



Australian Pipeline Ltd
ACN 091 344 704

Australian Pipeline Trust
ARSN 091 678 778

APT Investment Trust
ARSN 115 585 441

APT Pipelines Ltd
ACN 009 666 700

ASX ANNOUNCEMENT

26 September 2013

APT Pipelines Limited (ASX: AQH)

Annual Report

APT Pipelines Limited Annual Report for the financial year ended 30 June 2013 is attached for release to the market.

A handwritten signature in black ink, appearing to read 'Mark Knapman'.

Mark Knapman
Company Secretary
APT Pipelines Limited

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About APA Group (APA)

APA is Australia's largest natural gas infrastructure business, owning and/or operating \$12 billion of energy assets. Its gas transmission pipelines span every state and territory on mainland Australia, delivering approximately half of the nation's gas usage. APA has direct management and operational control over its assets and the majority of its investments. APA also holds minority interests in energy infrastructure enterprises including Envestra, SEA Gas Pipeline, Energy Infrastructure Investments and GDI.

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

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

APA Group



APT Pipelines Limited

ABN 89 009 666 700

Annual Report

For the financial year ended

30 June 2013

Delivering Australia's Energy

APT Pipelines Limited and its Controlled Entities Directors' Report for the year ended 30 June 2013

The Directors of APT Pipelines Limited ("APTPL") submit their report and the annual financial report of APTPL and its controlled entities for the financial year ended 30 June 2013.

DIRECTORS

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

Leonard Bleasel AM Chairman

Michael McCormack Chief Executive Officer and Managing Director

Steven Crane

John Fletcher

Russell Higgins AO

Patricia McKenzie

Muri Muhammad (retired 24 October 2012)

Robert Wright

Details of the Directors, their qualifications, experience, special responsibilities and directorships of other listed entities are set out on pages 4 to 6.

PRINCIPAL ACTIVITIES

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

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

REVIEW OF OPERATIONS

During the year APTPL completed the following financings:

- On 18 September 2012, APTPL completed an offer of long-dated, unsecured, subordinated and cumulative notes ("Notes"), raising \$515 million. The Notes have a face value of \$100 per Note, with a first call date of 31 March 2018 and final maturity date of 30 September 2072. Note holders receive floating rate, cumulative interest payments quarterly in arrears; interest is the sum of the 90 day Bank Bill Rate plus a 4.5% margin. The Notes are ascribed 50% equity credit from Standard & Poor's and Moody's and are not convertible into stapled securities or any other securities. The Notes began trading on the ASX under the code "AQHHA" on 19 September 2012;
- On 11 October 2012, APTPL issued US\$750 million (A\$735 million) of 3.875% senior guaranteed notes into the United States 144A debt capital market, maturing in October 2022. The principal and interest obligations have been hedged into A\$ obligations under the terms of cross-currency interest rate swap transactions, with quarterly A\$ payments set at an average fixed rate of 6.68% per annum; and
- On 26 November 2012, APTPL issued GBP 350 million (A\$536 million) of 12-year fixed rate medium term notes ("MTN") utilising documentation in place under its established European MTN program. The MTNs have a fixed annual GBP coupon of 4.25% per annum and will mature on 26 November 2024. The principal and interest obligations have been hedged into A\$ obligations under the terms of cross-currency interest rate swap transactions, with quarterly A\$ payments set at an average fixed rate of 7.36% per annum.

The proceeds from the Notes and debt facilities were used largely to assist in the acquisition of Hastings Diversified Utilities Fund ("HDF"), the repayment of HDF's short term bank debt and for general corporate purposes.

Between 20 December and 24 December 2012, APTPL effected the full repayment and cancellation of all of HDF's debt facilities, totalling \$1,325 million and terminated all interest rate swaps associated with those facilities.

At 30 June 2013, APTPL's debt portfolio has a broad spread of maturities extending out to 2024, with an average maturity of drawn debt of 6.2 years. APTPL's gearing¹ of 62.8% at 30 June 2013 was down from 65.0% at 30 June 2012, primarily due to the reduction in net debt following receipt of funds from the sale of the Moomba Adelaide Pipeline System ("MAPS") in May 2013.

At 30 June 2013, APTPL had \$972 million in cash and committed undrawn facilities available to meet the continued capital growth needs of the business.

APTPL has a prudent treasury policy which requires conservative levels of hedging of interest rate exposures to minimise the potential impacts from adverse movements in interest rates. All interest rate and foreign currency exposures on debt raised in foreign currencies have been hedged. APTPL also enters into interest rate hedges for a proportion of the interest rate exposure on its floating rate borrowings. As at 30 June 2013, 83.2% of interest obligations on gross borrowings were either hedged or issued at fixed interest rates for varying periods extending out in excess of 11 years.

Borrowings and finance costs

As at 30 June 2013, APTPL had borrowings of \$4,412 million (\$3,224 million at 30 June 2012), principally from syndicated bank debt facilities, bilateral debt facilities, US Private Placement notes, European MTN in several currencies, Australian MTN, United States 144A notes and APA subordinated notes.

The increase in borrowings since 30 June 2012 is primarily related to the acquisition of HDF, including the repayment of HDF's debt facilities, payment of the cash component of the takeover offer, net of cash from the sale of MAPS.

¹ Gearing ratio determined in accordance with covenants in certain senior debt facilities as net debt to net debt plus book equity.

APT Pipelines Limited and its Controlled Entities Directors' Report for the year ended 30 June 2013

Net finance costs increased by \$56.6 million, or 24.2%, to \$290.9 million (30 June 2012: \$234.3 million). The increase is primarily due to consolidation of the HDF business into APA from 9 October 2012. The average interest rate (including credit margins) applying to drawn debt was 7.35% for the current year (2012: 7.39%).

APA's interest cover ratio for the year decreased to 2.30 times from 2.48 times last year, remaining well in excess of its debt covenant default ratio of 1.1 times, and distribution lock up ratio of 1.3 times. The calculation of interest cover does not include the significant items in EBITDA and includes only nine months' contribution to EBITDA from the HDF business.

Credit ratings

APTPL maintained the following two investment grade credit ratings during the year:

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

On 27 March 2013, S&P issued a report following its annual review of APTPL stating that the stable rating outlook reflects the group's "excellent" business profile and S&P's expectation that APTPL will manage its capital structure to sustain the credit metrics expected for the BBB rating. The rating reflects S&P's opinion of the stable and predictable cash flow generated from the APA's ownership of a mix of more than a dozen regulated and unregulated (albeit highly contracted) transmission assets; the group's strong market position, stemming from its natural-monopoly assets; and low operating risk, underpinned by an in-house operating model.

Further, on 28 June 2013, Moody's released its latest credit opinion on APTPL, stating that its Baa2 senior unsecured issuer rating reflects the stable operating cash flows from the APA's portfolio of quality gas infrastructure assets, which are predominantly gas pipelines with long-term transportation contracts and regulated network assets. The strong market position of the contracted assets and the fixed tariff for the regulated network over five-year regulatory periods support APTPL's ability to generate predictable revenues. Furthermore, its integrated transmission network enhances its operational flexibility, whilst the large number of assets within its diversified portfolio improves the group's cash flows and operational stability.

Dividends

Unfranked dividends of \$134.1 million were paid to the sole shareholder, Australian Pipeline Trust, during the current period (2012: \$29.6 million).

On 21 August 2013, the directors declared and paid a final dividend of \$112.6 million payable to the sole shareholder.

Significant changes in state of affairs

In December 2012 APTPL completed the takeover of HDF, an ASX-listed investment vehicle whose assets included three natural gas transmission pipeline systems – the South West Queensland Pipeline, MAPS and the Pilbara Pipeline System. In May 2013 APTPL completed the divestment of MAPS consistent with the undertaking given to the Australian Competition and Consumer Commission.

SUBSEQUENT EVENTS

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

INFORMATION ON DIRECTORS AND COMPANY SECRETARY

Information relating to the qualifications and experience of the Directors and Company Secretary is set out below:

<p>Leonard Bleasel AM FAICD FAIM</p> <p><i>Independent Chairman</i></p> <p>Appointed 28 August 2007</p> <p>Appointed Chairman 30 October 2007</p>	<p>Leonard (Len) Bleasel had a long career in the energy industry before retiring from management in 2001. He started his career in AGL in 1958 and worked in a variety of roles, culminating in the position of Managing Director and CEO from 1990 to 2001.</p> <p>Len is a director of O'Connell Street Associates Pty Limited and Chairman of the Taronga Conservation Society Australia and the Advisory Council for CIMB Securities International (Australia) Pty Limited.</p> <p>Len's past appointments have included lead non-executive director of QBE Insurance Group Limited, Chairman of Foodland Associated Limited, ABN AMRO Australia Holdings Pty Limited, Solaris Power, the Australian Gas Association, Natural Gas Corporation Holdings Ltd (New Zealand), Elgas Ltd, Auscom Holdings Pty Ltd, Industrial Pipe Systems Pty Ltd and East Australian Pipeline Ltd, a director of St George Bank Limited and Gas Valpo (Chile), and Vice President of the Royal Blind Society.</p> <p>Len was awarded an AM in the General Division of the Order of Australia for services to the Australian gas and energy industries and the community.</p>
<p>Michael McCormack BSurv GradDipEng MBA FAICD</p> <p><i>Chief Executive Officer and Managing Director</i></p> <p>Appointed Managing Director 1 July 2006</p>	<p>Michael (Mick) McCormack has been Chief Executive Officer of APA since 1 July 2005 and Managing Director since 1 July 2006. Mick has over 25 years' experience in the gas infrastructure sector in Australia, and his career has encompassed all aspects of the sector, including commercial development, design, construction, operation and management of most of Australia's natural gas pipelines and gas distribution systems.</p> <p>Mick is a director of Envestra Limited and formerly a director of the Australian Pipeline Industry Association.</p>
<p>Steven Crane BComm FAICD SFFin</p> <p><i>Independent Director</i></p> <p>Appointed 1 January 2011</p>	<p>Steven Crane has over 30 years' experience in the financial services industry. Steven's background is in investment banking, having previously been Chief Executive Officer of ABN AMRO Australia and BZW Australia.</p> <p>He has considerable experience as a non-executive director of listed entities. He is currently Chairman of nib holdings limited, a director of Bank of Queensland Limited, Transfield Services Limited and Taronga Conservation Society Australia and a member of the Advisory Council for CIMB Securities International (Australia) Pty Limited, and was formerly Chairman of Adelaide Managed Funds Limited and Investa Property Group Limited, a director of Adelaide Bank Limited, Foodland Associated Limited and APA Ethane Limited, the responsible entity of Ethane Pipeline Income Fund, and a member of the Advisory Council for RBS Group (Australia) Pty Limited.</p> <p>Steven is a member of the Audit and Risk Management Committee and the Remuneration Committee.</p>

APT Pipelines Limited and its Controlled Entities
Directors' Report for the year ended 30 June 2013

<p>John Fletcher BSc MBA FAICD <i>Independent Director</i> Appointed 27 February 2008</p>	<p>John Fletcher has over 35 years' experience in the energy industry, having held a number of executive positions in AGL prior to his retirement in 2003, including Chief Financial Officer. John has previously been a director of Integral Energy, Natural Gas Corporation Holdings Ltd (New Zealand), Foodland Associated Limited and Alinta Energy Group. He brings a wide commercial and financial practical knowledge to the Board.</p> <p>John was previously an AGL appointed director of Australian Pipeline Limited from 2000 to 2005. He is a director of Sydney Water Corporation.</p> <p>John is the Chairman of the Remuneration Committee and a member of the Audit and Risk Management Committee.</p>
<p>Russell Higgins AO BEC FAICD <i>Independent Director</i> Appointed 7 December 2004</p>	<p>Russell Higgins has extensive experience both locally and internationally in the energy sector and in economic and fiscal policy. He was Secretary and Chief Executive Officer of the Department of Industry, Science and Resources from 1997 to 2002 and Chairman of the Australian Government's Energy Task Force from 2003 to 2004.</p> <p>Russell is a director of Telstra Corporation Limited, Argo Investments Limited, Leighton Holdings Limited, the St James Ethics Foundation and Chairman of the CSIRO Energy Transformed Flagship Advisory Committee.</p> <p>He is a former Chairman of the Snowy Mountains Council and the Australian Government's Management Improvement Advisory Committee and a former director of Australian Biodiesel Group Limited, EFIC, CSIRO, Austrade, the Australian Industry and Development Corporation, Ricegrowers Limited (trading as SunRice), as well as a former member of the Australian Government's Joint Economic Forecasting Group. In 2006-07, he was a member of the Prime Ministerial Task Group on Emissions Trading.</p> <p>Russell is Chairman of the Health Safety and Environment Committee and a member of the Audit and Risk Management Committee.</p>
<p>Patricia McKenzie LLB FAICD <i>Independent Director</i> Appointed 1 January 2011</p>	<p>Patricia McKenzie has considerable expertise and experience in energy market regulation and, as a qualified solicitor, extensive corporate legal experience. She is currently a director of Macquarie Generation and was formerly a director of Australian Energy Market Operator Limited (AEMO), the national energy market operator for electricity and gas, and the Chief Executive Officer of Gas Market Company Limited, the market administrator for retail competition in the gas industry in New South Wales and the Australian Capital Territory. Patricia is also a director of Healthdirect (National Health Call Centre Network Limited).</p> <p>Patricia is a member of the Health Safety and Environment Committee and the Remuneration Committee.</p>
<p>Robert Wright BComm FCPA <i>Independent Director</i> Appointed 11 February 2000</p>	<p>Robert Wright has over 30 years' financial management experience, having held a number of Chief Financial Officer positions, including Finance Director of David Jones Limited. He is currently the Chairman of SAI Global Limited, Super Retail Group Limited and APA Ethane Limited, the responsible entity of Ethane Pipeline Income Fund, and was previously Chairman of Dexion Limited and RCL Group Limited.</p> <p>Robert is the Chairman of the Audit and Risk Management Committee and a member of the Health Safety and Environment Committee.</p>

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Directors' Report for the year ended 30 June 2013

<p>Mark Knapman BComm LLB FCSA FCIS Company Secretary Appointed 16 July 2008</p>	<p>In addition to being responsible for the secretariat function, Mark oversees corporate governance and the legal, internal audit and financial services compliance functions.</p> <p>Mark has extensive experience as a Company Secretary. He was Company Secretary and General Counsel of an ASX-listed company and Asia Pacific Legal Counsel and Company Secretary for a US multinational company prior to joining APA. Prior to those roles he was a partner of an Australian law firm.</p> <p>Mark is a Fellow of Chartered Secretaries Australia and the Institute of Company Secretaries and Administrators, and is admitted to practice as a solicitor.</p>
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DIRECTORSHIPS OF OTHER LISTED COMPANIES

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

Name	Company	Period of directorship
Leonard Bleasel AM	QBE Insurance Group Limited	January 2001 to September 2013
Michael McCormack	Envestra Limited	Since July 2007
Steven Crane	Transfield Services Limited	Since February 2008
	Bank of Queensland Limited	Since December 2008
	nib holdings limited	Since September 2010
	APA Ethane Limited ⁽¹⁾	July 2008 to June 2011
John Fletcher	-	-
Russell Higgins AO	Telstra Corporation Limited	Since September 2009
	Argo Investments Limited	Since September 2011
	Leighton Holdings Limited	Since June 2013
	Ricegrowers Limited	December 2005 to August 2012
Patricia McKenzie	-	-
Robert Wright	SAI Global Limited	Since October 2003
	Super Retail Group Limited	Since May 2004
	APA Ethane Limited ⁽¹⁾	Since July 2008
	Dexion Limited	March 2005 to August 2010
	RCL Group Limited	May 2006 to February 2012

(1) APA Ethane Limited is the responsible entity of the registered managed investment schemes that comprise Ethane Pipeline Income Fund, the securities in which are quoted on the ASX.

OPTIONS GRANTED

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

INDEMNIFICATION OF OFFICERS AND EXTERNAL AUDITOR

During the year, Australian Pipeline Limited, the responsible entity of Australian Pipeline Trust and APT Investment Trust, that together comprise APA Group, paid a premium in respect of a contract insuring the Directors and officers of Australian Pipeline Limited and any APA Group entity (including APTPL) against any liability incurred in performing those roles to the extent permitted by the Corporations Act 2001. The contract of insurance prohibits disclosure of the nature of the liability and the amount of the premium.

Australian Pipeline Limited, in its capacity as responsible entity of APA Group, indemnifies each person who is or has been a Director or Company Secretary of Australian Pipeline Limited or any APA Group entity (including APTPL) under a range of deed polls and indemnity agreements which have been in place since 1 July 2000. This indemnity may extend to such other officers or former officers of APA Group entities as the Board, in its

APT Pipelines Limited and its Controlled Entities
Directors' Report for the year ended 30 June 2013

discretion, in each case determines. The indemnity operates to the full extent allowed by law but only to the extent not covered by insurance, and is on terms the Board considers usual for arrangements of this type.

Under its constitution, APTPL indemnifies each person who is or has been a Director, Company Secretary or executive officer of APTPL.

APTPL has not otherwise, during or since the end of the year, indemnified or agreed to indemnify an officer or external auditor of APTPL or any related body corporate APTPL against a liability incurred as such an officer or auditor.

DIRECTORS' MEETINGS

During the year, 14 Board meetings were held. The following table sets out the number of meetings attended by each Director while they were a Director:

Directors	Meetings	
	A	B
Leonard Bleasel AM	14	14
Michael McCormack	14	14
Steven Crane	14	14
John Fletcher	14	14
Russell Higgins AO	14	13
Patricia McKenzie	14	14
Robert Wright	14	14

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

B: Number of meetings attended.

DIRECTORS' SECURITYHOLDINGS

The Directors hold APA stapled securities that comprise a unit in Australian Pipeline Trust, the sole shareholder in APTPL, stapled to a unit in APT Investment Trust, and that are traded on the Australian Securities Exchange under the code "APA" ("APA securities").

The aggregate number of APA securities held directly, indirectly or beneficially by Directors or their Director related entities at the 30 June 2013 is 979,426 (2012: 937,239).

The following table sets out Directors' relevant interests in APA securities as at 30 June 2013:

Directors	Fully paid securities as at 1 July 2012	Securities acquired	Securities disposed	Fully paid securities as at 30 June 2013
Leonard Bleasel AM	443,093	17,571	-	460,664
Michael McCormack	195,264	13,326	-	208,590
Steven Crane	100,000	-	-	100,000
John Fletcher	63,298	2,890	-	66,188
Russell Higgins AO	86,160	5,880	-	92,040
Patricia McKenzie	12,500	-	-	12,500
Robert Wright	36,924	2,520	-	39,444
	937,239	42,187	-	979,426

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

REMUNERATION REPORT

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

AUDITOR

Auditor's independence declaration

A copy of the independence declaration of the auditor, Deloitte Touche Tohmatsu ("Auditor"), as required under section 307C of the Corporations Act 2001 is included on page 109.

Non-audit services

Non-audit services have been provided during the year by the Auditor. A description of those services and the amounts paid or payable to the Auditor for the services are set out in Note 43 to the financial statements.

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

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

ROUNDING OF AMOUNTS

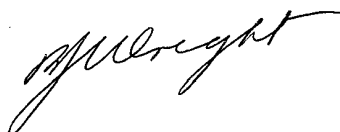
APTPL is an entity of the kind referred to in ASIC Class Order 98/0100 dated 10 July 1998 and, in accordance with that Class Order, amounts in the Directors' report and the financial report are rounded to the nearest thousand dollars, unless otherwise indicated.

Signed in accordance with a resolution of the Directors of APTPL made pursuant to section 298(2) of the Corporations Act 2001.

On behalf of the Directors



Leonard Bleasel AM
Chairman



Robert Wright
Director

SYDNEY, 21 August 2013

REMUNERATION REPORT

Introduction

At APA, we are committed to disclosing a clear and transparent summary of our remuneration arrangements.

This report explains our approach to remuneration and sets out key 2013 remuneration details for the Directors of the Responsible Entity and key management personnel of APA.

The people in these positions during or since the end of the financial year are listed below:

Directors of the Responsible Entity

Leonard Bleasel AM	Chairman APA Group
Michael McCormack	Chief Executive Officer and Managing Director
Steven Crane	
John Fletcher	Chairman Remuneration Committee
Russell Higgins AO	Chairman Health Safety and Environment Committee
Patricia McKenzie	
Muri Muhammad (retired 24 October 2012)	
Robert Wright	Chairman Audit and Risk Management Committee

Key management personnel

Michael McCormack	Chief Executive Officer and Managing Director
Peter Fredricson	Chief Financial Officer
Ross Gersbach	Chief Executive Strategy and Development
Robert Wheals	Group Executive Transmission
John Ferguson	Group Executive Networks
Kevin Lester ⁽¹⁾	Group Executive Infrastructure Development
Stephen Ohl ⁽²⁾	Group Executive Strategic Projects
Mark Knapman	Company Secretary
Peter Wallace	Group Executive Human Resources

(1) Kevin Lester joined APA as Group Executive Infrastructure Development on 6 August 2012.

(2) Stephen Ohl retired with effect from 1 July 2013.

Have there been any changes to the executive remuneration structure during FY 2013?

As noted last year the Board has implemented changes from 1 July 2012 to the Long Term Incentive ("LTI") component of the Total Package Opportunity Incentive Plan ("TPOI Plan"). These changes have been made to more directly align the interests of plan participants and securityholders, and secondly to allow the Board to reward superior performance.

The LTI plan has adopted two new hurdles in place of the previous hurdle, Operating Cash Flow Per Security ("OCFPS"). These hurdles, which will be weighted equally, will firstly be Total Shareholder Return ("TSR") performance against the S&P ASX 100 comparator group and secondly, performance against targets set for growth in Earnings Before Interest, Tax, Depreciation and Amortisation divided by Funds Employed ("EBITDA/FE").

Both the STI measure (OCFPS) and the two new LTI measures (EBITDA/FE and TSR) have a new maximum opportunity of 150% based on achieving exceptional or superior performance to the benefit of securityholders.

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Consistent with emerging good governance, the Board has also introduced an executive remuneration claw back policy which provides, in the event of a material misstatement in the year end accounts for the preceding three years (which may affect one or all key management personnel ("KMP")) then the Board at its discretion may clawback some or all of any STI or LTI award or LTI grant not yet vested. The APA clawback policy and details appear on the APA Group website.

There have been no other changes to the remuneration structure during FY 2013.

Remuneration Committee

What is the role of the Remuneration Committee?

The Remuneration Committee has been established by the Board to govern and oversee Director and executive remuneration. The role of the Remuneration Committee is to:

- ensure the provision of a robust remuneration and reward system that provides for the alignment of employee and securityholder interests;
- consider and make recommendations to the Board on remuneration policies and packages applicable to Directors and to senior executives of APA;
- facilitate effective attraction, retention and development of talented employees;
- ensure compliance with relevant legislation and corporate governance principles on remuneration practices and employment policies; and
- promote diversity, on the basis of gender and other factors, in APA Group's workforce and to review the effectiveness of diversity practices and initiatives.

The members of the Remuneration Committee, all of whom are non-executive Directors, are:

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

Muri Muhammad retired as Director and member of the Remuneration Committee on 24 October 2012.

The Chairman of the Board attends all meetings of the Remuneration Committee and the Managing Director attends by invitation. The Remuneration Committee met three times during the year.

The Remuneration Committee may seek external professional advice on any matter within its terms of reference.

Our approach to non-executive director remuneration

We seek to attract and retain high calibre directors who are equipped with diverse skills to oversee all functions of APA in an increasingly complex environment.

We aim to fairly remunerate Directors for their services relative to similar sized organisations.

Non-executive director remuneration comprises:

- a base board fee;
- an additional fee for serving on a committee of the Board; and
- superannuation contributions.

The Board determines base board fees and committee fees annually. It acts on advice from the Remuneration Committee which obtains external benchmark information from independent remuneration specialists. Such information includes market comparisons paid by comparable companies in the ASX 200.

Non-executive directors do not receive incentive payments of any type. One off 'per diems' may be paid in exceptional circumstances. No payments have been made under this arrangement in this reporting period.

APT Pipelines Limited and its Controlled Entities
Directors' Report for the year ended 30 June 2013

In 2003, the Board terminated the non-executive Directors' retirement benefit plan so that the benefits to participating Directors that had accrued up to that termination date were then quantified and preserved for payment on retirement of those Directors. Robert Wright is the only current Director entitled to benefits under the plan on his retirement from the Board.

Board approved fees and committee fees

Following external benchmarking and a review of APA's performance relative to other companies, base board fees and fees for serving on a committee of the Board were increased effective 1 January 2013.

