



annual report. 2019



Cover image: Raj Kallath, APA's Project Manager for the Reedy Creek Wallumbilla Pipeline project.

Above: APA's Orbest Gas Processing Plant in Victoria will connect the Sole Gas Field, a new gas supply source into the east coast market in FY2020.

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ARSN 091 678 778

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ARSN 115 585 441

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Growing energy infrastructure responsibly and sustainably to meet the needs of our customers and stakeholders is what we do at APA. That's why almost two decades on, we are one of Australia's leading energy infrastructure companies.

We play a major role in Australia's energy market by connecting gas supply sources to markets, and connecting energy we generate from both gas-fired power and renewables technology to our customers. It's therefore important that we act responsibly by doing what we say we will do, and by doing the right thing by all of our stakeholders, always.

We take a long term view so that our infrastructure will serve future generations, providing responsible energy that affords Australians the quality of life we enjoy and expect.

chairman's report.



● ○ ○ ○ ○

Michael Fraser
Chairman

FY2019 saw the continued delivery of APA's largest ever organic growth program – more than \$1.4 billion of energy infrastructure added to APA's footprint over the last three years. Of most significance is the value of the services and flexibility this infrastructure will deliver to our customers for years to come.

\$21 billion

Assets owned and/or operated by APA

○ ● ○ ○ ○

APA has pursued a consistent strategy for almost two-decades and that strategy has demonstrated its value to APA's customers, Securityholders and business generally. APA has grown significantly over this time – \$21 billion of assets owned and/or operated by APA; more than 1,800 employees operating and maintaining those assets; and over \$1 billion in operating cash flow generated annually. For Securityholders, distributions have been reliable and have increased as the business has grown. Every dollar invested in APA when it listed in June 2000, has grown more than 22 times over those 19 years⁽¹⁾.

Leadership

A major contributor to that success has been APA's long standing CEO and Managing Director, Mick McCormack, who retired in July after 14 years of leading the business. Mick's foresight and his 'get-the-job' done attitude has been instrumental in cementing APA as a leading Australian energy infrastructure owner and operator. On behalf of all APA Securityholders and employees, I would like to acknowledge and thank Mick, and his family, for those 14 years of dedication to leading APA.

In May 2019, after an extensive search and selection process, the Board announced Rob Wheels as CEO and Managing Director, effective 6 July 2019. Rob has been with APA since 2008. He started as General Manager Commercial, managing the commercial function in APA's transmission business and joined the Executive team in 2012 as Group Executive Transmission. Rob has a deep understanding of the Australian energy market and the challenges and opportunities facing APA and the industry as we transition to a lower carbon future. He is particularly passionate about delivering for our customers, and has been instrumental in implementing APA's Customer Promise over the last few months. Personally, it has been a great pleasure for me to have been involved in the launch of APA's Customer Promise to our customers.

During the financial year, APA's Board underwent a number of changes. Russell Higgins AO and Patricia McKenzie retired from the Board and I thank them both for their significant contributions to APA, each over a number of years. We were fortunate to welcome James Fazzino to the Board in February 2019. His extensive corporate experience as a former Chief Executive Officer of one of Australia's larger manufacturing companies exposed to the gas sector will complement the Board's existing skills and capabilities.

¹⁾ Total Securityholder Return since listing to 30 June 2019 is calculated on the assumption that all distributions are reinvested at the ex-distribution date.

Financial results

APA's financial performance for FY2019 was a very solid one, particularly in light of the fact that the organisation was subject to a takeover proposal from a CKI consortium for six months of the year. The results and continued growth of APA in light of those circumstances are a credit to APA's people and their ability to stay focused on driving the business forward.

Total revenue (excluding pass-through revenue) increased 4.6% on FY2018 to \$2,031.0 million. Earnings before interest, tax, depreciation and amortisation increased 3.6% to \$1,573.8 million. Net profit after tax increased 8.8% to \$288.0 million. Operating cash flow (OCF) was slightly below FY2018 levels at \$1,012.1 million, primarily due to an increase in income tax paid by APA. The Board has declared a final distribution of 25.5 cents per security, taking total distributions for FY2019 to 47.0 cents per security. As a result of the increased income tax APA paid during the financial year, a further 3.66 cents per security of franking credits will attach to the final distribution for the year.

Sustainability

Following steps taken in FY2018, we have continued with our environment, social and governance (ESG) initiatives program with an emphasis on aligning our climate risk management with the recommendations of the Taskforce on Climate-related Financial Disclosures (TCFD). APA accepts the Intergovernmental Panel on Climate Change's (IPCC) assessment of climate change science that the climate is changing due to human influence. We believe that climate change is a significant issue facing the energy industry and the Australian community in general. We also believe that natural gas and our diversified energy asset portfolio will overtime play an important role in the shift to a lower carbon, sustainable energy future.

During FY2019, we undertook a scenario analysis using three divergent climate-driven scenarios to stress-test the resilience of APA over the 10 years to 2030. This analysis is detailed in APA's Sustainability Report, but in summary, the Board expects that APA's portfolio of assets will be economically and physically resilient to climate-related impacts under the scenarios tested over at least the next 10 years. We believe that it is our responsibility to provide consistent information to stakeholders, including our investors, on climate-related risks and opportunities and we will continue to actively monitor, assess and report on our findings.

Outlook

APA's guidance for FY2020 is for EBITDA of between \$1,660 million and \$1,690 million and net interest costs of between \$505 million and \$515 million. Total distributions per security for the financial year are expected to be in the order of 50.0 cents per security, prior to the benefits of any franking credits that may arise as a result of the ongoing payment of company tax by APA.

Along with your Board, I am very pleased that this expected 6.4% increase in distributions results from the anticipated growth in operating cash flow as our organic growth program continues to deliver new projects.

On behalf of the Board, I would like to thank the APA leadership team and APA's employees for their dedication and hard work during what has been another very active year for the company. I would also like to thank you, our Securityholders, for your continued support. We strongly believe that APA is well positioned to continue to deliver long-term growth and securityholder value, well into the future.



Michael Fraser
Chairman

\$1,574 million

EBITDA increased 3.6% on FY2018

○ ○ ● ○

47.0 cents

Distribution per security
increased 4.4% on FY2018

○ ○ ○ ●

managing director's report.



Rob Wheals
Chief Executive Officer
and Managing Director

It is a great honour and privilege for me to deliver my first report to Securityholders as APA's CEO and Managing Director. The solid results delivered in FY2019 are due to the combined efforts of a team of 1,800 APA employees led by our retiring Managing Director, Mick McCormack, working together to deliver services to our customers; good stewardship and engagement with communities and the environment; and collaboration with the broader energy industry. When our stakeholders are satisfied, our business does well and we are able to return that success to you, our investors by way of growing distributions and building a stronger and larger APA.

Safety first, always

I have been with APA for over 10 years. For me as an employee during that time and now taking over as CEO, safety and the wellbeing of our people and the communities around our assets, remains APA's number one priority. Pleasingly, our increased efforts and focus in FY2019 have led to a significant reduction in injuries to our people. The Total Reportable Injury Frequency Rate (TRIFR) has reduced by around a third on FY2018 results to 5.98 per million hours worked. We still have more work to do however, particularly with regard to our contractor workforce, to ensure that they are carrying out work on behalf of APA to the same high safety standard that we set and achieve with our employees.

Strategy remains on track

Since commencing in my new role, one of the most common questions that I am asked is whether I will be 'changing APA's strategy?' And the simple answer to that question is 'no'. APA's long-standing strategy of growing the business through leveraging our existing asset portfolio and skills has served the business well. Each year the Board and Executive team review and ratify the APA strategy. Having been a part of the strategy review earlier this year, I am in full support of APA's strategy as it stands, including our exploration of gas transmission and distribution growth opportunities in North America.

At APA, we have demonstrated our ability to successfully acquire, integrate and grow energy infrastructure businesses. We do not see geographical location as an impediment, or added risk to those proven capabilities. Testament to APA's commitment to this part of our strategy is the recent decision to relocate Ross Gersbach, our current Chief Executive of Strategy and Development, to APA's Houston office. As we have said in the past, we are interested in this market due to the opportunities that it presents to invest in energy infrastructure at appropriate rates of return with a longer-term opportunity to grow and add further value to APA.

33% reduction

in the TRIFR safety metrics
down to 5.98 per million hours worked



Delivering the strategy

I have recently initiated a review of APA's purpose, vision, strategic imperatives and operating model to ensure we have the right structure and appropriate resources for the efficient and effective execution of our strategy. I fully expect the outcome to deliver improved clarification of our goals, reporting lines, and decision-making to enhance our speed and agility as we deliver that strategy.

APA has grown over almost two decades because our customers continue to request energy infrastructure, increased services, and flexible and bespoke solutions to support their energy needs. If it is in the energy infrastructure space and we can add value for the benefit of our customers, we are committed to investigating and delivering the best in class solutions available.

Having spent the last decade with APA at the coalface of working with our transmission customers, I am proud to have been instrumental in the development and launch of APA's Customer Promise in recent months. I am very respectful and mindful of the fact that it is our customers' businesses that drive APA's performance. If our customers' businesses are growing and we are helping them with that growth through flexibility of the services we provide, it follows that our business will grow too. Summarising those sentiments is APA's Customer Promise, which is a whole of company promise to deliver service to our customers' that they value.

Complementing this customer initiative is APA's active involvement in the development of the energy industry's Energy Charter over the last couple of years. The goal of the Energy Charter is to improve customer outcomes through the energy industry working together by putting the customer at the centre of each of our businesses and the energy system as a whole. The Energy Charter was launched in January 2019 and currently has 18 signatories across the electricity and gas supply chains. Signatories to the Energy Charter are required to disclose annually their performance against the Charter's principles. An independent Accountability Panel will evaluate the collective disclosures and publish a report of its findings and recommendations for continuous improvement by each business.

Growth remains strong

As you read the Operational Review of the Directors' Report, you will find a long list of organic growth projects undertaken over the last three financial years. It has been APA's largest period of capital investment – \$1.4 billion-plus invested in new energy infrastructure that our customers have asked for and underwritten with long-term contracts.

Over that period, we have built around 272 kilometres of new pipelines and more than 300 MW of new power generation, including 275 MW from new renewable assets. We will shortly be connecting a new source of gas supply into the east coast gas market via APA's Orbest Gas Processing Facility in Victoria, which will be commissioned in the last quarter of calendar year 2019.

Gas prices on the east coast of Australia are currently high due to high demand for gas resources and a tightening of traditional supply sources. As a result, Australian's are now paying some of the highest prices globally for gas, and this is putting stress on domestic manufacturers and consumers. APA has long believed that increasing gas supply is the only real solution to Australia's high gas price dilemma and we are working with our customers by providing them with flexible services to help bring new supply sources to market.

We continue to see growth opportunities ahead for APA. Currently we have several Memorandums of Understanding with customers for new pipeline developments on the east coast, subject to their gas supply development projects reaching final investment decisions. In the Northern Territory, the lifting of the government's fracking moratorium provides opportunity for new gas supply developments and connecting that supply to markets in the north and east of Australia. In Victoria, APA's proposed Dandenong Power Station project is being considered under the government's Underwriting New Generation Investments (UNGI) scheme. In Western Australia, the mining boom across a number of key mineral commodities continues, and affordable price and reliable supply is making gas the fuel of choice in that region.

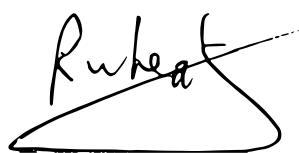
Looking ahead

APA is not a business that has rested on its laurels or prior achievements, and we know there is more we can do to help further develop Australia's energy industry and improve ways of going about our business.

Acting responsibly, with integrity, and doing what we say we will do are high priorities of mine. We are currently in the midst of a company-wide environmental, social and governance review and improvement program to raise the bar on our practices, capabilities and disclosures in these three key areas. Our Sustainability Report for this reporting year is consequently more comprehensive. We recognise that as investors in our business, you should have transparency in relation to risks and the ongoing sustainability of company operations. Our assets have been built for long-term use. We want our investors to be with us for the long term too, and we want you to continue to see value and security in your investment.

I am excited for the opportunities I can see for APA in the coming years and I feel that we are well-positioned to capitalise on those opportunities and manage any challenges that may also arise in the course of our business.

I look forward to meeting many of our investors over the coming months and at our Annual Meeting to be held in Sydney, Thursday 24 October 2019.



Rob Wheals

Chief Executive Officer and Managing Director

\$1.4 billion +

invested in new energy infrastructure
across FY2017-FY2019



apa group board.



1

Michael Fraser

BCom FCPA MAICD

Independent Chairman

Appointed 1 September 2015

Appointed Chairman 27 October 2017

Michael has more than 35 years' experience in the Australian energy industry. He has held various executive positions at AGL Energy culminating in his role as Managing Director and Chief Executive Officer for the period of seven years until February 2015.

Michael is a Director of Aurizon Holdings Limited. He is also a former Chairman of the Clean Energy Council, Elgas Limited, ActewAGL and the NEMMCo Participants Advisory Committee, as well as a former Director of Queensland Gas Company Limited, the Australian Gas Association and the Energy Retailers Association of Australia.

Michael is a member of the Audit and Risk Management Committee and the Chairman of the Nomination Committee.

5

Debra (Debbie) Goodin

BEc FCA MAICD

Independent Director

Appointed 1 September 2015

Debbie has experience as a Non-Executive Director, including as a member and Chair of Board Audit and Risk and Remuneration Committees. She is currently a Director of ASX-listed companies Senex Energy Limited, oOh!media Limited and Atlas Arteria Limited, and Chairs the Audit and Risk Committees for each of these companies. She was formerly a Director of Ten Network Holdings Limited.

Debbie also has executive experience in operations, finance and corporate development, including with engineering and professional services firms, and is a Fellow of Chartered Accountants Australia and New Zealand.

Debbie is the Chair of the Audit and Risk Management Committee, a member of the Health Safety and Environment Committee and a member of the Nomination Committee.

2

Robert (Rob) Wheals

BCom CA GAICD

Chief Executive Officer and Managing Director

Appointed 6 July 2019

Rob joined APA Group in September 2008 as General Manager Commercial and joined APA's Executive team in 2012 as Group Executive Transmission. Rob was appointed APA's Chief Executive Officer and Managing Director, effective 6 July 2019.

Rob has over 25 years' experience in Australia and internationally in energy infrastructure and telecommunications across roles in operations, finance, commercial, strategy, infrastructure investments, regulatory and mergers and acquisitions.

6

Shirley In't Veld

BCom LLB (Hons)

Independent Director

Appointed 19 March 2018

Shirley has expertise and experience in the energy, mining and renewables sectors.

Shirley is currently a Non-Executive Director with Northern Star Resources Limited and NBN Co Limited and Deputy Chair of CSIRO. She is formerly a Non-Executive Director of Perth Airport, DUET Group, Asciano Limited, Alcoa of Australia Limited and a Council Member of the Chamber of Commerce and Industry of Western Australia. She was also the Managing Director of Verve Energy (2007 – 2012) and, before that, she worked for 10 years in senior roles at Alcoa of Australia, WMC Resources Ltd, Bond Corporation and BankWest.

In 2014, she was Chairman of the Queensland Government Expert Electricity Panel and a member of the Renewable Energy Target Review Panel for the Department of Prime Minister and Cabinet and, until recently, a Council member of the Australian Institute of Company Directors (WA) and an Advisory Board member of the SMART Infrastructure Facility (University of Wollongong).

Shirley is the Chair of the Health, Safety and Environment Committee and a member of the People and Remuneration Committee.

3

Steven (Steve) Crane

BCom FAICD SF Fin

Independent Director

Appointed 1 January 2011

Steve has over 40 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.

Steve has experience as a Non-Executive Director of listed entities. He is currently Chairman of nib holdings limited, Taronga Conservation Society Australia, Global Valve Technology Limited and a Director of SCA Property Group.

He was formerly Chairman of Adelaide Managed Funds Limited and Investa Property Group Limited, a Director of Bank of Queensland Limited, Transfield Services Limited, Adelaide Bank Limited, Foodland Associated Limited and APA Ethane Limited, the responsible entity of Ethane Pipeline Income Fund, and a member of the Advisory Council for CIMB Securities International (Australia) Pty Ltd.

Steve is a member of the Audit and Risk Management Committee, a member of the Nomination Committee and a member of the People and Remuneration Committee.

7

Peter Wasow

BCom, GradDip (Management), Fellow (CPA Australia)

Independent Director

Appointed 19 March 2018

Peter has experience in the resources sector as both a senior executive and director. He retired as Managing Director and Chief Executive Officer of Alumina Limited in mid-2017. Previously, he had held the position of Executive Vice President and Chief Financial Officer at Santos Limited and, in a 20-year plus career at BHP, he held senior positions including Vice President, Finance, and other senior roles in Petroleum, Services, Corporate, Steel and Minerals.

Peter is a Non-Executive Director with Oz Minerals Limited and the privately held GHD Group. He is formerly a Non-Executive Director of Alcoa of Australia Limited, AWA Brazil Limitada, AWAC LLC and Alumina Limited.

Peter is the Chair of the People and Remuneration Committee and a member of the Audit and Risk Management Committee.

4

James Fazzino

BEc (Hons) FCPA

Non-Independent Director

Appointed 21 February 2019

James has experience both locally and internationally in the industrial chemicals, fertilisers, explosives and manufacturing sectors.

James is currently the Chairman of Manufacturing Australia, Chairman of Osteon Medical, Co-convenor of the Male Champions of Change 2015 Group, Vice Chancellors Fellow at La Trobe University, Adjunct Professor at La Trobe Business School, and a member of the Expert Advisory Panel of the Australian Energy Market Operator. He was formerly the Managing Director and Chief Executive Officer of Incitec Pivot Limited and before that, its Finance Director and Chief Financial Officer.

James is a member of the Audit and Risk Management Committee and a member of the Health, Safety and Environment Committee.

apa group senior management.



1

Nevenka Codevelle

BCom LL M GAICD

Group Executive Governance, Risk and Legal

Nevenka is responsible for APA Group's Governance, Risk and Legal division. The division comprises the company secretarial, legal, and group risk and compliance functions.

Nevenka joined APA Group in February 2008 and has held the role of General Counsel since June 2012. In October 2015, she also assumed the role of Company Secretary and joined the Executive team. Nevenka is a lawyer with over 20 years' experience in energy and other infrastructure industries, with particular focus on project development, mergers and acquisitions, competition and industry regulation.

5

Elise Manns

BBus CAHRI

Group Executive People, Safety and Culture

Elise is responsible for managing APA Group's People, Safety and Culture division, which covers APA's people strategy and culture, its safety and environmental performance and governance and all activities relating to APA's people, their development, health, wellbeing, and employment arrangements.

Elise joined APA Group in May 2012 as General Manager Human Resources and in October 2015 joined the Executive team becoming Group Executive Human Resources. Elise has a strong background in employment relations and workplace change, organisational restructuring and business improvement. Elise has over 25 years' human resources experience in Australia's heavy manufacturing, engineering, steel and utilities sectors.

2

Peter Fredricson

BCom CA GAICD

Chief Financial Officer

Peter is responsible for all financial aspects of APA Group, including accounting and financial reporting, financial compliance and governance, taxation, treasury, balance sheet management, capital strategy, insurance, Investor Relations and Information Technology.

Peter joined APA Group in June 2009. He has considerable expertise in the listed energy infrastructure sector and over 30 years' experience in senior financial roles in energy infrastructure, financial services and investment banking organisations across Australia, New Zealand and Asia.

6

Sam Pearce

BSc LLB MBA

Group Executive Networks and Power

Sam is responsible for the operation and management of APA Group's fully and minority owned gas distribution and power generation and electricity transmission assets, as well as for Australian Gas Networks' assets.

Sam joined APA Group in July 2008 and was formerly General Manager Corporate Development and Investments. Sam has over 20 years' experience in the energy sector, covering mergers and acquisitions, investment management, commercial and business development, greenfields project development, strategy and operations.

3

Ross Gersbach

BBus MAICD

Chief Executive Strategy and Development

Ross is responsible for APA Group's strategy, energy investments, regulatory and government affairs, environmental development, and mergers and acquisitions.

He has responsibility for further enhancing APA Group's portfolio of assets that complement the value of its infrastructure, including APA Group's investments in midstream gas infrastructure, and the operation and development of these assets. As at the end of Q1 FY2020, Ross is relocating to North America to lead APA's efforts in securing investments in the US.

Ross was previously a Director of APA Group from 2004 to 2008 joining the management team in April 2008 where he was responsible for all commercial aspects of APA Group. He has over 25 years' experience in senior positions across a range of energy related sectors, covering areas such as infrastructure investments, mergers and acquisitions and strategic developments. Additionally, Ross has extensive commercial experience and has managed a portfolio of infrastructure assets in the natural gas and electricity distribution network sector.

7

Darren Rogers

BEng MEng MBA GAICD

Acting Group Executive Transmission

Following Rob Wheals appointment to CEO and Managing Director, Darren has been appointed as Acting Group Executive Transmission. Darren is responsible for managing APA's customers and revenue contracts, as well as growing APA's gas transmission revenues. Darren manages all operational aspects of APA's 15,000 kilometres of gas transmission pipelines and gas storage facilities.

Darren joined APA Group in 2017 and was previously General Manager Asset Management for Transmission. Prior to joining APA, Darren has performed senior executive roles in commercial, asset management and operations, leading large and complex divisions across a number of companies.

4

Kevin Lester

BEng(Civil) MIEAust GAICD

Group Executive Infrastructure Development

Kevin is responsible for the project development, engineering, procurement and delivery of APA Group's infrastructure expansion projects. This division also has responsibility for providing asset engineering services, the technical regulation of all pipeline related assets, procurement, engineering services and the provision of land, approvals and asset protection services across APA.

Kevin joined APA Group in August 2012 continuing a career in the management of major infrastructure projects, including energy infrastructure.

Kevin is a Director and a Past President of the Australian Pipelines and Gas Association.

2019 highlights.

-33%

**Total Reportable Injury
Frequency Rate**
decreased in FY2019

\$1,574
million

EBITDA
increased 3.6% on FY2018

climate action

APA has aligned our climate risk
with the recommendations of the
Task Force on Climate-Related
Financial Disclosures and
undertaken a climate-driven
scenario analysis

47.0
cents

Distribution per security
increased 4.4%
on FY2018

\$12.7
billion

Market capitalisation
as at 30 June 2019

\$1,478
million

**Invested in growth
capital expenditure**
FY2017-FY2019

\$426 million in FY2019

Added to APA's portfolio

~272 km

transmission pipelines

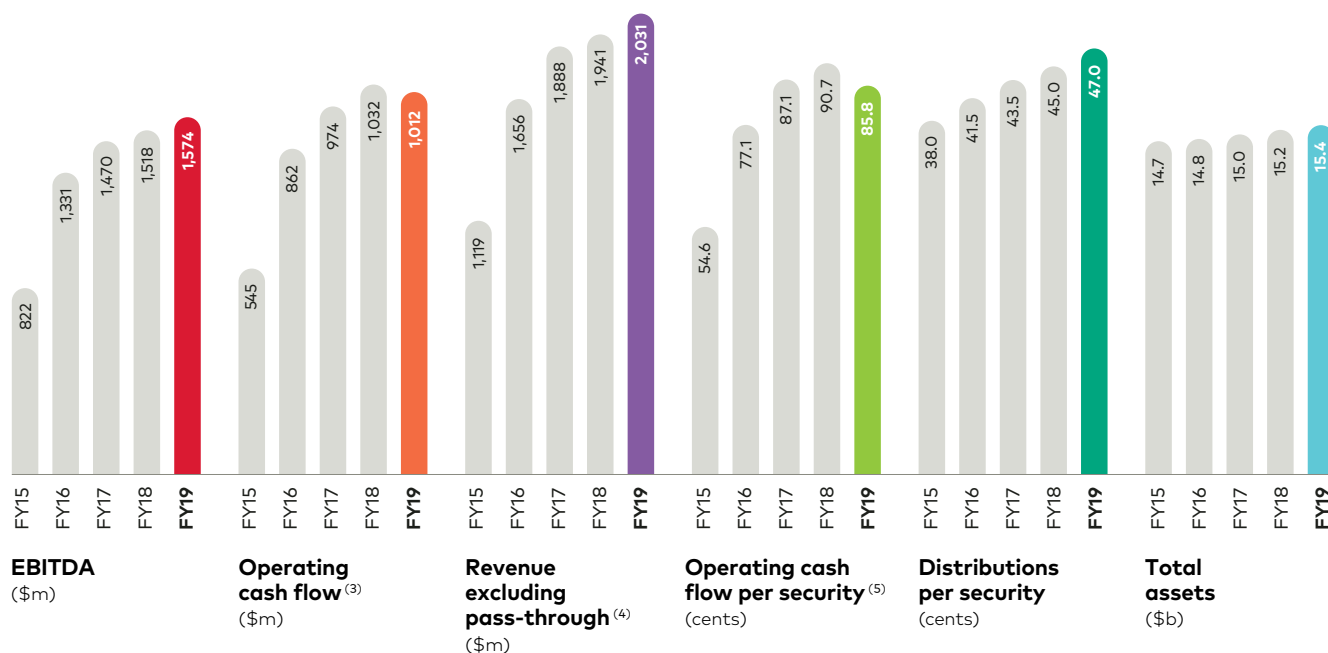
45 mw

gas-fired power station

~278 mw

renewable generation

normalised⁽²⁾ business performance.



financial results.

