

notes to the consolidated financial statements.

AUSTRALIAN PIPELINE TRUST AND ITS CONTROLLED ENTITIES
FOR THE FINANCIAL YEAR ENDED 30 JUNE 2016

BASIS OF PREPARATION

1. About this report

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

Basis of Preparation	Financial Performance	Operating Assets and Liabilities
1. About this report	4. Segment information	10. Receivables
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3. Significant items and events	6. Expenses	12. Property, plant and equipment
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	8. Earnings per security	14. Impairment of non-financial assets
	9. Distributions	15. Provisions
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Capital Management	Group Structure	Other
19. Cash balances	24. Non-controlling interests	28. Commitments and contingencies
20. Borrowings	25. Joint arrangements and associates	29. Director and senior executive remuneration
21. Financial risk management	26. Business combinations	30. Remuneration of external auditor
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2. General information

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

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

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

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

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

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

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

notes to the consolidated financial statements. continued.

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BASIS OF PREPARATION

2. General information (continued)

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

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

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

Working capital position

The working capital position as at 30 June 2016 for APA Group is that current liabilities exceed current assets by \$463.1 million (2015: \$87.5 million) primarily as a result of \$114.7 million (AUD equivalent) of cash flow hedge liabilities and current borrowings of \$409.8 million.

APA Group has access to sufficient available committed, un-drawn bank facilities of \$672.5 million as at 30 June 2016 (2015: \$1,175.0 million) to meet the repayment of current borrowings on due date.

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

Foreign currency transactions

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

3. Significant items and events

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

	2016 \$000	2015 \$000
Significant items impacting EBITDA		
Net profit on sale of equity accounted investment ^a	-	430,039
Recovery of fees paid by HDF to Hastings Funds Management Limited ^b	-	17,201
Total significant items impacting EBITDA	-	447,240
Income tax related to significant items above	-	(91,222)
Profit from significant items after income tax	-	356,018

a) During August 2014, APA Group sold its investment in Envestra Limited to Cheung Kong Group consortium for \$1.32 per share amounting to \$783.8 million in gross proceeds which realised a net pre-tax profit of \$430.0 million.

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

notes to the consolidated financial statements. continued.

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FINANCIAL PERFORMANCE

4. Segment information

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

APA Group comprises the following reportable segments:

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

Reportable segments

2016	Energy Infrastructure \$000	Asset Management \$000	Energy Investments \$000	Other \$000	Consolidated \$000
Segment revenue^a					
External sales revenue	1,526,658	95,430	–	–	1,622,088
Equity accounted net profits	–	–	16,977	–	16,977
Pass-through revenue	29,586	408,744	–	–	438,330
Finance lease and investment interest income	1,917	–	10,783	–	12,700
Distribution – other entities	–	–	512	–	512
Total segment revenue	1,558,161	504,174	28,272	–	2,090,607
Other interest income					3,697
Consolidated revenue					2,094,304
Segment result					
Earnings before interest, tax, depreciation and amortisation ("EBITDA")	1,333,682	53,858	36	–	1,387,576
Share of net profits of joint ventures and associates using the equity method	–	–	16,977	–	16,977
Finance lease and investment interest income	1,917	–	10,783	–	12,700
Corporate costs	–	–	–	(86,710)	(86,710)
Total EBITDA	1,335,599	53,858	27,796	(86,710)	1,330,543
Depreciation and amortisation	(508,710)	(12,180)	–	–	(520,890)
Earnings before interest and tax ("EBIT")	826,889	41,678	27,796	(86,710)	809,653
Net finance costs ^b					(507,658)
Profit before tax					301,995
Income tax expense					(122,524)
Profit for the year					179,471

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.

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

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

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

notes to the consolidated financial statements. continued.

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FINANCIAL PERFORMANCE

4. Segment information (continued) Reportable segments (continued)

2015	Energy Infrastructure \$000	Asset Management ^a \$000	Energy Investments ^a \$000	Other \$000	Consolidated \$000
Segment revenue^b					
External sales revenue	984,184	85,056	–	–	1,069,240
Equity accounted net profits	–	–	13,921	–	13,921
Pass-through revenue	13,514	420,868	–	–	434,382
Finance lease and investment interest income	2,896	–	8,308	–	11,204
Distribution – other entities	–	–	546	–	546
Total segment revenue	1,000,594	505,924	22,775	–	1,529,293
Other interest income					24,322
Consolidated revenue					1,553,615

a) During August 2014, APA Group sold its investment in Envestra Limited to a Cheung Kong Group consortium for \$1.32 per share. This resulted in a \$440.0 million gain in Energy Investments being the gross proceeds less the carrying value of the equity accounted investment affected by a reassessment of the carrying value of the asset management business to reflect future growth opportunities, resulting in a reduction of goodwill (\$10.0 million).

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

Segment result

Earnings before interest, tax, depreciation and amortisation ("EBITDA")	838,462	39,448	440,584	–	1,318,494
Share of net profits of joint ventures and associates using the equity method	–	–	13,921	–	13,921
Finance lease and investment interest income	2,896	–	8,308	–	11,204
Corporate costs	–	–	–	(74,129)	(74,129)
Total EBITDA	841,358	39,448	462,813	(74,129)	1,269,490
Depreciation and amortisation	(195,635)	(12,565)	–	–	(208,200)
Earnings before interest and tax ("EBIT")	645,723	26,883	462,813	(74,129)	1,061,290
Net finance costs ^b					(324,162)
Profit before tax					737,128
Income tax expense					(177,198)
Profit for the year					559,930

2015	Energy Infrastructure \$000	Asset Management ^a \$000	Energy Investments ^a \$000	Consolidated \$000
Segment assets and liabilities				
Segment assets	13,146,538	239,798	110,874	13,497,210
Carrying value of investments using the equity method	–	–	257,425	257,425
Unallocated assets ^c				898,251
Total assets				14,652,886
Segment liabilities	507,565	71,521	–	579,086
Unallocated liabilities ^d				9,691,150
Total liabilities				10,270,236

a) During August 2014, APA Group sold its investment in Envestra Limited to a Cheung Kong Group consortium for \$1.32 per share. This resulted in a \$440.0 million gain in Energy Investments being the gross proceeds less the carrying value of the equity accounted investment affected by a reassessment of the carrying value of the asset management business to reflect future growth opportunities, resulting in a reduction of goodwill (\$10.0 million).

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

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

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

notes to the consolidated financial statements. continued.

AUSTRALIAN PIPELINE TRUST AND ITS CONTROLLED ENTITIES
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FINANCIAL PERFORMANCE

4. Segment information (continued) Reportable segments (continued)

Information about major customers

Included in revenues arising from energy infrastructure of \$1,526.7 million (2015: \$984.2 million) are revenues of approximately \$652.0 million (2015: \$437.4 million) which arose from sales to APA Group's top three customers.

5. Revenue

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

	2016 \$000	2015 \$000
Energy infrastructure revenue	1,526,050	983,587
Pass-through revenue	29,586	13,514
Energy infrastructure revenue	1,555,636	997,101
Asset management revenue	95,430	85,056
Pass-through revenue	408,744	420,868
Asset management revenue	504,174	505,924
Operating revenue	2,059,810	1,503,025
Interest	3,697	24,322
Interest income on redeemable ordinary shares (EII), redeemable preference shares (GDI) and loans to related parties (DPS)	10,783	8,308
Finance lease income	1,917	2,896
Finance income	16,397	35,526
Dividends	512	546
Rental income	608	597
Total revenue	2,077,327	1,539,694
Share of net profits of joint ventures and associates using the equity method	16,977	13,921
	2,094,304	1,553,615

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

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

notes to the consolidated financial statements. continued.

