	-	13,486
Contract for difference used for hedging ^(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.				
2017				
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

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

18. Financial risk management (continued)

Fair value of financial instruments (continued)

Fair value measurements of financial instruments measured at amortised cost

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

	Carrying amount		Fair value (level 2) ^(a)	
	2018	2017	2018	2017
	\$000	\$000	\$000	\$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. The instruments are classified in the fair value hierarchy at level 2.

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

	Assets		Liabilities	
	2018	2017	2018	2017
	\$000	\$000	\$000	\$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 assets carried at amortised cost:				
Redeemable preference share interest	285	285	-	-
Current	55,525	52,334	139,401	145,768
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 the Consolidated Entity's 20% interest in GDI (EII) Pty Ltd. In December 2011, APA sold 80% of its gas distribution network in South East Queensland (Allgas) into an unlisted investment entity, GDI (EII) Pty Ltd. At that date GDI issued 52 million Redeemable Preference Shares (RPS) to its owners. The shares attract periodic interest payments and have a redemption date 10 years from issue.

Recognition and measurement

Hedge accounting

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

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

Note 18 contains details of the fair values of the derivative instruments used for hedging purposes. Movements in the hedging reserve in equity are also detailed in the Consolidated Statement of Changes in Equity.

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

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

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

19. Other financial instruments (continued)

Recognition and measurement (continued)

Cash flow hedges

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

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

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

Impairment of financial assets

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

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

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

20. Issued capital

	2018		2017	
	\$000		\$000	
Shares				
62,127,252 shares, fully paid (2017: 62,127,252 shares, fully paid) ^(a)		117,330		117,330
	2018 No. of shares 000	2018 \$000	2017 No. of shares 000	2017 \$000
Movements				
Balance at beginning of financial year	62,127	117,330	62,127	117,330
Balance at end of financial year	62,127	117,330	62,127	117,330

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

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

APT Pipelines Limited and its Controlled Entities
Notes to the consolidated financial statements (continued)
For the financial year ended 30 June 2018

Group Structure

21. Non-controlling interests

	2018 \$000	2017 \$000
Issued capital		
Balance at beginning of financial year	119,257	119,257
	119,257	119,257
Reserves		
Balance at beginning of financial year	1	1
	1	1
Retained earnings		
Balance at beginning of financial year	48	48
Profit for the year	27,979	28,610
Distributions paid	(27,979)	(28,610)
Balance at end of financial year	48	48
	119,306	119,306

22. Joint arrangements and associates

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

			Ownership interest %	
Name of entity	Principal activity	Country of incorporation	2018	2017
Joint ventures:				
SEA Gas	Gas transmission	Australia	50.00	50.00
SEA Gas (Mortlake)	Gas transmission	Australia	50.00	50.00
EII 2	Power generation (wind)	Australia	20.20	20.20
Associate:				
GDI (EII)	Gas distribution	Australia	20.00	20.00
			2018	2017
			\$000	\$000
Investment in joint ventures and associate using the equity method			253,041	240,772

APT Pipelines Limited and its Controlled Entities
Notes to the consolidated financial statements (continued)
For the financial year ended 30 June 2018

Group Structure

22. Joint arrangements and associates (continued)

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

	2018 \$000	2017 \$000
Joint Ventures		
Aggregate carrying amount of investment	224,212	210,583
The Consolidated Entity's aggregated share of:		
Profit from continuing operations	15,089	15,109
Other comprehensive income	7,768	3,417
Total comprehensive income	22,857	18,526
Associate		
Aggregate carrying amount of investment	28,829	30,189
The Consolidated Entity'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 the Consolidated Entity has significant influence and that is neither a subsidiary nor a joint arrangement. Investments in associates are accounted for using the equity accounting method.

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

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

Contingent liabilities and capital commitments

The Consolidated Entity's share of the contingent liabilities, capital commitments and other expenditure commitments of jointly controlled operations is disclosed in Note 24.

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

Name of venture	Principal activity	Output interest	
		2018 %	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, the Consolidated Entity acquired a direct interest in the Goldfields Gas Transmission joint operations as part of the SCP Gas Business acquisition.