\$ million	30 June 2019	30 June 2018	Changes
Revenue	2,452.2	2,386.7	2.7%
Revenue excluding pass-through ⁽⁴⁾	2,031.0	1,941.4	4.6%
EBITDA	1,573.8	1,518.5	3.6%
Profit after tax	288.0	264.8	8.8%
Operating cash flow ⁽³⁾	1,012.1	1,031.6	(1.9%)
Financial position			
Total assets	15,433.9	15,227.2	1.4%
Total drawn debt ⁽⁶⁾	9,352.1	8,810.4	6.1%
Total equity	3,599.4	4,126.8	(12.8%)
Financial ratios			
Operating cash flow per security ⁽⁵⁾ (cents)	85.8	90.7	(5.4%)
Earnings per security (cents)	24.4	23.3	4.7%
Distribution per security (cents)	47.0	45.0	4.4%
Distribution payout ratio (%)	54.8	50.1	9.4%
FFO to Debt (%)	10.8	10.7	0.9%
FFO to Interest (times)	3.0	3.0	—

2) Normalised financial results exclude significant items.

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

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

5) On 23 March 2018, APA Group issued 65,586,479 new ordinary securities, resulting in total securities on issue of 1,179,893,848. The weighted average numbers of securities from FY2015 to FY2018 have been adjusted to account for that rights issue.

Between 23 December 2014 and 28 January 2015, APA issued a total of 278,556,562 new ordinary securities, resulting in total securities on issue of 1,114,307,369. The weighted average number of securities for FY2015 has been adjusted to account for that rights issue.

6) APA's liability to repay debt at relevant due dates of the drawn facilities. This amount represents current and non-current borrowings as per balance sheet and is adjusted for deferred borrowing costs, the effect of unwinding of discount, unrealised foreign exchange differences reported in equity and deducting other financial liabilities that are reported as part of borrowings in the balance sheet.

directors' report.

AUSTRALIAN PIPELINE TRUST AND ITS CONTROLLED ENTITIES

Australian Pipeline Trust and its Controlled Entities (ARSN 091 678 778)

Directors' Report for the year ended 30 June 2019

The Directors of Australian Pipeline Limited (Responsible Entity) submit their financial report of Australian Pipeline Trust (APT) and its controlled entities (together APA or Consolidated Entity) for the year ended 30 June 2019. This report refers to the consolidated results of APT and APT Investment Trust (APTIT).

1. Directors

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

	First appointed
Current Directors:	
Michael Fraser	1 September 2015 Chairman: 27 October 2017
Robert (Rob) Wheals	Chief Executive Officer and Managing Director: 6 July 2019
Steven (Steve) Crane	1 January 2011
James Fazzino	21 February 2019
Debra (Debbie) Goodin	1 September 2015
Shirley In't Veld	19 March 2018
Peter Wasow	19 March 2018
Former Directors:	
Russell Higgins AO	7 December 2004 (Retired as a Director 20 February 2019)
Patricia McKenzie	1 January 2011 (Retired as a Director 8 March 2019)
Michael (Mick) McCormack	Chief Executive Officer: 1 July 2005 and Managing Director: 1 July 2006 (Retired as CEO and Managing Director 5 July 2019)

The Company Secretary of the Responsible Entity during the year and since the year end is Nevenka Codevelle.

2. State of Affairs

Rob Wheals commenced as APA's new Chief Executive Officer and Managing Director with effect from 6 July 2019, following Mick McCormack's retirement on 5 July 2019.

3. Subsequent Events

The following events have occurred subsequent to the period end:

- On 1 July 2019, APA repaid \$99.0 million (USD 75.0 million) of US Private Placement Notes at maturity.
- On 24 July 2019, APA repaid \$289.5 million (CAD 300.0 million) of Medium Term Notes at maturity.
- On 21 August 2019, the Directors declared a final distribution of 25.5 cents per security (\$300.9 million) for APA Group, an increase of 6.3%, or 1.5 cents per security over the previous corresponding period (2H FY2018: 24.0 cents). This is comprised of a distribution of 18.97 cents per security from APT and a distribution of 6.53 cents per security from APTIT. The APT distribution represents a 8.53 cents per security fully franked profit distribution and 10.44 cents per security capital distribution. The APTIT distribution represents a 2.55 cents per security profit distribution and a 3.98 cents per security capital distribution. Franking credits of 3.66 cents per security will be allocated to the APT franked profit distribution. The distribution is expected to be paid on 11 September 2019.

Other than what is noted above and as disclosed elsewhere in this report, there has not arisen in the interval between the end of the full year to 30 June 2019 and the date of this report any matter or circumstance that has significantly affected, or may significantly affect, the Group's operations, the results of those operations, or the Group's state of affairs, in future financial years.

4. About APA

4.1 Principal Activities

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

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

There were no significant changes in the principal activities of APA during the reporting period.

directors' report. continued.

AUSTRALIAN PIPELINE TRUST AND ITS CONTROLLED ENTITIES

4.2 APA overview

APA is a leading Australian energy infrastructure business developing, owning and operating energy infrastructure. It owns and/or operates in excess of \$21 billion of energy infrastructure assets across Australia, and operates these with a skilled workforce in excess of 1,800 people.

APA has a diverse portfolio of over 15,000 kilometres⁽⁷⁾ of gas transmission pipelines that spans every state and territory on mainland Australia and delivers about half the nation's natural gas. It also owns or has interests in other related energy infrastructure assets such as gas storage facilities, gas processing facilities, gas compression facilities, electricity transmission and renewable and gas fired power generation assets.

APA has ownership interests in, and/or operates, GDI (EII) Pty Ltd (GDI) and Australian Gas Networks Limited gas distribution networks, which together own approximately 29,000 kilometres of gas mains and pipelines, and around 1.4 million gas consumer connections.

APA also has interests in other energy infrastructure assets and businesses, including SEA Gas Pipeline, Mortlake Gas Pipeline, Energy Infrastructure Investments (EII) and North Brown Hill Wind Farm (EII2).

APA is listed on the Australian Securities Exchange (ASX) and is included in the S&P ASX 50 Index. Since listing in June 2000, APA's market capitalisation has increased more than 25-fold to \$12.43 billion⁽⁸⁾, and it has achieved securityholder returns of 17.2%⁽⁹⁾ per annum on an annual compounding basis since listing on 13 June 2000 through to 19 August 2019.

4.3 APA objectives and strategies

APA is committed to delivering solutions for customers that are safe, reliable and cost-effective, so that all of our stakeholders are better off as we work together to create a better energy future.

During the reporting period, building on development work commenced in FY2018, APA committed to customer-focused initiatives aimed at ensuring customers, service and value are at the centre of our business. Within APA, the APA Customer Promise was developed and launched throughout the business supported by a multi-year program (Red Dot Program) aimed at aligning our culture, service delivery and processes with the Customer Promise. APA's Customer Promise is to deliver services our customer's value demonstrated in three core ways: firstly, listening to understand; secondly, enabling our people to respond; and finally, doing what we say we will do.

The second initiative was APA taking a leading role in the establishment of the Energy Charter. The Energy Charter is a whole of energy industry initiative in which signatories commit to giving effect to a number of principles to improve customer outcomes and are held accountable for progress against those commitments. The Energy Charter currently has 18 signatories across the energy supply chain including APA. APA, together with other signatories will be required to report their progress against the Energy Charter principles by 30 September 2019. An Accountability Panel will assess the disclosures and make findings and recommendations for improvement in its report by 30 November 2019.

APA's strategy

- Deliver services our customers value consistent with APA's Customer Promise
- Continue to strengthen asset and stakeholder management, development and operational capabilities
- Continue our growth focus to enhance APA's portfolio of:
 - gas transmission pipelines;
 - gas-fired and renewable power generation assets; and
 - midstream energy infrastructure assets, including gas storage and gas processing facilities.
- Explore growth opportunities in our core business of gas transmission and distribution in North America
- Maintain APA's financial strength



Wallumbilla Compressor Station in Queensland

7) Owned and/or operated by APA.

8) Market capitalisation as at 19 August 2019.

9) Total securityholder return is the capital appreciation of APA's security price, adjusted for capital management actions (such as security splits and consolidations) and assuming reinvestment of distributions at the ex-distribution rate per security. Figures quoted are sourced from Refinitiv Eikon.

directors' report. continued.

AUSTRALIAN PIPELINE TRUST AND ITS CONTROLLED ENTITIES

4.3 APA objectives and strategies (continued)

APA's strategy is reviewed and ratified annually by APA's Board and Executive. This includes APA's new CEO and Managing Director Rob Wheals who was Group Executive Transmission at the time of the FY2019 review. Since commencing in his new role in July, Rob has initiated an internal review of APA's purpose, vision, strategic imperatives and operating model with senior leaders throughout the business to ensure we deliver on the company strategy effectively and efficiently. This review is in progress at the time of this report being finalised.

This Review is about how we implement the strategy based on growth that we remain committed to under Rob's leadership. The strategy to grow remains relevant because our customers continue to demand expansion of our energy infrastructure for their energy processing and transportation needs, and because we continue to identify value accretive investment in the energy infrastructure space. So long as we can continue to add value to each dollar we invest on behalf of Securityholders, we will continue to grow APA.

As previously indicated, APA continues to see significant growth opportunities because of those customer needs. Potential projects are spread across Australia and include a mix of all APA's infrastructure capabilities.

For example, with buoyant key commodity prices in Western Australia, the resources sector remains strong and offers APA several growth opportunities across gas pipelines and power generation. In Western Australia, gas offers our customers a very cost effective and reliable energy solution from gas and gas-fired generation over the use of more carbon intensive fuels such as diesel.

In the Northern Territory, the government's lifting of the gas moratorium on fracking exploration in early 2018 has encouraged producers to resume exploration activities and commence discussions regarding connecting gas to markets.

In eastern Australia, traditional southern gas basin and northern coal seam gas reserves are depleting faster than new reserves are being brought on-line, leading to a production decline from existing fields. Tight supply and high gas prices are natural economic drivers for developing new gas supply sources. APA is currently completing the Orbost Gas Processing Plant in Victoria that will unlock a new gas source by connecting the Sole Gas Field into the east coast market.

APA has development and gas transportation agreements in place, subject to final investment decisions, by both AGL Energy Limited and Santos Limited, that could potentially see APA develop two new pipelines to bring gas from two new potential gas supply sources into eastern Australia. These two projects alone if they proceed are expected to require capital investment by APA in the order of \$700 million. APA also has a Memorandum of Understanding agreement in place with Comet Ridge Limited and Vintage Energy Limited, for pipeline route development works for a new 240 kilometre pipeline which could unlock new gas supply from the Galilee Basin by connecting it to markets in Queensland. APA has recently been granted a Survey Licence to commence field surveys and stakeholder engagement whilst the gas producers continue to investigate the economics to support the project.

APA's proposed Dandenong Power Station project in Victoria was shortlisted during FY2019 as part of the Federal Government's Underwriting New Generation Investments (UNGI) scheme. Stage 1 of the project comprises of approximately 220 MW of fast start, efficient gas fuelled power generation with the potential for a further 110 MW capacity if stage 2 is developed. APA's existing Dandenong site is located close to both gas demand and supply centres and can leverage APA's existing energy infrastructure.

The UNGI process is still in its early investigative phase, during which time APA continues to work on identifying potential customers to underwrite the project.

APA's operations are currently based wholly within Australia however, we do receive revenue in US dollars from the Wallumbilla Gladstone Pipeline. As previously advised to Securityholders, APA is actively working on the assessment of opportunities to invest in gas transmission and/or gas network businesses in North America. APA is attracted by the depth and vitality of the gas market in the United States of America in particular, and the positive regulatory settings that exist in that market. APA has seconded Chief Executive of Strategy and Development Ross Gersbach, to an Executive role based in APA's Houston office, to progress the commitment APA has made to North America, effective end of Q1 FY2020.

As Australian and global communities move to de-carbonise their economies, APA is ensuring that it understands and anticipates the long-term implications for Australia's energy industry and our business. APA considers that natural gas plays an essential role in providing secure and reliable electricity by supporting the integration of renewable energy with flexible, peaking power, which will be increasingly required as coal-fired generation is retired and removed from Australia's energy mix over the next 30 years. Importantly, APA advocates that any transition to a lower carbon future should look to avoid unaffordable increases in energy costs and declining energy reliability.

During the reporting period, APA used the Taskforce on Climate-Related Financial Disclosures (TCFD) recommendations and undertook a climate-risk scenario analysis to assess the risks and opportunities to the business over the next decade to 2030. As we mature in the use of TCFD, we anticipate that the time horizon used for future scenario analysis will be extended beyond ten years to be more consistent with the long-lived nature of our assets.

Further information on the scenario analysis is in APA's 2019 Sustainability Report available on APA's website. This work is part of APA's enterprise wide environmental, social, governance (ESG) review and improvement program that was commenced in FY2018.

directors' report. continued.

AUSTRALIAN PIPELINE TRUST AND ITS CONTROLLED ENTITIES

4.4 APA's roadmap

Underpinning APA's strategy is the APA Way, which is the blueprint for how APA does business. It guides how we conduct our business and helps shape our culture. It sets standards on how we behave through our APA 'STARS' values, and how we make decisions, guided by APA's Decision Compass. The APA Way is embedded in APA's Code of Conduct (Our Code) that was refreshed and rolled-out during the first half of FY2019.

Our '**STARS**' values set the benchmark for how we operate to ensure business integrity:

- **Safe**, We will maintain a safe environment and a professional workplace where staff work collaboratively, are valued and treated with respect.
- **Trustworthy**, We act with honesty and integrity and accept individual and collective responsibility for the delivery of all business outcomes. We do what we say we are going to do.
- **Adaptable**, We continually respond and adapt to our changing environment by innovating, modifying our behaviour and continually improving our processes and systems to take advantage of opportunities to enhance, improve and grow our business.
- **Results**, We consistently meet our commitments and deliver excellent results to the benefit of our employees, customers, investors and the community through tenacity and perseverance.
- **Service**, We are committed to high quality service delivery achieved through listening, understanding, anticipating and responding to our customer needs.

Good decision-making is at the core of successful strategy execution and APA's Decision Compass sets out clear principles for all our employees, empowering them to make good decisions with confidence. Employees and all decision makers right through to the Board, are encouraged to take a moment and ask "is this decision consistent with each of the key decision compass points" as below:

- Do things safely
- Take a long term focus
- Manage APA money as if it's our own
- Do what we say we do
- Know our reputation matters

The APA Way puts all employees on the same page, ensuring that the way we work and the many decisions we make are based on consistent values and principles, and are aligned to what we need to execute on our strategy.



Pipe laydown for the Murrin Murrin Lateral looping project in Western Australia

directors' report. continued.

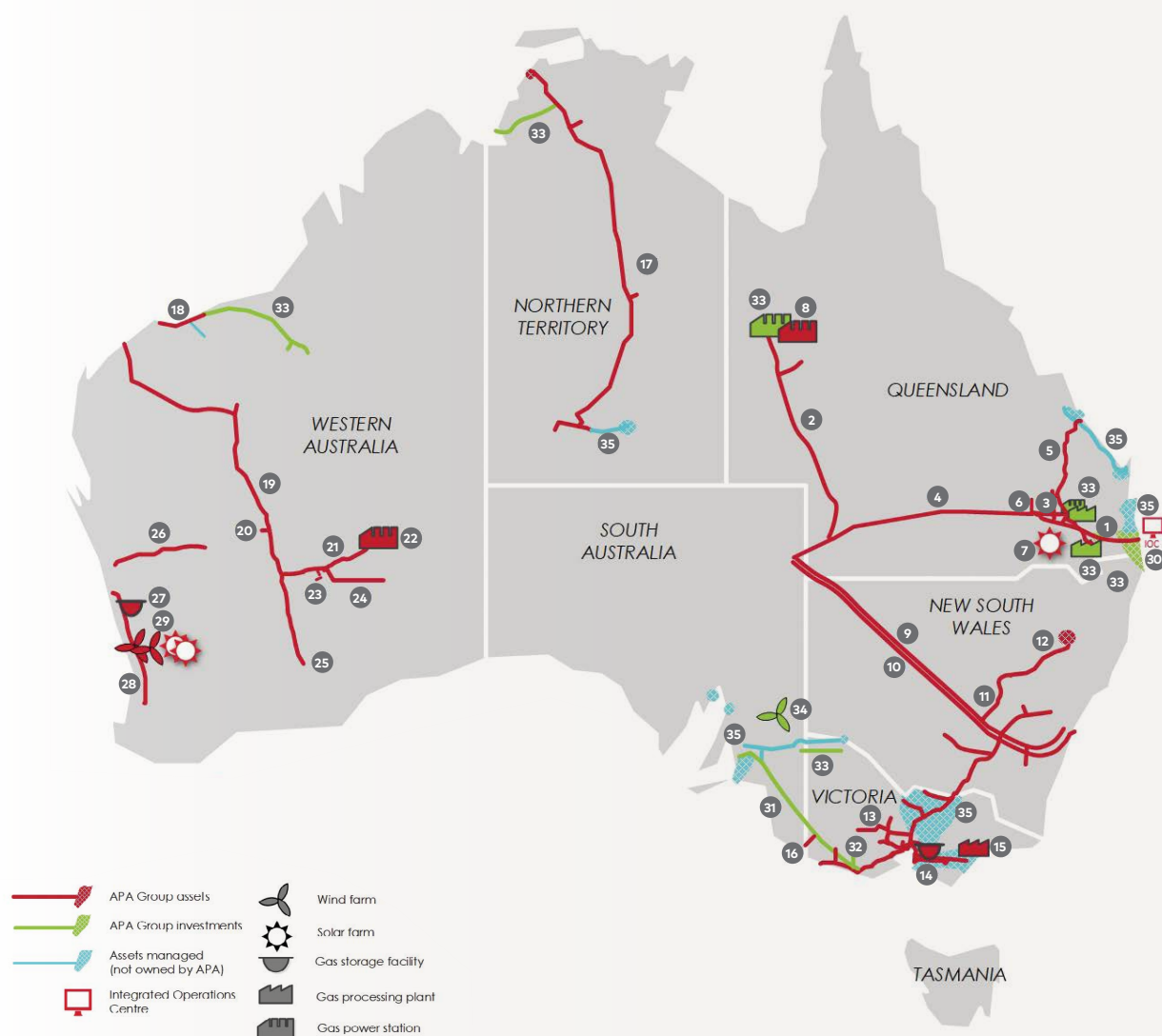
AUSTRALIAN PIPELINE TRUST AND ITS CONTROLLED ENTITIES

4.5 APA assets and operations

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

- **Energy Infrastructure** includes all of APA's wholly or majority owned gas pipelines, gas storage, gas compression and processing assets and gas-fired and renewable energy power generation assets;
- **Asset Management** provides commercial, operating services and/or asset maintenance services to APA's energy investments and third parties for appropriate fees; and
- **Energy Investments** includes APA's strategic stakes in a number of investment vehicles that house energy infrastructure assets, generally characterised by long-term secure cash flows, with low ongoing capital expenditure requirements.

The map below details APA's assets and investments portfolio:



directors' report. continued.

AUSTRALIAN PIPELINE TRUST AND ITS CONTROLLED ENTITIES

4.5 APA assets and operations (continued)

Energy Infrastructure assets (numbers correspond with those on the map on page 14)

Length ⁽¹⁾

East Coast and Central Region assets

1	Roma Brisbane Pipeline (including Peat Lateral)	583 km
2	Carpentaria Gas Pipeline	944 km
3	Berwyndale Wallumbilla Pipeline	112 km
4	South West Queensland Pipeline	936 km
5	Wallumbilla Gladstone Pipeline (including Laterals)	556 km
6	Reedy Creek Wallumbilla Pipeline	49 km
7	Darling Downs Solar Farm	110 MW
8	Diamantina and Leichhardt Power Stations	242 MW / 60 MW
9	Moomba Sydney Pipeline	2,029 km
10	Moomba to Sydney Ethane Pipeline	1,375 km
11	Central West Pipeline	255 km
12	Central Ranges Pipeline and Tamworth Gas Network (gas distribution)	295 km ~250 km of gas mains, ~3,750 gas consumer connections
13	Victorian Transmission System	1,847 km
14	Dandenong LNG Storage Facility	12,000 tonnes
15	Orbost Gas Processing Plant ⁽²⁾ (and connection pipeline)	12 km / ~70 TJ/d
16	SESA Pipeline	45 km
17	Amadeus Gas Pipeline (including Laterals)	1,661 km

West Australian assets

18	Pilbara Pipeline System	249 km
19	Goldfields Gas Pipeline (88.2%)	1,546 km
20	Agnew Lateral	25 km
21	Yamarna Gas Pipeline	198 km
22	Gruyere Power Station	45 MW
23	Mt Morgans Gas Pipeline	5 km
24	Eastern Goldfields Pipeline	293 km
25	Kalgoorlie Kambalda Pipeline	44 km
26	Mid West Pipeline (50%)	362 km
27	Mondarra Gas Storage and Processing Facility	18 PJ
28	Parmelia Gas Pipeline	448 km
29	Emu Downs Wind Farm	80 MW
29	Emu Downs Solar Farm	20 MW
29	Badgingarra Wind Farm	130 MW
29	Badgingarra Solar Farm	17.5 MW

Energy Investment	Ownership interest	Detail
30 GDI (EII)	20%	Gas distribution: Allgas Gas Network ~3,700 km of gas mains, ~112,200 gas consumer connections in QLD and NSW
31 South East Australia Gas Pty Ltd	50%	Gas pipeline: 687 km SEA Gas Pipeline
32 SEA Gas (Mortlake) Partnership	50%	Gas pipeline: 83 km Mortlake Gas Pipeline
33 Energy Infrastructure Investments	19.9%	Gas pipelines: Telfer/Nifty Gas Pipelines and lateral (488 km); Bonaparte Gas Pipeline (286 km); Wickham Point Pipeline (12 km) Electricity transmission cables: Murraylink (180 km) and Directlink (64 km) Gas-fired power stations: Daandine Power Station (30MW) and X41 Power Station (41 MW) Gas processing facilities: Kogan North (12 TJ/d); Tipton West (33 TJ/d)
34 EII2	20.2%	Wind generation: North Brown Hill Wind Farm (132MW), SA
35 Australian Gas Networks	Nil	Gas distribution: ~25,100 km of gas mains and pipelines, ~1.3 million gas consumer connections, 1,124 km of transmission gas pipelines in SA, Vic, NSW, Qld & NT

1) Pipeline capacities are available online (www.apa.com.au).

2) Asset under construction.

directors' report. continued.

AUSTRALIAN PIPELINE TRUST AND ITS CONTROLLED ENTITIES

5. Financial Overview

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

In FY2019, APA has continued to deliver consistent and sound results for investors, delivering on prudent and sustainable growth initiatives, and increasing distribution returns to Securityholders. The 2019 financial year has been a significant year for APA with a number of key events and milestones in the business's 19 year history taking place, including:

- Commissioning of a number of new infrastructure assets across pipelines, gas fired power generation and renewables;
- Investment of \$462.8 million in growth projects that will contribute to future operating cash flow;
- Development and launch of two customer-centric initiatives – The Energy Charter developed by Australian energy businesses right across the energy supply chain, and APA's company-wide Customer Promise and Red Dot program;
- Replacement of over \$700 million of higher cost maturing debt with lower cost long term debt, reducing APA's annual interest expense going forward;
- Receipt of a Scheme of Arrangement acquisition proposal from the CKI Consortium (CKI proposal) was received during 1H FY2019 at a transaction value premium of approximately 30% to APA's volume weighted average security price prior to the offer and an FY2018 EV/EBITDA multiple of 15 times. The proposal did not proceed due to a decision by Australia's Federal Treasurer in November 2018 (not to allow the proposed acquisition); and
- Retirement of APA's long-standing CEO and Managing Director, Mick McCormack, and internal succession appointment of Rob Wheals to the position.

