

APA Group

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**APT Pipelines Limited**

**ABN 89 009 666 700**

**Annual Report**

**For the financial year ended**

**30 June 2014**

Delivering Australia's Energy

# APT Pipelines Limited and its Controlled Entities

## Directors' Report for the year ended 30 June 2014

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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 2014.

### **DIRECTORS**

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

Leonard Bleasel AM	Chairman
Michael McCormack	Chief Executive Officer and Managing Director
Steven Crane	
John Fletcher	
Russell Higgins AO	
Patricia McKenzie	
Robert Wright	

Details of the Directors, their qualifications, experience, special responsibilities and directorships of other listed entities are set out on pages 3 to 5.

The Company Secretary of the Responsible Entity during and since the financial year is Mark Knapman.

### **PRINCIPAL ACTIVITIES**

The principal activities of APTPL during the course of the financial 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;
- 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 financial year APTPL completed the following financings:

- in December 2013, four existing \$75 million bilateral bank facilities, due to mature in mid-2014, were extended. The limit of each facility was increased to \$100 million and their terms extended from three years to five years from their new effective dates, to December 2018; and
- in June 2014, APA completed the refinancing of two syndicated bank debt facilities with three new facilities totalling \$1.25 billion. The three new facilities of \$400 million, \$425 million and \$425 million have terms of 2.25 years, 3.25 years and 5.25 years, maturing in September 2016, 2017 and 2019 respectively.

Loans already drawn under the bilateral bank facilities and the syndicated bank facilities have subsequently rolled into the new facilities and the additional headroom committed to is available to support APA's ongoing investment in the growth of its infrastructure assets, and for general corporate purposes.

## APT Pipelines Limited and its Controlled Entities Directors' Report for the year ended 30 June 2014

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At 30 June 2014, APA's debt portfolio has a broad spread of maturities extending out to 2024, with an average maturity of drawn debt of 5.4 years. APA's gearing<sup>1</sup> of 64.2% at 30 June 2014 was up from 62.8% at 30 June 2013, as funding for APA's growth infrastructure over the period under review has been drawn from debt as well as operating cash flow remaining in the business.

At 30 June 2014, APA had around \$800 million in cash and committed undrawn facilities available to meet the continued capital growth needs of the business.

APA has a prudent treasury policy which requires conservative levels of hedging of interest rate exposures to minimise the potential impacts from adverse movements in interest rates. All interest rate and foreign currency exposures on debt raised in foreign currencies have been hedged. APA also enters into interest rate hedges for a proportion of the interest rate exposure on its floating rate borrowings. As at 30 June 2014, 72.8% of interest obligations on gross borrowings were either hedged or issued at fixed interest rates for varying periods extending out in excess of 10 years.

### **Borrowings and finance costs**

As at 30 June 2014, APTPL had borrowings of \$4,789 million (\$4,412 million at 30 June 2013) from a mix of syndicated bank debt facilities, bilateral debt facilities, US Private Placement notes, European Medium Term Notes in several currencies, Australian Medium Term Notes, United States 144A Notes and APA Group Subordinated Notes.

Excluding significant items, net finance costs increased by \$35.5 million, or 11.8%, to \$336.6 million (2013: \$301.1 million). The increase is primarily due to increased borrowings. The average interest rate (including credit margins) applying to drawn debt was 7.12 % for the financial year (2013: 7.35%).

APA's interest cover ratio for the financial year, at 2.31 times (2013: 2.30 times), remains 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 any significant items included in EBITDA.

### **Credit ratings**

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

- BBB long-term corporate credit rating (outlook Stable) assigned by Standard & Poor's (S&P) in June 2009, and last confirmed on 14 May 2014; and
- Baa2 long-term corporate credit rating (outlook Stable) assigned by Moody's Investors Service (Moody's) in April 2010, and last confirmed on 20 February 2014.

### **Dividends**

Unfranked dividends of \$229.8 million were paid to the sole shareholder, Australian Pipeline Trust, during the financial year (2013: \$134.0 million).

On 20 August 2014, the Directors declared and paid a final dividend of \$123.3 million payable to the sole shareholder.

## **SIGNIFICANT CHANGES IN STATE OF AFFAIRS**

In March 2014 APA and Envestra entered into a Scheme Implementation Agreement, which was subsequently terminated by Envestra in May 2014 after it received an alternative proposal from a consortium of companies in the Cheung Kong Group ("CKI Consortium") for a price of \$1.32 per Envestra share, plus an entitlement to Envestra's final dividend for the 2014 financial year.

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

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The CKI Consortium formalised its bid for Envestra in its Bidder's Statement issued on 20 June 2014. On 7 August 2014, APA accepted this offer for its entire interest in Envestra of 33.0%. APA will receive \$784 million in consideration in late August 2014, in addition to the \$21 million it received on 25 July 2014, being the final dividend of 3.5 cents per share paid by Envestra on that date. APA retains its Operations and Management Agreement on the Envestra assets, which runs to 2027.

## 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 financial 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><b>Leonard Bleasel AM</b> <b>FAICD FAIM</b>  <i>Independent Chairman</i> Appointed 28 August 2007  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 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><b>Michael McCormack</b> <b>BSurv GradDipEng</b> <b>MBA FAICD</b>  <i>Chief Executive Officer and Managing Director</i> 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. He 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 Chairman of NT Gas Pty Ltd and a director of Envestra Limited and formerly a director of the Australian Pipeline Industry Association and the Australian Brandenburg Orchestra.</p>
<p><b>Steven Crane</b> <b>BComm FAICD SFFin</b>  <i>Independent Director</i> Appointed 1 January 2011</p>	<p>Steve Crane has over 30 years' experience in the financial services industry. His background is in investment banking, having previously been Chief Executive Officer of ABN AMRO Australia and BZW Australia.</p> <p>Steve 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, a member of the Advisory Council for CIMB Securities International (Australia) Pty Limited. He 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 RBS Group (Australia) Pty Limited.</p> <p>Steve is a member of the Audit and Risk Management Committee and the Remuneration Committee.</p>

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<p><b>John Fletcher</b> <b>BSc MBA FAICD</b>  <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, Sydney Water Corporation 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.</p> <p>John is the Chairman of the Remuneration Committee and a member of the Audit and Risk Management Committee.</p>
<p><b>Russell Higgins AO</b> <b>BEc FAICD</b>  <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 and the St James Ethics Foundation.</p> <p>He is a former Chairman of the CSIRO Energy Transformed Flagship Advisory Committee, the Snowy Mountains Council and the Australian Government's Management Improvement Advisory Committee, and a former director of Leighton Holdings Limited, Ricegrowers Limited (trading as SunRice), Australian Biodiesel Group Limited, EFIC, CSIRO, Austrade and the Australian Industry and Development Corporation, 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><b>Patricia McKenzie</b> <b>LLB FAICD</b>  <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 Chair of Healthdirect (National Health Call Centre Network Limited) and 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.</p> <p>Patricia is a member of the Health Safety and Environment Committee and the Remuneration Committee.</p>
<p><b>Robert Wright</b> <b>BComm FCPA</b>  <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 Super Retail Group Limited and APA Ethane Limited, the responsible entity of Ethane Pipeline Income Fund, and was previously Chairman of SAI Global Limited, 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>
<p><b>Mark Knapman</b> <b>BComm LLB FCSA FCIS</b>  <i>Company Secretary</i>  Appointed 16 July 2008</p>	<p>In addition to being responsible for the secretariat function, Mark Knapman 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 the Governance Institute of Australia (formerly 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 financial year are as follows:

Name	Company	Period of directorship
Leonard Bleasel AM	QBE Insurance Group Limited	January 2001 to September 2012
Michael McCormack	Envestra Limited	Since July 2007
Steven Crane	Transfield Services Limited Bank of Queensland Limited nib holdings limited	Since February 2008 Since December 2008 Since September 2010
John Fletcher	-	-
Russell Higgins AO	Telstra Corporation Limited Argo Investments Limited Ricegrowers Limited Leighton Holdings Limited	Since September 2009 Since September 2011 December 2005 to August 2012 June 2013 to May 2014
Patricia McKenzie	-	-
Robert Wright	Super Retail Group Limited APA Ethane Limited <sup>(1)</sup> SAI Global Limited RCL Group Limited	Since May 2004 Since July 2008 October 2003 to October 2013 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 financial 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 financial year as a result of the exercise of an option over unissued APTPL securities.

## INDEMNIFICATION OF OFFICERS AND EXTERNAL AUDITOR

During the financial 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 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 financial 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.

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Directors' Report for the year ended 30 June 2014

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## DIRECTORS' MEETINGS

During the financial year, 12 Board meetings were held. The following table sets out the number of meetings attended by each Director:

Directors	Meetings	
	A	B
Leonard Bleasel AM	12	12
Michael McCormack	12	12
Steven Crane	12	12
John Fletcher	12	12
Russell Higgins AO	12	12
Patricia McKenzie	12	12
Robert Wright	12	12

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

## DIRECTORS' SECURITYHOLDINGS

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

The aggregate number of APA securities held directly, indirectly or beneficially by Directors or their Director related entities at the 30 June 2014 is 979,426 (2013: 979,426).

The following table sets out Directors' relevant interests in APA securities as at 30 June 2014:

Directors	Fully paid securities as at 1 July 2013	Securities acquired	Securities disposed	Fully paid securities as at 30 June 2014
Leonard Bleasel AM	460,664	-	-	460,664
Michael McCormack	208,590	-	-	208,590
Steven Crane	100,000	-	-	100,000
John Fletcher	66,188	-	-	66,188
Russell Higgins AO	92,040	-	-	92,040
Patricia McKenzie	12,500	-	-	12,500
Robert Wright	39,444	-	-	39,444
	979,426	-	-	979,426

Leonard Bleasel AM holds 10,000 APA subordinated notes, issued by APTPL.

The Directors hold no other rights or options over APA securities and no other APTPL securities or rights or options over 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 at page 100.

### Non-audit services

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

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

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

## ROUNDING OF AMOUNTS

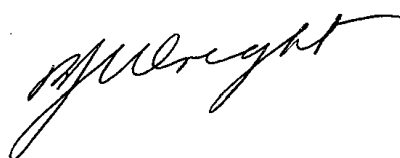
APTPL is an entity of the kind referred to in ASIC Class Order 98/0100 dated 10 July 1998 and, in accordance with that Class Order, amounts in the Directors' report and the financial report are rounded to the nearest thousand dollars, unless otherwise indicated.

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, 20 August 2014



## 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 2014 remuneration details for the Directors of the Responsible Entity and key management personnel ("KMP") of APA.

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

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#### Directors of the Responsible Entity<sup>(1)</sup>

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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	
Robert Wright	Chairman Audit and Risk Management Committee

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#### Key management personnel

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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	Group Executive Infrastructure Development
Stephen Ohl <sup>(2)</sup>	Group Executive Strategic Projects
Mark Knapman	Company Secretary
Peter Wallace	Group Executive Human Resources

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(1) The Directors are defined as "key management personnel" under accounting standard AASB 124 – Related Party Disclosures ("AASB 124") and are presented separately in this report.

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

### Have there been any changes to the executive remuneration structure during FY 2014?

There have been no changes to the remuneration structure during FY 2014.

For the year ending 30 June 2013 the Board restructured the 'at risk' aspects of the Total Package Opportunity Incentive Plan ("TPOI Plan") to more directly align the interests of plan participants and securityholders, and importantly to allow the Board to reward superior performance.

Firstly, the Long Term Incentive ("LTI") plan which had only one hurdle, operating cash flow per security ("OCFPS"), was changed to include two hurdles. The first hurdle is total shareholder return ("TSR") performance against the S&P ASX 100 comparator group and the second hurdle, performance against targets set for growth in earnings before interest, tax, depreciation and amortisation divided by funds employed ("EBITDA/FE").

Secondly, both the Short Term Incentive ("STI") plan and the LTI plan have a maximum opportunity of 150% subject to achieving exceptional or superior performance.

Thirdly, consistent with emerging good governance, last year the Board introduced an Executive Remuneration Clawback Policy which provides that, in the event of a material misstatement in the year end

accounts for the preceding three years (which may affect one or more KMP), the Board at its discretion may clawback some or all of any STI or LTI award or LTI grant not yet vested. The policy appears on the Group website.

### **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;
- facilitate effective attraction, retention and development of talented employees;
- consider and make recommendations to the Board on remuneration policies and packages applicable to Directors and to senior executives of APA;
- 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'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.

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 similarly 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 100.

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.

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.

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**Board 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 2014.

Base board fees and committee fees are outlined below.

	Fees <sup>(1)</sup>	Chairman \$000/pa	Member \$000/pa
	Board fees	370	129
<b>Effective 1 January 2014</b>	Remuneration Committee fees	32	16
	Audit and Risk Management Committee fees	38	19
	Health Safety and Environment Committee fees	32	16
	Board fees	330	120
<b>Effective 1 January 2013 to 31 December 2013</b>	Remuneration Committee fees	31	15.5
	Audit and Risk Management Committee fees	37	18.5
	Health Safety and Environment Committee fees	31	15.5

(1) Excludes superannuation guarantee levy.

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### Total remuneration earned and received

The following table outlines the total remuneration earned and received by non-executive Directors during FY 2014, calculated in accordance with applicable accounting standards.

	Short-term Employment benefits	Post-Employment benefits	Total \$
	Salary / Fees \$	Superannuation \$	
<b>Non-Executive Directors <sup>(1)</sup></b>			
L F Bleasel AM			
<b>2014</b>	<b>353,252</b>	<b>28,698</b>	<b>381,950</b>
2013	317,252	24,998	342,250
S Crane			
<b>2014</b>	<b>158,970</b>	<b>14,530</b>	<b>173,500</b>
2013	146,970	13,230	160,200
J A Fletcher			
<b>2014</b>	<b>160,598</b>	<b>30,078</b>	<b>190,676</b>
2013	156,723	19,012	175,735
R A Higgins AO			
<b>2014</b>	<b>174,723</b>	<b>15,953</b>	<b>190,676</b>
2013	160,223	14,427	174,650
P M McKenzie			
<b>2014</b>	<b>156,000</b>	<b>14,250</b>	<b>170,250</b>
2013	143,000	12,850	155,850
M Muhammad <sup>(2)</sup>			
<b>2014</b>	-	-	-
2013	43,043	-	43,043
R J Wright			
<b>2014</b>	<b>177,738</b>	<b>16,226</b>	<b>193,964</b>
2013	164,238	14,763	179,001
<b>Total Remuneration: Non-Executive Directors</b>			
<b>2014</b>	<b>1,181,281</b>	<b>119,735</b>	<b>1,301,016</b>
2013	1,131,449	99,280	1,230,729

(1) The remuneration for the Chief Executive Officer and Managing Director, Michael McCormack, is included with the remuneration disclosures for key management personnel for FY 2014 on page 19.

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

## Our approach to executive remuneration

### What is our executive remuneration strategy?

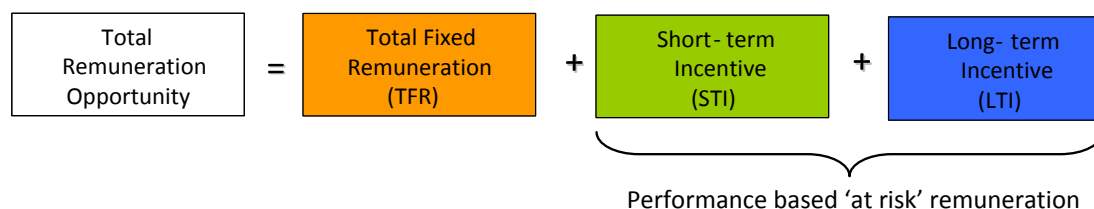
Our executive remuneration strategy is to:

- 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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- 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").

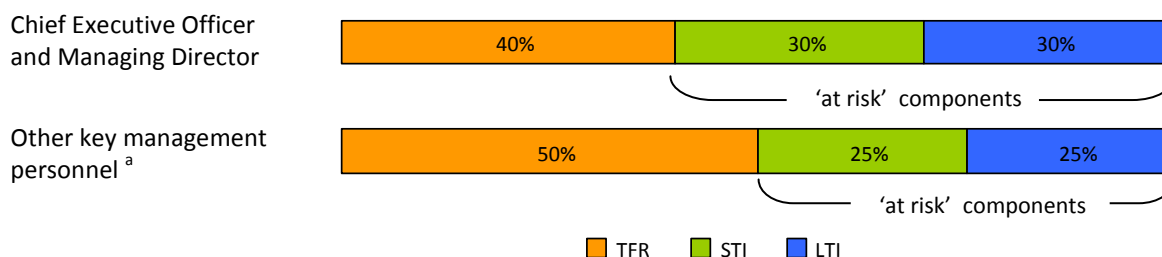


Each individual's TRO is dependent on their level in the organisation and their capacity to influence outcomes.

### 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.
<b>'At risk' components</b>		
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.

<sup>a</sup> Other than the Company Secretary who has a mix of 58%, 21% and 21%.

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Remuneration component	Purpose	How reward is delivered
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.

### 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 are the performance hurdles of the STI plan?

The STI is structured around two interlocked components: firstly, the business achieving a predetermined level of financial return or performance hurdle defined by reference to OCFPS and, secondly, executives achieving their predetermined, individual key performance indicators ("KPIs"). Notwithstanding executives' performance against their KPIs, should APA not reach the predetermined minimum OCFPS, no STI will be payable. Conversely, should APA achieve exceptional or superior OCFPS performance, up to a maximum of 150% of STI could be payable. This plan structure 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 for STIs ensures the interests of executives and securityholders are aligned. The predetermined, minimum OCFPS at which the "gate opens" for STI awards is followed by increasingly more difficult OCFPS hurdles which must be achieved before higher STIs are payable, dependent at all times on the individual executive achieving their respective KPIs.