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

Interest in joint arrangements

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

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

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

22. Joint arrangements and associates (continued)

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

23. Subsidiaries

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

Name of entity	Country of	Ownership interest	
	registration/ incorporation	2018	2017
		%	%
Parent entity			
APT Pipelines Limited ^(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	

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Notes to the consolidated financial statements (continued)
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23. Subsidiaries (continued)

Name of entity	Country of registration/ incorporation	Ownership interest	
		2018 %	2017 %
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
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 Limited ^{(b),(c)}	Australia	100	100
APT (MIT) Services Pty Limited ^{(b),(c)}	Australia	100	100
APT AM (Stratus) Pty Limited ^{(b),(c)}	Australia	100	100
APT AM Employment Pty Limited ^{(b),(c)}	Australia	100	100
APT AM Holdings Pty Limited ^{(b),(c)}	Australia	100	100
APT Facility Management Pty Limited ^{(b),(c)}	Australia	100	100
APT Goldfields Pty Ltd ^{(b),(c)}	Australia	100	100
APT Management Services Pty Limited ^{(b),(c)}	Australia	100	100
APT O&M Holdings Pty Ltd ^{(b),(c)}	Australia	100	100
APT O&M Services (QLD) Pty Ltd ^{(b),(c)}	Australia	100	100
APT O&M Services Pty Ltd ^{(b),(c)}	Australia	100	100
APT Parmelia Holdings Pty Ltd ^{(b),(c)}	Australia	100	100
APT Parmelia Pty Ltd ^{(b),(c)}	Australia	100	100
APT Parmelia Trust ^{(b),(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 Sea Gas Holdings Pty Limited ^{(b),(c)}	Australia	100	100
APT SPV2 Pty Ltd ^(b)	Australia	100	100

APT Pipelines Limited and its Controlled Entities
Notes to the consolidated financial statements (continued)
For the financial year ended 30 June 2018

Group Structure

23. Subsidiaries (continued)

Name of entity	Country of registration/ incorporation	Ownership interest	
		2018 %	2017 %
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)	Australia	100	100
EPX Hold Co Pty Limited ^{(b),(c)}	Australia	100	100
EPX Member Pty Limited ^{(b),(c)}	Australia	100	100
EPX Trust ^{(b),(e)}	-	100	100
Gasinvest Australia Pty Ltd ^{(b),(c)}	Australia	100	100
GasNet A Trust ^(e)	-	100	100
GasNet Australia Trust ^(b)	Australia	100	100
GasNet B Trust ^{(b),(e),(f)}	-	-	100
Goldfields Gas Transmission Pty Ltd ^(b)	Australia	100	100
Gorodok Pty Ltd ^{(b),(c)}	Australia	100	100
Griffin Windfarm 2 Pty Ltd ^(b)	Australia	100	100
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
Vottraint No 1613 Pty Limited ^(b)	Australia	100	100
Western Australian Gas Transmission Company 1 Pty Ltd ^{(b),(c)}	Australia	100	100
Wind Portfolio Pty Ltd ^{(b),(c)}	Australia	100	100

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

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

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

(d) Entity was acquired or registered during the 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.

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

23. Subsidiaries (continued)

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

	Cross Guarantee Group	
	2018	2017
	\$000	\$000
Continuing operations		
Revenue	2,416,667	2,303,266
Share of net profits of associates and joint ventures using the equity method	11,211	11,022
	2,427,878	2,314,288
Asset operation and management expenses	(215,727)	(207,875)
Depreciation and amortisation expense	(578,724)	(570,335)
Other operating costs - pass-through	(445,306)	(438,140)
Finance costs	(583,273)	(590,472)
Employee benefit expense	(196,937)	(197,700)
Other expenses	(5,206)	(16,916)
Profit before tax	402,705	292,850
Income tax expense	(161,944)	(147,416)
Profit for the year	240,761	145,434
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 gain on defined benefit plan	(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	845	6,946
Income tax relating items that may be reclassified subsequently	55,226	(79,182)
	(128,859)	184,759
Other comprehensive income/(expense) for the year (net of tax)	(127,747)	188,575
Total comprehensive income for the year	113,014	334,009

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

23. Subsidiaries (continued)

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

	Cross Guarantee Group	
	2018	2017
	\$000	\$000
Current assets		
Cash and cash equivalents	98,645	392,439
Trade and other receivables	779,218	1,334,238
Other financial assets	55,525	52,334
Inventories	28,534	25,260
Other	12,492	10,421
Current assets	974,414	1,814,692
Non-current assets		
Receivables	14,030	15,496
Other financial assets	1,143,885	1,011,692
Investments accounted for using the equity method	102,737	96,552
Property, plant and equipment	9,690,205	9,148,714
Goodwill	1,182,690	1,182,690
Other intangible assets	2,992,431	3,174,282
Other	33,310	31,223
Non-current assets	15,159,288	14,660,649
Total assets	16,133,702	16,475,341
Current liabilities		
Trade and other payables	4,610,314	4,881,166
Borrowings	329,993	127,596
Other financial liabilities	139,401	145,768
Provisions	83,629	93,773
Unearned revenue	20,922	19,225
Current liabilities	5,184,259	5,267,528
Non-current liabilities		
Trade and other payables	639,339	612,487
Borrowings	9,329,113	9,582,417
Other financial liabilities	128,510	182,087
Deferred tax liabilities	743,374	716,576
Provisions	71,951	69,051
Unearned revenue	60,183	37,236
Non-current liabilities	10,972,470	11,199,854
Total liabilities	16,156,729	16,467,382
Net assets	(23,027)	7,959
Equity		
Issued capital	117,330	117,330
Reserves	(330,206)	(201,347)
Retained earnings	189,849	91,976
Equity attributable to equityholders of the parent	(23,027)	7,959