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FINANCIAL PERFORMANCE

6. Expenses

	2016 \$000	2015 \$000
Depreciation of non-current assets	337,426	182,084
Amortisation of non-current assets	183,464	26,116
Depreciation and amortisation expense	520,890	208,200
Gas pipeline costs	29,586	13,514
Management, operating and maintenance costs	408,744	420,868
Other operating costs – pass-through	438,330	434,382
Interest on bank overdrafts and borrowings ^a	500,588	357,255
Amortisation of deferred borrowing costs	9,227	14,978
Other finance costs	5,084	14,641
	514,899	386,874
Less: amounts included in the cost of qualifying assets	(6,157)	(20,002)
	508,742	366,872
Gain on derivatives	(698)	(19,643)
Unwinding of discount on non-current liabilities	3,311	1,255
Finance costs	511,355	348,484
Defined contribution plans	11,406	10,116
Defined benefit plans (Note 17)	2,741	4,146
Post-employment benefits	14,147	14,262
Termination benefits	2,995	2,172
Cash settled security-based payments ^b	27,585	23,629
Other employee benefits	135,376	136,111
Employee benefit expense	180,103	176,174

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

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

7. Income tax

The major components of tax expense are:

	2016 \$000	2015 \$000
Income statement (continuing operations)		
Current tax expense in respect of the current year	(9,076)	(8,734)
Adjustments recognised in the current year in relation to current tax of prior years	2,216	1,516
Deferred tax expense relating to the origination and reversal of temporary differences	(115,664)	(169,980)
Total tax expense	(122,524)	(177,198)
Tax reconciliation (continuing operations)		
Profit before tax	301,995	737,128
Income tax expense calculated at 30%	(90,599)	(221,138)
Non-assessable trust distribution	25,530	13,904
Non deductible expenses	(62,884)	(13,567)
Non assessable income	2,984	4,278
Excess of equity accounted book value over tax base of Envestra shares	–	12,149
Unfranked dividends from associates	–	(4,530)
	(124,969)	(208,904)
Previously unbooked losses now recognised	229	30,190
Adjustment recognised in the current year in relation to the current tax of prior years	2,216	1,516
	(122,524)	(177,198)

notes to the consolidated financial statements. continued.

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7. Income tax (continued)

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

Income tax expense for the 2016 year is \$122.5 million (2015: \$177.2 million). An income tax provision of \$13.8 million (2015: \$7.2 million) has been recognised after utilisation of all available group tax losses and partial utilisation of available transferred tax losses (refer to Note 11).

Deferred tax balances

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

2016	Opening balance \$000	Charged to income \$000	Charged to equity \$000	Acquired/ Disposed \$000	Closing balance \$000
Gross deferred tax liabilities					
Intangible assets	(2,668)	2,668	-	-	-
Property, plant and equipment	(586,107)	(102,407)	-	(36,011)	(724,525)
Deferred expenses	(51,669)	(3,022)	-	128	(54,563)
Other	1,421	(2,151)	-	-	(730)
Available for sale investments	(639)	-	639	-	-
	(639,662)	(104,912)	639	(35,883)	(779,818)
Gross deferred tax assets					
Provisions	45,051	(1,136)	-	1,808	45,723
Cash flow hedges	127,474	(713)	38,266	-	165,027
Security issue costs	7,261	(1,820)	2	-	5,443
Deferred revenue	6,729	(918)	-	-	5,811
Investments equity accounted	10,192	(1,978)	(1,769)	-	6,445
Defined benefit obligation	(1,007)	(54)	2,444	-	1,383
Tax losses	249,270	(4,133)	-	-	245,137
	444,970	(10,752)	38,943	1,808	474,969
Net deferred tax liability	(194,692)	(115,664)	39,582	(34,075)	(304,849)
2015					
Gross deferred tax liabilities					
Intangible assets	(3,437)	769	-	-	(2,668)
Property, plant and equipment	(486,629)	(99,478)	-	-	(586,107)
Deferred expenses	(49,683)	(1,986)	-	-	(51,669)
Defined benefit obligation	4,328	171	(5,506)	-	(1,007)
Available for sale investments	(157)	-	(482)	-	(639)
	(535,578)	(100,524)	(5,988)	-	(642,090)
Gross deferred tax assets					
Provisions	37,448	7,603	-	-	45,051
Cash flow hedges	52,516	193	74,765	-	127,474
Security issue costs	186	(1,982)	9,057	-	7,261
Deferred revenue	2,465	4,264	-	-	6,729
Investments equity accounted	(990)	2,945	8,237	-	10,192
Other	32	1,389	-	-	1,421
Tax losses	333,138	(83,868)	-	-	249,270
	424,795	(69,456)	92,059	-	447,398
Net deferred tax liability	(110,783)	(169,980)	86,071	-	(194,692)

notes to the consolidated financial statements. continued.

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7. Income tax (continued)

Unrecognised deferred tax assets

	2016 \$000	2015 \$000
The following deferred tax assets have not been brought to account as assets:		
Tax losses – capital	1,641	2,012

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

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

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

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

Tax consolidation

APT and its wholly-owned Australian resident entities formed a tax-consolidated group with effect from 1 July 2003 and are therefore taxed as a single entity from that date. The head entity within the tax-consolidated group is APT. The members of the tax-consolidated group are identified at Note 27.

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

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

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

Nature of tax funding arrangement and tax sharing agreement

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

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

notes to the consolidated financial statements. continued.

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8. Earnings per security

	2016 cents	2015 cents
Basic and diluted earnings per security	16.1	56.3

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

	2016 \$000	2015 \$000
Net profit attributable to securityholders for calculating basic and diluted earnings per security	179,622	559,929
	2016 No. of securities 000	2015 No. of securities 000
Adjusted weighted average number of ordinary securities used in the calculation of basic and diluted earnings per security	1,114,307	995,245

9. Distributions

	2016 cents per security	2016 Total \$000	2015 cents per security	2015 Total \$000
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Recognised amounts

Final distribution paid on 16 September 2015

(2015: 10 September 2014)

Profit distribution – APT ^a	18.12	201,945	16.42	137,239
Profit distribution – APTIT ^a (Note 24)	2.38	26,488	2.33	19,465
	20.50	228,433	18.75	156,704

Interim distribution paid on 16 March 2016

(2015: 18 March 2015)^b

Profit distribution – APT ^a	15.12	168,429	15.12	126,396
Profit distribution – APTIT ^a (Note 24)	3.88	43,290	2.38	19,860
	19.00	211,719	17.50	146,256

Total distributions recognised

Profit distributions a ^a	39.50	440,152	36.25	302,960
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Unrecognised amounts

Final distribution payable on 16 September 2016^c

(2015: 16 September 2015)

Profit distribution – APT ^a	16.34	182,063	18.12	201,945
Capital distribution – APT	1.78	19,869	–	–
Profit distribution – APTIT ^a	3.75	41,811	2.38	26,488
Capital distribution – APTIT	0.63	6,976	–	–
	22.50	250,719	20.50	228,433

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

b) New securities issued under the entitlement offer were not eligible for the FY2015 interim distribution.

c) Record date 30 June 2016.

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

	2016 \$000	2015 \$000
Adjusted franking account balance (tax paid basis)	8,210	6,811

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OPERATING ASSETS AND LIABILITIES

10. Receivables

	2016 \$000	2015 \$000
Trade receivables	250,875	223,806
Allowance for doubtful debts	(2,658)	(4,411)
Trade receivables	248,217	219,395
Receivables from associates and related parties	12,447	15,630
Finance lease receivables (Note 18)	2,290	4,005
Interest receivable	91	688
Other debtors	187	15,222
Current	263,232	254,940
Finance lease receivables (Note 18)	17,283	18,968
Loan receivable – related party	–	73,502
Non-current	17,283	92,470

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

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

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

11. Payables

Trade payables ^a	27,310	29,615
Income tax payable	13,848	7,216
Other payables ^b	211,503	368,715
Payables to associates	–	139
Current	252,661	405,685
Other payables	3,007	3,261
Non-current	3,007	3,261

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

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

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

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

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

notes to the consolidated financial statements. continued.