APA reported EBITDA of \$1,573.8 million inclusive of \$11.1 million of once-off costs associated with the CKI proposal (\$5.8 million) and the retirement of Mick McCormack (\$5.3 million). This result represents an increase of 3.6% or \$55.3 million on the previous corresponding period EBITDA of \$1,518.5 million. APA gave guidance at the 1H FY2019 results that EBITDA for the full year period was expected to be within the upper end of the guidance range of \$1,550 million to \$1,575 million. Given the stable nature of APA's cash flows and long term, take or pay contracts, APA has consistently provided a reliable narrow EBITDA guidance range over a number of years.

Total revenue (excluding pass-through revenue) increased by \$89.6 million to \$2,031.0 million, an increase of 4.6% on the previous corresponding period (FY2018: \$1,941.4 million).

Increased revenues and EBITDA were primarily attributable to:

- Full year contribution from some of the organic growth projects commissioned in FY2018, including the Reedy Creek Wallumbilla Pipeline (QLD), Mt Morgans Gas Pipeline (WA) and the Emu Downs Solar Farm (WA);
- Part year contributions from recently commissioned growth assets including the Darling Downs Solar Farm (QLD), Badgingarra Wind Farm (WA), Yamarna Gas Pipeline (WA), Gruyere Power Station (WA), and Agnew Lateral (WA);
- Uplift on the Goldfields Gas Pipeline as a result of the new organic expansions on the Eastern Goldfields Pipeline network as listed above;
- Full year contribution from the new contract on the Diamantina Power Station with Capricorn Copper mine; and
- Favourable USD/AUD exchange rates and annual US CPI escalation in relation to the Wallumbilla Gas Pipeline.

FY2019 further progressed APA's largest growth capital expenditure program in the company's history to-date. \$1.4 billion plus has been invested in growth projects over the last three financial years. The new growth projects contributed approximately \$65 million in incremental new revenues during FY2019. This was slightly down on the \$70 million figure previously indicated, due in the main to minor delays in the commercial operations of Badgingarra Wind and Solar Farms. Construction of the connection into the transmission grid for these two assets also impacted energy despatched from Emu Downs Wind and Solar Farms during the cut-in period. With all projects fully commissioned and operating in FY2020, incremental revenue from FY2020 is expected to be in the order of \$190 million per annum (from the FY2017 base), increasing in FY2021 to approximately \$215 million per annum when the Orbost Gas Processing Plant will contribute its first full year of earnings.

An increase in income tax paid by APA in FY2019 impacted operating cash flow, which decreased 1.9% or \$19.5 million to \$1,012.1 million compared to the previous year (FY2018: \$1,031.6 million). Operating cash flow per security decreased 5.4%, or 4.9 cents, to 85.8 cents per security (FY2018: 90.7⁽¹⁰⁾ cents per security), due to an increase in income tax paid and the higher number of securities on issue, on average, over FY2019. From FY2020, operating cash flow is expected to increase as a result of the incremental revenues flowing from the \$1.4 billion plus of organic growth projects.

10) Operating cash flow per security has been adjusted for 1H FY2018 for the Entitlement Offer completed on the 23 March 2018.

directors' report. continued.

AUSTRALIAN PIPELINE TRUST AND ITS CONTROLLED ENTITIES

5. Financial Overview (continued)

On 21 August 2019, the Directors announced a final distribution of 25.5 cents per security, which will take APA's distributions in respect of the financial year to a total of 47.0 cents per security. This is 0.5 cents per security above guidance and represents an increase of 4.4%, or 2.0 cents, over FY2018 distributions of 45.0 cents. Franking credits of 3.66 cents per security will be allocated to the final distribution reflecting the increased tax paid by APA and resulting in the FY2019 franking credits totalling 6.86 cents per security. APA maintains a sustainable distribution policy to ensure its ability to fully fund its distributions out of operating cash flows on a going-forward sustainable basis, whilst also retaining appropriate levels of cash in the business to support ongoing growth.

APA's distribution policy is to generally grow distributions in line with operating cash flow growth, having regard for the future capital needs of the business and economic conditions, and ensuring distributions are fully covered by operating cash flow. APA has paid an interim and full year distribution every year for the 19 years the company has been listed, and distributions have consistently grown each year.

The following table provides a summary of key financial data for FY2019.

	30 June 2019 \$000	30 June 2018 \$000	Changes	
			\$000	%
Total revenue	2,452,171	2,386,722	65,449	2.7%
Pass-through revenue ⁽¹⁾	421,198	445,307	(24,109)	(5.4%)
Total revenue excluding pass-through	2,030,973	1,941,415	89,558	4.6%
EBITDA	1,573,756	1,518,474	55,282	3.6%
Depreciation and amortisation expenses	(611,358)	(578,916)	(32,442)	(5.6%)
EBIT	962,398	939,558	22,840	2.4%
Finance costs and interest income	(497,419)	(509,664)	12,245	2.4%
Profit before income tax	464,979	429,894	35,085	8.2%
Income tax (expense) / benefit	(176,966)	(165,055)	(11,911)	(7.2%)
Profit after income tax	288,013	264,839	23,174	8.8%
Operating cash flow ⁽²⁾	1,012,127	1,031,627	(19,500)	(1.9%)
Operating cash flow per security (cents)	85.8	90.7	(4.9)	(5.4%)
Earnings per security (cents)	24.4	23.3	1.1	4.7%
Distribution per security (cents)	47.0	45.0	2.0	4.4%
Distribution payout ratio ⁽³⁾	54.8%	50.1%	4.7%	9.4%
Weighted average number of securities (000)	1,179,894	1,136,875 ⁽⁴⁾	43,019	3.8%

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

1) Pass-through revenue is revenue on which no margin is earned.

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

3) Distribution payout ratio = total distribution applicable to the financial year as a percentage of operating cash flow.

4) On the 23 March 2018, APA Group issued 65,586,479 new ordinary securities on completion of fully underwritten pro-rata accelerated institutional tradeable renounceable entitlement offer (Entitlement Offer), resulting in total securities on issue as at 30 June 2018 of 1,179,893,848. The Entitlement Offer was offered at \$7.70 per security, a discount to APA Group's closing market price of \$8.26 per security on the 23 February 2018, the last trading day before the record date of 26 February 2018. The number of securities used for FY2018 calculation of earnings per security and operating cash flow per security has been adjusted.

directors' report. continued.

AUSTRALIAN PIPELINE TRUST AND ITS CONTROLLED ENTITIES

6. Business Segment Performances and Operational Review

APA reports across three business segments:

- **Energy Infrastructure:** APA's wholly or majority owned energy infrastructure assets across all categories – transmission and compression, processing, generation (gas and renewables) and storage;
- **Asset Management:** The provision of asset management and operating services for third parties and the majority of APA's investments; and
- **Energy Investments:** APA's interests in energy infrastructure investments.

Statutory reported revenue and EBITDA performance by business segments is set out below.

	30 June 2019 \$000	30 June 2018 \$000	Changes	
			\$000	%
Revenue ⁽¹⁾				
Energy Infrastructure				
East Coast: Queensland	1,207,108	1,152,975	54,132	4.7%
East Coast: New South Wales	173,594	166,243	7,351	4.4%
East Coast: Victoria	144,380	153,166	(8,786)	(5.7%)
East Coast: South Australia	3,004	2,925	79	2.7%
Northern Territory	30,301	32,861	(2,560)	(7.8%)
Western Australia	340,685	293,115	47,570	16.2%
Energy Infrastructure total	1,899,072	1,801,285	97,786	5.4%
Asset Management	94,398	108,533	(14,135)	(13.0%)
Energy Investments	28,432	23,068	5,364	23.3%
Other segment revenue	6,470	2,678	3,793	141.7%
Total segment revenue	2,028,372	1,935,564	92,808	4.8%
Pass-through revenue	421,198	445,307	(24,109)	(5.4%)
Unallocated revenue ⁽²⁾	2,601	5,851	(3,250)	(55.5%)
Total revenue	2,452,171	2,386,722	65,449	2.7%
EBITDA				
Energy Infrastructure				
East Coast: Queensland	1,010,063	962,231	47,831	5.0%
East Coast: New South Wales	149,362	147,095	2,267	1.5%
East Coast: Victoria	113,992	124,631	(10,639)	(8.5%)
East Coast: South Australia	2,051	2,577	(526)	(20.4%)
Northern Territory	19,171	22,923	(3,752)	(16.4%)
Western Australia	277,805	237,639	40,166	16.9%
Energy Infrastructure total	1,572,444	1,497,096	75,347	5.0%
Asset Management	52,954	66,204	(13,249)	(20.0%)
Energy Investments	28,432	23,068	5,364	23.3%
Corporate costs	(80,074) ⁽³⁾	(67,894)	12,180	(17.9%)
Total EBITDA	1,573,756	1,518,474	55,282	3.6%

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

1) Refer to revenue note 4 for additional disclosure on revenue streams from contracts with customers disaggregated by geographical location and major sources.

2) Interest income is not included in calculation of EBITDA, but nets off against interest expense in calculating net interest cost.

3) Includes \$11.1 million of costs associated with the CKI proposal and the former Managing Director's retirement.

directors' report. continued.

AUSTRALIAN PIPELINE TRUST AND ITS CONTROLLED ENTITIES

6.1 Energy Infrastructure

The Energy Infrastructure segment consists of all APA's energy infrastructure footprint across mainland Australia including gas transmission, gas compression, gas processing and storage assets, renewable energy power generation, and gas-fired power generation. 91.0% of revenues in this segment are derived from either long-term take-or-pay contracts, or regulated assets. Contracts generally have the majority of the revenue fixed over the term of the relevant contract. The predictable and long-term nature of APA's revenue underpins APA's reliable low risk business model value proposition.

Energy Infrastructure is the largest business segment contributor to group revenue, contributing 93.5% (excluding pass-through) and 95.1% of group EBITDA (before corporate costs) during the financial year. Revenue (excluding pass-through revenue) was \$1,899.1 million, an increase of 5.4% on the previous year (FY2018: \$1,801.3 million). EBITDA (before corporate costs) increased by 5.0% on the previous year to \$1,572.4 million (FY2018: \$1,497.1 million).

With the current-day flexible nature of the way we structure our contracts, both in terms of interconnected multi-assets and multi services, revenue and EBITDA outcomes fluctuate on the individual assets that make up APA's East Coast and West Coast grids. Customers value this flexibility as it provides them with more options to better manage their energy needs in Australia's very dynamic gas market. That is, they can source gas from in excess of 40 receipt points over the East Coast Grid.

In FY2019, increased revenue and EBITDA in Queensland and New South Wales offset reductions in the other eastern Australian states, reflecting the changing nature of gas supply and demand centres. Victoria experienced lower peak injections due to a milder winter in 2018 impacting FY2019 outcomes, and there was reduced export through Culcairn in New South Wales as northern parts of the grid provided more domestic gas to eastern Australia. Queensland benefitted from the first full year contribution from the Reedy Creek Wallumbilla Pipeline commissioned in FY2018. The Wallumbilla Gladstone Pipeline is APA's largest single contributing asset to earnings, and favourable USD/AUD exchange rate returns on the USD revenues earned and the annual US CPI increase continue to have a positive impact on Queensland results.

New earnings were realised from several completed and commissioned assets during FY2019 including:

Gas transmission

- Yamarna Gas Pipeline (WA)
- Agnew Gas Lateral (WA)

Gas-fired and Renewable power generation assets

- Gruyere Power Station (WA)
- Badgingarra Wind Farm (WA)
- Darling Downs Solar Farm (QLD)

The Reedy Creek Wallumbilla Pipeline, Mt Morgans Gas Pipeline and the Emu Downs Solar Farm all contributed a full year of earnings following commissioning during FY2018.

With APA's Northern Territory assets now connected into the eastern Australia market, this opens up further opportunities for the development of new gas sources in northern Australia, with APA's assets well placed to facilitate getting that gas to multiple markets. During the reporting period, earnings on the Amadeus Gas Pipeline decreased due to an increase in third party revenue share with the foundation customer.

In Western Australia, the growth and expansion of the Goldfields Gas Pipeline network over the last four years has seen around 500 kilometres of greenfield pipeline added to APA's West Coast Grid, along with additional compression and a power station. This has had a positive flow-on benefit to earnings on the connected Goldfields Gas Pipeline, as gas is transported through up to four APA pipelines to reach customers and their mining operations. In this remote and mineral rich region, gas is delivering both a reliable and cost-effective energy solution for multiple customers along the 2,000 kilometres plus of interconnected pipeline. The sum of the parts of all of these small to medium expansion projects in Western Australia over the last few years resulted in more than a 16% increase in both revenue and EBITDA for FY2019 over the previous corresponding year. This demonstrates the collective impact and benefit of interconnected assets and the ability to offer multi-asset services.

APA continues discussions with potential and existing customers across Western Australia regarding opportunities for gas transportation, compression, storage and power generation. APA has signed a GTA on the Goldfields Gas Pipeline with new customer Kalium Lakes Limited to deliver gas to its Beyondie Sulphate of Potash Project. The project is subject to Kalium Lakes final investment decision (FID) anticipated during CY2019 and it is targeting initial production in late 2020. APA has commenced early works on the design of a metering station.

With the commissioning of the Gruyere Power Station in Western Australia during the reporting period, APA's gas-fired power generation capability, including investments, is now over 400 MW. The Diamantina Power Station continued to benefit from increasing energy demand in the Mount Isa region including supplying its newest customer, Capricorn Copper mine with its first full year of energy.

directors' report. continued.

AUSTRALIAN PIPELINE TRUST AND ITS CONTROLLED ENTITIES

6.1 Energy Infrastructure (continued)

A multi-asset and service solution in the West ~ meeting customer needs

In June 2017, APA announced it would invest around \$180 million to construct a 198 kilometre gas pipeline and a 45 MW power station to supply power to the Gruyere Gold Project in Western Australia. APA's investment is underpinned by a 15 year gas transportation agreement to support the 15 year Electricity Supply Agreement with the Gruyere Gold Project.

The Gruyere Project is a 50:50 joint venture between the ASX listed Gold Road Resources Ltd (ASX: GOR) and the global miner Gold Fields Limited. Gruyere is expected to produce between 75,000 and 100,000 ounces of gold in calendar year 2019. Once steady state production is achieved, the average annual production is forecast at 300,000 ounces.

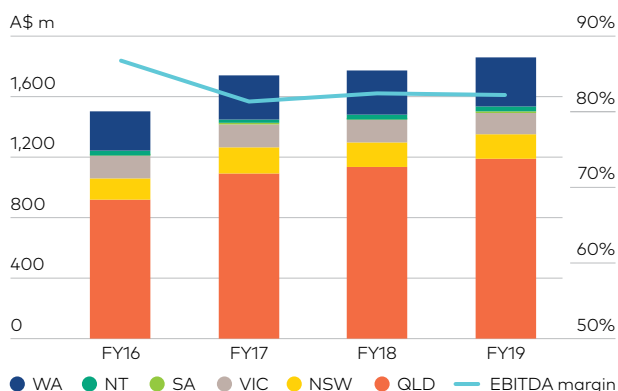
The Yamarna Gas Pipeline and Gruyere Power Station together have been supplying power throughout 2H FY2019, with the mine achieving first gold pour in the June 2019 quarter.

Gruyere Management commented "For the Gruyere project, APA's bundled energy solution with a single interface has been effective in simplifying the Project's operations."

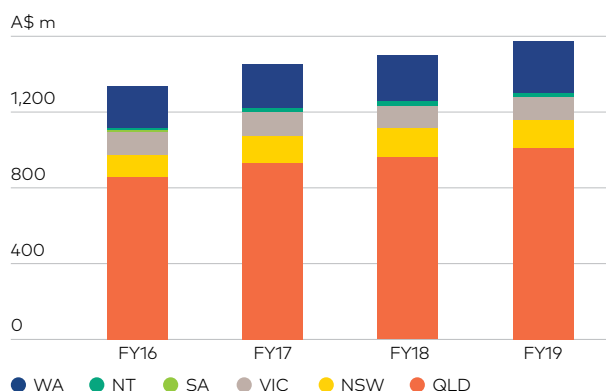


Gruyere Power Station connected to the Yamarna Gas Pipeline in Western Australia

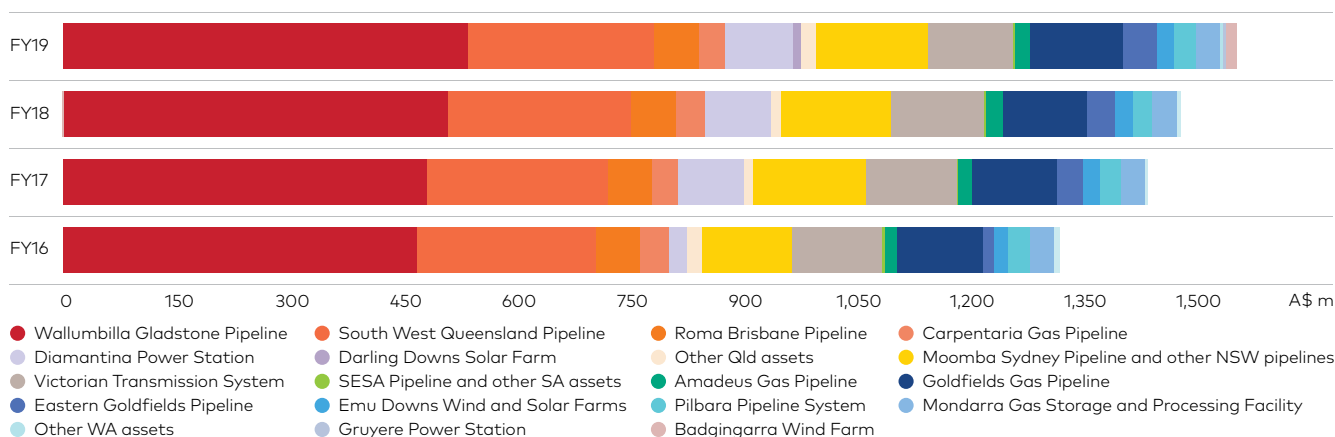
Energy Infrastructure Revenue by State



Energy Infrastructure EBITDA by State



Energy Infrastructure EBITDA by Asset



directors' report. continued.

AUSTRALIAN PIPELINE TRUST AND ITS CONTROLLED ENTITIES

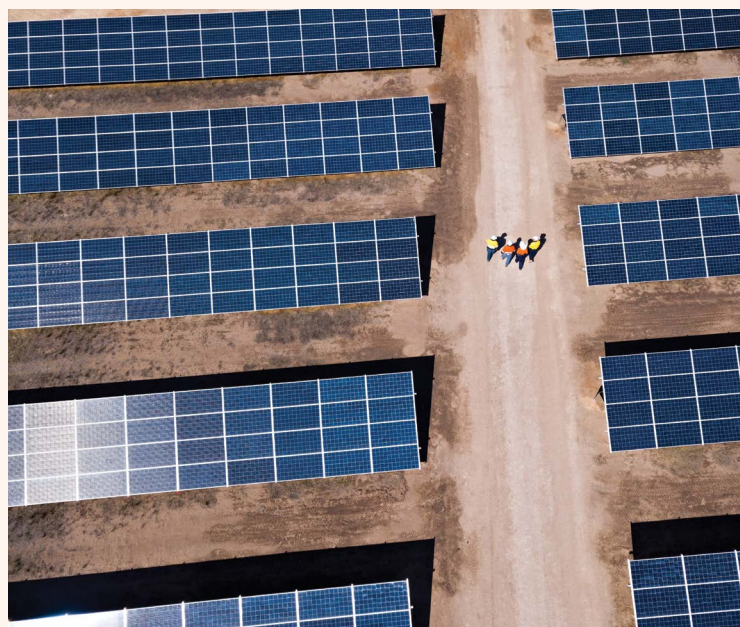
6.1 Energy Infrastructure (continued)

Renewable generation — responding to customer needs

APA's entry into renewables began in late 2009 with an investment in the North Brown Hill 132 MW Wind Farm in South Australia through the EII2 consortium (APA: 20.2% share). In 2011, APA acquired the 80 MW Emu Downs Wind Farm in Western Australia along with the development rights for an adjacent 130 MW site. This acquisition was underpinned by a 20 year revenue contract with Synergy, the Western Australia government owned energy retailer.

During APA's largest organic growth expansion period from FY2017 to FY2019, APA added the following renewable assets to its power generation portfolio: 20 MW Emu Downs Solar Farm; 130 MW Badgingarra Wind Farm; 17.5 MW Badgingarra Solar Farm (commissioned in August 2019); and the 110 MW Darling Downs Solar Farm. This gives APA a renewables generation portfolio (wholly owned and investments) of almost 490 MW.

A number of factors originally steered APA in the direction of extending its energy infrastructure into renewables including government policy, the quality of the wind resource available at the assets acquired, the quality of the offtake customers, and project returns that met APA's investment return hurdles. Those assets have proven to be solid investments and 10 years on, APA has the expertise in building and operating a material renewables portfolio. APA has also co-located solar generation on wind farm sites, taking advantage of shared transmission connection infrastructure and the complementary characteristics of the resources.



Darling Downs Solar Farm in Queensland

In recent years, the driver for more renewables has been customer demand, with customers wanting more wind and solar generation within their portfolios and the accompanying Large Scale Renewable Certificates. Our renewable energy customers now include AGL Energy, Synergy, Origin Energy and Alinta Energy who are all existing gas transmission customers of APA.

Going forward, APA will continue to invest in energy infrastructure assets that our customers want us to invest in and are prepared to underwrite with long-term contracts that satisfy our investment criteria. In FY2019, earnings generated from wholly owned renewables amounted to around 3% of total revenue and EBITDA. Current development projects in the renewables space include APA's Beelbee Solar Farm site located adjacent to the recently completed Darling Downs Solar Farm in Queensland. This site has the potential for an additional approximately 150 MW of solar generation. Studies to-date indicate that Beelbee's electricity network location benefits from a stable and attractive Marginal Loss Factor should the site be developed.

Working with customers – solutions, service and flexibility

During the reporting period, APA announced a variation to an existing multi-asset GTA on the East Coast Grid to replace an expiring GTA. The arrangements make particular use of the Roma Brisbane Pipeline to help meet the electricity needs of consumers in Queensland, especially during the summer season. Total revenue in the order of \$40 million is expected from the GTA over the next three years, with revenue already contributing to FY2019 earnings.

APA is continually working with customers to add value to the services we provide in order to optimise their energy needs. Also commencing in January 2019 was a two year contract extension for southerly services on APA's East Coast Grid which contributed to FY2019 earnings.

Many of the solutions developed with our customers are bespoke to their specific requirements. The interconnected nature of APA's gas transportation grids facilitates access to multi-assets and services that give customers the flexibility they want to optimise their energy portfolios.

Incitec Pivot Limited (IPL) is a foundation customer of APA. Its Gibson Island fertiliser plant near Brisbane had been facing the threat of closure due to difficulties in sourcing an affordable energy supply over the last few years. Despite gas sources near IPL's southeast Queensland location, the local gas price was untenable. Working with IPL, and collaborating with a gas producer and another gas pipeline operator, an innovative solution was developed to secure affordable gas from 3,300 kilometres away for calendar year 2019.

In June 2019, the Queensland government announced APLNG-Armour Joint Venture as the preferred tenderer for a highly-prospective gas tenement in the Surat Basin, adjacent to mature APLNG-operated tenements. Under the tender conditions, gas can only be sold to Australian manufacturing businesses, with gas supplied under agreements associated with the APLNG Armour Joint Venture tender from 1 April 2020. This agreement led to APA further announcing in June 2019 a variation to the GTA with IPL which extends a service under the GTA through to 1 January 2023.

directors' report. continued.

AUSTRALIAN PIPELINE TRUST AND ITS CONTROLLED ENTITIES

6.1 Energy Infrastructure (continued)

Increasingly, gas producers are tendering on gas tenement releases in Queensland, many of which are conditioned for domestic-only supply. The interconnected nature of the East Coast Grid, expanded in recent years by the Reedy Creek Wallumbilla Pipeline, strongly positions APA as part of the solution in transporting these new domestic gas supplies from Queensland, into the eastern Australian domestic market.