Base board fees and committee fees are outlined below:

	Fees ⁽¹⁾	Chairman \$000/pa	Member \$000/pa
Effective 1 January 2013	Board fees	330	120
	Remuneration Committee fees	31	15.5
	Audit and Risk Management Committee fees	37	18.5
	Health Safety and Environment Committee fees	31	15.5
Effective 1 January 2012 to 31 December 2012	Board fees	298	110
	Remuneration Committee fees	26	13
	Audit and Risk Management Committee fees	34	17
	Health Safety and Environment Committee fees	24	12

(1) Excludes superannuation guarantee levy.

Actual payments for period

Actual remuneration received by non-executive Directors during the year is outlined in the table below:

Non-Executive Directors ⁽¹⁾	Fees \$	Superannuation \$	Total paid 2013 \$	Total paid 2012 \$
Leonard Bleasel AM	317,252	24,998	342,250	313,400
Steven Crane	146,970	13,230	160,200	146,878
John Fletcher	156,723	19,012	175,735	160,250
Russell Higgins AO	160,223	14,427	174,650	159,145
Patricia McKenzie	143,000	12,850	155,850	141,675
Muri Muhammad ⁽²⁾	43,043	-	43,043	130,000
Robert Wright	164,238	14,763	179,001	164,300
Total	1,131,449	99,280	1,230,729	1,215,648

(1) The remuneration for the Chief Executive Officer and Managing Director, Michael McCormack, is included with the actual remuneration disclosures for key management personnel for FY 2013 on page 18.

(2) Muri Muhammad resigned as a Director on 24 October 2012.

Our approach to executive remuneration

What is our executive remuneration strategy?

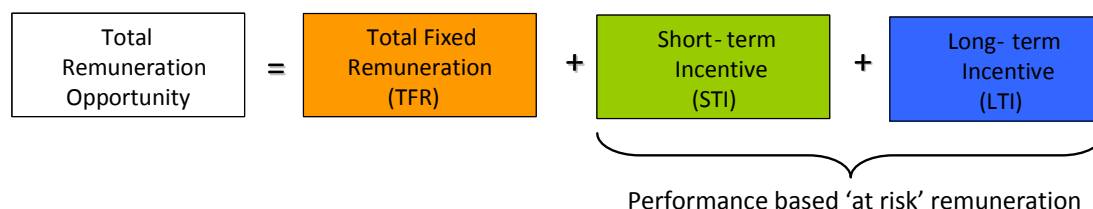
Our executive remuneration strategy is to:

- attract and retain key executives who will create long-term sustainable value for securityholders;
- motivate and reward executives having regard to the overall performance of APA, the performance of the executive measured against pre-determined objectives and the external compensation environment;

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Directors' Report for the year ended 30 June 2013

- target at least the market median using external benchmark data;
- appropriately align the interests of executives with those of securityholders; and
- comply with applicable legal requirements and appropriate standards of governance.

We aim to pay competitive remuneration and this is communicated as Total Remuneration Opportunity ("TRO").

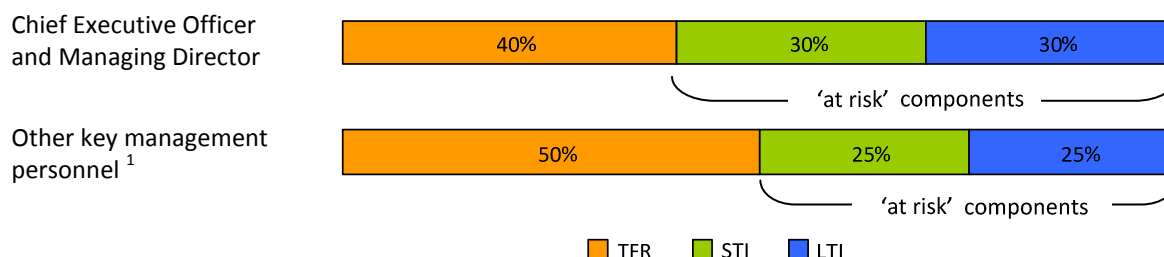


Each individual's TRO is dependent on their level in the organisation and their capacity to influence outcomes.

What is the remuneration mix?

APA's remuneration mix for senior executives is structured as a mix of fixed remuneration and 'at risk' short and long-term incentive components. The proportion of fixed versus 'at risk' remuneration varies at different levels within APA, reflecting the varying capacity of employees to influence APA's operational performance and returns to securityholders.

For the Managing Director and other key management personnel, the remuneration mix is:



An overview of remuneration components

Each remuneration component has a different purpose:

Remuneration component	Purpose	How reward is delivered
Total Fixed Remuneration ("TFR")	To reflect the market value of the role and the individual's skills and experience.	The total of base salary (which includes cash, superannuation guarantee levy, vehicles and parking) and incidental benefits paid in monthly instalments.
'At risk' components		
Short-term incentive ("STI")	To reward strong performance against the achievement of specific business objectives.	Cash-based incentive based on a mix of financial and non-financial key performance indicators paid annually after the audited accounts are approved.

¹ Other than the Company Secretary who has a mix of 58%, 21% and 21%.

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Long-term incentive ("LTI")	To link executive reward with securityholder value.	Cash-settled incentive based on achievement of an annual Board-mandated set of performance hurdles paid in three equal annual instalments starting one year after the year of allocation.
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Total Fixed Remuneration ("TFR")

The total of base salary, including cash, superannuation guarantee levy, vehicles and parking and incidental benefits.

TFR is reviewed annually and is determined by reference to independent external remuneration benchmarking information, taking into account an individual's responsibilities, performance, qualifications and experience.

'At risk' remuneration

'At risk' remuneration is made up of two elements, STI and LTI. Before any STI payments or LTI allocations are made the organisation must achieve at least the Board-approved performance hurdles. Each of these components is discussed in more detail below.

Short-term incentive ("STI")

A cash-based incentive used to reward strong performance against the achievement of financial and non-financial targets or key performance indicators.

What is the key performance hurdle of the STI plan?

The key performance hurdle for the STI component of the 'at risk' remuneration is OCFPS performance against set targets. This is directly linked to APA's strategic goal of increasing operating cash flows over the medium term, thereby improving total securityholder value. Using OCFPS as the key performance hurdle ensures the interests of executives and securityholders are aligned. If the security price rises over the period of allocation, both parties benefit and likewise if it falls, both are similarly affected.

At the start of the year, the Board, having regard to the strategy and annual budget, established the OCFPS gateway that needs to be achieved before any STI is triggered.

What is the purpose of the STI plan?

The STI plan is designed to put a proportion of executive remuneration 'at risk' against meeting key performance indicators ("KPIs") linked to:

- various financial measures such as cost control, revenue and cash generation and capital expenditure management. This reflects APA's strategic goal of increasing OCFPS over the medium term, thereby increasing securityholder returns and aligning the interests of STI participants with those of securityholders; and
- non-financial targets through the delivery of individual KPIs linked to long-term strategic measures including health, safety and environment targets, project delivery and reinforcement of an ethical and values-based culture.

How is performance measured?

At the beginning of the financial year, the Board, at the recommendation of the Remuneration Committee, determines the appropriate financial and non-financial KPIs for the Chief Executive Officer. The Board also reviews the KPIs the Chief Executive Officer will use to assess the performance of his direct reports.

At the end of the financial year, after the audited financial results are available and provided that the performance hurdle is met, the Board determines the performance against KPIs of the Chief Executive Officer and the Chief Executive Officer's direct reports and approves the STI amounts to be paid.

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What is the value of the STI opportunity?

The STI amount payable is capped at the STI Maximum Possible amount. The Chief Executive Officer's STI is capped at 150% of 30% of TRO and for his direct reports at 150% of 25% of TRO².

How is the STI reward delivered?

All STI payments are made in cash and paid in September of the new financial year following the completion of audit of the annual accounts.

For FY 2013, the STI outcomes are shown in the table below for all key management personnel:

Key management personnel	STI earned (\$)	STI earned (%)	STI forfeited (\$)	STI forfeited (%)
Michael McCormack	1,132,313	84.4%	209,250	15.6%
Peter Fredricson	477,375	95.0%	25,125	5.0%
Ross Gersbach	505,080	91.5%	46,920	8.5%
Robert Wheals	239,663	77.0%	71,588	23.0%
John Ferguson	267,143	93.0%	20,108	7.0%
Kevin Lester ⁽¹⁾	180,216	84.5%	33,057	15.5%
Stephen Ohl ⁽²⁾	312,375	85.0%	55,125	15.0%
Mark Knapman	215,482	91.0%	21,311	9.0%
Peter Wallace	237,263	85.5%	40,238	14.5%

(1) Kevin Lester joined APA as Group Executive Infrastructure Development on 6 August 2012. STI has been prorated.

(2) Stephen Ohl retired with effect from 1 July 2013.

Long-term incentive ("LTI")

A cash-settled incentive based on the APA Group security price which links executive reward to securityholder value based on the achievement of key financial and comparator group measures.

What are the key performance hurdles of the LTI plan?

From 1 July 2012, the LTI component of 'at risk' remuneration is subject to two equally weighted performance hurdles. The first hurdle is Total Securityholder Return ("TSR") (being growth in security price plus distributions) performance against the S&P ASX 100 comparator group and the second hurdle is performance against target Earnings Before Interest, Tax, Depreciation and Amortisation divided by Funds Employed ("EBITDA/FE").

These LTI measures of TSR and EBITDA/FE are appropriate longer term award hurdles based on the experience of APA securityholders compared to the general shareholder market and the integrity of earnings performance against the funds employed.

The TSR hurdle is linked to APA's ranking relative to the S&P ASX 100. Rewards do not commence until APA achieves a relative position of at least the median of the S&P ASX 100 group of companies (P50). On achieving P50 the executive awards increase as the APA performance increases relative to the S&P ASX 100.

The EBITDA/FE hurdle has been set to reflect improvement on the previous year. Awards do not commence until this improvement has been achieved. On achieving this improvement the executive awards increase as the EBITDA/FE performance increases.

What is the purpose of the LTI?

The LTI plan is designed to put a proportion of executive remuneration at risk against meeting longer term financial targets linked to TSR and EBITDA/FE.

This directly aligns the interests of plan participants and securityholders and allows the Board to reward superior performance.

² Other than for the Company Secretary whose STI is capped at 150% of 21% of TRO.

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What form does the LTI take?

Eligible participants are entitled to an LTI allocation in the form of reference units which exactly mirror the value of APA securities. The reference units allocated under the LTI plan are not actual APA securities, but notional securities with a value equivalent to the LTI allocation.

Each reference unit is valued at the equivalent of the 30 trading day volume weighted average market price ("VWAP") of an APA security immediately prior to the opening of the APA security trading window, following the announcement of APA's annual financial results to the ASX.

What is the value of the LTI opportunity?

LTI participants are advised of their maximum LTI opportunity, expressed as a percentage of their TRO. The actual individual LTI allocation is determined at the completion of the financial year and is based on TSR performance against the S&P ASX 100 comparator group and growth in EBITDA/FE performance.

The maximum LTI allocation is capped at 150% of the participant's maximum LTI opportunity.

How are the LTI allocations delivered?

An LTI allocation vests in three equal instalments over the three financial years following the allocation, with the initial one-third vesting at the end of the first financial year, one-third at the end of the second financial year, and one-third at the end of the third financial year.

As LTI allocations are subject to the achievement of a pre-allocation performance hurdle, they are not subject to further performance tests at the vesting dates. However, participants must remain employed by APA to access the vested benefit.

Upon vesting, the LTI is delivered in cash. The cash payment is equal to the number of reference units vesting on the vesting date multiplied by the 30 trading day VWAP of APA securities immediately prior to the opening of the APA security trading window, following the announcement of APA's annual financial results to the ASX. APA provides fully in its accounts for the obligations of the LTI in the year in which the LTI allocation is made.

For FY 2013, the actual LTI performance achieved was 83.14% for TSR against S&P ASX 100 and 150% for EBITDA/FE growth. LTI allocations are shown in the table below for all key management personnel:

Key management personnel	LTI earned (\$)	LTI forfeited (\$)
Michael McCormack	1,066,616	274,947
Peter Fredricson	390,510	111,990
Ross Gersbach	428,978	123,022
Robert Wheals	241,883	69,367
John Ferguson	223,232	64,018
Kevin Lester ⁽¹⁾	183,353	52,582
Stephen Ohl ⁽²⁾	285,597	81,903
Mark Knapman	184,020	52,773
Peter Wallace	215,655	61,845

(1) Kevin Lester joined APA as Group Executive Infrastructure Development on 6 August 2012. LTI has been prorated.

(2) Stephen Ohl retired with effect from 1 July 2013.

What rights are attached to an LTI reference unit?

The LTI is a cash-settled plan and participants are not allocated APA securities. LTI allocations do not entitle participants to vote at securityholders meetings or to be paid distributions.

No options or other equity instruments are issued to APA employees or Directors under the LTI plan.

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Movements in LTI and current LTI reference units outstanding

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

Key management personnel	Grant date	Opening balance at 1 July 2012	Allocated	Paid	Forfeited	Closing balance at 30 June 2013	Reference units subject to allocation by the Board in August 2013 ⁽¹⁾	Balance of reference units ⁽²⁾	Reference units allocated that have not yet vested or been paid and the years in which they will vest ⁽²⁾			
									2013 ⁽³⁾	2014	2015	2016
Michael McCormack	2009	84,995	-	(84,995)	-	-	-	-	-	-	-	-
	2010	132,454	-	(66,227)	-	66,227	-	66,227	-	-	-	-
	2011	208,119	-	(69,373)	-	138,746	-	69,373	69,373	-	-	-
	2012	-	191,016	-	-	191,016	-	63,672	63,672	63,672	-	-
	2013	-	-	-	-	-	177,390	-	59,130	59,130	59,130	59,130
								573,379	199,272	192,175	122,802	59,130
Peter Fredricson	2010	53,844	-	(26,921)	-	26,923	-	26,923	-	-	-	-
	2011	85,962	-	(28,654)	-	57,308	-	28,654	28,654	-	-	-
	2012	-	76,029	-	-	76,029	-	25,343	25,343	25,343	-	-
	2013	-	-	-	-	-	64,944	-	21,648	21,648	21,648	21,648
								225,204	80,920	75,645	46,991	21,648
Ross Gersbach	2009	40,212	-	(40,212)	-	-	-	-	-	-	-	-
	2010	61,382	-	(30,690)	-	30,692	-	30,692	-	-	-	-
	2011	98,027	-	(32,675)	-	65,352	-	32,676	32,676	-	-	-
	2012	-	86,067	-	-	86,067	-	28,689	28,689	28,689	-	-
	2013	-	-	-	-	-	71,343	-	23,781	23,781	23,781	23,781
								253,454	92,057	85,146	52,470	23,781
Robert Wheals	2009	11,419	-	(11,419)	-	-	-	-	-	-	-	-
	2010	22,614	-	(11,307)	-	11,307	-	11,307	-	-	-	-
	2011	33,254	-	(11,084)	-	22,170	-	11,085	11,085	-	-	-
	2012	-	32,723	-	-	32,723	-	10,907	10,908	10,908	-	-
	2013	-	-	-	-	-	40,227	-	13,409	13,409	13,409	13,409
								106,427	33,299	35,402	24,317	13,409
John Ferguson	2009	14,379	-	(14,379)	-	-	-	-	-	-	-	-
	2010	22,126	-	(11,063)	-	11,063	-	11,063	-	-	-	-
	2011	32,381	-	(10,793)	-	21,588	-	10,794	10,794	-	-	-
	2012	-	31,965	-	-	31,965	-	10,655	10,655	10,655	-	-
	2013	-	-	-	-	-	37,125	-	12,375	12,375	12,375	12,375
								101,741	32,512	33,824	23,030	12,375
Kevin Lester ⁽⁴⁾	2013	-	-	-	-	30,492	-	30,492	-	10,164	10,164	10,164
								30,492	-	10,164	10,164	10,164
Stephen Ohl ⁽⁵⁾	2009	29,245	-	(29,245)	-	-	-	-	-	-	-	-
	2010	44,690	-	(22,344)	-	22,346	-	22,346	-	-	-	-
	2011	67,864	-	(22,621)	-	45,243	-	22,621	22,622	-	-	-
	2012	-	58,967	-	-	58,967	-	19,655	19,656	19,656	-	-
	2013	-	-	-	-	-	47,496	-	15,832	15,832	15,832	15,832
								174,052	64,622	58,110	35,488	15,832
Mark Knapman	2009	18,280	-	(18,280)	-	-	-	-	-	-	-	-
	2010	29,243	-	(14,621)	-	14,622	-	14,622	-	-	-	-
	2011	43,683	-	(14,561)	-	29,122	-	14,561	14,561	-	-	-
	2012	-	37,794	-	-	37,794	-	12,598	12,598	12,598	-	-
	2013	-	-	-	-	-	30,603	-	10,201	10,201	10,201	10,201
								112,141	41,781	37,360	22,799	10,201
Peter Wallace	2011	10,913	-	(3,637)	-	7,276	-	3,638	3,638	-	-	-
	2012	-	39,332	-	-	39,332	-	13,110	13,111	13,111	-	-
	2013	-	-	-	-	-	35,865	-	11,955	11,955	11,955	11,955
								82,473	16,748	28,704	25,066	11,955

(1) Reference units subject to Board allocation in August 2013 based on an estimated VWAP of \$6.0128.

(2) Includes reference units subject to allocation by the Board in August 2013.

(3) Reference units multiplied by 30 trading days VWAP to be paid as cash in September 2013.

(4) Kevin Lester joined APA on 6 August 2012.

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(5) Stephen Ohl retired with effect from 1 July 2013.

Remuneration during FY 2013

Actual remuneration

Actual remuneration received by the Managing Director and other key management personnel is defined as the 'take home' pay received by them in the relevant year.

The table below sets out **actual cash payments** made to the relevant key management personnel during FY 2013. This table differs from the information provided below which reflects the total remuneration earned by key management personnel in a year some of which will only be paid in later years.

Actual LTI payments represent the amount of reference units that vested and were converted to cash payments to the individual during the year, regardless of when the LTI was initially allocated.

The table below does not show LTI allocations in FY 2013 or previous years that are still subject to performance or employment conditions because those LTI allocations are still at-risk of forfeiture.

The actual STI payments represent the amounts earned by the key management personnel in the prior financial year (2011) but only paid in August 2012 (as they are dependent on the approval by the Board of the annual audited accounts).

The following table outlines the actual remuneration received by key management personnel during FY 2013:

Key management personnel	Total fixed remuneration \$	STI \$	LTI \$	Other	Total paid 2013 \$	Total paid 2012 \$
Michael McCormack	1,192,500	700,350	1,054,951	-	2,947,801	2,391,517
Peter Fredricson	670,000	292,395	265,776	202,000 ⁽¹⁾	1,430,171	983,855
Ross Gersbach	736,000	321,563	495,336	228,667 ⁽¹⁾	1,781,566	1,323,207
Robert Wheals	415,000	117,369	161,690	60,000 ⁽¹⁾	754,059	537,387
John Ferguson	383,000	127,286	173,287	130,000 ⁽²⁾	813,573	533,244
Kevin Lester ⁽³⁾	320,833	-	-	-	320,833	-
Stephen Ohl ⁽⁴⁾	490,000	182,125	354,894	-	1,027,020	919,709
Mark Knapman	436,000	132,922	226,978	-	795,900	677,383
Peter Wallace	370,148	147,345	17,393	-	534,886	339,228
Total	5,013,481	2,021,355	2,750,305	620,667	10,405,808	7,705,530

(1) First instalment of a Loyalty Payment. Refer to "Executive contracts" section for more information.

(2) First Instalment of \$60,000 as a Loyalty Payment plus \$70,000 as an ex-gratia payment for acting in the position of Group Executive Operations. Refer to "Executive contracts" section for more information.

(3) Kevin Lester joined APA as Group Executive Infrastructure Development on 6 August 2012. A Sign-On/Enticement payment of \$100,000 was not paid in FY 2013. The payment will be made in future years and is disclosed in the financial report.

(4) Stephen Ohl retired with effect from 1 July 2013. The termination payment of \$353,716 (representing the termination benefit of \$245,000 plus statutory entitlements) was not paid in FY 2013. The payment will be made in future years and is disclosed in the financial report.

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Total remuneration earned

The following table outlines the total remuneration earned by key management personnel during FY 2013, calculated in accordance with accounting standards:

	Short-term employment benefits		Non-monetary	Post-employment	Long-term incentive plans		Total
	Salary/fees	Short-term incentive scheme			Share-based payments ⁽¹⁾	Other Payments ⁽²⁾	
	\$	\$	\$	\$	\$	\$	\$
Key management personnel							
M J McCormack							
2013	1,167,500	1,132,313	-	25,000	1,165,290	-	3,490,103
2012	965,000	700,350	-	50,000	1,021,548	-	2,736,898
P J Fredricson							
2013	653,530	477,375	-	16,470	462,536	202,000	1,811,911
2012	590,225	292,395	-	15,775	290,755	-	1,189,150
R M Gersbach							
2013	707,608	505,080	11,922	16,470	522,376	228,667	1,992,123
2012	658,303	321,563	11,922	15,775	475,330	-	1,482,893
R A Wheals							
2013	390,000	239,663	-	25,000	193,639	60,000	908,302
2012	329,000	117,369	-	25,000	119,753	-	591,122
J L Ferguson							
2013	358,130	267,143	-	24,870	185,791	130,000	965,934
2012	295,422	119,747	-	50,578	117,801	-	583,548
K Lester ⁽³⁾							
2013	299,905	180,216	-	20,928	45,835	100,000	646,884
2012	-	-	-	-	-	-	-
S P Ohi ⁽⁴⁾							
2013	465,530	312,375	-	24,470	362,815	245,000	1,410,190
2012	415,377	182,125	4,848	49,775	337,336	-	989,461
M T Knapman							
2013	411,000	215,482	-	25,000	234,415	-	885,897
2012	366,000	132,922	-	50,000	215,843	-	764,765
P J Wallace							
2013	345,149	237,263	-	24,999	129,441	-	736,852
2012	272,243	147,345	-	41,257	60,110	-	520,955
Total Remuneration							
2013	4,798,352	3,566,910	11,922	203,207	3,302,138	965,667	12,848,196
2012	3,891,570	2,013,816	16,770	298,160	2,638,476	-	8,858,792

(1) Cash settled share-based payments.

(2) Other payments include the first instalment of Loyalty Payment.

(3) Kevin Lester joined APA as Group Executive Infrastructure Development on 6 August 2012.

(4) Stephen Ohi retired with effect from 1 July 2013. A termination payment of \$353,716 (representing the termination benefit of \$245,000 plus statutory entitlements) was not paid in FY 2013. The payment will be made in future years.

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Link between remuneration and APA's performance

The Board's key principle in establishing the remuneration structure of key management personnel is that remuneration should be linked to performance.