AUSTRALIAN PIPELINE TRUST AND ITS CONTROLLED ENTITIES
FOR THE FINANCIAL YEAR ENDED 30 JUNE 2016

OPERATING ASSETS AND LIABILITIES

12. Property, plant and equipment

	Freehold land and buildings – at cost \$000	Leasehold improvements – at cost \$000	Plant and equipment – at cost \$000	Work in progress – at cost \$000	Total \$000
Gross carrying amount					
Balance at 1 July 2014	139,434	5,015	5,766,626	478,861	6,389,936
Additions	78,679	–	2,501,924	386,406	2,967,009
Disposals	(165)	(571)	(17,367)	(52)	(18,155)
Transfers	11,103	–	686,038	(697,141)	–
Balance at 30 June 2015	229,051	4,444	8,937,221	168,074	9,338,790
Additions	–	–	21,735	283,242	304,977
Acquisitions through business combinations (Note 26)	3,234	–	852,485	11,457	867,176
Disposals	(651)	(285)	(15,323)	–	(16,259)
Transfers	3,204	913	263,524	(267,641)	–
Balance at 30 June 2016	234,838	5,072	10,059,642	195,132	10,494,684
Accumulated depreciation					
Balance at 1 July 2014	(21,854)	(2,288)	(791,313)	–	(815,455)
Disposals	75	571	13,296	–	13,942
Depreciation expense	(3,257)	(486)	(178,341)	–	(182,084)
Balance at 30 June 2015	(25,036)	(2,203)	(956,358)	–	(983,597)
Disposals	434	285	14,707	–	15,426
Depreciation expense	(7,324)	(357)	(329,745)	–	(337,426)
Transfers	(89)	(4)	93	–	–
Balance at 30 June 2016	(32,015)	(2,279)	(1,271,303)	–	(1,305,597)
Net book value					
As at 30 June 2015	204,015	2,241	7,980,863	168,074	8,355,193
As at 30 June 2016	202,823	2,793	8,788,339	195,132	9,189,087

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

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

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

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

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

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

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

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

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

notes to the consolidated financial statements. continued.

AUSTRALIAN PIPELINE TRUST AND ITS CONTROLLED ENTITIES
FOR THE FINANCIAL YEAR ENDED 30 JUNE 2016

OPERATING ASSETS AND LIABILITIES

13. Goodwill and intangibles

	2016 \$000	2015 \$000
Goodwill		
Balance at beginning of financial year	1,140,500	1,150,500
Acquisitions (Note 26)	44,088	–
Goodwill impairment	–	(10,000)
Balance at end of financial year	1,184,588	1,140,500

Allocation of goodwill to cash-generating units

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

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

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

Asset Management business	21,456	21,456
Energy Infrastructure		
East Cost Grid	1,060,681	1,060,681
Diamantina Power Station	44,088	–
Other energy infrastructure ^a	58,363	58,363
	1,184,588	1,140,500

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

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

Contract and other intangibles

Gross carrying amount

Balance at beginning of financial year	3,623,011	209,286
Acquisitions / additions	705	3,414,122
Disposals / write-offs	(19,573)	(397)
Balance at end of financial year	3,604,143	3,623,011

Accumulated amortisation and impairment

Balance at beginning of financial year	(66,765)	(38,482)
Amortisation expense	(183,464)	(26,116)
Impairment	(8,897)	(2,564)
Write-offs	10,690	397
Balance at end of financial year	(248,436)	(66,765)
	3,355,707	3,556,246

APA Group holds various third party operating and maintenance contracts. The combined gross carrying amount of \$3,604.1 million amortises over terms ranging from one to 20 years. Useful life is determined based on the underlying contractual terms plus estimations of renewal of up to two terms where considered probable by management. Amortisation expense is not a cash item, and is included in the line item of depreciation and amortisation expense in the statement of profit or loss and other comprehensive income.

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

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

notes to the consolidated financial statements. continued.

AUSTRALIAN PIPELINE TRUST AND ITS CONTROLLED ENTITIES
FOR THE FINANCIAL YEAR ENDED 30 JUNE 2016

OPERATING ASSETS AND LIABILITIES

14. Impairment of non-financial assets

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

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

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

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

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

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

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

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

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

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

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

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

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

15. Provisions

	2016 \$000	2015 \$000
Employee benefits	83,240	76,953
Other	9,793	8,499
Current	93,033	85,452
Employee benefits	36,903	30,484
Other	34,014	29,926
Non-current	70,917	60,410
Employee benefits		
Incentives	28,401	25,556
Cash settled security-based payments	9,477	10,009
Leave balances	39,587	39,608
Termination benefits	5,775	1,780
Current	83,240	76,953
Cash settled security-based payments	19,467	17,215
Defined benefit liability (Note 17)	7,017	4,425
Leave balances	10,419	8,844
Non-current	36,903	30,484

notes to the consolidated financial statements. continued.

AUSTRALIAN PIPELINE TRUST AND ITS CONTROLLED ENTITIES
FOR THE FINANCIAL YEAR ENDED 30 JUNE 2016

OPERATING ASSETS AND LIABILITIES

15. Provisions (continued)

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

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

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

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

16. Other non-current assets

	2016 \$000	2015 \$000
Line pack gas	20,208	20,200
Gas held in storage	6,010	5,085
Defined benefit asset (Note 17)	2,404	7,784
Other assets	192	192
	28,814	33,261

17. Employee superannuation plans

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

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

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

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

Current service cost	2,783	3,730
Net interest expense	(42)	416

Components of defined benefit costs recognised in profit or loss (Note 6)	2,741	4,146
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Amounts recognised in the statement of financial position

Fair value of plan assets	138,488	140,500
Present value of benefit obligation	(143,101)	(137,141)
Defined benefit asset – non-current (Note 16)	2,404	7,784
Defined benefit liability – non-current (Note 15)	(7,017)	(4,425)

Opening defined benefit obligation	137,141	144,621
Current service cost	2,783	3,730
Interest cost	5,807	4,909
Contributions from plan participants	1,332	1,388
Actuarial gains and losses arising from changes in financial assumptions	625	(9,747)
Actuarial gains and losses arising from experience adjustments	3,268	(1,181)
Benefits paid	(7,855)	(6,579)
Closing defined benefit obligation	143,101	137,141

notes to the consolidated financial statements. continued.

AUSTRALIAN PIPELINE TRUST AND ITS CONTROLLED ENTITIES
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OPERATING ASSETS AND LIABILITIES

17. Employee superannuation plans (continued)

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

	2016 \$000	2015 \$000
Opening fair value of plan assets	140,500	130,195
Interest income	5,849	4,493
Actual return on plan assets excluding interest income	(4,255)	7,426
Contributions from employer	2,917	3,577
Contributions from plan participants	1,332	1,388
Benefits paid	(7,855)	(6,579)
Taxes and premiums paid	-	-
Closing fair value of plan assets	138,488	140,500

Defined contribution plans

Contributions to defined contribution plans are expensed when incurred.

Defined benefit plans

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

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

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

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

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

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

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

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

notes to the consolidated financial statements. continued.

AUSTRALIAN PIPELINE TRUST AND ITS CONTROLLED ENTITIES
FOR THE FINANCIAL YEAR ENDED 30 JUNE 2016

OPERATING ASSETS AND LIABILITIES

18. Leases

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

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

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

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

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

APA Group as a lessor

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

APA Group as a lessee

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

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

Non-cancellable operating leases

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

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

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

notes to the consolidated financial statements. continued.