APT Pipelines Limited and its Controlled Entities
Notes to the consolidated financial statements (continued)
For the financial year ended 30 June 2018

Other

24. Commitments and contingencies

	2018 \$000	2017 \$000
Capital expenditure commitments		
The Consolidated Entity - plant and equipment	287,506	583,387
The Consolidated Entity'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

The Consolidated Entity had no contingent assets as at 30 June 2018 and 30 June 2017.

25. 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

Remuneration of senior executives^(a)

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 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.

APT Pipelines Limited and its Controlled Entities
Notes to the consolidated financial statements (continued)
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26. Remuneration of external auditor

	2018 \$	2017 \$
Amounts received or due and receivable by Deloitte Touche Tohmatsu for:		
Auditing the financial report	734,800	654,900
Other assurance services ^(a)	479,915	263,700
Other non-audit, non-assurance services ^(b)	9,091	-
	1,223,806	918,600

(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 (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 Guide 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.

27. Related party transactions

(a) Equity interest in related parties

Details of the percentage of ordinary securities held in subsidiaries are disclosed in Note 23 and the details of the percentage held in joint operations, joint ventures and associates are disclosed in Note 22.

(b) Responsible Entity – Australian Pipeline Limited

The Responsible Entity is wholly owned by APT Pipelines Limited.

(c) Transactions with related parties within the Consolidated Entity

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

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

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

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

Refer to Note 23 for details of the entities that comprise the Consolidated 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 the Consolidated Entity. No amounts were paid directly by the Consolidated Entity to the Directors of the Responsible Entity, except as disclosed at Note 25.

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

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

27. Related party transactions (continued)

(d) Transactions with associates and joint ventures

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

	Dividends from related parties \$000	Sales to related parties \$000	Purchases from related parties \$000	Amount owed by related parties \$000	Amount owed to related parties \$000
2018					
SEA Gas	5,975	3,853	-	311	-
Energy Infrastructure Investments	-	46,671	-	15,486	-
EII 2	3,253	764	-	47	-
GDI (EII)	5,772	62,053	-	7,417	-
	15,000	113,341	-	23,261	-
2017					
SEA Gas	10,357	3,717	-	96	-
Energy Infrastructure Investments	-	26,553	-	5,792	-
EII 2	3,244	752	-	46	-
GDI (EII)	4,121	51,711	99	7,094	-
	17,722	82,733	99	13,028	-

APT Pipelines Limited and its Controlled Entities
Notes to the consolidated financial statements (continued)
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28. 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	263,460	553,926
Non-current assets	17,772,637	16,473,383
Total assets	18,036,097	17,027,309
Liabilities		
Current liabilities	664,838	457,854
Non-current liabilities	17,271,399	16,406,616
Total liabilities	17,936,237	16,864,470
Net assets	99,860	162,839
Equity		
Issued capital	117,330	117,330
Retained earnings	147,965	147,852
Reserves	(165,435)	(102,343)
Total equity	99,860	162,839
Financial performance		
Profit for the year	144,113	278,856
Other comprehensive income	(63,092)	(29,933)
Total comprehensive income	81,021	248,923

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

APT Pipelines Limited has entered into a deed of cross guarantee with a number of its wholly-owned subsidiaries. These subsidiaries are listed in full in Note 23.

Contingent liabilities of the parent entity

Refer to Note 24 for contingent liabilities. Bank guarantees are issued by the parent entity.

APT Pipelines Limited and its Controlled Entities
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For the financial year ended 30 June 2018

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29. 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 initially applied in the beginning on or after financial year ending	Expected to be initially applied in the beginning on or after 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; however, the Consolidated Entity has chosen not to early adopt the new or amended standards in preparing these consolidated financial statements.

The assessment of the expected impacts on the Consolidated Entity includes:

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. 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. 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. The Consolidated Entity 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 the Consolidated Entity's accounts.

APT Pipelines Limited and its Controlled Entities

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For the financial year ended 30 June 2018

Other

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

AASB 9 'Financial Instruments' (continued)

The Consolidated Entity 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 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. APA will apply this new standard from 1 July 2018 (financial year ended 30 June 2019).

The Consolidated Entity 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.