The following table provides financial information for the last five years reflecting the link between performance and remuneration:

Year ended 30 June	2013	2012	2011	2010	2009
EBITDA before significant items (\$m)	667.1	535.5	489.6	460.0	444.4
Profit before significant items (\$m)	178.7	140.3	108.9	100.4	99.7
Profit after significant items (\$m)	298.8	130.7	108.5	100.4	78.8
Earnings per security - normalised (cents)	23.1	21.9	19.7	19.4	22.7
Earnings per security - reported (cents)	38.7	20.4	19.7	19.4	16.2
OCFPS (cents)	56.0	52.5	52.6	51.9	48.2
Distribution per security (cents)	35.5	35.0	34.4	32.8	31.0
Closing security price at 30 June (\$)	5.99	4.99	4.07	3.60	2.75

Executive contracts

The terms of the contractual arrangements for each of the key management personnel are set out below:

Name and title and commencement date	Term and termination provisions/benefits
<p>Michael McCormack Managing Director since 1 July 2006 Chief Executive Officer 1 July 2005 to 30 June 2006 Commenced 1 March 2000</p>	<p>No defined term.</p> <p>On termination with cause APA will pay any TFR due and owing at the date of termination and any accrued leave entitlements.</p> <p>On termination without cause, APA will pay 52 weeks TRO, any incentives earned but not paid and all leave entitlements. APA will also pay any TRO due and owing at the date of termination.</p> <p>Mr McCormack is required to give APA twelve months' notice.</p>
<p>Peter Fredricson Chief Financial Officer Commenced 1 June 2009</p>	<p>No defined term.</p> <p>On termination with cause, APA will pay any TFR due and owing at the date of termination and any accrued leave entitlements.</p> <p>On termination without cause, APA will pay 13 weeks TFR, any notice period not worked, any bonus entitlement not yet paid and any accrued leave entitlement. APA will also pay any TRO due and owing at the date of termination.</p> <p>Mr Fredricson is required to give APA six months' notice.</p> <p>In return for increased notice, non-compete and non-solicitation provisions, and due to the critical nature of the role of Chief Financial Officer over the next three years with regard to the growth, integration and financial challenges facing APA, Mr Fredricson was placed on a loyalty and performance bonus for three years and became entitled to the payment of the first instalment in April 2013.</p>

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Name and title and commencement date	Term and termination provisions/benefits
<p>Ross Gersbach Chief Executive Strategy and Development Commenced 1 February 2008</p>	<p>No defined term.</p> <p>On termination with cause, APA will pay any TFR due and owing at the date of termination and any accrued leave entitlements.</p> <p>On termination without cause, APA will pay 13 weeks TFR, any notice period not worked, any bonus entitlement not yet paid and any accrued leave entitlement. APA will also pay any TRO due and owing at the date of termination.</p> <p>Mr Gersbach is required to give APA six months' notice.</p> <p>In return for increased notice, non-compete and non-solicitation provisions, and due to the critical nature of the role of Chief Executive Strategy and Development over the next three years with regard to the growth, integration and financial challenges facing APA, Mr Gersbach was placed on a loyalty and performance bonus for three years and became entitled to the first instalment in April 2013.</p>
<p>Robert Wheals Group Executive Transmission Commenced 22 September 2008</p>	<p>No defined term.</p> <p>On termination with cause, APA will pay any TFR due and owing at the date of termination and any accrued leave entitlements.</p> <p>On termination without cause, APA will pay 13 weeks TFR, any notice period not worked, any bonus entitlement not yet paid and any accrued leave entitlement. APA will also pay any TRO due and owing at the date of termination.</p> <p>Mr Wheals is required to give APA six months' notice.</p> <p>In return for increased notice, non-compete and non-solicitation provisions, and due to the critical nature of the role of Group Executive Transmission under the major restructure of the business, Mr Wheals was placed on a loyalty and performance bonus for two years and became entitled to the first instalment in April 2013.</p>
<p>John Ferguson Group Executive Networks Commenced 29 September 2008</p>	<p>No defined term.</p> <p>On termination with cause, APA will pay any TFR due and owing at the date of termination and any accrued leave entitlements.</p> <p>On termination without cause, APA will pay 13 weeks TFR, any notice period not worked, any bonus entitlement not yet paid and any accrued leave entitlement. APA will also pay any TRO due and owing at the date of termination.</p> <p>Mr Ferguson is required to give APA six months' notice.</p> <p>In return for increased notice, non-compete and non-solicitation provisions, and due to the critical nature of the role of Group Executive Networks under the major restructure of the business, Mr Ferguson was placed on a loyalty and performance bonus for two years and became entitled to the first instalment in April 2013.</p>

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Name and title and commencement date	Term and termination provisions/benefits
<p>Kevin Lester Group Executive Infrastructure Development Commenced 6 August 2012</p>	<p>No defined term.</p> <p>On termination with cause, APA will pay any TFR due and owing at the date of termination and any accrued leave entitlements.</p> <p>On termination without cause, APA will pay 13 weeks TFR, any notice period not worked, any bonus entitlement not yet paid and any accrued leave entitlement. APA will also pay any TRO due and owing at the date of termination.</p> <p>Mr Lester is required to give APA six months' notice.</p>
<p>Stephen Ohl Group Executive Strategic Projects Commenced 2 May 2005 Retired 1 July 2013</p>	<p>No defined term.</p> <p>On termination with cause, APA will pay any TFR due and owing at the date of termination and any accrued leave entitlements.</p> <p>On termination without cause, APA will pay 26 weeks TFR, any incentives earned but not paid on their due date and any accrued leave entitlement. APA will also pay any TRO due and owing at the date of termination.</p> <p>Mr Ohl was required to give APA six months' notice.</p>
<p>Mark Knapman Company Secretary Commenced 16 July 2008</p>	<p>No defined term.</p> <p>On termination with cause or following long-term illness or incapacity, APA will pay any TFR due and owing at the date of termination and any accrued leave entitlements.</p> <p>On termination without cause, APA will pay 26 weeks TFR, any incentives earned but not paid on their due date and any accrued leave entitlement. APA will also pay any TRO due and owing at the date of termination.</p> <p>Mr Knapman is required to give APA three months' notice.</p>
<p>Peter Wallace Group Executive Human Resources Commenced 4 April 2011</p>	<p>No defined term.</p> <p>On termination with cause, APA will pay any TFR due and owing at the date of termination and any accrued leave entitlements.</p> <p>On termination without cause, APA will pay 13 weeks TFR, any notice period not worked, any bonus entitlement not yet paid and any accrued leave entitlement. APA will also pay any TRO due and owing at the date of termination.</p> <p>Mr Wallace is required to give APA six months' notice.</p>

Remuneration advisers

During FY 2013, the following remuneration information was obtained:

- Egan & Associates were appointed by the Chairman of the Remuneration Committee to provide remuneration benchmarking information for all Directors;
- Ernst & Young were appointed by the Chairman of the Remuneration Committee to provide benchmarking information for the Chief Executive Officer and Managing Director and key management personnel; and
- CIMB Capital Markets (Australia) Limited were appointed by the Chairman of the Remuneration Committee for TSR information.

All these advisers were engaged directly on instruction from, and reported directly to, the Remuneration Committee and were independent and free from influence by key management personnel.

APT Pipelines Limited
Consolidated Statement of Profit or Loss and Other Comprehensive Income
For the financial year ended 30 June 2013

	Note	2013 \$000	2012 \$000
Continuing operations			
Revenue	6	1,224,924	1,030,928
Share of net profits of associates and jointly controlled entities accounted for using the equity method	6	11,409	6,745
		1,236,333	1,037,673
Gain on previously held interest in HDF on obtaining control		142,333	-
Asset operation and management expenses		(97,055)	(75,635)
Depreciation and amortisation expense	7	(130,461)	(110,409)
Other operating costs - pass-through	7	(352,743)	(302,633)
Finance costs	7	(312,792)	(247,121)
Employee benefit expense	7	(169,323)	(132,913)
Other expenses	7	(15,133)	(17,451)
Profit before tax		301,159	151,511
Income tax expense	9	(41,337)	(41,819)
Profit for the year		259,822	109,692
Other comprehensive income, net of income tax			
Items that will not be reclassified subsequently to profit or loss:			
Actuarial gain/(loss) on defined benefit plan		13,166	(32,677)
Income tax relating to items that will not be reclassified to profit and loss		(3,950)	9,804
		9,216	(22,873)
Items that may be reclassified subsequently to profit or loss:			
Gain on available-for-sale investment taken to equity		27,543	89,839
Gain on available-for-sale investment reclassified to profit or loss		(142,333)	-
Transfer of loss on cash flow hedges to profit or loss		91,438	48,983
Loss on cash flow hedges taken to equity		(144,702)	(116,626)
Gain/(loss) on associate hedges taken to equity		6,799	(12,253)
Income tax relating to other comprehensive income components		48,377	(2,983)
		(112,878)	6,960
Other comprehensive income in the year (net of tax)		(103,662)	(15,913)
Total comprehensive income for the year		156,160	93,779
Profit attributable to:			
Equityholders of the parent		237,396	78,418
Non-controlling - other		22,426	31,274
		259,822	109,692
Total comprehensive income attributable to:			
Equityholders of the parent		133,734	62,505
Non-controlling - other		22,426	31,274

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

APT Pipelines Limited
Consolidated Statement of Financial Position
As at 30 June 2013

	Note	2013 \$000	2012 \$000
Current assets			
Cash and cash equivalents	36	80,797	329,824
Trade and other receivables	11	359,144	399,165
Other financial assets	12	16,469	420
Inventories	13	12,726	11,504
Other	14	5,662	4,134
Total current assets		474,798	745,047
Non-current assets			
Receivables	15	34,318	22,244
Other financial assets	16	143,882	274,165
Investments accounted for using the equity method	17	218,172	212,570
Property, plant and equipment	18	5,280,411	3,472,198
Goodwill	19	1,150,500	411,883
Other intangible assets	20	177,015	183,659
Other	21	18,440	9,349
Total non-current assets		7,022,738	4,586,068
Total assets		7,497,536	5,331,115
Current liabilities			
Trade and other payables	22	1,188,418	638,101
Borrowings	23	81,519	578
Other financial liabilities	24	126,385	59,307
Provisions	25	81,943	67,466
Other	26	12,921	761
Total current liabilities		1,491,186	766,213
Non-current liabilities			
Trade and other payables	22	445,975	227,624
Borrowings	27	4,244,502	2,917,814
Other financial liabilities	28	177,256	286,592
Deferred tax liabilities	9	477,528	467,473
Provisions	25	50,242	64,067
Other	26	16,669	4,078
Total non-current liabilities		5,412,172	3,967,648
Total liabilities		6,903,358	4,733,861
Net assets		594,178	597,254

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

APT Pipelines Limited
Consolidated Statement of Financial Position (continued)
As at 30 June 2013

	Note	2013 \$000	2012 \$000
Equity			
APT Pipelines Limited equity:			
Issued capital	29	117,330	117,330
Reserves	30	(63,342)	49,536
Retained earnings	31	420,887	311,086
Equity attributable to securityholders of the parent		474,875	477,952
Non-controlling interest	32	119,303	119,302
Total equity		594,178	597,254

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

APT Pipelines Limited
Consolidated Statement of Changes in Equity
For the financial year ended 30 June 2013

	APT Pipelines Limited						Non-controlling interest					Total \$000
	Issued Capital \$000	Asset Revaluation Reserve \$000	Available-	Hedging Reserve \$000	Other Reserves \$000	Retained earnings \$000	Attributable of the parent \$000	Issued Capital \$000	Other Reserves \$000	Retained earnings \$000	Non- Controlling Interest \$000	
			for-sale									
			Investment Revaluation Reserve \$000									
Balance at 1 July 2011	117,330	8,669	17,466	16,441	-	285,107	445,013	119,257	1	278	119,536	564,549
Profit for the year	-	-	-	-	-	78,418	78,418	-	-	31,274	31,274	109,692
Other comprehensive income (net of tax)	-	-	62,887	(55,927)	-	(22,872)	(15,912)	-	-	-	-	(15,912)
Total comprehensive income for the year	-	-	62,887	(55,927)	-	55,546	62,506	-	-	31,274	31,274	93,780
Payment of distributions	-	-	-	-	-	(29,567)	(29,567)	-	-	(31,508)	(31,508)	(61,075)
Balance at 30 June 2012	117,330	8,669	80,353	(39,486)	-	311,086	477,952	119,257	1	44	119,302	597,254
Balance at 1 July 2012	117,330	8,669	80,353	(39,486)	-	311,086	477,952	119,257	1	44	119,302	597,254
Profit for the year	-	-	-	-	-	237,396	237,396	-	-	22,426	22,426	259,822
Other comprehensive income	-	-	(80,353)	(32,525)	-	9,216	(103,662)	-	-	-	-	(103,662)
Total comprehensive income for the year	-	-	(80,353)	(32,525)	-	246,612	133,734	-	-	22,426	22,426	156,160
Non-controlling interest on obtaining control of HDF	-	-	-	-	-	-	-	713,069	-	-	713,069	713,069
Acquisition of non-controlling interest	-	-	-	-	(2,765)	-	(2,765)	(713,069)	-	2,765	(710,304)	(713,069)
Transfer to retained earnings	-	-	-	-	2,765	(2,765)	-	-	-	-	-	-
Payment of dividends	-	-	-	-	-	(134,046)	(134,046)	-	-	(25,190)	(25,190)	(159,236)
Balance at 30 June 2013	117,330	8,669	-	(72,011)	-	420,887	474,875	119,257	1	45	119,303	594,178

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

APT Pipelines Limited
Consolidated Statement of Cash Flows
For the financial year ended 30 June 2013

	Note	2013 \$000	2012 \$000
<u>Cash flows from operating activities</u>			
Receipts from customers		1,347,848	1,104,155
Payments to suppliers and employees		(703,940)	(604,699)
Payments by HDF to Hastings Funds Management for management and performance fees		(31,590)	-
Payments by HDF for takeover defense costs		(26,668)	-
Dividends received		18,094	17,825
Proceeds from repayment of finance leases		4,724	3,131
Interest received		19,283	7,134
Interest and other costs of finance paid		(300,131)	(231,854)
Income tax paid		(141)	-
Net cash provided by operating activities	36(c)	327,479	295,692
<u>Cash flows from investing activities</u>			
Payments for property, plant and equipment		(397,451)	(249,112)
Proceeds from sale of property, plant and equipment		605	522
Payments for available-for-sale investments	36(b)	-	(11,665)
Payments for equity accounted investments	36(b)	-	207
Payments for controlled entities net of cash acquired	40	(265,321)	(5,714)
Payments for intangible assets		(1,107)	(443)
Proceeds from sale of businesses	41	411,364	475,523
Net cash (used in)/provided by investing activities		(251,910)	209,318
<u>Cash flows from financing activities</u>			
Proceeds from borrowings		2,822,243	1,999,697
Repayments of borrowings		(2,872,000)	(2,104,053)
Payments for early settlement of loans derivatives		(34,919)	-
Payment of debt issue costs		(25,867)	(13,819)
Distributions paid to:			
Securityholders of APT Pipelines Limited		(134,046)	(29,567)
Non-controlling interests		(38,441)	(31,509)
Repayment of related party payables		(41,566)	(91,253)
Net cash used in financing activities		(324,596)	(270,504)
Net (decrease)/increase in cash and cash equivalents		(249,027)	234,506
Cash and cash equivalents at beginning of financial year		329,824	95,318
Cash and cash equivalents at end of financial year	36(a)	80,797	329,824

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

APT Pipelines Limited

Notes to the consolidated financial statements

For the financial year ended 30 June 2013

1. General information

APT Pipelines Limited ("APTPL") is a subsidiary of Australian Pipeline Trust ("APT") which is a stapled entity of the APA Group ("APA"). APA is listed on the Australian Securities Exchange (trading under the code 'APA'), registered in Australia and operating in Australia.

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

Registered office and principal place of business

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

The principal activities of the Consolidated Entity during the course of the year were the ownership and operation of energy infrastructure, including:

- Energy infrastructure businesses located across Australia;
- Energy investments, including SEA Gas Pipeline, Ethane Pipeline Income Fund ("EPX"), EII 2 Pty Limited ("E112"), GDI (EII) Pty Ltd ("GDI"), Diamantina Power Station ("DPS"); and
- Asset management and operations services for the majority of APA's energy investments and other third parties.

APT Pipelines Limited
Notes to the consolidated financial statements (continued)
For the financial year ended 30 June 2013

2. Adoption of new and revised Accounting Standards

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

The following new and revised Standards and Interpretations have been adopted in the current period and have affected the amounts reported in these financial statements.

Standards affecting presentation disclosure

Standard	Impact
<ul style="list-style-type: none"> • Amendments to AASB 101 'Presentation of Financial Statements' 	<p>The amendment (part of AASB 2011-9 'Amendments to Australian Accounting Standards - Presentation of Items of Other Comprehensive Income') introduce new terminology for the statement of comprehensive income and income statement. Under the amendments to AASB 101, the statement of comprehensive income is renamed as a statement of profit or loss and other comprehensive income and the income statement is renamed as a statement of profit or loss. The amendments to AASB 101 retain the option to present profit or loss and other comprehensive income in either a single statement or in two separate but consecutive statements. However, the amendments to AASB 101 require items of other comprehensive income to be grouped into two categories in the other comprehensive income section: (a) items that will not be reclassified subsequently to profit or loss and (b) items that may be reclassified subsequently to profit or loss when specific conditions are met. Income tax on items of other comprehensive income is required to be allocated on the same basis - the amendments do not change the option to present items of other comprehensive income either before tax or net of tax. The amendments have been applied retrospectively, and hence the presentation of items of other comprehensive income has been modified to reflect the changes. Other than the above mentioned presentation changes, the application of the amendments to AASB 101 does not result in any impact on profit or loss, other comprehensive income and total comprehensive income.</p>
<ul style="list-style-type: none"> • Amendments to AASB 101 'Presentation of Financial Statements' 	<p>The amendments (part of AASB 2012-5 'Further Amendments to Australian Accounting Standards arising from Annual Improvements 2009-2011 Cycle') requires an entity that changes accounting policies retrospectively, or makes a retrospective restatement or reclassification to present a statement of financial position as at the beginning of the preceding period (third statement of financial position), when the retrospective application, restatement or reclassification has a material effect on the information in the third statement of financial position. The related notes to the third statement of financial position are not required to be disclosed.</p>

APT Pipelines Limited
Notes to the consolidated financial statements (continued)
For the financial year ended 30 June 2013

2. Adoption of new and revised Accounting Standards

(b) Standards and Interpretations affecting the reported results or financial position

There are no new and revised Standards and Interpretations adopted in these financial statements affecting the reporting results or financial position.

(c) Standards and Interpretations in issue not yet adopted

At the date of authorisation of the financial statements, the Standards and Interpretations listed below were in 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 2015	30 June 2016
• AASB 10 'Consolidated Financial Statements' Accounting Standards arising from the consolidation and Joint Arrangements standards'	1 January 2013	30 June 2014
• AASB 11 'Joint Arrangements' and AASB 2011-7 'Amendments to Australian Accounting Standards arising from the consolidation and Joint Arrangements standards'	1 January 2013	30 June 2014
• AASB 12 'Disclosure of Interests in Other Entities' and AASB 2011-7 'Amendments to Australian Accounting Standards arising from the consolidation and Joint Arrangements standards'	1 January 2013	30 June 2014
• AASB 127 'Separate Financial Statements' (2011) and AASB 2011-7 'Amendments to Australian Accounting Standards arising from the consolidation and Joint Arrangements standards'	1 January 2013	30 June 2014
• AASB 128 'Investments in Associates and Joint Ventures' (2011) and AASB 2011-7 'Amendments to Australian Accounting Standards arising from the consolidation and Joint Arrangements standards'	1 January 2013	30 June 2014
• AASB 13 'Fair Value Measurement' and AASB 2011-8 'Amendments to Australian Accounting Standards arising from AASB 13'	1 January 2013	30 June 2014
• AASB 119 'Employee Benefits' (2011) and AASB 2011-10 'Amendments to Australian Accounting Standards arising from AASB 119 (2011)'	1 January 2013	30 June 2014

APT Pipelines Limited
Notes to the consolidated financial statements (continued)
For the financial year ended 30 June 2013

2. Adoption of new and revised Accounting Standards

• AASB 2011-4 'Amendments to Australian Accounting Standards to Remove Individual Key Management Personnel Disclosure Requirements'	1 July 2013	30 June 2014
• AASB 2012-2 'Amendments to Australian Accounting Standards - Disclosures - Offsetting Financial Assets and Financial Liabilities'	1 January 2013	30 June 2014
• AASB 2012-3 'Amendments to Australian Accounting Standards - Offsetting Financial Assets and Financial Liabilities'	1 January 2014	30 June 2015
• AASB 2012-5 'Amendments to Australian Accounting Standards arising from Annual Improvements 2009-2011 Cycle'	1 January 2013	30 June 2014
• AASB 2012-10 'Amendments to Australian Accounting Standards - Transition Guidance and Other Amendments'	1 January 2013	30 June 2014
• AASB 2013-3 'Amendments to AASB 136 - Recoverable Amount Disclosures for Non-Financial Assets'	1 January 2014	30 June 2015

APA has yet to determine any change in accounting for existing arrangements under AASB 10, 11 and 12. In addition, should any arrangements take place which change existing interests and create new interests in controlled entities, the accounting for such transactions, may be different to that applied to transactions in the past.

Implementation of AASB 119 is expected to result in changes to the accounting treatment for APA's defined benefit superannuation plans. Under the revised standard, return on plan assets will be calculated based on the rate used to discount the obligations rather than the expected rate of return of these assets, which will have an impact on profit or loss. APA has obtained actuarial assessments which estimate the impact of the revised standard will be a \$5.2 million decrease in profit before tax for the financial year.

The potential impact of the initial application of the remaining above Standards has not yet been determined.

APT Pipelines Limited
Notes to the consolidated financial statements (continued)
For the financial year ended 30 June 2013

3. Significant accounting policies

Statement of compliance

The financial report is a general purpose financial report which has been prepared in accordance with the Corporations Act 2001, Accounting Standards and Interpretations, and complies with other requirements of the law.

The financial report represents the consolidated financial statements of the Group. For the purposes of preparing the consolidated financial report, the Group is a for-profit entity.

Accounting Standards include Australian equivalents to International Financial Reporting Standards ("A-IFRS"). Compliance with A-IFRS ensures that the financial report and notes of the consolidated entity comply with International Financial Reporting Standards ("IFRS").

The financial report was authorised for issue by the Directors on 21 August 2013.

Basis of preparation

The financial report has been prepared on the basis of historical cost, except for the revaluation of certain non-current assets and financial instruments. Cost is based on the fair values of the consideration given in exchange for assets. The financial report is presented in Australian dollars and all values are rounded to the nearest thousand dollars (\$000) unless otherwise stated under the option available to APA under ASIC Class Order 98/0100. APA is an entity to which the class order applies.

The following significant accounting policies have been adopted in the preparation and presentation of the financial report:

(a) Working Capital Position

The working capital position as at 30 June 2013 for the Consolidated Entity is a deficiency of current liabilities over current assets of \$1,016.4 million (June 2012: \$21.2 million). Excluding current related party loan balances held with Australian Pipeline Trust, the Consolidated Entity is in a net current assets deficit position of \$212.7 million which is primarily as a result of \$80.9 million (AUD equivalent) of USD denominated private placement notes due to mature on 9 September 2013 and \$126.4 million of cash flow hedge liabilities. The directors of APT, which are also the directors of APT Pipelines Limited, have agreed not to call the loans due so as not to affect the ability of APT Pipelines Limited to pay its debts as and when they fall due. The consolidated entity's refinancing strategies have ensured the Group has access to available committed, un-drawn bank facilities and a broad cross section of global debt capital markets out of which to achieve refinancing of its financing facilities.

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

(b) Basis of consolidation

The financial report represents the consolidated financial statements of the of the Company and entities (including special purpose entities) controlled by the Company (its subsidiaries) (referred to as the "Consolidated Entity" or "Group" in this financial report). Control is achieved where the Company has the power to govern the financial and operating policies of an entity so as to obtain benefits from its activities.

The results of controlled entities acquired during the financial year are included in the statement of comprehensive income from the effective date of acquisition.

Where necessary, adjustments are made to the financial reports of controlled entities to bring their accounting policies into line with those used by other members of the Group.

All intra-group transactions, balances, income and expenses are eliminated in full on consolidation.

APT Pipelines Limited
Notes to the consolidated financial statements (continued)
For the financial year ended 30 June 2013

3. Significant accounting policies

Non-controlling interests in the net assets (excluding goodwill) of consolidated controlled entities are identified separately from the Consolidated Entity's equity therein. Non-controlling interests consist of the amount of those interests at the date of the original business combination and the non-controllings share of changes in equity since the date of the combination. Losses applicable to the non-controlling interest in excess of its interest in the controlled entity's equity are allocated against the interests of the Consolidated Entity except to the extent that the non-controlling interest has a binding obligation and is able to make an additional investment to cover the losses.

(c) Business combinations

Acquisitions of businesses are accounted for using the acquisition method. The consideration for each acquisition is measured as the aggregate of the fair values (at the date of exchange) of assets given, liabilities incurred or assumed, and equity instruments issued by the Consolidated Entity in exchange for control of the acquiree. Acquisition costs directly attributable to the business combination are recognised in profit or loss as incurred.

Where applicable, the consideration for the acquisition includes any asset or liability resulting from a contingent consideration arrangement, measured at its acquisition-date fair value. Subsequent changes in fair values are adjusted against the cost of acquisition where they qualify as measurement period adjustments. All other subsequent changes in the fair value of contingent consideration classified as an asset or liability are accounted for in accordance with relevant standards. Changes in the fair value of contingent consideration classified as equity are not recognised.

Where a business combination is achieved in stages, the Consolidated Entity's previously held interests in the acquired entity are remeasured to fair value at the acquisition date and the resulting gains or losses, if any, are recognised in profit or loss. Amounts arising from interests in the acquiree prior to the acquisition date that have previously been recognised in other comprehensive income are reclassified to profit or loss, where such treatment would be appropriate if that interest were disposed of.

The acquiree's identifiable assets, liabilities and contingent liabilities that meet the conditions for recognition under AASB 3 are recognised at their fair value at the acquisition date, except that:

- deferred tax assets or liabilities and liabilities or assets related to employee benefit arrangements are recognised in accordance with AASB 112 'Income Taxes' and AASB 119 'Employee Benefits' respectively;
- liabilities or equity instruments related to the replacement by the consolidated entity of an acquiree's share-based payment awards are measured in accordance with AASB 2 'Share-based Payment'; and
- assets (or disposal groups) that are classified as held for sale in accordance with AASB 5 'Non-current Assets Held for Sale and Discontinued Operations' are measured in accordance with that standard.

If the initial accounting for a business combination is incomplete by the end of the reporting period in which the combination occurs, the Consolidated Entity reports provisional amounts for the items for which the accounting is incomplete. Those provisional amounts are adjusted for during the measurement period, or additional assets or liabilities are recognised, to reflect new information obtained about facts and circumstances that existed as of the acquisition date, that, if known, would have affected the amounts recognised as at that date.