During the reporting period, APA signed a Memorandum of Understanding with Comet Ridge Limited and Vintage Energy Limited to commence an in-field work program to select a pipeline route to connect the Queensland Galilee Basin to gas markets. The proposed 240 kilometre Galilee Moranbah Pipeline and associated infrastructure would be built, owned and operated by APA. Importantly, it will connect the new gas supply source in the Galilee Basin to Moranbah in Central Queensland, which is the gas processing and distribution hub for northern Bowen Basin gas resources. In July 2019, APA was granted a Survey Licence by the Queensland Government that enables APA to further progress pipeline route investigations for the Galilee Moranbah Pipeline and commence engagement with a range of project stakeholders.

Above and beyond for customers — using our interconnected grid to its full potential

The gas market in Australia is now extremely dynamic and no two days are the same as demand requirements change and supply, particularly on the east coast, can be sourced from multiple options from north to south and west. Plant outages, either planned maintenance or unplanned events, and climate related disasters, such as floods and cyclones, can also impact day-to-day scheduling.

Fast response is required to manage any of these events in order to 1) maintain our customers' operations and minimise the impact on them as well as their customers; 2) maintain the integrity of the system for all users; and 3) minimise any wastage of gas. APA's Integrated Operations Centre (IOC) in Brisbane is able to provide fast response solutions as it houses the combined skills of commercial, operational and maintenance personnel with oversight and control of all APA assets.

During FY2019, APA assisted customers in managing a delayed start-up phase post a major shutdown and an unplanned shutdown by providing parking services and re-distributing line-pack throughout its East Coast Grid. In February 2019, the widespread flooding across North Queensland impacted manufacturing plants along the Carpentaria Gas Pipeline for several months. IPL's Phosphate Hill operations were suspended due to flooding damaging the rail infrastructure and they sought APA's assistance to divert their gas to other users and buyers across APA's East Coast Grid. APA was able to utilise both the newly commissioned (in December 2018) bi-directional function of the Carpentaria Gas Pipeline and the South West Queensland Pipeline, to transport that gas into the east coast gas market.

It's this quick and flexible response of providing workable solutions for our customers, that has become a valued service of both APA's IOC and our 7,600 kilometres of interconnected East Coast Grid assets.

Over the last three years, a number of new regulatory initiatives were introduced to improve information symmetry and transparency between customers and pipeline operators for non-scheme pipelines as defined under Part 23 of the National Gas Rules (NGR). This has included publishing APA's pricing methodologies and the introduction of a commercial arbitration process if negotiating parties cannot reach commercial agreement.

In FY2019, further initiatives were implemented including the publishing of financial statements and associated information (October 2018) and a pipeline capacity trading reform package under Parts 24 and 25 of the NGR (March 2019).

The pipeline capacity trading reforms included a trading platform operated by the Australian Energy Market Operator (AEMO) to facilitate the secondary trading of firm pipeline capacity between shippers, and a daily auction platform for any un-nominated contracted shipper capacity on all major pipelines, also run by AEMO.

APA invested significantly in setting up for these services, with incremental capital and ongoing operating costs in relation to Parts 24 and 25 recoverable under the NGR. The design, development and implementation process took over a year and included customer training on how to use the new services. Since commencement on 1 March 2019 until the end of July 2019 reporting year, no capacity has been traded by shippers. However, the auction platform has accommodated the equivalent of 3.75 PJ of gas transported, providing additional liquidity into the east coast domestic market.

APA is supportive of mechanisms that help improve liquidity and transparency into Australia's gas market whilst maintaining appropriate investment incentives. With the full range of Gas Market Reform Group initiatives now in place, APA's view is that time needs to be allowed for the market to have the opportunity to fully utilise the additional information disclosures and new facilities before any further reforms are considered.

APA continues to work closely with our customers to meet their individual needs and the range of new contracts and contract variations as detailed above with both large entities and smaller customers, demonstrates APA's willingness to facilitate fair commercial outcomes for all parties. APA's assets are built for long-term use with Australia's oldest gas pipeline, the Roma Brisbane Pipeline, celebrating 50 years of operations in 2019. As a result, our customer relationships have been formed over many years and we are proud that we have continued to commercially negotiate with our customers and that the independent arbitration facility has not been required to resolve negotiation impasse.

directors' report. continued.

AUSTRALIAN PIPELINE TRUST AND ITS CONTROLLED ENTITIES

6.1 Energy Infrastructure (continued)

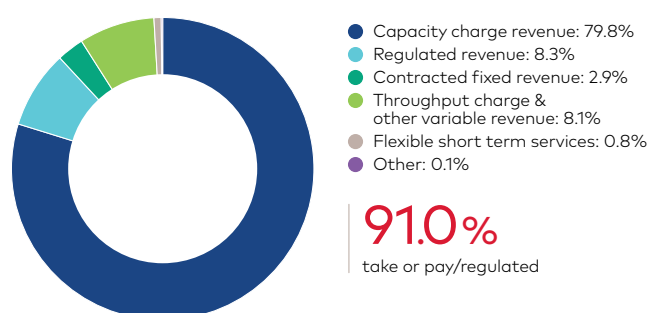
APA's value proposition

APA offers investors a solid value proposition that brings together the combination of high quality energy infrastructure, continued organic growth and a low risk business model.

In FY2019, 91% of Energy Infrastructure revenue (excluding pass-through) was from contracted and regulated revenues. Specifically, 79.8% of Energy Infrastructure revenue (excluding pass-through) was from take-or-pay capacity reservation charges from long term offtake agreements, 2.9% from other contracted fixed revenues and 8.1% from throughput charges and other variable components. Given the dynamic east coast gas market, there were some additional revenues from the provision of flexible short term and other services, accounting for less than 1%.

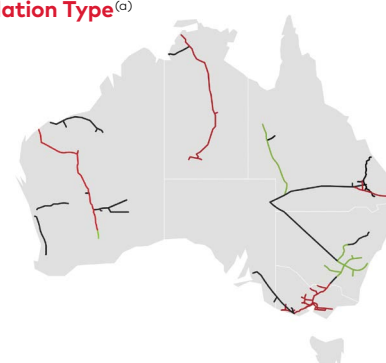
The regulated portion of APA's revenue which is predominantly derived from the Victorian Transmission System makes up 8.3% of total FY2019 Energy Infrastructure revenue. Supporting APA's cash flow stability is the company's contract profile, which has a revenue weighted average contract tenor of in excess of 12 years. The very nature of APA's revenue streams provides for predictability and cash flow stability contributing to APA's low risk business model.

FY2019 Energy Infrastructure by Revenue Type



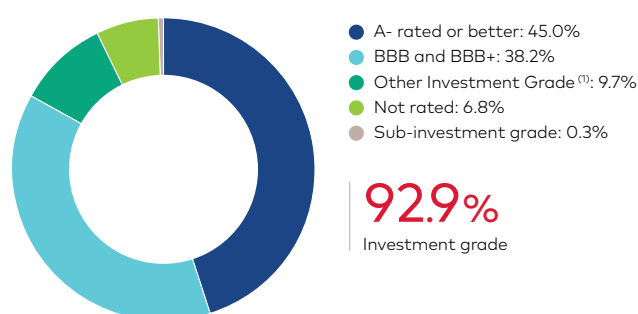
APA Pipelines by Regulation Type^(a)

- Full regulation pipelines
 - Light regulation pipelines
 - Non-scheme pipelines
- a) Owned and/or operated by APA

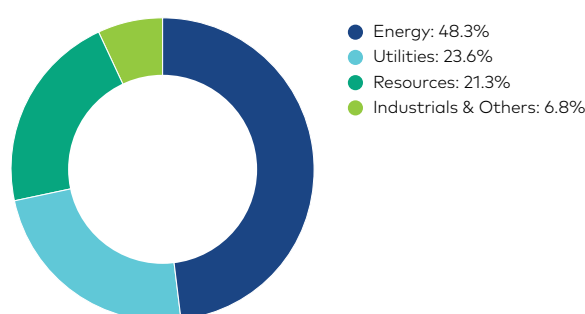


APA manages its counterparty risk in a variety of ways. One aspect is to consider customers' credit ratings. During FY2019, 92.9% of Energy Infrastructure revenue was received from investment grade counterparties. Diversification of customer base is another strength of APA's business, with our customers split across the energy, utility, resources and industrial sectors, as shown in the chart below.

FY2019 Energy Infrastructure Revenues by Counterparty Credit Rating



FY2019 Energy Infrastructure Revenues by Customer Industry Segment



1) An investment grade credit rating from either S&P (BBB- or better) or Moody's (Baa3 or better), or a joint venture with an investment grade average rating across owners. Ratings shown as equivalent to S&P's rating scale.

directors' report. continued.

AUSTRALIAN PIPELINE TRUST AND ITS CONTROLLED ENTITIES

6.2 Asset Management

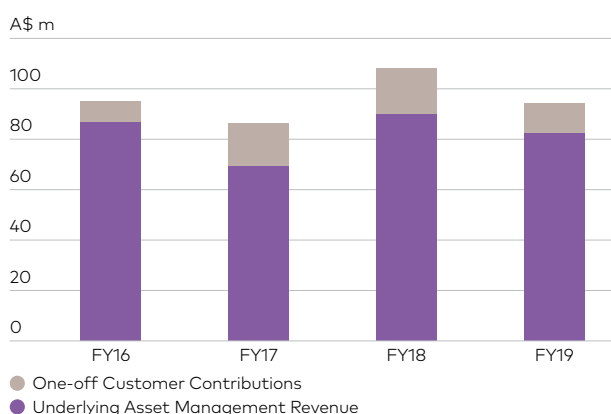
APA provides asset management and operational services to the majority of its energy investments and to a number of third parties. Its main customers are Australian Gas Networks Limited (AGN)⁽¹¹⁾, Energy Infrastructure Investments and GDI (EII). Asset management services are provided to these customers under long-term contracts. Included in this reporting segment are Customer Contributions from Transmission third party projects.

APA has the expertise and diversified skillset to provide whole-of-life asset management and operational services for high voltage power, power generation, gas rotating plant and equipment, stationary engines, gas transmission pipelines and gas distribution networks. These services also include asset inspection, vegetation management, aerial patrols, metering services and specialist utility asset services.

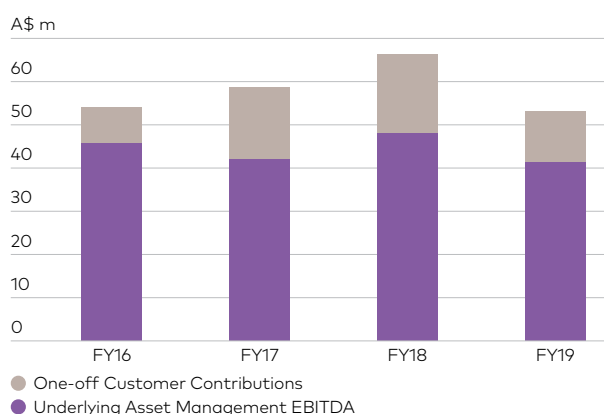
Revenue (excluding pass-through revenue) from asset management services decreased by \$14.1 million or 13.0% to \$94.4 million (FY2018: \$108.5 million) and EBITDA (excluding corporate costs) decreased by \$13.2 million or 20.0% to \$53.0 million (FY2018: \$66.2 million). This was due to reduced Customer Contribution activity in FY2019 compared to the previous year, and an outperformance in the incentive fee achieved in FY2018 for Network services that was not repeated in FY2019.

Customer contributions are payments received from a third party for APA to undertake work on the assets it manages to accommodate that third party's project. Customer contributions for FY2019 were \$11.7 million compared to \$18.0 million in FY2018. This was due to the completion of a number of significant projects during FY2018, including connection of the Northern Gas Pipeline into both APA's Amadeus Gas Pipeline and the Carpentaria Gas Pipeline, and less project activity in Victoria compared to the previous reporting period. The long term average per annum of Customer Contributions over the last five years remains at approximately \$12 million per annum. APA continues to expect annual swings in customer contributions, as these are driven by customer requirements.

Asset Management Revenue

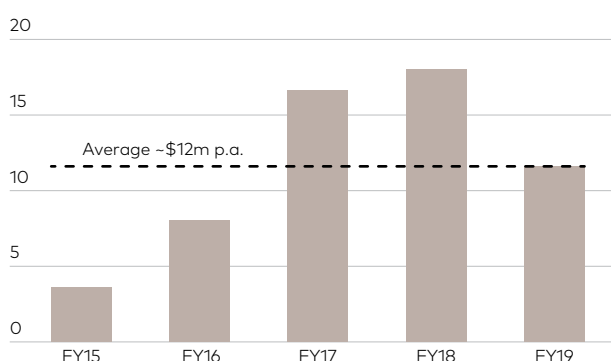


Asset Management EBITDA

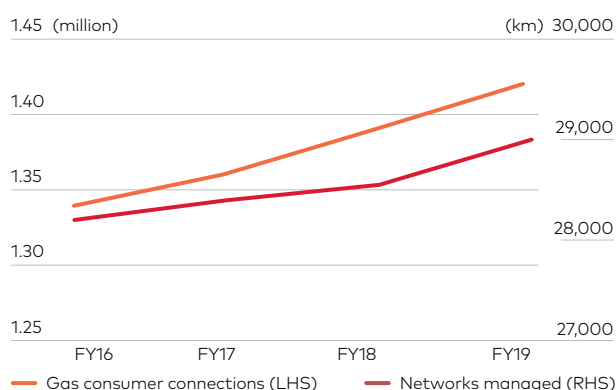


Note: From FY17 onwards, DPS and the Ethane Pipeline became fully owned assets and are managed within APA's Energy Infrastructure segment and therefore no asset management fees earned.

Customer Contributions



APA Operated Gas Networks Statistics



The Asset Management segment continues to see strong demand for gas connections in new housing developments in Victoria, with an observed slowing in South Australia and Queensland of gas connections growth compared to previous years.

11) APA sold its 33.05% stake in Envestra (subsequently renamed Australian Gas Networks or AGN) in August 2014, however, the operating and maintenance agreements remain on foot until 2027.

directors' report. continued.

AUSTRALIAN PIPELINE TRUST AND ITS CONTROLLED ENTITIES

6.3 Energy Investments

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

Asset and ownership interests		Asset details an APA services	Partners
Mortlake Gas Pipeline	 50% SEA Gas (Mortlake) Partnership	83 km gas pipeline connecting the Otway Gas Plant to the Mortlake Power Station MAINTENANCE	Rest
SEA Gas Pipeline	 50% South East Australia Gas Pty Ltd	687 km gas pipeline from Iona and Port Campbell in Victoria to Adelaide MAINTENANCE	Rest
North Brown Hill Wind Farm	 20.2% EII2	132 MW wind farm in South Australia CORPORATE SERVICES	Infrastructure Capital Group Osaka Gas
Allgas Gas Distribution Network	 20% GDI (EII)	~3,700 km Allgas gas distribution network in Queensland with ~112,500 connections CORPORATE SERVICES	Marubeni Corporation State Super OPERATIONAL MANAGEMENT
Daandine and X41 Power Stations Kogan North and Tipton West Processing Plants Directlink and Murraylink Electricity Interconnectors Nifty and Telfer Gas Pipelines Wickham Point and Bonaparte Gas Pipelines	 19.9% Energy Infrastructure Investments	Gas-fired power generation 71 MW Gas processing facilities 45 TJ/day Electricity transmission cables 244 km Gas pipelines totaling 786 km CORPORATE SERVICES	MM Midstream Investments Osaka Gas OPERATIONAL MANAGEMENT

APA's ability to manage these investments and provide operational and/or corporate support services gives it flexibility in the way it grows the business and harnesses expertise in-house, thereby delivering services from a lower cost base due to portfolio synergies.

EBITDA from Energy Investments increased by 23.3% for the reporting period to \$28.4 million (FY2018: \$23.1 million).

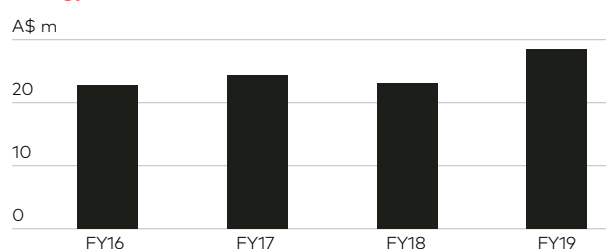
6.4 Corporate Costs

Corporate costs for FY2019 were \$80.1 million. This includes \$11.1 million of one-off costs associated with the CKI proposal during the first half of the reporting period and the former Managing Director's retirement.

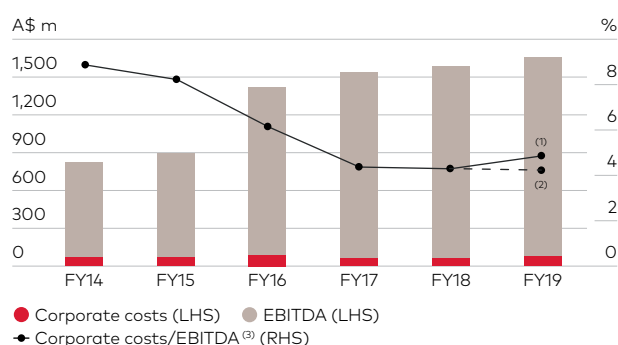
Corporate costs (net of one-off costs) for FY2019 were \$69.0 million compared to \$67.9 million for the previous corresponding period. This is a 1.6% increase compared to the 4.4% increase in EBITDA (excluding the impact of the one-off cost) during the reporting period.

APA continues to remain vigilant in keeping corporate costs contained. Nonetheless, corporate costs (net of one-off costs) increased 3.4% across FY2017 to FY2019, compared to EBITDA (net of one-off costs) increasing 7.8% for the same period. The majority of the increase has been as a result of the additional costs associated with compliance reviews and other newly introduced regulatory requirements.

Energy Investments Revenue & EBITDA



Corporate Costs



- 1) Includes \$11.1 million of costs associated with the CKI proposal and the former Managing Director's retirement.
 2) Corporate costs excluding one-off items.
 3) EBITDA excluding corporate cost.

directors' report. continued.

AUSTRALIAN PIPELINE TRUST AND ITS CONTROLLED ENTITIES

7. Capital and Investment Expenditure

Total capital expenditure (including growth projects and stay-in-business capital expenditure but excluding acquisitions and other investing cash flows) for FY2019 was \$581.3 million (FY2018: \$855.5 million). There were no acquisitions undertaken in FY2019 and therefore no investment expenditure. During FY2019, the focus has been on APA's single largest capex expenditure program in the company's history, with APA investing more than \$1.4 billion across the three year period of FY2017 to FY2019.

Capital and investment expenditure for FY2019 is detailed in the table below.

Capital and investment expenditure ⁽¹⁾	Description of major projects	30 Jun 2019 (\$ million)	30 Jun 2018 (\$ million)
Growth expenditure			
Regulated	Victorian–Northern Interconnect expansion, Warragul looping and Western Outer Ring Main (WORM)	30.6	33.0
Non-regulated			
Queensland	Darling Downs Solar Farm, Reedy Creek Wallumbilla Pipeline	17.8	199.2
New South Wales	Victorian–Northern Interconnect expansion, Western Slopes Pipeline early works, Moomba Sydney Pipeline Southern Haul and Maximum Operating Pressure Expansion	15.6	10.7
Victoria	Orbost Gas Processing Plant, early works on Crib Point to Pakenham Pipeline	175.2	116.7
Western Australia and Northern Territory	Yamarna Gas Pipeline and Gruyere Power Station, Emu Downs Solar Farm, Badgingarra Wind and Solar Farms, Agnew Lateral and the Murrin Compressor Station	192.7	369.1
Customer contribution projects and others	Includes Capacity Trading and Auction Grid enhancements and other recoverable expenditure	30.9	14.2
Sub-total non-regulated capex		432.2	709.9
Total growth capex		462.8	742.9
Stay-in business capex ⁽²⁾		93.5	85.9
Other technology expenditure		24.9	26.7
Total capital expenditure		581.3	855.5
Investment and acquisitions		—	20.0 ⁽³⁾
Total capital and investment expenditure		581.3	875.5

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

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

2) Represents stay-in-business capital expenditure not recoverable from customers and/or regulatory frameworks.

3) Represents the purchase price for the Orbost Gas Processing Plant.

Growth project expenditure in FY2019 of \$462.8 million (FY2018: \$742.9 million) was largely related to the following projects during the year:

- Construction and completion of the Yamarna Gas Pipeline and Gruyere Power Station, and Agnew Lateral, all located in WA and interconnected with the Goldfields Gas Pipeline and/or the Eastern Goldfields Pipeline;
- Construction of the Murrin Compressor Station and commencement of engineering and procurement for the Murrin Murrin lateral looping project;
- Construction of the Darling Downs Solar Farm (QLD) and Badgingarra Wind and Solar Farms (WA);
- Construction/upgrade of the Orbost Gas Processing Plant in Victoria, which is now scheduled to deliver first sales gas in Q4 CY2019; and
- Ongoing pre-investigative and preliminary license approval undertakings for the proposed (subject to customer FID) Western Slopes Pipeline and Crib Point Pakenham Pipeline projects.

Growth capital expenditure is fully underwritten through long-term contractual arrangements or has regulatory approval through a relevant access arrangement.

Stay in business (SIB) capex increased to \$93.5 million in FY2019 from \$85.9 million in FY2018, an increase of 8.8%. The increase correlates to the size and scope of APA's diverse energy infrastructure portfolio and remains in line with the long term asset management planning cycle across our assets.

directors' report. continued.

AUSTRALIAN PIPELINE TRUST AND ITS CONTROLLED ENTITIES

7. Capital and Investment Expenditure (continued)

Capital expenditure also includes ongoing business and technology spend – reflecting the continuing growth of the business and regulatory changes over the last two years. APA's Information and Technology (I&T) function works collaboratively with all APA divisions to deliver modern I&T solutions and services, which are secure, compliant and contribute to the organisation's strategic objectives and goals as the business continues to grow. In FY2019, \$24.9 million (FY2018: \$26.7 million) was invested in I&T related solutions, services and infrastructure.

Grid Analytics — turning data into an asset

In 2016, APA established a Data Analytics program with the objective of enabling more efficient, informed and timely decision making. APA treats data as an asset and we have set about building a sustainable, unified analytics platform with consistent tools and processes being applied across the entire business.

Our trusted data set, which is comprised of data from multiple enterprise systems, has grown since the program commenced and now encompasses approximately over 4TB of data across 22 billion rows.

So how do we turn this data into an asset?

Example: Within APA's Integrated Operations Centre (IOC) a visual representation of the Grid is being used to proactively monitor flow and capacity, whilst another data model is used to track customer requests and anticipate demand. This enables APA to deliver critical customer outcomes and improved customer service.



Growth projects

APA's significant FY2017 to FY2019 growth capex program has resulted in:

- Approximately 272 kilometres of new-build pipelines added to APA's footprint;
- More than 300 MW of new power generation including over 275 MW from renewable assets; and
- The connection of a new source of gas supply into the east coast gas market via APA's newest gas processing facility and connecting pipeline in Victoria.

An update on the major projects undertaken in FY2019 is as follows:

Yamarna Gas Pipeline and Gruyere Power Station (WA): Underwriting these two projects are a 15-year gas transportation agreement and a 15-year electricity supply agreement for the Gruyere Gold Project, a 50:50 joint venture between ASX listed Gold Road Resources Ltd and the global miner Gold Fields Limited. The 198 kilometre pipeline was completed in FY2018 and commissioned in FY2019. Practical completion of the 45 MW power station occurred in late 2018. APA has been supplying power to the mine since January 2019, helping the mine meet the significant milestone of "first gold pour" in the June 2019 quarter. Full loads are expected in FY2020 as the mine commissioning progresses towards full operation.

Darling Downs Solar Farm (QLD): This 110 MW solar farm is underwritten by a 12 year contract with Origin Energy. APA assumed the principal contractor role in December 2018 following the collapse of the EPC contractor RCR Tomlinson in November 2018. Through our strong project management capabilities and contract management expertise, APA was able to complete construction of the solar farm within budget and commence operations without loss of budgeted revenue. Commercial operations commenced in January 2019.

Badgingarra Wind and Solar Farms: Both projects are underpinned by a 17 year agreement with Alinta Energy. The 130 MW wind farm was commissioned and commenced commercial operations in January 2019. Construction of the 17.5 MW solar farm has been completed and is expected to commence commercial operation in August 2019.