AUSTRALIAN PIPELINE TRUST AND ITS CONTROLLED ENTITIES
FOR THE FINANCIAL YEAR ENDED 30 JUNE 2016

CAPITAL MANAGEMENT

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

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

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

Operating cash flows are used to maintain and expand APA Group's assets, make distributions to securityholders and to repay maturing debt.

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

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

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

19. Cash balances

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

	2016	2015
	\$000	\$000
Cash and cash equivalents		
Cash at bank and on hand	83,389	190,834
Short-term deposits	1,117	221,087
	84,506	411,921
Non-current cash on deposit		
Cash on deposit ^a	2,149	-

a) As at 30 June 2016 Gorodok Pty Limited held \$2.1 million cash on deposit to support bank guarantees in relation to various contractual arrangements. APA Group had no restricted cash as at 30 June 2015.

notes to the consolidated financial statements. continued.

AUSTRALIAN PIPELINE TRUST AND ITS CONTROLLED ENTITIES
FOR THE FINANCIAL YEAR ENDED 30 JUNE 2016

CAPITAL MANAGEMENT

20. Borrowings

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

	2016 \$000	2015 \$000
Unsecured – at amortised cost		
Guaranteed senior notes ^a	398,058	158,134
Other financial liabilities	11,771	6,219
Current	409,829	164,353
Guaranteed senior notes ^a	8,043,377	8,481,768
Bank borrowings ^b	707,501	125,000
Subordinated notes ^c	515,000	515,000
Other financial liabilities	95,155	70,630
Less: unamortised borrowing costs	(46,660)	(50,901)
Non-current	9,314,373	9,141,497
	9,724,202	9,305,850
Financing facilities available		
Total facilities		
Guaranteed senior notes ^a	8,441,435	8,639,902
Bank borrowings ^b	1,380,000	1,300,000
Subordinated notes ^c	515,000	515,000
	10,336,435	10,454,902
Facilities used at balance date		
Guaranteed senior notes ^a	8,441,435	8,639,902
Bank borrowings ^b	707,501	125,000
Subordinated notes ^c	515,000	515,000
	9,663,936	9,279,902
Facilities unused at balance date		
Guaranteed senior notes ^a	–	–
Bank borrowings ^b	672,499	1,175,000
Subordinated notes ^c	–	–
	672,499	1,175,000

a) Represents USD denominated private placement notes of US\$725 million, CAD MTN of C\$300 million, JPY MTN of ¥10,000 million, GBP MTN of £950 million, EUR MTN of €1,350 million and USD denominated 144A notes of US\$2,150 million measured at the exchange rate at reporting date, and A\$315 million of AUD denominated Private Placement Notes and AUD Medium Term Notes (MTN) of A\$300 million. Refer to Note 21 for details of interest rates and maturity profiles.

b) Relates to the non-current portion of long-term borrowings. Refer to Note 21 for details of interest rates and maturity profiles.

c) Represents AUD denominated subordinated notes. Refer to Note 21 for details of interest rates and maturity profiles.

21. Financial risk management

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

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

- Market risk including currency risk, interest rate risk and price risk;
- Credit risk; and
- Liquidity risk.

notes to the consolidated financial statements. continued.

AUSTRALIAN PIPELINE TRUST AND ITS CONTROLLED ENTITIES
FOR THE FINANCIAL YEAR ENDED 30 JUNE 2016

CAPITAL MANAGEMENT

21. Financial risk management (continued)

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

a) Market risk

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

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

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

Foreign currency risk

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

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

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

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

Forward foreign exchange contracts

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

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

notes to the consolidated financial statements. continued.

AUSTRALIAN PIPELINE TRUST AND ITS CONTROLLED ENTITIES
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CAPITAL MANAGEMENT

21. Financial risk management (continued)

a) Market risk (continued)

Forward foreign exchange contracts (continued)

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

Cash flow hedges 2016	Average exchange rate \$	Foreign currency USD '000	Contract value			Fair value \$000
			< 1 year \$000	1 – 2 years \$000	2 – 5 years \$000	
Pay USD / receive AUD						
Forecast revenue and associated receivable	0.7200	(507,689)	292,569	265,907	146,605	12,849
Pay AUD / receive USD						
Forecast capital purchases	0.7666	1,353	(995)	(313)	(457)	71
		(506,336)	291,574	265,594	146,148	12,920

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

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

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

notes to the consolidated financial statements. continued.

AUSTRALIAN PIPELINE TRUST AND ITS CONTROLLED ENTITIES
FOR THE FINANCIAL YEAR ENDED 30 JUNE 2016

CAPITAL MANAGEMENT

21. Financial risk management (continued)

a) Market risk (continued)

Forward foreign exchange contracts (continued)

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

Cross currency swap contracts

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

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

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

Foreign currency denominated borrowings

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

notes to the consolidated financial statements. continued.

AUSTRALIAN PIPELINE TRUST AND ITS CONTROLLED ENTITIES
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CAPITAL MANAGEMENT

21. Financial risk management (continued)

a) Market risk (continued)

Foreign currency sensitivity analysis

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

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

Interest rate risk

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

APA Group's exposures to interest rate risk on financial liabilities are detailed in the liquidity risk management section of this note. Exposure to financial assets is limited to cash and cash equivalents amounting to \$84.5 million as at 30 June 2016 (2015: \$411.9 million).

Cross currency swap and interest rate swap contracts

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

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

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

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

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

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

CAPITAL MANAGEMENT

21. Financial risk management (continued)

a) Market risk (continued)

Interest rate sensitivity analysis

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

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

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

Price risk

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

Price risk sensitivity

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

- net profit would have been unaffected as there is no effect from the forwards as the corresponding exposure will offset in full (2015: \$nil); and
- there is no effect on equity reserves as APA Group holds no available-for-sale investments (2015: \$4,000).

APA Group's analysis of its exposure to price risk has declined during the current period compared to the prior period. During the financial year, APA Group acquired Ethane Pipeline Income Fund. As a result, the previously held interest is no longer classified as an available-for-sale investment.

b) Credit risk

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

Cross guarantee

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

notes to the consolidated financial statements. continued.

AUSTRALIAN PIPELINE TRUST AND ITS CONTROLLED ENTITIES
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CAPITAL MANAGEMENT

21. Financial risk management (continued)

c) Liquidity risk

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

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

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

2016	Maturity	Average interest rate % p.a.	Less than 1 year \$000	1 – 5 years \$000	More than 5 years \$000
Unsecured financial liabilities					
Trade and other payables		–	252,661	–	–
Unsecured bank borrowings ^a		2.82	19,610	762,228	–
2012 Subordinated Notes	1-Oct-72	6.78	33,267	130,200	2,381,395
Denominated in A\$					
Other financial liabilities ^b			7,841	31,367	42,806
Guaranteed Senior Notes^c					
Denominated in A\$					
2007 Series A	15-May-17	7.33	5,367	–	–
2007 Series C	15-May-17	7.38	106,475	–	–
2007 Series E	15-May-19	7.40	5,045	78,259	–
2007 Series G	15-May-22	7.45	6,002	24,008	86,584
2007 Series H	15-May-22	7.45	4,617	18,468	66,603
2010 AUD Medium Term Notes	22-Jul-20	7.75	23,250	381,375	–
Denominated in US\$					
2003 Series D	9-Sep-18	6.02	6,930	106,290	–
2007 Series B	15-May-17	5.89	204,864	–	–
2007 Series D	15-May-19	5.99	11,111	173,435	–
2007 Series F	15-May-22	6.14	11,354	45,416	165,079
2009 Series A	1-Jul-16	8.35	90,569	–	–
2009 Series B	1-Jul-19	8.86	11,761	128,286	–
2012 US 144A	11-Oct-22	3.88	49,123	196,762	809,056
2015 US 144A ^b	23-Mar-25	4.20	62,001	248,004	1,724,389
2015 US 144A ^b	23-Mar-35	5.00	20,130	80,521	684,650
Denominated in stated foreign currency					
2012 JPY Medium Term Notes	22-Jun-18	1.23	8,559	134,424	–
2012 CAD Medium Term Notes	24-Jul-19	4.25	19,529	338,237	–
2012 GBP Medium Term Notes	26-Nov-24	4.25	39,459	157,943	674,364
2015 GBP Medium Term Notes ^b	22-Mar-30	3.50	53,312	213,349	1,668,898
2015 EUR Medium Term Notes ^b	22-Mar-22	1.38	36,060	144,240	1,023,284
2015 EUR Medium Term Notes ^b	22-Mar-27	2.00	40,301	161,205	1,158,689
			1,129,198	3,518,017	10,485,797

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

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

c) Rates shown are the coupon rate.

notes to the consolidated financial statements. continued.