The measurement period is the period from the date of acquisition to the date the Consolidated Entity obtains complete information about facts and circumstances that existed as of the acquisition date, and is subject to a maximum of one year.

APT Pipelines Limited
Notes to the consolidated financial statements (continued)
For the financial year ended 30 June 2013

3. Significant accounting policies

(d) Joint venture arrangements

Jointly controlled operations

Interests in jointly controlled operations are reported in the financial report by including the Consolidated Entity's share of assets employed in the joint ventures, the share of liabilities incurred in relation to joint ventures and the share of any expenses incurred in relation to joint ventures in their respective classification categories.

Jointly controlled entities

Interests in jointly controlled entities are accounted for under the equity method in the consolidated financial report and the cost method in APT Pipelines Limited's financial report.

(e) Investments in associates

An associate is an entity over which the Consolidated Entity has significant influence and that is neither a subsidiary nor a joint venture. The results and assets and liabilities of associates are accounted for using the equity method of accounting. Under the equity method, investments in associates are carried in the consolidated statement of financial position at cost as adjusted for post-acquisition changes in the Consolidated Entity's share of the net assets of the associate, less any impairment in the value of individual investments. Losses of an associate in excess of the Consolidated Entity's interest are recognised only to the extent that there is a legal or constructive obligation or the Consolidated Entity has made payments on behalf of the associate.

Any excess of the cost of acquisition over the Consolidated Entity's share of the net fair value of identifiable assets, liabilities and contingent liabilities of the associate recognised at the date of acquisition is recognised as goodwill. This is included within the carrying amount of the investment and is assessed for impairment as part of that investment. Any excess of the Consolidated Entity's share of the net fair value of assets and liabilities over the cost of acquisition after reassessment is recognised immediately in profit or loss.

(f) Financial assets and liabilities

Available-for-sale financial assets

Certain shares and redeemable notes held by the Group are classified as being available-for-sale and are stated at fair value. Gains and losses arising from changes in fair value are recognised directly in the available-for-sale investment revaluation reserve with the exception of impairment losses, interest calculated using the effective interest method and foreign exchange gains and losses on monetary assets which are recognised directly in profit or loss. Where the investment is disposed of or is determined to be impaired, the cumulative gain or loss previously recognised in the available-for-sale investment revaluation reserve is included in profit or loss for the period. Dividends on available-for-sale equity instruments are recognised in profit or loss when the Group's right to receive the dividends is established. The change in fair value attributable to translation differences that result from a change in amortised cost of the asset is recognised in profit or loss, and other changes are recognised in equity.

Loans and receivables

Trade receivables, loans, and other receivables that have fixed or determinable payments that are not quoted in an active market are classified as 'loans and receivables'. Trade and other receivables are stated at their amortised cost less impairment.

Trade and other payables

Trade and other payables are recognised when the Consolidated Entity becomes obliged to make future payments resulting from the purchase of goods and services. Trade and other payables are stated at amortised cost.

APT Pipelines Limited
Notes to the consolidated financial statements (continued)
For the financial year ended 30 June 2013

3. Significant accounting policies

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 there is objective evidence that as a result of one or more events that occurred after the initial recognition of the financial asset the estimated future cash flows of the investments have been 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 financial assets including uncollectible trade receivables is reduced by the impairment loss through the use of an allowance account. Subsequent recoveries of amounts previously written off are credited against the allowance account. Changes in the carrying amount of the allowance account are recognised in 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.

(g) Cash and cash equivalents

Cash comprises cash on hand and demand deposits. Cash equivalents are short-term, highly liquid investments that are readily convertible to known amounts of cash, which are subject to insignificant risk of changes in values.

(h) Acquisition of assets

Assets acquired are recorded at the cost of acquisition, being the purchase consideration determined as at the date of acquisition. Cost includes expenditure that is directly attributable to the acquisition or construction of the asset.

In the event that settlement of all or part of the cash consideration given in the acquisition of an asset is deferred, the fair value of the purchase consideration is determined by discounting the amounts payable in the future to their present values as at the date of acquisition.

(i) Borrowings

Borrowings are recorded initially at fair value, net of transaction costs. Subsequent to initial recognition, borrowings are measured at amortised cost with any difference between the initial recognised amount and the redemption value being recognised in the statement of profit or loss and other comprehensive income over the period of the borrowing using the effective interest method.

(j) Borrowing costs

Borrowing costs directly attributable to the acquisition, construction or production of qualifying assets, which are assets that necessarily 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. Investment income earned on the temporary investment of specific borrowings pending their expenditure on qualifying assets is deducted from the borrowing costs eligible for capitalisation.

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

APT Pipelines Limited
Notes to the consolidated financial statements (continued)
For the financial year ended 30 June 2013

3. Significant accounting policies

(k) Property, plant and equipment

Land and buildings held for use are carried in the consolidated statement of financial position at cost, less any subsequent accumulated depreciation and impairment losses.

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

(l) Depreciation

Depreciation is provided on property, plant and equipment, including freehold buildings but 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. 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.

(m) Employee benefits

Provision is made for benefits accruing to employees in respect of wages and salaries, incentives, annual leave, long service leave and sick leave when it is probable that settlement will be required and they are capable of being measured reliably. Provisions made in respect of employee benefits expected to be settled within 12 months, are measured at their nominal values using the remuneration rates expected to apply at the time of settlement. Provisions made in respect of employee benefits which are not expected to be settled within 12 months are measured as the present value of the estimated future cash outflows to be made by the Consolidated Entity in respect of services provided by employees up to reporting date.

Defined contribution plans

Contributions to defined contribution plans are expensed when incurred.

Defined benefit plans

For defined benefit plans, the cost of providing benefits is determined using the projected unit credit method, with actuarial valuations being carried out at each reporting date. Actuarial gains and losses are recognised directly to retained earnings in the period in which they occur.

Past service cost is recognised immediately to the extent that the benefits are already vested, and otherwise amortised on a straight-line basis over the average period until the benefits become vested.

The defined benefit obligation recognised in the consolidated statement of financial position represents the present value of the defined benefit obligation, adjusted for unrecognised actuarial gains and losses and unrecognised past service costs, net of the fair value of the plan assets. Any asset resulting from this calculation is limited to unrecognised actuarial losses and past service cost, plus the present value of available refunds and reductions in future contributions to the plan.

APT Pipelines Limited
Notes to the consolidated financial statements (continued)
For the financial year ended 30 June 2013

3. Significant accounting policies

(n) Intangible assets

Intangible assets acquired separately

Intangible assets acquired separately are carried 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.

Intangible assets acquired in a business combination

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. Subsequent to initial recognition, intangible assets acquired in a business combination are reported at cost less accumulated amortisation and accumulated impairment losses, on the same basis as intangible assets acquired separately.

(o) Derivative financial instruments

The Group enters into a variety of derivative financial instruments to manage its exposure to interest rate and foreign exchange rate risk, including foreign exchange forward contracts and interest rate swaps. Further details of derivative financial instruments are disclosed in Note 37.

Derivatives are initially recognised at fair value at the date a derivatives contract is entered into and subsequently remeasured to their 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. The Consolidated Entity designates certain derivatives as hedges of the fair value of recognised assets or liabilities or firm commitments (fair value hedges) or, hedges of highly probable forecast transactions or of foreign currency risk of firm commitments (cash flow hedges).

The fair value of hedging derivatives is classified as a non-current asset or a non-current liability if the remaining maturity of the hedge relationship is more than 12 months and as a current asset or a current liability if the remaining maturity of the hedge relationship is less than 12 months. Derivatives not designated into an effective hedge relationship are classified as a current asset or a current liability.

Embedded derivatives

Derivatives embedded in other financial instruments or other host contracts are treated as separate derivatives when their risks and characteristics are not closely related to those of the host contracts and the host contracts are not measured at fair value with changes in fair value recognised in profit or loss.

Hedge accounting

The Consolidated Entity designates certain hedging instruments, which include derivatives, embedded derivatives and non-derivatives in respect of foreign currency risk, as either fair value hedges or cash flow hedges.

Hedges of foreign exchange and interest rate risk on firm commitments are accounted for as cash flow hedges.

At the inception of the hedge relationship, the Consolidated Entity documents the relationship between the hedging instrument and hedged item, along with its risk management objectives and its strategy for undertaking various hedge transactions. Furthermore, at the inception of the hedge and on an ongoing basis, the Consolidated Entity documents whether the hedging instrument that is used in the hedging relationship is highly effective in offsetting changes in fair values or cash flows of the hedged item.

Note 37 contains details of the fair values of the derivative instruments used for hedging purposes. Movements in the hedging reserve in equity are also detailed in Note 31.

APT Pipelines Limited
Notes to the consolidated financial statements (continued)
For the financial year ended 30 June 2013

3. Significant accounting policies

Fair value hedges

Changes in the fair value of derivatives that are designated and qualify as fair value hedges are recorded in profit or loss immediately, together with any changes in the fair value of the hedged item that is attributable to the hedged risk. Hedge accounting is discontinued when the Consolidated Entity revokes the hedging relationship or the hedging instrument expires or is sold, terminated, or exercised, or no longer qualifies for hedge accounting. The adjustment to the carrying amount of the hedged item arising from the hedged risk is amortised to profit or loss from that date.

Cash flow hedges

The effective portion of changes in the fair value of derivatives that are designated and qualify as cash flow hedges is deferred in equity. The gain or loss relating to the ineffective portion is recognised immediately in profit or loss as part of other expenses or other income.

Amounts deferred in equity are recycled in profit or loss in the periods when the hedged item is recognised in profit or loss in the same line of the statement of comprehensive income as the recognised hedged item. However, when the forecast transaction that is hedged results in the recognition of a non-financial asset or a non-financial liability, the gains and losses previously deferred in equity are transferred from equity and included in the initial measurement of the cost of the asset or liability.

Hedge accounting is discontinued when the Consolidated Entity revokes the hedging relationship or the hedging instrument expires or is sold, terminated, or exercised, or no longer qualifies for hedge accounting. Any cumulative gain or loss deferred in equity at that time remains in equity and is recognised when the forecast transaction is ultimately recognised in profit or loss. When a forecast transaction is no longer expected to occur, the cumulative gain or loss that was deferred in equity is recognised immediately in profit or loss.

(p) Financial instruments issued by the Consolidated Entity

Debt and equity instruments

Debt and equity instruments are classified as either liabilities or equity in accordance with the substance of the contractual arrangement. An equity instrument is any contract that evidences a residual interest in the assets of an entity after deducting all of its liabilities. Equity instruments issued by the Consolidated Entity are recorded at the proceeds received, net of direct issue costs.

Financial guarantee contract liabilities

Financial guarantee contract liabilities are measured initially at their fair values and subsequently at the higher of the amount recognised as a provision and the amount initially recognised less cumulative amortisation in accordance with the revenue recognition policies.

Transaction costs arising on the issue of equity instruments

Transaction costs arising on the issue of equity instruments are recognised directly in equity as a reduction of the proceeds of the equity instruments to which the costs relate. Transaction costs are the costs that are incurred directly in connection with the issue of those equity instruments and which would not have been incurred had those instruments not been issued.

Interest and distributions

Interest and distributions are classified as expenses or as distributions of profit consistent with the consolidated statement of financial position classification of the related debt or equity instruments or component parts of compound instruments.

APT Pipelines Limited
Notes to the consolidated financial statements (continued)
For the financial year ended 30 June 2013

3. Significant accounting policies

(q) Foreign currency transactions

Both the functional and presentation currency of the Company 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 that date and resulting exchange differences are recognised in profit or loss in the period in which they arise.

(r) Goods and services tax

Revenues, expenses and assets are recognised net of the amount of goods and services tax ("GST"), except:

- where the amount of GST incurred is not recoverable from the taxation authority, it is recognised as part of the cost of acquisition of an asset or as part of an item of expense; or
- for receivables and payables which 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.

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

(s) Goodwill

Goodwill arising in a business combination is recognised as an asset at the acquisition date. Goodwill is measured as the excess of the sum of the consideration transferred, the amount of any non-controlling interests in the acquiree, and the fair value of the acquirer's previously held equity interest in the acquiree (if any) over the net of the acquisition-date amounts of the identifiable assets acquired and the liabilities assumed.

If, after reassessment, the Consolidated Entity's interest in the fair value of the acquiree's identifiable net assets exceeds the sum of the consideration, the amount of any non-controlling interests in the acquiree and the fair value of the acquirer's previously held equity interest, the excess is recognised immediately in the profit or loss as a bargain purchase gain.

On disposal of a subsidiary, the attributable amount of goodwill is included in the determination of the profit or loss on disposal.

(t) Impairment of assets

Goodwill and intangible assets that have an indefinite useful life are not subject to amortisation and are tested annually for impairment, or more frequently if events or changes in circumstances indicate that they might be impaired. Other assets are reviewed for impairment whenever events or changes in circumstances indicate that the carrying amount may not be recoverable. An impairment loss is recognised for the amount by which the asset's carrying amount exceeds its recoverable amount. The recoverable amount is the higher of an asset's fair value less costs to sell, and value in use. For the purposes of assessing impairment, assets are grouped at the lowest levels for which there are separately identifiable cash inflows which are largely independent of the cash inflows from other assets or groups of assets (cash-generating units). Assets other than goodwill that suffered an impairment are reviewed for possible reversal of the impairment at each reporting period.

(u) Distributions

A provision is recognised for distributions only when they have been declared, determined or publicly recommended by the Directors.

APT Pipelines Limited
Notes to the consolidated financial statements (continued)
For the financial year ended 30 June 2013

3. Significant accounting policies

(v) Inventories

Inventories are stated at the lower of cost and net realisable value. Costs, including an appropriate portion of fixed and variable overhead expenses, are assigned to inventories by the method most appropriate to each particular class of inventory, with the majority being valued on a first-in, first-out basis. Net realisable value represents the estimated selling price for the inventories less all estimated costs of completion and costs necessary to make the sale.

(w) Security-based payments

The 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.

(x) Income tax

Income tax on the profit or loss for the financial year comprises current and deferred tax. Income tax is recognised in the statement of profit or loss and other comprehensive income except to the extent that it relates to items recognised directly in equity, in which case it is recognised in equity. Current tax is the expected tax payable on the taxable income for the financial year, using tax rates enacted or substantively enacted by the end of the reporting period, and any adjustment to tax payable in respect of previous financial years. Current tax for current and prior periods is recognised as a liability (or asset) to the extent that it is unpaid (or refundable).

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: initial recognition of goodwill, initial recognition of assets or liabilities that affect neither accounting nor taxable profit, and differences relating to investments in wholly-owned entities to the extent that they will probably not reverse in the foreseeable future. The amount of deferred tax provided is based on the expected manner of realisation or settlement of the carrying amount of assets and liabilities, using the tax rates enacted or substantively enacted by 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. Deferred tax assets are reduced to the extent that it is no longer probable that the related tax benefit will be realised.

Tax consolidation

The Company and its wholly-owned Australian tax resident entities are part of a tax-consolidated group under Australian taxation law. The head entity within the tax-consolidated group is Australian Pipeline Trust.

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.

APT Pipelines Limited
Notes to the consolidated financial statements (continued)
For the financial year ended 30 June 2013

3. Significant accounting policies

(y) Leased assets

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.

Group as 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.

Group as 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.

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.

(z) Provisions

A provision is recognised when there is a legal, equitable or constructive obligation as a result of a past event, it is probable that a future sacrifice of 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.

APT Pipelines Limited
Notes to the consolidated financial statements (continued)
For the financial year ended 30 June 2013

3. Significant accounting policies

(aa) Revenue recognition

Revenue is recognised to the extent that it is probable that the economic benefits will flow to the Consolidated Entity and the revenue 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:

Sales revenue

Sales revenue represents revenue earned for the transportation of gas, generation of electricity and other related services and is recognised when the services are provided.

Pass-through revenue

Pass-through revenue is revenue on which no margin is earned and is offset by corresponding pass-through costs.

Interest revenue

Interest revenue is recognised as it accrues using the effective interest method.

Sale of non-current assets

The net gain or loss on sale of a non-current asset is included as income at the date control of an asset passes to the buyer. This is usually when an unconditional contract of sale is signed. The gain or loss on disposal is calculated as the difference between the carrying amount of the asset at the time of disposal and the net proceeds on disposal (including incidental costs).

Dividend revenue

Dividend revenue is recognised when the right to receive a dividend has been established.

Finance lease income

Finance lease income 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.

APT Pipelines Limited

Notes to the consolidated financial statements (continued)

For the financial year ended 30 June 2013

4. Critical accounting judgements and key sources of estimation uncertainty

In the application of the Consolidated Entity's accounting policies, management is required to make judgements, estimates and assumptions about the carrying values of assets and liabilities that are not readily apparent from other sources. The estimates and associated assumptions are based on historical experience and other factors that are considered to be relevant. Actual results may differ from estimates.

The estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to accounting estimates are recognised in the period in which the estimate is revised if the revision affects only that period, or in the period of the revision and future periods if the revision affects both current and future periods.

Impairment of assets

Determining whether property, plant and equipment, identifiable intangible assets and goodwill are impaired requires an estimation of the value-in-use or fair value of the cash-generating units. The calculations require the Consolidated Entity to estimate the future cash flows expected to arise from cash-generating units and suitable discount rates in order to calculate the present value of cash-generating units.

Estimates and assumptions used are reviewed on an ongoing basis.

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.

Useful lives of non-current assets

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

APT Pipelines Limited
Notes to the consolidated financial statements (continued)
For the financial year ended 30 June 2013

5. Segment information

The Consolidated Entity operates in one geographical segment, being Australia.

(a) Description of reportable segments

The Consolidated Entity comprises the following reportable segments:

- energy infrastructure;
- asset management; and
- energy investments.

(b) Reportable segments

2013	Energy Infrastructure ^(a) \$000	Asset management \$000	Energy investments ^(f) \$000	Consolidated \$000
Segment revenue ^(b)				
External sales revenue	770,532	82,293	-	852,825
Equity accounted net profits	-	-	11,409	11,409
Pass-through revenue	8,449	344,294	-	352,743
Finance lease and investment interest income	3,822	-	1,144	4,966
Distribution - other entities	-	-	2,744	2,744
Total segment revenue	782,803	426,587	15,297	1,224,687
Other interest income				11,646
Consolidated revenue				1,236,333
Segment result				
Earnings before interest, tax, depreciation and amortisation ("EBITDA")	528,333	42,984	145,075	716,392
Share of net profits of associates and jointly controlled entities accounted for using the equity method	-	-	11,409	11,409
Finance lease and investment interest income	3,822	-	1,144	4,966
Total EBITDA	532,155	42,984	157,628	732,767
Depreciation and amortisation	(125,671)	(4,790)	-	(130,461)
Earnings before interest and tax ("EBIT")	406,484	38,194	157,628	602,306
Net finance costs ^(c)				(301,147)
Profit before tax				301,159
Income tax expense				(41,337)
Profit for the year				259,822

APT Pipelines Limited
Notes to the consolidated financial statements (continued)
For the financial year ended 30 June 2013

5. Segment information

	Energy Infrastructure	Asset management	Energy investments	Consolidated
2013	\$000	\$000	\$000	\$000
Segment assets and liabilities				
Segment assets	6,619,200	235,631	10,685	6,865,516
Carrying value of investments accounted for using the equity method			218,172	218,172
Unallocated assets ^(d)				413,848
Total assets				7,497,536
Segment liabilities	354,847	70,885	-	425,732
Unallocated liabilities ^(e)				6,477,626
Total liabilities				6,903,358

(a) Revenue of \$32.9 million, expenses of \$12.3 million, profit before income tax of \$18.2 million, profit after income tax of \$13.4 million are attributable to the Moomba Adelaide Pipeline System which was acquired in October 2012 divested in May 2013. Included within asset operation and management expenses are significant items of \$18.6 million resulting from the write back of transaction costs relating to the prior year divestment of the APA Gas Networks business and \$12.4 million of transaction costs on acquisition of HDF.

(b) The revenue reported above represents revenue generated from external customers, any intersegment sales were immaterial

(c) 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.

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

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

(f) Included in EBITDA for energy investments is a significant item of \$142.3 million gain on the previously held interest in HDF on obtaining control.

	Energy Infrastructure ^(a)	Asset management	Energy investments	Consolidated
2012	\$000	\$000	\$000	\$000
Segment revenue ^(b)				
External sales revenue	638,333	69,296	-	707,629
Equity accounted net profits	-	-	6,745	6,745
Pass-through revenue	6,626	296,007	-	302,633
Finance lease and investment interest income	2,817	-	621	3,438
Distribution - other entities	-	-	10,976	10,976
Total segment revenue	647,776	365,303	18,342	1,031,421
Other interest income				6,252
Consolidated revenue				1,037,673

Segment result

Earnings before interest, tax, depreciation and amortisation ("EBITDA")	453,717	27,910	10,979	492,606
Share of net profits of associates and jointly controlled entities accounted for using the equity method	-	-	6,745	6,745
Finance lease and investment interest income	2,817	-	621	3,438
Total EBITDA	456,534	27,910	18,345	502,789
Depreciation and amortisation	(105,620)	(4,789)	-	(110,409)
Earnings before interest and tax ("EBIT")	350,914	23,121	18,345	392,380
Net finance costs ^(c)				(240,869)
Profit before tax				151,511
Income tax expense				(41,819)
Profit for the year				109,692

APT Pipelines Limited
Notes to the consolidated financial statements (continued)
For the financial year ended 30 June 2013

5. Segment information

2012	Energy Infrastructure ^(a) \$000	Asset management \$000	Energy investments \$000	Consolidated \$000
Segment assets and liabilities				
Segment assets	4,016,715	244,106	366,658	4,627,479
Carrying value of investments accounted for using the equity method	-	-	212,570	212,570
Unallocated assets ^(d)				491,066
Total assets				5,331,115
Segment liabilities	229,604	81,272	-	310,876
Unallocated liabilities ^(e)				4,422,985
Total liabilities				4,733,861

(a) Revenue of \$30.7 million, expenses of \$10.5 million, profit before income tax of \$14.2 million, profit after income tax of \$10.0 million are attributable to the Allgas business which was divested into the APA minority owned unlisted investment vehicle GDI (EII) Pty Ltd in December 2011. Within Asset operation and expenses a significant item of \$9.7 million results management from transaction costs incurred on the divestment of the APA Gas Networks business of \$21.7 million offsetting a gain on sale of \$12.0 million.

(b) The revenue reported above represents revenue generated from external customers, any intersegment sales were immaterial

(c) 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.

(d) Unallocated assets consist of cash and cash equivalents, current tax assets, fair value of interest rate swaps and foreign exchange contracts

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

(c) Other segment information

Revenue from major products and services

The revenue from major products and services is shown by the reportable segments. No further analysis is required.

Information about major customers

Included in revenues arising from energy infrastructure of \$770.5 million (2012: \$638.3 million) are revenues of approximately \$373.8 million (2012: \$266.6 million) which arose from sales to the Consolidated Entity's top three customers.

APT Pipelines Limited
Notes to the consolidated financial statements (continued)
For the financial year ended 30 June 2013

6. Revenue

An analysis of the Consolidated Entity's revenue for the year is as follows:

Continuing operations

	2013 \$000	2012 \$000
Operating revenue		
Energy infrastructure revenue:		
• energy infrastructure revenue	769,895	637,798
• pass-through revenue	8,449	6,626
	778,344	644,424
Asset management revenue:		
• asset management revenue	82,293	69,296
• pass-through revenue	344,294	296,007
	426,587	365,303
	1,204,931	1,009,727
Finance income		
Interest	11,646	6,252
Redeemable preference shares (GDI) interest income	1,144	621
Finance lease income	3,822	2,817
	16,612	9,690
Dividends		
Other entities	2,744	10,976
Other income		
Rental income	637	535
	1,224,924	1,030,928
Share of net profits of associates and jointly controlled entities accounted for using the equity method	11,409	6,745
	1,236,333	1,037,673

APT Pipelines Limited
Notes to the consolidated financial statements (continued)
For the financial year ended 30 June 2013

7. Expenses

Profit before tax includes the following expenses:

	2013	2012
	\$000	\$000
Depreciation and amortisation expense		
Depreciation of non-current assets	124,787	104,459
Amortisation of non-current assets	5,674	5,950
	130,461	110,409
Other operating costs - pass-through		
Gas pipeline costs	8,449	6,626
Management, operating and maintenance costs	344,294	296,007
	352,743	302,633
Finance costs		
Interest on bank overdrafts and borrowings	316,438	225,517
Interest on related party loans	9,592	5,864
Amortisation of deferred borrowing costs	9,257	16,013
Finance lease charges	587	614
Other finance costs	9,378	9,061
	345,252	257,070
Less: amounts included in the cost of qualifying assets	(25,020)	(11,136)
	320,232	245,934
(Gain)/loss on derivatives	(8,178)	507
Unwinding of discount on non-current liabilities	738	681
	312,792	247,121
The average interest rate on funds borrowed (excluding related party loans) is 7.77% p.a. (2012: 8.14% p.a.) including amortisation of borrowing costs and other finance costs.		
Employee benefit expense		
Post-employment benefits:		
Defined contribution plans	9,176	6,863
Defined benefit plans	(45)	1,145
	9,131	8,008
Termination benefits	4,941	1,384
Cash settled share-based payments	26,568	17,843
Other employee benefits	128,683	105,678
	169,323	132,913
Other expenses		
Doubtful debts	805	-
Impairment of intangibles	2,075	473
Impairment of goodwill ^(a)	1,867	-
Loss on disposal of property, plant and equipment	480	278
Other	9,906	16,700
	15,133	17,451

(a) Impairment relates to a reassessment of renewal opportunities beyond current contracted terms for minor contracts in the asset management business.