Orbost Gas Processing Plant: APA acquired the moth-balled processing plant in FY2018. Extensive refurbishment work has been carried out on the plant during FY2019 to enable the processing of up to 70 TJ/day of gas from Cooper Energy's Sole gas field. Commissioning is expected to commence in early September to ensure delivery of first sales gas during Q4 CY2019.

directors' report. continued.

AUSTRALIAN PIPELINE TRUST AND ITS CONTROLLED ENTITIES

7. Capital and Investment Expenditure (continued)

Helping customers gear up for peak demand — smart initiatives like the Moomba Sydney Pipeline Southern Haul project

Reliability of energy supply when it is needed is what we all expect – energy on demand. Our expectations as consumers increase during peak demand periods when temperatures are high in summer, or when we need heating in winter. We expect that we can flick a switch and our expectations will be instantly met every time. The strain on the National Electricity Market (NEM) across eastern Australia has been increasing over the past few years with the retirement of aging coal-fired generators. As a result, the NEM is being put under increased pressure at peak capacity times. Some renewable energy has been added into the network system, but it does not necessarily generate energy when it is needed, and when it does, the technology is not yet available to store significant amounts of energy for when it might be needed.

Gas is able to provide the reliable, fast start cleaner energy that is needed. To help alleviate this situation quickly, APA took the initiative and committed to the Southern Haul Reliability and Expansion project on the Moomba Sydney Pipeline. This has involved pre-investing in capital works to increase operating pressures in some sections, renewing and improving critical control systems and spending capital on compressor reliability. The outcome of this will be APA being able to provide up to 27 TJ/day of additional capacity from winter 2019 onwards, to meet our customer's requirements so they can meet consumer demand expectations.

APA is working with producers throughout eastern Australia to bring more gas to market. During FY2019, APA signed a Memorandum of Understanding with Comet Ridge Limited and Vintage Energy Limited to commence an in-field work program to select a pipeline route to connect the Queensland Galilee Basin to eastern gas markets. This will be a significant pipeline project for APA with important beneficial outcomes for the tight eastern Australian gas market.

In March 2019, the Federal Government announced APA's proposed Dandenong Power Station project as a shortlisted project under its Underwriting New Generation Investments (UNGI) scheme. The UNGI program aims to provide financial support to facilitate the development of new firm generation capacity in the NEM. APA's proposed power station would offer customers very fast start, efficient electricity generation and would be designed to support and complement penetration of the NEM by renewables. Located adjacent to APA's existing Dandenong gas storage facilities, the proposed site of the power station is ideally located close to both gas demand and supply and would leverage APA's existing infrastructure. It has been designed as a two-stage project with stage 1 comprising 12 fast start gas fuelled reciprocating engines with a capacity of approximately 220 MW. Stage 2 would deliver an additional six units generating approximately 110 MW of gas-fired power. The UNGI process is still in the very early stages of project assessment at this time, and APA continues to work on identifying a customer to underwrite the project.

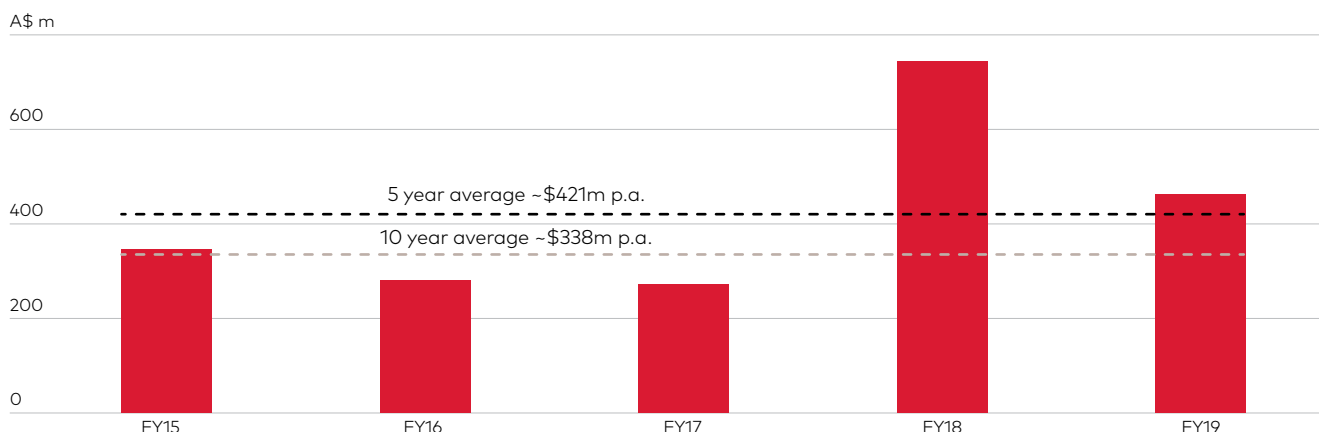
Preliminary work continued during the reporting period on the proposed pipeline projects with AGL Energy Limited and Santos Limited, both of whom continue to work through the feasibility of their own significant projects.

APA entered into a Development Agreement with AGL Energy Limited in June 2018 for the development and construction of the approximate 60 kilometre Crib Point Pakenham Pipeline, subject to AGL achieving FID on their proposed Crib Point Gas Import Jetty Project in Victoria. AGL have indicated they expect the outcome of the Environmental Effects Statement to occur no earlier than late FY2020, following which AGL expects to move to FID. If AGL approve their proposed import jetty project, AGL expects first gas to be delivered to Crib Point in the second half of FY2022.

Similarly, APA has an agreement in place, subject to FID by Santos Limited of its Narrabri Gas Project, to potentially develop and build a new approximately 460 kilometre pipeline to be called the Western Slopes Pipeline, connecting the Narrabri gas resource to the east coast gas market. Over the last year, APA has continued to work on various approvals and landowner engagements for both projects. Additional details of APA's project engagement is included in APA's FY2019 Sustainability Report.

If both projects achieve FID approval, they will provide much needed new sources of gas supply into Australia's east coast market. More gas supply is expected to put downward pressure on the high gas prices that domestic manufacturers and consumers are currently faced with.

APA's growth capex history



directors' report. continued.

AUSTRALIAN PIPELINE TRUST AND ITS CONTROLLED ENTITIES

7. Capital and Investment Expenditure (continued)

APA has a strong history of investing in energy infrastructure and since listing, has invested well over \$14 billion into Australia's energy infrastructure network. Over the last 10 years on average, APA has invested over \$300 million per annum of growth capex, and in the last five years that average has increased to around \$421 million per annum.

APA continues to work closely with customers on a range of capex project opportunities and continues to expect growth capital expenditure to be in the order of \$300 to \$400 million per annum over the next two to three years.

8. Financing Activities

8.1 Capital Management

As at 30 June 2019, APA had 1,179,893,848 securities on issue. This is unchanged from 30 June 2018.

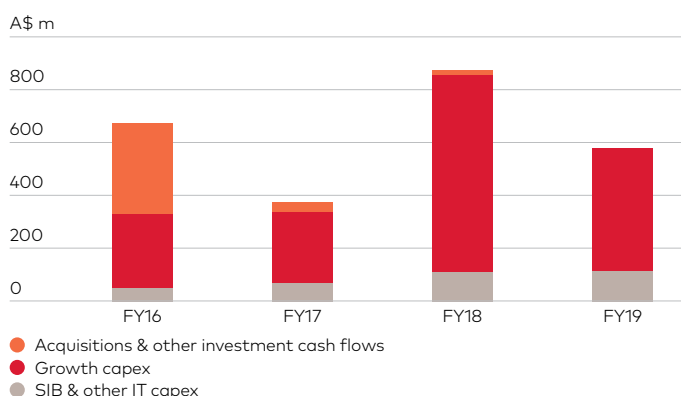
APA funds its growth with appropriate levels of equity, cash retained in the business and debt, in order to maintain strong BBB and Baa2 credit ratings.

As at 30 June 2019, APA had \$1.9 billion in cash and committed undrawn facilities available to assist in the ongoing funding of the business and planned growth activities looking ahead.

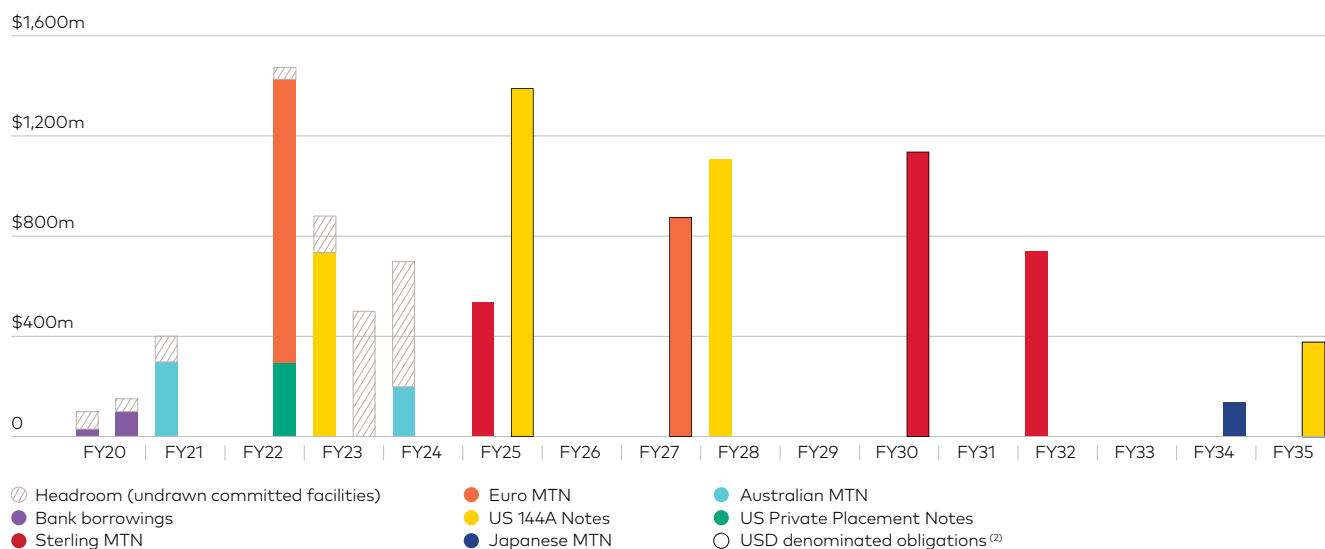
At 30 June 2019 APA had \$9,352.1 million (\$8,810.4 million as at 30 June 2018) of committed drawn debt facilities, with an additional \$1,550 million of undrawn committed bank facilities available to the business.

APA has issued debt into a diverse range of global bond and banking markets, such as US Private Placement Notes, Medium Term Notes in several currencies (Australian and Canadian dollars, Euros, Sterling and Japanese Yen), United States 144A Notes and Australian dollar Syndicated and Bilateral bank facilities. The debt portfolio has a broad spread of maturities extending out to FY2035, with an average maturity of drawn debt of 6.8 years as at 30 June 2019.

Capital and investment expenditure



APA debt maturity profile and diversity of funding sources ⁽¹⁾



1) APA debt maturity profile as at 31 July 2019.

2) USD denominated obligations translated to AUD at the prevailing rate at inception (USD144A – AUD/USD=0.7879, EMTN & Sterling AUD/USD=0.7772).

APA maintains a prudent treasury policy that requires high levels of interest rate hedging to minimise the potential impacts from adverse market movements. As at 30 June 2019, 100.0% (30 June 2018: 97.7%) of interest obligations on gross borrowings were either hedged into or issued at fixed interest rates for varying periods extending out to 2035.

directors' report. continued.

AUSTRALIAN PIPELINE TRUST AND ITS CONTROLLED ENTITIES

8.1 Capital Management (continued)

Financing activities for APA during the financial year included:

Timing	Financing activity
September 2018	Repayment of \$95.8 million (US\$63.0 million) of US Private Placement Notes at maturity
March 2019	Issuance of £400 million (A\$742.4 million) of 12.3 year fixed rate Notes from its Euro Medium Term Note Programme
May 2019	Extension of a \$50 million Bilateral Bank Facility for 3 years to May 2022 and repayment of \$219.4 million (US\$122.0 million and A\$68.2 million) of US Private Placement Notes at maturity
June 2019	Issuance of ¥10 billion (A\$132.9 million) 15 year fixed rate Notes from its Euro Medium Term Note Programme

Since FY2019 end, APA has also repaid:

- \$99.0 million (USD 75.0 million) of US Private Placement Notes at maturity (1 July 2019); and
- \$289.5 million (CAD 300.0 million) of Medium Term Notes at maturity (24 July 2019).

Through these financing activities, APA has been able to extend the average tenor of its debt facilities and lower the average cost of our debt portfolio, delivering annualised interest savings in the order of \$23 million per year. The diverse debt portfolio demonstrates the support APA has from global debt capital markets, with the latest S&P Global Ratings update for APA (November 2018) stating, "We view APA as having good relationships with its banks, a high standing in the credit market, and prudent risk management."

APA acquired the Wallumbilla Gladstone Pipeline in June 2015. Revenues are denominated in USD and were initially received in June 2015 from the 20 year foundation contracts. Operating costs are passed through to the shippers. Today, around US\$3 billion (i.e. US 144A Notes maturing in 2025 and 2035, Euro MTN maturing in 2027 and Sterling MTN maturing in 2030), of the original US\$3.7 billion of debt that was borrowed to assist with funding of that acquisition, is retained in, or swapped into, US dollar denominated debt obligations at an all-in annual rate of 4.61%. This USD debt is being managed as a "designated hedge" for those virtually certain revenues.

During the reporting period, APA undertook a restructuring of the hedging in respect of the 2022 €700 million issued in March 2015. This issue was originally part of the designated hedge relationship noted above and was originally swapped into US dollars. In September 2018, APA unwound the cross currency interest rate swaps (CCIRS) in respect of that issue and put in place new CCIRS, converting the debt to an Australian dollar liability (A\$1,132 million) enabling the revenues from March 2019 to March 2022 to be hedged back into Australian dollars. Due to that hedge restructure, APA received some \$151 million in cash from the CCIRS unwind.

APA has hedged the US dollar denominated Wallumbilla Gladstone Pipeline revenues receivable from March 2019 to March 2022 at the rates in the table below.

Period	Average forward USD/AUD exchange rate
FY2019	0.7020
FY2020	0.7192
FY2021	0.7199
FY2022 (to March 2022)	0.7099

A large portion of the net revenue from April 2022 remains in the designated hedge relationship with the remaining US\$3 billion in debt and as such, when that revenue is receivable and hedged, it will be recognised in the profit or loss largely at future hedge rates.

8.2 Interest costs

Net interest costs decreased in FY2019 by \$12.2 million to \$497.4 million (FY2018: \$509.7 million). The 2.4% decrease in FY2019 relative to FY2018 is primarily due to the refinancing of higher cost debt. This included the Japanese Yen Medium Term Notes that matured in June 2018; the US Private Placement Notes that matured in September 2018 and May 2019; the APA Group Subordinated Notes that were redeemed 31 March 2018; as well as an increase in capitalised interest associated with APA's growth projects.

The average interest rate (including credit margins) applying to drawn debt was 5.53% for FY2019 (FY2018: 5.65%), reflective of the partial year impact of the higher interest costs of some of the abovementioned facilities.

directors' report. continued.

AUSTRALIAN PIPELINE TRUST AND ITS CONTROLLED ENTITIES

8.3 Credit ratings

APT Pipelines Limited, the borrowing entity of APA, maintained the following two investment grade credit ratings during the 2019 financial year:

- BBB long-term corporate credit rating assigned by Standard & Poor's (S&P) in June 2009, and last confirmed on 21 November 2018; and
- Baa2 long-term corporate credit rating (outlook Stable) assigned by Moody's Investors Service (Moody's) in April 2010, and last confirmed on 26 February 2019.

APA calculates the Funds From Operations (FFO) to Interest to be 3.0 times (FY2018: 3.0 times) and FFO to Net Debt to be 10.8% for FY2019 (FY2018: 10.7%). FFO to Net Debt is the key quantitative measure used by S&P and Moody's to assess APA's credit worthiness and credit rating.

APA's credit metrics continue to strengthen as increasing operating cash flow allows the funding of both increased securityholder distributions and increased growth capex which delivers increased EBITDA and, in turn, increased operating cash flow. With FFO to Net Debt of 10.8% and FFO to Interest of 3.0 times being at the stronger end of BBB/Baa2 rating metric guidelines, APA continues to have confidence that the balance sheet can continue to support both organic growth and long term growth in securityholder distributions. APA's FFO to Net Debt has been between 10% and 11% for the past three years and we expect this to continue for FY2020.

8.4 Income tax

Income tax expense for the financial year of \$177.0 million results in an effective income tax rate of 38.1%, compared to 38.4% for the previous corresponding period. The high effective rate is due to the significant amortisation charges relating to contract intangibles acquired with the Wallumbilla Gladstone Pipeline, which are not deductible for income tax purposes.

After utilisation of available tax losses and Research and Development tax offsets, income tax of \$71.8 million will be payable in respect of the year ended 30 June 2019 (FY2018: \$52.0 million). The cash tax payable results in an effective tax paid rate of 15.4% in FY2019 compared to 12.1% in FY2018. With PAYG instalments of \$39.8 million having already been paid, a tax provision of \$32.0 million has been recognised. APA has provided a Tax Transparency Report, which includes a reconciliation of profit to income tax payable on APA's website at <https://www.apa.com.au/investors/my-securities/tax-information/>.

To assist APA Securityholders who wish to submit their annual tax return prior to receiving their annual APA Tax Statement in mid September, APA has developed an online tax estimator tool.

The Estimator tool will generate Pro Forma Tax Return Inputs based on information entered by Securityholders and therefore should be considered "indicative only" compared to the confirmed accurate information contained in APA's Annual Tax Statement. The Tax Estimator will be available under the Investor section on APA's website following confirmation by the Board via an ASX release of the final FY2019 distribution (<https://www.apa.com.au/investors/my-securities/apa-annual-tax-statement-estimator/>).

8.5 Distributions

Distributions paid to securityholders during the financial year were:

	Final FY2018 distribution paid 12 September 2018		Interim FY2019 distribution paid 13 March 2019	
	Cents per security	Total distribution \$000	Cents per security	Total distribution \$000
APT franked profit distribution	8.93	105,412	7.47	88,099
APT unfranked profit distribution	0.00	—	2.03	24,024
APT capital distribution	9.03	106,513	6.58	77,668
APTIT profit distribution	2.90	34,228	2.97	35,014
APTIT capital distribution	3.14	37,022	2.45	28,872
Total	24.00	283,175	21.50	253,677
Franking credits allocated	3.83		3.20	

directors' report. continued.

AUSTRALIAN PIPELINE TRUST AND ITS CONTROLLED ENTITIES

8.5 Distributions (continued)

On 21 August 2019, the Directors declared a final distribution for APA for the financial year of 25.5 cents per security which is payable on 11 September 2019. Franking credits of 3.66 cents per security will be allocated to the APT franked profit distribution. The FY2019 final distribution comprises the following components:

	Final FY2019 distribution payable 11 September 2019	
	Cents per security	Total distribution \$000
APT franked profit distribution	8.53	100,663
APT capital distribution	10.44	123,153
APTIT profit distribution	2.55	30,056
APTIT capital distribution	3.98	47,002
Total	25.50	300,874
Franking credits allocated	3.66	

As a result, the total distribution applicable to the year ended 30 June 2019 is 47.0 cents per security, a 4.4% increase over the total distribution of 45.0 cents per security applicable to the year ended 30 June 2018. Franking credits allocated for the year ended 30 June 2019 distribution totalled 6.86 cents per security.

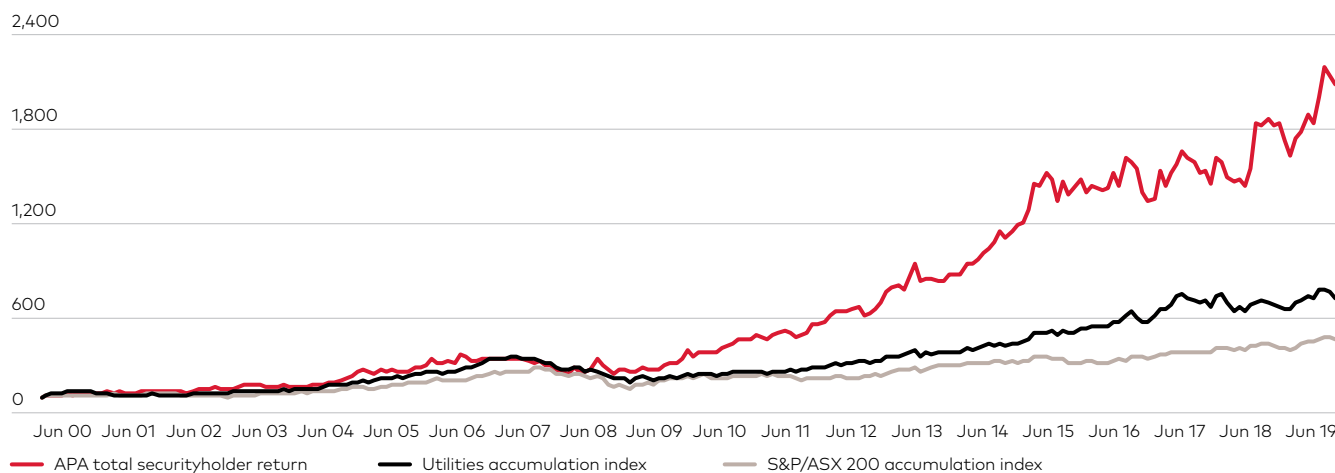
The Distribution Reinvestment Plan remains suspended.

8.6 Total securityholder return

APA's total securityholder return for the financial year, which accounts for distributions paid plus the capital appreciation of APA's security price and assumes the reinvestment of distributions at the ex-distribution date, was 15.0%⁽¹²⁾.

APA's total securityholder return since listing in June 2000 on the ASX, is 2,083⁽¹³⁾, a compound annual growth rate of 17.2%.

APA total securityholder returns since listing (June 2000) to 19 August 2019



8.7 Guidance for 2020 financial year

Based on current operating plans and available information, APA expects EBITDA for the full year to 30 June 2020 to be in a range of \$1,660 million to \$1,690 million.

Net interest cost is expected to be in a range of \$505 million to \$515 million.

Distributions per security for the 2020 financial year are expected to be in the order of 50.0 cents per security, with franking credits which may be allocated to those distributions enhancing that cash payout.

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

	FY2020 guidance	FY2019 actual
EBITDA (\$ millions)	\$1,660 to \$1,690	\$1,573.8
Net interest cost (\$ millions)	\$505 to \$515	\$497.4
Total distribution (cents per security)	In the order of 50.0 cents	47.0 cents

¹²⁾ Figures quoted are sourced from Refinitiv Eikon and measured as at 30 June 2019.

¹³⁾ Indexed from 13 June 2000, the date of APA's listing on the ASX.

directors' report. continued.

AUSTRALIAN PIPELINE TRUST AND ITS CONTROLLED ENTITIES

9. Regulatory Matters, Energy Policy and Energy Industry Developments

Australia's economic regulatory regime for gas pipelines is set out in the National Gas Law (NGL) and the National Gas Rules (NGR). Some of APA's pipelines have been covered by the National Gas Access Regime since it was introduced in the 1990's. This regime includes mechanisms for regulatory pricing approval for "fully regulated" pipelines, and lighter obligations for "light regulation" pipelines.

Gas Policy developments

Additional information disclosure and commercial arbitration rules came into effect in August 2017 (December 2017 in Western Australia) and applies to APA's unregulated pipelines, which are known by the term "non-scheme" pipelines. APA has worked with the Gas Market Reform Group, Australian Energy Market Operator and the industry on the design and implementation of the additional rules over the past four years.

During FY2019, the implementation of the remaining market policy revisions under the direction of the COAG Energy Council was completed.

Part 23 compliance – roll out

In October 2018, APA published its first set of financial statements and associated information as specified under Part 23 of the National Gas Rules. Together with the January 2018 publication of APA's pricing principles and methodology, and standing terms, prospective pipeline users now have available a broad range of information to enable enhanced assessment of pipeline service offers. APA has continued to work with our customers to negotiate commercial terms that are acceptable and beneficial for all parties. There have been no formal access requests that could lead to arbitration since that formal process was introduced in August 2017. APA's experience is that our gas transportation customers continue to work with us to develop commercial arrangements that are mutually beneficial and satisfactory to all parties.

The ACCC is expected to shortly release its interim report on its review of Part 23 information lodged by industry participants in October 2018.

