Australian Pipeline Trust and its Controlled Entities (ARSN 091 678 778)
Directors' Report for the year ended 30 June 2016

The Directors of Australian Pipeline Limited ("Responsible Entity") submit their financial report of Australian Pipeline Trust ("APT") and its controlled entities (together "APA" or "Consolidated Entity") for the year ended 30 June 2016. This report refers to the consolidated results of APT and APT Investment Trust ("APTIT").

1. Directors

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

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

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

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

2. Principal Activities

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

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

3. State of Affairs

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

4. Subsequent Events

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

5. About APA

5.1 APA overview

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

APA has a diverse portfolio of over 15,000 kilometres[1] of gas transmission pipelines that spans every state and territory on mainland Australia and delivers about half the nation's natural gas. It also owns or has interests in other related energy infrastructure assets such as gas storage facilities, gas processing facilities, gas compression facilities and power generation assets.

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

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

APA's objective of maximising securityholder value is achieved through expanding and enhancing its infrastructure portfolio, securing low risk, long-term revenue on its assets, operating the business safely and efficiently and generating further value through its many and varied service offerings.

APA is listed on the Australian Securities Exchange ("ASX") and is included in the S&P ASX 50 Index. Since listing in June 2000, APA's market capitalisation has increased more than 20-fold to $10.3 billion (as at 23 August 2016), and it has achieved total securityholder returns of 1,550% or annual compound growth rate of 19.1%[2] as at 30 June 2016.

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

5.2 APA objectives and strategies

APA's objectives of providing secure and predictable returns to its investors is supported by its strategies of:

- continuing to grow our ownership interests in transmission pipelines through further expanding the East and West Coast Grids;
- growing other midstream energy infrastructure assets;
- leveraging APA's asset management, development and operational capabilities;
- providing a safe, stimulating and rewarding workplace;
- delivering responsive, valuable solutions to customers;
- continuing to deliver an environmentally responsible, safe and essential service;
- contributing to the communities APA serves; and
- maintaining APA's financial strength, flexibility and capability.

APA is an owner and operator of energy infrastructure that is underpinned by long term contracts with highly creditworthy counterparties.

This strategy has remained consistent since listing.

During the financial year, APA conducted a review of its growth opportunities. APA will continue to be focused on growing the business and has identified ample opportunities over the long term; both organic growth and potential acquisitions.

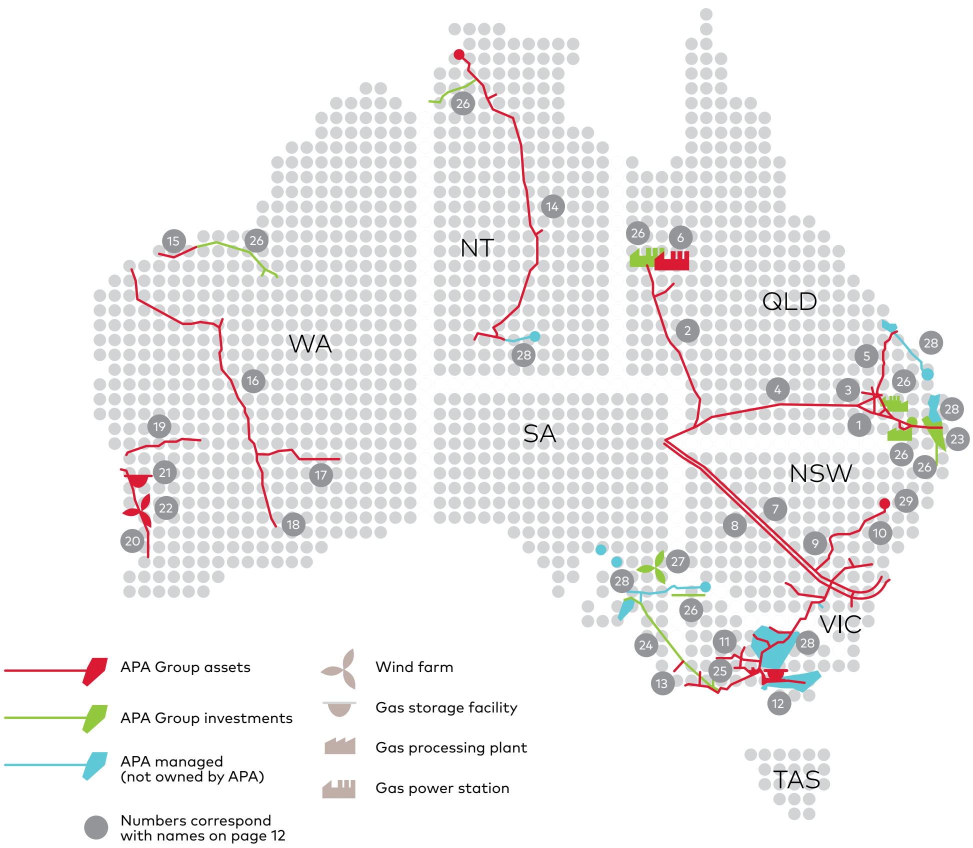
5.3 APA assets and operations

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

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

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

APA GROUP ASSETS AND OPERATIONS



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

		Length/Capacity	Regulatory status
East Coast and Northern Territory assets			
1)	Roma Brisbane Pipeline (including Peat Lateral)	583 km / 233 TJ/d	Full regulation
2)	Carpentaria Gas Pipeline	944 km / 119 TJ/d	Light regulation
3)	Berwyndale Wallumbilla Pipeline	112 km	Not regulated
4)	South West Queensland Pipeline	936 km / 384 TJ/d	Not regulated
5)	Wallumbilla Gladstone Pipeline (including Laterals)	556 km / 1,510 TJ/d	Not regulated
6)	Diamantina and Leichhardt Power Stations	242 MW / 60 MW	Not regulated
7)	Moomba Sydney Pipeline	2,029 km / 439 TJ/d	Light regulation (partial)
8)	Ethane Pipeline	1,375 km	Not regulated
9)	Central West Pipeline	255 km	Light regulation
10)	Central Ranges Pipeline	295 km	Full regulation
11)	Victorian Transmission System	1,847 km	Full regulation
12)	Dandenong LNG Storage Facility	12,000 tonnes	Not regulated
13)	SESA Pipeline	45 km	Not regulated
14)	Amadeus Gas Pipeline	1,657 km	Full regulation
		10,634 km	
West Australian assets			
15)	Pilbara Pipeline System	249 km / 166 TJ/d	Not regulated
16)	Goldfields Gas Pipeline (88.2%)	1,546 km / 202 TJ/d	Full regulation
17)	Eastern Goldfields Pipeline	293 km	Not regulated
18)	Kalgoorlie Kambalda Pipeline	44 km	Light regulation
19)	Mid West Pipeline (50%)	362 km / 11 TJ/d	Not regulated
20)	Parmelia Gas Pipeline	448 km / 50 TJ/d	Not regulated
21)	Mondarra Gas Storage Facility	15 PJ	Not regulated
22)	Emu Downs Wind Farm	80 MW	Not regulated
		2,942 km	

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

Energy Investment		Ownership interest
23) GDI	20%	**Gas distribution:** 3,355 km of gas mains, 99,699 gas consumer connections in Qld
24) SEA Gas Pipeline	50%	**Gas pipeline:** 687 km pipeline from Iona and Port Campbell, Victoria to Adelaide, SA
25) Mortlake Gas Pipeline	50%	**Gas pipeline:** 83 km pipeline from Otway Gas Plant near Port Campbell to Mortlake Power Station
26) Energy Infrastructure Investments	19.9%	**Gas pipelines:** Telfer/Nifty Gas Pipelines and lateral (488 km); Bonaparte Gas Pipeline (286 km); Wickham Point Pipeline (12 km) Electricity transmission cables: Murraylink (180 km) and Directlink (63 km) Gas-fired power stations: Daandine Power Station (33MW) and X41 Power Station (41 MW) **Gas processing facilities:** Kogan North (12 TJ/d); Tipton West (29 TJ/d)
27) EII2	20.2%	**Wind generation:** North Brown Hill Wind Farm (132MW), SA
28) Australian Gas Networks	Nil [1]	**Gas distribution:** 23,720 km of gas mains and pipelines, 1.23 million gas consumer connections, 1,124 km of pipelines in SA, Vic, NSW, Qld & NT
29) Tamworth Gas Network	100%	**Gas distribution:** 225 km of gas mains, 3,047 gas consumer connections

1) In August 2014, APA sold its 33.05% ownership interest in Australian Gas Networks Limited ("AGN", formerly Envestra Limited). Operating and maintenance agreements with AGN remain in place until 2027.

6. Financial Overview

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

For the financial year to 30 June 2016 APA reported EBITDA of $1,330.5 million, an increase of 61.8% or $508.3 million on the previous corresponding period normalised EBITDA of $822.3 million.[1]

Revenue (excluding pass-through revenue) increased by $533.0 million to $1,656.0 million, an increase of 48.0% on the previous corresponding period (FY2015: $1,119.2 million).

Increased revenues and EBITDA were primarily attributable to:

- a full year contribution from the Wallumbilla Gladstone Pipeline;
- full year contribution from the expanded East Coast Grid (South West Queensland Pipeline in particular);
- part-year contributions from the Ethane Pipeline and the Diamantina and Leichhardt Power Stations acquired during the year; and
- commissioning of the Eastern Goldfields Pipeline in November 2015.

These increases were partially offset by an increase in corporate costs, driven mainly by the North East Gas Interconnect project and APA's bid for the Iona gas storage facility during the financial year. Ongoing compliance costs relating to a number of inquiries into the gas market and costs associated with an externally facilitated strategy and planning review undertaken during the year also contributed to the increase.