APT Pipelines Limited
Notes to the consolidated financial statements (continued)
For the financial year ended 30 June 2013

8. Significant items

Individually significant revenue/(expenses) included in profit after related income tax expense are as follows:

	2013 \$000	2012 \$000
Significant (expense)/income items		
Profit on sale of Allgas Distribution Network before transaction costs	-	12,032
Write back/(transaction costs) on sale of Allgas Distribution Network	18,588	(21,695)
Gain on previously held interest in HDF on obtaining control	142,333	-
Transaction costs on acquisition of HDF	(12,404)	-
Integration costs on acquisition of HDF	(4,481)	-
Significant items incurred by APA Group	144,036	(9,663)
Management and performance fees charged to HDF by Hastings Funds Management	(35,438)	-
Takeover response costs incurred by HDF	(6,913)	-
Significant items incurred by HDF	(42,351)	-
Total significant items impacting EBITDA	101,685	(9,663)
Significant items impacting finance costs:		
Gain on settlement of HDF interest rate swaps	8,713	-
Profit/(loss) from significant items before income tax	110,398	(9,663)
Income tax related to significant items above	2,818	-
Write back of deferred tax on obtaining control of HDF	6,814	-
Profit/(loss) from significant items after income tax	120,030	(9,663)

APT Pipelines Limited
Notes to the consolidated financial statements (continued)
For the financial year ended 30 June 2013

9. Income tax

Income tax recognised in profit or loss

	2013 \$000	2012 \$000
Tax expense/(income) comprises:		
Current tax expense/(income) in respect of the current year	7,608	(1,575)
Adjustments recognised in the current year in relation to current tax of prior years	(7,814)	545
	(206)	(1,030)
Deferred tax expense relating to the origination and reversal of temporary differences	41,543	42,849
Total tax expense	41,337	41,819
Attributable to:		
Profit from continuing operations	41,337	41,819

The prima facie income tax expense on pre-tax accounting profit from operations reconciles to the income tax expense in the financial statements as follows:

Profit before tax	301,159	151,512
Income tax expense calculated at 30%	90,348	45,454
Non deductible expenses	7,903	5,245
Non assessable income	(49,100)	(9,425)
	49,151	41,274
Adjustment recognised in the current year in relation to the current tax of prior years	(7,814)	545
	41,337	41,819

The tax rate used in the above reconciliation is the corporate tax rate of 30% payable by Australian corporate entities on taxable profits under the Australian tax law. There has been no change in the corporate tax rate when compared with the previous reporting period.

APT Pipelines Limited
Notes to the consolidated financial statements (continued)
For the financial year ended 30 June 2013

9. Income tax

Income tax recognised directly in equity

The following deferred amounts were charged/(credited) directly to equity during the period:

	2013 \$000	2012 \$000
Deferred income tax		
Revaluation of financial instruments treated as cash flow hedges	(13,940)	(23,969)
Actuarial movements on defined benefit plans	3,950	(9,804)
Revaluation of available-for-sale financial assets	(34,437)	26,952
Income tax (benefit)/expense reported in equity	(44,427)	(6,821)
Deferred tax balances		
Deferred tax liabilities		
Temporary differences	(549,435)	(509,938)
	(549,435)	(509,938)
Deferred tax assets		
Temporary differences	71,907	42,465
	71,907	42,465
	(477,528)	(467,473)

Deferred tax balances

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

	Opening balance \$000	Charged to income \$000	Charged to equity \$000	Acquisitions/ disposals \$000	Transfer to head Entity \$000	Closing balance \$000
2013						
Gross deferred tax liabilities						
Intangible assets	(4,598)	623	-	-	-	(3,975)
Property, plant and equipment	(418,242)	(46,493)	-	(33,193)	-	(497,928)
Deferred expenses	(59,129)	(7,751)	-	19,348	-	(47,532)
Available for sale investments	(34,437)	-	34,437	-	-	-
	(516,406)	(53,621)	34,437	(13,845)	-	(549,435)
Gross deferred tax assets						
Provisions	30,076	5,244	-	1,033	-	36,353
Cash flow hedges	12,409	(12,926)	14,979	13,063	-	27,525
Defined benefit obligation	12,389	(1,520)	(3,950)	-	-	6,919
Deferred revenue	(510)	978	-	-	-	468
Investments equity accounted	1,128	487	(1,039)	-	-	576
Other	(6,559)	6,589	-	36	-	66
Tax losses	-	13,226	-	114,919	(128,145)	-
	48,933	12,078	9,990	129,051	(128,145)	71,907
Net deferred tax liability	(467,473)	(41,543)	44,427	115,206	(128,145)	(477,528)

APT Pipelines Limited
Notes to the consolidated financial statements (continued)
For the financial year ended 30 June 2013

9. Income tax

	2013 \$000	2012 \$000				
Presented in the statement of financial position as follows:						
Deferred tax liabilities attributable to:						
Continuing operations	(477,528)	(467,473)				
	(477,528)	(467,473)				
Deferred tax assets attributable to:						
Continuing operations	-	-				
	-	-				
	(477,528)	(467,473)				
Deferred tax (liabilities)/assets arise from the following:						
	Opening balance \$000	Charged to income \$000	Charged to equity \$000	Transfer to head entity \$000	Acquisitions/ disposals \$000	Closing balance \$000
2012						
Gross deferred tax liabilities						
Intangible assets	(4,740)	142	-	-	-	(4,598)
Property, plant and equipment	(442,190)	(34,842)	-	-	58,790	(418,242)
Deferred revenue	(747)	237	-	-	-	(510)
Deferred expenses	(41,239)	(18,079)	-	-	189	(59,129)
Cash flow hedges	(7,877)	(449)	20,735	-	-	12,409
Investments equity accounted	(1,941)	(165)	3,234	-	-	1,128
Available for sale investments	(7,485)	-	(26,952)	-	-	(34,437)
Other	(4,290)	(2,269)	-	-	-	(6,559)
	(510,509)	(55,425)	(2,983)	-	58,979	(509,938)
Gross deferred tax assets						
Provisions	26,927	3,149	-	-	-	30,076
Defined benefit obligation	3,770	(1,185)	9,804	-	-	12,389
Tax losses	-	10,611	-	(10,697)	86	-
	30,697	12,575	9,804	(10,697)	86	42,465
Net deferred tax liability	(479,812)	(42,850)	6,821	(10,697)	59,065	(467,473)

APT Pipelines Limited

Notes to the consolidated financial statements (continued)

For the financial year ended 30 June 2013

9. Income tax

Tax consolidation

Relevance of tax consolidation to the Group

The parent of APT Pipelines Limited, Australian Pipeline Trust and its wholly-owned Australian resident entities formed a tax-consolidated group with effect from 1 July 2003 and are therefore taxed as a single entity from that date. The head entity within the tax-consolidated group is Australian Pipeline Trust. Members of the tax-consolidated group are identified at Note 39.

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, Australian Pipeline Trust and each of the entities in the tax-consolidated group have agreed to pay a tax equivalent payment to or from the head entity, based on the current tax liability or current tax asset of the entity. Such amounts are reflected in amounts receivable from or payable to other entities in the tax-consolidated group.

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

APT Pipelines Limited
Notes to the consolidated financial statements (continued)
For the financial year ended 30 June 2013

10. Dividends

Recognised amounts

	APT Pipelines Limited			
	2013	2013	2012	2012
	cents per	Total	cents per	Total
	security	\$000	security	\$000
Final dividend paid on 21 August 2012				
(2012: 23 August 2011)				
Dividend ^(a)	36.9	22,904	16.8	10,447
Interim dividend paid on 20 February 2013				
(2012: 21 February 2012)				
Dividend ^(a)	178.9	111,142	30.8	19,120

Unrecognised amounts

Final dividend payable on 21 August 2013				
(2012: 22 August 2012)				
Dividend ^(a)	197.3	122,583	36.9	22,904

(a) Profit dividends were unfranked (2012: unfranked).

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

	2013	2012
	\$000	\$000
Adjusted franking account balance (tax paid basis)	-	-

APT Pipelines Limited
Notes to the consolidated financial statements (continued)
For the financial year ended 30 June 2013

11. Trade and other receivables

	2013 \$000	2012 \$000
Trade receivables	104,337	90,572
Allowance for doubtful debts	(805)	-
	103,532	90,572
Receivables from associates and related parties	250,655	304,746
Finance lease receivables (Note 33)	4,744	3,590
Interest receivable	143	236
Other debtors	70	21
	359,144	399,165

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

Ageing of past due but not impaired

30 - 60 days	5,806	4,367
60 - 90 days	1,167	139
90 - 120 days	3,037	2,266
Total	10,010	6,772

Movement in the allowance for doubtful debts

Balance at beginning of year	-	-
Charged to profit or loss	805	-
Balance at end of year	805	-

In determining the recoverability of a trade receivable, the Consolidated Entity considers any change in the credit quality of the trade receivable from the date the credit was initially granted up to the reporting date. The concentration of credit risk is limited due to the customer base being large and unrelated.

Ageing of impaired receivables

Not past due	32	-
30 - 60 days	219	-
60 - 90 days	232	-
90 - 120 days	322	-
Total	805	-

12. Other current financial assets

Derivatives at fair value:		
Equity forward contracts	1,927	9
Foreign exchange contracts - cash flow hedges	1,788	126
Cross currency interest rate swaps - cash flow hedges	12,469	-
Financial assets carried at amortised cost:		
Redeemable preference share interest	285	285
	16,469	420

APT Pipelines Limited

Notes to the consolidated financial statements (continued)

For the financial year ended 30 June 2013

13. Inventories

	2013 \$000	2012 \$000
Spare parts	11,860	10,759
Gas stock	866	745
	12,726	11,504

14. Other current assets

Prepayments	5,662	4,134
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15. Non-current receivables

Finance lease receivables (Note 33)	34,318	22,244
	34,318	22,244

APT Pipelines Limited

Notes to the consolidated financial statements (continued)

For the financial year ended 30 June 2013

16. Other non-current financial assets

	2013 \$000	2012 \$000
Available-for-sale investments carried at fair value:		
Hastings Diversified Utilities Fund	-	263,439
Financial assets carried at amortised cost:		
Redeemable preference shares	10,400	10,400
Derivatives - at fair value:		
Equity forward contracts	1,894	326
Cross currency interest rate swaps - cash flow hedges	131,588	-
	143,882	274,165

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 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 vehicle, 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.

APT Pipelines Limited
Notes to the consolidated financial statements (continued)
For the financial year ended 30 June 2013

17. Investments accounted for using the equity method

Name of entity	Principal activity	Country of incorporation	Ownership interest %	
			2013	2012
Jointly controlled entities:				
SEA Gas	Gas transmission	Australia	50.00	50.00
GDI	Gas transmission	Australia	20.00	20.00
Diamantina Power Station	Power generation (gas)	Australia	50.00	50.00
EII 2	Power generation (wind)	Australia	20.20	20.20
			2013	2012
			\$000	\$000
Investments in jointly controlled entities and associates			218,172	212,570
Reconciliation of movements in investments accounted for using the equity method:				
Balance at 1 July			212,570	186,095
Acquisitions during the year			-	39,013
Share of net profit for the year			11,409	6,745
Movement in reserves			6,799	(12,253)
			230,778	219,600
Dividends			(12,606)	(7,030)
Balance at 30 June			218,172	212,570
Summarised financial information in respect of the jointly controlled entities is set out below:				
			2013	2012
			\$000	\$000
Financial position				
Total assets			2,080,702	1,799,500
Total liabilities			1,751,233	1,498,448
Net assets			329,469	301,052
Consolidated Entity's share of jointly controlled entities and associates net assets			83,939	69,760
Financial performance				
Total revenue			215,935	161,061
Total profit for the year			44,306	28,054
Consolidated Entity's share of jointly controlled entities and associates profit			11,409	6,745

Contingent liabilities and capital commitments

The Consolidated Entity's share of the contingent liabilities, capital commitments and other expenditure commitments of joint venture entities is disclosed in Notes 48 and 42 respectively.

APT Pipelines Limited
Notes to the consolidated financial statements (continued)
For the financial year ended 30 June 2013

18. 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 2011	119,251	2,431	4,039,560	125,832	4,287,074
Additions	-	-	6,877	273,198	280,075
Disposals	(9)	(15)	(15,876)	-	(15,900)
Derecognised on disposal of subsidiary	(4,363)	(227)	(520,891)	(1,868)	(527,349)
Transfers	2,716	33	69,363	(72,113)	(1)
Balance at 1 July 2012	117,595	2,222	3,579,033	325,049	4,023,899
Additions	8,537	2,717	4,562	368,231	384,047
Disposals	(7,573)	-	(4,597)	-	(12,170)
Derecognised on disposal of subsidiary (Note 41)	(3,648)	-	(372,380)	(327)	(376,355)
Acquisitions through business combinations (note 40)	16,190	-	1,896,192	20,972	1,933,354
Transfers	-	-	216,777	(219,571)	(2,794)
Balance at 30 June 2013	131,101	4,939	5,319,587	494,354	5,949,981
Accumulated depreciation					
Balance at 1 July 2011	(15,537)	(1,840)	(501,355)	-	(518,732)
Disposals	1	15	15,131	-	15,147
Derecognised on disposal of subsidiary	270	206	55,867	-	56,343
Depreciation expense	(2,126)	(308)	(102,025)	-	(104,459)
Balance at 1 July 2012	(17,392)	(1,927)	(532,382)	-	(551,701)
Disposals	200	-	3,470	-	3,670
Derecognised on disposal of subsidiaries (Note 42)	19	-	3,108	-	3,127
Depreciation expense	(2,376)	(233)	(122,178)	-	(124,787)
Transfers	473	-	(352)	-	121
Balance at 30 June 2013	(19,076)	(2,160)	(648,334)	-	(669,570)
Net book value					
As at 30 June 2012	100,203	295	3,046,651	325,049	3,472,198
As at 30 June 2013	112,025	2,779	4,671,253	494,354	5,280,411

APT Pipelines Limited
Notes to the consolidated financial statements (continued)
For the financial year ended 30 June 2013

19. Goodwill

	2013 \$000	2012 \$000
Gross carrying amount		
Balance at beginning of financial year	411,883	515,344
Acquisitions (Note 40)	765,476	802
Disposals (Note 41)	(24,992)	(104,263)
Goodwill impairment	(1,867)	-
Balance at end of financial year	1,150,500	411,883

Allocation of goodwill to cash-generating units

Goodwill has been allocated for impairment testing purposes to the following individual cash-generating units:

Individual cash-generating units

- Asset management business;
- Energy infrastructure:
 - New South Wales pipelines;
 - Victorian Transmission System;
 - South West Queensland Pipeline
 - Other energy infrastructure

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

	2013 \$000	2012 \$000
Asset management business	31,456	33,323
Energy infrastructure		
New South Wales pipelines	146,008	146,008
Victorian Transmission System	105,061	105,061
South West Queensland Pipeline	663,268	-
Other energy infrastructure ^(a)	204,707	127,491
	1,150,500	411,883

(a) Primarily represents goodwill relating to the Roma to Brisbane Pipeline (\$76.4m) and the Pilbara Energy Pipeline (\$77.2m).

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, being the basis of the Group's forecasting and planning processes.

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 1.8% 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 CGU 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 capacity is resold.

Asset management cash flow projections reflect long term agreements with assumptions of renewal on similar terms and conditions based on management 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. (2012: 8.5% p.a.) for energy infrastructure assets and 8.25% p.a. (2012: 8.5% p.a.) for asset management.

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

APT Pipelines Limited
Notes to the consolidated financial statements (continued)
For the financial year ended 30 June 2013

20. Other intangible assets

	2013 \$000	2012 \$000
Contract and other intangibles		
Gross carrying amount		
Balance at beginning of financial year	207,031	210,389
Adjustments to amounts recognised from business combinations	-	(2,632)
Acquisitions	1,105	443
Impairment	(2,075)	(473)
Disposals (Note 41)	-	(697)
Balance at end of financial year	206,061	207,031
Accumulated amortisation and impairment		
Balance at beginning of financial year	(23,372)	(17,486)
Amortisation expense	(5,674)	(5,950)
Disposals (Note 41)	-	64
Balance at end of financial year	(29,046)	(23,372)
Net book value	177,015	183,659

The Consolidated Entity holds various third party operating and maintenance contracts. The combined gross carrying amount of \$206.061 million amortises over terms ranging from one to 60 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 included in the line item of depreciation and amortisation expense in the statement of profit or loss and other comprehensive income.

APT Pipelines Limited
Notes to the consolidated financial statements (continued)
For the financial year ended 30 June 2013

21. Other non-current assets

	2013 \$000	2012 \$000
Line pack gas	10,922	4,356
Gas held in storage	5,085	4,993
Other assets	2,433	-
	18,440	9,349

22. Trade and other payables

Current

Trade payables ^(a)	28,427	14,347
Other payables ^(b)	161,561	160,672
Payables to related parties	998,430	463,082
	1,188,418	638,101

Non-current

Payables to related parties	442,225	226,556
Other payables	3,750	1,068
	445,975	227,624

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

(b) Predominantly consists of capital expenditure accruals and external interest payable accruals.

APT Pipelines Limited
Notes to the consolidated financial statements (continued)
For the financial year ended 30 June 2013

23. Current borrowings

	2013 \$000	2012 \$000
Unsecured - at amortised cost		
Bank borrowings ^(a)	-	-
Guaranteed Senior Notes ^(b)	80,910	-
Secured - at amortised cost		
Bank Borrowings	-	-
Finance lease liabilities (Note 33)	609	578
	609	578
	81,519	578

(a) Relates to the current portion of long-term borrowings. (Refer to Note 37 for details of interest rates).

(b) Represents USD denominated private placement notes of US\$74 million measured at the exchange rate at reporting date which matures 9 September 2013.

24. Other current financial liabilities

Derivatives

Derivatives that are designated and effective as hedging instruments carried at fair value:

Forward foreign exchange contracts - cash flow hedges	-	365
Interest rate swaps - cash flow hedges	22,500	21,832
Cross currency interest rate swaps - cash flow hedges	103,885	37,110
	126,385	59,307

APT Pipelines Limited
Notes to the consolidated financial statements (continued)
For the financial year ended 30 June 2013

25. Provisions

	2013 \$000	2012 \$000
Current		
Employee benefits ^(a)	71,098	55,117
Other (Note 34)	10,845	12,349
	81,943	67,466
Non-current		
Employee benefits ^(a)	45,307	59,667
Other (Note 34)	4,935	4,400
	50,242	64,067

(a) The aggregate employee benefit liability recognised and included in the financial statements is as follows:

Current		
Incentives	23,042	13,430
Cash settled security-based payments	8,193	6,263
Leave balances	38,030	35,424
Termination benefits	1,833	-
	71,098	55,117
Non-current		
Cash settled security-based payments	15,215	12,875
Retirement benefit obligation (Note 35)	23,061	41,295
Leave balances	7,031	5,497
	45,307	59,667

26. Other liabilities

Current		
Unearned revenue - other	12,921	761
	12,921	761
Non-current		
Unearned revenue - other	16,669	4,078
	16,669	4,078

APT Pipelines Limited
Notes to the consolidated financial statements (continued)
For the financial year ended 30 June 2013

27. Non-current borrowings

	2013 \$000	2012 \$000
Unsecured - at amortised cost		
Bank borrowings ^(a)	525,000	1,123,667
Guaranteed Senior Notes ^(b)	3,227,340	1,801,175
Subordinated Notes ^(c)	515,000	-
Less: amortised borrowing costs	(34,098)	(18,896)
	4,233,242	2,905,946
Secured - at amortised cost		
Finance lease liabilities (Note 33)	11,260	11,868
	11,260	11,868
	4,244,502	2,917,814

(a) Relates to the non-current portion of long-term borrowings. Refer to Note 37 for details of interest rates and maturity profile.

(b) Represents USD denominated private placement notes of US\$725 million (2012: US\$799 million) measured at the exchange rate at reporting date, A\$314.9 million of AUD denominated private placement notes (2012: A\$314.9 million), AUD\$ medium term notes (MTN) of A\$300 million, CAD MTN of C\$300 million, GBP MTN of £350 million, JPY MTN of ¥10,000 million and US notes issued under S144a of US\$750 million.

Refer to Note 37 for details of interest rates and maturity profiles.

(c) Represents AUD denominated subordinated notes. Refer to Note 37 for details of interest rates and maturity profiles.

28. Other non-current financial liabilities

Derivatives

Derivatives that are designated and effective as hedging instruments carried at fair value:

Interest rate swaps - cash flow hedges	29,512	44,081
Cross currency interest rate swaps - cash flow hedges	147,744	242,511
	177,256	286,592

APT Pipelines Limited
Notes to the consolidated financial statements (continued)
For the financial year ended 30 June 2013

29. Issued capital

	2013 \$000	2012 \$000		
Shares				
62,127,252 shares, fully paid (2012: 62,127,252 shares, fully paid) ^(a)	117,330	117,330		
	2013 No. of shares 000	2013 \$000	2012 No. of shares 000	2012 \$000
Movements				
Balance at beginning of financial year	62,127	117,330	62,127	117,330
Balance at end of financial year	62,127	117,330	62,127	117,330

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

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

APT Pipelines Limited
Notes to the consolidated financial statements (continued)
For the financial year ended 30 June 2013

30. Reserves

	2013 \$000	2012 \$000
Hedging	(72,011)	(39,486)
Asset revaluation	8,669	8,669
Available-for-sale investment revaluation	-	80,353
	(63,342)	49,536

Hedging reserve

Balance at beginning of financial year	(39,486)	16,441
Gain/(loss) recognised:		
Interest rate swaps/currency swaps	(144,702)	(116,626)
Deferred tax related to gains/losses recognised	43,411	34,988
Transferred to profit or loss:		
Interest rate swaps/currency swaps	91,438	48,983
Deferred tax related to amounts transferred to profit or loss	(27,431)	(14,695)
Share of hedge reserve of associate	6,799	(12,253)
Deferred tax related to share of hedge reserve	(2,040)	3,676
Balance at end of financial year	(72,011)	(39,486)

The hedging reserve represents hedging gains and losses recognised on the effective portion of cash flow hedges. The cumulative deferred gain or loss on the hedge is recognised in profit or loss when the hedged transaction impacts profit or loss, or is included as a basis adjustment to the non-financial hedge item, consistent with the applicable accounting policy.

Asset revaluation reserve

Balance at beginning of financial year	8,669	8,669
Balance at end of financial year	8,669	8,669

The asset revaluation reserve arose on the revaluation of the existing interest in a pipeline as a result of a business combination. Where revalued pipelines are sold, the portion of the asset revaluation reserve which relates to that asset is effectively realised and is transferred directly to retained earnings. The reserve can be used to pay distributions only in limited circumstances.

Available-for-sale investment revaluation reserve

Balance at beginning of financial year	80,353	17,466
Revaluation gain/(loss) recognised	27,543	89,839
Gain transferred to profit or loss	(142,333)	-
Deferred tax related to gains/losses recognised	34,437	(26,952)
Balance at end of financial year	-	80,353

The available-for-sale investment revaluation reserve arises on the revaluation of available-for-sale financial assets. Where a revalued financial asset is sold, the portion of the reserve which relates to that financial asset is effectively realised and is recognised in profit or loss. Where a revalued financial asset is impaired, that portion of the reserve which relates to that financial asset is recognised in profit or loss.

Other reserves

Balance at beginning of financial year	-	-
Acquisition of non-controlling interest	(2,765)	-
Transfer to retained earnings	2,765	-
Balance at end of financial year	-	-

The other reserves balance arose on acquiring the remaining interest in the Hastings Diversified Utilities Fund following control being obtained on 9 October 2013. The balance of the reserve was transferred to retained earnings on completion of the acquisition.