AUSTRALIAN PIPELINE TRUST AND ITS CONTROLLED ENTITIES
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CAPITAL MANAGEMENT

21. Financial risk management (continued)

c) Liquidity risk (continued)

2015	Maturity	Average interest rate % p.a.	Less than 1 year \$000	1 – 5 years \$000	More than 5 years \$000
Unsecured financial liabilities					
Trade and other payables		–	405,685	–	–
Unsecured bank borrowings ^a		3.09	2,935	125,975	–
2012 Subordinated Notes	1-Oct-72	7.20	34,203	148,917	2,795,775
Interest rate swaps (net settled)		6.28	3,844	1,302	–
Denominated in A\$					
Other financial liabilities ^b			7,574	30,296	48,918
Guaranteed Senior Notes^c					
Denominated in A\$					
2007 Series A	15-May-17	7.33	367	5,367	–
2007 Series C	15-May-17	7.38	7,318	106,475	–
2007 Series E	15-May-19	7.40	5,045	83,304	–
2007 Series G	15-May-22	7.45	6,002	24,008	92,586
2007 Series H	15-May-22	7.45	4,617	18,468	71,220
2010 AUD Medium Term Notes	22-Jul-20	7.75	23,250	93,000	311,625
Denominated in US\$					
2003 Series C	9-Sep-15	5.77	192,773	–	–
2003 Series D	9-Sep-18	6.02	6,949	113,220	–
2007 Series B	15-May-17	5.89	13,986	204,864	–
2007 Series D	15-May-19	5.99	11,111	184,546	–
2007 Series F	15-May-22	6.14	11,354	45,416	176,433
2009 Series A	1-Jul-16	8.35	9,805	90,569	–
2009 Series B	1-Jul-19	8.86	11,825	140,047	–
2012 US 144A	11-Oct-22	3.88	48,989	197,031	857,910
2015 US 144A ^b	23-Mar-25	4.20	59,883	239,533	1,725,377
2015 US 144A ^b	23-Mar-35	5.00	19,443	77,771	680,709
Denominated in stated foreign currency					
2012 JPY Medium Term Notes	22-Jun-18	1.23	4,291	147,274	–
2012 CAD Medium Term Notes	24-Jul-19	4.25	19,422	357,766	–
2012 GBP Medium Term Notes	26-Nov-24	4.25	39,567	157,943	713,823
2015 GBP Medium Term Notes ^b	22-Mar-30	3.50	51,894	206,081	1,663,426
2015 EUR Medium Term Notes ^b	22-Mar-22	1.38	35,023	139,314	1,023,163
2015 EUR Medium Term Notes ^b	22-Mar-27	2.00	39,142	155,699	1,158,040
			1,076,297	3,094,186	11,319,005

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

b) Facilities are denominated 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 2015. These amounts are fully hedged by forward exchange contracts or future US\$ revenues.

c) Rates shown are the coupon rate.

CAPITAL MANAGEMENT

21. Financial risk management (continued)

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

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

Fair value measurements recognised in the statement of financial position

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

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

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

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

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

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

notes to the consolidated financial statements. continued.

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CAPITAL MANAGEMENT

21. Financial risk management (continued)

Fair value hierarchy

2016	Level 1 \$000	Level 2 \$000	Level 3 \$000	Total \$000
Financial assets measured at fair value				
Equity forwards designated as fair value through profit or loss	–	2,566	–	2,566
Cross currency interest rate swaps used for hedging	–	417,949	–	417,949
Forward foreign exchange contracts used for hedging	–	22,941	–	22,941
	–	443,456	–	443,456
Financial liabilities measured at fair value				
Interest rate swaps used for hedging	–	8,993	–	8,993
Cross currency interest rate swaps used for hedging	–	267,287	–	267,287
Forward foreign exchange contracts used for hedging	–	10,137	–	10,137
	–	286,417	–	286,417

2015

Financial assets measured at fair value

Available-for-sale listed equity securities

Ethane Pipeline Income Fund	7,162	–	–	7,162
Equity forwards designated as fair value through profit or loss	–	5,199	–	5,199
Cross currency interest rate swaps used for hedging	–	461,484	–	461,484
Forward foreign exchange contracts used for hedging	–	4,016	–	4,016
	7,162	470,699	–	477,861

Financial liabilities measured at fair value

Interest rate swaps used for hedging	–	17,885	–	17,885
Cross currency interest rate swaps used for hedging	–	147,537	–	147,537
Forward foreign exchange contracts used for hedging	–	1,800	–	1,800
	–	167,222	–	167,222

Fair value measurements of financial instruments measured at amortised cost

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

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

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

notes to the consolidated financial statements. continued.

AUSTRALIAN PIPELINE TRUST AND ITS CONTROLLED ENTITIES
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CAPITAL MANAGEMENT

22. Other financial instruments

	Assets		Liabilities	
	2016 \$000	2015 \$000	2016 \$000	2015 \$000
Derivatives at fair value:				
Equity forward contracts	1,864	3,527	-	-
Derivatives at fair value designated as hedging instruments:				
Foreign exchange contracts – cash flow hedges	1,389	4,016	1,421	1,800
Interest rate swaps – cash flow hedges	-	-	3,925	13,003
Cross currency interest rate swaps – cash flow hedges	31,602	16,961	109,328	131,012
Financial item carried at amortised cost:				
Redeemable preference share interest	285	285	-	-
Current	35,140	24,789	114,674	145,815
Available-for-sale investments carried at fair value:				
Ethane Pipeline Income Fund	-	7,162	-	-
Financial items carried at amortised cost:				
Redeemable ordinary shares	15,699	17,152	-	-
Redeemable preference shares	10,400	10,400	-	-
Derivatives – at fair value:				
Equity forward contracts	702	1,672	-	-
Derivatives at fair value designated as hedging instruments:				
Foreign currency contracts – cash flow hedges	21,552	-	8,716	-
Interest rate swaps – cash flow hedges	-	-	6,246	8,728
Cross currency interest rate swaps – cash flow hedges	398,717	460,151	179,629	36,065
Non-current	447,070	496,537	194,591	44,793

Available-for-sale investments consist of investments in ordinary securities, and therefore have no fixed maturity date or coupon rate. The fair value of listed available-for-sale investments has been determined directly by reference to published price quotations in an active market.

Redeemable ordinary shares relate to APA Group's 19.9% investment in Energy Infrastructure Investments Pty Ltd where APL, as responsible entity for APTIT, acquired the redeemable ordinary shares, which include a debt component.

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

Recognition and measurement

Hedge accounting

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

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

Note 21 contains details of the fair values of the derivative instruments used for hedging purposes. Movements in the hedging reserve in equity are detailed in the Consolidated Statement of Changes in Equity.

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

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

notes to the consolidated financial statements. continued.

AUSTRALIAN PIPELINE TRUST AND ITS CONTROLLED ENTITIES
FOR THE FINANCIAL YEAR ENDED 30 JUNE 2016

CAPITAL MANAGEMENT

22. 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.