Part 24 and 25 capacity trading and auction

APA undertook extensive business system developments to ensure the successful implementation on 1 March 2019 of both a Capacity Trading Platform for the secondary trade of pipeline capacity, and a daily auction facility of firm contracted but un-nominated pipeline capacity. Both facilities are being run by the Australian Energy Market Operator (AEMO).

COAG Energy Council Regulation Impact Statement (RIS)

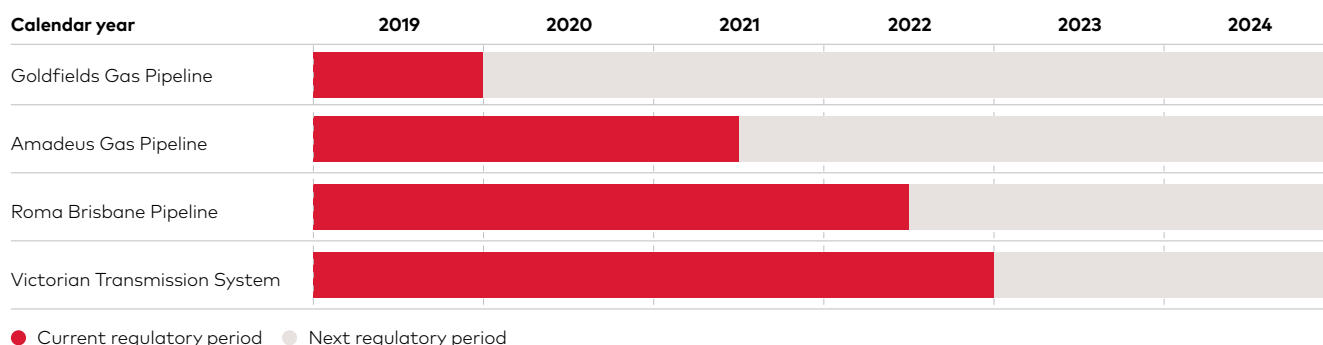
In late December 2018, the COAG Energy Council Senior Committee of Officials released the terms of reference for a RIS on the recent raft of gas pipeline regulation reform actions. APA has been engaging in this process and an initial draft public report for consultation is expected to be released in October 2019.

Security of Critical Infrastructure

The Federal Government introduced the Security of Critical Infrastructure Act 2018 in April 2018 with the objective of providing a framework for managing risks to national security relating to critical infrastructure by improving transparency of ownership and operational control of critical Australian infrastructure. All required information on APA's assets and investment assets which met the threshold criteria under the legislation was submitted to the Critical Infrastructure Register during the reporting period. This included information on pipelines, gas storage facilities, power stations and electricity interconnectors. APA continues to work with the Critical Infrastructure Centre to ensure completeness and accuracy of existing and new assets in the register.

Regulatory resets

The diagram below outlines the scheduled regulatory reset dates for pipelines owned and operated by APA. During FY2019, approximately 8.3% of APA's Energy Infrastructure revenues were revenues that are subject to regulated outcomes.



directors' report. continued.

AUSTRALIAN PIPELINE TRUST AND ITS CONTROLLED ENTITIES

9. Regulatory Matters, Energy Policy and Energy Industry Developments (continued)

Key regulatory matters addressed during the year included:

Goldfields Gas Pipeline access arrangement

The Western Australian Economic Regulation Authority has released a draft decision on proposed revisions to the Access Arrangement for the Goldfields Gas Pipeline, which had been submitted to the regulator for approval in December 2018. The draft decision is in accordance with current legislation, and applies only to the covered (regulated) capacity in the pipeline. A recommendation, by the AEMC, that the uncovered capacity of otherwise covered pipelines be covered, and regulated, has not yet been resolved. A final decision on the Access Arrangement revision proposal is expected from the Economic Regulation Authority late in 2019.

Regulator WACC decision

In December 2018, the Australian Energy Regulator and the Economic Regulation Authority of Western Australia published their respective rate of return instruments that are binding on regulated businesses and the regulator until December 2022. Although there are some differences in the detail contained within each instrument, the resulting rates of return are very similar. APA understands the need to ensure that energy prices are as affordable as possible and that allowed returns have a direct linkage to energy prices. However, regulators over the last few years have reduced allowed returns to a level where continued investment in essential energy infrastructure is threatened. APA does not see this as being in the long term interest of consumers, particularly where pipeline construction and expansion needs to be encouraged to ensure supply from new gas fields is developed.

Energy industry developments

The Energy Charter – industry initiative

APA plays a key role in delivering energy throughout Australia. We want that energy to be affordable, reliable and sustainable for all Australians and note the challenges in achieving this, particularly as the energy industry transitions towards a lower carbon future. We are one part of the energy industry supply chain and understand that to deliver on these objectives, each business across the whole of the energy supply chain needs to play its part.

In that context, APA was a driving force behind the Energy Charter initiative. The Energy Charter brings together businesses across the gas and electricity supply chains under a common set of principles and more detailed principles in action to improve customer outcomes. Currently, there are 18 signatories to the Energy Charter.

APA is committed to the 5 principles of the Energy Charter:

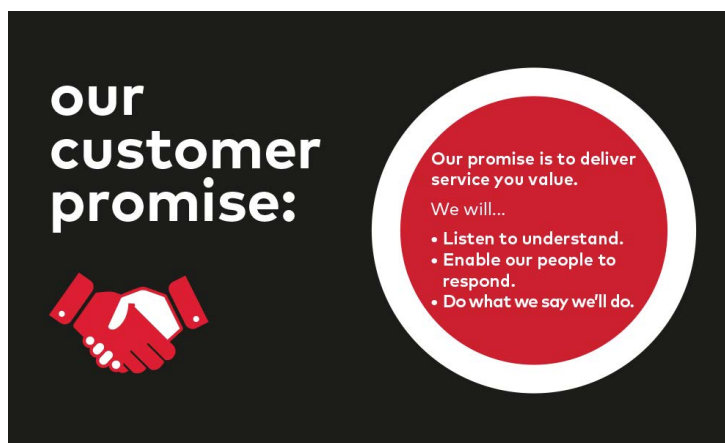
- 1) We will put customers at the centre of our business and the energy system
- 2) We will improve energy affordability for customers
- 3) We will provide energy safely, sustainably and reliably
- 4) We will improve the customer experience
- 5) We will support customers facing vulnerable circumstances



Signatories are required to disclose their performance against each principle and principle in action on an annual basis. The first disclosure reports are due to be provided to an independent Accountability Panel by 30 September 2019. Signatories' disclosure reports will be publicly available. The Panel will evaluate the disclosures and publish a report setting out findings and recommendations for continuous improvement by each business and the industry as a whole by 30 November 2019. APA's Energy Charter disclosure report and the Accountability Panel report will be available on the Energy Charter Accountability Panel website, as well as being accessible via APA's website.

APA's Customer Promise

Initially developed independently to the Energy Charter initiative, APA has reviewed the 'customer experience' from the perspective of our infrastructure customers. This included independent customer surveys seeking feedback on what is important to each customer and their current perception of what APA does well and what needs improvement. APA's Customer Promise is a commitment by all of our employees, whether directly customer facing or not, about listening to our customers, ensuring we have the right structure and tools that our people can respond and doing what we say we'll do.



directors' report. continued.

AUSTRALIAN PIPELINE TRUST AND ITS CONTROLLED ENTITIES

9. Regulatory Matters, Energy Policy and Energy Industry Developments (continued)

The Principles of APA's Customer Promise are consistent with the Principles of the Energy Charter and therefore both initiatives come together to improve APA's customer centric culture. The Customer Promise was launched internally during the first half of FY2019 through a series of workshops and presentations across APA's operations Australia-wide. The external rollout of APA's commitment to customers took place throughout July and August 2019 on the east coast, with the launch for Western Australian customers in October 2019.

10. Sustainability

APA believes that climate change is one of the most significant issues facing the energy industry and the Australian community in general. We also believe that natural gas and our diversified energy asset portfolio will play an important role in the shift to a lower carbon future. APA also recognises and is working to address the challenges in the energy industry to restore trust, ensure reliability of energy supply whilst also driving improved affordability and reduced emissions.

For APA sustainability means:

- We are active in helping to displace more carbon-intensive options – like coal or oil – both in Australia and overseas;
- We are proactive in continuing to grow and build our portfolio of renewable energy assets such as wind and solar;
- We will investigate, develop and invest in solutions to support renewable energy with firming capacity;
- We will explore, collaborate and actively support the design, testing and commercialisation of cleaner energy sources (such as hydrogen and renewable methane) where it makes sense to do so;
- We put our customers at the centre of what we do;
- We operate our assets safely and efficiently whilst also understanding, measuring and ultimately looking to reduce our impact on the environment; and
- We engage with all our stakeholders – customers and consumers, employees, contractors, investors, landowners, communities, regulators and policy makers – regularly and honestly.

APA initiated an enterprise wide environmental, social and governance (ESG) review and improvement program in FY2018 and progressed in FY2019 to assess our current capabilities in respect of ESG criteria, and to identify improvements to both our capabilities and disclosures.

Key elements of the program include:

- Assessing climate risk utilising the Task Force on Climate-related Financial Disclosures (TCFD) including analysis of three divergent climate related scenarios to identify climate related risks and opportunities for APA over the next ten years;
- A review of APA's environmental management practise to ensure APA is meeting or exceeding environmental regulatory compliance; and
- Reviewing and implementing improvements in the processes and systems to gather and verify data for greenhouse gas reporting.

This is a multi-year improvement program. In terms of reporting on FY2019 progress and outcomes, a comprehensive Sustainability Report has been prepared as a complement to this Directors' Report. It is available on APA's website (www.apa.com.au) under both the About APA/Sustainability section and Investors/Reports and Presentations sections.

Sustainability is a whole of company responsibility, championed by APA's Board who are supported by the Audit and Risk Management Committee and the Executive Risk Management Committee. The FY2019 Sustainability Report details APA's approach to climate change governance; identification of material financial and non-financial risks against TCFD; our performance and initiatives in relation to our customers, our people and safety, the environment and communities and suppliers. Included in the Directors' Report below is a summary of APA's Health and Safety Reporting and Environmental and Compliance Reporting.

From the scenario analysis and risk assessment undertaken, APA is confident that our business is physically and financially resilient to climate related transitional and physical risks for at least the next ten years. The business will continue to monitor and assess emerging risks and opportunities in relation to climate change. As we mature in the use of TCFD, we anticipate that the time horizon used for future scenario analysis will be extended beyond ten years to be more consistent with the long-lived nature of our assets.

Natural gas and gas peaking plants serve a critical role now and into the future in supporting the integration of renewable energy into Australia's National Electricity Market and continuing to displace more carbon intensive fossil fuels such as black and brown coal and oil. APA believes Australia should leverage its current and future investments in gas and gas related infrastructure to deliver long term, reliable, secure and cost-effective carbon reductions.

APA is committed to providing stakeholders with improved metrics to fairly assess the management of climate related impacts and more detailed work on appropriate metrics and targets will commence in FY2020.

directors' report. continued.

AUSTRALIAN PIPELINE TRUST AND ITS CONTROLLED ENTITIES

10.1 Health and safety reporting

APA aspires to a zero harm workplace for its employees and contractors. In FY2019, the Total Reportable Injury Frequency Rate (TRIFR) was 5.98, down from 8.94 in FY2018. The TRIFR metric includes employees and contractors. The reduction in injuries can be attributed to the increased focus placed on Health and Safety during the year. Activities such as APA's active monitoring program requires our leaders to engage with employees on Health and Safety topics and the continued use of 'lessons learned' communications arising from incident investigations to help further prevent injuries and incidents. Importantly, there were no fatalities of employees or contractors in FY2019 (FY2018: nil).

APA's current Health, Safety and Environment (HSE) Strategic Plan has been designed to further develop APA's HSE framework, systems, culture and initiatives to prevent harm to our people, contractors and the broader community, and to deliver a sustainable future.

The HSE Plan consists of seven strategic themes:

Strategic Theme	Planned Outcomes
Fitness for Work	Healthy employees promoting APA as a great place to work resulting in improved efficiencies
Environment Management	Improved environmental compliance & awareness achieved across APA
Contractor Management	Improved contractor performance & reduction in contractor incidents
HSE Leadership & Behaviours	Leaders are uncompromising & engage employees and contractors in HSE conversations and support behaviours
Safety Days	Safety Days contribute to educating our workforce on HSE risks & become a hub for sharing HSE information
Fatal Risk Protocols	Fatal Risk Protocols are well understood & all risk controls implemented
Safeguard Improvements	Safeguard HSE Management System is well understood & consistently applied across all of APA

● Culture ● Compliance

Each strategic theme includes detailed implementation plans. An example of this in action was the revision of APA's Alcohol and Drug Policy under the Fitness for Work theme as well as developing and implementing a new Alcohol and Other Drugs protocol which now includes random alcohol testing at APA sites. Increasing the profile of these important health and safety issues through education at work can also help positive impacts flow on to our people in their lives outside of APA.

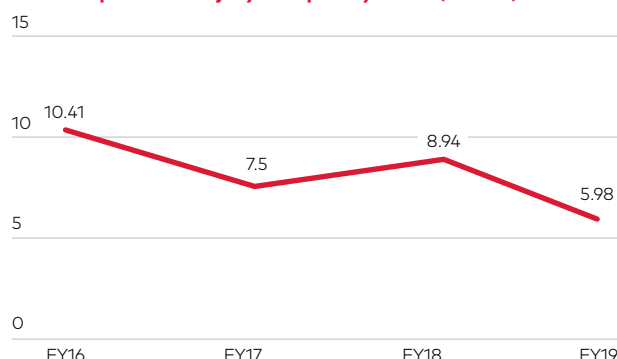
The use of contractors in APA is an essential part of our extensive and diversified business. While we have seen some improvement of the Health and Safety metrics in FY2019 for Contractors, we will continue to keep a focus on improving performance in this area. During the year we have conducted Contractor Safety performance reviews directly with some of our contractors to discuss and work to improve safety performance. This forum also provides an opportunity for contractors to provide direct feedback to APA on its systems and processes.

During the reporting period, APA also commenced initial Health and Safety culture assessments within the Transmission and Networks businesses to understand the level of safety culture maturity of work teams. These culture assessments resulted in the development of plans with each team, identifying the actions they will take to further progress their safety performance. Some of the common themes to arise from the assessments included action plans to improve both the timely reporting of incidents and ensuring timely closure of corrective actions arising from incident investigations and audits. The safety culture maturity assessment program will continue throughout FY2020 as APA recognises this is an area of importance to further improve our overall safety culture and performance.

As part of APA's continuous focus on safety, we have refreshed our Fatal Risk Protocol Awareness program addressing our nine Fatal Risk Protocols (FRP) including driving, confined spaces and working at heights. One of the initiatives developed and implemented during the reporting year included using 'storytelling' methods and videoing some of our leaders reliving either actual or near fatal risk events that may have resulted during their career, and the personal impact on them. The FRP program also includes a follow-up brief training and assessment program to ensure that employees understand the key risk preventive measures documented in our FRP's. This program has been a big success at APA with our employees providing a lot of positive feedback as it generates extensive discussions throughout the company.

Each year APA employees drive over 16 million kilometres travelling into remote and isolated parts of Australia. Since the introduction of the In-Vehicle Monitoring System to all of our Transmission vehicle fleet in FY2017, we are now using this data to help us to further improve driver safety performance. An example is the development of a driver safety scorecard that provides drivers with their individual driver safety performance score, which also recognises good driver safety performance. This performance scorecard provides drivers with the opportunity to self-correct any potential unsafe driving practices such as speeding and allows leaders to have meaningful discussions with employees. The introduction of the driver safety scorecard has seen a marked improvement of driver safety performance.

Total Reportable Injury Frequency Rate (TRIFR)



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

directors' report. continued.

AUSTRALIAN PIPELINE TRUST AND ITS CONTROLLED ENTITIES

10.1 Health and safety reporting (continued)

Process Safety — empowering employees to operate safely

APA has grown significantly since listing in June 2000 with 6 employees and around 7,000 kilometres of pipeline interests and/or ownership. Today, APA is hugely different in terms of size and diversity of the energy infrastructure within its portfolio. With more than 1,800 employees across mainland Australia, the business now owns and/or operates assets in excess of \$21 billion of assets across mainland Australia.

What hasn't changed however, is APA's commitment to Zero Harm for all employees and contractors. Therefore, there was a need to develop a comprehensive framework to manage process safety.

Process safety is where the necessary processes, systems and behaviours are in place to empower APA employees and contractors to operate assets safely, such that there is no major accident event as a result of an energy or harmful substance release.

During the reporting period, APA began a roll out of process safety principles and systems across the business. These included:

- Updating of APA's HSE management system and fatal risk protocols
- Development and improvement of a range of key processes and systems
- Training in process safety fundamentals

A pilot roll out of the APA process safety fundamentals workshop was completed at key locations in FY2019 to determine if the right approach was being undertaken to ensure maximum benefit and learnings.

Following positive feedback from the pilot workshops, training programs have commenced for all who work with or support APA's Transmission and Midstream assets. This segment of the program is due for completion at the end of 1st quarter 2020.

Plans are in place to roll out the programs across the Networks and Power businesses in FY2021. Ongoing improvements are on foot to ensure the systematic management of process safety risks is also underway.

Process Safety Fundamental Expectations



1. Always report process safety risk and participate in the solution.



2. Always report and investigate process safety incidents.



3. Always follow safety critical procedures and permit to work.



4. Always operate with safety critical devices armed unless authorised to deviate.



5. Always operate within safe operating limits.



6. Always respond to alarms and prioritise during abnormal operation.



7. Always act and report harmful substance releases.



8. Always obtain authorisation before modifying assets.

For further information on APA's health and safety initiatives, please refer to APA's FY2019 Sustainability Report.

10.2 Environmental compliance and reporting

APA operates its assets under a number of approved environmental regulatory instruments within relevant federal, state and territory jurisdictions. Collaboration between APA's Technical & Regulatory and Environment & Heritage Team functions ensures that environmental obligations are planned for concurrently with other regulatory requirements so that pipeline, distribution, power and gas processing assets owned and/or operated by APA are designed, constructed, tested, operated and maintained in accordance with requirements of the relevant regulatory departments.

APA received one regulatory notice relating to environmental compliance during the reporting period as a result of the late submission of the annual National Pollutant Inventory (NPI) report for Daandine Power Station. APA complies with all periodic and ad hoc federal, state and territory environmental reporting obligations.

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

APA's summary of Scope 1 and 2 emissions and energy consumption for FY2018 as reported under NGER compliance, are set out in the table below.

During the reporting period, APA worked with the Clean Energy Regulator (CER) to conduct a quality review of APA's current and historic emissions reporting figures. As a result of that review, FY2018 and FY2017 Scope 1 and 2 emissions and energy consumption figures have changed from those reported in our previous disclosures. The changes are due to identified unit and accounting errors, now rectified in APA's emissions reporting processes and agreed with the Clean Energy Regulator.

	FY2018	FY2017	Change
Scope 1 ⁽¹⁾ CO ₂ emissions (tonnes)	1,205,766	1,241,632	(2.9)%
Scope 2 ⁽²⁾ CO ₂ emissions (tonnes)	178,445	367,387	(51.4)%
Energy consumption ⁽³⁾ (GJ)	25,777,203	26,793,268	(3.8)%

1) Scope 1: emissions associated directly with APA facilities, such as company vehicles, 'fuel combustion' and fugitive emissions from gas pipelines.

2) Scope 2: are indirect emissions such as consumption of purchased electricity/fuel not generated by the facility but used under its operations or electricity line loss.

3) Energy Consumption is referring to the total calculation of all energy consumed and produced by APA across all facilities.

directors' report. continued.

AUSTRALIAN PIPELINE TRUST AND ITS CONTROLLED ENTITIES

10.2 Environmental compliance and reporting (continued)

The significant reduction in Scope 2 emissions from FY2017 to FY2018 is almost entirely attributable to line loss from the Directlink Interconnector. Whilst the CER has confirmed their satisfaction with the Scope 2 data, APA is undertaking additional work to understand the reasons for the variance, including investigating operational trends as well as the integrity of line loss raw data.

Reports are completed each year at the end of October for the prior financial year to allow organisations time to collect, collate and calculate their energy and emissions data. FY2019 data will be submitted in October 2019. For further information on APA's environmental management strategy and initiatives, please refer to APA's FY2019 Sustainability Report.

11. Risk Overview

APA identifies risks to its business and puts in place mitigation strategies to remove or minimise the negative effect and maximise opportunities in respect of those risks. Material risks are reviewed on an ongoing basis by APA's Executive Risk Management Committee and the Board Audit and Risk Management Committee, together with the relevant Divisions and both internal and where appropriate, external, experts.

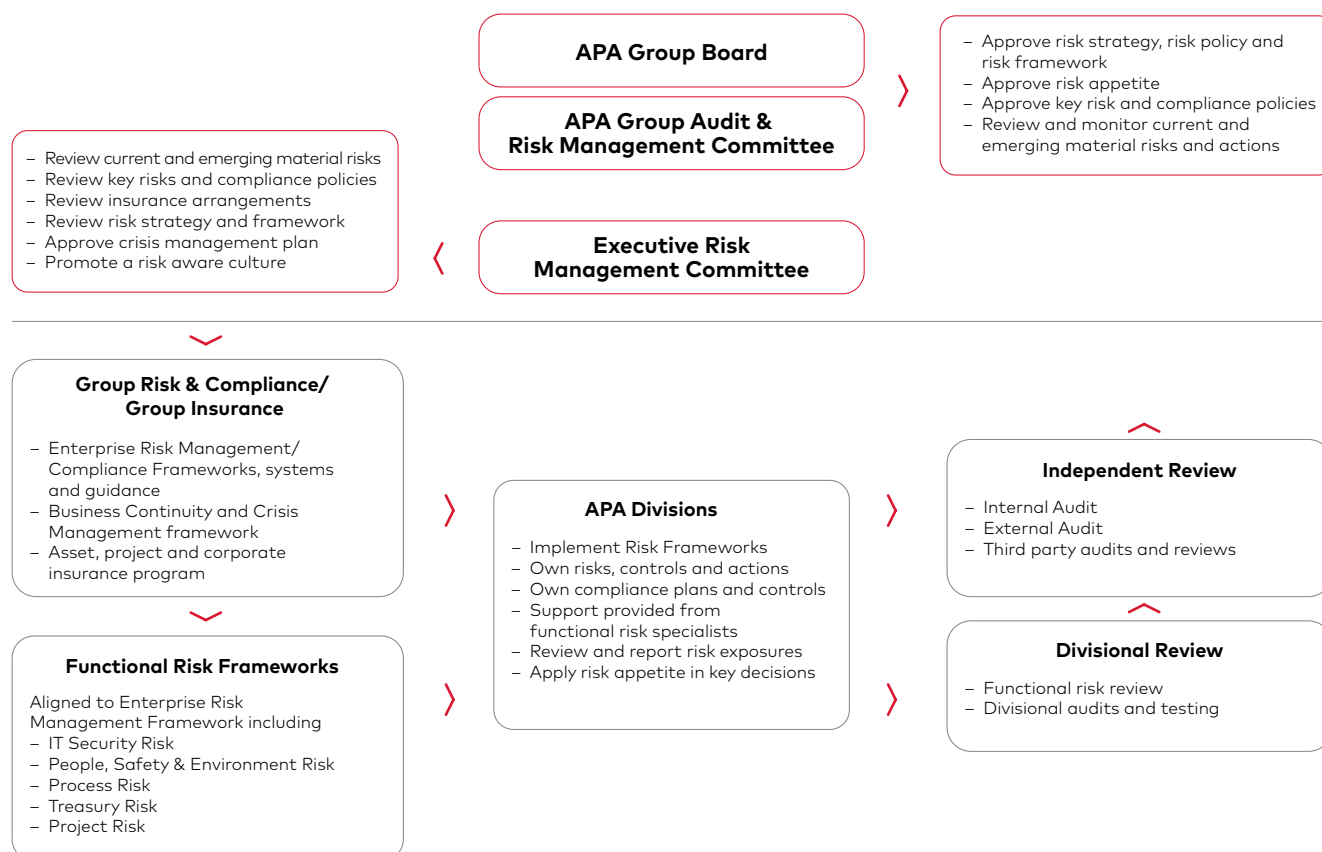
The Risk Management System brings together the principles and processes to ensure risk is effectively identified, managed and monitored. It comprises three elements covering Risk Management Policy and Risk Appetite; Risk Management Enablers providing for governance, a strong risk culture, technology support and ongoing training; and the Risk Management Framework which sets our key risk management processes.