Depreciation, amortisation and interest costs each increased by 150.2% and 56.6% respectively, as a result of the acquisition of the Wallumbilla Gladstone Pipeline, adding further significant fixed and intangible assets that are depreciated and amortised for the full year and due to the increase in debt as part of the funding of the acquisition. This resulted in a decrease of profit after tax by 12.0% to $179.5 million (FY2015 (normalised): $203.9 million).

An important primary measure of the success of APA's business and the execution of its strategy is that of operating cash flow, which was $862.4 million for FY2016. This represents an increase of 58.2% or $317.4 million over the previous year (FY2015 (normalised): $545.0 million), with operating cash flow per security increasing by 41.2%, or 22.6 cents, to 77.4 cents per security (FY2015 (normalised): 54.8 cents per security).

APA's distributions in respect of the financial year total 41.5 cents per security, representing an increase of 9.2%, or 3.5 cents, over FY2015 distributions of 38.0 cents. APA maintains a sustainable distribution policy to ensure its ability to fully fund its distributions out of operating cash flows whilst also retaining appropriate levels of cash in the business to support ongoing growth. The lower distribution level in FY2016 reflects the increase in contribution from the Wallumbilla Gladstone Pipeline and APA's guidance to investors that the payout ratio would fall somewhat following the acquisition to allow for future sustainable growth in distribution and funding of ongoing growth of the business as per APA's current distribution policy.

The following table provides a summary of key financial data for FY2016 and includes key reconciling items between statutory results and the normalised financial measures.

1) Excluding significant items of $447.2 million relating mainly to profit on the sale of APA's shareholding in Australian Gas Networks Limited, previously Envestra Limited.

	30 June 2016 ($000)			30 June 2015 ($000)			Changes in Statutory accounts		Changes in Normalised accounts	
	Statutory	**Significant items**	**Normalised**	Statutory	Significant items[2]	Normalised	$000	%	$000	%
Total revenue	**2,094,304**	**–**	**2,094,304**	1,553,615	–	1,553,615	540,689	34.8%	540,689	34.8%
Pass-through revenue[1]	**438,330**	**–**	**438,330**	434,382	–	434,382	3,948	0.9%	3,948	0.9%
Total revenue excluding pass-through	**1,655,974**	**–**	**1,655,974**	1,119,233	–	1,119,233	536,741	48.0%	536,741	48.0%
EBITDA	**1,330,543**	**–**	**1,330,543**	1,269,490	447,240	822,250	61,053	4.8%	508,293	61.8%
Depreciation and amortisation expenses	**(520,890)**	**–**	**(520,890)**	(208,200)	–	(208,200)	(312,690)	(150.2%)	(312,690)	(150.2%)
EBIT	**809,653**	**–**	**809,653**	1,061,290	447,240	614,050	(251,637)	(23.7%)	195,603	31.9%
Finance costs and interest income	**(507,658)**	**–**	**(507,658)**	(324,162)	–	(324,162)	(183,496)	(56.6%)	(183,496)	(56.6%)
Profit before income tax	**301,995**	**–**	**301,995**	737,128	447,240	289,888	(435,133)	(59.0%)	12,107	4.2%
Income tax (expense) / benefit	**(122,524)**	**–**	**(122,524)**	(177,198)	(91,222)	(85,976)	–	30.9%	–	(42.5%)
Profit after income tax	**179,471**	**–**	**179,471**	559,930	356,018	203,912	(380,307)	(67.9%)	(24,441)	(12.0%)
Operating cash flow[3]	**862,435**	**–**	**862,435**	562,190	17,201	544,989	300,245	53.4%	317,446	58.2%
Operating cash flow per security (cents)	**77.4**		**77.4**	56.5		54.8	20.9	37.0%	22.6	41.2%
Earnings per security (cents)	**16.1**		**16.1**	56.3		20.5	(40.2)	(71.4%)	(4.4)	(21.5%)
Distribution per security (cents)	**41.5**		**41.5**	38.0		38.0	3.5	9.2%	3.5	9.2%
Distribution payout ratio[4]	**53.6%**		**53.6%**	66.6%		68.8%	(13.0%)	(19.5%)	(15.1%)	(22.0%)
Weighted average number of securities (000)	**1,114,307**		**1,114,307**	995,245		995,245	119,062	12.0%	119,062	12.0%

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

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

2) Significant items: 2015 relates to a net gain realised from the sale of APA's investment in AGN as well as the successful recovery of fees paid by Hastings Diversified Utilities Fund to Hastings Funds Management Limited.

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

4) Distribution payout ratio = total distribution payments as a percentage of normalised operating cash flow.

directors' report. continued.
AUSTRALIAN PIPELINE TRUST AND ITS CONTROLLED ENTITIES

7. Business Segment Performances and Operational Review

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

	30 June 2016	30 June 2015	Changes	
	$000	$000	$000	%
Revenue (continuing businesses)				
Energy Infrastructure				
East Coast Grid: Queensland	**939,963**	388,916	551,047	141.7%
East Coast Grid: NSW	**143,427**	137,998	5,429	3.9%
East Coast Grid: Victoria	**152,991**	163,592	(10,601)	(6.5%)
East Coast Grid: South Australia	**2,871**	2,725	146	5.4%
Northern Territory	**28,843**	27,877	966	3.5%
Western Australia	**260,481**	265,972	(5,491)	(2.1%)
Energy Infrastructure total	**1,528,576**	987,080	541,496	54.9%
Asset Management	**95,430**	85,056	10,374	12.2%
Energy Investments	**28,271**	21,784	6,487	29.8%
Total segment revenue	**1,652,277**	1,093,920	558,357	51.0%
Pass-through revenue	**438,330**	434,382	3,948	0.9%
Unallocated revenue [1]	**3,697**	24,322	(20,625)	(84.8%)
Divested business [2]	**–**	991	(991)	(100.0%)
Total revenue	**2,094,304**	1,553,615	540,689	34.8%
EBITDA (continuing businesses)				
Energy Infrastructure				
East Coast Grid: Queensland	**855,753**	340,131	515,622	151.6%
East Coast Grid: NSW	**121,709**	120,808	901	0.7%
East Coast Grid: Victoria	**120,583**	130,170	(9,587)	(7.4%)
East Coast Grid: South Australia	**2,536**	1,940	596	30.7%
Northern Territory	**17,460**	17,954	(494)	(2.8%)
Western Australia	**217,558**	212,604	4,954	2.3%
Energy Infrastructure total	**1,335,599**	823,607	511,992	62.2%
Asset Management	**53,858**	49,448	4,410	8.9%
Energy Investments	**27,796**	21,783	6,012	27.6%
Corporate costs	**(86,710)**	(73,579)	(13,131)	17.8%
Total segment EBITDA	**1,330,543**	821,259	509,284	62.0%
Divested business [2]	**–**	991	(991)	(100.0%)
Total EBITDA before significant items	**1,330,543**	822,250	508,293	61.8%
Significant items [3]	**–**	447,240	(447,240)	(100.0%)
Total EBITDA	**1,330,543**	1,269,490	61,053	4.8%

Notes: Numbers in the table may not add up due to rounding.
1) Interest income is not included in calculation of EBITDA, but nets off against interest expense in calculating net interest cost.
2) Investment in Australian Gas Networks Limited ("AGN") sold in August 2014.
3) Significant items: For FY2015, these relate to net proceeds realised from the sale of APA's investment in AGN as well as successful recovery of fees paid by Hastings Diversified Utilities Fund to Hastings Funds Management Limited.

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

Total segment EBITDA, which is earnings from APA's continuing businesses, increased by $509.3 million, or 62.0%, to $1,330.5 million, over FY2015 figure of $821.3 million).

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

7.1 Energy Infrastructure

The Energy Infrastructure segment includes the interconnected energy infrastructure footprint across the mainland of Australia and includes gas transmission, gas compression and storage assets and a number of other wholly owned energy infrastructure assets. During the financial year, the Ethane Pipeline and the Diamantina and Leichhardt Power Stations were transferred into this segment from the Energy Investment segment, as APA gained full ownership of these assets. These acquisitions were in line with APA's strategy to continue to invest in energy infrastructure that is underpinned by long term contracts from highly creditworthy counterparties.

This segment contributed 92.5% of group revenue (for continuing businesses, excluding pass-through) and 94.2% of group EBITDA (for continuing businesses and before corporate costs) during the financial year. Revenue (excluding pass-through revenue) was $1,528.6 million, an increase of 54.9% on the previous year (FY2015: $987.1 million). EBITDA (for continuing businesses, before corporate costs) increased by 62.2% on the previous year to $1,335.6 million (FY2015: $823.6 million). The majority of revenues in the Energy Infrastructure segment is derived from either regulatory arrangements or long term capacity-based contracts.

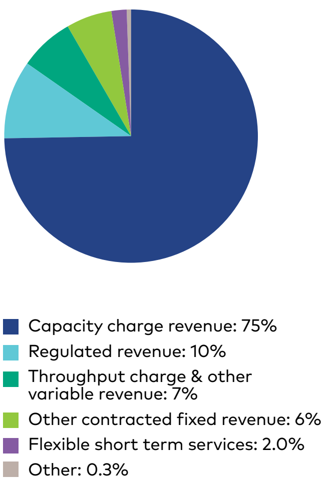
Regulatory arrangements on regulated assets are reviewed every five years. A national regulatory regime includes mechanisms for regulatory pricing and is encapsulated in the National Gas Law and National Gas Rules. The economic regulation aspects of the regime apply to most gas distribution networks and a number of gas transmission pipelines in Australia.