Available-for-sale financial assets

APA Group previously held certain shares which were classified as being available-for-sale. These assets are initially recognised at fair value plus any directly attributable transaction costs. Subsequent to initial recognition, they are measured at fair value and changes therein, other than impairment losses, which are recognised in other comprehensive income and accumulated in the available-for-sale investment revaluation reserve. When these assets are derecognised, the gain or loss in equity is reclassified to profit or loss.

Dividends on available-for-sale equity instruments are recognised in profit or loss when the APA Group's right to receive the dividends is established.

Determining whether available-for-sale investments are impaired requires an assessment as to whether declines in value are significant or prolonged. Management has taken into account a number of qualitative and quantitative factors in making this assessment. Any assessment of whether a decline in value represents an impairment would result in the transfer of the decrement from reserves to the statement of profit or loss and other comprehensive income.

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.

23. Issued capital

			2016 \$000	2015 \$000
Securities				
1,114,307,369 securities, fully paid (2015: 1,114,307,369 securities, fully paid) ^a			3,195,445	3,195,449
	2016 No. of securities 000	2016 \$000	2015 No. of securities 000	2015 \$000
Movements				
Balance at beginning of financial year	1,114,307	3,195,449	835,751	1,816,460
Issue of securities under entitlement offer	–	–	278,556	1,400,122
Issue costs of securities	–	(6)	–	(30,190)
Deferred tax on issue costs of securities	–	2	–	9,057
Balance at end of financial year	1,114,307	3,195,445	1,114,307	3,195,449

a) Fully paid securities carry one vote per security and carry the right to distributions.

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

notes to the consolidated financial statements. continued.

AUSTRALIAN PIPELINE TRUST AND ITS CONTROLLED ENTITIES
FOR THE FINANCIAL YEAR ENDED 30 JUNE 2016

GROUP STRUCTURE

24. Non-controlling interests

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

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

	2016 \$000	2015 \$000
Financial position		
Current assets	704	701
Non-current assets	1,046,193	1,031,517
Total assets	1,046,897	1,032,218
Current liabilities	11	49
Total liabilities	11	49
Net assets	1,046,886	1,032,169
Equity attributable to non-controlling interests	1,046,886	1,032,169
Financial performance		
Revenue	85,483	46,359
Expenses	(381)	(11)
Profit for the year	85,102	46,348
Other comprehensive income	(595)	989
Total comprehensive income allocated to non-controlling interests for the year	84,507	47,337
Cash flows		
Net cash provided by operating activities	86,451	46,672
Net cash used in investing activities	(16,647)	(436,276)
Distributions paid to non-controlling interests	(69,778)	(39,324)
Net cash (used in)/provided by financing activities	(69,804)	389,604
The accounting policies of APTIT are the same as those applied to APA Group.		
There are no material guarantees, contingent liabilities or restrictions imposed on APA Group from APTIT's non-controlling interests.		
APT Investment Trust	1,046,886	1,032,169
Other non-controlling interest	53	52
	1,046,939	1,032,221
APT Investment Trust		
Issued capital:		
Balance at beginning of financial year	1,005,086	576,172
Issue of securities under entitlement offer	-	438,351
Distribution – capital return (Note 9)	-	-
Issue costs of units	(12)	(9,437)
	1,005,074	1,005,086
Reserves:		
Available-for-sale investment revaluation reserve:		
Balance at beginning of financial year	595	(394)
Valuation loss recognised	(595)	989
	-	595
Retained earnings:		
Balance at beginning of financial year	26,488	19,465
Net profit attributable to APTIT unitholders	85,102	46,348
Distributions paid (Note 9)	(69,778)	(39,325)
	41,812	26,488
Other non-controlling interest		
Issued capital	4	4
Reserves	1	1
Retained earnings	48	47
	53	52

notes to the consolidated financial statements. continued.

AUSTRALIAN PIPELINE TRUST AND ITS CONTROLLED ENTITIES
FOR THE FINANCIAL YEAR ENDED 30 JUNE 2016

GROUP STRUCTURE

25. Joint arrangements and associates

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

Name of entity	Principal activity	Country of incorporation	Ownership interest %	
			2016	2015
Joint ventures:				
SEA Gas	Gas transmission	Australia	50.00	50.00
Diamantina Power Station	Power generation (gas)	Australia	–	50.00
Energy Infrastructure Investments EII 2	Unlisted energy vehicle	Australia	19.90	19.90
	Power generation (wind)	Australia	20.20	20.20
Associates:				
GDI (EII)	Gas distribution	Australia	20.00	20.00
			2016	2015
			\$000	\$000
Investment in joint ventures and associates using the equity method			197,185	257,425
Joint Ventures				
Aggregate carrying amount of investment			170,408	228,556
APA Group's aggregated share of:				
Profit from continuing operations			13,640	10,288
Other comprehensive income			(8,103)	(9,786)
Total comprehensive income			5,537	502
Associates				
Aggregate carrying amount of investment			26,777	28,869
APA Group's aggregated share of:				
Profit from continuing operations			3,337	3,633
Other comprehensive income			(1,327)	(19,290)
Total comprehensive income			2,010	(15,657)

Investment in associates

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

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

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

Contingent liabilities and capital commitments

APA Group's share of the contingent liabilities, capital commitments and other expenditure commitments of joint operations is disclosed in Note 28.

APA Group is a venturer in the following joint operations:

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

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

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

Interest in joint arrangements

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

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

notes to the consolidated financial statements. continued.

AUSTRALIAN PIPELINE TRUST AND ITS CONTROLLED ENTITIES
FOR THE FINANCIAL YEAR ENDED 30 JUNE 2016

GROUP STRUCTURE

25. Joint arrangements and associates (continued)

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

26. Business Combinations

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

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

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

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

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

Subsidiaries acquired

Name of entity	Principal activity	Date of Acquisition	Proportion of shares acquired %	Cost of acquisition \$000
2016				
Diamantina Power Station	Power generation (gas)	31 March 2016	50.00	151,000
Ethane Pipeline Income Fund	Gas transmission	18 April 2016	93.92	122,368
APA Ethane Limited	Trustee	15 June 2016	50.50	-

Diamantina Power Station

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

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

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

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

Ethane Pipeline Income Fund

On 7 March 2016, APA Group announced an unconditional off-market takeover offer for all remaining securities of Ethane Pipeline Income Fund (EPX) that APA did not already own at a cash only offer price of \$1.88 per security. By 18 April 2016, APA Group had obtained a controlling interest of 51.01% of EPX resulting in a non-controlling interest of 48.99%. The non-controlling interest was acquired over the period 19 April to 15 June 2016 when compulsory acquisition was completed.

The non-controlling interest in EPX recognised at acquisition date was measured by reference to the fair value of the non-controlling interest and amounted to \$63.8 million. The fair value was derived from a quoted price in an active market for the equity securities.

The acquisition of EPX extends and further diversifies APA Group's investment in related energy infrastructure including expanding its footprint into transporting alternate fuels. The ethane pipeline asset has a long term customer contract in place. APA Group currently has an operating agreement over the ethane pipeline and expects to reduce costs from removal of EPX from the official list of ASX, and through economies of scale.

On 15 June 2016, APA Group acquired the remaining 50 shares in APA Ethane Limited, the Responsible Entity of Ethane Pipeline Income Fund.

Included in the consolidated net profit for the year is revenue of \$4.1 million and earnings before interest, tax, depreciation and amortisation of \$2.8 million attributable to EPX.

Had the business combination been effected at 1 July 2015, EPX would have contributed revenue of \$20.1 million and earnings before interest, tax, depreciation and amortisation of \$16.2 million.

notes to the consolidated financial statements. continued.