The Risk Management System is aligned to the international risk standard ISO 31000. All other functional risk frameworks align to the Risk Management System to provide consistency and a common language for risk which is integral to key business decisions.

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

Further information on this process is provided in APA's Corporate Governance Statement (refer to Principle 7), the Sustainability Report and APA's website at <https://www.apa.com.au/about-apa/our-organisation/corporate-governance/>.

APA Risk Management



directors' report. continued.

AUSTRALIAN PIPELINE TRUST AND ITS CONTROLLED ENTITIES

11.1 Key risks

Type of Risk	Description	Key Management Actions to Mitigate Risks
Strategic risks – risks arising from the industry and geographical environments within which APA operates, including its markets, customers, brand and reputation, and regulatory policy.		
Economic regulation	APA has a number of significant assets and investments in its portfolio subject to economic regulation, which includes the regulation of prices that APA is permitted to charge for certain services. Government policy in relation to the Australian domestic gas market also continues to develop. Changes in policy as to which assets are regulated and the settings applicable to regulated assets can impact APA's business.	- Strong regulatory and policy functions, active in regulatory management and policy development. - Assessment of key policy change proposals for potential impacts on APA's business.
Bypass and competition risk	APA's future earnings may be reduced if customers purchase gas transportation services from new pipelines that by-pass or compete with APA's pipelines, rather than from APA's existing pipelines.	- Structured and flexible services that leverage APA's capability and infrastructure. - Customer relationship engagement and pro-active management of business development opportunities. - Ensure costs and pricing associated with the provision of services remain competitive and provide value to the market. - Asset management plans aligned with capacity contracting strategy.
Gas demand risk	Reduced end user demand for gas driven by its price (in Australia versus other countries), relative to competing energy sources and new technologies or gas swap contracts, may reduce demand levels for services on APA's assets and may adversely affect APA's contracted revenue and the carrying value of APA's assets.	- Monitoring commodity markets, export outlook and gas market developments for throughput impacts. - Flexible services supporting the needs of customers, including gas fired generators. - Long term gas storage / transportation agreements. - Development of new and innovative services that provide flexibility.
Gas supply risk	A long-term shortage of competitively priced gas, either as a result of gas reserve depletion, allocation of gas to other markets, or the unwillingness or inability of gas production companies to produce gas, may adversely affect APA's contracted revenue and the carrying value of APA's assets.	- Recontracting strategy and market monitoring. - Knowledge and monitoring of gas reserves to identify potential opportunities.
Gas seen as unacceptable as a fossil fuel	Shift in consumer sentiment due to community and environmental focus on gas being unacceptable as a fossil fuel rather than viewed as a fuel to support a cleaner energy future. This may adversely affect APA's contracted revenue and the carrying value of APA's assets.	- Leverage knowledge and understanding of advances in the transportation of alternate fuels utilising existing gas infrastructure. - Develop strategies to broaden exposure to markets which favour gas. - Extend and refine strategies on alternate fuel / infrastructure consistent with APA's outlook on future energy mix.
Counterparty risk	The failure of a counterparty to meet its contractual commitments to APA, whether in whole or in part, could reduce future anticipated revenue, unless and until APA is able to secure an alternative customer.	- Portfolio of investment grade credit rated customers. - Strong counterparty credit due diligence with customer credit exposures closely monitored. - Contractual credit support arrangements in place.

directors' report. continued.

AUSTRALIAN PIPELINE TRUST AND ITS CONTROLLED ENTITIES

11.1 Key risks (continued)

Type of Risk	Description	Key Management Actions to Mitigate Risks
Contract renewal risk	Due to a range of factors, APA may not be successful in recontracting available pipeline capacity or power generation capacity when it comes due for contract renewal, or may only be able to recontract at reduced prices or for shorter periods.	— Recontracting strategy in place with close monitoring of contract renewal portfolio. — Monitoring of emerging gas supply alternatives and power generation market developments to identify new opportunities.
Reputation risk	APA relies on a level of public acceptance for the development and operation of its assets. Community sentiment in relation to the energy industry as a whole, as well as APA's business may impact APA's commercial opportunities, its ability to develop new projects and operate its assets.	— Engagement with key stakeholders (landowners, producers, customers, government etc). — Industry engagement and contribution to Energy Charter initiative.
Climate Risk	APA and its customers may be adversely affected by the transition impacts of climate change including increases in temperature, sea levels, and the frequency of adverse climatic events including fires, storms, floods and droughts.	— Commitment to implementation of Task Force on Climate Related Financial Disclosures (TCFD). — Identified climate transition risks together with impacts on energy infrastructure asset revenues based on temperature scenarios and a time horizon of 10 years.
Financial risks – risks arising from the management of APA's financial resources, accounting, tax and financial disclosure.		
Interest rates and refinancing risks	APA is exposed to movements in interest rates where floating interest rate funds are not effectively hedged. It also remains exposed to refinancing risk if it is unable to replace an existing loan with a new one at a critical time.	— Risk limits set by the Board and managed in line with APA's Treasury Risk Management Policy. — Debt structured to spread maturities over a number of years. — Maximum and minimum interest rate hedging levels defined and managed using derivatives and debt issued at fixed interest rates through to maturity. — Access to broad range of global banking and debt capital markets maintained.
Foreign exchange risks	APA is subject to currency fluctuations in relation to the purchase, supply and installation of goods and services revenue, and borrowings, in a currency other than Australian dollars. There can be no assurance that APA will be able to effectively hedge its foreign currency exposure, particularly in periods of significant currency volatility, and/or that APA's hedges will prove effective.	— Risk limits set by the Board and managed in line with APA's Treasury Risk Management Policy. — Hedging instruments used to cap non-AUD denominated revenue and expenses. — Foreign currency borrowings fully hedged.
Investment risk	Assumptions and forecasts used in making decisions to acquire assets and make investments, may ultimately not be realised. This may result in lower than expected returns, unanticipated costs, new skillsets or capabilities needing to be acquired, new types of regulatory approvals being needed where APA has limited experience.	— Board approved corporate and asset models used for investment decisions and planning. — Models underpinning investment decisions independently reviewed. — Oversight by APA's Due Diligence Committees for material investment transactions.
Credit rating risks	Any downgrade in APA's credit rating could harm its ability to obtain financing, could increase its financing costs or cause the instruments governing APA's future debt to contain more restrictive covenants.	— Board approves all treasury transactions with counterparties falling below defined credit rating thresholds. — Counterparties are risk assessed with credit ratings monitored and credit support obtained to limit risk exposure.

directors' report. continued.

AUSTRALIAN PIPELINE TRUST AND ITS CONTROLLED ENTITIES

11.1 Key risks (continued)

Type of Risk	Description	Key Management Actions to Mitigate Risks
Operational Risks – risks arising from inadequate or failed internal processes, people or systems or from external events including construction and corporate projects, technology, environment, and health and safety.		
Operations risk	APA is exposed to a number of risks affecting operations including those resulting in equipment failures or breakdowns, pipeline ruptures, employee or equipment shortages, workplace safety issues, environmental damage, contractor defaults, damage by third parties, integration incidents from acquired or newly constructed assets and damage from natural hazards, sabotage or terrorist attacks including the physical risks associated with climate change.	- Operations are subject to operational safety and environment management programs. - Maintenance of engineering standards, including integrity monitoring and maintenance programs as part of risk based asset life cycle management. - Asset monitoring through control rooms to manage flows and asset maintenance issues. - Comprehensive insurance arrangements provided as part of asset protection program.
Information technology and cyber risk	APA's operations rely on a number of information technology systems, applications and business processes utilised in the delivery of business functions, including APA's customer management system, grid network and integrated operations centre.	- APA's information and technology assets are managed in accordance with recognised industry standards across hardware, software, applications and communication systems. - Cyber security standards are applied consistently across APA information and technology systems, including those managed by third party vendors, with standards continually assessed against new threats and vulnerabilities. - I&T information and technology systems including SCADA control systems, are subject to regular reviews and independent testing.
People risk	APA is dependent on its ability to attract, engage, develop and retain the right employees within a market where there is varying supply of skilled workers. APA's operations are geographically dispersed which can make attraction and retention of skilled employees in regional and remote locations a challenge.	- Leadership capability programs in place. - Recruitment practices in place and subject to improvement. - Talent management programs to identify and develop technical and leadership personnel. - Comprehensive training programs in place to maintain and develop competencies.
Construction and development risk	APA's business strategy includes the development of new pipeline capacity, renewable and gas-fired power generation plants, gas storage facilities and gas processing assets. This involves a number of typical construction risks, including potential failure to obtain necessary approvals, employee or equipment shortages, third party contractor failure, higher than budgeted construction costs impacting liquidated damages, and project delays.	- Access and approvals management for new construction projects. - Dedicated construction project management capability and governance to manage efficient, safe and quality delivery of construction projects.
Compliance risks – legal or regulatory risks arising in respect of laws, regulations, licences and recognised practising codes including health, safety and environment, asset construction and operation, and other corporate compliance requirements.		
Compliance and operating licences	APA is subject to a range of operational regulatory requirements including climate change regulations, environmental laws and regulations, occupational health and safety requirements and technical and safety standards. Changes in any such laws, regulations or policies may increase compliance requirements and costs.	- Comprehensive Enterprise Compliance Management System with regulations identified, controls monitored and assurance. - Comprehensive safety management system including safety compliance monitoring. - Dedicated specialist teams providing asset level assurance for technical, safety and environment compliance.

directors' report. continued.

AUSTRALIAN PIPELINE TRUST AND ITS CONTROLLED ENTITIES

12. Directors

12.1 Information on Directors and Company Secretary

See pages 06 to 07 for information relating to the qualifications and experience of Directors and the Company Secretary.

12.2 Directorships of other listed companies

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

Name	Company	Period of directorship
Michael Fraser	Aurizon Holdings Limited	Since February 2016
Robert Wheals	—	—
Steven Crane	nib holdings limited SCA Property Group	Since September 2010, Chair since October 2011 Since December 2018
James Fazzino	Incitec Pivot Limited	July 2005 to November 2017
Debra Goodin	Senex Energy Limited oOh!media Limited Atlas Arteria Limited Ten Network Holdings Limited	Since May 2014 Since November 2014 Since September 2017 August 2016 to November 2017
Shirley In't Veld	Northern Star Resources Limited Asciano Limited DUET Group	Since September 2016 November 2010 to August 2016 August 2013 to May 2017
Peter Wasow	Oz Minerals Limited Alcoa Australia Limited Alumina Limited	Since November 2017 January 2014 to July 2017 September 2011 to May 2017

12.3 Directors' meetings

During the financial year, 17 Board meetings, four Audit and Risk Management Committee meetings, four People and Remuneration Committee meetings, four Health Safety and Environment Committee meetings and three Nomination Committee meetings were held. The following table sets out the number of meetings attended by each Director while they were a Director or a committee member:

Directors	Board		People & Remuneration Committee		Audit & Risk Management Committee		Health Safety & Environment Committee		Nomination Committee	
	A	B	A	B	A	B	A	B	A	B
Michael Fraser	17	17			4	4	—	—	3	3
Michael McCormack ⁽¹⁾	14	14	—	—	—	—	—	—	—	—
Steven Crane	17	17	4	3	4	4	—	—	1	1
James Fazzino	6	6	—	—	1	1	2	2	—	—
Debra Goodin	17	17	—	—	4	4	4	4	3	3
Shirley Int'd Veld	17	17	4	4	—	—	4	4	—	—
Peter Wasow	17	17	4	4	4	4	—	—	—	—
Russell Higgins ⁽²⁾	11	11	—	—	3	3	2	2	2	2
Patricia McKenzie ⁽³⁾	11	10	2	2	—	—	2	1	—	—

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

B) Number of meetings attended.

1) Michael McCormack retired as a Director on 5 July 2019.

2) Russell Higgins AO retired as a Director on 20 February 2019.

3) Patricia McKenzie retired as a Director on 8 March 2019.

directors' report. continued.

AUSTRALIAN PIPELINE TRUST AND ITS CONTROLLED ENTITIES

12.4 Directors' securityholdings

The aggregate number of APA securities held directly, indirectly or beneficially by Directors or their related entities at 30 June 2019 is 683,693 (2018: 800,118 ⁽¹⁾).

The following table sets out Directors' relevant interests in APA securities as at 30 June 2019:

Directors	Fully paid securities as at 1 July 2018	Securities acquired	Securities disposed	Fully paid securities as at 30 June 2019
Michael Fraser	102,942	—	—	102,942
Michael McCormack	350,000	—	—	350,000
Steven Crane	130,000	—	—	130,000
Debra Goodin	23,000	—	—	23,000
James Fazzino ⁽²⁾	—	31,751	—	31,751
Shirley Int'd Veld	25,000	—	—	25,000
Peter Wasow	15,000	6,000	—	21,000
Russell Higgins AO ⁽³⁾	129,939	—	—	—
Patricia McKenzie ⁽⁴⁾	24,237	—	—	—
	800,118	37,751	—	683,693

1) At 1 July 2018 the aggregate number of APA securities held directly or beneficially by Directors or their related entities included 129,939 securities held by Russell Higgins AO who retired on 20 February 2019 and 24,237 securities held by Patricia McKenzie who retired on 8 March 2019. The aggregate number of APA Securities held directly or beneficially by the current Directors or their related entities as at 30 June 2019 is 683,693.

2) James Fazzino was appointed as a Director effective 21 February 2019. He held nil securities on appointment.

3) Russell Higgins AO retired as a Director on 20 February 2019. He held 129,939 securities on retirement.

4) Patricia McKenzie retired as a Director on 8 March 2019. She held 24,237 securities on retirement.

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

13. Options Granted

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

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

14. Indemnification of Officers

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

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

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

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

directors' report. continued.

AUSTRALIAN PIPELINE TRUST AND ITS CONTROLLED ENTITIES

15. Remuneration Report

The Remuneration Report is attached to and forms part of this report.

16. Auditor

16.1 Auditor's independence declaration

A copy of the independence declaration of the auditor, Deloitte Touche Tohmatsu (Auditor) as required under section 307C of the Corporations Act 2001 is included at page 110.

16.2 Non-audit services

Non-audit services have been provided during the financial year by the Auditor. A description of those services and the amounts paid or payable to the Auditor for the services are set out in Note 27 to the financial statements.

The Board has considered those non-audit services provided by the Auditor and, in accordance with advice provided by 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.

17. Information Required for Registered Schemes

Fees paid to the Responsible Entity and its associates (including Directors and Secretaries of the Responsible Entity, related bodies corporate and Directors and Secretaries of related bodies corporate) out of APA scheme property during the financial year are disclosed in Note 28 to the financial statements.

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

The number of APA securities issued during the financial year, and the number of APA securities on issue at the end of the financial year, are disclosed in Note 21 to the financial statements.

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

18. Rounding of Amounts

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

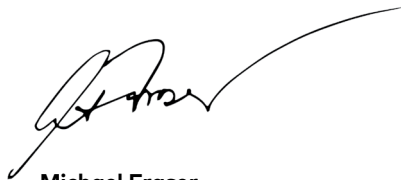
19. Corporate Governance Statement

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

20. Authorisation

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

On behalf of the Directors



Michael Fraser
Chairman

Sydney, 21 August 2019



Debra Goodin
Director

remuneration report.

AUSTRALIAN PIPELINE TRUST AND ITS CONTROLLED ENTITIES
FOR THE FINANCIAL YEAR ENDED 30 JUNE 2019

Letter from the Chairman of the People and Remuneration Committee

Dear Securityholders,

I am pleased to present APA Group's Financial Year 2019 (FY2019) Remuneration Report (Report).

While the Report covers the FY2019 reporting period, I also wanted to highlight some of the changes to the APA leadership that have taken place early in the new financial year and provide an overview to the changes arising from a review of APA's executive remuneration strategy.

APA operates in a rapidly changing business environment and the Board considers the attraction and retention of world class executives as key to the company's success. Mick McCormack led APA since 2005, playing a pivotal role in its success and laying the foundation for APA's performance over the longer term.

With the announcement of Mick's retirement, the Board conducted a global external and internal search for his replacement, reflecting the Board's commitment to appointing an executive of the highest calibre. In early July 2019, Rob Wheals took up the position of APA's Chief Executive Officer and Managing Director.

Throughout the year, the Board embarked on a thorough review of its executive reward framework. The result of this review is a number of changes to APA's remuneration strategy for FY2020 and beyond.

The details of these changes are provided within the Report and include:

- The introduction of a greater relative weighting to the long term incentive;
- A short term incentive deferral plan; and
- An equity based performance rights plan.

These initiatives reflect the feedback from our stakeholders concerning the need to ensure that remuneration outcomes are appropriately aligned with our performance over the longer term. They are underpinned by a commitment to creating long term sustainable value for our Securityholders and supporting our customers and the communities in which we operate.



Peter Wasow

Chairman – People and Remuneration Committee

21 August 2019

1. Individuals covered by this Remuneration Report

The Remuneration Report for APA for FY2019 has been prepared in accordance with *Section 300A* of the *Corporations Act 2001*. The information provided in this Report has been audited as required by *Section 308(3C)* of the *Corporations Act 2001*, unless indicated otherwise, and forms part of the Directors' Report. This Report includes the following Key Management Personnel (KMP):

- Non-executive Directors (NEDs) – current and former; and
- Executive Key Management Personnel (KMP).

Name	Role	Term as NED/KMP in 2019
NEDs		
Michael Fraser	Chairman	Full year
Steven (Steve) Crane	Director	Full year
James Fazzino	Director	Part year ⁽¹⁾
Debra (Debbie) Goodin	Director	Full year
Shirley In't Veld	Director	Full year
Peter Wasow	Director	Full year
Russell Higgins AO	Director (former)	Part year ⁽²⁾
Patricia McKenzie	Director (former)	Part year ⁽³⁾
Executive KMP		
Michael (Mick) McCormack	Chief Executive Officer/Managing Director (CEO/MD)	Full year
Peter Fredricson	Chief Financial Officer (CFO)	Full year
Ross Gersbach	Chief Executive Strategy and Development	Full year
Robert (Rob) Wheals	Group Executive Transmission	Full year

1) Appointed 21 February 2019.

2) Retired 20 February 2019.

3) Retired 8 March 2019.

remuneration report. continued.

AUSTRALIAN PIPELINE TRUST AND ITS CONTROLLED ENTITIES
FOR THE FINANCIAL YEAR ENDED 30 JUNE 2019

2. Executive Summary

2.1 FY2019 Remuneration highlights

The table below provides a snapshot of the outcomes under the relevant remuneration frameworks.

APA's financial performance FY2015 to FY2019

Normalised financial results ⁽⁴⁾	FY2015	FY2016	FY2017	FY2018	FY2019
Earnings Before Interest Tax Depreciation and Amortisation(EBITDA)(\$m)	822.3	1,330.5	1,470.1	1,518.5	1,573.8
Profit after tax (\$m)	203.9	179.5	236.8	264.8	288.0
Operating cash flow per security (cents) ⁽⁵⁾	56.3	77.1	87.1	90.7	85.8
Distribution per security (cents) ⁽⁶⁾	38.0	41.5	43.5	45.0	47.0
Closing security price at 30 June (\$)	8.24	9.24	9.17	9.85	10.80

Fixed pay

Some fixed pay adjustments were made to reflect the increased size, scope and complexity of executive roles. These roles were benchmarked against external positions of a comparable nature and size.



Total remuneration outcomes

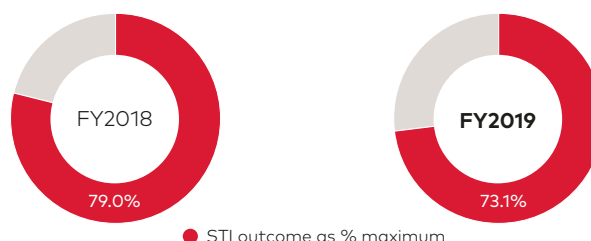
The focus of APA's variable remuneration is to reflect management's contribution to APA's business outcomes during the performance period. The average total remuneration was down 3.8% on FY2018.



Short term incentive

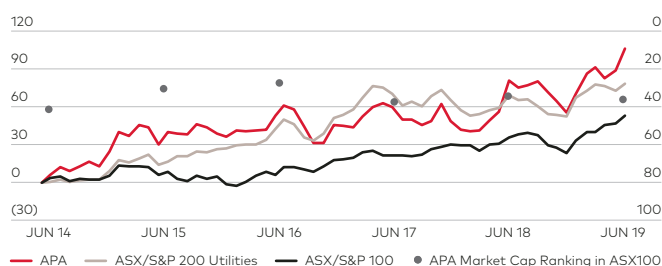
STI performance continues to be assessed against a balanced scorecard.

STI awards are subject to the performance gateway of Operating Cash Flow per Security (OCFPS). For FY2019, OCFPS performance was assessed at 111.2% out of a maximum of 150%. This provides the total opportunity to which the individual executive performance outcomes are applied.



Long term incentive

Reflecting the link between organisational performance and executive reward, APA achieved a relative percentile rating of 59.5%, which equated to a grant of 77.3% of eligible reference units under the Relative TSR performance hurdle. The internal hurdle, EBITDA/Funds Employed (FE), achieved an outcome of 119.5%. This means that 98.4% of the total LTI opportunity will be awarded in respect of the FY2019 financial year.



Minimum security holding requirements

The Directors, CEO/MD and CFO met the minimum security holding requirement, while the remaining Executive KMP continued to progress towards the expected level for this requirement.

Non-executive Director fees

Non-executive Director (NED) fees had remained unchanged since FY2017. In FY2019, a review of the NED fees against the market was undertaken. This analysis considered NED fees for organisations of a comparable market capitalisation and commercial 'footprint', and an assessment of the level of fee required to attract and retain talented individuals. Following this review, the Board determined to apply a moderate increase of 2% to NED fees, excluding the Chairman and retiring members, effective 1 January 2019.

No changes have been made to Committee fees.

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

5) The number of securities used for the calculation of operating cash flow per security from FY2015 to FY2018 has been adjusted by an adjustment factor of 1.0038 to reflect the discounted rights offer issued in March 2018. The average number of securities for FY2015 has been further adjusted by an adjustment factor of 1.0360 to reflect the discounted rights offer issued between 23 December 2014 and 25 January 2015.

6) Represents the total distribution applicable to the financial year.

remuneration report. continued.

AUSTRALIAN PIPELINE TRUST AND ITS CONTROLLED ENTITIES
FOR THE FINANCIAL YEAR ENDED 30 JUNE 2019

2.2 FY2019 Remuneration

The table below summarises the actual remuneration that the current executive KMP became entitled to in respect of services provided in FY2019. These amounts were either paid during the year or will be paid subsequently to the end of the financial year.

Name	Fixed pay ⁽⁷⁾ \$	STI ⁽⁸⁾ \$	LTI vested ⁽⁹⁾ \$	Total \$
M McCormack	2,005,000	1,649,920	1,527,167	5,182,087
P Fredricson	926,000	510,970	474,360	1,911,330
R Gersbach	945,000	497,220	484,120	1,926,340
R Wheals	850,000	480,670	394,190	1,724,860

This table supplements, and is different to, the Statutory Remuneration table in section 8.1, which presents the accounting expense for both vested and unvested awards in accordance with the Australian Accounting Standards.

2.3 Looking ahead to Financial Year 2020 (FY2020)

The Board undertook an extensive review of its executive reward framework over the last 12 months. The objective being to ensure that the executive team is rewarded for focusing on what they can influence and how they can effectively execute APA's business strategy. Performance outcomes should also reflect the expectations of Securityholders.

This goal is achieved through a significant element of remuneration being at risk, largely delivered through equity, by setting challenging STI measures and by ensuring that LTI performance measures encourage the delivery of long term value creation to APA's Securityholders. The specific content of these changes is detailed below.

It should be noted that these changes are effective 1 July 2019 and do not impact the delivery of remuneration outcomes for the FY2019 performance period. As part of the transition to the new executive remuneration framework, APA will operate two LTI plans for FY2020.

Pay Mix



The appointment of a new CEO/MD provided an opportunity to consider how the balance between fixed and variable pay was aligned to APA's longer term business model. As part of the broader review, the pay mix for the incoming CEO/MD was weighted more towards longer term performance and value creation for Securityholders.

Fixed pay



We will continue to set fixed pay levels with reference to comparable external benchmarks.