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

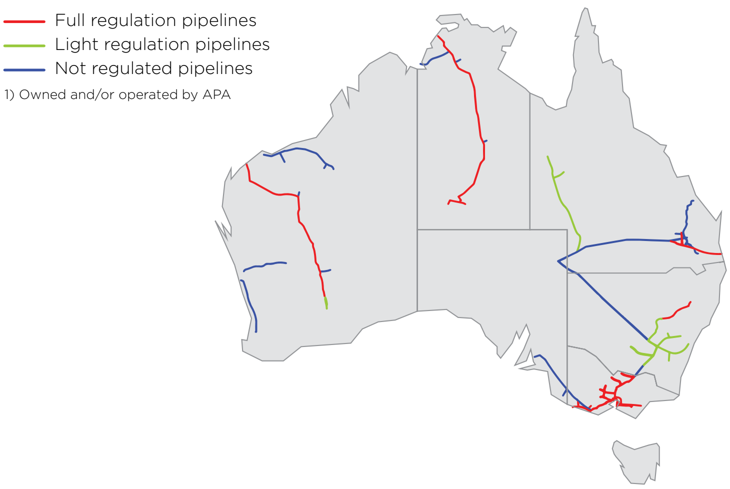
Contracted revenues are sourced from unregulated assets and assets under light regulation as well as assets under full regulation. Contracts generally entitle customers to capacity reservation, with the majority of the revenue fixed over the term of the relevant contract. There is typically a small portion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

During the financial year, 75% of Energy Infrastructure revenue (excluding pass-through) was from capacity reservation charges from term contracts, 6% from other contracted fixed revenues and 7% from throughput charges and other variable components. Given the dynamic east coast gas market, there were additional revenues from provision of flexible short term services, accounting for around 2.0%. The portion of APA's revenue that is regulated has decreased to about 10% of FY2016 Energy Infrastructure revenue.

FY2016 REVENUES BY CONTRACT TYPE

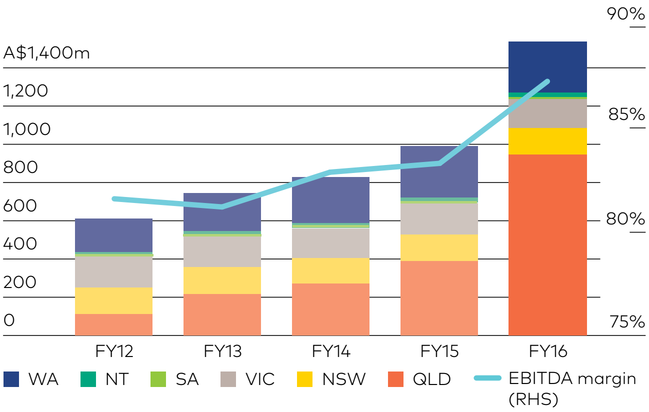


APA[1] PIPELINES BY REGULATION TYPE

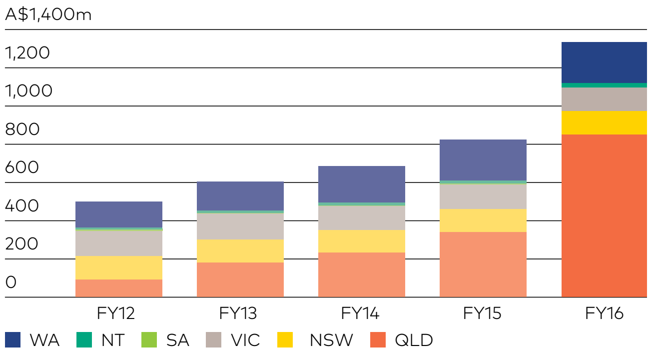


The increase in FY2016 earnings for Energy Infrastructure was primarily due to the full year contribution of the Wallumbilla Gladstone Pipeline (acquired June 2015), approximately seven months' contribution from the Eastern Goldfields Pipeline (commissioned November 2015), three months' EBITDA contribution from the Diamantina and Leichhardt Power Stations (acquired March 2016) and approximately two and a half months' EBITDA contribution from the Ethane Pipeline (acquisition completed June 2016) as well as contributions from various other expansions that commissioned during the period.

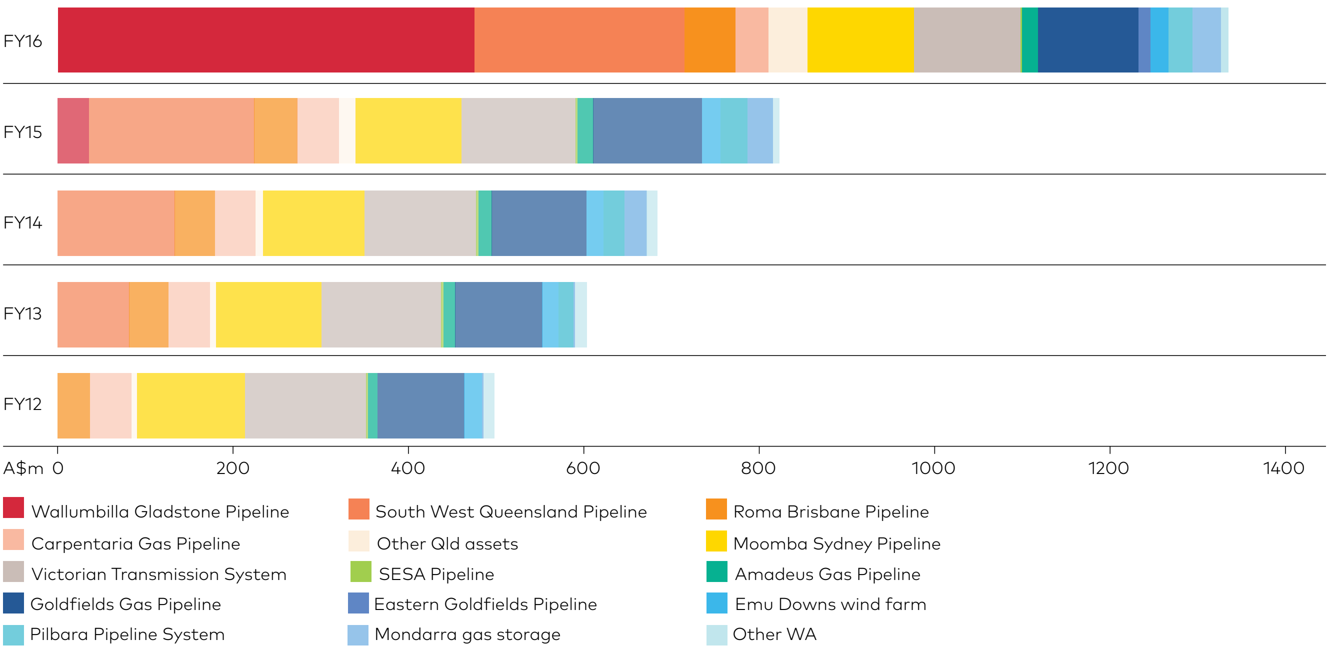
ENERGY INFRASTRUCTURE REVENUE BY STATE



ENERGY INFRASTRUCTURE EBITDA BY STATE



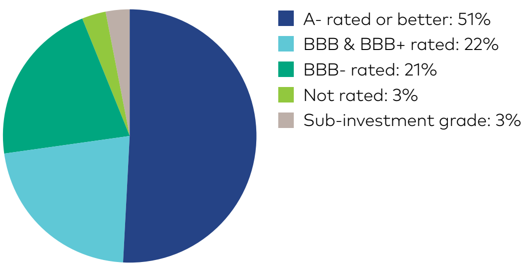
ENERGY INFRASTRUCTURE EBITDA BY PIPELINE



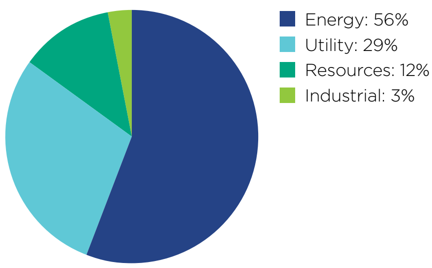
Note:The charts above exclude discontinued operations previously accounted for within Energy Infrastructure, including earnings from Allgas Networks and Moomba to Adelaide Pipeline.

APA manages its counterparty risk in a variety of ways. One aspect is to consider customers' credit ratings. During FY2016, around 94% of revenue was received from investment grade counterparties. Diversification of customer base is another – during FY2016, 56% from energy sector customers (includes BG Group, on the Wallumbilla Gladstone Pipeline in particular); 29% of revenue was from customers in the utility sector; 12% from resources sector customers; and 3% from industrial customers. Revenues by customer industry segment changed from the majority sourced from utility customers in FY2015 to the majority coming from energy customers in FY2016, reflecting the impact of the long term contracts on the Wallumbilla Gladstone Pipeline.

FY2016 ENERGY INFRASTRUCTURE REVENUES BY COUNTERPARTY CREDIT RATING



FY2016 ENERGY INFRASTRUCTURE REVENUES BY CUSTOMER INDUSTRY SEGMENT



APA's Integrated Operations Centre ("IOC") in Brisbane is now the operations control centre for APA's transmission pipeline assets across the country. Centralised control at APA's IOC, which houses a multi-disciplinary team of pipeline controllers, engineers, technicians and commercial operations specialists, has enabled more agile implementation of customer needs and allows APA to ensure that gas is moved to where it is required by customers in the most timely and efficient manner. The IOC, coupled with our unique customer management system, APA Grid, allows APA to offer innovative services to customers.