#### What is the purpose of the individual executive's KPIs ?

The KPIs are designed to put a proportion of executive remuneration 'at risk' against meeting individual 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 executives with those of securityholders; and
- non-financial measures 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 level of OCFPS performance that will form the basis of the STI and the appropriate financial and non-financial KPIs for the Chief Executive Officer. The Board also reviews the KPIs that the Chief Executive Officer will use to assess the performance of his direct reports.

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At the end of the financial year, after the audited financial results are available and provided that the performance hurdles are 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.

**What is the value of the STI opportunity?**

The STI amount payable is capped; the Chief Executive Officer's STI at 150% of 30% of TRO, and his direct reports' STI at 150% of 25% of TRO<sup>b</sup>.

**How is the STI award delivered?**

All STI awards are paid in cash usually in September of the new financial year following the completion of the audit of the annual accounts.

For FY 2014, the STI outcomes are shown in the table below for key management personnel.

Key management personnel <sup>(1)</sup>	STI earned (\$)	STI earned (%)	STI forfeited (\$)	STI forfeited (%)
Michael McCormack	1,463,962	91.0%	144,788	9.0%
Peter Fredricson	534,375	95.0%	28,125	5.0%
Ross Gersbach	512,595	86.4%	80,655	13.6%
Robert Wheals	341,090	91.0%	33,910	9.0%
John Ferguson	304,463	88.3%	40,537	11.7%
Kevin Lester	269,955	85.7%	45,045	14.3%
Mark Knapman	236,445	90.7%	24,245	9.3%
Peter Wallace	296,204	85.3%	51,047	14.7%

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

**Long-term incentive ("LTI")**

*A cash-settled incentive based on the APA 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?**

The LTI component of 'at risk' remuneration is subject to two equally weighted performance hurdles. The first hurdle is TSR (being, generally, growth in the security price assuming reinvestment of distributions) performance against the S&P ASX 100 comparator group and the second hurdle is performance against target EBITDA/FE.

These LTI measures of TSR and EBITDA/FE are appropriate longer term award hurdles based on the experience of APA securityholders and the goal of continuing to improve performance against the funds employed in the business over the longer term.

The TSR hurdle is linked to APA's ranking on that measure relative to the S&P ASX 100. LTI awards 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 LTI awards increase as APA's performance on the TSR measure increases relative to the S&P ASX 100.

The EBITDA/FE hurdle is set to reflect a financial productivity improvement on the previous year. LTI awards do not commence unless this improvement has been achieved. On achieving this productivity improvement, the LTI 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.

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<sup>b</sup> Other than for the Company Secretary whose STI is capped at 150% of 21% of TRO.

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

**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 improvement 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 2014, the actual LTI performance achieved was 79.8% for TSR against S&P ASX 100 and 100% for EBITDA/FE growth. LTI allocations are shown in the table below for all key management personnel.

<b>Key management personnel<sup>(1)</sup></b>	<b>LTI earned (\$)</b>	<b>LTI forfeited (\$)</b>
Michael McCormack	946,017	644,733
Peter Fredricson	337,069	225,431
Ross Gersbach	355,495	237,755
Robert Wheals	224,713	150,287
John Ferguson	206,736	138,264
Kevin Lester	188,759	126,241
Mark Knapman	156,214	104,476
Peter Wallace	208,084	139,166

(1) 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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### Changes to LTI TSR methodology for FY2015

As APA has been included in the S&P ASX 100 index for the last three years, the Remuneration Committee considers it appropriate that in future, commencing in FY 2015, the TSR be measured over a three year cycle to remove short term fluctuations and more closely reflect the longer term intent of the LTI plan.

### 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 2013	Allocated	Paid	Forfeited	Closing balance at 30 June 2014	Reference units subject to allocation by the Board in August 2014 <sup>(1)</sup>	Reference units allocated that have not yet vested or been paid and the years in which they will vest <sup>(2)</sup>			
								Balance of reference units <sup>(2)</sup>	2014 <sup>(3)</sup>	2015	2016
Michael McCormack	2010	66,227	-	(66,227)	-	-	-	-	-	-	-
	2011	138,746	-	(69,373)	-	69,373	69,373	-	-	-	-
	2012	191,016	-	(63,672)	-	127,344	63,672	63,672	-	-	-
	2013		178,188	-	-	178,188	59,396	59,396	59,396	-	-
	2014						131,223	-	43,741	43,741	43,741
							<b>506,128</b>	<b>192,441</b>	<b>166,809</b>	<b>103,137</b>	<b>43,741</b>
Peter Fredricson	2010	26,923	-	(26,923)	-	-	-	-	-	-	-
	2011	57,308	-	(28,654)	-	28,654	28,654	-	-	-	-
	2012	76,029	-	(25,343)	-	50,686	25,343	25,343	-	-	-
	2013		65,238	-	-	65,238	21,746	21,746	21,746	-	-
	2014						45,882	-	15,294	15,294	15,294
							<b>190,460</b>	<b>75,743</b>	<b>62,383</b>	<b>37,040</b>	<b>15,294</b>
Ross Gersbach	2010	30,692	-	(30,692)	-	-	-	-	-	-	-
	2011	65,352	-	(32,676)	-	32,676	32,676	-	-	-	-
	2012	86,067	-	(28,689)	-	57,378	28,689	28,689	-	-	-
	2013		71,664	-	-	71,664	23,888	23,888	23,888	-	-
	2014						48,390	-	16,130	16,130	16,130
							<b>210,108</b>	<b>85,253</b>	<b>68,707</b>	<b>40,018</b>	<b>16,130</b>
Robert Wheals	2010	11,307	-	(11,307)	-	-	-	-	-	-	-
	2011	22,170	-	(11,085)	-	11,085	11,085	-	-	-	-
	2012	32,723	-	(10,907)	-	21,816	10,908	10,908	-	-	-
	2013		40,407	-	-	40,407	13,469	13,469	13,469	-	-
	2014						30,588	-	10,196	10,196	10,196
							<b>103,896</b>	<b>35,462</b>	<b>34,573</b>	<b>23,665</b>	<b>10,196</b>
John Ferguson	2010	11,063	-	(11,063)	-	-	-	-	-	-	-
	2011	21,588	-	(10,794)	-	10,794	10,794	-	-	-	-
	2012	31,965	-	(10,655)	-	21,310	10,655	10,655	-	-	-
	2013		37,293	-	-	37,293	12,431	12,431	12,431	-	-
	2014						28,140	-	9,380	9,380	9,380
							<b>97,537</b>	<b>33,880</b>	<b>32,466</b>	<b>21,811</b>	<b>9,380</b>
Kevin Lester <sup>(4)</sup>	2013		30,630	-	-	30,630		10,210	10,210	10,210	-
	2014						25,692	-	8,564	8,564	8,564
							<b>56,322</b>	<b>10,210</b>	<b>18,744</b>	<b>18,744</b>	<b>8,564</b>
Stephen Ohi <sup>(5)</sup>	2010	22,346	-	(22,346)	-	-	-	-	-	-	-
	2011	45,243	-	(22,621)	-	22,622	22,622	-	-	-	-
	2012	58,967	-	(19,655)	-	39,312	19,656	19,656	-	-	-
	2013		47,712	-	-	47,712	15,904	15,904	15,904	-	-
	2014						-	-	-	-	-
							<b>109,646</b>	<b>58,182</b>	<b>35,560</b>	<b>15,904</b>	<b>-</b>

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Key management personnel	Grant date	Opening balance at 1 July 2013	Allocated	Paid	Forfeited	Closing balance at 30 June 2014	Reference units subject to allocation by the Board in August 2014 <sup>(1)</sup>	Balance of reference units <sup>(2)</sup>	Reference units allocated that have not yet vested or been paid and the years in which they will vest <sup>(2)</sup>			
									2014 <sup>(3)</sup>	2015	2016	2017
Mark Knapman	2010	14,622	-	(14,622)	-	-	-	-	-	-	-	-
	2011	29,122	-	(14,561)	-	14,561	14,561	-	-	-	-	-
	2012	37,794	-	(12,598)	-	25,196	12,598	12,598	-	-	-	-
	2013		30,741	-	-	30,741	10,247	10,247	10,247	-	-	-
	2014						21,264	-	7,088	7,088	7,088	7,088
							<b>91,762</b>	<b>37,406</b>	<b>29,933</b>	<b>17,335</b>	<b>7,088</b>	
Peter Wallace	2011	7,276		(3,638)	-	3,638		3,638	-	-	-	-
	2012	39,332		(13,110)	-	26,222		13,111	13,111	-	-	-
	2013		36,027	-		36,027		12,009	12,009	12,009	-	-
	2014						28,323	-	9,441	9,441	9,441	9,441
							<b>94,210</b>	<b>28,758</b>	<b>34,561</b>	<b>21,450</b>	<b>9,441</b>	

(1) Reference units subject to Board allocation in August 2014 based on an estimated VWAP of \$7.3464.

(2) Includes reference units subject to allocation by the Board in August 2014.

(3) Reference units multiplied by 30 trading days VWAP to be paid in cash in September 2014.

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

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

## Remuneration during FY 2014

### 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 2014. This table differs from the information provided under the section "Total remuneration earned" 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 2014 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 (2012) but only paid in August 2013 (as they are dependent on the approval by the Board of the audited annual accounts) and individual performance assessed at that time.

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The following table outlines the actual remuneration received by key management personnel during FY 2014.

Key management personnel	Total fixed remuneration \$	STI \$	LTI \$	Other \$	Total paid 2014 \$	Total paid 2013 \$
Michael McCormack	1,430,000	1,132,313	1,192,802	-	<b>3,755,115</b>	2,947,801
Peter Fredricson	750,000	477,375	484,371	202,000	<b>1,946,746</b>	1,430,171
Ross Gersbach	791,000	505,080	551,035	228,667	<b>2,075,782</b>	1,781,566
Robert Wheals	500,000	239,663	199,327	60,000	<b>998,990</b>	754,059
John Ferguson	460,000	267,143	194,610	60,000	<b>981,753</b>	813,573
Kevin Lester <sup>(1)</sup>	420,000	180,216	-	100,000	<b>700,216</b>	320,833
Stephen Ohl <sup>(2)</sup>	-	-	-	353,716	<b>353,716</b>	1,027,020
Mark Knapman	480,000	215,482	250,093	-	<b>945,575</b>	795,900
Peter Wallace	463,000	237,263	100,250	-	<b>800,513</b>	534,886
<b>Total</b>	<b>5,294,000</b>	<b>3,254,535</b>	<b>2,972,488</b>	<b>1,004,383</b>	<b>12,525,406</b>	10,405,808

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

(2) Stephen Ohl retired with effect from 1 July 2013. A termination payment of \$353,716 (representing the termination benefit of \$245,000 plus statutory entitlements) was made during FY 2014.

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**Total remuneration earned**

The following table outlines the total remuneration earned by key management personnel during FY 2014, calculated in accordance with applicable accounting standards.

	Short-term employment benefits		Non-monetary	Post-employment	Long-term incentive plans		Total
	Salary/fees	Short-term incentive scheme			Share-based payments <sup>(1)</sup>	Other Payments <sup>(2)</sup>	
	\$	\$	\$	\$	\$	\$	\$
<b>Key management personnel</b>							
M J McCormack							
<b>2014</b>	<b>1,405,000</b>	<b>1,463,962</b>	-	<b>25,000</b>	<b>1,301,316</b>	-	<b>4,195,278</b>
2013	1,167,500	1,132,313	-	25,000	1,165,290	-	3,490,103
P J Fredricson							
<b>2014</b>	<b>725,000</b>	<b>534,375</b>	-	<b>25,000</b>	<b>501,596</b>	<b>202,000</b>	<b>1,987,971</b>
2013	653,530	477,375	-	16,470	462,536	202,000	1,811,911
R M Gersbach							
<b>2014</b>	<b>761,303</b>	<b>512,595</b>	<b>11,922</b>	<b>17,775</b>	<b>558,598</b>	<b>228,667</b>	<b>2,090,860</b>
2013	707,608	505,080	11,922	16,470	522,376	228,667	1,992,123
R A Wheals							
<b>2014</b>	<b>475,000</b>	<b>341,090</b>	-	<b>25,000</b>	<b>251,563</b>	<b>60,000</b>	<b>1,152,653</b>
2013	390,000	239,663	-	25,000	193,639	60,000	908,302
J L Ferguson							
<b>2014</b>	<b>435,000</b>	<b>304,463</b>	-	<b>25,000</b>	<b>238,352</b>	<b>60,000</b>	<b>1,062,815</b>
2013	358,130	267,143	-	24,870	185,791	130,000	965,934
K Lester <sup>(3)</sup>							
<b>2014</b>	<b>395,000</b>	<b>269,955</b>	-	<b>25,000</b>	<b>103,441</b>	-	<b>793,396</b>
2013	299,905	180,216	-	20,928	45,835	100,000	646,884
S P Ohi <sup>(4)</sup>							
<b>2014</b>	-	-	-	-	-	-	-
2013	465,530	312,375	-	24,470	362,815	245,000	1,410,190
M T Knapman							
<b>2014</b>	<b>455,000</b>	<b>236,445</b>	-	<b>25,000</b>	<b>245,153</b>	-	<b>961,598</b>
2013	411,000	215,482	-	25,000	234,415	-	885,897
P J Wallace							
<b>2014</b>	<b>438,000</b>	<b>296,204</b>	-	<b>25,000</b>	<b>210,465</b>	-	<b>969,669</b>
2013	345,149	237,263	-	24,999	129,441	-	736,852
<b>Total Remuneration</b>							
<b>2014</b>	<b>5,089,303</b>	<b>3,959,089</b>	<b>11,922</b>	<b>192,775</b>	<b>3,410,484</b>	<b>550,667</b>	<b>13,214,240</b>
2013	4,798,352	3,566,910	11,922	203,207	3,302,138	965,667	12,848,196

(1) Cash settled share-based payments.

(2) Other payments include Loyalty Payment instalments. Refer to "Executive contracts" section for more information.

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

(4) Stephen Ohi retired with effect from 1 July 2013.

## Transactions with Directors and key management personnel

### Loans to Directors and key management personnel

No loans have been made to Directors or key management personnel.

### Directors and key management personnel equity holdings

Fully paid ordinary shares of APA.

	Opening balance at 1 July 2013	Securities acquired	Securities disposed	Closing balance at 30 June 2014
L F Bleasel AM	460,664	-	-	460,664
S Crane	100,000	-	-	100,000
J A Fletcher	66,188	-	-	66,188
R A Higgins AO	92,040	-	-	92,040
P M McKenzie	12,500	-	-	12,500
R J Wright	39,444	-	-	39,444
M J McCormack	208,590	-	-	208,590
P J Fredricson	7,716	-	-	7,716
R M Gersbach	485	-	-	485
R A Wheals	1,500	-	-	1,500
J L Ferguson	1,967	-	-	1,967
M T Knapman	7,201	-	-	7,201
P J Wallace	6,000	-	-	6,000

In accordance with APA's Securities Trading Policy, a Director or Designated Person (as defined in this policy) with price-sensitive information relating to APA which is not generally available is precluded from trading in APA securities. That no APA securities were acquired or disposed of by Directors or key management personnel during FY 2014 reflects the application of that restriction over a large part of the year due to APA's corporate activity, and the fact that the Distribution Reinvestment Plan was suspended in June 2013.

### Other transactions with Directors and key management personnel of APA and the Responsible Entity

Other than non-executive Directors' compensation, executive compensation and equity holdings disclosed in this report, there are no other transactions with the Directors and key management personnel of APA and the Responsible Entity.

### 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.

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The following table provides financial information with respect to APA's performance over the last five years reflecting the link between performance and remuneration.

Year ended 30 June	2014	2013 <sup>(1)</sup>	2012	2011	2010
EBITDA before significant items (\$m)	747.3	661.9	535.5	489.6	460.0
Profit after income tax and non-controlling interests before significant items (\$m)	199.6	175.1	140.3	108.9	100.4
Profit after income tax and non-controlling interests after significant items (\$m)	343.7	295.1	130.7	108.5	100.4
Earnings per security - normalised (cents)	23.9	22.7	21.9	19.7	19.4
Earnings per security - reported (cents)	41.1	38.2	20.4	19.7	19.4
OCFPS before significant items (cents)	52.6	56.0	52.5	52.6	51.9
OCFPS after significant items (cents)	51.6	48.5	52.5	52.6	51.9
Distribution per security (cents)	36.3	35.5	35.0	34.4	32.8
Closing security price at 30 June (\$)	6.89	5.99	4.99	4.07	3.60

(1) The balances for 2013 have been restated for the effect of applying accounting standard AASB 119 'Employee Benefits'.

### Executive contracts

The terms of the contractual arrangements for each of the key management personnel are set out in the table below.

Name and title and commencement date	Term and termination provisions/benefits
<p><b>Michael McCormack</b> 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><b>Peter Fredricson</b> 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 with regard to the growth, integration and financial challenges facing APA, Mr Fredricson was placed on a loyalty and performance bonus effective from March 2012 for three years and became entitled to the payment of the first instalment in April 2013.</p>

APT Pipelines Limited and its Controlled Entities  
Directors' Report for the year ended 30 June 2014

Name and title and commencement date	Term and termination provisions/benefits
<p><b>Ross Gersbach</b> 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 with regard to the growth, integration and financial challenges facing APA, Mr Gersbach was placed on a loyalty and performance bonus effective from March 2012 for three years and became entitled to the first instalment in April 2013.</p>
<p><b>Robert Wheals</b> 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 effective from March 2012 for two years and became entitled to the first instalment in April 2013.</p>
<p><b>John Ferguson</b> 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 effective from March 2012 for two years and became entitled to the first instalment in April 2013.</p>

APT Pipelines Limited and its Controlled Entities  
Directors' Report for the year ended 30 June 2014

Name and title and commencement date	Term and termination provisions/benefits
<p><b>Kevin Lester</b> 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><b>Mark Knapman</b> 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><b>Peter Wallace</b> 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 2014, the following remuneration information was obtained and considered by the Remuneration Committee:

- Egan & Associates provided benchmarking information for non-executive Directors' remuneration;
- Ernst & Young provided benchmarking information for the remuneration of the Chief Executive Officer and Managing Director and other key management personnel; and
- CIMB Capital Markets (Australia) Limited provided information on the TSR measure.