APT Pipelines Limited
Notes to the consolidated financial statements (continued)
For the financial year ended 30 June 2013

31. Retained earnings

	2013 \$000	2012 \$000
Balance at beginning of financial year	311,086	285,107
Net profit attributable to shareholders	237,396	78,418
Dividends paid (Note 10)	(134,046)	(29,567)
Transfer from reserves on acquisition of non-controlling interest in HDF	(2,765)	-
Actuarial gain/(loss) on defined benefit plans recognised directly to retained earnings after tax	9,216	(22,872)
	420,887	311,086

32. Non-controlling interests

Issued capital:		
Balance at beginning of financial year	119,257	119,257
Non-controlling interest on obtaining control of HDF	713,069	-
Acquisition of non-controlling interest	(713,069)	-
Balance at end of financial year	119,257	119,257
Reserves:		
Other reserve:		
Balance at beginning of financial year	1	1
Balance at end of financial year	1	1
Retained earnings:		
Balance at beginning of financial year	44	278
Profit for the year	22,426	31,274
Acquisition of non-controlling interest	2,765	-
Distributions paid	(25,190)	(31,508)
Balance at end of financial year	45	44
Total	119,303	119,302

APT Pipelines Limited
Notes to the consolidated financial statements (continued)
For the financial year ended 30 June 2013

33. Leases

Leasing arrangements - receivables

Finance lease receivables relate to the lease of a metering station, natural gas vehicle facilities, X41 power station expansion and two pipeline laterals.

	2013	2012
	\$000	\$000
Finance lease receivables		
Not longer than 1 year	8,336	6,071
Longer than 1 year and not longer than 5 years	24,249	19,946
Longer than 5 years	30,324	10,767
Minimum future lease payments receivable ^(a)	62,909	36,784
Gross finance lease receivables	62,909	36,784
Less: unearned finance lease receivables	(23,847)	(10,950)
Present value of lease receivables	39,062	25,834
Included in the financial statements as part of:		
Current trade and other receivables (Note 11)	4,744	3,590
Non-current receivables (Note 15)	34,318	22,244
	39,062	25,834

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

	2013	2012
	\$000	\$000
Finance lease payables		
Not longer than 1 year	1,167	1,167
Longer than 1 year and not longer than 5 years	4,669	4,669
Longer than 5 years	10,506	11,673
Minimum future lease payments payable ^(b)	16,342	17,509
Gross finance lease payables	16,342	17,509
Less: unearned finance lease payables	(4,473)	(5,060)
Present value of lease payables	11,869	12,449
Included in the financial statements as part of:		
Current borrowings (Note 23)	609	580
Non-current borrowings (Note 27)	11,260	11,869
	11,869	12,449

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

	2013	2012
	\$000	\$000
Non-cancellable operating leases - other		
Not longer than 1 year	9,120	7,435
Longer than 1 year and not longer than 5 years	23,200	20,238
Longer than 5 years	25,066	11,285
	57,387	38,958

APT Pipelines Limited
Notes to the consolidated financial statements (continued)
For the financial year ended 30 June 2013

34. Other Provisions

	Abandonment ^(a)	Other ^(b)	Total
	\$000	\$000	\$000
Balance at 30 June 2012	4,354	12,395	16,749
Additional provisions recognised	294	2,905	3,199
Unwinding of discount	287	-	287
Reductions arising from payments/other sacrifices of future economic benefits	-	(2,455)	(2,455)
Reductions resulting from re-measurement or settlement without cost	-	(2,000)	(2,000)
Balance at 30 June 2013	4,935	10,845	15,780
Current (Note 25)	-	10,845	10,845
Non-current (Note 25)	4,935	-	4,935
	4,935	10,845	15,780

(a) Costs of dismantling pipelines and restoring the sites on which the pipelines are located, and costs of dismantling leasehold improvements and restoring leased premises are to be included in the cost of the assets at inception and required to be accounted for in accordance with AASB 137 Provisions, Contingent Liabilities and Contingent Assets'.

(b) Includes rectification works due to Queensland floods.

	Abandonment ^(a)	Other ^(b)	Total
	\$000	\$000	\$000
Balance at 30 June 2011	4,015	6,452	10,467
Additional provisions recognised ^(b)	57	6,599	6,656
Unwinding of discount	282	-	282
Reductions arising from payments/other sacrifices of future economic benefits	-	(656)	(656)
Balance at 30 June 2012	4,354	12,395	16,749
Current (Note 23)	-	12,349	12,349
Non-current (Note 25)	4,354	46	4,400
	4,354	12,395	16,749

(a) Costs of dismantling pipelines and restoring the sites on which the pipelines are located, and costs of dismantling leasehold improvements restoring leased premises are to be included in the cost of the assets at inception and required to be accounted for in accordance with AASB 137 Provisions, Contingent Liabilities and Contingent Assets'.

(b) Includes rectification works due to Queensland floods.

APT Pipelines Limited
Notes to the consolidated financial statements (continued)
For the financial year ended 30 June 2013

35. Employee superannuation plans

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

The most recent actuarial valuations of plan assets and the present value of the defined benefit obligation were carried out at 30 June 2013 by Mercer (Australia) Pty Ltd and Russell Investments (2012: Mercer (Australia) Pty Ltd and Russell Investments). The present value of the defined benefit obligation, 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:

	2013 \$000	2012 \$000
Amounts recognised in the statement of profit or loss and other comprehensive income		
Current service cost	3,376	2,980
Interest cost on benefit obligation	3,356	4,889
Expected return on plan assets	(6,777)	(6,724)
Total included in superannuation costs which form part of employee benefit expense	(45)	1,145
Actual return on plan assets	16,824	1
Actuarial gains/(losses) incurred during the year and recognised in the statement of profit or loss and other comprehensive income	13,166	(32,677)
Amounts recognised in the statement of financial position		
Fair value of plan assets	118,404	100,658
Present value of benefit obligation	(141,465)	(141,953)
Net liability - non-current (Note 25)	(23,061)	(41,295)
Movements in liability during the year		
Balance at beginning of year	(41,295)	(12,567)
Gain/(expense) recognised in profit or loss	45	(1,145)
Amount recognised in retained earnings (prior to tax effect)	13,166	(32,677)
Contributions from employer	5,023	5,094
Balance at end of year ^(a)	(23,061)	(41,295)

(a) The above balances are recorded within the provisions section of the statement of financial position; refer to Note 25.

APT Pipelines Limited
Notes to the consolidated financial statements (continued)
For the financial year ended 30 June 2013

35. Employee superannuation plans

Movements in the present value of the defined benefit obligations in the current period were as follows:

	2013 \$000	2012 \$000
Opening defined benefit obligation	141,953	111,325
Current service cost	3,376	2,980
Interest cost	3,356	4,889
Contributions from plan participants	1,442	1,563
Actuarial (gains)/losses	(3,119)	25,955
Benefits paid	(4,786)	(4,046)
Taxes and premiums paid	(757)	(713)
Closing defined benefit obligation	141,465	141,953

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

Opening fair value of plan assets	100,658	98,758
Expected return on plan assets	6,777	6,724
Actuarial gains/(losses)	10,047	(6,722)
Contributions from employer	5,023	5,094
Contributions from plan participants	1,442	1,563
Benefits paid	(4,786)	(4,046)
Taxes and premiums paid	(757)	(713)
Closing fair value of plan assets	118,404	100,658

The average principal actuarial assumptions used in determining post-employment obligations for the Consolidated Entity's plans are shown below (expressed as weighted averages):

	2013 %	2012 %
Discount rate (p.a.)	3.2	2.6
Expected return on plan assets (p.a.)	6.8	6.8
Expected salary rate increase (p.a.)	4.0	4.0

The invested defined benefit assets were held in the following classes:

Australian equities	29.2	33.7
International equities	29.8	27.2
Fixed income	11.7	11.8
Property	7.3	8.2
Alternatives	16.5	13.1
Cash	5.5	6.0

The history of experience adjustments is as follows:

	2013 \$000	2012 \$000	2011 \$000	2010 \$000	2009 \$000
Fair value of plan assets	118,404	100,658	98,758	91,346	84,023
Present value of defined benefit obligation	141,465	141,953	111,325	109,640	98,679
(Deficit)/surplus	(23,061)	(41,295)	(12,567)	(18,294)	(14,656)
Experience adjustments (gains)/losses - plan liabilities	2,389	2,313	3,090	4,739	(6,753)
Experience adjustments (gains)/losses - plan assets	(7,055)	4,766	(3,167)	(821)	8,450

The Consolidated Entity expects \$4,090,000 in contributions to be paid to the defined benefit plans during the year ending 30 June 2014.

APT Pipelines Limited
Notes to the consolidated financial statements (continued)
For the financial year ended 30 June 2013

36. Notes to the statement of cash flows

(a) Reconciliation of cash and cash equivalents

For the purposes of the statement of cash flows, cash and cash equivalents includes cash on hand and in banks and investments in money market instruments, net of outstanding bank overdrafts. 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:

	2013 \$000	2012 \$000
Cash at bank and on hand ^(a)	79,773	88,834
Short-term deposits	1,024	240,990
	80,797	329,824

Restricted cash

(a) As at 30 June 2013, Australian Pipeline Limited held \$5.0 million (2012: \$5.0 million) on deposit to meet its financial requirements as the holder of an Australian Financial Services Licence.

(b) Investments acquired and disposed of

Equity accounted investments

In the prior financial year, \$5,000 was invested in Diamantina Power Station and \$211,800 was recovered from the finalisation of fees recoverable from REST following the SEA Gas transaction.

Available-for-sale investments

In the prior financial year, \$11,669,000 was invested in the purchase of shares in Hastings Diversified Utilities Fund.

APT Pipelines Limited
Notes to the consolidated financial statements (continued)
For the financial year ended 30 June 2013

36. Notes to the statement of cash flows

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

	2013 \$000	2012 \$000
Profit for the year	259,822	109,692
Gain on on previously held interest in HDF on obtaining control	(142,333)	-
Acquisition costs on business combinations	12,408	-
Profit on sale of Allgas Distribution Network before transaction costs	-	(12,032)
(Write back)/transaction costs on sale of Allgas Distribution Network	(18,483)	21,695
Impairment of intangible	-	473
Loss on disposal of property, plant and equipment	480	278
Impairment of goodwill	1,867	-
Share of net profits of jointly controlled entities accounted for using the equity method	(11,409)	(6,745)
Dividends/distributions received	12,606	7,030
Depreciation and amortisation expense	130,461	110,409
Finance costs	1,481	16,919
Changes in assets and liabilities:		
Trade and other receivables	4,072	(20,638)
Inventories	707	(428)
Other assets	320	27,157
Trade and other payables	(5,407)	(2,372)
Provisions	12,093	12,416
Other liabilities	27,141	(23,038)
Income tax balances	41,653	54,876
Net cash provided by operating activities	327,479	295,692

APT Pipelines Limited
Notes to the consolidated financial statements (continued)
For the financial year ended 30 June 2013

36. Notes to the statement of cash flows

(d) Financing facilities

	2013 \$000	2012 \$000
Unsecured facilities		
Bank borrowings^(a)		
Amounts used	525,000	1,123,667
Amounts unused	891,667	776,333
	1,416,667	1,900,000
Guaranteed Senior Notes^(b)		
Amounts used	3,308,250	1,801,175
Amounts unused	-	-
	3,308,250	1,801,175
Subordinated Notes^(c)		
Amounts used	515,000	-
Amounts unused	-	-
	515,000	-
Secured facilities		
Bank borrowings		
Amounts used	-	-
Amounts unused	-	-
	-	-

(a) Relates to long-term borrowings. Refer to Note 37 for details of interest rates.

(b) Represents USD denominated private placement notes of US\$725 million (2012: US\$799 million) measured at the exchange rate at reporting date, A\$314.9 million of AUD denominated private placement notes (2012: A\$314.9 million), AUD\$ medium term notes (MTN) of A\$300 million, CAD MTN of C\$300 million, GBP MTN of £350 million, JPY MTN of ¥10,000 million and US notes issued under US144a of US\$750 million. Refer to Note 37 for details of interest rates and maturity profiles.

(c) Represents AUD denominated subordinated notes. Refer to Note 37 for details of interest rates and maturity profiles.

APT Pipelines Limited
Notes to the consolidated financial statements (continued)
For the financial year ended 30 June 2013

37. Financial instruments

(a) Capital risk management

The Consolidated Entity manages its capital structure to ensure that entities in the Group will be able to continue as a going concern while maximising the return to security holders through the optimisation of the debt to equity structure.

The Consolidated Entity'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 the Consolidated Entity consists of debt, which includes borrowings disclosed in Notes 23 and 27, cash and cash equivalents, and equity attributable to equity holders of the parent, comprising issued capital, reserves and retained earnings as disclosed in Notes 29, 30 and 31 respectively.

The Consolidated Entity's operations are conducted primarily through its subsidiaries.

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

The Consolidated Entity's policy is to borrow from overseas and locally, using a variety of capital markets and bank loan facilities, to meet anticipated funding requirements.

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 Consolidated Entity and were adhered to for the entirety of the 2012 and 2013 periods.

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

Gearing ratio

The Consolidated Entity's Board of Directors reviews the capital structure on a regular basis. As part of the review, the Board considers the cost of capital and the state of the markets. The Consolidated Entity targets gearing in a range of 65% to 68%. Gearing is determined as the proportion of net debt to net debt plus equity.

Based on recommendations of the Board, the Consolidated Entity balances its overall capital structure through the issue of new debt or the redemption of existing debt, and through a disciplined distribution payment policy.

(b) Financial risk management objectives

APT Pipelines Ltd's Corporate Treasury function provides services to the business, co-ordinates access to domestic and international financial markets, and monitors and manages the financial risks relating to the operations of the Consolidated Entity. These risks include market risk (including currency risk, interest rate risk and price risk), credit risk and liquidity risk.

The Consolidated Entity seeks to minimise the effects of these risks through natural hedges and by using derivative instruments to directly hedge the exposures. The use of financial derivatives is governed by the Consolidated Entity's Board approved Treasury Risk Management Policy, which provides written principles on foreign exchange risk, interest rate risk, credit risk, the use of financial derivatives and non-derivative financial instruments, and the investment of excess liquidity. The Consolidated Entity does not enter into or trade financial instruments, including derivative financial instruments for speculative purposes.

The Corporate Treasury function reports monthly to the Consolidated Entity's Board of Directors, which monitors risks and policies implemented to mitigate risk exposures.

APT Pipelines Limited
Notes to the consolidated financial statements (continued)
For the financial year ended 30 June 2013

37. Financial instruments

(c) Market risk management

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

- foreign exchange forward contracts to hedge the exchange rate risk arising on the importation of equipment from a range of international suppliers;
- currency swaps to manage the foreign currency risk associated with foreign currency denominated borrowings; and
- interest rate swaps to mitigate the risk of rising interest rates.

There has been no change to the nature of the Consolidated Entity's exposure to market risks or the manner in which it manages and measures the risks from the previous period.

(d) Foreign currency risk management

The Consolidated Entity undertakes certain transactions denominated in foreign currencies and hence exposures to exchange rate fluctuations arise. Exchange rate exposures are managed within approved policy parameters utilising foreign exchange contracts, including forward contracts and cross currency contracts. All foreign currency exposure was managed in accordance with the Treasury Risk Management Policy in both 2012 and 2013.

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

	Liabilities		Assets	
	2013 \$000	2012 \$000	2013 \$000	2012 \$000
US dollar borrowings	1,693,637	780,731	-	-
Cross currency swaps	(1,693,637)	(780,731)	-	-
Japanese yen borrowings	110,203	122,256	-	-
Cross currency swaps	(110,203)	(122,256)	-	-
Canadian dollar borrowings	311,947	287,986	-	-
Cross currency swaps	(311,947)	(287,986)	-	-
British pound borrowings	581,866	-	-	-
Cross currency swaps	(581,866)	-	-	-
	-	-	-	-
Foreign exchange contracts	-	365	1,788	126
	-	365	1,788	126

APT Pipelines Limited
Notes to the consolidated financial statements (continued)
For the financial year ended 30 June 2013

37. Financial instruments

(d) Foreign currency risk management (continued)

Forward foreign exchange contracts

It is the policy of the Consolidated Entity to enter into various foreign exchange contracts to cover 100% of all foreign currency exposures in excess of US\$1million that are certain. Basis adjustments are made to the carrying amounts of non-financial hedged items when the anticipated purchase takes place.

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

2013	Average	Foreign	Contract	Fair value
	exchange rate	currency	value	
		2013	2013	2013
		US\$000	\$000	\$000
Outstanding contracts				
Buy US dollars				
Less than 3 months	0.9966	12,910	12,954	1,222
3 to 6 months	1.0155	2,990	2,944	358
6 to 12 months	0.9500	3,585	3,774	208
		19,485	19,672	1,788
<hr/>				
2012	Average	Foreign	Contract	Fair value
	exchange rate	currency	value	
		2012	2012	2012
		US\$000	\$000	\$000
Outstanding contracts				
Buy US dollars				
Less than 3 months	0.9480	4,675	4,931	(350)
3 to 6 months	1.0297	3,660	3,555	75
6 to 12 months	1.0257	1,485	1,448	36
		9,820	9,934	(239)

The Consolidated Entity has entered into contracts to purchase equipment in foreign currencies from overseas suppliers. The Consolidated Entity has entered into forward foreign exchange contracts to hedge the exchange rate risk arising from these anticipated future transactions, which are designated as cash flow hedges.

As at reporting date, the aggregate amount of unrealised profit under forward foreign exchange contracts deferred in the hedging reserve relating to these anticipated future transactions is \$1,788,000 (2012: unrealised losses of \$239,000). It is anticipated that the capital purchases will take place within the next financial year at which stage unrealised mark to market amounts in equity will be included in the carrying amount of the asset being purchased.

APT Pipelines Limited
Notes to the consolidated financial statements (continued)
For the financial year ended 30 June 2013

37. Financial instruments

(d) Foreign currency risk management (continued)

Cross currency swap contracts

Under cross currency swap contracts, the Consolidated Entity agrees to exchange specified principal and interest foreign currency amounts at agreed future dates at a specified exchange rate. Such contracts enable the Consolidated Entity to mitigate the risk of adverse movements in foreign exchange rates in relation to principal and interest payments arising under the 2003, 2007, 2009 and 2012 US dollar note issues, the 2012 Japanese yen, the 2012 Canadian dollar and the 2012 British pound medium term note issues.

The Consolidated Entity receives fixed amounts in the various foreign currencies and pays both variable interest rates (based on Australian BBSW) and fixed interest rates based on agreed interest rate swap rates.

The following table details the swap contracts principal and interest payments over various durations as at the reporting date:

	Exchange Rate		Amount	
	2013	2012	2013	2012
	\$	\$	\$000	\$000
2003 USPP Note Issue				
Buy US dollars - interest				
Less than 1 year	0.6573	0.6573	(19,671)	(22,863)
1 year to 2 years	0.6573	0.6573	(16,480)	(19,671)
2 years to 5 years	0.6573	0.6573	(22,665)	(33,374)
5 years and more	0.6573	0.6573	(2,885)	(8,655)
			(61,701)	(84,563)
Buy US dollars - principal				
Less than 1 year	0.6573	-	(112,582)	-
1 year to 2 years	0.6573	0.6573	-	(112,582)
2 years to 5 years	0.6573	0.6573	(185,608)	(185,608)
5 years and more	0.6573	0.6573	(95,847)	(95,847)
			(394,037)	(394,037)
2007 USPP Note Issue				
Buy US dollars - interest				
Less than 1 year	0.8068	0.8068	(29,737)	(29,737)
1 year to 2 years	0.8068	0.8068	(29,737)	(29,737)
2 years to 5 years	0.8068	0.8068	(77,969)	(89,212)
5 years and more	0.8068	0.8068	(46,805)	(65,299)
			(184,248)	(213,985)
Buy US dollars - principal				
2 years to 5 years	0.8068	0.8068	(190,878)	(190,878)
5 years and more	0.8068	0.8068	(304,908)	(304,908)
			(495,786)	(495,786)
2009 USPP Note Issue				
Buy US dollars - interest				
Less than 1 year	0.7576	0.7576	(15,934)	(15,934)
1 year to 2 years	0.7576	0.7576	(15,934)	(15,934)
2 years to 5 years	0.7576	0.7576	(37,057)	(44,221)
5 years and more	0.7576	0.7576	(13,156)	(21,927)
			(82,081)	(98,016)
Buy US dollars - principal				
2 years to 5 years	0.7576	0.7576	(85,787)	(85,787)
5 years and more	0.7576	0.7576	(98,997)	(98,997)
			(184,784)	(184,784)

APT Pipelines Limited
Notes to the consolidated financial statements (continued)
For the financial year ended 30 June 2013

37. Financial instruments

(d) Foreign currency risk management (continued)

Cross currency swap contracts (continued)

2012 JPY MTN Issue

Buy Japanese yen - interest

Less than 1 year	79.4502	79.4502	(1,543)	(1,543)
1 year to 2 years	79.4502	79.4502	(1,543)	(1,543)
2 years to 5 years	79.4502	79.4502	(4,629)	(4,629)
5 years and more	-	79.4502	-	(1,543)
			(7,715)	(9,258)

Buy Japanese yen - principal

2 years to 5 years	79.4502	-	(125,865)	-
5 years and more	-	79.4502	-	(125,865)

2012 CAD MTN Issue

Buy Canadian dollars - interest

Less than 1 year	1.0363	1.0363	(12,289)	(12,289)
1 year to 2 years	1.0363	1.0363	(12,289)	(12,289)
2 years to 5 years	1.0363	1.0363	(36,867)	(36,867)
5 years and more	1.0363	1.0363	(18,434)	(30,723)
			(79,879)	(92,168)

Buy Canadian dollars - principal

5 years and more	1.0363	1.0363	(289,494)	(289,494)
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2012 US144a Issue

Buy US dollars - interest

Less than 1 year	1.0198	-	(28,498)	-
1 year to 2 years	1.0198	-	(28,498)	-
2 years to 5 years	1.0198	-	(85,495)	-
5 years and more	1.0198	-	(128,242)	-
			(270,733)	-

Buy US dollars - principal

5 years and more	1.0198	-	(735,438)	-
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2012 GBP MTN Issue

Buy British pounds - interest

Less than 1 year	0.6530	-	(22,779)	-
1 year to 2 years	0.6530	-	(22,779)	-
2 years to 5 years	0.6530	-	(68,338)	-
5 years and more	0.6530	-	(159,456)	-
			(273,352)	-

Buy British pounds - principal

5 years and more	0.6530	-	(535,988)	-
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APT Pipelines Limited
Notes to the consolidated financial statements (continued)
For the financial year ended 30 June 2013

37. Financial instruments

(d) Foreign currency risk management (continued)

Foreign currency sensitivity analysis

The Consolidated Entity is exposed to movements in the USD, JPY, CAD and GBP through its fully hedged borrowings from global debt capital markets and its current obligations for future purchases of capital equipment. The entire foreign currency cash flows arising from the USPP, US144A and MTN issues have been swapped; as such, the Consolidated Entity has no currency risk associated with those note issues. Therefore, the sensitivity analysis has only been performed on the forward foreign exchange contracts. The following table details the Consolidated Entity's sensitivity to a 10% decrease and increase in the Australian dollar against the relevant foreign currencies. The sensitivity rate used is 10% and represents management's assessment of the greatest possible change in foreign exchange rates. The sensitivity analysis includes only outstanding foreign currency denominated monetary items and adjusts their translation at the period end for a 10% change in foreign currency rates.

	2013 \$000	2012 \$000
A\$ depreciating by 10%		
Profit	-	-
Other equity ^(a)	(2,365)	(1,065)
A\$ appreciating by 10%		
Profit	-	-
Other equity ^(a)	1,935	871

(a) This is as a result of the changes to the fair value of forward foreign exchange contracts designated as cash flow hedges. Negative amounts denote a credit to equity.

(e) Interest rate risk management

The Consolidated Entity is exposed to interest rate risk as it borrows funds at both fixed and floating interest rates. This risk is managed by the Consolidated Entity by maintaining an appropriate mix between fixed and floating rate borrowings, and 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. Hedging activity is complemented by "natural hedges" from regulatory resets and CPI adjusted revenues.

The Consolidated Entity's exposures to interest rate risk on financial liabilities are detailed in the liquidity risk management section of this note. Exposure to financial assets is limited to cash and cash equivalents amounting to \$80.4 million as at 30 June 2013 (2012: \$329.9 million).

Interest rate swap contracts

Under interest rate swap contracts, the Consolidated Entity agrees to exchange the difference between fixed and floating rate interest amounts calculated on agreed notional principal amounts. Such contracts enable the Consolidated Entity to mitigate the risk of cash flow exposures on the issued 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.