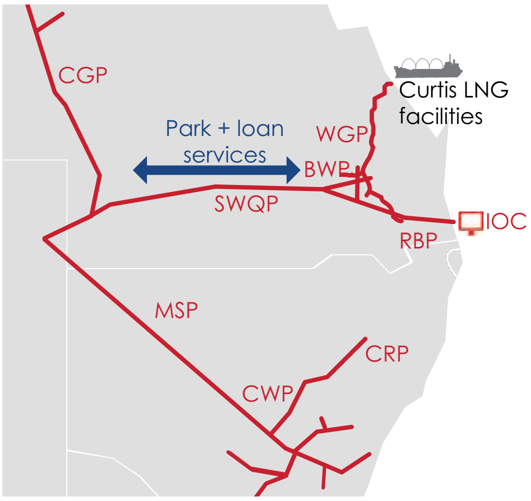
Supporting LNG plant swings

One of the LNG projects wanted to borrow a sizeable amount of gas, then repay that loan as well as park an additional quantity of gas over the following week.

APA's team at the IOC reviewed the request in light of:

- conditions at the time;
- forecast operational conditions;
- other customer requirements during this period; and
- physical limitations of the APA Grid.

This facilitated avoidance of producers' well turndowns, unnecessary flaring and meeting producers' production targets.



East Coast Grid + Northern Territory

APA's 7,500 plus kilometre integrated pipeline grid on the east coast of Australia has the ability to transport gas seamlessly from multiple gas production facilities to gas users across four states and the ACT, as well as to the export LNG market which has developed out of Gladstone. With the proposed construction of the Northern Gas Pipeline, APA's Northern Territory assets will in the future be connected to the East Coast Grid.

During FY2016, APA purchased the remaining 50% stake in the Diamantina and Leichhardt Power Stations, adding further complementary assets to the East Coast Grid that will continue to enhance our service offering to our customers on the east coast of Australia.

Seamless and Flexible Services ensure continuity of energy supply

In FY2016, the South West Queensland Pipeline changed flow direction regularly to meet changing demand patterns in southern states, driven largely by weather and electricity demand.

During the recent South Australian electricity crisis, APA helped facilitate the transportation of additional gas from the northern markets into the South Australia market to ensure gas was available for power generation.

In one instance, within 24 hours of receiving an initial inquiry, APA had concluded the commercial arrangements, implemented changes in the customer management system and was physically delivering gas for the customer.

In addition, APA's Integrated Operations Centre anticipated an increased demand for gas in NSW and the Victorian markets and configured the pipeline grid to ensure continuity of gas supply.

Bi-directional and multi-asset services across our interconnected East Coast Grid have meant that APA is now a "one-stop shop" for many energy producers and users. Customers have the flexibility to access 40 receipt points and approximately 100 delivery points across the East Coast Grid.

APA has continued to invest in pipeline assets and services, commencing hub services at the Moomba gas hub, in addition to the Wallumbilla hub, and providing enhanced information transparency to the market via APA's website.

FY2016 saw a material increase in earnings from assets in Queensland. This was largely driven by acquisitions (full year benefit from Wallumbilla Gladstone Pipeline and three months contribution from Diamantina and Leichhardt Power Stations). This was partially offset by a slight reduction in volumes on the Carpentaria Gas Pipeline due to reduced deliveries to power generators off the pipeline, given that the Diamantina Power Station is a more efficient power station than the previous incumbent, Mica Creek.

Contracts from phase 1 of the Victoria Northern Interconnect expansion project contributed for the full financial year. Revenue generated from these contracts was recorded across NSW and Victoria. Revenue and EBITDA in Victoria decreased in FY2016 compared to last year, partially due to weaker volumes and non-recurrence of a one-off item during FY2015.

APA also purchased the remaining 94% of the Ethane Pipeline Income Fund that it did not own during FY2016. The Ethane Pipeline now forms part of the Energy Infrastructure segment.

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

Western Australia

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

EBITDA from APA's western assets for the financial year was up slightly by 2.3% compared with the previous corresponding period.

Connecting Australia to reliable energy

APA's new 293km Eastern Goldfields Pipeline enables delivery of energy to the remote mining area of eastern Goldfields, 365 days of the year.

Switching from trucked in diesel to piped natural gas as the main fuel source for the AngloAshanti mines, means there are nearly 1,500 less annual diesel transportation movements to Tropicana and Sunrise Dam from the west coast of Western Australia annually.

This means less exposure to fuel price volatility, improved safety for the mine workers, longer term fuel reliability for the mines and lower greenhouse gas emissions.

The Eastern Goldfields Pipeline ("EGP"), which was commissioned in November 2015, contributed seven months earnings from gas transportation agreements with AngloGold Ashanti. A new agreement to transport gas to the Gold Fields Limited owned Granny Smith gold mine commenced in April 2016 and contributed three months earnings. With over 1,800km of pipeline infrastructure able to securely and reliably transport gas to the Goldfields mining region, APA continues to work with interested parties on other opportunities in the region.

Further, earnings from the Mondarra Gas Storage Facility increased due to additional capacity generated through an injection/ withdrawal well enhancement project that was contracted to an existing customer. There continues to be interest from the market for gas storage services, which enables customers to manage their gas portfolios effectively.

These increases were partially offset by a reduction in revenue from the Goldfields Gas Pipeline ("GGP") for the current period, reflecting tariff reductions contained in the final decision by the Economic Regulation Authority ("ERA") on the access arrangement for the GGP that was announced on 30 June 2016. Whilst cash flow was not impacted during the year due to the timing of the final decision, the ultimate outcome has been provided for in the FY2016 results. Refer to section 10 for more background.

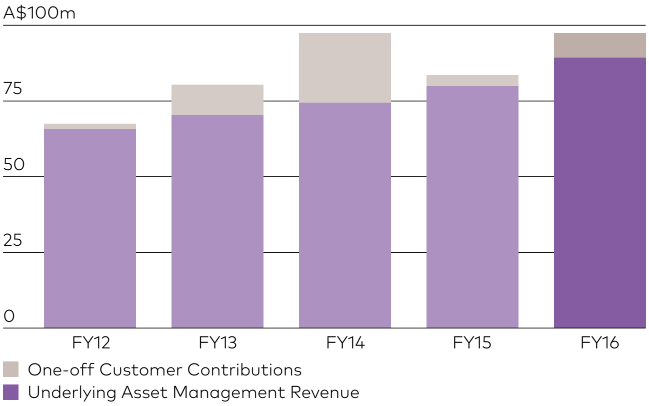
Storage capacity at APA's Mondarra Gas Storage Facility was increased during FY2016 with the completion of a new injection/withdrawal well.

7.2 Asset Management

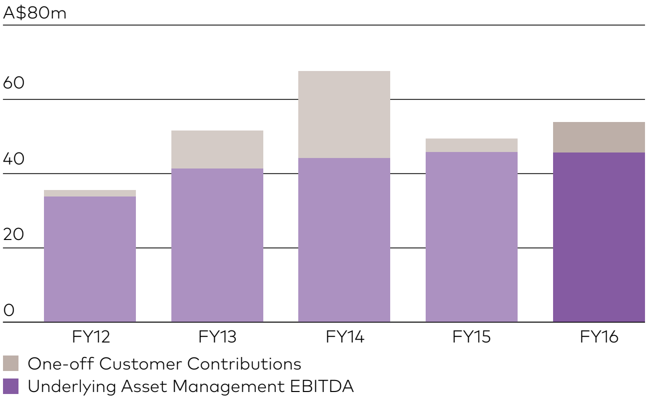
APA provides asset management and operational services to the majority of its energy investments and to a number of third parties. Its main customers are Australian Gas Networks Limited ("AGN"), Energy Infrastructure Investments and GDI (EII). Asset management services are provided to these customers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

Revenue (excluding pass-through revenue) from asset management services increased by $10.4 million or 12.2% to $95.4 million (FY2015: $85.1 million) and EBITDA (for continuing businesses, excluding corporate costs) increased by $4.4 million or 8.9% to $53.9 million (FY2015: $49.4 million).

ASSET MANAGEMENT REVENUE



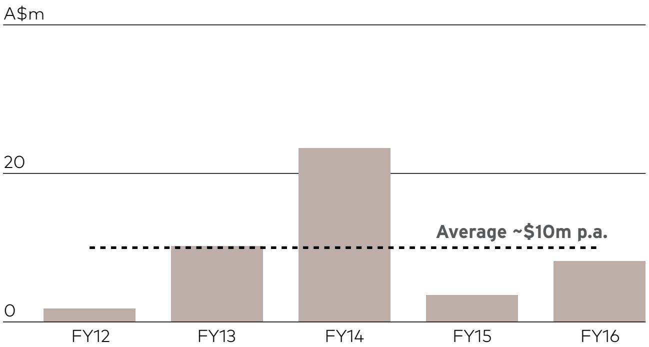
ASSET MANAGEMENT EBITDA



This increase in revenue and EBITDA is due to organic growth, reflecting increases in connections and asset management fees. This was partially offset by low gas volumes in the second half of FY2016, mainly due to a milder winter, which affects management fees earnt.

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

CUSTOMER CONTRIBUTIONS



Customer contributions were in-line with the long term average of approximately $10 million per annum. APA continues to expect annual swings in customer contributions, as these are driven by customers' work programmes and requirements.