All these advisers were engaged directly on instruction from, and reported directly to, the Chairman of 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 2014

	Note	2014 \$000	2013 (Restated) \$000
<b>Continuing operations</b>			
Revenue	6	1,328,941	1,224,924
Share of net profits of associates and joint ventures accounted for using the equity method	6	11,428	11,409
		<b>1,340,369</b>	<b>1,236,333</b>
Gain on previously held interest in HDF on obtaining control		-	142,333
Asset operation and management expenses		(65,754)	(97,055)
Depreciation and amortisation expense	7	(156,228)	(130,461)
Other operating costs - pass-through	7	(403,477)	(352,743)
Finance costs	7	(337,702)	(312,792)
Employee benefit expense	7	(168,615)	(174,496)
Other expenses	7	(9,854)	(15,133)
Profit before tax		<b>198,739</b>	<b>295,986</b>
Income tax benefit / (expense)	9	<b>88,659</b>	<b>(39,785)</b>
<b>Profit for the year</b>		<b>287,398</b>	<b>256,201</b>
<b>Other comprehensive income, net of income tax</b>			
<b>Items that will not be reclassified subsequently to profit or loss:</b>			
Actuarial gain on defined benefit plan		<b>6,796</b>	17,901
Income tax relating to items that will not be reclassified to profit and loss		<b>(2,039)</b>	(5,371)
		<b>4,757</b>	<b>12,530</b>
<b>Items that may be reclassified subsequently to profit or loss:</b>			
Gain on available-for-sale investment taken to equity		-	27,543
Gain on available-for-sale investment reclassified to profit or loss		-	(142,333)
Transfer of gain on cash flow hedges to profit or loss		<b>72,522</b>	91,438
Loss on cash flow hedges taken to equity		<b>(154,309)</b>	(144,702)
(Loss) / gain on associate hedges taken to equity		<b>(8,103)</b>	6,799
Income tax relating to items that may be reclassified subsequently		<b>26,967</b>	48,377
		<b>(62,923)</b>	<b>(112,878)</b>
Other comprehensive income for the year (net of tax)		<b>(58,166)</b>	<b>(100,348)</b>
<b>Total comprehensive income for the year</b>		<b>229,232</b>	<b>155,853</b>
<b>Profit attributable to:</b>			
Equityholders of the parent		<b>264,384</b>	233,775
Non-controlling - other		<b>23,014</b>	22,426
		<b>287,398</b>	<b>256,201</b>
<b>Total comprehensive income attributable to:</b>			
Equityholders of the parent		<b>206,218</b>	133,427
Non-controlling - other		<b>23,014</b>	22,426
		<b>229,232</b>	<b>155,853</b>

The above consolidated statement of profit or 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 2014

	Note	2014 \$000	2013 (Restated) \$000
<b>Current assets</b>			
Cash and cash equivalents	37	6,793	80,797
Trade and other receivables	11	156,308	164,421
Receivables from related parties	11	156,725	194,723
Other financial assets	12	16,575	16,469
Inventories	13	17,349	12,726
Other	14	5,996	5,662
<b>Total current assets</b>		<b>359,746</b>	<b>474,798</b>
<b>Non-current assets</b>			
Receivables	15	147,835	34,318
Other financial assets	16	87,979	143,882
Investments accounted for using the equity method	17	210,401	218,172
Property, plant and equipment	19	5,574,481	5,280,411
Goodwill	20	1,150,500	1,150,500
Other intangible assets	21	170,804	177,015
Other	22	21,237	18,440
<b>Total non-current assets</b>		<b>7,363,237</b>	<b>7,022,738</b>
<b>Total assets</b>		<b>7,722,983</b>	<b>7,497,536</b>
<b>Current liabilities</b>			
Trade and other payables	23	185,977	189,988
Payables to related parties	23	894,661	998,430
Borrowings	24	639	81,519
Other financial liabilities	25	90,574	126,385
Provisions	26	81,003	81,943
Other	27	15,975	12,921
<b>Total current liabilities</b>		<b>1,268,829</b>	<b>1,491,186</b>
<b>Non-current liabilities</b>			
Trade and other payables	23	3,599	3,750
Payables to related parties	23	440,633	442,225
Borrowings	28	4,718,904	4,244,502
Other financial liabilities	29	216,936	177,256
Deferred tax liabilities	9	439,028	478,222
Provisions	26	47,442	47,930
Other	27	15,438	16,669
<b>Total non-current liabilities</b>		<b>5,881,980</b>	<b>5,410,554</b>
<b>Total liabilities</b>		<b>7,150,809</b>	<b>6,901,740</b>
<b>Net assets</b>		<b>572,174</b>	<b>595,796</b>

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 2014

	Note	2014 \$000	2013 (Restated) \$000
<b>Equity</b>			
APT Pipelines Limited equity:			
Issued capital	30	117,330	117,330
Reserves	31	(126,265)	(63,342)
Retained earnings	32	461,805	422,505
Equity attributable to securityholders of the parent		452,870	476,493
Non-controlling interest	33	119,304	119,303
<b>Total equity</b>		<b>572,174</b>	<b>595,796</b>

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 2014

	APT Pipelines Limited						Non-controlling interest					
	Issued Capital \$000	Asset Revaluation Reserve \$000	Available-for-sale Investment Revaluation Reserve \$000	Hedging Reserve \$000	Other Reserves \$000	Retained earnings (Restated) \$000	Attributable to owner of the parent (Restated) \$000	Issued Capital \$000	Other Reserves \$000	Retained earnings \$000	Non-Controlling Interest \$000	Total (Restated) \$000
Balance at 1 July 2012	117,330	8,669	80,353	(39,486)	-	313,011	479,877	119,257	1	44	119,302	599,179
Profit for the year	-	-	-	-	-	233,775	233,775	-	-	22,426	22,426	256,201
Other comprehensive income	-	-	(80,353)	(32,525)	-	12,530	(100,348)	-	-	-	-	(100,348)
Total comprehensive income for the year	-	-	(80,353)	(32,525)	-	246,305	133,427	-	-	22,426	22,426	155,853
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)
<b>Balance at 30 June 2013</b>	<b>117,330</b>	<b>8,669</b>	<b>-</b>	<b>(72,011)</b>	<b>-</b>	<b>422,505</b>	<b>476,493</b>	<b>119,257</b>	<b>1</b>	<b>45</b>	<b>119,303</b>	<b>595,796</b>
Balance at 1 July 2013	117,330	8,669	-	(72,011)	-	422,505	476,493	119,257	1	45	119,303	595,796
Profit for the year	-	-	-	-	-	264,384	264,384	-	-	23,014	23,014	287,398
Other comprehensive income	-	-	-	(62,923)	-	4,757	(58,166)	-	-	-	-	(58,166)
Total comprehensive income for the year	-	-	-	(62,923)	-	269,141	206,218	-	-	23,014	23,014	229,232
Payment of dividends	-	-	-	-	-	(229,841)	(229,841)	-	-	(23,013)	(23,013)	(252,854)
<b>Balance at 30 June 2014</b>	<b>117,330</b>	<b>8,669</b>	<b>-</b>	<b>(134,934)</b>	<b>-</b>	<b>461,805</b>	<b>452,870</b>	<b>119,257</b>	<b>1</b>	<b>46</b>	<b>119,304</b>	<b>572,174</b>

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 2014

	Note	2014 \$000	2013 \$000
<b><u>Cash flows from operating activities</u></b>			
Receipts from customers		1,461,695	1,347,848
Payments to suppliers and employees		(767,786)	(703,940)
Payments by HDF to Hastings Funds Management for management and performance fees		(8,201)	(31,590)
Payments by HDF for takeover defence costs		-	(26,668)
Dividends received		19,135	18,094
Proceeds from repayment of finance leases		4,693	4,724
Interest received		5,905	19,283
Interest and other costs of finance paid		(338,599)	(300,131)
Income tax refund / (paid)		141	(141)
<b>Net cash provided by operating activities</b>	37(c)	<b>376,983</b>	<b>327,479</b>
<b><u>Cash flows from investing activities</u></b>			
Payments for property, plant and equipment		(446,754)	(397,451)
Proceeds from sale of property, plant and equipment		797	605
Payments for controlled entities net of cash acquired	40	(24)	(265,321)
Payments for intangible assets		(677)	(1,107)
Loans advanced to related parties		(126,127)	-
Proceeds from sale of businesses	41	1,487	411,364
<b>Net cash used in investing activities</b>		<b>(571,298)</b>	<b>(251,910)</b>
<b><u>Cash flows from financing activities</u></b>			
Proceeds from borrowings		1,585,833	2,822,243
Repayments of borrowings		(1,208,915)	(2,872,000)
Payments for early settlement of loans derivatives		-	(34,919)
Payment of debt issue costs		(10,178)	(25,867)
Dividends paid to:			
Securityholders of APT Pipelines Limited		(229,841)	(134,046)
Non-controlling interests		(23,013)	(38,441)
Advances to / (repayment of) related party payables		6,425	(41,566)
<b>Net cash provided by / (used in) financing activities</b>		<b>120,311</b>	<b>(324,596)</b>
<b>Net (decrease)/increase in cash and cash equivalents</b>		<b>(74,004)</b>	<b>(249,027)</b>
Cash and cash equivalents at beginning of financial year		80,797	329,824
<b>Cash and cash equivalents at end of financial year</b>	37(a)	<b>6,793</b>	<b>80,797</b>

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 2014

### 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.

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

The Consolidated Entity'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, EII 2 Pty Limited ("EII2"), 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 2014

**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.

In the current period, the Consolidated Entity has adopted all of the new and revised Standards and Interpretations issued by the AASB that are relevant to its operations and effective for the current reporting periods.

**AASB 119 Employee benefits (revised)**

The Consolidated Entity adopted the revised AASB 119 from 1 July 2013. The revised standard includes changes to the recognition of income and expenses associated with the superannuation defined benefit plans in which the Consolidated Entity participates. Under the revised standard, return on plan assets has been calculated based on the rate used to discount the obligations rather than the expected rate of return on these assets. As the revised standard must be applied retrospectively, adjustments to the retirement benefit obligations have been recognised at the beginning of the earliest period presented (1 July 2012) and statement of profit or loss and other comprehensive income and statement of financial position were restated for the year ended 30 June 2013.

The Consolidated Entity has obtained actuarial assessments and applied amendments retrospectively with the cumulative impacts shown in the following table.

	<b>Cumulative Impacts</b>	
	<b>Increase / (Decrease)</b>	
	1 Jul 2012	30 Jun 2013
	\$000	\$000
<b>Impact on profit</b>		
Profit before income tax		(5,173)
Income tax		1,552
<b>Profit after tax</b>		<b>(3,621)</b>
<b>Impact on statement of financial position</b>		
Net defined benefit superannuation liabilities	(2,750)	(2,312)
Deferred tax	825	694
<b>Net liabilities</b>	<b>(1,925)</b>	<b>(1,618)</b>
Retained earnings (opening balance)	1,925	1,925
Reserves	-	3,314
<b>Total equity</b>	<b>1,925</b>	<b>5,239</b>

**AASB 13 Fair value measurement**

AASB 13 explains how to measure fair value and aims to enhance fair value disclosures, and is effective for annual reporting periods beginning after 1 January 2013. In accordance with transitional provisions, AASB 13 has been applied prospectively from 1 July 2013.

AASB 13 requires inclusion of a measure for credit risk in the calculations of assets and liabilities recorded at fair value. This change is applied prospectively and has not had a significant impact on the fair value of the Consolidated Entity's assets and liabilities for the year ended 30 June 2014, however has resulted in additional fair value disclosures as provided in Note 38.

**APT Pipelines Limited**  
**Notes to the consolidated financial statements (continued)**  
For the financial year ended 30 June 2014

**2. Adoption of new and revised Accounting Standards (continued)**

**Control and joint arrangements**

AASB 10 Consolidated Financial Statements, AASB 11 Joint Arrangements, AASB 12 Disclosure of Interests in Other Entities, AASB 127 Separate Financial Statements (Dec 2012), AASB 128 Investments in Associates and Joint Ventures (Dec 2012) and AASB 2012-10 Amendments to Australian Accounting Standards - Transition Guidance and Other Amendments.

AASB 10 was applied by the Consolidated Entity from 1 July 2013. AASB 10 replaces the previous guidance on control and retains the core principle that a Consolidated Entity presents a parent and its subsidiaries as if they are a single economic entity. Whereas the control definition in the previous guidance focussed on 'risks and rewards', AASB 10 focuses on the combination of power, exposure to variable returns and ability to use the power to affect the returns.

The transitional provisions permit prior period comparatives to not be restated where the accounting outcome under the previous guidance is the same as that under AASB 10 as at the date of initial application, 1 July 2013. For all other situations, comparatives are restated retrospectively in accordance with AASB 108 Accounting Policies, Changes in Accounting Estimates and Errors as if AASB 10 had always been applied.

AASB 11 Joint Arrangements was applied by the Consolidated Entity from 1 July 2013 and provides a new definition of joint venture and joint operation which removes optionality around accounting for joint ventures. Under AASB 11 investments in joint ventures are classified as either joint operations or joint ventures depending on the contractual rights and obligations each investor has, rather than the legal structure of the joint arrangement. Joint ventures are defined by a right to net profit and net assets of the joint arrangement and are required to be equity accounted. Joint operations are defined by a right to assets and obligation for liabilities of the joint arrangements.

There has been no change in accounting for existing arrangements for the year ended 30 June 2014 as a result of applying these standards. However, should any arrangements take place which change existing interests or create new interests in controlled entities, the accounting for such transactions may be different to that applied to transactions in the past.

AASB 12 is a new disclosure standard and is applicable to entities that have interests in subsidiaries, joint arrangements, associates and unconsolidated structured entities. The application of AASB 12 has resulted in more disclosures and has been included in Note 17.

**AASB 124 Related party disclosures**

AASB 2011-4 Amendments to Australian Accounting Standards to Remove Individual Key Management Personnel Disclosure Requirements.

The amendments remove the individual remuneration disclosures and disclosures about equity holdings, loans and other transactions with key management personnel. As a result, only aggregate remuneration disclosures are provided in Note 44.

**(b) Standards and Interpretations issued not yet adopted**

At the date of authorisation of the financial statements, the Standards and Interpretations listed below were on issue but not yet effective, that are relevant to the Consolidated Entity.

Standard/Interpretation	Effective for annual reporting periods beginning on or after	Expected to be initially applied in the financial year ending
<ul style="list-style-type: none"> <li>● AASB 9 'Financial Instruments', and the relevant amending standards'</li> </ul>	1 January 2017	30 June 2018

The following Standard was issued by the International Accounting Standards Board but not yet effective. The Australian equivalent Standard has not yet been issued.

<ul style="list-style-type: none"> <li>● IFRS 15 'Revenue from Contracts with Customers'</li> </ul>	1 January 2017	30 June 2018
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The potential impact of the initial application of the Standards above is yet to be determined.



**APT Pipelines Limited**  
**Notes to the consolidated financial statements (continued)**  
For the financial year ended 30 June 2014

**3. Significant accounting policies**

**Basis of preparation**

These general purpose financial statements for the year ended 30 June 2014 have been prepared in accordance with the Corporations Act 2001, Australian Accounting Standards and other authoritative pronouncements of the Australia Accounting Standards Board and Interpretations (AIFRS). Compliance with Australian Accounting Standards ensures that the financial statements and notes also comply with International Financial Reporting Standards (IFRS).

The financial report has been prepared on the basis of historical cost, except for the revaluation of financial instruments. Historical cost is generally based on the fair values of the consideration given in exchange for goods and services. The financial report is presented in Australian dollars and all values are rounded to the nearest thousand dollars (\$000) in accordance with ASIC Class Order 98/0100, unless otherwise stated.

The financial report was authorised for issue by the Directors on 20 August 2014.

The principal accounting policies adopted in the preparation of this financial report are set out below. These policies have been consistently applied to all the periods presented, unless otherwise stated.

**(a) Working Capital Position**

The working capital position as at 30 June 2014 for the Consolidated Entity is that current liabilities exceed current assets by \$909.1 million (June 2013: \$1,016.4 million). Excluding current related party loan balances held with Australian Pipeline Trust, the Consolidated Entity's current liabilities exceed current assets by \$171.1 million (June 2013: \$212.7 million) primarily as a result of \$90.6 million (AUD equivalent) of cash flow hedge liabilities.

The Consolidated Entity has access to sufficient available committed, un-drawn bank facilities of \$835.5 million (June 2013: \$891.7 million).

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 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 statements comprise the consolidation of the accounts of the Consolidated Entity and its respective subsidiaries (together "the Consolidated Entity") together with the Consolidated Entity's share of joint arrangements, associates and joint ventures accounted for as described below.

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

**(i) Subsidiaries**

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

**APT Pipelines Limited**  
**Notes to the consolidated financial statements (continued)**  
For the financial year ended 30 June 2014

**3. Significant accounting policies (continued)**

**(b) Basis of consolidation (continued)**

**(ii) Joint arrangements**

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

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

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

**(iii) Associates**

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

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

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

**(c) Business combinations**

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

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

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

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

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

**APT Pipelines Limited**  
**Notes to the consolidated financial statements (continued)**  
For the financial year ended 30 June 2014

**3. Significant accounting policies (continued)**

**(d) Financial assets and liabilities**

**Available-for-sale financial assets**

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

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

**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 initially recognised at fair value plus any directly attributable transaction costs. Subsequent to initial recognition, they 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 initially recognised at fair value plus any directly attributable transaction costs. Subsequent to initial recognition, they are stated at amortised cost.

**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 unfavourably impacted.

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

In the case of equity securities classified as available-for-sale, an evaluation is made as to whether a decline in fair value is "significant" or "prolonged" based on an analysis of indicators such as significant adverse changes in the technological, market, economic or legal environment in which the company invested in operates. If such evidence exists for available-for-sale financial assets, the cumulative loss, measured as the difference between acquisition cost and the current fair value, less any impairment loss previously recognised in the statement of profit or loss is removed from equity and recognised in the statement of profit or loss.