The Consolidated Entity'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 the Consolidated Entity's current accounting policies to quantify the impact. The key judgements and assumptions made have been reviewed by internal

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

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 Consolidated Entity'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 Consolidated Entity's accounting for leases as a lessor remains unchanged under AASB 16.

The Consolidated Entity 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.

The Consolidated Entity'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.

The impact on the Consolidated Entity'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 the Consolidated Entity uses the practical expedients and recognition exemptions, and any additional leases that the Consolidated Entity enters into prior to 1 July 2019.

APT Pipelines Limited and its Controlled Entities
Notes to the consolidated financial statements (continued)
For the financial year ended 30 June 2018

Other

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

AASB 16 'Leases' (continued)

As at 30 June 2018, the Consolidated Entity had non-cancellable undiscounted operating lease commitments of \$72.6 million as disclosed in Note 16 of the 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 the Consolidated Entity 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.

30. 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 21 August 2018, the Directors declared a final dividend of 166.6 cents per share (\$103.5 million). The dividend will be paid on 21 August 2018 to sole equityholder, Australian Pipeline Limited as Responsible Entity and Trustee of Australian Pipeline Trust.

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

APT Pipelines Limited and its Controlled Entities
Declaration by the Directors of APT Pipelines Limited
For the financial year ended 30 June 2018

The Directors declare that:

- (a) in the Directors' opinion, there are reasonable grounds to believe that APT Pipelines Limited will be able to pay its debts as and when they become due and payable;
- (b) in the Directors' opinion, the attached financial statements and notes thereto are in accordance with the Corporations Act 2001, including compliance with Accounting Standards and giving a true and fair view of the financial position and performance of the Consolidated Entity;
- (c) in the Directors' opinion, the financial statements and notes thereto are in accordance with International Financial Reporting Standards issued by the International Accounting Standards Board;
- (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; and
- (e) At the date of this declaration, APT Pipelines Limited is within the class of companies affected by ASIC Corporations instrument 2016/785. The nature of the deed of cross guarantee is such that each company, which is party to the deed, guarantees to each creditor, payment in full of any debt in accordance with the deed of cross guarantee. In the Directors' opinion, there are reasonable grounds to believe that APT Pipelines Limited and the companies to which the ASIC Class Order applies, as detailed in Note 23 to the financial statements will, as a group, be able to meet any obligations or liabilities to which they are, or may become, subject by virtue of the deed of cross guarantee.

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

On behalf of the Directors



Michael Fraser
Chairman



Debra Goodin
Director

SYDNEY, 22 August 2018

22 August 2018

The Directors
APT Pipelines Limited
Level 25, 580 George Street
Sydney NSW 2000

Dear Directors

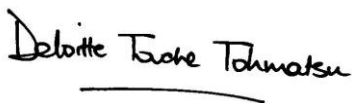
Auditors Independence Declaration to APT Pipelines Limited

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

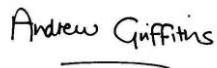
As lead audit partner for the audit of the financial statements of APT Pipelines Limited for the financial year ended 30 June 2018, I declare that to the best of my knowledge and belief, there have been no contraventions of:

- (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



A V Griffiths
Partner
Chartered Accountants
Sydney, 22 August 2018

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

Report on the Audit of the Financial Report

Opinion

We have audited the accompanying financial report of APT Pipelines Limited ("the consolidated entity"), which comprises the consolidated statement of financial position as at 30 June 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.



Other Information

The directors of APT Pipelines Limited ("the directors") are responsible for the other information. The other information comprises the information included in the consolidated entity's annual report for the year ended 30 June 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.

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

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

Report on the Remuneration Report

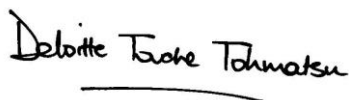
Opinion on the Remuneration Report

We have audited the Remuneration Report of Australian Pipeline Limited as responsible entity of Australian Pipeline Trust included in pages 5 to 21 of the directors' report of APT Pipelines Limited for the year ended 30 June 2018.

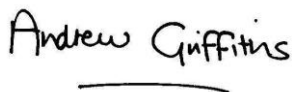
In our opinion, the Remuneration Report of Australian Pipeline Limited as responsible entity of Australian Pipeline Trust for the year ended 30 June 2018, has been prepared in accordance with section 300A of the *Corporations Act 2001*.

Responsibilities

The directors are responsible for the preparation and presentation of the Remuneration Report in accordance with section 300A of the *Corporations Act 2001*. Our responsibility is to express an opinion on the Remuneration Report, based on our audit conducted in accordance with Australian Auditing Standards.



DELOITTE TOUCHE TOHMATSU



A V Griffiths
Partner
Chartered Accountants
Sydney, 22 August 2018