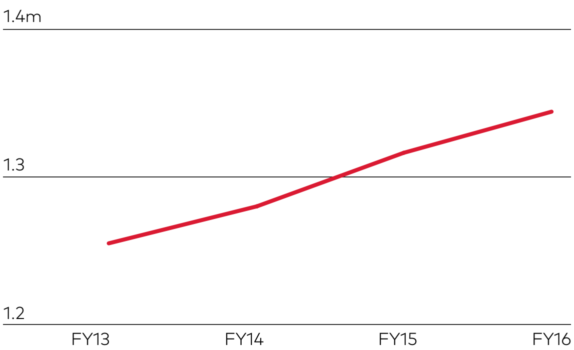
APA sold its 33.05% stake in AGN in August 2014, however, the operating and maintenance agreements remain on foot until 2027.

STATISTICS
Network assets owned and/or operated by APA

Gas consumers	
New connections	33,478
Total connections	1,335,534
Natural gas distribution networks	
New pipelines	453km
Replacement pipelines	416km
Total pipelines managed	28,424km
Gas transported	110.5PJ

Solid residential construction continues to benefit gas connection numbers. APA has secured penetration of 99% for new homes built in Victoria, and has an arrangement to connect 37k new homes in the Merrifield area of Melbourne's northern growth corridor over the next 20 years.

GAS CONSUMER CONNECTIONS GROWTH ON APA OPERATED GAS NETWORK



7.3 Energy Investments

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

Asset and ownership interests		Asset details & APA services	Partners
Mortlake Gas Pipeline	 **50%**	**83 km** gas pipeline connecting the Otway Gas Plant to the Mortlake Power Station MAINTENANCE	**Retail Employers Superannuation Trust**
Sea Gas Pipeline	 **50%**	**687 km** gas pipeline from Iona and Port Campbell in Victoria to Adelaide MAINTENANCE	**Retail Employers Superannuation Trust**
EII2	 **20.2%**	**132 MW** North Brown Hill wind farm in South Australia CORPORATE SUPPORT	**Infrastructure Capital Group** **Osaka Gas**
GDI(EII)	 **20%**	**3,355 km** Allgas gas distribution network in Queensland with **99,699 connections** CORPORATE SUPPORT	**Marubeni Corporation** **Deutsche AWM** OPERATIONAL MANAGEMENT
Energy Infrastructure Investments	 **19.9%**	Gas-fired power generation **74 MW** Gas processing facilities **41 TJ/day** Electricity transmission cables **243 km** Three gas pipelines totaling **786 km** CORPORATE SUPPORT	**Marubeni Corporation** **Osaka Gas** OPERATIONAL MANAGEMENT

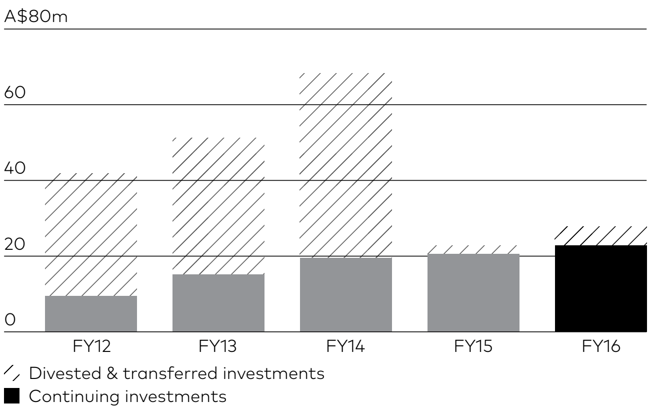
APA's ability to manage these investments and provide operational and/or corporate support services gives it flexibility in the way it grows the business and harnesses expertise in-house. It provides options depending on opportunities available, energy market conditions and capital markets environment.

During the year, two of the assets that were previously managed under Energy Investments were acquired in full and transferred to Energy Infrastructure as wholly owned assets of APA.

- On 31 March 2016, APA completed the acquisition of the 50% interest in Diamantina and Leichhardt Power Stations that it did not already own.
- On 16 June 2016, APA completed the acquisition of the 94% interest in the Ethane Pipeline Income Trust that it did not already own, by way of an off-market takeover.

Both acquisitions fit with APA's growth strategy to build out its energy infrastructure business and to leverage in-house asset management, development and operational capabilities. Both of these transactions are earnings per security accretive and make sense to APA, in light of market conditions and strategic benefit to APA.

ENERGY INVESTMENT REVENUE & EBITDA



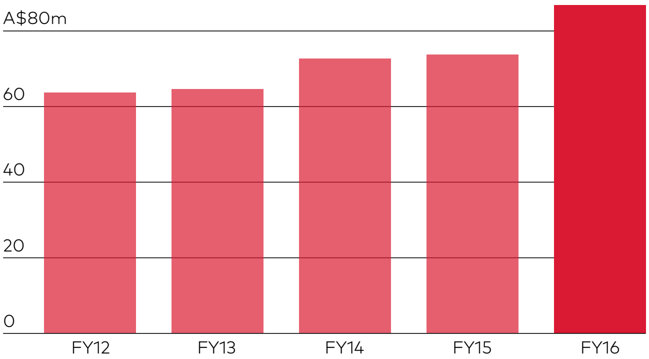
In August 2016, APA acquired a 50% interest in the Mortlake Pipeline via a stake in the newly established SEA Gas (Mortlake) Partnership. The pipeline was commissioned in January 2011, and provides gas to the 550MW open cycle gas turbines at Mortlake Power Station. SEA Gas (Mortlake) Partnership and Origin have entered into long term contracts for the provision of transmission and storage services on the pipeline.

In terms of numbers, EBITDA from continuing investments increased by 4.8% to $22.8 million (FY2015: $21.8 million).

7.4 Corporate Costs

Corporate costs for the financial year increased by $13.3 million over the previous corresponding period to $86.7 million (FY2015: $73.6 million). This increase was primarily due to a number of one-off items including costs related to APA's involvement in the Northern Territory's NEGI process, APA's unsuccessful bid for the Iona Gas Storage Facility, costs incurred in relation to a number of ongoing governmental enquiries into the gas market (refer below to Section 10) as well as an externally facilitated strategy and planning review undertaken during the year.

CORPORATE COSTS



8. Capital and Investment Expenditure

Capital and investment expenditure for FY2016 totalled $673.6 million. Of this, investment expenditure of $339.9 million related to the acquisitions during the year of Diamantina and Leichhardt Power Stations and the Ethane Pipeline, which have been described above.

Total capital expenditure (including stay-in-business capital expenditure but excluding acquisitions and other investing cash flows) for FY2016 was $333.7 million compared with $396.3 million last year. Growth project expenditure of $281.0 million (FY2015: $343.1 million) was related to the following projects during the year:

- construction of the Eastern Goldfields Pipeline in Western Australia, which was completed during the financial year ahead of schedule;
- completion of a further connection to Granny Smith gold mine on the Eastern Goldfields Pipeline in February 2016;
- completion of bi-directional projects on Moomba Sydney Pipeline and Roma Brisbane Pipeline, with the main pipelines on APA's East Coast Grid now all bi-directional;
- continued works on the Victorian-Northern Interconnect expansion project, which will, when complete, expand the interconnect to 200 TJ/day in a northerly direction; and
- completion of an injection/withdrawal enhancement project at the Mondarra Gas Storage Facility, on the back of an extension and additional contract with an existing customer.

APA's growth capital expenditure continues to generally be either fully underwritten through long-term contractual arrangements or have regulatory approval through a relevant access arrangement.

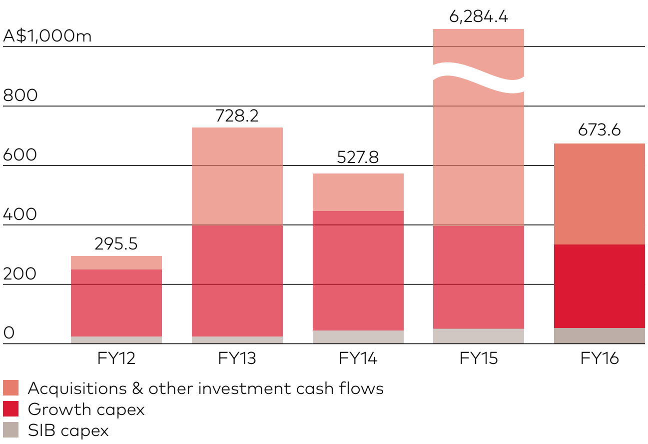
Capital and investment expenditure for the financial year is detailed in the table below.

Capital and investment expenditure[1]	Description of major projects	30 June 2016 $ million	30 June 2015 $ million
Growth expenditure			
Regulated	VNI looping and compression; various upgrades	**130.9**	136.1
Non-regulated			
Queensland	RBP bi-directional flow, SWQP easternhaul, Wallumbilla compression	**14.0**	104.4
New South Wales	Culcairn compressor, MSP reverse flow	**4.8**	12.1
Western Australia	EGP, Mondarra additional well, Granny Smith metering	**97.6**	64.2
Other		**33.7**	29.0
Sub-total unregulated capex		**150.1**	209.7
Total growth capex		**281.0**	345.8
Stay-in business capex		**52.7**	50.6
Total capital expenditure		**333.7**	396.3
Acquisitions	WGP stamp duty, DPS, EPX	**340.3**	5,866.8
Other investing cash flows	Proceeds from sale of PP&E	**(0.4)**	21.2
Total investment expenditure		**339.9**	5,888.0
Total capital and investment expenditure		**673.6**	6,284.3

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

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

CAPITAL AND INVESTMENT EXPENDITURE



As mentioned in section 5.2 previously, APA conducted an externally facilitated strategy and planning review during FY2016 and identified significant and ongoing opportunities for growth over the longer term.