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

**APT Pipelines Limited**  
**Notes to the consolidated financial statements (continued)**  
For the financial year ended 30 June 2014

**3. Significant accounting policies (continued)**

**(d) Financial assets and liabilities (continued)**

**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.

**(e) 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.

**(f) 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.

**(g) Property, plant and equipment**

Property, plant and equipment are stated at cost, less accumulated depreciation and impairment losses. Work in progress is stated at cost.

Cost includes expenditure that is directly attributable to the acquisition or construction of the item.

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

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

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.

**APT Pipelines Limited**  
**Notes to the consolidated financial statements (continued)**  
For the financial year ended 30 June 2014

**3. Significant accounting policies (continued)**

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

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

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

**(i) Intangible assets and goodwill**

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

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

Goodwill is not amortised; it is tested annually for impairment or more frequently if events or changes in circumstances indicate a potential impairment. The Consolidated Entity's impairment policy is explained in Note 3(n).

**APT Pipelines Limited**  
**Notes to the consolidated financial statements (continued)**  
For the financial year ended 30 June 2014

**3. Significant accounting policies (continued)**

**(j) Derivative financial instruments**

The Consolidated Entity 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, interest rate swaps and cross currency swaps. Further details of derivative financial instruments are disclosed in Note 38.

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).

A derivative with a positive fair value is recognised as a financial asset, a derivative with a negative fair value is recognised as a financial liability. The fair value of hedging derivatives is classified as either current or non-current based on the timing of the underlying cash flows of the instrument. Cash flows due within 12 months of the reporting date are classified as current and cash flows due after 12 months of the reporting date are classified as non-current.

**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 38 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.

**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 recognised in other comprehensive income. 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.

**APT Pipelines Limited**  
**Notes to the consolidated financial statements (continued)**  
For the financial year ended 30 June 2014

**3. Significant accounting policies (continued)**

**(j) Derivative financial instruments (continued)**

**Cash flow hedges (continued)**

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.

**(k) 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.

**(l) 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 existing at that date and resulting exchange differences are recognised in profit or loss in the period in which they arise.

**(m) 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. Receivables and payables are recognised inclusive of GST, except for accrued revenue and accrued expense at balance dates which exclude GST.

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

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

**APT Pipelines Limited**  
**Notes to the consolidated financial statements (continued)**  
For the financial year ended 30 June 2014

**3. Significant accounting policies (continued)**

**(n) 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. Property, plant and equipment and intangible assets with finite lives are reviewed for impairment if there is an indication 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.

**(o) Inventories**

Inventories are stated at the lower of cost and net realisable value. Net realisable value represents the estimated selling price for the inventories less all estimated costs of completion and costs necessary to make the sale.

**(p) Security-based payments**

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

**(q) 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.



**APT Pipelines Limited**  
**Notes to the consolidated financial statements (continued)**  
For the financial year ended 30 June 2014

**3. Significant accounting policies (continued)**

**(q) Income tax (continued)**

**Tax consolidation**

The Consolidated Entity 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.

**(r) 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.

**APT Pipelines Limited**  
**Notes to the consolidated financial statements (continued)**  
For the financial year ended 30 June 2014

**3. Significant accounting policies (continued)**

**(s) 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.

**(t) 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 Consolidated Entity'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 2014

**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.

**Fair value of financial instruments**

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

Details of the inputs to the fair value of financial instruments are included in Note 38.

**APT Pipelines Limited**  
**Notes to the consolidated financial statements (continued)**  
For the financial year ended 30 June 2014

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

**(b) Reportable segments**

2014	Energy infrastructure \$000	Asset management \$000	Energy investments \$000	Consolidated \$000
<b>Segment revenue <sup>(a)</sup></b>				
External sales revenue	820,478	99,171	-	919,649
Equity accounted net profits	-	-	11,428	11,428
Pass-through revenue	8,925	394,552	-	403,477
Finance lease and investment interest income	3,591	-	1,144	4,735
<b>Total segment revenue</b>	<b>832,994</b>	<b>493,723</b>	<b>12,572</b>	<b>1,339,289</b>
Other interest income				1,080
<b>Consolidated revenue</b>				<b>1,340,369</b>
<b>Segment result</b>				
Earnings before interest, tax, depreciation and amortisation ("EBITDA")	619,237	56,188	-	675,425
Share of net profits of associates and joint ventures accounted for using the equity method	-	-	11,428	11,428
Finance lease and investment interest income	3,591	-	1,144	4,735
<b>Total EBITDA</b>	<b>622,828</b>	<b>56,188</b>	<b>12,572</b>	<b>691,588</b>
Depreciation and amortisation	(151,610)	(4,618)	-	(156,228)
<b>Earnings before interest and tax ("EBIT")</b>	<b>471,218</b>	<b>51,570</b>	<b>12,572</b>	<b>535,360</b>
Net finance costs				(336,621)
<b>Profit before tax</b>				<b>198,739</b>
Income tax benefit				88,659
<b>Profit for the year</b>				<b>287,398</b>

**APT Pipelines Limited**  
**Notes to the consolidated financial statements (continued)**  
For the financial year ended 30 June 2014

**5. Segment information (continued)**

**(b) Reportable segments (continued)**

2014	Energy infrastructure \$000	Asset management \$000	Energy investments \$000	Consolidated \$000
<b>Segment assets and liabilities</b>				
Segment assets	6,877,452	248,972	128,488	7,254,912
Carrying value of investments accounted for using the equity method			210,401	210,401
Unallocated assets <sup>(b)</sup>				257,670
<b>Total assets</b>				<b>7,722,983</b>
Segment liabilities	273,643	75,792	-	349,435
Unallocated liabilities <sup>(c)</sup>				6,801,374
<b>Total liabilities</b>				<b>7,150,809</b>

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

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

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

2013	Energy infrastructure <sup>(a)</sup> (Restated) \$000	Asset management (Restated) \$000	Energy investments \$000	Consolidated (Restated) \$000
<b>Segment revenue <sup>(b)</sup></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
<b>Total segment revenue</b>	<b>782,803</b>	<b>426,587</b>	<b>15,297</b>	<b>1,224,687</b>
Other interest income				11,646
<b>Consolidated revenue</b>				<b>1,236,333</b>
<b>Segment result</b>				
Earnings before interest, tax, depreciation and amortisation ("EBITDA")	526,718	39,426	145,075	711,219
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
<b>Total EBITDA</b>	<b>530,540</b>	<b>39,426</b>	<b>157,628</b>	<b>727,594</b>
Depreciation and amortisation	(125,671)	(4,790)	-	(130,461)
Earnings before interest and tax ("EBIT")	404,869	34,636	157,628	597,133
Net finance costs <sup>(c)</sup>				(301,147)
<b>Profit before tax</b>				<b>295,986</b>
Income tax expense				(39,785)
<b>Profit for the year</b>				<b>256,201</b>

**APT Pipelines Limited**  
**Notes to the consolidated financial statements (continued)**  
For the financial year ended 30 June 2014

**5. Segment information (continued)**

**(b) Reportable segments (continued)**

2013	Energy infrastructure <sup>(a)</sup> (Restated) \$000	Asset management (Restated) \$000	Energy investments \$000	Consolidated (Restated) \$000
<b>Segment assets and liabilities</b>				
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 <sup>(d)</sup>				413,848
<b>Total assets</b>				<b>7,497,536</b>
Segment liabilities	354,196	69,918	-	424,114
Unallocated liabilities <sup>(e)</sup>				6,477,626
<b>Total liabilities</b>				<b>6,901,740</b>

(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.

**(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 \$820.5 million (2013: \$770.5 million) are revenues of approximately \$384.4 million (2013: \$373.8 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 2014

**6. Revenue**

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

**Continuing operations**

	2014 \$000	2013 \$000
<b>Operating revenue</b>		
Energy infrastructure revenue:		
• energy infrastructure revenue	819,899	769,895
• pass-through revenue	8,925	8,449
	<b>828,824</b>	<b>778,344</b>
Asset management revenue:		
• asset management revenue	99,171	82,293
• pass-through revenue	394,552	344,294
	<b>493,723</b>	<b>426,587</b>
	<b>1,322,547</b>	<b>1,204,931</b>
<b>Finance income</b>		
Interest	1,080	11,646
Redeemable preference shares (GDI) interest income	1,144	1,144
Finance lease income	3,591	3,822
	<b>5,815</b>	<b>16,612</b>
<b>Other income</b>		
Dividends	-	2,744
Rental income	579	637
	<b>1,328,941</b>	<b>1,224,924</b>
Share of net profits of associate and joint ventures accounted for using the equity method	11,428	11,409
	<b>1,340,369</b>	<b>1,236,333</b>

**APT Pipelines Limited**  
**Notes to the consolidated financial statements (continued)**  
For the financial year ended 30 June 2014

**7. Expenses**

Profit before tax includes the following expenses:

	2014	2013
	\$000	\$000
<b>Depreciation and amortisation expense</b>		
Depreciation of non-current assets	151,132	124,787
Amortisation of non-current assets	5,096	5,674
	<b>156,228</b>	<b>130,461</b>
<b>Other operating costs - pass-through</b>		
Gas pipeline costs	8,925	8,449
Management, operating and maintenance costs	394,552	344,294
	<b>403,477</b>	<b>352,743</b>
<b>Finance costs</b>		
Interest on bank overdrafts and borrowings	324,122	316,438
Interest on related party loans	10,917	9,592
Amortisation of deferred borrowing costs	9,245	9,257
Finance lease charges	559	587
Other finance costs	9,031	9,378
	<b>353,874</b>	<b>345,252</b>
Less: amounts included in the cost of qualifying assets	<b>(18,069)</b>	<b>(25,020)</b>
	<b>335,805</b>	<b>320,232</b>
Loss / (gain) on derivatives	787	(8,178)
Unwinding of discount on non-current liabilities	1,110	738
	<b>337,702</b>	<b>312,792</b>

The average interest rate on funds borrowed (excluding related party loans) is 7.44% p.a. (2013: 7.77% p.a.) including amortisation of borrowing costs and other finance costs.

	2014	2013
	\$000	(Restated) \$000
<b>Employee benefit expense</b>		
Post-employment benefits:		
Defined contribution plans	9,648	9,176
Defined benefit plans	4,468	5,128
	<b>14,116</b>	<b>14,304</b>
Termination benefits	1,004	4,941
Cash settled share-based payments	22,452	26,568
Other employee benefits	131,043	128,683
	<b>168,615</b>	<b>174,496</b>
<b>Other expenses</b>		
Doubtful debts	985	805
Impairment of intangibles	1,792	2,075
Impairment of goodwill <sup>(a)</sup>	-	1,867
Loss on disposal of property, plant and equipment	115	480
Other	6,962	9,906
	<b>9,854</b>	<b>15,133</b>

(a) The impairment in the 2013 financial year 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 2014

**8. Significant items**

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

	2014 \$000	2013 \$000
<b>Significant income/(expense) items</b>		
Write back of transaction costs on sale of Allgas Distribution Network	-	18,588
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)
<b>Significant items incurred by the Consolidated Entity</b>	-	144,036
Management and performance fees charged to HDF by Hastings Funds Management	-	(35,438)
Takeover response costs incurred by HDF	-	(6,913)
<b>Significant items incurred by HDF</b>	-	(42,351)
<b>Total significant items impacting EBITDA</b>	-	101,685
Significant items impacting finance costs:		
Gain on settlement of HDF interest rate swaps	-	8,713
<b>Profit from significant items before income tax</b>	-	110,398
Income tax related to significant items above	-	2,818
Write back of deferred tax on obtaining control of HDF	-	6,814
Income tax benefit on tax cost base step up <sup>(a)</sup>	<b>144,060</b>	-
<b>Profit from significant items after income tax</b>	<b>144,060</b>	120,030

(a) The Consolidated Entity made a once-off adjustment to its tax expense for the year ended 30 June 2014 to reflect a change in the treatment, for tax depreciation purposes only, of various capital assets.

**APT Pipelines Limited**  
**Notes to the consolidated financial statements (continued)**  
For the financial year ended 30 June 2014

**9. Income tax**

**Income tax recognised in profit or loss**

	2014	2013
	\$000	(Restated) \$000
<b>Tax income / (expense) comprises:</b>		
Current tax income / (expense) in respect of the current year	204	(7,608)
Adjustments recognised in the current year in relation to current tax of prior years	(204)	7,814
	-	206
Deferred tax expense relating to the origination and reversal of temporary differences	88,659	(39,991)
<b>Total tax benefit / (expense)</b>	<b>88,659</b>	<b>(39,785)</b>
<b>Attributable to:</b>		
Profit from continuing operations	88,659	(39,785)

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	198,739	295,986
Income tax expense calculated at 30%	(59,622)	(88,796)
Non deductible expenses	(2,479)	(7,903)
Non assessable income	6,904	49,100
	(55,197)	(47,599)
Tax benefit on tax cost base step up	144,060	-
Adjustment recognised in the current year in relation to the current tax of prior years	(204)	7,814
	88,659	(39,785)

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 2014

**9. Income tax (continued)**

**Income tax recognised directly in equity**

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

	2014	2013
	\$000	(Restated) \$000
<b>Deferred income tax</b>		
Revaluation of financial instruments treated as cash flow hedges	26,968	13,940
Actuarial movements on defined benefit plans	(2,039)	(5,371)
Revaluation of available-for-sale financial assets	-	34,437
Income tax benefit reported in equity	<b>24,929</b>	<b>43,006</b>
<b>Deferred tax balances</b>		
<b>Deferred tax liabilities</b>		
Temporary differences	(539,749)	(549,435)
	<b>(539,749)</b>	<b>(549,435)</b>
<b>Deferred tax assets</b>		
Temporary differences	100,721	71,213
	<b>100,721</b>	<b>71,213</b>
	<b>(439,028)</b>	<b>(478,222)</b>

**Deferred tax balances**

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

	Opening balance (Restated) \$000	Charged to income \$000	Charged to equity \$000	Transfer to head Entity \$000	Closing balance \$000
<b>2014</b>					
<b>Gross deferred tax liabilities</b>					
Intangible assets	(3,975)	538	-	-	(3,437)
Property, plant and equipment	(497,928)	11,296	-	-	(486,632)
Deferred expenses	(47,532)	(2,148)	-	-	(49,680)
Available for sale investments	-	-	-	-	-
	<b>(549,435)</b>	<b>9,686</b>	<b>-</b>	<b>-</b>	<b>(539,749)</b>
<b>Gross deferred tax assets</b>					
Provisions	36,353	1,077	-	-	37,430
Cash flow hedges	27,525	236	24,754	-	52,515
Defined benefit obligation	6,225	142	(2,039)	-	4,328
Deferred revenue	468	2,032	-	-	2,500
Investments equity accounted	576	1,119	2,214	-	3,909
Other	66	(27)	-	-	39
Tax losses	-	74,394	-	(74,394)	-
	<b>71,213</b>	<b>78,973</b>	<b>24,929</b>	<b>(74,394)</b>	<b>100,721</b>
Net deferred tax liability	<b>(478,222)</b>	<b>88,659</b>	<b>24,929</b>	<b>(74,394)</b>	<b>(439,028)</b>

**APT Pipelines Limited**  
**Notes to the consolidated financial statements (continued)**  
For the financial year ended 30 June 2014

**9. Income tax (continued)**

**Deferred tax balances (continued)**

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
<b>2013 (Restated)</b>						
<b>Gross deferred tax liabilities</b>						
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)
<b>Gross deferred tax assets</b>						
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	11,564	32	(5,371)	-	-	6,225
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)	-
	48,108	13,630	8,569	129,051	(128,145)	71,213
Net deferred tax liability	(468,298)	(39,991)	43,006	115,206	(128,145)	(478,222)

**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 2014

**10. Dividends**

	<b>APT Pipelines Limited</b>			
	2014	2014	2013	2013
	cents per	Total	cents per	Total
	security	\$000	security	\$000
<b>Recognised amounts</b>				
<b>Final dividend paid on 20 August 2013</b>				
<b>(2013: 21 August 2012)</b>				
Dividend <sup>(a)</sup>	197.3	122,583	36.9	22,904
<b>Interim dividend paid on 14 February 2014</b>				
<b>(2013: 20 February 2013)</b>				
Dividend <sup>(a)</sup>	172.6	107,258	178.9	111,142
<b>Unrecognised amounts</b>				
<b>Final dividend payable on 20 August 2014</b>				
<b>(2013: 21 August 2013)</b>				
Dividend <sup>(a)</sup>	198.5	123,326	197.3	122,583

(a) Profit dividends were unfranked (2013: 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.

	2014	2013
	\$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 2014

**11. Trade and other receivables**

	2014 \$000	2013 \$000
Trade receivables	96,517	104,337
Allowance for doubtful debts	(1,790)	(805)
	<b>94,727</b>	<b>103,532</b>
Receivables from associates and other related parties	56,936	55,932
Finance lease receivables (Note 34)	4,575	4,744
Interest receivable	59	143
Other debtors	11	70
	<b>156,308</b>	<b>164,421</b>
Receivables from related parties	156,725	194,723
	<b>313,033</b>	<b>359,144</b>

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

**Ageing of past due but not impaired**

30 - 60 days	3,129	5,806
60 - 90 days	662	1,167
90 - 120 days	1,817	3,037
Total	5,608	10,010

**Movement in the allowance for doubtful debts**

Balance at beginning of year	805	-
Charged to profit or loss	985	805
Balance at end of year	1,790	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	136	32
30 - 60 days	-	219
60 - 90 days	-	232
90 - 120 days	1,654	322
Total	1,790	805

**12. Other current financial assets**

Derivatives at fair value:		
Equity forward contracts	2,407	1,927
Foreign exchange contracts - cash flow hedges	-	1,788
Cross currency interest rate swaps - cash flow hedges	13,883	12,469
Financial assets carried at amortised cost:		
Redeemable preference share interest	285	285
	<b>16,575</b>	<b>16,469</b>

**APT Pipelines Limited**  
**Notes to the consolidated financial statements (continued)**  
For the financial year ended 30 June 2014

**13. Inventories**

	2014 \$000	2013 \$000
Spare parts	14,261	11,860
Gas stock	3,088	866
	<b>17,349</b>	<b>12,726</b>

**14. Other current assets**

Prepayments	5,996	5,662
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**15. Non-current receivables**

Finance lease receivables (Note 34)	29,747	34,318
Loan receivable - related party <sup>(a)</sup>	118,088	-
	<b>147,835</b>	<b>34,318</b>

(a) During the year, the Consolidated Entity increased its net investment in Diamantina Power Station (DPS) through the provision of shareholder loans as part of its long-term funding commitment to the project. Per AASB 128, the Consolidated Entity's share of movements in DPS's equity have been offset against the balance of shareholder loans receivable.