AUSTRALIAN PIPELINE TRUST AND ITS CONTROLLED ENTITIES
FOR THE FINANCIAL YEAR ENDED 30 JUNE 2016

GROUP STRUCTURE

26. Business Combinations (continued)

Assets acquired and liabilities assumed at the date of acquisition

Net assets acquired	EPX \$'000	DPS \$'000	Total \$'000
Current assets			
Cash and cash equivalents	5,594	53,062	58,656
Trade and other receivables	1,126	5,508	6,634
Other financial assets	–	347	347
Inventories	–	5,937	5,937
Other	417	6,066	6,483
Non-current assets			
Cash on deposit	2,169	–	2,169
Other financial assets	–	597	597
Property, plant & equipment	142,085	725,091	867,176
Goodwill	–	44,088	44,088
Current liabilities			
Trade and other payables	(1,654)	(26,292)	(27,946)
Income tax payable	(365)	–	(365)
Current borrowings	–	(447,051)	(447,051)
Other financial liabilities	–	(16,134)	(16,134)
Provisions	(866)	(549)	(1,415)
Other	(18)	–	(18)
Non-current liabilities			
Deferred tax liabilities	(16,317)	(17,758)	(34,075)
Other financial liabilities	–	(28,208)	(28,208)
Provisions	(1,882)	(2,728)	(4,610)
Fair value of net assets acquired	130,289	301,976	432,265
Previously held interest	(7,921)	(150,976)	(158,897)
Cost of acquisition	122,368	151,000	273,368
Cash balances acquired	(5,593)	(53,062)	(58,655)
Dividend on securities acquired (Cum Dividend) during the takeover offer	102	–	102
Transaction costs paid	2,172	353	2,525
Net cash outflow on acquisitions	119,049	98,291	217,340

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

27. Subsidiaries

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

Name of entity	Country of registration /incorporation	Ownership interest %	
		2016	2015
Parent entity			
Australian Pipeline Trust ^a			
Subsidiaries			
APT Pipelines Limited ^{b, c}	Australia	100	100
Australian Pipeline Limited ^b	Australia	100	100
Agex Pty Ltd ^{b, c}	Australia	100	100
Amadeus Gas Trust	Australia	96	96
APT Goldfields Pty Ltd ^{b, c}	Australia	100	100
APT Management Services Pty Limited ^{b, c}	Australia	100	100
APT Parmelia Holdings Pty Ltd ^{b, c}	Australia	100	100
APT Holdings Pty Ltd ^{b, c}	Australia	100	100

notes to the consolidated financial statements. continued.

AUSTRALIAN PIPELINE TRUST AND ITS CONTROLLED ENTITIES
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GROUP STRUCTURE

27. Subsidiaries (continued)

Name of entity	Country of registration /incorporation	Ownership interest %	
		2016	2015
APT Parmelia Trust ^b	Cayman Islands	100	100
APT Petroleum Pipelines Holdings Pty Limited ^{b, c}	Australia	100	100
APT Petroleum Pipelines Pty Limited ^{b, c}	Australia	100	100
APT Pipelines (NSW) Pty Limited ^{b, c}	Australia	100	100
APT Pipelines (NT) Pty Limited ^{b, c}	Australia	100	100
APT Pipelines (QLD) Pty Limited ^{b, c}	Australia	100	100
APT Pipelines (WA) Pty Limited ^{b, c}	Australia	100	100
APT Pipelines Investments (NSW) Pty Limited ^{b, c}	Australia	100	100
APT Pipelines Investments (WA) Pty Limited ^{b, c}	Australia	100	100
East Australian Pipeline Pty Limited ^{b, c}	Australia	100	100
Gasinvest Australia Pty Ltd ^{b, c}	Australia	100	100
Goldfields Gas Transmission Pty Ltd ^b	Australia	100	100
N.T. Gas Distribution Pty Limited ^{b, c}	Australia	100	100
N.T. Gas Easements Pty Limited ^{b, c}	Australia	100	100
N.T. Gas Pty Limited	Australia	96	96
Roverton Pty Ltd ^{b, c}	Australia	100	100
SCP Investments (No. 1) Pty Limited ^{b, c}	Australia	100	100
SCP Investments (No. 2) Pty Limited ^{b, c}	Australia	100	100
SCP Investments (No. 3) Pty Limited ^{b, c}	Australia	100	100
Sopic Pty Ltd ^{b, c}	Australia	100	100
Southern Cross Pipelines (NPL) Australia Pty Ltd ^{b, c}	Australia	100	100
Southern Cross Pipelines Australia Pty Limited ^{b, c}	Australia	100	100
Trans Australia Pipeline Pty Ltd ^{b, c}	Australia	100	100
Western Australian Gas Transmission Company 1 Pty Ltd ^{b, c}	Australia	100	100
GasNet Australia Trust ^b	Australia	100	100
APA VTS Australia (Holdings) Pty Limited ^{b, c}	Australia	100	100
APA VTS Australia (Operations) Pty Limited ^{b, c}	Australia	100	100
APA VTS A Pty Limited ^{b, c}	Australia	100	100
GasNet A Trust	Australia	100	100
APA VTS Australia (NSW) Pty Limited ^{b, c}	Australia	100	100
APA VTS B Pty Limited ^{b, c}	Australia	100	100
APA VTS Australia Pty Limited ^{b, c}	Australia	100	100
GasNet B Trust ^b	Australia	100	100
GasNet Australia Investments Trust	Australia	100	100
APA Operations Pty Limited ^{b, c}	Australia	100	100
APT AM Holdings Pty Limited ^{b, c}	Australia	100	100
APT O&M Holdings Pty Ltd ^{b, c}	Australia	100	100
APT O&M Services Pty Ltd ^{b, c}	Australia	100	100
APT O&M Services (QLD) Pty Ltd ^{b, c}	Australia	100	100
APT AM (Stratus) Pty Limited ^{b, c}	Australia	100	100
APT Facility Management Pty Limited ^{b, c}	Australia	100	100
APT AM Employment Pty Limited ^{b, c}	Australia	100	100
APT Sea Gas Holdings Pty Limited ^{b, c}	Australia	100	100
APT SPV2 Pty Ltd ^b	Australia	100	100
APT SPV3 Pty Ltd ^b	Australia	100	100
APT Pipelines (SA) Pty Limited ^{b, c}	Australia	100	100
APT (MIT) Services Pty Limited ^{b, c}	Australia	100	100
APA Operations (EII) Pty Limited ^{b, c}	Australia	100	100
Central Ranges Pipeline Pty Ltd ^{b, c}	Australia	100	100
APA Country Pipelines Pty Limited ^{b, c}	Australia	100	100
APA Facilities Management Pty Limited ^{b, c}	Australia	100	100
APA (NBH) Pty Limited ^{b, c}	Australia	100	100
APA Pipelines Investments (BWP) Pty Limited ^{b, c}	Australia	100	100
APA Power Holdings Pty Limited ^{b, c}	Australia	100	100
APA (EDWF Holdco) Pty Ltd ^{b, c}	Australia	100	100
APA (BWF Holdco) Pty Ltd ^{b, c}	Australia	100	100
EDWF Holdings 1 Pty Ltd ^{b, c}	Australia	100	100

notes to the consolidated financial statements. continued.