As part of this review, APA has identified around $1.5 billion of organic opportunities in the near term, across pipeline extensions and expansions (circa $700 million), expansion of its renewables and generation foot print (circa $500 million) and expansion of its midstream asset foot print (circa $300 million).

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

- ensure appropriate funding and capital structure;
- entering into contracts with strong counterparties;
- maintain appropriate risk structure; and
- leverage in-house operational expertise.

APA will also continue to assess the appropriateness of international opportunities.

9. Financing Activities

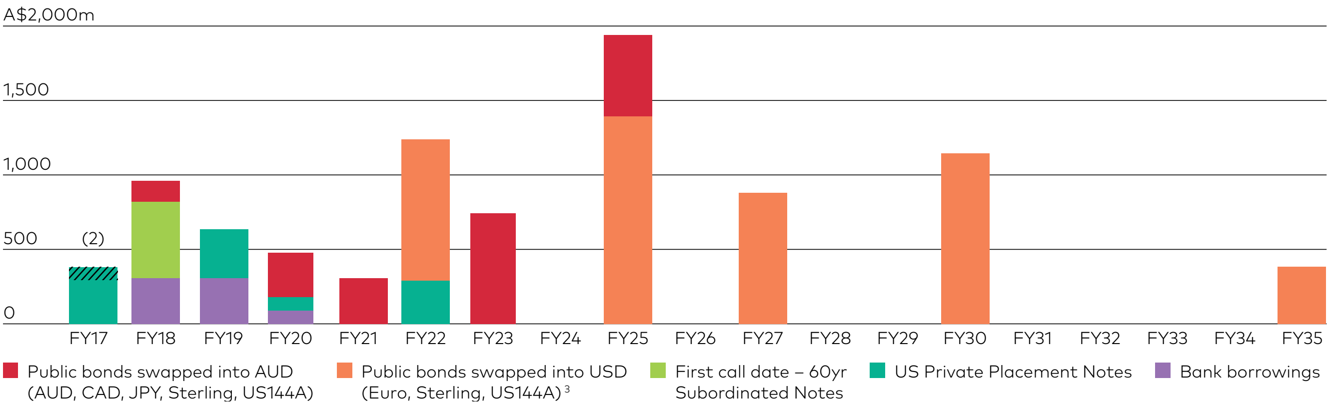
9.1 Capital Management

As at 30 June 2016, APA had 1,114,307,369 securities on issue. This was unchanged from 30 June 2015.

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

APA's debt portfolio has a broad spread of maturities extending out to FY2035, with an average maturity of drawn debt of 7.4 years at 30 June 2016. APA's gearing[1] of 66.4% at 30 June 2016 was up on the 63.4% at 30 June 2015 due primarily to the acquisition of the Ethane Pipeline and the Diamantina and Leichhardt Power Stations. APA remains well positioned to fund its planned organic growth activities from available cash and committed resources.

APA DEBT MATURITY PROFILE AND DIVERSITY OF FUNDING SOURCES



Notes:
1) For the purpose of the calculation, drawn debt that has been kept in USD (rather than AUD) has been nominally exchanged at AUD/USD exchange rates of 0.7772 for Euro and GBP MTN issuances and 0.7879 for US144A notes at respective inception dates.
2) USPP notes of $86m matured and were repaid in July2016.
3) USD denominated obligations translated to AUD at the prevailing rate at inception (USD144A – AUD/USD=0.7879, EMTN & Sterling AUD/USD=0.7772).

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

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

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

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

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

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

9.2 Borrowings and finance costs

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

Net finance costs increased by $183.5 million, or 56.6%, to $507.7 million (FY2015: $324.2 million). The increase is primarily due to having the additional US$3.7 billion of debt issued in March 2015 to support the acquisition of the Wallumbilla Gladstone Pipeline for the full 2016 financial year. The average interest rate (including credit margins)[1] applying to drawn debt was 5.64% for the current period (FY2015: 6.76%).

APA's interest cover ratio for the current period was 2.6 times[2] (June 2015: 2.6 times). This remains well in excess of its debt covenant default ratio of 1.1 times and distribution lock up ratio of 1.3 times.

9.3 Credit ratings

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

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

9.4 Income tax

Income tax expense for the financial year of $122.5 million results in an effective income tax rate of 40.6%, compared to 24.0% for the previous corresponding period (statutory basis) and 28.2% for the previous corresponding period on a normalised basis. The increase is due to the significant amortisation charges relating to contract intangibles acquired with the Wallumbilla Gladstone pipeline which are not deductible for tax purposes.

After utilisation of all available group tax losses and partial utilisation of available transferred tax losses, an income tax provision of $13.8 million has been recognised as at 30 June 2016. APA expects to pay cash tax of $13.8 million in February 2017.

APA has provided a Tax Transparency Report which includes a reconciliation of profit to income tax payable on APA's website at https://www.apa.com.au/investors/my-securities/tax-information/.

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

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

9.5 Distributions

Distributions paid to securityholders during the financial year were:

	Final FY2015 distribution paid 16 September 2015		**Interim FY2016 distribution paid 16 March 2016**	
	Cents per security	Total distribution $000	**Cents per security**	**Total distribution $000**
APT profit distribution	18.12	201,945	**15.12**	**168,429**
APT capital distribution	–	–	**–**	**–**
APTIT profit distribution	2.38	26,488	**3.88**	**43,290**
APTIT capital distribution	–	–	**–**	**–**
Total	20.50	228,433	**19.00**	**211,719**

On 24 August 2016, the Directors declared a final distribution for APA for the financial year of 22.5 cents per security which is payable on 16 September 2016 and will comprise the following components:

	Final FY2016 distribution payable 16 September 2016	
	Cents per security	**Total distribution $000**
APT profit distribution	16.34	182,063
APT capital distribution	1.78	19,869
APTIT profit distribution	3.75	41,811
APTIT capital distribution	0.63	6,976
Total	**22.50**	**250,719**

As a result, the total distribution applicable to the year ended 30 June 2016 total 41.5 cents per security, a 9.2% increase over the total distribution of 38.0 cents per security applicable to the year ended 30 June 2015.

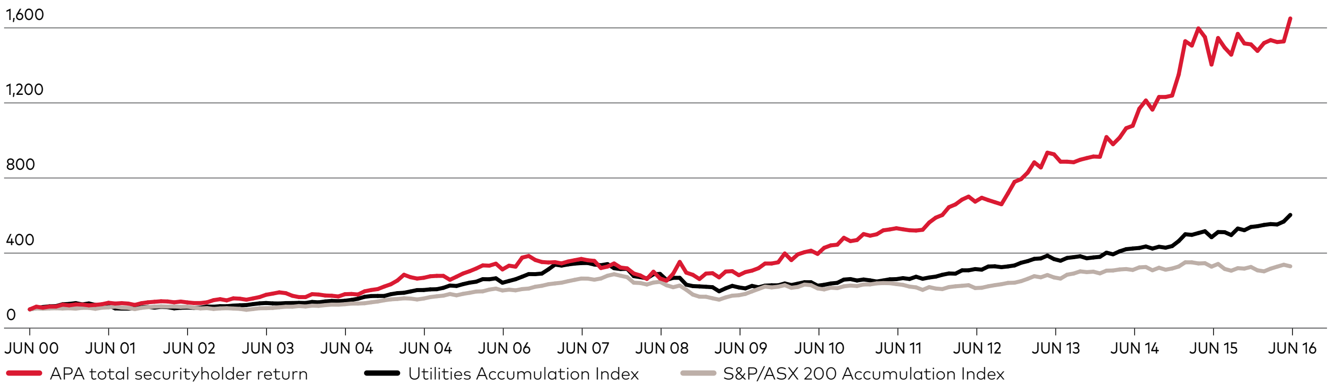
The Distribution Reinvestment Plan remains suspended.

9.6 Total securityholder return

APA's total securityholder return for the financial year, which accounts for distributions paid plus the capital appreciation of APA's security price and assumes the reinvestment of distributions at the declared time, was 16.7%, compared with negative 0.5% for ASX200 index.[1]

APA's total securityholder return since listing in June 2000 on the ASX, is 1,550%, a compound annual growth rate of 19.1%.

APA TOTAL SECURITYHOLDER RETURNS SINCE LISTING (JUNE 2000) TO 30 JUNE 2016



9.7 Guidance for 2017 financial year

Based on current operating plans and available information, APA expects EBITDA for the full year to 30 June 2017 to be in a range of $1,425 million to $1,445 million. This represents an increase of approximately 7% to 8.5% on the 2016 financial year, on a normalised, continuing businesses basis.

APA has entered into forward exchange contracts for FY2017, for the net USD cashflow from the gas transportation agreements for the Wallumbilla Gladstone Pipeline ("WGP"), after servicing USD denominated debt. In forecasting the AUD equivalent EBITDA contribution from WGP, the forward exchange rates for these hedged revenues have been used.

Net interest cost is expected to be in a range of $510 million to $520 million.

Distributions per security for the 2017 financial year are expected to be in the order of 43.5 cents per security, prior to the benefit of any franking credits that may arise as a result of the filing of the FY2016 tax return.