**16. Other non-current financial assets**

Financial assets carried at amortised cost:		
Redeemable preference shares	10,400	10,400
Derivatives - at fair value:	-	
Equity forward contracts	1,597	1,894
Cross currency interest rate swaps - cash flow hedges	75,982	131,588
	<b>87,979</b>	<b>143,882</b>

Redeemable preference shares relate to the Consolidated Entity's 20% interest in GDI (EII) Pty Ltd. In December 2011, APA sold 80% of its gas distribution network in South East Queensland (Allgas) into an unlisted investment 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 2014

#### 17. Joint Ventures and Associates accounted for using the equity method

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

Name of entity	Principal activity	Country of incorporation	Ownership interest %	
			2014	2013
Joint ventures:				
SEA Gas	Gas transmission	Australia	50.00	50.00
Diamantina Power Station	Power generation (gas)	Australia	50.00	50.00
EII 2	Power generation (wind)	Australia	20.20	20.20
Associate:				
GDI (EII)	Gas distribution	Australia	20.00	20.00
			2014	2013
			\$000	\$000
<b>Investment in joint ventures and associate</b>			<b>210,401</b>	<b>218,172</b>

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

	2014	2013
	\$000	\$000
<b>Joint Ventures</b>		
Aggregate carrying amount of investment	179,822	184,392
The Consolidated Entity's aggregated share of:		
Profit from continuing operations	9,224	9,459
Other comprehensive income	(8,133)	7,162
<b>Total comprehensive income</b>	<b>1,091</b>	<b>16,621</b>

#### Associate

Aggregate carrying amount of investment	30,579	33,780
The Consolidated Entity's aggregated share of:		
Profit from continuing operations	2,204	1,950
Other comprehensive income	29	(362)
<b>Total comprehensive income</b>	<b>2,233</b>	<b>1,588</b>

#### Contingent liabilities and capital commitments

The Consolidated Entity's share of the contingent liabilities, capital commitments and other expenditure commitments of jointly controlled operations is disclosed in Note 42.



**APT Pipelines Limited**  
**Notes to the consolidated financial statements (continued)**  
For the financial year ended 30 June 2014

**18. Joint operations**

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

Name of venture	Principal activity	Output interest	
		2014 %	2013 %
Goldfields Gas Transmission	Gas pipeline operation - Western Australia	88.2 <sup>(a)</sup>	88.2 <sup>(a)</sup>
Mid West Pipeline	Gas pipeline operation - Western Australia	50.0 <sup>(b)</sup>	50.0 <sup>(b)</sup>

(a) On 17 August 2004, the Consolidated Entity 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.

**19. 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
<b>Gross carrying amount</b>					
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 1 July 2013	131,101	4,939	5,319,587	494,354	5,949,981
Additions	-	-	32,129	413,985	446,114
Disposals	(33)	-	(6,126)	-	(6,159)
Transfers	8,366	76	421,036	(429,478)	-
<b>Balance at 30 June 2014</b>	<b>139,434</b>	<b>5,015</b>	<b>5,766,626</b>	<b>478,861</b>	<b>6,389,936</b>
<b>Accumulated depreciation</b>					
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 41)	19	-	3,108	-	3,127
Depreciation expense	(2,376)	(233)	(122,178)	-	(124,787)
Transfers	473	-	(352)	-	121
Balance at 1 July 2013	(19,076)	(2,160)	(648,334)	-	(669,570)
Disposals	7	-	5,240	-	5,247
Depreciation expense	(2,785)	(128)	(148,219)	-	(151,132)
<b>Balance at 30 June 2014</b>	<b>(21,854)</b>	<b>(2,288)</b>	<b>(791,313)</b>	<b>-</b>	<b>(815,455)</b>
<b>Net book value</b>					
As at 30 June 2013	112,025	2,779	4,671,253	494,354	5,280,411
<b>As at 30 June 2014</b>	<b>117,580</b>	<b>2,727</b>	<b>4,975,313</b>	<b>478,861</b>	<b>5,574,481</b>

**APT Pipelines Limited**  
**Notes to the consolidated financial statements (continued)**  
For the financial year ended 30 June 2014

**20. Goodwill**

	2014 \$000	2013 \$000
<b>Gross carrying amount</b>		
Balance at beginning of financial year	1,150,500	411,883
Acquisitions (Note 40)	-	765,476
Disposals (Note 41)	-	(24,992)
Goodwill impairment	-	(1,867)
Balance at end of financial year	1,150,500	1,150,500

**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:

Asset management business	31,456	31,456
Energy infrastructure		
New South Wales pipelines	146,008	146,008
Victorian Transmission System	105,061	105,061
South West Queensland Pipeline	707,843	663,268
Other energy infrastructure <sup>(a)</sup>	160,132	204,707
	1,150,500	1,150,500

(a) Primarily represents goodwill relating to the Roma to Brisbane Pipeline (\$76.4m) and the Pilbara Pipeline System (\$32.6m).

During the period, the Consolidated Entity completed the purchase price accounting exercise for the acquisition of HDF in accordance with the requirements of AASB 3 'Business Combinations'. The total fair value of other assets and liabilities acquired remain unchanged from their provisionally determined carrying values reported at 30 June 2013.

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 1.9% p.a. These expected cash flows are factored into the regulated asset base and do not exceed management's expectations of the long-term average growth rate for the market in which the cash generating unit operates.

**APT Pipelines Limited**  
**Notes to the consolidated financial statements (continued)**  
For the financial year ended 30 June 2014

**20. Goodwill (continued)**

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. (2013: 8.25% p.a.) for energy infrastructure assets and 8.25% p.a. (2013: 8.25% p.a.) for asset management.

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

**21. Other intangible assets**

	2014	2013
	\$000	\$000
<b>Contract and other intangibles</b>		
<b>Gross carrying amount</b>		
Balance at beginning of financial year	206,061	207,031
Acquisitions	677	1,105
Impairment	(1,792)	(2,075)
Balance at end of financial year	204,946	206,061
<b>Accumulated amortisation and impairment</b>		
Balance at beginning of financial year	(29,046)	(23,372)
Amortisation expense	(5,096)	(5,674)
Balance at end of financial year	(34,142)	(29,046)
<b>Net book value</b>	<b>170,804</b>	<b>177,015</b>

The Consolidated Entity holds various third party operating and maintenance contracts. The combined gross carrying amount of \$204.9 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 2014

**22. Other non-current assets**

	2014 \$000	2013 \$000
Line pack gas	16,152	10,922
Gas held in storage	5,085	5,085
Other assets	-	2,433
	<b>21,237</b>	<b>18,440</b>

**23. Trade and other payables**

**Current**

Trade payables <sup>(a)</sup>	27,037	28,427
Other payables <sup>(b)</sup>	158,940	161,561
	<b>185,977</b>	<b>189,988</b>
Payables to related parties	894,661	998,430
	<b>1,080,638</b>	<b>1,188,418</b>

**Non-current**

Other payables	3,599	3,750
Payables to related parties	440,633	442,225
	<b>444,232</b>	<b>445,975</b>

(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.

**24. Current borrowings**

**Unsecured - at amortised cost**

Guaranteed Senior Notes <sup>(a)</sup>	-	80,910
Finance lease liabilities (Note 34)	639	609
	<b>639</b>	<b>81,519</b>

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

**25. 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	1,246	-
Interest rate swaps - cash flow hedges	17,712	22,500
Cross currency interest rate swaps - cash flow hedges	71,616	103,885
	<b>90,574</b>	<b>126,385</b>

**APT Pipelines Limited**  
**Notes to the consolidated financial statements (continued)**  
For the financial year ended 30 June 2014

**26. Provisions**

	2014	2013
	\$000	(Restated) \$000
<b>Current</b>		
Employee benefits <sup>(a)</sup>	73,899	71,098
Other (Note 35)	7,104	10,845
	<b>81,003</b>	<b>81,943</b>
<b>Non-current</b>		
Employee benefits <sup>(a)</sup>	38,833	42,995
Other (Note 35)	8,609	4,935
	<b>47,442</b>	<b>47,930</b>

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

<b>Current</b>		
Incentives	25,217	23,042
Cash settled security-based payments	9,263	8,193
Leave balances	37,310	38,030
Termination benefits	2,109	1,833
	<b>73,899</b>	<b>71,098</b>
<b>Non-current</b>		
Cash settled security-based payments	15,818	15,215
Retirement benefit obligation (Note 36)	14,426	20,749
Leave balances	8,589	7,031
	<b>38,833</b>	<b>42,995</b>

**27. Other liabilities**

	2014	2013
	\$000	\$000
<b>Current</b>		
Unearned revenue - other	15,975	12,921
	<b>15,975</b>	<b>12,921</b>
<b>Non-current</b>		
Unearned revenue - other	15,438	16,669
	<b>15,438</b>	<b>16,669</b>

**APT Pipelines Limited**  
**Notes to the consolidated financial statements (continued)**  
For the financial year ended 30 June 2014

**28. Non-current borrowings**

	2014 \$000	2013 \$000
<b>Unsecured - at amortised cost</b>		
Bank borrowings <sup>(a)</sup>	1,014,500	525,000
Guaranteed Senior Notes <sup>(b)</sup>	3,214,082	3,227,340
Subordinated Notes <sup>(c)</sup>	515,000	515,000
Less: unamortised borrowing costs	(35,299)	(34,098)
Finance lease liabilities (Note 34)	10,621	11,260
	<b>4,718,904</b>	<b>4,244,502</b>

(a) Relates to the non-current portion of long-term borrowings. Refer to Note 38 for details of interest rates and maturity profile.

(b) Represents USD denominated private placement notes of US\$725 million, CAD MTN of C\$300 million, GBP MTN of £350 million, JPY MTN of ¥10,000 million and USD denominated 144a notes of US\$750 million measured at the exchange rate at reporting date, and A\$314.9 million of AUD denominated private placement notes and AUD medium term notes (MTN) of A\$300 million. Refer to Note 38 for details of interest rates and maturity profiles.

(c) Represents AUD denominated subordinated notes. Refer to Note 38 for details of interest rates and maturity profiles.

**29. 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	17,377	29,512
Cross currency interest rate swaps - cash flow hedges	199,559	147,744
	<b>216,936</b>	<b>177,256</b>

**30. Issued capital**

**Shares**

62,127,252 shares, fully paid (2013: 62,127,252 shares, fully paid) <sup>(a)</sup>	117,330	117,330
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	2014 No. of shares 000	2014 \$000	2013 No. of shares 000	2013 \$000
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**Movements**

Balance at beginning of financial year	62,127	117,330	62,127	117,330
Balance at end of financial year	<b>62,127</b>	<b>117,330</b>	<b>62,127</b>	<b>117,330</b>

(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 2014

**31. Reserves**

	2014 \$000	2013 \$000
Hedging	(134,934)	(72,011)
Asset revaluation	8,669	8,669
	<b>(126,265)</b>	<b>(63,342)</b>

**Hedging reserve**

Balance at beginning of financial year	(72,011)	(39,486)
Gain/(loss) recognised:		
Interest rate swaps/currency swaps	(154,309)	(144,702)
Deferred tax related to gains/losses recognised	46,293	43,411
Transferred to profit or loss:		
Interest rate swaps/currency swaps	72,522	91,438
Deferred tax related to amounts transferred to profit or loss	(21,757)	(27,431)
Share of hedge reserve of associate	(8,103)	6,799
Deferred tax related to share of hedge reserve	2,431	(2,040)
Balance at end of financial year	<b>(134,934)</b>	<b>(72,011)</b>

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	<b>8,669</b>	<b>8,669</b>

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
Revaluation gain recognised	-	27,543
Gain transferred to profit or loss	-	(142,333)
Deferred tax related to gains/losses recognised	-	34,437
Balance at end of financial year	-	-

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 2014

**32. Retained earnings**

	2014	2013
	\$000	(Restated) \$000
Balance at beginning of financial year	422,505	313,011
Net profit attributable to shareholders	264,384	233,775
Dividends paid (Note 10)	(229,841)	(134,046)
Transfer from reserves on acquisition of non-controlling interest in HDF	-	(2,765)
Actuarial gain on defined benefit plans recognised directly to retained earnings after tax	4,757	12,530
	<b>461,805</b>	<b>422,505</b>

**33. Non-controlling interests**

	2014	2013
	\$000	\$000
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	<b>119,257</b>	<b>119,257</b>
Reserves:		
Other reserve:		
Balance at beginning of financial year	1	1
Balance at end of financial year	<b>1</b>	<b>1</b>
Retained earnings:		
Balance at beginning of financial year	45	44
Profit for the year	23,014	22,426
Acquisition of non-controlling interest	-	2,765
Distributions paid	(23,013)	(25,190)
Balance at end of financial year	<b>46</b>	<b>45</b>
Total	<b>119,304</b>	<b>119,303</b>



**APT Pipelines Limited**  
**Notes to the consolidated financial statements (continued)**  
For the financial year ended 30 June 2014

**34. 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.

	2014 \$000	2013 \$000
<b>Finance lease receivables</b>		
Not longer than 1 year	7,668	8,336
Longer than 1 year and not longer than 5 years	20,724	24,249
Longer than 5 years	26,181	30,324
Minimum future lease payments receivable <sup>(a)</sup>	54,573	62,909
Gross finance lease receivables	54,573	62,909
Less: unearned finance lease receivables	(20,251)	(23,847)
Present value of lease receivables	34,322	39,062
Included in the financial statements as part of:		
Current trade and other receivables (Note 11)	4,575	4,744
Non-current receivables (Note 15)	29,747	34,318
	34,322	39,062

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

**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	9,338	10,506
Minimum future lease payments payable <sup>(b)</sup>	15,174	16,342
Gross finance lease payables	15,174	16,342
Less: unearned finance lease payables	(3,914)	(4,473)
Present value of lease payables	11,260	11,869
Included in the financial statements as part of:		
Current borrowings (Note 24)	639	609
Non-current borrowings (Note 28)	10,621	11,260
	11,260	11,869

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

**Non-cancellable operating leases - other**

Not longer than 1 year	9,927	9,120
Longer than 1 year and not longer than 5 years	21,776	23,200
Longer than 5 years	22,808	25,066
	54,511	57,386

**APT Pipelines Limited**  
**Notes to the consolidated financial statements (continued)**  
For the financial year ended 30 June 2014

**35. Other Provisions**

	Abandonment <sup>(a)</sup> \$000	Other <sup>(b)</sup> \$000	Total \$000
Balance at 30 June 2013	4,935	10,845	15,780
Additional provisions recognised	1,258	7,505	8,763
Unwinding of discount	596	-	596
Reductions arising from payments/other sacrifices of future economic benefits	-	(5,097)	(5,097)
Reductions resulting from re-measurement or settlement without cost	-	(4,329)	(4,329)
<b>Balance at 30 June 2014</b>	<b>6,789</b>	<b>8,924</b>	<b>15,713</b>
Current (Note 26)	-	7,104	7,104
Non-current (Note 26)	6,789	1,820	8,609
	<b>6,789</b>	<b>8,924</b>	<b>15,713</b>

	Abandonment <sup>(a)</sup> \$000	Other <sup>(b)</sup> \$000	Total \$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)
<b>Balance at 30 June 2013</b>	<b>4,935</b>	<b>10,845</b>	<b>15,780</b>
Current (Note 26)	-	10,845	10,845
Non-current (Note 26)	4,935	-	4,935
	<b>4,935</b>	<b>10,845</b>	<b>15,780</b>

(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 pipeline rectification works.

**APT Pipelines Limited**  
**Notes to the consolidated financial statements (continued)**  
For the financial year ended 30 June 2014

**36. 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 2014 by Mercer (Australia) Pty Ltd and Russell Investments (2013: 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:

	2014	2013
	\$000	(Restated) \$000
<b>Amounts recognised in the statement of profit or loss and other comprehensive income</b>		
Current service cost	3,901	4,246
Net interest expense	567	882
<b>Components of defined benefit costs recognised in profit or loss</b>	<b>4,468</b>	<b>5,128</b>
Remeasurement of the net defined benefit liability:		
Return on plan assets (excluding amounts included in net interest expense)	(10,870)	(14,306)
Actuarial gains and losses arising from changes in demographic assumptions	(96)	-
Actuarial gains and losses arising from changes in financial assumptions	(878)	(8,171)
Actuarial gains and losses arising from experience adjustments	5,048	4,576
<b>Components of defined benefit costs recognised in other comprehensive income</b>	<b>(6,796)</b>	<b>(17,901)</b>
<b>Total recognised in the statement of profit or loss and other comprehensive income</b>	<b>(2,328)</b>	<b>(12,773)</b>
<b>Amounts recognised in the statement of financial position</b>		
Fair value of plan assets	130,195	118,404
Present value of benefit obligation	(144,621)	(139,153)
<b>Net liability - non-current (Note 26)</b>	<b>(14,426)</b>	<b>(20,749)</b>
<b>Movements in liability during the year</b>		
Balance at beginning of year	(20,749)	(38,545)
Gain/(expense) recognised in profit or loss	(4,468)	(5,128)
Amount recognised in retained earnings (prior to tax effect)	6,796	17,901
Contributions from employer	3,995	5,023
<b>Balance at end of year<sup>(a)</sup></b>	<b>(14,426)</b>	<b>(20,749)</b>

(a) The above balances are recorded within the provisions section of the statement of financial position; refer to Note 26.