APT Pipelines Limited
Notes to the consolidated financial statements (continued)
For the financial year ended 30 June 2013

37. Financial instruments

(e) Interest rate risk management (continued)

Interest rate swap contracts (continued)

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		Notional		Fair value	
	interest rate		principal amount		2013	2012
	2013	2012	2013	2012	\$000	\$000
	% p.a.	% p.a.	\$000	\$000	\$000	\$000
Cash flow hedges						
Pay fixed AUD interest - receive floating AUD or fixed/floating foreign currency						
Less than 1 year	7.03	5.39	187,582	200,000	(34,411)	(2,760)
1 year to 2 years	5.90	7.03	100,000	187,582	(4,804)	(45,620)
2 years to 5 years	7.62	7.52	713,137	687,272	(128,246)	(151,358)
5 years and more	7.24	7.57	2,060,672	915,111	13,426	(133,806)
			3,061,391	1,989,965	(154,035)	(333,544)

The Consolidated Entity had no fair value hedges in 2012 or 2013.

The interest rate swaps settle on a quarterly or semi-annual basis. The floating rate benchmark on the interest rate swaps is Australian BBSW. The Consolidated Entity will settle the difference between the fixed and floating interest rate on a net basis.

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

Interest rate sensitivity analysis

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

- net profit would decrease by \$4,132,000 or increase by \$4,129,000 (2012: decrease by \$7,171,000 or increase by \$7,161,000). This is mainly attributable to the Consolidated Entity's exposure to interest rates on its variable rate borrowings; and
- equity reserves would increase by \$13,360,000 with a 100 basis point decrease in interest rates or decrease by \$10,972,000 with a 100 basis point increase in interest rates (2012: decrease by \$17,960,000 or increase by \$17,387,000 respectively). This is due to the changes in the fair value of derivative interest instruments.

The Consolidated Entity's profit sensitivity to interest rates has decreased during the current period due to the overall decrease in the level of the Consolidated Entity'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 decrease in sensitivity in equity is due to a decrease in the notional value of interest rate swaps with an increase in fixed for fixed cross currency interest rate swaps.

APT Pipelines Limited
Notes to the consolidated financial statements (continued)
For the financial year ended 30 June 2013

37. Financial instruments

(f) Price risk management

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

Equity price sensitivity

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

- there is nil effect from the forwards as the corresponding exposure will offset in full (2012: \$nil); and
- there is nil effect on equity as the Consolidated Entity holds no available-for-sale investments (2012: increased/ decreased by \$5,498,000 due to the Consolidated Entity's available-for-sale holding in Hastings Diversified Utilities Fund which was fully acquired during the current period).

(g) Credit risk management

Credit risk refers to the risk that a counterparty will default on its contractual obligations resulting in financial loss to the Consolidated Entity. The Consolidated Entity has adopted the policy of only dealing with creditworthy counterparties and obtaining sufficient collateral or bank guarantees where appropriate as a means of mitigating any risk of loss. For financial investments or market risk hedging, the Consolidated Entity's policy is to deal with highly rated counterparties. As at the reporting date, all counterparties of this type were A- (Standard & Poor's)/A3 (Moody's) or higher. The Consolidated Entity's exposure to financial instrument and deposit credit risk is closely monitored against counterparty credit limits imposed by the Treasury Risk Management Policy approved by the Board. These limits are regularly reviewed by the Board.

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

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

Cross guarantee

In accordance with a deed of cross guarantee, APT Pipelines Limited has agreed to provide financial support, when and as required, to certain 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 2013 has been determined to be immaterial and no liability has been recorded (2012: \$nil). Refer to Note 39 for details of entities included in the guarantee.

APT Pipelines Limited
Notes to the consolidated financial statements (continued)
For the financial year ended 30 June 2013

37. Financial instruments

(h) Liquidity risk management

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

Financing facilities	2013 \$000	2012 \$000
Unsecured bank facilities with various maturity dates through to 2016		
- amount used	525,000	1,123,667
- amount unused	891,667	776,333
	1,416,667	1,900,000
Unsecured long term private placement notes with various maturity dates through to 2022		
- amount used	1,188,472	1,095,597
- amount unused	-	-
	1,188,472	1,095,597
Unsecured Australian Dollar medium term note with maturity in 2020		
- amount used	300,000	300,000
- amount unused	-	-
	300,000	300,000
Unsecured Japanese Yen medium term note with maturity in 2018		
- amount used	110,203	122,256
- amount unused	-	-
	110,203	122,256
Unsecured Canadian Dollar medium term notes with maturity in 2019		
- amount used	311,947	287,986
- amount unused	-	-
	311,947	287,986
Unsecured Australian Dollar subordinated notes with maturity in 2072		
- amount used	515,000	-
- amount unused	-	-
	515,000	-
Unsecured US144a medium term notes with maturity in 2022		
- amount used	820,031	-
- amount unused	-	-
	820,031	-
Unsecured British Pound medium term notes with maturity in 2024		
- amount used	581,866	-
- amount unused	-	-
	581,866	-

Liquidity and interest risk table

Included in the following table are the Consolidated Entity's remaining contractual maturities for its financial liabilities. The table has been drawn up based on the undiscounted cash flows of financial liabilities taking account of the earliest date on which the Consolidated Entity can be required to pay. The table includes both interest and principal cash flows.

APT Pipelines Limited
Notes to the consolidated financial statements (continued)
For the financial year ended 30 June 2013

37. Financial instruments

(h) Liquidity risk management (continued)

Liquidity and interest risk table (continued)

All foreign currency note exposures (both principal and interest) have been fully hedged back into Australian dollars at fixed interest rates for the entire duration of the note exposure. Therefore 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.

	Average interest rate % p.a.	Less than 1 year \$000	1 - 5 years \$000	More than 5 years \$000
2013				
Financial liabilities				
Trade and other payables	-	189,988	-	-
Payables to related parties	-	998,430	-	442,225
Finance lease liabilities	4.93	609	2,750	8,510
Unsecured bank borrowings ^(a)	4.53	22,747	534,564	-
2012 Subordinated Notes ^(b)	3.05	27,712	167,966	3,113,913
Interest Rate Swaps (Net Settled)	6.15	10,300	9,641	-
Guaranteed Senior Notes:				
Denominated in A\$				
2007 Series A ^(c)	7.33	367	6,100	-
2007 Series C ^(c)	7.38	7,318	121,111	-
2007 Series E ^(d)	7.40	5,045	20,178	73,215
2007 Series G ^(e)	7.45	6,002	24,008	104,590
2007 Series H ^(e)	7.45	4,617	18,468	80,454
2010 AUD Medium Term Note ^(f)	7.75	23,250	93,000	358,125
Denominated in US\$ (rates shown are the coupon rate of the US dollar notes)				
2003 Series B ^(g)	5.67	116,813	-	-
2003 Series C ^(h)	5.77	14,175	206,948	-
2003 Series D ⁽ⁱ⁾	6.02	6,911	27,721	99,359
2007 Series B ^(c)	5.89	13,986	232,837	-
2007 Series D ^(d)	5.99	11,111	44,442	162,325
2007 Series F ^(e)	6.14	11,354	45,416	199,142
2009 Series A ^(j)	8.35	9,752	110,127	-
2009 Series B ^(k)	8.86	11,761	47,075	116,558
2012 US 144a ^(l)	3.88	49,123	196,627	956,694
Denominated in stated foreign currency				
2012 JPY Medium Term Note ^(m)	1.23	8,535	160,100	-
2012 CAD Medium Term Note ⁽ⁿ⁾	4.25	19,529	78,171	318,708
2012 GBP Medium Term Note ^(o)	4.25	39,351	158,159	792,524
		1,788,673	2,305,410	6,646,534

(a) Facilities mature on 15 July 2014 (\$225 million limit), 24 August 2014 (\$75 million limit), 2 November 2014 (\$483 million limit), 2 November 2015 (\$483 million limit, undrawn at year end) and 12 October 2016 (\$150 million limit, undrawn at year end).

(b) Matures on 1 October 2072.

(c) Matures on 15 May 2017.

(d) Matures on 15 May 2019.

(e) Matures on 15 May 2022.

(f) Matures on 22 July 2020.

(g) Matures on 9 September 2013.

(h) Matures on 9 September 2015.

(i) Matures on 9 September 2018.

(j) Matures on 1 July 2016.

(k) Matures on 1 July 2019.

(l) Matures on 11 October 2022.

(m) Matures on 22 June 2018.

(n) Matures on 24 July 2019.

(o) Matures on 26 November 2024.

APT Pipelines Limited
Notes to the consolidated financial statements (continued)
For the financial year ended 30 June 2013

37. Financial instruments

(h) Liquidity risk management (continued)

Liquidity and interest risk table (continued)

	Average interest rate % p.a.	Less than 1 year \$000	1 - 5 years \$000	More than 5 years \$000
2012				
Financial liabilities				
Trade and other payables	-	173,445	-	-
Finance lease liabilities	4.93	578	2,620	9,248
Payables to related parties	-	463,082	-	226,556
Unsecured bank borrowings ^(a)	5.24	55,246	1,179,453	-
Interest Rate Swaps (Net Settled)	-	11,624	17,123	-
Guaranteed Senior Notes:				
Denominated in A\$				
2007 Series A ^(b)	7.33	367	6,466	-
2007 Series C ^(b)	7.38	7,318	128,428	-
2007 Series E ^(c)	7.40	5,045	20,178	78,260
2007 Series G ^(d)	7.45	6,002	24,008	110,592
2007 Series H ^(d)	7.45	4,617	18,468	85,071
2010 AUD Medium Term Note ^(j)	7.75	23,250	93,000	381,375
Denominated in US\$ (rates shown are the coupon rate of the US dollar notes)				
2003 Series B ^(e)	5.67	8,532	116,813	-
2003 Series C ^(f)	5.77	14,292	221,123	-
2003 Series D ^(g)	6.02	6,968	27,702	106,290
2007 Series B ^(b)	5.89	13,986	246,824	-
2007 Series D ^(c)	5.99	11,111	44,442	173,436
2007 Series F ^(d)	6.14	11,354	45,416	210,496
2009 Series A ^(h)	8.35	9,752	119,879	-
2009 Series B ⁽ⁱ⁾	8.86	11,761	47,108	128,286
Denominated in stated foreign currency				
2012 JPY Medium Term Note ^(k)	1.23	8,606	34,212	134,424
2012 CAD Medium Term Note ^(l)	4.25	11,248	78,171	338,237
		1,573,339	2,471,434	1,982,270

(a) Facilities mature on 2 November 2013 (\$483 million limit), 15 July 2014 (\$225 million limit), 24 August 2014 (\$75 million limit), 2 November 2014 (\$483 million limit), 2 November 2015 (\$483 million limit, undrawn at year end) and 12 October 2016 (\$150 million limit, undrawn at year end).

(b) Matures on 15 May 2017.

(c) Matures on 15 May 2019.

(d) Matures on 15 May 2022.

(e) Matures on 9 September 2013.

(f) Matures on 9 September 2015.

(g) Matures on 9 September 2018.

(h) Matures on 1 July 2016.

(i) Matures on 1 July 2019.

(j) Matures on 22 July 2020.

(k) Matures on 22 June 2018.

(l) Matures on 24 July 2019.

APT Pipelines Limited
Notes to the consolidated financial statements (continued)
For the financial year ended 30 June 2013

37. Financial instruments

(i) Fair value of financial instruments

Fair value of financial instruments carried at amortised cost

The fair values of financial assets and financial liabilities are determined as follows:

- the fair values of financial assets and financial liabilities with standard terms and conditions and traded on active liquid markets are determined with reference to quoted market prices;
- 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;
- the fair values of derivative instruments, included in hedging assets and liabilities, are calculated using quoted prices. Where such prices are not available, use is made of discounted cash flow analysis using the applicable yield curve for the duration of the instruments; and
- the fair value of financial guarantee contracts is determined using option pricing models where the main assumptions are the probability of default by the specified counterparty extrapolated from market-based credit information and the amount of loss, given the default.

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).

	2013			
	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 and loss	-	3,822	-	3,822
Forward foreign exchange contracts used for hedging	-	1,788	-	1,788
Total	-	5,609	-	5,609
Financial liabilities measured at fair value				
Interest rate swaps used for hedging	-	47,088	-	47,088
Cross Currency Interest Rate Swaps used for hedging	-	106,947	-	106,947
Total	-	154,035	-	154,035

APT Pipelines Limited
Notes to the consolidated financial statements (continued)
For the financial year ended 30 June 2013

37. Financial instruments

(i) Fair value of financial instruments (continued)

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

	2012			Total \$000
	Level 1 \$000	Level 2 \$000	Level 3 \$000	
Financial assets measured at fair value				
Available-for-sale listed equity securities				
Hastings Diversified Utilities Fund	263,442	-	-	263,442
Equity forwards designated as fair value through profit and loss	-	259	-	259
Forward foreign exchange contracts used for hedging	-	126	-	126
Total	263,442	385	-	263,827
Financial liabilities measured at fair value				
Interest rate swaps used for hedging	-	62,699	-	62,699
Cross Currency Interest Rate Swaps used for hedging	-	270,844	-	270,844
Forward foreign exchange contracts used for hedging	-	365	-	365
Total	-	333,909	-	333,909

Derivatives

Equity forward contracts are measured by reference to quoted equity prices and discounted using yield curves with tenors matching maturities of the contracts.

Foreign currency forward contracts are measured using quoted exchange rates and yield curves derived from quoted interest rates matching maturities of the contracts.

Interest rate swaps are measured at the present value of future cash flows estimated and discounted based on the applicable yield curves derived from quoted interest rates.

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.

Fair value measurements of financial instruments measured at amortised cost

Except as detailed in the following table, the directors consider that the carrying amounts of financial assets and financial liabilities recognised at amortised cost in the financial statements approximate their fair values.

	Carrying amount		Fair value	
	2013 \$000	2012 \$000	2013 \$000	2012 \$000
Financial Liabilities				
Unsecured long term private placement notes	1,188,472	1,095,597	1,434,441	1,389,909
Unsecured Australian Dollar medium term notes	300,000	300,000	371,212	382,457
Unsecured Japanese Yen medium term note	110,203	122,256	114,146	127,752
Unsecured Canadian Dollar medium term notes	311,947	287,986	344,358	334,037
Unsecured US Dollar 144a medium term notes	820,031	-	757,775	-
Unsecured British Pound medium term note	581,866	-	550,282	-
Total	3,312,519	1,805,839	3,572,214	2,234,155

The financial liabilities included in the table above are fixed rate borrowings. Other debts held by the Consolidated Entity are floating rate debts and amortised cost approximates its fair value.

APT Pipelines Limited
Notes to the consolidated financial statements (continued)
For the financial year ended 30 June 2013

38. Jointly controlled operations and assets

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

Name of venture	Principal activity	Output interest	
		2013 %	2012 %
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 jointly controlled operations as part of the SCP Gas Business acquisition.

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

The Consolidated Entity's interest, as a venturer, in assets employed in the above jointly controlled operations and assets is detailed below. The amounts are included in the consolidated financial statements under their respective asset categories:

	2013 \$000	2012 \$000
<u>Current assets</u>		
Cash and cash equivalents	2,547	6,510
Trade and other receivables	12,724	1,397
Inventories	2,385	2,391
Other	49	143
Total current assets	17,705	10,441
<u>Non-current assets</u>		
Property, plant and equipment	604,075	543,214
Other	-	765
Total non-current assets	604,075	543,979
Total assets	621,780	554,420

Contingent liabilities and capital commitments

Contingent liabilities and capital commitments arising from the Consolidated Entity's interest in jointly controlled operations are disclosed in Notes 48 and 42 respectively.

APT Pipelines Limited
Notes to the consolidated financial statements (continued)
For the financial year ended 30 June 2013

39. Subsidiaries

Name of entity	Country of registration/ incorporation	Ownership interest	
		2013 %	2012 %
Parent entity			
APT Pipelines Limited ^(a)			
Subsidiaries			
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 Gas Pty Ltd ^{(b),(c)}	Australia	100	100
APT Parmelia Holdings Pty Ltd ^{(b),(c)}	Australia	100	100
APT Parmelia Pty Ltd ^{(b),(c)}	Australia	100	100
APT Parmelia Trust ^(b)	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 GasNet Australia (Holdings) Pty Limited ^{(b),(c)}	Australia	100	100
APA GasNet Australia (Operations) Pty Limited ^{(b),(c)}	Australia	100	100
APA GasNet A Pty Limited ^{(b),(c)}	Australia	100	100
GasNet A Trust	Australia	100	100
APA GasNet Australia (NSW) Pty Limited ^{(b),(c)}	Australia	100	100
APA GasNet B Pty Limited ^{(b),(c)}	Australia	100	100
APA GasNet Australia Pty Limited ^{(b),(c)}	Australia	100	100

APT Pipelines Limited

Notes to the consolidated financial statements (continued)

For the financial year ended 30 June 2013

39. Subsidiaries

GasNet B Trust ^(b)	Australia	100	100
Allgas Pipelines Operations Pty Limited ^(d)	Australia	-	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 Water Management Pty Ltd ^{(b),(c)}	Australia	100	100
APT Water Management Holdings 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
APA Pipelines (QNSW) 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
North Western Natural Gas Company 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
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	-
APA Sub Trust No 2 ^(b)	Australia	100	-
APA Sub Trust No 3 ^(b)	Australia	100	-
APA (Pilbara Pipeline) Pty Ltd ^{(b),(c)}	Australia	100	-
APA (Sub No 3) International Holdings 1 Pty Ltd ^{(b),(c)}	Australia	100	-
APA (Sub No 3) International Holdings 2 Pty Ltd ^{(b),(c)}	Australia	100	-
APA (Sub No 3) International Nominees Pty Ltd ^{(b),(c)}	Australia	100	-
APA (SWQP) Pty Limited ^{(b),(c)}	Australia	100	-
APA (WA) One Pty Limited ^{(b),(c)}	Australia	100	-
APA AIS 1 Pty Limited ^{(b),(c)}	Australia	100	-
APA AIS 2 Pty Ltd ^{(b),(c)}	Australia	100	-
APA AIS Pty Limited ^{(b),(c)}	Australia	100	-

APT Pipelines Limited
Notes to the consolidated financial statements (continued)
For the financial year ended 30 June 2013

39. Subsidiaries

APA Biobond Pty Limited ^{(b),(c)}	Australia	100	-
APA East One Pty Limited ^{(b),(c)}	Australia	100	-
APA East Pipelines Pty Limited ^{(b),(c)}	Australia	100	-
APA EE Pty Limited ^{(b),(c)}	Australia	100	-
APA EE Australia Pty Limited ^{(b),(c)}	Australia	100	-
APA EE Corporate Shared Services Pty Limited ^{(b),(c)}	Australia	100	-
APA EE Holdings Pty Limited ^{(b),(c)}	Australia	100	-
Epic Energy East Pipelines Trust ^(b)	Australia	100	-
APA (NT) Pty Limited ^{(b),(c)}	Australia	100	-
Epic Energy South Australia Pty Limited ^(e)	Australia	-	-
MAPS FinCo Pty Limited	Australia	100	-

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

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

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

(d) These entities were disposed of during the year.

(e) Entity was acquired and disposed of during the year.

APT Pipelines Limited
Notes to the consolidated financial statements (continued)
For the financial year ended 30 June 2013

39. Subsidiaries

The consolidated income statement of the entities party to the deed of cross guarantee are:

	Cross Guarantee Group	
	2013	2012
	\$000	\$000
Continuing operations		
Revenue	1,229,646	1,030,092
Share of net profits of associates and jointly controlled entities accounted for using the equity method	6,124	3,805
	1,235,770	1,033,897
Gain on previously held interest in HDF on obtaining control	142,333	-
Asset operation and management expenses	(58,887)	(76,770)
Depreciation and amortisation expense	(128,071)	(110,410)
Other operating costs - pass-through	(352,743)	(301,978)
Finance costs	(368,747)	(278,391)
Employee benefit expense	(165,508)	(132,912)
Other expenses	(15,160)	(23,306)
Profit before tax	288,987	110,130
Income tax expense	(40,218)	(38,699)
Profit for the year	248,769	71,431
Other comprehensive income, net of income tax		
Items that will not be reclassified subsequently to profit or loss:		
Actuarial (loss)/gain on defined benefit plan	13,166	(32,677)
Income tax relating to (loss)/gain on defined benefit plan	(3,950)	9,805
	9,216	(22,872)
Items that may be reclassified subsequently to profit or loss:		
Gain on available-for-sale investments taken to equity	27,543	89,839
Gain on available-for-sale investment reclassified to profit or loss	(142,333)	-
Transfer of gain on cash flow hedges to profit or loss	91,438	48,983
Loss on cash flow hedges taken to equity	(144,702)	(116,626)
Gain/(loss) on associate hedges taken to equity	3,262	(10,779)
Income tax relating to other comprehensive income components	49,437	6,377
	(115,355)	17,794
Other comprehensive income/(expense) in the year (net of tax)	(106,139)	(5,078)
Total comprehensive income for the year	142,630	66,353

APT Pipelines Limited
Notes to the consolidated financial statements (continued)
For the financial year ended 30 June 2013

39. Subsidiaries

The consolidated statement of financial position of the entities party to the deed of cross guarantee are:

	Cross Guarantee Group	
	2013	2012
	\$000	\$000
Current assets		
Cash and cash equivalents	74,017	323,663
Trade and other receivables	666,998	349,316
Other financial assets	16,469	135
Inventories	12,726	11,504
Other	5,662	4,135
Total current assets	775,872	688,753
Non-current assets		
Receivables	34,318	164,306
Other financial assets	701,131	427,313
Investments accounted for using the equity method	101,830	100,193
Property, plant and equipment	5,277,820	3,469,691
Goodwill	1,150,131	411,514
Other intangible assets	177,015	183,659
Other	18,440	9,349
Total non-current assets	7,460,685	4,766,025
Total assets	8,236,557	5,454,778
Current liabilities		
Trade and other payables	2,418,486	1,322,434
Borrowings	81,519	-
Other financial liabilities	126,385	59,307
Provisions	81,943	65,883
Other	12,921	761
Total current liabilities	2,721,254	1,448,385
Non-current liabilities		
Trade and other payables	266,165	-
Borrowings	4,244,502	2,917,814
Other financial liabilities	177,256	286,591
Deferred tax liabilities	480,530	462,445
Provisions	50,183	65,076
Other	16,669	4,077
Total non-current liabilities	5,235,305	3,736,003
Total liabilities	7,956,559	5,184,388
Net assets	279,998	270,390
Equity		
Issued capital	117,329	117,330
Reserves	(61,219)	54,136
Retained earnings	223,888	98,924
Equity attributable to securityholders of the parent	279,998	270,390

APT Pipelines Limited
Notes to the consolidated financial statements (continued)
For the financial year ended 30 June 2013

40. Acquisition of businesses

On 9 October 2012, APA obtained control of the Hastings Diversified Utilities Fund (HDF) when the takeover offer was declared unconditional. APA held a controlling interest of 54.94% on the acquisition date resulting in a non-controlling interest of 45.06%. The non-controlling interest was acquired over the period from 10 October 2012 to 24 December 2012 when compulsory acquisition was completed.

The acquisition was paid for by cash and securities issued. Acquisition-related costs of \$21,037,000 were incurred during the period of which \$12,404,000 of the costs have been recognised as an expense and \$8,633,000 of the costs have been recognised in equity relating to the securities issued.

Revenue for the financial year includes \$152,938,000 in respect of HDF. Included in profit before non-controlling interests for the financial year is a loss of \$10,458,000 attributable to HDF, as below:

	\$000
EBITDA from HDF's Epic Energy pipeline assets	115,171
Management and performance fees charged by Hastings Funds Management	(35,438)
Takeover response costs paid by HDF	(6,913)
Integration costs on acquisition	(4,481)
EBITDA for HDF Group	68,339
HDF Depreciation	(19,366)
HDF Net finance costs	(51,548)
HDF Income tax expense	(7,883)
Net loss after tax attributable to HDF Group	(10,458)

Due to the impact of a number of one-off items in the year (including takeover defence costs, debt facility refinancing costs and swap break costs), implementation of an internalised management model following the change of responsible entity, and the divestment of the Moomba-Adelaide Pipeline System, it is not practical to present meaningful pro-forma results reflecting HDF as if it had been acquired on 1 July 2012.

The accounting for the acquisition of HDF has been provisionally determined at reporting date.