AUSTRALIAN PIPELINE TRUST AND ITS CONTROLLED ENTITIES
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GROUP STRUCTURE

27. Subsidiaries (continued)

Name of entity	Country of registration /incorporation	Ownership interest %	
		2016	2015
EDWF Holdings 2 Pty Ltd ^{b, c}	Australia	100	100
EDWF Manager Pty Ltd ^{b, c}	Australia	100	100
Wind Portfolio Pty Ltd ^{b, c}	Australia	100	100
Griffin Windfarm 2 Pty Ltd ^b	Australia	100	100
APA AM (Allgas) Pty Limited ^{b, c}	Australia	100	100
APA DPS Holdings Pty Limited ^{b, c}	Australia	100	100
APA Power PF Pty Limited ^{b, c}	Australia	100	100
APA Sub Trust No 1 ^b	Australia	100	100
APA Sub Trust No 2 ^b	Australia	100	100
APA Sub Trust No 3 ^b	Australia	100	100
APA (Pilbara Pipeline) Pty Ltd ^{b, c}	Australia	100	100
APA (Sub No 3) International Holdings 1 Pty Ltd ^{b, e, f}	Australia	–	100
APA (Sub No 3) International Holdings 2 Pty Ltd ^{b, e, f}	Australia	–	100
APA (Sub No 3) International Holdings 3 Pty Ltd ^{b, e, f}	Australia	–	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 Biobond Pty Limited ^{b, c}	Australia	100	100
APA East One Pty Limited ^{b, e, f}	Australia	–	100
APA East Pipelines Pty Limited ^{b, c}	Australia	100	100
APA EE Pty Limited ^{b, c}	Australia	100	100
APA EE Australia Pty Limited ^{b, c}	Australia	100	100
APA EE Corporate Shared Services Pty Limited ^{b, c}	Australia	100	100
APA EE Holdings Pty Limited ^{b, c}	Australia	100	100
Epic Energy East Pipelines Trust ^b	Australia	100	100
APA (NT) Pty Limited ^{b, e, f}	Australia	–	100
APA Bid Co Pty Limited ^{b, c}	Australia	100	100
APA Transmission Pty Limited ^{b, c, g}	Australia	100	100
APA WGP Pty Limited ^{b, c}	Australia	100	100
APA Newco Pty Limited ^{b, d}	Australia	100	–
APA SEA Gas (Mortlake) Holdings Pty Ltd ^{b, d}	Australia	100	–
APA SEA Gas (Mortlake) Pty Ltd ^{b, d}	Australia	100	–
APA DPS2 Pty Limited ^{b, d}	Australia	100	–
Diamantina Holding Company Pty Limited ^{b, h}	Australia	100	–
Diamantina Power Station Pty Limited ^{b, h}	Australia	100	–
Ethane Pipeline Income Trust ^{b, h}	Australia	100	–
Ethane Pipeline Income Financing Trust ^{b, h}	Australia	100	–
Moomba to Sydney Ethane Pipeline Trust ^{b, h}	Australia	100	–
Gorodok Pty Ltd ^{b, h}	Australia	100	–
APA Ethane Limited ^{b, h}	Australia	100	–
Votrait No 1606 Pty Ltd ^{b, h}	Australia	100	–
Votrait No 1613 Pty Ltd ^{b, h}	Australia	100	–
EPX HoldCo Pty Ltd ^{b, d}	Australia	100	–
APA (EPX) Pty Limited ^{b, d}	Australia	100	–
EPX Trust ^{b, d}	Australia	100	–
EPX Member Pty Ltd ^{b, d}	Australia	100	–

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

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

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

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

e) Entity was deregistered during the 2016 year.

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

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

h) Remaining shares/units acquired during the 2016 year, entity now classified as a subsidiary (refer to Note 26).

notes to the consolidated financial statements. continued.

AUSTRALIAN PIPELINE TRUST AND ITS CONTROLLED ENTITIES
FOR THE FINANCIAL YEAR ENDED 30 JUNE 2016

OTHER ITEMS

28. Commitments and contingencies

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

APA Group had no contingent assets as at 30 June 2016 and 30 June 2015.

29. Director and senior executive remuneration

Remuneration of Directors

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

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

Remuneration of senior executives^a

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

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

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

30. Remuneration of external auditor

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

Auditing the financial report	643,000	659,500
Compliance plan audit	18,500	18,000
Other assurance services ^a	75,000	436,500
	736,500	1,114,000

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

31. Related party transactions

a) Equity interest in related parties

Details of the percentage of ordinary securities held in subsidiaries are disclosed in Note 27 and the details of the percentage held in joint operations, joint ventures and associates are disclosed in Note 25.

b) Responsible Entity – Australian Pipeline Limited

The Responsible Entity is wholly owned by APT Pipelines Limited.

notes to the consolidated financial statements. continued.

AUSTRALIAN PIPELINE TRUST AND ITS CONTROLLED ENTITIES
FOR THE FINANCIAL YEAR ENDED 30 JUNE 2016

OTHER ITEMS

31. Related party transactions (continued)

c) Transactions with related parties within APA Group

Transactions between the entities that comprise APA Group during the financial year consisted of:

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

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

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

Refer to Note 27 for details of the entities that comprise APA Group.

Australian Pipeline Limited

Management fees of \$3,999,694 (2015: \$3,451,167) were paid to the Responsible Entity as reimbursement of costs incurred on behalf of APA Group. No amounts were paid directly by APA Group to the Directors of the Responsible Entity, except as disclosed at Note 29.

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

d) Transactions with other associates and joint ventures

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

	Dividends from related parties \$000	Sales to related parties \$000	Purchases from related parties \$000	Amount owed by related parties \$000	Amount owed to related parties \$000
2016					
SEA Gas	10,523	3,371	–	10	–
Energy Infrastructure Investments	3,810	35,114	157	4,344	–
EII 2	3,102	725	–	45	–
APA Ethane Ltd	–	192	–	–	–
Diamantina Power Station ^a	–	950	–	–	–
GDI (EII)	4,102	55,775	54	7,830	–
	21,537	96,127	211	12,229	–
2015					
SEA Gas	14,164	3,733	–	181	–
Energy Infrastructure Investments	3,460	27,021	139	3,074	139
EII 2	3,105	661	–	–	–
APA Ethane Ltd	–	200	–	–	–
Diamantina Power Station ^a	–	1,608	–	–	–
GDI (EII)	4,479	51,190	–	5,749	–
	25,208	84,413	139	9,004	139

a) At year end, APA Group had no shareholder loan receivable from Diamantina Power Station (2015: \$75.7 million). Following APA Group's acquisition of the remaining 50% of Diamantina Power Station on 31 March 2016, the shareholder loan receivable from Diamantina Power Station now forms part of the inter-entity balances and is eliminated on consolidation.

notes to the consolidated financial statements. continued.

AUSTRALIAN PIPELINE TRUST AND ITS CONTROLLED ENTITIES
FOR THE FINANCIAL YEAR ENDED 30 JUNE 2016

OTHER ITEMS

32. Parent entity information

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

	2016 \$000	2015 \$000
Financial position		
Assets		
Current assets	2,573,646	2,869,731
Non-current assets	752,939	632,553
Total assets	3,326,585	3,502,284
Liabilities		
Current liabilities	112,169	105,763
Total liabilities	112,169	105,763
Net assets	3,214,416	3,396,521
Equity		
Issued capital	3,195,445	3,195,449
Retained earnings	18,971	199,587
Available-for-sale investment revaluation reserve	-	1,485
Total equity	3,214,416	3,396,521
Financial performance		
Profit for the year	186,014	449,311
Other comprehensive income	2,258	1,122
Total comprehensive income	188,272	450,433

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

No guarantees have been entered into by the parent entity in relation to the debts of its subsidiaries.

Contingent liabilities of the parent entity

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

33. Adoption of new and revised Accounting Standards

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

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

Standards and Interpretations issued not yet adopted

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

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

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

34. Events occurring after reporting date

On 24 August 2016, the Directors declared a final distribution of 22.50 cents per security (\$250.7 million) for APA Group (comprising a distribution of 18.12 cents per security from APT and a distribution of 4.38 cents per security from APTIT), comprising 20.09 cents per security profit distribution (unfranked) and 2.41 cents per security capital distribution. The distribution will be paid on 16 September 2016.

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