**APT Pipelines Limited**  
**Notes to the consolidated financial statements (continued)**  
For the financial year ended 30 June 2014

**36. Employee superannuation plans (continued)**

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

	2014	2013
	\$000	(Restated) \$000
Opening defined benefit obligation	139,153	139,203
Current service cost	3,901	4,246
Interest cost	4,520	3,644
Contributions from plan participants	1,627	1,442
Actuarial gains and losses arising from changes in demographic assumptions	(96)	-
Actuarial gains and losses arising from changes in financial assumptions	(878)	(8,171)
Actuarial gains and losses arising from experience adjustments	5,048	4,576
Benefits paid	(7,891)	(4,786)
Taxes and premiums paid	(763)	(1,001)
<b>Closing defined benefit obligation</b>	<b>144,621</b>	<b>139,153</b>

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

Opening fair value of plan assets	118,404	100,658
Interest income	3,953	2,762
Actual return on plan assets excluding interest income	10,870	14,306
Contributions from employer	3,995	5,023
Contributions from plan participants	1,627	1,442
Benefits paid	(7,891)	(4,786)
Taxes and premiums paid	(763)	(1,001)
<b>Closing fair value of plan assets</b>	<b>130,195</b>	<b>118,404</b>

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

	2014	2013
	%	%
Discount rate (p.a.)	3.5	3.3
Expected salary rate increase (p.a.)	4.0	4.0

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

Australian equities	29.9	29.1
International equities	25.0	29.9
Fixed income	10.6	11.8
Property	8.2	8.2
Alternatives	18.4	15.7
Cash	7.9	5.2

## APT Pipelines Limited

### Notes to the consolidated financial statements (continued)

For the financial year ended 30 June 2014

#### 36. Employee superannuation plans (continued)

Significant actuarial assumptions used in the determination of the defined obligation are discount rate and expected salary increase. The sensitivity analysis below has been determined based on reasonable possible changes of the respective assumptions occurring at the end of the reporting period, while holding all other assumptions constant.

- If the discount rate is 50 basis points higher (lower), the defined benefit obligation would decrease by \$5,873,000 (increase by \$6,675,000).
- If the expected salary growth increases (decreases) by 0.5%, the defined benefit obligation would increase by \$3,651,000 (decrease by \$3,326,000).

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

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

The Consolidated Entity expects \$2.2 million in contributions to be paid to the defined benefit plans during the year ending 30 June 2015.

**APT Pipelines Limited**  
**Notes to the consolidated financial statements (continued)**  
For the financial year ended 30 June 2014

**37. 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:

	2014 \$000	2013 \$000
Cash at bank and on hand <sup>(a)</sup>	5,738	79,773
Short-term deposits	1,055	1,024
	<b>6,793</b>	<b>80,797</b>

The Consolidated Entity had no restricted cash as at 30 June 2014.

(a) Australian Pipeline Limited held nil cash on deposit as at 30 June 2014 (\$5.0 million for 30 June 2013). To meet its financial requirements as the holder of an Australian Financial Services Licence, cash on deposit was replaced with a bank guarantee during the current reporting period.

**(b) Investments acquired and disposed of**

**Equity accounted investments**

There has no been no change in the holding of the Consolidated Entity's equity accounted investments for the financial year ended 30 June 2014.

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

	2014 \$000	2013 (Restated) \$000
Profit for the year	287,398	256,201
Gain on previously held interest in HDF on obtaining control	-	(142,333)
Loss from the disposal on Investments	-	12,408
Write back of transaction costs on sale of Allgas Distribution Network	-	(18,483)
Loss on disposal of property, plant and equipment	115	480
Impairment of goodwill	-	1,867
Share of net profits of joint ventures accounted for using the equity method	(11,428)	(11,409)
Dividends/distributions received from equity accounted investments	19,135	12,606
Depreciation and amortisation expense	156,228	130,461
Finance costs	11,142	1,481
Changes in assets and liabilities:		
Trade and other receivables	5,928	4,072
Inventories	(4,623)	707
Other assets	6,458	320
Trade and other payables	5,962	(5,407)
Provisions	885	12,093
Other liabilities	(11,558)	30,068
Income tax balances	(88,659)	42,347
Net cash provided by operating activities	<b>376,983</b>	<b>327,479</b>

**APT Pipelines Limited**  
**Notes to the consolidated financial statements (continued)**  
For the financial year ended 30 June 2014

**37. Notes to the statement of cash flows (continued)**

**(d) Financing facilities**

	2014 \$000	2013 \$000
<b>Unsecured facilities</b>		
<b>Bank borrowings<sup>(a)</sup></b>		
Amounts used	1,014,500	525,000
Amounts unused	835,500	891,667
	<b>1,850,000</b>	<b>1,416,667</b>
<b>Guaranteed Senior Notes<sup>(b)</sup></b>		
Amounts used	3,214,082	3,308,250
Amounts unused	-	-
	<b>3,214,082</b>	<b>3,308,250</b>
<b>Subordinated Notes<sup>(c)</sup></b>		
Amounts used	515,000	515,000
Amounts unused	-	-
	<b>515,000</b>	<b>515,000</b>
<b>Finance lease liabilities</b>		
Amounts used	-	-
Amounts unused	11,260	11,869
	<b>11,260</b>	<b>515,000</b>

(a) Relates to long-term borrowings. Refer to Note 38 for details of interest rates.

(b) Represents USD denominated private placement notes of US\$725 million, CAD MTN of C\$300 million, GBP MTN of £350 million, JPY MTN of ¥10,000 million and USD denominated 144a notes of US\$750 million measured at the exchange rate at reporting date, and A\$314.9 million of AUD denominated private placement notes and AUD medium term notes (MTN) of A\$300 million. Refer to Note 38 for details of interest rates and maturity profiles.

(c) Represents AUD denominated subordinated notes. Refer to Note 38 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 2014

**38. Financial instruments**

**(a) Capital risk management**

The Consolidated Entity manages its capital structure to ensure that entities in the Consolidated Entity 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 24 and 28, cash and cash equivalents, and equity attributable to equity holders of the parent, comprising issued capital, reserves and retained earnings as disclosed in Notes 30, 31 and 32 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 locally and from overseas, 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 APA Group and were adhered to for the entirety of the 2013 and 2014 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 new equity issues, through the issue of new debt or the redemption of existing debt, and through a disciplined distribution payment policy.

**(b) Financial risk management objectives**

APA'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 2014

#### 38. Financial instruments (continued)

##### (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 from the previous period to the nature of the Consolidated Entity's exposure to market risks or the manner in which it manages and measures the risks.

##### (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 swap contracts. All foreign currency exposure was managed in accordance with the Treasury Risk Management Policy in both 2013 and 2014.

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	
	2014 \$000	2013 \$000	2014 \$000	2013 \$000
US dollar borrowings	1,564,655	1,693,637	-	-
Cross currency swaps	(1,564,655)	(1,693,637)	-	-
Japanese yen borrowings	104,681	110,203	-	-
Cross currency swaps	(104,681)	(110,203)	-	-
Canadian dollar borrowings	298,378	311,947	-	-
Cross currency swaps	(298,378)	(311,947)	-	-
British pound borrowings	635,268	581,866	-	-
Cross currency swaps	(635,268)	(581,866)	-	-
	-	-	-	-
Foreign exchange contracts	(1,246)	-	-	1,788

**APT Pipelines Limited**  
**Notes to the consolidated financial statements (continued)**  
For the financial year ended 30 June 2014

**38. Financial instruments (continued)**

**(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:

2014	Average exchange rate	Foreign currency 2014 US\$000	Contract value 2014 \$000	Fair value 2014 \$000
<b>Outstanding contracts</b>				
<b>Buy US dollars</b>				
Less than 3 months	0.8704	14,133	16,238	(1,152)
3 to 6 months	0.8808	1,334	1,515	(86)
6 to 12 months	0.8981	204	227	(8)
		<b>15,671</b>	<b>17,980</b>	<b>(1,246)</b>
<hr/>				
2013	Average exchange rate	Foreign currency 2013 US\$000	Contract value 2013 \$000	Fair value 2013 \$000
<b>Outstanding contracts</b>				
<b>Buy US dollars</b>				
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
		<b>19,485</b>	<b>19,672</b>	<b>1,788</b>

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 loss under forward foreign exchange contracts deferred in the hedging reserve relating to these anticipated future transactions is \$1.2 million (2013: unrealised gain of \$1.8 million). 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.

**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.

## APT Pipelines Limited

### Notes to the consolidated financial statements (continued)

For the financial year ended 30 June 2014

#### 38. Financial instruments (continued)

##### (d) Foreign currency risk management (continued)

Forward foreign exchange contracts (continued)

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

	Exchange Rate		Amount	
	2014	2013	2014	2013
	\$	\$	\$000	\$000
<b>2003 USPP Note Issue</b>				
<b>Buy US dollars - interest</b>				
Less than 1 year	0.6573	0.6573	(16,480)	(19,671)
1 year to 2 years	0.6573	0.6573	(11,125)	(16,480)
2 years to 5 years	0.6573	0.6573	(14,425)	(22,665)
5 years and more	-	0.6573	-	(2,885)
			(42,030)	(61,701)
<b>Buy US dollars - principal</b>				
Less than 1 year	0.6573	0.6573	-	(112,582)
1 year to 2 years	0.6573	0.6573	(185,608)	-
2 years to 5 years	0.6573	0.6573	(95,847)	(185,608)
5 years and more	-	0.6573	-	(95,847)
			(281,455)	(394,037)
<b>2007 USPP Note Issue</b>				
<b>Buy US dollars - interest</b>				
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	(66,726)	(77,969)
5 years and more	0.8068	0.8068	(28,310)	(46,805)
			(154,510)	(184,248)
<b>Buy US dollars - principal</b>				
2 years to 5 years	0.8068	0.8068	(342,092)	(190,878)
5 years and more	0.8068	0.8068	(153,694)	(304,908)
			(495,786)	(495,786)
<b>2009 USPP Note Issue</b>				
<b>Buy US dollars - interest</b>				
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	(29,894)	(37,057)
5 years and more	0.7576	0.7576	(4,385)	(13,156)
			(66,147)	(82,081)
<b>Buy US dollars - principal</b>				
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 2014

#### 38. Financial instruments (continued)

##### (d) Foreign currency risk management (continued)

	Exchange Rate		Amount	
	2014	2013	2014	2013
	\$	\$	\$000	\$000
<b>2012 JPY MTN Issue</b>				
<b>Buy Japanese yen - interest</b>				
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	(3,086)	(4,629)
			(6,172)	(7,715)
<b>Buy Japanese yen - principal</b>				
2 years to 5 years	79.4502	79.4502	(125,865)	(125,865)
<b>2012 CAD MTN Issue</b>				
<b>Buy Canadian dollars - interest</b>				
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	(6,145)	(18,434)
			(67,590)	(79,879)
<b>Buy Canadian dollars - principal</b>				
5 years and more	1.0363	1.0363	(289,494)	(289,494)
<b>2012 US144a Issue</b>				
<b>Buy US dollars - interest</b>				
Less than 1 year	1.0198	1.0198	(28,498)	(28,498)
1 year to 2 years	1.0198	1.0198	(28,498)	(28,498)
2 years to 5 years	1.0198	1.0198	(85,495)	(85,495)
5 years and more	1.0198	1.0198	(99,744)	(128,242)
			(242,235)	(270,733)
<b>Buy US dollars - principal</b>				
5 years and more	1.0198	1.0198	(735,438)	(735,438)
<b>2012 GBP MTN Issue</b>				
<b>Buy British pounds - interest</b>				
Less than 1 year	0.6530	0.6530	(22,779)	(22,779)
1 year to 2 years	0.6530	0.6530	(22,779)	(22,779)
2 years to 5 years	0.6530	0.6530	(68,338)	(68,338)
5 years and more	0.6530	0.6530	(136,677)	(159,456)
			(250,573)	(273,352)
<b>Buy British pounds - principal</b>				
5 years and more	0.6530	0.6530	(535,988)	(535,988)

**APT Pipelines Limited**  
**Notes to the consolidated financial statements (continued)**  
For the financial year ended 30 June 2014

**38. Financial instruments (continued)**

**(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 to 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 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.

	2014 \$000	2013 \$000
<b>A\$ depreciating by 10%</b>		
Profit	-	-
Other equity <sup>(a)</sup>	<b>(1,846)</b>	<b>(2,365)</b>
<b>A\$ appreciating by 10%</b>		
Profit	-	-
Other equity <sup>(a)</sup>	<b>1,510</b>	<b>1,935</b>

(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, 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 \$6.8 million as at 30 June 2014 (2013: \$80.8 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 2014

**38. Financial instruments (continued)**

**(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 interest rate		Notional principal amount		Fair value	
	2014	2013	2014	2013	2014	2013
	% p.a.	% p.a.	\$000	\$000	\$000	\$000
<b>Cash flow hedges</b>						
<b>Pay fixed AUD interest - receive floating AUD or fixed/floating foreign currency</b>						
Less than 1 year	5.90	7.03	100,000	187,582	(1,852)	(34,411)
1 year to 2 years	7.10	5.90	310,608	100,000	(66,627)	(4,804)
2 years to 5 years	7.75	7.62	649,591	713,137	(130,564)	(128,246)
5 years and more	7.24	7.24	1,813,611	2,060,672	(16,621)	13,426
			<b>2,873,810</b>	<b>3,061,391</b>	<b>(215,664)</b>	<b>(154,035)</b>

The Consolidated Entity had no fair value hedges in 2013 or 2014.

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 \$13,045,000 or increase by \$13,045,000 (2014: decrease by \$7,400,000 or increase by \$7,400,000). This is mainly attributable to the Consolidated Entity's exposure to interest rates on its variable rate borrowings, including its Australian dollar subordinated notes; and
- equity reserves would increase by \$6,923,000 with a 100 basis point decrease in interest rates or decrease by \$6,386,000 with a 100 basis point increase in interest rates (2013 : increase by \$13,360,000 or decrease by \$10,971,000 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 increased during the current period due to the overall increase 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.

**APT Pipelines Limited**  
**Notes to the consolidated financial statements (continued)**  
For the financial year ended 30 June 2014

**38. Financial instruments (continued)**

**(f) Price risk management**

The Consolidated Entity is exposed to price risk arising from its investments in and forward purchase contracts over listed equities. The investments and 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 (2013: \$nil); and
- there is nil effect on equity as the Consolidated Entity holds no available-for-sale investments (2013: \$nil)

**(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 all wholly-owned controlled entities with either a deficit in shareholders' funds or an excess of current liabilities over current assets. The fair value of the financial guarantee as at 30 June 2014 has been determined to be immaterial and no liability has been recorded (2013: \$nil).

**(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.

**APT Pipelines Limited**  
**Notes to the consolidated financial statements (continued)**  
For the financial year ended 30 June 2014

**38. Financial instruments (continued)**

**(h) Liquidity risk management (continued)**

Details of undrawn facilities available to the Consolidated Entity are shown in the table below:

**Financing facilities**

	2014 \$000	2013 \$000
Unsecured bank facilities with various maturity dates through to 2019		
- amount used	1,014,500	525,000
- amount unused	835,500	891,667
	<b>1,850,000</b>	<b>1,416,667</b>
Unsecured long term private placement notes with various maturity dates through to 2022		
- amount used	1,083,934	1,188,472
- amount unused	-	-
	<b>1,083,934</b>	<b>1,188,472</b>
Unsecured Australian Dollar medium term note with maturity in 2020		
- amount used	300,000	300,000
- amount unused	-	-
	<b>300,000</b>	<b>300,000</b>
Unsecured Japanese Yen medium term note with maturity in 2018		
- amount used	104,681	110,203
- amount unused	-	-
	<b>104,681</b>	<b>110,203</b>
Unsecured Canadian Dollar medium term notes with maturity in 2019		
- amount used	298,378	311,947
- amount unused	-	-
	<b>298,378</b>	<b>311,947</b>
Unsecured Australian Dollar subordinated notes with maturity in 2072		
- amount used	515,000	515,000
- amount unused	-	-
	<b>515,000</b>	<b>515,000</b>
Unsecured US144a medium term notes with maturity in 2022		
- amount used	795,587	820,031
- amount unused	-	-
	<b>795,587</b>	<b>820,031</b>
Unsecured British Pound medium term notes with maturity in 2024		
- amount used	635,268	581,866
- amount unused	-	-
	<b>635,268</b>	<b>581,866</b>

**Liquidity and interest rate risk table**

Detailed following are the Consolidated Entity's remaining contractual maturities for its non-derivative 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 2014

**38. Financial instruments (continued)**

**(h) Liquidity risk management (continued)**

**Liquidity and interest rate 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
<b>2014</b>				
<b>Financial liabilities</b>				
Trade and other payables	-	185,977	-	-
Unsecured bank borrowings <sup>(a)</sup>	4.04	88,608	1,052,698	-
2012 Subordinated Notes <sup>(b)</sup>	3.05	36,802	160,229	3,031,374
Interest Rate Swaps (Net Settled)	6.11	6,841	4,237	-
Guaranteed Senior Notes:				
Denominated in A\$				
2007 Series A <sup>(c)</sup>	7.33	367	5,733	-
2007 Series C <sup>(c)</sup>	7.38	7,318	113,793	-
2007 Series E <sup>(d)</sup>	7.40	5,045	88,349	-
2007 Series G <sup>(e)</sup>	7.45	6,002	24,008	98,588
2007 Series H <sup>(e)</sup>	7.45	4,617	18,468	75,837
2010 AUD Medium Term Note <sup>(f)</sup>	7.75	23,250	93,000	334,875
Denominated in US\$ (rates shown are the coupon rate of the US dollar notes)				
2003 Series C <sup>(g)</sup>	5.77	14,175	192,773	-
2003 Series D <sup>(h)</sup>	6.02	6,911	120,169	-
2007 Series B <sup>(i)</sup>	5.89	13,986	218,851	-
2007 Series D <sup>(d)</sup>	5.99	11,111	195,657	-
2007 Series F <sup>(e)</sup>	6.14	11,354	45,416	187,787
2009 Series A <sup>(i)</sup>	8.35	9,752	100,375	-
2009 Series B <sup>(j)</sup>	8.86	11,761	47,075	104,797
2012 US 144a <sup>(k)</sup>	3.88	49,392	196,358	907,571
Denominated in stated foreign currency				
2012 JPY Medium Term Note <sup>(l)</sup>	1.23	8,535	151,565	-
2012 CAD Medium Term Note <sup>(m)</sup>	4.25	19,690	78,010	299,178
2012 GBP Medium Term Note <sup>(n)</sup>	4.25	39,351	158,159	753,173
		<b>560,845</b>	<b>3,064,923</b>	<b>5,793,180</b>

(a) Facilities mature on 8 July 2014 (\$50 million limit), 23 July 2016 (\$400 million limit), 12 October 2016 (\$150 million limit), 23 July 2016 (\$425 million limit), 19 December 2018 (\$300 million limit), 23 December 2018 (\$100 million limit), and 23 July 2019 (\$425 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 2015.