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

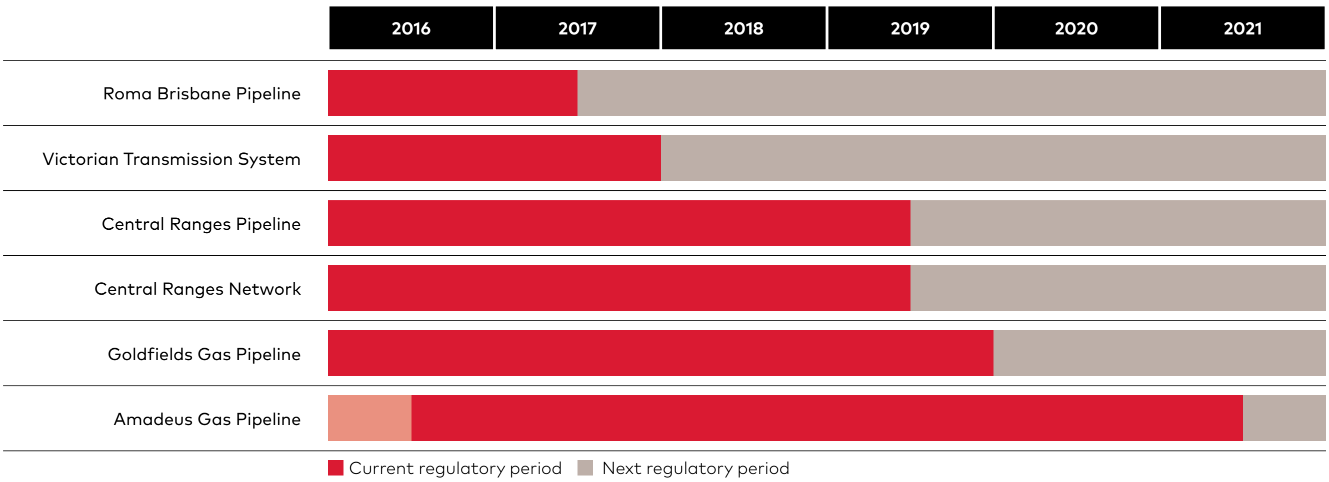
	FY2017 guidance	FY2016 actual	Change
EBITDA from continuing businesses ($ millions)	1,425 to 1,445	1,330.5	94.5 to 114.5
Net interest cost ($ millions)	510 to 520	507.7	2.3 to 12.3
Total distribution (cents per security)	In the order of 43.5 cents	41.5 cents	2.0 cents

10. Regulatory Matters

Regulatory resets

The diagram below outlines the scheduled regulatory reset dates for pipelines owned and operated by APA. During FY2016, approximately 10% of APA's Energy Infrastructure revenues were regulated revenue.

REGULATORY RESET SCHEDULE



Key regulatory matters addressed during the year included:

Goldfields Gas Pipeline access arrangement

In June 2016, the Western Australian Economic Regulation Authority ("ERA") issued a final decision on proposed revisions to the access arrangement for the Goldfields Gas Pipeline ("GGP"), which APA had submitted for approval in August 2014. The final decision by the ERA results in a reduction in the reference tariff and amendments to the access terms and conditions. The ERA proposed reduction in tariff stems mainly from: a reduction in the rate of return; a change in methodology to calculate depreciation; a change in the methodology to allocate certain operating costs between regulated and unregulated services; and a clawback of revenues arising from higher tariffs collected from 1 January 2015 to 30 June 2016 due to the ERA's 18 month delay in reaching a decision. The tariffs determined by the ERA are payable in relation to approximately 20% of contracted shipper services. The remainder of contracted services on the Goldfields Gas Pipeline (~80%) are payable as per negotiated terms.

Amadeus Gas Pipeline access arrangement

The Australian Energy Regulator ("AER") issued its final decision for the Amadeus Gas Access Arrangement on 26 May 2016 to apply from 1 July 2016. The final decision has had minimal impact on APA's revenue as the vast majority of services are provided at rates determined under contract with the main shipper, Power and Water Corporation.

1) Figures quoted are sourced from IRESS and measured as at 30 June 2016.

Gas Policy developments
The eastern Australian gas market has been subject to ongoing unprecedented change with the recontracting of expiring long term gas supply agreements and the commencement of production at the three LNG facilities at Gladstone. Numerous governmental reviews and inquiries have considered appropriate policy settings. APA has been an active participant in these reviews, highlighting the significant contribution through its portfolio of pipeline assets and responsive customer services that APA has made to the development of the gas market.

In August 2016, the Council of Australian Governments ("COAG") Energy Council announced that it had agreed to a domestic energy market reform package to improve gas supply and market design, based on reports from the Australian Energy Market Commission ("AEMC") and the Australian Competition & Consumer Commissions ("ACCC").

The reforms will be led by a newly formed Gas Market Reform Group, and will include:
- better information for trading in the market;
- the creation of trading hubs in North and South;
- easier access to transport infrastructure;
- better pricing information; and
- encouraging more gas supply and more gas suppliers, taking account of each jurisdiction's circumstance.

COAG has also assigned the Gas Market Reform Group to examine and lead the consultation process to consider the ACCC's recommendation for a change to the regulatory coverage test for gas pipelines.

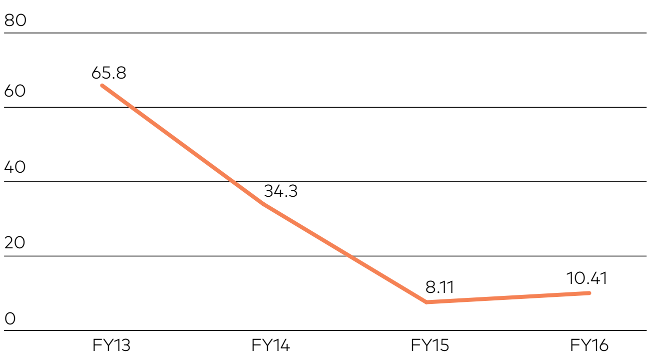
APA will remain actively engaged as these proposed reforms enter the detailed implementation stage.

11. Health, Safety and Environment

11.1 Health and safety reporting
This financial year was the first full year of using APA's new incident reporting platform. This platform has provided improved access, analysis and rigour around the reporting of incidents and injuries across APA and its contractors. This has been evidenced by an 18% increase in the number of incidents reported this year compared with last year and supported by audit findings that APA has a good reporting culture.

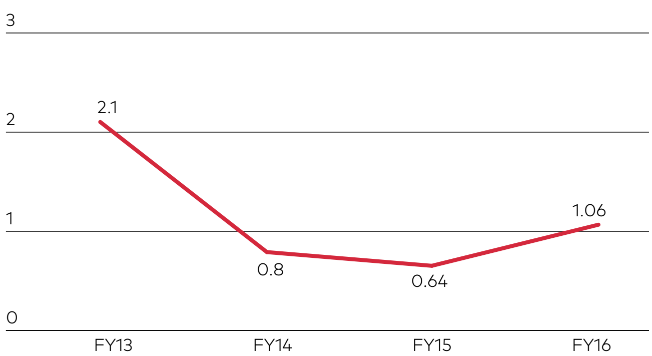
The Lost Time Injury Frequency Rate ("LTIFR") for APA was 1.06 (for employees and contractors) for the financial year, up from 0.64 in the last financial year. There were four employee and two contractor lost time injuries during the financial year. The Total Reportable Injury Frequency Rate (TRIFR) for APA was 10.41 (for employees and contractors combined) in FY2016, an increase of 2.3 from the last financial year. Frequency rates have been impacted by a 10% drop in hours worked this financial year due largely to a reduction in the number of project-based activities compared with the historic highs in the previous year.

TOTAL REPORTABLE INJURY FREQUENCY RATE (TRIFR)



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

LOST TIME INJURY FREQUENCY RATE (LTIFR)



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

APA continues to target being a zero harm workplace for its employees, contractors and the broader communities in which it operates. Whilst some injury performance targets this year were not achieved, the results are in line with overall improving trends and reporting culture. In addition to this, the performance in all lead safety indicators was positive, confirming an appropriate level of activity and focus on key risks and controls.

The Strategic Improvement Plan and initiatives for FY2016 have been achieved during the year. Focus continued on driving with the *SafeDrive+* program, developing and implementing education and awareness programs targeting specific risks such as speeding and fatigue. This program has seen a reduction in vehicle incidents. Furthermore, "In Vehicle Monitoring Systems" were installed in more than 270 vehicles, enabling tracking and monitoring of driver safety. These systems are already realising the benefits of improved driver safety.

A highlight this year was the results from an independent Health and Safety Audit Program conducted across the business that resulted in a 95% compliance rating with no major non-conformance findings.

Safe Driving at APA

APA's 750 motor vehicles cover more than 17 million kilometres a year. That's a lot of driving that exposes APA drivers and their passengers to significant risk. Although we know driving to be a high-risk activity, and have identified it as one of our Fatal Risks, we needed the tools to help us with our Risk, Control, Assure approach to driving – that's where *SafeDrive+* comes in.

SafeDrive+ is a suite of 12 initiatives that support and guide our business driving practices. Some of the initiatives were already in place in some parts of APA; others were ready to be rolled out while others will be rolled out as they are fully developed. *SafeDrive+* initiatives together address the requirements of our Risk, Control, Assure approach and apply to the majority of our driving situations. They will help APA's employees and contractors stay safe on the road.

Some of the *SafeDrive+* initiatives apply to all APA drivers, while others apply to those who drive in particular situations – one even applies to passengers.

One key feature has been the introduction of the in vehicle monitoring systems (IVMS). IVMS is a GPS enabled device which is installed in vehicles to monitor their current location. It triggers lifesaving alerts based on a vehicle's whereabouts and thereby reduces risks for remote and rural solo workers. With this new technology the Integrated Operations Centre and HSE Managers can receive immediate alerts which increase our ability to respond more quickly to emergency events, as well as improve our overall monitoring.

In FY2017, a new three year Health, Safety and Environmental (HSE) Strategic Improvement Plan has been launched, building on the previous plan.