APT Pipelines Limited
Notes to the consolidated financial statements (continued)
For the financial year ended 30 June 2013

40. Acquisition of businesses

Names of business acquired	Principal activity	Date of acquisition	Proportion acquired %	Cost of acquisition \$000
During the financial year ended 30 June 2013				
		9 October 2012 -		
Hastings Diversified Utilities Fund (HDF)	Gas Transmission	24 December 2012	100	1,233,847
				Provisional fair value on acquisition \$000
Hastings Diversified Utilities Fund				
Net assets acquired				
Current assets				
Cash and cash equivalents				104,500
Trade and other receivables				23,963
Other financial assets				79
Inventories				1,930
Deferred tax assets				104,408
Other				1,727
Non-current assets				
Receivables				15,278
Property, plant and equipment				1,933,354
Goodwill				765,476
Other				8,090
Current liabilities				
Trade and other payables				(44,190)
Current borrowings				(1,325,000)
Other financial liabilities				(43,897)
Provisions				(19,044)
Other				(644)
Non-current liabilities				
Provisions				(1,201)
Fair value of net assets acquired				1,524,829
Previously held interest				(290,982)
Cost of acquisition				1,233,847
Cash balances acquired				(104,500)
APA Group securities issued as part consideration				(884,665)
Transaction costs paid				12,380
Net cash outflow on acquisition - current period				257,062
Prior year transaction costs paid				8,259
Total cash outflow on acquisitions				265,321

APT Pipelines Limited
Notes to the consolidated financial statements (continued)
For the financial year ended 30 June 2013

41. Disposal of businesses

On 1 May 2013, pursuant to the undertaking provided to the Australian Consumer and Competition Commission as part of the acquisition of HDF, APA completed the sale of the Moomba Adelaide Pipeline System (MAPS). The net proceeds received from Queensland Investment Corporation totalled \$391.7 million net of cash balances sold and after transaction costs.

During the prior financial year APA divested its gas distribution network in South East Queensland (Allgas) into the APA minority owned unlisted investment vehicle GDI (EII) Pty Ltd. APA established GDI in December 2011. APA retains a 20.0% interest in GDI and remains operator of the assets. The net proceeds received from the new equity partners, Marubeni Corporation and RREEF totalled \$475.7 million after transaction costs.

	2013	2012
	Moomba Adelaide Pipeline System 1 May 2013 \$000	Allgas Distribution Network 16 December 2011 \$000
Net assets disposed		
Current assets		
Cash and cash equivalents	3,546	-
Trade and other receivables	5,453	13,770
Inventories	1,350	-
Other	294	-
Non-current assets		
Property, plant and equipment	373,228	471,006
Goodwill	24,992	104,263
Intangibles	-	633
Other	1,811	-
Total assets	410,674	589,672
Current liabilities		
Trade and other payables	(3,229)	(1,266)
Provisions	(1,659)	-
Other	-	(1,086)
Non-current liabilities		
Deferred tax liabilities	(10,798)	(58,979)
Provisions	(311)	-
Total liabilities	(15,997)	(61,331)
Net assets	394,677	528,341
Profit on sale before transaction costs	5,807	12,032
Transactions costs	(5,807)	(21,695)
Loss on disposal (after transaction costs)	-	(9,663)
Less: Cash and cash equivalents disposed	(3,546)	-
Redeemable preference shares acquired	-	(10,400)
Fair value of equity accounted interest retained	-	(39,020)
Payables - sale of business	595	6,420
Net cash inflow on disposal	391,726	475,678
Net cash inflow/(outflow) on transaction costs relating to prior year disposal	19,638	(155)
Total proceeds on sale of businesses	411,364	475,523

APT Pipelines Limited
Notes to the consolidated financial statements (continued)
For the financial year ended 30 June 2013

42. Commitments for expenditure

Capital expenditure commitments

	2013 \$000	2012 \$000
Plant and equipment		
Not longer than 1 year	119,413	55,087
Longer than 1 year and not longer than 5 years	-	-
Longer than 5 years	-	-
	119,413	55,087
Consolidated Entity's share of jointly controlled operation's commitments		
Not longer than 1 year	45,637	79,806
Longer than 1 year and not longer than 5 years	-	49,655
Longer than 5 years	-	-
	45,637	129,461

43. Remuneration of external auditor

	2013 \$	2012 \$
Amounts received or due and receivable by Deloitte Touche Tohmatsu for:		
Auditing the financial report	765,300	570,300
Tax compliance and advice ^(a)	193,305	5,500
Other assurance services ^(a)	505,000	646,400
	1,463,605	1,222,200

(a) Services provided were in accordance with the external auditor independence policy. Other assurance services comprise financial due diligence, preparation of investigating accountants reports and assurance services in relation to debt raisings and a takeover offer.

APT Pipelines Limited
Notes to the consolidated financial statements (continued)
For the financial year ended 30 June 2013

44. Director compensation

(a) Details of directors

The Directors of the Consolidated Entity during the financial year were:

L F Bleasel AM (Independent, Non-Executive Chairman)

M J McCormack (Managing Director/Chief Executive Officer)

S Crane (Independent Non-Executive Director)

J A Fletcher (Independent Non-Executive Director)

R A Higgins AO (Independent Non-Executive Director)

P M McKenzie (Independent Non-Executive Director)

M Muhammad (Non-Executive Director, resigned 24 October 2012)

R J Wright (Independent Non-Executive Director)

(b) Director compensation

The aggregate compensation made to directors of the Consolidated Entity is set out below:

	2013	2012
	\$	\$
Short-term employment benefits	3,431,262	2,762,850
Post-employment benefits	124,280	168,148
Cash settled share-based payments	1,165,290	1,021,548
	4,720,832	3,952,546

APT Pipelines Limited
Notes to the consolidated financial statements (continued)
For the financial year ended 30 June 2013

44. Director compensation

The compensation of each director of the Consolidated Entity is set out below.

	Short-term employment benefits		Post-employment	Long-term incentive plans	Total
	Salary/fees	Short-term incentive scheme	Super-annuation	Share-based payments ^(a)	
	\$	\$	\$	\$	\$
Non-Executive Directors					
L F Bleasel AM					
2013	317,252	-	24,998	-	342,250
2012	289,000	-	24,400	-	313,400
S Crane					
2013	146,970	-	13,230	-	160,200
2012	134,750	-	12,128	-	146,878
J A Fletcher					
2013	156,723	-	19,012	-	175,735
2012	117,000	-	43,250	-	160,250
R A Higgins AO					
2013	160,223	-	14,427	-	174,650
2012	146,000	-	13,145	-	159,145
P M McKenzie					
2013	143,000	-	12,850	-	155,850
2012	130,000	-	11,675	-	141,675
M Muhammad ^(b)					
2013	43,043	-	-	-	43,043
2012	130,000	-	-	-	130,000
R J Wright					
2013	164,238	-	14,763	-	179,001
2012	150,750	-	13,550	-	164,300
Total remuneration: Non-Executive Directors					
2013	1,131,449	-	99,280	-	1,230,729
2012	1,097,500	-	118,148	-	1,215,648
Executive Directors					
M J McCormack					
2013	1,167,500	1,132,313	25,000	1,165,290	3,490,103
2012	965,000	700,350	50,000	1,021,548	2,736,898
Total remuneration: Directors					
2013	2,298,949	1,132,313	124,280	1,165,290	4,720,832
2012	2,062,500	700,350	168,148	1,021,548	3,952,546

(a) Cash settled share-based payments.

(b) Muri Muhammad resigned as a director on 24 October 2012.

APT Pipelines Limited
Notes to the consolidated financial statements (continued)
For the financial year ended 30 June 2013

45. Key management personnel compensation

(a) Details of key management personnel

The members of key management personnel of the Consolidated Entity during the financial year were:

M J McCormack (Managing Director/Chief Executive Officer)
P J Fredricson (Chief Financial Officer)
R M Gersbach (Chief Executive Strategy & Development)
S P Ohl (Group Executive Strategic Projects)
M T Knapman (Company Secretary)
P J Wallace (Group Executive Human Resources)
R A Wheals (Group Executive Transmission)
J L Ferguson (Group Executive Networks)
K Lester (Group Executive Infrastructure Development, appointed 6 August 2012)

(b) Key management personnel compensation

The aggregate compensation made to key management personnel of the Consolidated Entity is set out below:

	2013	2012
	\$	\$
Short-term employment benefits	8,377,184	5,922,156
Post-employment benefits	203,207	298,160
Cash settled share-based payments	3,302,138	2,638,476
Retention award	720,667	-
Termination payments	245,000	-
	12,848,196	8,858,792

The executive remuneration strategy is to:

- attract and retain key executives who will create long-term sustainable value for securityholders;
- motivate and reward executives having regard to the overall performance of APA, the performance of the executive measured against pre-determined objectives and the external compensation environment;
- appropriately align the interests of executives with those of securityholders; and
- comply with applicable legal requirements and appropriate standards of governance.

APA's remuneration mix is structured as a mix of base pay and 'at risk' short and long-term incentive components.

Total fixed remuneration is reviewed annually and is determined by reference to appropriate remuneration benchmarking information, taking into account an individual's responsibilities, performance, qualifications and experience.

Operating cash flow per security has been chosen by the board as the key performance measure for the short-term incentive scheme. This is directly linked to the strategic goal of increasing operating cash flows over the medium term, thereby improving returns to securityholders.

The key performance measures for the long-term incentive scheme are Total Securityholder Returns performance against the ASX 100 comparator group and Earnings Before Interest, Tax, Depreciation and Amortisation divided by Funds Employed. These measures are directly linked to the experience of APA securityholders compared to the general shareholder market.

Refer to the Remuneration Report for further details of APA's executive remuneration policy.

APT Pipelines Limited
Notes to the consolidated financial statements (continued)
For the financial year ended 30 June 2013

45. Key management personnel compensation

The compensation of each member of the key management personnel of the Consolidated Entity is set out below.

	Short-term employment benefits			Post-employment	Long-term incentive plans	Other payments ^(b)	Total
	Short-term		Non-monetary	Super-annuation	Share-based payments ^(a)		
	Salary/fees	incentive scheme					
	\$	\$	\$	\$	\$	\$	\$
Key management personnel							
M J McCormack							
2013	1,167,500	1,132,313	-	25,000	1,165,290	-	3,490,103
2012	965,000	700,350	-	50,000	1,021,548	-	2,736,898
P J Fredricson							
2013	653,530	477,375	-	16,470	462,536	202,000	1,811,911
2012	590,225	292,395	-	15,775	290,755	-	1,189,150
R M Gersbach							
2013	707,608	505,080	11,922	16,470	522,376	228,667	1,992,123
2012	658,303	321,563	11,922	15,775	475,330	-	1,482,893
S P Ohl^(c)							
2013	465,530	312,375	-	24,470	362,815	245,000	1,410,190
2012	415,377	182,125	4,848	49,775	337,336	-	989,461
M T Knapman							
2013	411,000	215,482	-	25,000	234,415	-	885,897
2012	366,000	132,922	-	50,000	215,843	-	764,765
P J Wallace							
2013	345,149	237,263	-	24,999	129,441	-	736,852
2012	272,243	147,345	-	41,257	60,110	-	520,955
R A Wheals							
2013	390,000	239,663	-	25,000	193,639	60,000	908,302
2012	329,000	117,369	-	25,000	119,753	-	591,122
J L Ferguson^(e)							
2013	358,130	267,143	-	24,870	185,791	130,000	965,934
2012	295,422	119,747	-	50,578	117,801	-	583,548
K Lester^(d)							
2013	299,905	180,216	-	20,928	45,835	100,000	646,884
2012	-	-	-	-	-	-	-
Total Remuneration							
2013	4,798,352	3,566,910	11,922	203,207	3,302,138	965,667	12,848,196
2012	3,891,570	2,013,816	16,770	298,160	2,638,476	-	8,858,792

(a) Cash settled share-based payments.

(b) Other payments include the first instalment of Loyalty Payment.

(c) S Ohl retired with effect 1 July 2013. A termination payment of \$353,716 (representing the termination benefit of \$245,000 plus statutory entitlements) has not been paid in the financial year 2013. The payment will be made in future years.

(d) Kevin Lester joined APT Pipelines Limited as Group Executive Infrastructure Development on 6 August 2012 and received a Sign-On/Enticement payment.

(e) Other payments include the first instalment of Loyalty Payment and an ex-gratia payment for acting in the position of Group Executive Operations.

APT Pipelines Limited
Notes to the consolidated financial statements (continued)
For the financial year ended 30 June 2013

46. Related party transactions

(a) Equity interest in related parties

Details of the percentage of ordinary securities held in subsidiaries are disclosed in Note 39 and the details of the percentage held in jointly controlled operations are disclosed in Note 38. Details of interests in jointly controlled entities and associates are disclosed in Note 17.

(b) Responsible Entity - Australian Pipeline Limited

The Responsible Entity is wholly owned by APT Pipelines Limited.

(c) Transactions with key management personnel

Details of directors and key management personnel compensation are disclosed in Note 44 and 45 respectively.

(i) Loans to key management personnel

No loans have been made to key management personnel.

(ii) Key management personnel equity holdings

	Fully paid securities opening balance	Securities acquired during the financial year	Securities disposed during the financial year	Fully paid securities closing balance
2013				
L F Bleasel AM	443,093	17,571	-	460,664
S Crane	100,000	-	-	100,000
J A Fletcher	63,298	2,890	-	66,188
R A Higgins AO	86,160	5,880	-	92,040
P M McKenzie	12,500	-	-	12,500
M Muhammad ^(a)	42,818	-	-	42,818
R J Wright	36,924	2,520	-	39,444
M J McCormack	195,264	13,326	-	208,590
P J Fredricson	6,216	1,500	-	7,716
R M Gersbach	454	31	-	485
S P Ohl	14,896	-	-	14,896
M T Knapman	7,000	201	-	7,201
P J Wallace	-	6,000	-	6,000
R A Wheals	1,500	-	-	1,500
J L Ferguson	1,967	-	-	1,967

(a) M Muhammad resigned effective 24 October 2012. Closing balance represents balance at that date.

APT Pipelines Limited
Notes to the consolidated financial statements (continued)
For the financial year ended 30 June 2013

46. Related party transactions

	Fully paid securities opening balance	Securities acquired during the financial year	Securities disposed during the financial year	Fully paid securities closing balance
2012				
L F Bleasel AM	375,405	67,688	-	443,093
S Crane	100,000	-	-	100,000
J A Fletcher	60,026	3,272	-	63,298
R A Higgins AO	79,503	6,657	-	86,160
P M McKenzie	-	12,500	-	12,500
M Muhammad	42,818	-	-	42,818
R J Wright	34,071	2,853	-	36,924
M J McCormack	170,619	24,645	-	195,264
P J Fredricson	3,269	2,947	-	6,216
R M Gersbach	9,796	454	9,796	454
S P Ohl	14,896	-	-	14,896
M T Knapman	4,484	2,516	-	7,000
P J Wallace	-	-	-	-
R A Wheals	1,500	-	-	1,500
J L Ferguson	1,967	-	-	1,967

(iii) Other transactions with key management personnel of the Group and the Responsible Entity

Other than directors compensation (Note 44) and key management personnel compensation (Note 45) and equity holdings (Note 46(c)(ii)), there are no other transactions with key management personnel of the Group and the Responsible Entity.

(d) Transactions with related parties within the consolidated entity

Transactions between the entities that comprise the consolidated entity during the financial year consisted of:

- dividends;
- asset lease rentals;
- loans advanced and payments received on long-term inter-entity loans;
- management fees;
- operational services provided between entities;
- payments of distributions;
- payments of capital distributions (returns of capital); 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 the consolidated entity have been eliminated on consolidation. Refer to Note 39 for details of the entities that comprise the consolidated group.

Australian Pipeline Limited

Management fees of \$2,727,683 (2012: \$2,559,434) were paid to the Responsible Entity as reimbursement of costs incurred on behalf of APA. No amounts were paid directly by APA to the Directors of the Responsible Entity, except as disclosed at Note 44(b).

Australian Pipeline Limited, in its capacity as trustee and Responsible Entity of the Company, has guaranteed the payment of principal, interest and other amounts as provided in the Note and Guarantee Agreement relating to the issue of Guaranteed Senior Notes.

APT Pipelines Limited
Notes to the consolidated financial statements (continued)
For the financial year ended 30 June 2013

46. Related party transactions

(e) Transactions with other related parties

Transactions with associates and jointly controlled entities

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

	Sales to related parties	Purchases from related parties	Amount owed by related parties	Amount owed to related parties
2013	\$	\$	\$	\$
SEA Gas	3,121,756	4,844	106,596	-
Energy Infrastructure Investments	23,316,649	-	5,910,899	-
EII 2	654,438	-	40,197	-
APA Ethane Ltd	200,000	-	-	-
Diamantina Power Station	4,392,146	-	142,617	-
GDI (EII)	39,626,374	-	5,077,118	-
Envestra Limited	326,934,622	1,255,441	35,644,118	-
	398,245,985	1,260,285	46,921,545	-

Interest income on a shareholder loan to Diamantina during the year was \$3,630,160.

At year end, consolidated entity had receivables with other related parties of \$9,009,417.

	Sales to related parties	Purchases from related parties	Amount owed by related parties	Amount owed to related parties
2012	\$	\$	\$	\$
SEA Gas	2,602,524	-	78,326	-
Energy Infrastructure Investments	28,509,775	-	5,130,619	-
EII 2	637,376	-	-	-
APA Ethane Ltd	200,000	-	-	-
Diamantina Power Station	5,385,943	-	89,749,008	-
GDI (EII)	21,050,337	-	3,907,990	-
Envestra Limited	296,428,404	566,250	38,311,409	-
	354,814,359	566,250	137,177,352	-

Interest income on a shareholder loan to Diamantina during the year was \$2,265,286.

At year end, the consolidated entity had receivables with other related parties of \$6,744,692.

Transactions with all the above related parties have taken place at arm's length and in the ordinary course of business.

APT Pipelines Limited
Notes to the consolidated financial statements (continued)
For the financial year ended 30 June 2013

46. Related party transactions

Transactions with APA entities

APT Pipelines Limited and its controlled entities have a number of loan payables balances with APA entities. These loans have various terms, however, they can be repayable on agreement of the parties. Interest is recognised by applying the effective interest method, agreed between the parties at the end of each month and is determined by reference to market rates.

The following balances arising from transactions between the consolidated entity and other APA entities are outstanding at reporting date:

- current payables totalling \$608,644 are owing to APT Investment Trust for amounts due under a finance lease arrangement (2012: \$580,065);
- other current payables totalling \$998,429,689 (2012: \$691,221,959) are owing to Australian Pipeline Trust;
- non-current payables totalling \$11,259,628 are owing to APT Investment Trust for amounts due under a finance lease arrangement (2012: \$11,868,272);
- other non-current payables totalling \$442,224,745 (2012: \$226,556,405) are owing to APT Investment Trust and its subsidiary; and
- other current receivables totalling \$194,723,569 (2012: \$160,823,511) are owed from Australian Pipeline Trust.

APT Pipelines Limited
Notes to the consolidated financial statements (continued)
For the financial year ended 30 June 2013

47. Parent Entity Information

	2013 \$000	2012 \$000
Financial position		
Assets		
Current assets	90,870	334,104
Non-current assets	8,545,650	5,546,161
Total assets	8,636,519	5,880,265
Liabilities		
Current liabilities	303,525	115,050
Non-current liabilities	8,211,621	5,569,873
Total liabilities	8,515,145	5,684,923
Net assets	121,374	195,342
Equity		
Issued capital	117,330	117,330
Retained earnings	66,731	23,061
Reserves		
Hedging reserve	(62,686)	(25,402)
Available-for-sale reserve	-	80,353
Total equity	121,374	195,342

	2013 \$000	2012 \$000
Financial performance		
Profit for the year	35,383	36,761
Other comprehensive income	24,696	15,538
Total comprehensive income	60,079	52,299

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

Guarantee provided under the deed of cross guarantee (i)

(i) APT Pipelines Limited has entered into a deed of cross guarantee with a number of its wholly-owned subsidiaries. These subsidiaries are listed in full in note 39.

	2013 \$000	2012 \$000
Contingent liabilities of the parent entity		
Bank guarantees	157,200	31,632

APT Pipelines Limited
Notes to the consolidated financial statements (continued)
For the financial year ended 30 June 2013

48. Contingencies

	2013 \$000	2012 \$000
Contingent liabilities		
Bank guarantees	157,200	31,632
Contingent assets		
	-	-

49. Events occurring after reporting date

On 16 July 2013, APA announced that an indicative and non-binding all-share merger proposal has been submitted to the board of Envestra Limited. Under the proposal Envestra shareholders would receive 0.1678 new APA stapled securities for each Envestra share they own. On 5 August 2013, Envestra announced that it had decided to reject the APA proposal. APA continues to consider its position on this proposed transaction.

On 21 August 2013, the Directors declared a final dividend of 197.3 cents per security (\$122.6 million) for APT Pipelines Limited. The dividend will be paid on 21 August 2013 to the sole shareholder Australian Pipeline Limited as Responsible Entity and Trustee of Australian Pipeline Trust.

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

APT Pipelines Limited

Declaration by the Directors of APT Pipelines Limited

For the financial year ended 30 June 2013

The Directors declare that:

- (a) in the Directors' opinion, there are reasonable grounds to believe that APT Pipelines Limited will be able to pay its debts as and when they become due and payable;
- (b) in the Directors' opinion, the attached financial statements and notes thereto are in accordance with the Corporations Act 2001, including compliance with Accounting Standards and giving a true and fair view of the financial position and performance of the Consolidated Entity;
- (c) in the Directors' opinion, the financial statements and notes thereto are in accordance with International Financial Reporting Standards as stated in Note 3 to the financial statements; and
- (d) the Directors have been given the declarations by the Managing Director and Chief Financial Officer required by section 295A of the Corporations Act 2001.

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

On behalf of the Directors



Leonard Bleasel AM
Chairman



Robert Wright
Director

SYDNEY, 21 August 2013

The Directors
APT Pipelines Limited
HSBC Building
Level 19, 580 George Street
Sydney NSW 2000

21 August 2013

Dear Directors

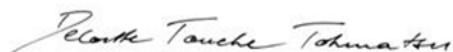
Auditors Independence Declaration to APT Pipelines Limited

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

As lead audit partner for the audit of the financial statements of APT Pipelines Limited for the financial year ended 30 June 2013, I declare that to the best of my knowledge and belief, there have been no contraventions of:

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

Yours sincerely



DELOITTE TOUCHE TOHMATSU



Partner
Chartered Accountants

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

Report on the Financial Report

We have audited the accompanying financial report of APT Pipelines Limited, which comprises the statement of financial position as at 30 June 2013, the statement of profit or loss and other comprehensive income, the statement of cash flows and the statement of changes in equity for the year ended on that date, notes comprising a summary of significant accounting policies and other explanatory information, and the directors' declaration of the consolidated entity comprising the company and the entities it controlled at the year's end or from time to time during the financial year as set out on pages 22 to 108.

Directors' Responsibility for the Financial Report

The directors of APT Pipelines Limited are responsible for the preparation of the financial report that gives a true and fair view in accordance with Australian Accounting Standards and the *Corporations Act 2001* and for such internal control as the directors determine is necessary to enable the preparation of the financial report that is free from material misstatement, whether due to fraud or error. In Note 3, the directors also state, in accordance with Accounting Standard AASB 101 *Presentation of Financial Statements*, that the financial statements comply with International Financial Reporting Standards.

Auditor's Responsibility

Our responsibility is to express an opinion on the financial report based on our audit. We conducted our audit in accordance with Australian Auditing Standards. Those standards require that we comply with relevant ethical requirements relating to audit engagements and plan and perform the audit to obtain reasonable assurance whether the financial report is free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial report. The procedures selected depend on the auditor's judgement, including the assessment of the risks of material misstatement of the financial report, whether due to fraud or error. In making those risk assessments, the auditor considers internal control, relevant to the entity's preparation of the financial report that gives a true and fair view, in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by the directors, as well as evaluating the overall presentation of the financial report.

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

Deloitte.

Auditor's Independence Declaration

In conducting our audit, we have complied with the independence requirements of the *Corporations Act 2001*. We confirm that the independence declaration required by the *Corporations Act 2001*, which has been given to the directors of APT Pipelines Limited, would be in the same terms if given to the directors as at the time of this auditor's report.

Opinion

In our opinion:

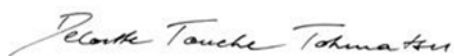
- (a) the financial report of APT Pipelines Limited is in accordance with the *Corporations Act 2001*, including:
 - (i) giving a true and fair view of the consolidated entity's financial position as at 30 June 2013 and of its performance for the year ended on that date; and
 - (ii) complying with Australian Accounting Standards and the *Corporations Regulations 2001*; and
- (b) the financial statements also comply with International Financial Reporting Standards as disclosed in Note 3.

Report on the Remuneration Report

We have audited the Remuneration Report included in pages 9 to 21 of the directors' report for the year ended 30 June 2013. The directors of the company are responsible for the preparation and presentation of the Remuneration Report in accordance with section 300A of the *Corporations Act 2001*. Our responsibility is to express an opinion on the Remuneration Report, based on our audit conducted in accordance with Australian Auditing Standards.

Opinion

In our opinion the Remuneration Report of APT Pipelines Limited for the year ended 30 June 2013, complies with section 300A of the *Corporations Act 2001*.



DELOITTE TOUCHE TOHMATSU



G Coultas
Partner
Chartered Accountants
Sydney, 21 August 2013