(h) Matures on 9 September 2018.

(i) Matures on 1 July 2016.

(j) Matures on 1 July 2019.

(k) Matures on 11 October 2022.

(l) Matures on 22 Jun 2018.

(m) Matures on 24 July 2019.

(n) Matures on 26 November 2024.

**APT Pipelines Limited**  
**Notes to the consolidated financial statements (continued)**  
For the financial year ended 30 June 2014

**38. Financial instruments (continued)**

**(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
<b>2013</b>				
<b>Financial liabilities</b>				
Trade and other payables	-	190,068	-	-
Unsecured bank borrowings <sup>(a)</sup>	4.53	22,747	534,564	-
2012 Subordinated Notes <sup>(b)</sup>	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 <sup>(b)</sup>	7.33	367	6,100	-
2007 Series C <sup>(b)</sup>	7.38	7,318	121,111	-
2007 Series E <sup>(c)</sup>	7.40	5,045	20,178	73,215
2007 Series G <sup>(d)</sup>	7.45	6,002	24,008	104,590
2007 Series H <sup>(d)</sup>	7.45	4,617	18,468	80,454
2010 AUD Medium Term Note <sup>(j)</sup>	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 <sup>(e)</sup>	5.67	116,813	-	-
2003 Series C <sup>(f)</sup>	5.77	14,175	206,948	-
2003 Series D <sup>(g)</sup>	6.02	6,911	27,721	99,359
2007 Series B <sup>(b)</sup>	5.89	13,986	232,837	-
2007 Series D <sup>(c)</sup>	5.99	11,111	44,442	162,325
2007 Series F <sup>(d)</sup>	6.14	11,354	45,416	199,142
2009 Series A <sup>(h)</sup>	8.35	9,752	110,127	-
2009 Series B <sup>(i)</sup>	8.86	11,761	47,075	116,558
2012 US 144a <sup>(l)</sup>	3.88	49,123	196,627	956,694
Denominated in stated foreign currency				
2012 JPY Medium Term Note <sup>(k)</sup>	1.23	8,535	160,100	-
2012 CAD Medium Term Note <sup>(l)</sup>	4.25	19,529	78,171	318,708
2012 GBP Medium Term Note <sup>(o)</sup>	4.25	39,351	158,159	792,524
		609,827	2,302,659	6,375,607

(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 Jun 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 2014

#### 38. Financial instruments (continued)

##### **(h) Liquidity risk management (continued)**

###### **Fair value measurements recognised in the statement of financial position**

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

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

There have been no transfers between the levels during 2014 (2013: none). Transfers between levels of the fair value hierarchy occur at the end of the reporting period. Transfers between level 1 and level 2 are triggered when there are quoted prices available in active markets. Transfers into level 3 are triggered when the observable inputs become no longer observable, or vice versa for transfer out of level 3.

##### **(i) Fair value of financial instruments**

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

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

- the fair values of available-for-sale financial assets and financial liabilities with standard terms and conditions and traded on active liquid markets are determined with reference to quoted market prices, these instruments are classified in the fair value hierarchy at level 1;
- the fair values of forward foreign exchange contracts included in hedging assets and liabilities are calculated using discounted cash flow analysis based on observable forward exchange rates at the end of the reporting period and contract forward rates discounted at a rate that reflects the credit risk of the various counterparties. The instruments are classified in the fair value hierarchy at level 2;
- the fair values of interest rates swaps, cross currency swaps, equity forwards and other derivative instruments included in hedging assets and liabilities are calculated using quoted prices. Where such prices are not available, use is made of discounted cash flow analysis using observable yield curves at the end of the reporting period and contract rates discounted at a rate that reflects the credit risk of the various counterparties. Where the valuation is based on quoted prices the instruments are classified in the fair value hierarchy at level 1, where a discounted cash flow valuation is used the instruments are classified as level 2;
- the fair values of other financial assets and financial liabilities (excluding derivative instruments) are determined in accordance with generally accepted pricing models based on discounted cash flow analysis using prices from observable current markets discounted at a rate that reflects the credit risk of the various counterparties. The instruments are classified in the fair value hierarchy at level 2;
- the fair value of financial guarantee contracts is determined based upon the probability of default by the specified counterparty extrapolated from market-based credit information and the amount of loss, given the default. The instruments are classified in the fair value hierarchy at level 2; and
- The carrying value of financial assets and liabilities recorded at amortised cost in the financial statements approximate their fair value having regard to the specific terms of the agreements underlying those assets and liabilities.

## APT Pipelines Limited

### Notes to the consolidated financial statements (continued)

For the financial year ended 30 June 2014

#### 38. Financial instruments (continued)

##### (i) Fair value of financial instruments (continued)

Fair value hierarchy

2014

	Level 1 \$000	Level 2 \$000	Level 3 \$000	Total \$000
<b>Financial assets measured at fair value</b>				
Equity forwards designated as fair value through profit and loss	-	4,004	-	4,004
Cross Currency Interest Rate Swaps used for hedging	-	77,115	-	77,115
<b>Total</b>	<b>-</b>	<b>81,119</b>	<b>-</b>	<b>81,119</b>
<b>Financial liabilities measured at fair value</b>				
Interest rate swaps used for hedging	-	31,041	-	31,041
Cross Currency Interest Rate Swaps used for hedging	-	261,739	-	261,739
Forward foreign exchange contracts used for hedging	-	1,246	-	1,246
<b>Total</b>	<b>-</b>	<b>294,026</b>	<b>-</b>	<b>294,026</b>

2013

	Level 1 \$000	Level 2 \$000	Level 3 \$000	Total \$000
<b>Financial assets measured at fair value</b>				
Equity forwards designated as fair value through profit and loss	-	3,822	-	3,822
Cross Currency Interest Rate Swaps used for hedging	-	132,718	-	132,718
Forward foreign exchange contracts used for hedging	-	1,788	-	1,788
<b>Total</b>	<b>-</b>	<b>138,328</b>	<b>-</b>	<b>138,328</b>
<b>Financial liabilities measured at fair value</b>				
Interest rate swaps used for hedging	-	47,088	-	47,088
Cross Currency Interest Rate Swaps used for hedging	-	239,665	-	239,665
<b>Total</b>	<b>-</b>	<b>286,753</b>	<b>-</b>	<b>286,753</b>

**APT Pipelines Limited**  
**Notes to the consolidated financial statements (continued)**  
For the financial year ended 30 June 2014

**38. Financial instruments (continued)**

**(i) Fair value of financial instruments (continued)**

**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 (level 2) <sup>(a)</sup>	
	2014	2013	2014	2013
	\$000	\$000	\$000	\$000
<b>Financial Liabilities</b>				
Unsecured long term private placement notes	1,083,934	1,188,472	1,227,760	1,434,441
Unsecured Australian Dollar medium term notes	300,000	300,000	343,276	371,212
Unsecured Japanese Yen medium term note	104,681	110,203	107,717	114,146
Unsecured Canadian Dollar medium term notes	298,378	311,947	322,535	344,358
Unsecured Australian Dollar subordinated notes	515,000	515,000	570,923	513,611
Unsecured US Dollar 144a medium term notes	795,587	820,031	792,363	757,775
Unsecured British Pound medium term note	635,268	581,866	643,420	550,282
<b>Total</b>	<b>3,732,848</b>	<b>3,827,519</b>	<b>4,007,994</b>	<b>4,085,825</b>

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

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 2014

**39. Subsidiaries**

Name of entity	Country of registration/ incorporation	Ownership interest	
		2014 %	2013 %
<b>Parent entity</b>			
APT Pipelines Limited			
<b>Subsidiaries</b>			
Australian Pipeline Limited <sup>(b)</sup>	Australia	100	100
Agex Pty Ltd <sup>(b),(c)</sup>	Australia	100	100
Amadeus Gas Trust	Australia	96	96
APT Goldfields Pty Ltd <sup>(b),(c)</sup>	Australia	100	100
APT Management Services Pty Limited <sup>(b),(c)</sup>	Australia	100	100
APT Parmelia Gas Pty Ltd <sup>(b),(c)</sup>	Australia	100	100
APT Parmelia Holdings Pty Ltd <sup>(b),(c)</sup>	Australia	100	100
APT Parmelia Pty Ltd <sup>(b),(c)</sup>	Australia	100	100
APT Parmelia Trust <sup>(b)</sup>	Cayman Islands	100	100
APT Petroleum Pipelines Holdings Pty Limited <sup>(b),(c)</sup>	Australia	100	100
APT Petroleum Pipelines Pty Limited <sup>(b),(c)</sup>	Australia	100	100
APT Pipelines (NSW) Pty Limited <sup>(b),(c)</sup>	Australia	100	100
APT Pipelines (NT) Pty Limited <sup>(b),(c)</sup>	Australia	100	100
APT Pipelines (QLD) Pty Limited <sup>(b),(c)</sup>	Australia	100	100
APT Pipelines (WA) Pty Limited <sup>(b),(c)</sup>	Australia	100	100
APT Pipelines Investments (NSW) Pty Limited <sup>(b),(c)</sup>	Australia	100	100
APT Pipelines Investments (WA) Pty Limited <sup>(b),(c)</sup>	Australia	100	100
East Australian Pipeline Pty Limited <sup>(b),(c)</sup>	Australia	100	100
Gasinvest Australia Pty Ltd <sup>(b),(c)</sup>	Australia	100	100
Goldfields Gas Transmission Pty Ltd <sup>(b)</sup>	Australia	100	100
N.T. Gas Distribution Pty Limited <sup>(b),(c)</sup>	Australia	100	100
N.T. Gas Easements Pty Limited <sup>(b),(c)</sup>	Australia	100	100
N.T. Gas Pty Limited	Australia	96	96
Roverton Pty Ltd <sup>(b),(c)</sup>	Australia	100	100
SCP Investments (No. 1) Pty Limited <sup>(b),(c)</sup>	Australia	100	100
SCP Investments (No. 2) Pty Limited <sup>(b),(c)</sup>	Australia	100	100
SCP Investments (No. 3) Pty Limited <sup>(b),(c)</sup>	Australia	100	100
Sopic Pty Ltd <sup>(b),(c)</sup>	Australia	100	100
Southern Cross Pipelines (NPL) Australia Pty Ltd <sup>(b),(c)</sup>	Australia	100	100
Southern Cross Pipelines Australia Pty Limited <sup>(b),(c)</sup>	Australia	100	100
Trans Australia Pipeline Pty Ltd <sup>(b),(c)</sup>	Australia	100	100
Western Australian Gas Transmission Company 1 Pty Ltd <sup>(b),(c)</sup>	Australia	100	100
GasNet Australia Trust <sup>(b)</sup>	Australia	100	100
APA GasNet Australia (Holdings) Pty Limited <sup>(b),(c)</sup>	Australia	100	100
APA GasNet Australia (Operations) Pty Limited <sup>(b),(c)</sup>	Australia	100	100
APA GasNet A Pty Limited <sup>(b),(c)</sup>	Australia	100	100
GasNet A Trust	Australia	100	100
APA GasNet Australia (NSW) Pty Limited <sup>(b),(c)</sup>	Australia	100	100
APA GasNet B Pty Limited <sup>(b),(c)</sup>	Australia	100	100

**APT Pipelines Limited**  
**Notes to the consolidated financial statements (continued)**  
For the financial year ended 30 June 2014

**39. Subsidiaries (continued)**

Name of entity	Country of registration/ incorporation	Ownership interest	
		2014 %	2013 %
APA GasNet Australia Pty Limited <sup>(b),(c)</sup>	Australia	100	100
GasNet B Trust <sup>(b)</sup>	Australia	100	100
APA Operations Pty Limited <sup>(b),(c)</sup>	Australia	100	100
APT AM Holdings Pty Limited <sup>(b),(c)</sup>	Australia	100	100
APT O&M Holdings Pty Ltd <sup>(b),(c)</sup>	Australia	100	100
APT O&M Services Pty Ltd <sup>(b),(c)</sup>	Australia	100	100
APT O&M Services (QLD) Pty Ltd <sup>(b),(c)</sup>	Australia	100	100
APT Water Management Pty Ltd <sup>(b),(c)</sup>	Australia	100	100
APT Water Management Holdings Pty Ltd <sup>(b),(c)</sup>	Australia	100	100
APT AM (Stratus) Pty Limited <sup>(b),(c)</sup>	Australia	100	100
APT Facility Management Pty Limited <sup>(b),(c)</sup>	Australia	100	100
APT AM Employment Pty Limited <sup>(b),(c)</sup>	Australia	100	100
APT Sea Gas Holdings Pty Limited <sup>(b),(c)</sup>	Australia	100	100
APT SPV2 Pty Ltd <sup>(b)</sup>	Australia	100	100
APT SPV3 Pty Ltd <sup>(b)</sup>	Australia	100	100
APT Pipelines (SA) Pty Limited <sup>(b),(c)</sup>	Australia	100	100
APT (MIT) Services Pty Limited <sup>(b),(c)</sup>	Australia	100	100
APA Operations (EII) Pty Limited <sup>(b),(c)</sup>	Australia	100	100
APA Pipelines (QNSW) Pty Limited <sup>(b),(c)</sup>	Australia	100	100
Central Ranges Pipeline Pty Ltd <sup>(b),(c)</sup>	Australia	100	100
APA Country Pipelines Pty Limited <sup>(b),(c)</sup>	Australia	100	100
North Western Natural Gas Company Pty Limited <sup>(b),(c)</sup>	Australia	100	100
APA Facilities Management Pty Limited <sup>(b),(c)</sup>	Australia	100	100
APA (NBH) Pty Limited <sup>(b),(c)</sup>	Australia	100	100
APA Pipelines Investments (BWP) Pty Limited <sup>(b),(c)</sup>	Australia	100	100
APA Power Holdings Pty Limited <sup>(b),(c)</sup>	Australia	100	100
APA (EDWF Holdco) Pty Ltd <sup>(b),(c)</sup>	Australia	100	100
APA (BWF Holdco) Pty Ltd <sup>(b),(c)</sup>	Australia	100	100
EDWF Holdings 1 Pty Ltd <sup>(b),(c)</sup>	Australia	100	100
EDWF Holdings 2 Pty Ltd <sup>(b),(c)</sup>	Australia	100	100
EDWF Manager Pty Ltd <sup>(b),(c)</sup>	Australia	100	100
Wind Portfolio Pty Ltd <sup>(b),(c)</sup>	Australia	100	100
Griffin Windfarm 2 Pty Ltd <sup>(b)</sup>	Australia	100	100
APA AM (Allgas) Pty Limited <sup>(b),(c)</sup>	Australia	100	100
APA DPS Holdings Pty Limited <sup>(b),(c)</sup>	Australia	100	100
APA Power PF Pty Limited <sup>(b),(c)</sup>	Australia	100	100
APA Sub Trust No 1 <sup>(b)</sup>	Australia	100	100
APA Sub Trust No 2 <sup>(b)</sup>	Australia	100	100
APA Sub Trust No 3 <sup>(b)</sup>	Australia	100	100
APA (Pilbara Pipeline) Pty Ltd <sup>(b),(c)</sup>	Australia	100	100
APA (Sub No 3) International Holdings 1 Pty Ltd <sup>(b),(c),(f)</sup>	Australia	100	100

**APT Pipelines Limited**  
**Notes to the consolidated financial statements (continued)**  
For the financial year ended 30 June 2014

**39. Subsidiaries (continued)**

Name of entity	Country of registration/ incorporation	Ownership interest	
		2014 %	2013 %
APA (Sub No 3) International Holdings 2 Pty Ltd <sup>(b),(c),(f)</sup>	Australia	100	100
APA (Sub No 3) International Nominees Pty Ltd <sup>(b),(c),(f)</sup>	Australia	100	100
APA (SWQP) Pty Limited <sup>(b),(c)</sup>	Australia	100	100
APA (WA) One Pty Limited <sup>(b),(c)</sup>	Australia	100	100
APA AIS 1 Pty Limited <sup>(b),(c)</sup>	Australia	100	100
APA AIS 2 Pty Ltd <sup>(b),(c)</sup>	Australia	100	100
APA AIS Pty Limited <sup>(b),(c)</sup>	Australia	100	100
APA Biobond Pty Limited <sup>(b),(c)</sup>	Australia	100	100
APA East One Pty Limited <sup>(b),(c),(f)</sup>	Australia	100	100
APA East Pipelines Pty Limited <sup>(b),(c)</sup>	Australia	100	100
APA EE Pty Limited <sup>(b),(c)</sup>	Australia	100	100
APA EE Australia Pty Limited <sup>(b),(c)</sup>	Australia	100	100
APA EE Corporate Shared Services Pty Limited <sup>(b),(c)</sup>	Australia	100	100
APA EE Holdings Pty Limited <sup>(b),(c)</sup>	Australia	100	100
Epic Energy East Pipelines Trust <sup>(b)</sup>	Australia	100	100
APA (NT) Pty Limited <sup>(b),(c),(f)</sup>	Australia	100	100
Epic Energy South Australia Pty Limited <sup>(d)</sup>	Australia	-	-
MAPS FinCo Pty Limited <sup>(e)</sup>	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) Entity was acquired and disposed of during the 2013 year.