For further information on APA's health and safety initiatives, please refer to the Sustainability Report (page S8 to S9), which forms part of this report.

11.2 Environmental regulations

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

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

Construction Environmental Management Plans satisfying Section 6 of the Australian Pipeline Gas Association Code of Environmental Practice are prepared as needed. Major project construction activities are audited or inspected in accordance with Environmental Management Plan requirements. In accordance with Part 3 of AS 2885, Environmental Management Plans satisfying Section 7 of the Code are in place for applicable operating pipelines and are managed in accordance with APA's contracts and the terms and conditions of the licences that APA has been issued.

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

Senior management reviews audit report findings and any material breaches and incidents are communicated to the Board. No significant breaches have been reported during the financial year and APA has managed its assets in accordance with the relevant Environmental Management Plans.

11.3 Environmental reporting

In October 2015, APA complied with Australia's National Greenhouse and Energy Reporting ("NGER") obligations for FY2015. Energy reporting for FY2016 will be submitted in October 2016.

APA's main sources of emissions are from the combustion of natural gas in compressor stations, from fugitive emissions associated with natural gas pipelines and from gas fired power stations. NGER compliance reporting applies to assets under APA's operational control, which includes gas transmission/distribution pipelines, power generation facilities (including wind farms), gas storage, gas processing, cogeneration, electricity transmission interconnectors and corporate offices.

APA's summary of Scope 1 emissions and energy consumption for the 2015 financial year are set out in the following table:

	FY2015	FY2014[1]	Change
Scope 1 CO_2 emissions (tonnes)	350,922	311,421	12.7%
Energy consumption (GJ)	4,633,613	3,937,718	17.7%

1) Energy consumption figure for 2014 has been corrected since the FY2015 Directors' report, which incorrectly stated the energy consumption figure due to an error in the Clean Energy Regulator's online system. The figure indicated in this year's report is the updated figure.

The variations are largely due to an increase in compressor use on the South West Queensland Pipeline and Moomba Sydney Pipeline.

11.4 Environmental Strategy

In June 2015, APA launched a two year Environment Strategy and Improvement Plan to provide a corporate governance framework for environmental management across all its operations in Australia. Key initiatives within the Plan include development of corporate environment procedures across eight workstreams, a training and awareness program, and implementation of a structured audit program.

The strategy is progressing according to schedule. Development of environment procedures is complete and the awareness program is underway, due for delivery in the first half of FY2017. There is strong engagement and involvement of the various business groups in the development and implementation of this strategy with dedicated support from a specialised team. Once fully complete, this work will ensure APA's environmental management and compliance remains robust and comprehensive.

For further information on APA's environmental management initiatives, please refer to the Sustainability Report (page S4 to S5), which forms part of this report.

12. Risk Overview

APA identifies risks to its business and puts in place mitigation strategies to remove or minimise the negative affect and maximise opportunity in respect of those risks. Material risks are reviewed on an ongoing basis by APA's Executive Risk Management Committee and the Board Audit and Risk Management Committee, together with the relevant business units and both internal and where appropriate, external, experts. Further information on this process is provided in APA's Corporate Governance Statement (refer to Principle 7) and the Sustainability Report (contained in this report).

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

Key risks

Economic regulation

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

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

In April 2016, the ACCC released a report following its inquiry into the East Coast Gas Market. That report recommended changes to the regulatory test as to which gas pipelines can be "covered" and subject to economic regulation. Such a change would require amendment to the National Gas Law.

The AEMC released its report following the East Coast Wholesale Gas Market and Pipeline Frameworks Review in July 2016 in which it recommended a number of changes to gas market design including the trading of gas pipeline capacity.

At its meeting on 19 August 2016, COAG committed to the establishment of the Gas Market Reform Group to implement a domestic gas market reform package, following industry reviews by the ACCC and the AEMC. Acceptance of some or all of the recommendations contained in those industry reviews may adversely affect APA's financial position.

Bypass and competitive risk

Bypass and competitive risk occurs when a new transmission pipeline offers gas transportation services to the same end market serviced by existing pipelines. If a bypass risk eventuates, APA's future earnings may be reduced if customers purchase gas transportation services from new pipelines rather than from APA's existing pipelines.

Gas demand risk

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

Gas supply risk

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

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

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

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

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

Investment risk
APA may acquire infrastructure and related assets or undertake additional or incremental investment in its existing assets. There is a risk that assumptions and forecasts used in making investment decisions may ultimately not be realised, and this may adversely impact APA's financial position and performance.

Contract renewal risk
A large part of APA's revenues are the subject of long-term negotiated revenue contracts with end customers. Due to a range of factors, including customer demand risk, gas supply risk, counterparty risk, shorter term contracts, and bypass and competitive risk, APA may not be successful in recontracting the available pipeline capacity when it comes due for contract renewal. This may adversely affect APA's future financial position and performance.

Operational risk
APA is exposed to a number of operational risks such as equipment failures or breakdowns, rupture of pipelines, employee or equipment shortages, contractor default, unplanned interruptions, damage by third parties, integration of acquired assets, natural hazards and other unforeseen accidents or incidents. Operational disruption, or the cost of repairing or replacing damaged assets, may adversely affect APA's financial position and performance. Insurance policies may only provide protection for some, but not all, of the costs that may arise from unforeseen events.

Information technology risks
APA is reliant on information systems and technology ("IT") to support its business operations. This exposes APA to a number of typical IT operational risks, including system corruption or failure, technology breakdown, skills shortages and cyber-attacks. Operational disruption, or the cost of repairing or replacing damaged or compromised systems, may adversely affect APA's financial position and performance.

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

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

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

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

13. Directors

13.1 Information on Directors and Company Secretary

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

13.2 Directorships of other listed companies

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

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

13.3 Directors' meetings

During the financial year, 14 Board meetings, five People and Remuneration Committee meetings, four Audit and Risk Management Committee meetings, four Health Safety and Environment Committee meetings and two Nomination Committee meetings were held. The following table sets out the number of meetings attended by each Director while they were a Director or a committee member:

	Board		People and Remuneration Committee		Audit and Risk Management Committee		Health Safety and Environment Committee		Nomination Committee	
Directors	**A**	**B**	**A**	**B**	**A**	**B**	**A**	**B**	**A**	**B**
Leonard Bleasel AM[1]	14	14	–	–	–	–	–	–	2	2
Michael McCormack	14	14	–	–	–	–	–	–	–	–
Steven Crane	14	13	5	5	4	4	–	–	2	2
John Fletcher	14	13	5	5	4	4	–	–	2	2
Michael Fraser[2]	12	12	3	3	–	–	3	3	2	2
Debra Goodin[3]	12	12	–	–	3	3	3	3	2	2
Russell Higgins AO	14	14	–	–	4	4	4	4	2	2
Patricia McKenzie	14	14	5	5	–	–	4	4	2	2
Robert Wright[4]	4	4	–	–	1	1	2	2	–	–

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

1) The Chairman attended all committee meetings of People and Remuneration, Audit & Risk Management and Health, Safety & Environment ex officio.
2) Michael Fraser was appointed as a Director effective 1 September 2015.
3) Debra Goodin was appointed as a Director effective 1 September 2015.
4) Robert Wright retired as a Director on 22 October 2015.

13.4 Directors' securityholdings

The aggregate number of APA securities held directly, indirectly or beneficially by Directors or their Director related entities at 30 June 2016 is 1,322,074 (2015: 1,305,883).

The following table sets out Directors' relevant interests in APA securities as at 30 June 2016:

Directors	Fully paid securities as at 1 July 2015	Securities acquired	Securities disposed	Fully paid securities as at 30 June 2016
Leonard Bleasel AM	614,216	–	–	**614,216**
Michael McCormack	278,120	21,880	–	**300,000**
Steven Crane	130,000	–	–	**130,000**
John Fletcher	88,250	–	–	**88,250**
Michael Fraser [1]	–	25,000	–	**25,000**
Debra Goodin [2]	–	19,000	–	**19,000**
Russell Higgins AO	122,719	–	–	**122,719**
Patricia McKenzie	19,986	2,903	–	**22,889**
Robert Wright [3]	52,592	–	–	**–**
	1,305,883	68,783	–	**1,322,074**

1) Michael Fraser was appointed as a Director effective 1 September 2015.
2) Debra Goodin was appointed as a Director effective 1 September 2015.
3) Robert Wright retired as a Director on 22 October 2015. He held 52,592 fully paid securities on retirement.

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

14. Options Granted

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

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

15. Indemnification of Officers and External Auditor

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

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

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

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

16. Remuneration Report

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

17. Auditor

17.1 Auditor's independence declaration

A copy of the independence declaration of the auditor, Deloitte Touche Tohmatsu ("Auditor") as required under section 307C of the *Corporations Act 2001* is included at page 94.

17.2 Non-audit services

Non-audit services have been provided during the financial year by the Auditor. A description of those services and the amounts paid or payable to the Auditor for the services are set out in Note 30 to the financial statements.

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

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

18. Information Required for Registered Schemes

Fees paid to the Responsible Entity and its associates (including Directors and Secretaries of the Responsible Entity, related bodies corporate and Directors and Secretaries of related bodies corporate) out of APA scheme property during the financial year are disclosed in Note 31 to the financial statements.

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

The number of APA securities issued during the financial year, and the number of APA securities on issue at the end of the financial year, are disclosed in Note 23 to the financial statements.

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

19. Rounding of Amounts

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

20. Corporate Governance Statement

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

21. Authorisation

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

On behalf of the Directors

Leonard Bleasel AM
Chairman

Steven Crane
Director

Sydney, 24 August 2016