(e) Entity was deregistered during the year.

(f) Entity party to a revocation deed in relation to the APT Pipelines Limited deed of cross guarantee lodged with ASIC on 1 August 2014.



**APT Pipelines Limited**  
**Notes to the consolidated financial statements (continued)**  
For the financial year ended 30 June 2014

**39. Subsidiaries (continued)**

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

	Cross Guarantee Group	
	2014	2013
		(Restated)
	\$000	\$000
<b>Continuing operations</b>		
Revenue	1,328,818	1,229,646
Share of net profits of associates and jointly controlled entities accounted for using the equity method	5,127	6,124
	<b>1,333,945</b>	<b>1,235,770</b>
Gain on previously held interest in HDF on obtaining control	-	142,333
Asset operation and management expenses	(63,915)	(58,887)
Depreciation and amortisation expense	(156,228)	(128,071)
Other operating costs - pass-through	(403,477)	(352,743)
Finance costs	(407,174)	(368,747)
Employee benefit expense	(168,615)	(170,681)
Other expenses	(9,854)	(15,160)
Profit before tax	124,682	283,814
Income tax benefit / (expense)	105,023	(38,666)
<b>Profit for the year</b>	<b>229,705</b>	<b>245,148</b>
<b>Other comprehensive income, net of income tax</b>		
<b>Items that will not be reclassified subsequently to profit or loss:</b>		
Actuarial (loss)/gain on defined benefit plan	6,796	17,901
Income tax relating to (loss)/gain on defined benefit plan	(2,039)	(5,371)
	<b>4,757</b>	<b>12,530</b>
<b>Items that may be reclassified subsequently to profit or loss:</b>		
Gain on available-for-sale investments taken to equity	-	27,543
Gain on available-for-sale investment reclassified to profit or loss	-	(142,333)
Transfer of gain on cash flow hedges to profit or loss	72,522	91,438
Loss on cash flow hedges taken to equity	(154,309)	(144,702)
Loss / (gain) on associate hedges taken to equity	(7,378)	3,262
Income tax relating to other comprehensive income components	26,750	49,437
	<b>(62,415)</b>	<b>(115,355)</b>
Other comprehensive expense in the year (net of tax)	(57,658)	(102,825)
<b>Total comprehensive income for the year</b>	<b>172,047</b>	<b>142,323</b>

**APT Pipelines Limited**  
**Notes to the consolidated financial statements (continued)**  
For the financial year ended 30 June 2014

**39. Subsidiaries (continued)**

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

	Cross Guarantee Group	
	2014	2013
		(Restated)
	\$000	\$000
<b><u>Current assets</u></b>		
Cash and cash equivalents	5,518	74,017
Trade and other receivables	907,640	666,998
Other financial assets	16,575	16,469
Inventories	17,349	12,726
Other	5,996	5,662
<b>Total current assets</b>	<b>953,078</b>	<b>775,872</b>
<b><u>Non-current assets</u></b>		
Receivables	147,835	34,318
Other financial assets	645,335	701,131
Investments accounted for using the equity method	96,917	101,830
Property, plant and equipment	5,571,641	5,277,820
Goodwill	1,150,131	1,150,131
Other intangible assets	170,804	177,015
Other	21,237	18,440
<b>Total non-current assets</b>	<b>7,803,900</b>	<b>7,460,685</b>
<b>Total assets</b>	<b>8,756,978</b>	<b>8,236,557</b>
<b><u>Current liabilities</u></b>		
Trade and other payables	2,665,925	2,418,486
Borrowings	639	81,519
Other financial liabilities	90,574	126,385
Provisions	81,003	81,943
Other	15,975	12,921
<b>Total current liabilities</b>	<b>2,854,116</b>	<b>2,721,254</b>
<b><u>Non-current liabilities</u></b>		
Trade and other payables	241,409	266,165
Borrowings	4,718,904	4,244,502
Other financial liabilities	216,936	177,256
Deferred tax liabilities	438,853	481,224
Provisions	47,382	47,871
Other	15,438	16,669
<b>Total non-current liabilities</b>	<b>5,678,922</b>	<b>5,233,687</b>
<b>Total liabilities</b>	<b>8,533,038</b>	<b>7,954,941</b>
<b>Net assets</b>	<b>223,940</b>	<b>281,616</b>
<b><u>Equity</u></b>		
Issued capital	117,329	117,329
Reserves	(123,489)	(61,219)
Retained earnings	230,100	225,506
Equity attributable to securityholders of the parent	223,940	281,616

**APT Pipelines Limited**  
**Notes to the consolidated financial statements (continued)**  
For the financial year ended 30 June 2014

**40. Acquisition of businesses**

On 9 October 2012, the Consolidated Entity obtained control of Hastings Diversified Utilities Fund (HDF) when the takeover offer was declared unconditional. The Consolidated Entity held a controlling interest of 54.94% on the acquisition date resulting in a non-controlling interest of 45.06%. Compulsory acquisition was completed on 24 December 2012 and accordingly the Consolidated Entity acquired the remaining non-controlling interest. Provisional values were assigned to the identifiable assets and liabilities acquired pending finalisation of the purchase price allocation (PPA) exercise. During the current year, the Consolidated Entity completed the PPA exercise in accordance with the requirements of AASB 3 'Business Combinations'. The total fair value of other assets and liabilities acquired remain unchanged from their provisionally determined carrying values reported at 30 June 2013.

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

Revenue for the 2013 financial year included \$152,938,000 in respect of HDF. Included in profit before non-controlling interests for the 2013 financial year was a loss of \$10,458,000 attributable to HDF, as below:

	\$000
<b>EBITDA from HDF's Epic Energy pipeline assets</b>	<b>115,171</b>
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)
<b>EBITDA for HDF Group</b>	<b>68,339</b>
HDF Depreciation	(19,366)
HDF Net finance costs	(51,548)
HDF Income tax expense	(7,883)
<b>Net loss after tax attributable to HDF Group</b>	<b>(10,458)</b>

Due to the impact of a number of one-off items in the prior 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.

**APT Pipelines Limited**  
**Notes to the consolidated financial statements (continued)**  
For the financial year ended 30 June 2014

**40. Acquisition of businesses (continued)**

Names of business acquired	Principal activity	Date of acquisition	Proportion acquired %	Cost of acquisition \$000
<b>During the financial year ended 30 June 2013</b>				
		9 October 2012 -		
Hastings Diversified Utilities Fund (HDF)	Gas Transmission	24 December 2012	100	1,233,847

Hastings Diversified Utilities Fund	2013 Fair value on acquisition \$000
<b>Net assets acquired</b>	
<b>Current assets</b>	
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
<b>Non-current assets</b>	
Receivables	15,278
Property, plant and equipment	1,933,354
Goodwill	765,476
Other	8,090
<b>Current liabilities</b>	
Trade and other payables	(44,190)
Current borrowings	(1,325,000)
Other financial liabilities	(43,897)
Provisions	(19,044)
Other	(644)
<b>Non-current liabilities</b>	
Provisions	(1,201)
<b>Fair value of net assets acquired</b>	<b>1,524,829</b>
Previously held interest	(290,982)
<b>Cost of acquisition</b>	<b>1,233,847</b>
Cash balances acquired	(104,500)
Securities issued as part consideration	(884,665)
Transaction costs paid	12,380
<b>Net cash outflow on acquisition</b>	<b>257,062</b>
Prior year transaction costs paid	8,259
<b>Total cash outflow on acquisitions</b>	<b>265,321</b>

During the current financial year additional costs of \$0.024 million relating to the acquisition of HDF were paid.

**APT Pipelines Limited**  
**Notes to the consolidated financial statements (continued)**  
For the financial year ended 30 June 2014

**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, the Consolidated Entity 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.

	2013
	Moomba Adelaide Pipeline System
	1 May 2013
	\$000
<b>Net assets disposed</b>	
<b>Current assets</b>	
Cash and cash equivalents	3,546
Trade and other receivables	5,453
Inventories	1,350
Other	294
<b>Non-current assets</b>	
Property, plant and equipment	373,228
Goodwill	24,992
Intangibles	-
Other	1,811
<b>Total assets</b>	<b>410,674</b>
<b>Current liabilities</b>	
Trade and other payables	(3,229)
Provisions	(1,659)
Other	-
<b>Non-current liabilities</b>	
Deferred tax liabilities	(10,798)
Provisions	(311)
<b>Total liabilities</b>	<b>(15,997)</b>
<b>Net assets</b>	<b>394,677</b>
Profit on sale before transaction costs	5,807
Transactions costs	(5,807)
Loss on disposal (after transaction costs)	-
Less: Cash and cash equivalents disposed	(3,546)
Redeemable preference shares acquired	-
Fair value of equity accounted interest retained	-
Payables - sale of business	595
<b>Net cash inflow on disposal</b>	<b>391,726</b>
Net cash inflow/(outflow) on transaction costs relating to prior year disposal	19,638
<b>Total proceeds on sale of businesses</b>	<b>411,364</b>

During the current financial year proceeds of \$1.487 million were received due to finalisation of the sale of businesses, net of associated transaction costs.

**APT Pipelines Limited**  
**Notes to the consolidated financial statements (continued)**  
For the financial year ended 30 June 2014

**42. Commitments for expenditure**

	2014	2013
	\$000	\$000
<b>Capital expenditure commitments</b>		
Plant and equipment	<b>87,835</b>	119,413
<b>Consolidated Entity's share of jointly controlled operation's commitments</b>		
Plant and equipment	<b>16,458</b>	119,413

**43. Remuneration of external auditor**

	2014	2013
	\$	\$
<b>Amounts received or due and receivable by Deloitte Touche Tohmatsu for:</b>		
Auditing the financial report	<b>700,000</b>	765,300
Tax compliance and advice <sup>(a)</sup>	<b>8,500</b>	193,305
Other assurance services <sup>(a)</sup>	<b>84,000</b>	505,000
	<b>792,500</b>	1,463,605

(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 2014

**44. Director and key management personnel compensation**

**(a) Directors compensation**

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

	2014	2013
	\$	\$
Short-term employment benefits	1,181,281	1,131,449
Post-employment benefits	119,735	99,280
<b>Total Remuneration: Non-Executive Directors</b>	<b>1,301,016</b>	<b>1,230,729</b>
Short-term employment benefits	2,868,962	2,299,813
Post-employment benefits	25,000	25,000
Cash settled share-based payments	1,301,316	1,165,290
<b>Total Remuneration: Executive Director<sup>(a)</sup></b>	<b>4,195,278</b>	<b>3,490,103</b>
<b>Total Remuneration: Directors</b>	<b>5,496,294</b>	<b>4,720,832</b>

**(b) Key management personnel compensation<sup>(a)</sup>**

The aggregate compensation made to key management personnel is set out below:

	2014	2013
	\$	\$
Short-term employment benefits	9,060,314	8,377,184
Post-employment benefits	192,775	203,207
Cash settled share-based payments	3,410,484	3,302,138
Retention award	550,667	720,667
Termination payments	-	245,000
	<b>13,214,240</b>	<b>12,848,196</b>

(a) The remuneration for the Chief Executive Officer and Managing Director, Michael McCormack, is also included in the remuneration disclosure for key management personnel.

**APT Pipelines Limited**  
**Notes to the consolidated financial statements (continued)**  
For the financial year ended 30 June 2014

**45. 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 18. Details of interests in joint ventures and associate are disclosed in Note 17.

**(b) Responsible Entity - Australian Pipeline Limited**

The Responsible Entity is wholly owned by APT Pipelines Limited.

**(c) Transactions with related parties within the Consolidated Entity**

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

- dividends;
- asset lease rentals;
- loans advanced and payments received on long-term inter-entity loans;
- management fees;
- operational services provided between entities;
- 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 \$3,177,861 (2013: \$2,727,683) 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(a).

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



**APT Pipelines Limited**  
**Notes to the consolidated financial statements (continued)**  
For the financial year ended 30 June 2014

**45. Related party transactions (continued)**

**(d) Transactions with other related parties**

**Transactions with associates and joint ventures**

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

	Dividends from related parties \$000	Sales to related parties \$000	Purchases from related parties \$000	Amount owed by related parties \$000	Amount owed to related parties \$000
<b>2014</b>					
SEA Gas	11,298	3,256	-	98	-
Energy Infrastructure Investments	4,283	22,755	250	1,935	-
EII 2	2,405	641	-	-	-
APA Ethane Ltd	-	200	-	-	-
Diamantina Power Station	-	3,083	-	-	-
GDI (EII)	5,433	49,435	18	4,994	-
Envestra Limited	38,000	369,471	578	40,400	-
	<b>61,419</b>	<b>448,841</b>	<b>846</b>	<b>47,427</b>	<b>-</b>

At year end, APA Group had a shareholder loan to Diamantina Power Station of \$118.1 million.

	Dividends from related parties \$000	Sales to related parties \$000	Purchases from related parties \$000	Amount owed by related parties \$000	Amount owed to related parties \$000
<b>2013</b>					
SEA Gas	6,673	3,122	5	107	-
Energy Infrastructure Investments	4,296	23,317	-	5,911	-
EII 2	2,047	654	-	40	-
APA Ethane Ltd	-	200	-	-	-
Diamantina Power Station	-	4,392	-	143	-
GDI (EII)	3,886	39,626	-	5,077	-
Envestra Limited	31,551	326,935	1,255	35,644	-
	<b>48,453</b>	<b>398,246</b>	<b>1,260</b>	<b>46,922</b>	<b>-</b>

Interest income on a shareholder loan to Diamantina during the year was \$3.6 million.

At year end, the Consolidated Entity had receivables and payables with related parties, refer to Note 11 and Note 23.

**APT Pipelines Limited**  
**Notes to the consolidated financial statements (continued)**  
For the financial year ended 30 June 2014

**46. Parent Entity Information**

	2014 \$000	2013 \$000
<b>Financial position</b>		
<b>Assets</b>		
Current assets	20,962	90,870
Non-current assets	9,090,336	8,545,650
<b>Total assets</b>	<b>9,111,298</b>	<b>8,636,519</b>
<b>Liabilities</b>		
Current liabilities	173,528	303,525
Non-current liabilities	8,873,420	8,211,621
<b>Total liabilities</b>	<b>9,046,948</b>	<b>8,515,145</b>
<b>Net assets</b>	<b>64,350</b>	<b>121,374</b>
<b>Equity</b>		
Issued capital	117,330	117,330
Retained earnings	66,957	66,731
Reserves		
Hedging reserve	(119,937)	(62,686)
Available-for-sale reserve	-	-
<b>Total equity</b>	<b>64,350</b>	<b>121,374</b>
<b>Financial performance</b>		
Profit for the year	230,068	35,383
Other comprehensive income	(57,251)	24,696
<b>Total comprehensive income</b>	<b>172,817</b>	<b>60,079</b>

**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.

**Contingent liabilities of the parent entity**

Bank guarantees	28,553	157,200
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**APT Pipelines Limited**  
**Notes to the consolidated financial statements (continued)**  
For the financial year ended 30 June 2014

**47. Contingencies**

	2014 \$000	2013 \$000
<b>Contingent liabilities</b>		
Bank guarantees	28,553	157,200
<b>Contingent assets</b>		
	-	-

**48. Events occurring after reporting date**

On 7 August 2014, APA Group announced that it will accept Cheung Kong Group consortium's offer for Envestra Limited as detailed in the bidder's statement dated 20 June 2014. The offer consideration is \$1.32 per Envestra share amounting to \$783.8 million in gross proceeds and will realise an estimated pre-tax profit of \$430 million which will be reported in the consolidated results of APA Group in the 2015 year. On the 25 July 2014, APA Group received \$20.8 million being the final dividend of 3.5 cents per share paid by Envestra on that date. APA Group will use the consideration received to fund ongoing growth and investment projects over the coming 12 to 18 months. APA Group retains its Operations and Management Agreement on the Envestra assets, which runs to 2027.

On 20 August 2014, the Directors declared a final dividend of 198.5 cents per security (\$123.3 million). The dividend will be paid on 20 August 2014 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 2014

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.
- (e) At the date of this declaration, APT Pipelines Limited is within the class of companies affected by ASIC Class Order 98/1418. The nature of the deed of cross guarantee is such that each company, which is party to the deed, guarantees to each creditor, payment in full of any debt in accordance with the deed of cross guarantee. In the Directors' opinion, there are reasonable grounds to believe that APT Pipelines Limited and the companies to which the ASIC Class Order applies, as detailed in note 39 to the financial statements will, as a group, be able to meet any obligations or liabilities to which they are, or may become, subject by virtue of the deed of cross guarantee.

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

On behalf of the Directors



Leonard Bleasel AM  
Chairman



Robert Wright  
Director

SYDNEY, 20 August 2014

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

20 August 2014

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 2014, 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



G Coultas  
Partner  
Chartered Accountants

Liability limited by a scheme approved under Professional Standards Legislation

Member of Deloitte Touche Tohmatsu Limited

## **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 2014, 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 24 to 99.

#### *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.

## *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:

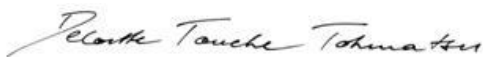
- (a) the financial report of APT Pipelines Limited is in accordance with the *Corporations Act 2001*, including:
  - (i) giving a true and fair view of the consolidated entity's financial position as at 30 June 2014 and of its performance for the year ended on that date; and
  - (ii) complying with 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 8 to 23 of the directors' report for the year ended 30 June 2014. 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 2014, complies with section 300A of the *Corporations Act 2001*.



DELOITTE TOUCHE TOHMATSU



G Coultas  
Partner  
Chartered Accountants  
Sydney, 20 August 2014