Short term incentive (STI)



From FY2020 we are moving from a 100% cash based STI plan to a proportion of the STI award now being delivered in deferred securities. Under the terms of the new STI plan, executives will be required to defer a third of their STI into APA securities for at least two years until such time as the executive achieves the minimum securityholding requirement. Once that requirement is met the executive can receive their STI as 100% cash.

The purpose of introducing a deferred element to the STI is to enhance the alignment between the interests of Securityholders and the executives by building the security holdings of executives.

Consistent with prior financial years, balanced scorecards will be established for each Executive KMP, covering key performance indicators across financial and risk management, strategic, people and culture, safety and environment with measures for target and stretch outcomes in FY2020.

Long term incentive (LTI)



FY2020 will see the implementation of a new LTI plan. Under this new plan we are moving from a cash-settled LTI plan to an equity-settled performance rights plan. The Board continues to believe that the LTI plan provides the most effective link between executive retention and alignment with the creation of longer term Securityholder value. Accordingly, effective 1 July 2019, the Executive KMP will be eligible to participate in an equity-settled performance rights plan.

The purpose of moving from a cash-settled LTI plan to an equity-settled one is to drive the longer term outlook for executives by aligning executive and Securityholder interests, whilst continuing to attract, motivate and retain leadership talent.

Performance will be assessed over a three-year performance period, and vesting of performance rights will occur over the following three years, i.e. one third at the end of year three, one third at the end of year four and the outstanding third at the end of year five.

7) Fixed pay is inclusive of cash salary and any salary sacrifice items (including any relevant fringe benefits tax) such as car parking, motor vehicles and superannuation.

8) STI refers to performance achieved in FY2019 and is paid in September 2019.

9) LTI vested refers to the cash amount to be paid in September 2019, based on the VWAP of \$11.0155 and number of reference units that vested in August 2019 as outlined in section 8.3.

remuneration report. continued.

AUSTRALIAN PIPELINE TRUST AND ITS CONTROLLED ENTITIES
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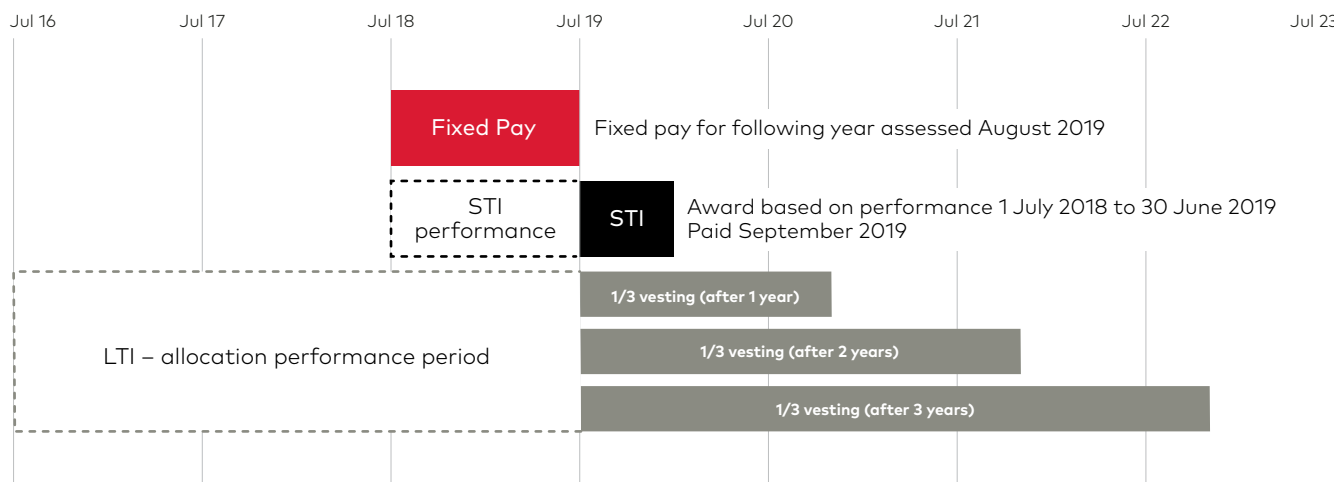
3. Executive Remuneration Framework

The Board recognises remuneration plays an important role in both supporting and implementing the achievement of APA's operational strategy over both the short and longer terms. The key principles of the remuneration policy are to:

- Ensure the remuneration model is aligned with APA's business strategy and its execution;
- Provide competitive rewards to attract, motivate and retain highly skilled executives;
- Ensure an appropriate component of remuneration is linked to the creation of value for our investors; and
- Promote the right behaviour and culture for the organisation to grow and perform.

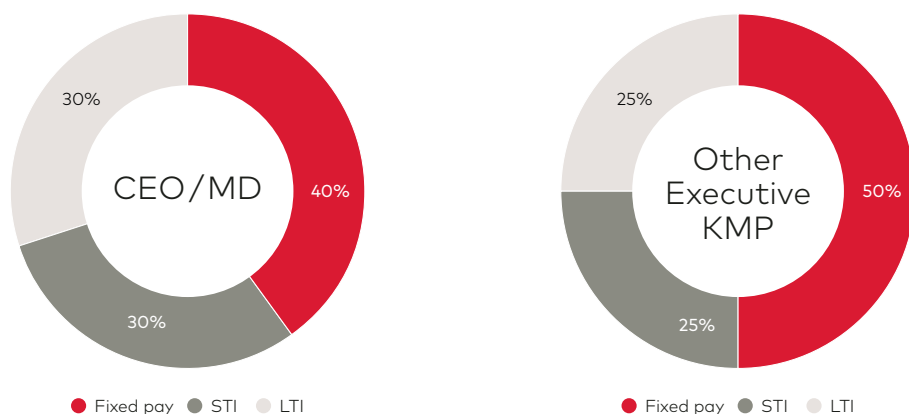
3.1 Remuneration overview for FY2019

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



3.2 Remuneration structure for FY2019

The graphs below provide an overview of the pay mix for Executive KMP. Each remuneration element is expressed as a percentage of the target total reward opportunity.



remuneration report. continued.

AUSTRALIAN PIPELINE TRUST AND ITS CONTROLLED ENTITIES
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3.2 Remuneration structure for FY2019 (continued)

Fixed pay

Fixed pay includes base salary and any salary sacrifice items (including any relevant fringe benefits tax) such as car parking, motor vehicles and superannuation. The level of fixed pay is based on a number of factors, including the skills and experience of the individual, external market positioning and the size and complexity of the role.

APA benchmarks each Executive KMP role against external positions in companies with comparable market capitalisation, similar industries and key comparators to gain a comprehensive view of all elements of executive remuneration.

Variable reward

Variable reward consists of incentive schemes which focus on APA and individual performance on an annual (STI) and longer term (LTI) basis.

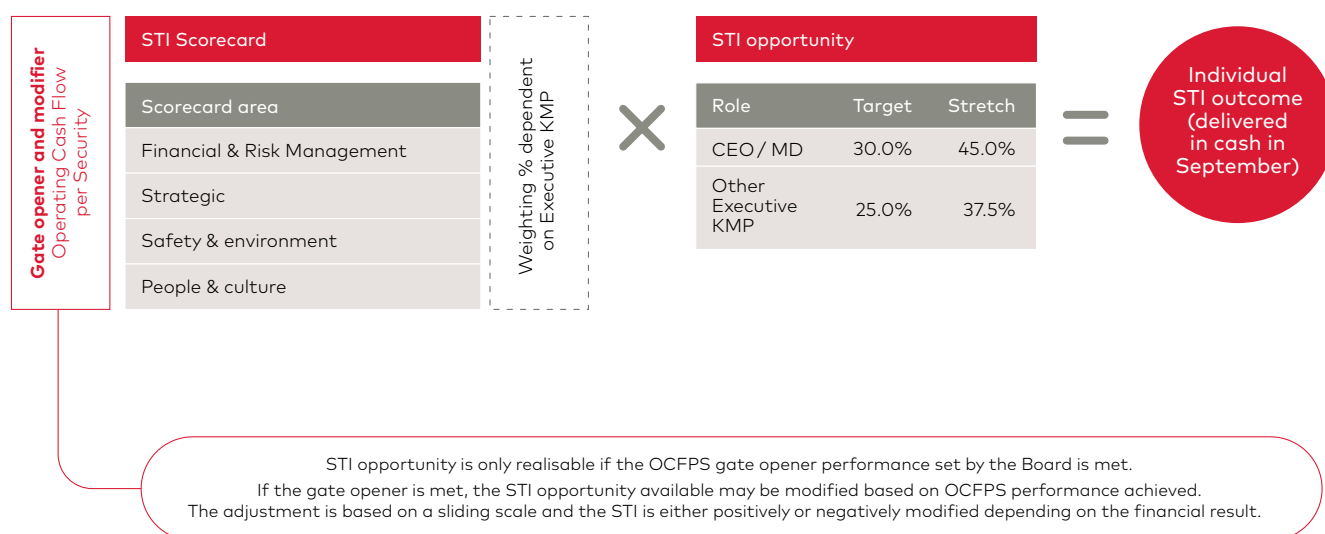
The 'gate opener' for the payment of the STI is determined by the Group's Operating Cash Flow per Security (OCFPS) for the year. This is then subject to individual performance of executives against key measures. Actual performance against STI objectives is assessed at the end of the financial year. This assessment is reviewed by the People and Remuneration Committee (the Committee). The Committee (in conjunction with the Board) reviews the assessment of each executive's outcome in light of the overall business performance, and provides final approval of the STI outcomes upon completion of the review.

The LTI complements the STI by focussing executives on the long term performance of APA. Under the current LTI plan, performance is assessed over the three years preceding the LTI allocation, based on relative shareholder returns (relative TSR measure) and cash flow leverage achieved based on operating assets (EBITDA/FE measure). The Committee reviews the performance over the preceding three-year period, with the Board providing final approval of the LTI allocation.

4. FY2019 Executive Incentive Plans and Outcomes

4.1 Short term incentive plan

The diagram below outlines the STI plan design for FY2019.



remuneration report. continued.

AUSTRALIAN PIPELINE TRUST AND ITS CONTROLLED ENTITIES
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FY2019 STI outcomes – CEO/MD

The Board reviewed the CEO/MD's performance in light of APA's performance in FY2019, taking into account his performance against the key performance indicators (KPIs) in his STI scorecard, and determined that the STI outcome is 91.9% of his Target. This year's STI scorecard outcome for the CEO/MD is higher than FY2018.

FY2019 STI Scorecard outcomes – CEO/MD			
Scorecard Areas	KPI	M McCormack	Commentary
Financial 	▶ Deliver Operating Cash Flow per Security (OCFPS) targets	Weighting 50%	▶ Operating Cash Flow per Security (OCFPS) fully achieved
	▶ Delivery of capital projects	Outcome 95.8%	▶ Delivery of capital projects largely achieved
Strategic 	▶ Regulatory Compliance Management	Weighting 30%	▶ Regulatory Compliance Management largely achieved
		Outcome 80%	
Safety & Environment 	▶ Total Recordable Injury Frequency Rate (TRIFR)	Weighting 10%	▶ Total Recordable Injury Frequency Rate (TRIFR) target exceeded
	▶ Environmental Management Plan (EMP)	Outcome 100%	▶ Delivery of Environmental Management Plan (EMP) fully achieved for FY2019
People & Culture 	▶ Key people retention	Weighting 10%	▶ Retention target achieved
	▶ Diversity & Inclusion	Outcome 100%	▶ Diversity & Inclusion plans and targets achieved

Scorecard measures for the other Executive KMP reflect the priorities of the relevant area of the business as well as APA as a whole. FY2019 STI scorecard outcomes for the Executive KMP ranged between 87.9% and 95.0% of Target (i.e. 100%).

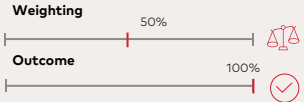
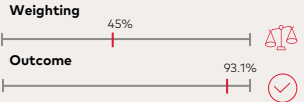
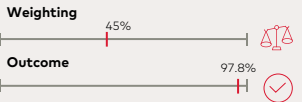
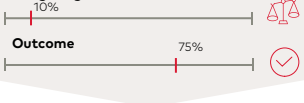
However, these are individual performance outcomes which are then adjusted by APA's performance against the OCFPS performance modifier, which acts as a form of 'gate-opener' and a determinant of the overall STI opportunity.

remuneration report. continued.

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FY2019 performance outcomes – Executive KMP

Detailed below are the individual scorecard outcomes for the Executive KMP. While there are a number of shared KPIs, different weightings and KPIs have also been set for each Executive KMP, reflecting the nature of their role and contribution to APA's business outcomes.

FY2019 STI Scorecard outcomes			
Scorecard Areas	P Fredricson	R Gersbach	R Wheels
Financial & Risk Management 	Deliver Operating Cash Flow Per Security (OCFPS) targets Maintain BBB/Baa2 ratings Divisional Risk Management Weighting 50% Outcome 100% 	Deliver OCFPS targets Delivery of capital projects Weighting 45% Outcome 93.1% 	Deliver OCFPS targets Delivery of capital projects Achieve budget Transmission revenue targets Divisional Risk Management Weighting 45% Outcome 97.8% 
Strategic 	Capital Management Capacity Trading & Auction (CT&A) delivery Weighting 35% Outcome 85.7% 	Regulatory Compliance Management Weighting 30% Outcome 80% 	Regulatory Compliance Management, Customer, Safety, Operations & Resource Management, Capacity Trading & Auction (CT&A) delivery Weighting 25% Outcome 88% 
Safety & Environment 	Total Recordable Injury Frequency Rate (TRIFR) Weighting 5% Outcome 100% 	Total Recordable Injury Frequency Rate (TRIFR) Weighting 5% Outcome 100% 	Total Recordable Injury Frequency Rate (TRIFR) Transmission Operations Safety plan Environmental Management Plan (EMP) delivery Weighting 15% Outcome 93.3% 
People & Culture 	Leadership & Succession Next generation IT strategic plan Weighting 10% Outcome 75% 	Orbest operational readiness Key people retention Weighting 20% Outcome 85% 	Diversity & Inclusion Customer Centricity program Weighting 15% Outcome 100% 

FY2019 STI outcomes – Executive KMP

The table below provides an overview of the STI outcomes for FY2019, representing the combination of both individual performance outcomes (against agreed objectives) and the application of the STI Plan modifier (i.e. the OCFPS performance level of 111.2% out of a maximum of 150%).

In recognition of the strong leadership and performance of the Executive during the defence of the CKI bid, which was not adequately recognised in individual scorecards, the Board has granted an additional 5% of maximum opportunity to the final STI outcomes of each Executive KMP.

Executive KMP	STI earned		STI forfeited	
	% of maximum opportunity ⁽¹⁰⁾	\$ earned	% of maximum opportunity	\$ foregone
M McCormack	73.1%	1,649,920	26.9%	605,705
P Fredricson	73.6%	510,970	26.4%	183,530
R Gersbach	70.2%	497,220	29.8%	211,530
R Wheels	75.4%	480,670	24.6%	156,830

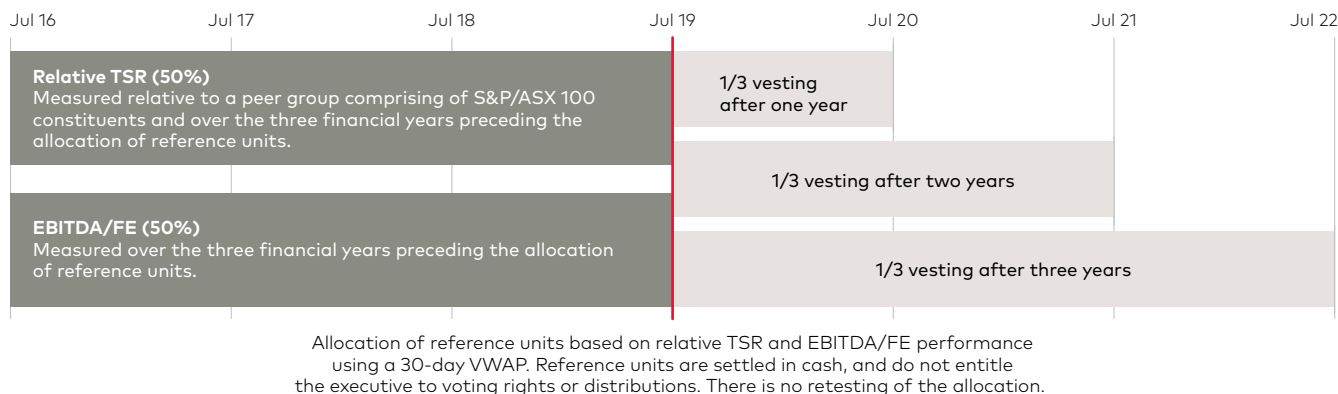
10) The STI earned as % of maximum opportunity includes the additional 5% Board discretion.

remuneration report. continued.

AUSTRALIAN PIPELINE TRUST AND ITS CONTROLLED ENTITIES
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4.2 Long term incentive plan

Executive KMP have a target LTI opportunity of 100% of their allocated percentage of total reward, increasing to a maximum of 150%, where outstanding performance is achieved against the performance hurdles. The diagram below outlines the LTI plan design for FY2019.



Determining the number of reference units

Relative TSR	A sliding scale is set each year to deliver between 0% and 150% of eligible reference units, where the performance gateway is the achievement of the 50th percentile over a three-year period.
EBITDA/FE	A sliding scale also ranges between 0% and 150%, which becomes progressively more challenging with the maximum amount of 150% available only when EBITDA/FE performance is significantly above the agreed financial metrics.

Allocation schedules

Measure	Performance outcome	Allocation outcome
Relative TSR	Less than 50 percentile	0% of eligible reference units
	Between 50 percentile and 82.5 percentile	Sliding scale between 0% and 150% of eligible reference units
EBITDA/FE	Less than 10.844%	0% of eligible reference units
	Greater than 10.844%	Sliding scale between 80% and 150% of eligible reference units

FY2019 LTI outcomes

Eligible executives received cash-settled reference units with an allocation date of August 2019 (vesting in August and paid in September over the three following years of 2020, 2021 and 2022 in equal parts). The table below provides a summary of LTI awards based on performance against the hurdles for the current and previous three years.

Year allocation	Performance assessment		LTI awarded % of maximum allocation
	Relative TSR (50%)	EBITDA/FE (50%)	
FY2016	85.3	62.9	74.1
FY2017	73.4	83.2	78.3
FY2018	0.0	63.6	31.8
FY2019	51.5	79.7	65.6

Below is a summary of LTI allocations relating to FY2019 based on performance against the hurdles over the three-year performance period. These units were allocated in August 2019.

Executive KMP	Number of reference units allocated	Potential value of allocation yet to vest (\$) ⁽¹¹⁾
M McCormack	134,325	1,479,657
P Fredricson	41,358	455,579
R Gersbach	42,207	464,931
R Wheals	37,962	418,170

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

remuneration report. continued.

AUSTRALIAN PIPELINE TRUST AND ITS CONTROLLED ENTITIES
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5. Other Remuneration Elements

5.1 Contractual arrangements

Remuneration arrangements for Executive KMP are formalised in individual employment agreements. Termination arrangements, in addition to normal statutory entitlements, are summarised in the table below.

	Contract type	Notice period	Additional payments on termination without cause	Payments on termination with cause
CEO/MD – outgoing ⁽¹²⁾	Permanent	12 months' notice without cause by either APA or CEO/MD APA may provide payment in lieu of notice	Restraint payment	By APA: Nil By CEO/MD for Good Reasons – Restraint payment
Executive KMP, other than CEO/MD	Permanent	Six months' notice without cause by either APA or KMP APA may provide payment in lieu of notice	By APA: termination payment of 13 weeks' pay ⁽¹³⁾ By KMP: Nil	Nil

Mr McCormack retired on 5 July 2019 and in line with his Employment Agreement, the calculation of the payment in lieu of service is equal to 105% of the CEO/MD's fixed pay for the period not worked plus 105% of his STI and LTI opportunities (pro-rated for the period not worked). The LTI component is paid out over three years after termination. Mr McCormack would also be entitled to a "restraint" payment for agreeing not to work for a competitor for a further period of 12 months for which \$5.3 million has been accrued as at 30 June 2019. This payment is equal to 105% of the CEO/MD's fixed pay plus 105% of his STI opportunity for 12 months. The LTI component (also at 105%) is paid out over three years after termination.

The remuneration arrangements for the incoming CEO/MD, Rob Wheals, for FY2020 were disclosed in the announcement of his appointment on 13 May 2019.

5.2 Additional provisions

The table below summarises additional provisions as they relate to the remuneration of Executive KMP for FY2019.

Provision	STI	LTI
Malus / Clawback	The Board in its discretion may determine that some, or all, of an Executive KMP's STI and/or LTI awards be forfeited or be subject to a clawback in the event of misconduct or of a material misstatement in the year-end financial statements in the preceding three years.	
Cessation of employment	If a participant resigns or is dismissed (with or without notice), any unpaid STI awards are forfeited. If an employee leaves for any other reason, an STI award may be paid out based on the proportion of the period that has passed and performance at the time of cessation (subject to Board discretion).	If a participant resigns or is dismissed (with or without notice), all unvested reference units are forfeited. If an employee leaves for any other reason, the Board determines the number of reference units which will lapse or are retained, subject to vesting on the original schedule.
Change of control	Subject to Board discretion, if a change of control occurs, an STI award will be paid out based on the proportion of the period that has passed at the time of change of control to the extent to which performance conditions have been met.	Subject to Board discretion, if a change of control occurs, all previously allocated reference units will vest to the extent to which performance conditions have been met, i.e. tenure. A further number of reference units will be allocated based on the proportion of the period that has passed in the current financial year at the time of change of control and will also vest on change of control.

5.3 Minimum security ownership requirement

The minimum security ownership requirement helps to ensure the alignment of the interests of Directors, Executive KMP and investors.

Executive KMP ⁽¹⁴⁾ are expected to grow their holding to the minimum security ownership requirement within five years from the date of the implementation of the Minimum Security Holding Policy in 2016. These security holdings have to be acquired from post-tax income as APA does not currently have an equity-settled LTI (this will change in the new LTI plan in FY2020). As at 30 June 2019:

- The minimum security ownership requirement for the CEO/MD equals his annual gross fixed pay; and
- The minimum security ownership requirement for Executive KMP is 50% of their annual gross fixed pay.

12) The notice period of 12 months refers to outgoing CEO/MD, Mick McCormack.

13) Both the payment in lieu and the 13 weeks' termination payments are calculated using the KMP's fixed pay. The 13 weeks' termination payment is inclusive of any statutory redundancy pay.

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

remuneration report. continued.

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5.4 Sign-on / loans / termination payments provided to Executive KMP

APA did not pay any sign-on payments to Executive KMP during FY2019.

No loans have been made to any Executive KMP and/or related parties.

No termination payments have been made to Executive KMP during FY2019.

Mr McCormack's retirement, announced on 13 December 2018, was effective on 5 July 2019. Mr McCormack received a termination payment (before withholding taxes and superannuation obligation) of \$6,592,545 at the time his employment ceased. This included his fixed pay entitlements, accrued statutory leave entitlements, and payments in lieu of notice and restraint including the STI components. As Mr McCormack's last date of employment falls in FY2020, the details of his termination payment, in addition to outstanding LTI contractual entitlements, will be reported in the FY2020 Report.

6. Non-executive Directors

6.1 Determination of Non-executive Director fees

The Board seeks to attract and retain high calibre Non-executive Directors (NEDs) who are equipped with diverse skills to oversee all functions of APA in an increasingly complex environment. NED fees comprise:

- A Board fee;
- An additional fee for serving on a committee of the Board;
- An additional fee for serving as Chairman of a committee; and
- Statutory superannuation contributions.

NEDs do not receive incentive payments or participate in incentive plans of any type. One-off 'per diems' may be paid in exceptional circumstances. No payments were made under this arrangement in this or the prior reporting period. Fees are inclusive of superannuation contributions which are provided in accordance with the statutory requirements under the Superannuation Guarantee Act.

The Board Chairman does not receive additional fees for attending committee meetings.

6.2 Aggregate fee pool

The aggregate fee pool for NEDs at 30 June 2019 is \$2,500,000 (inclusive of the applicable superannuation guarantee levy). This has not changed since 2017.

6.3 Director fees

While NED fees had remained unchanged since 2017, effective 1 January 2019, a moderate increase of 2% was applied to NED member fees. The fee increase does not apply to the Chairman and retiring members and no changes have been made to Committee fees.

Fees (inclusive of superannuation)	Effective 1 January 2019	
	Chairman \$000	Member \$000
Board	511.4	177.6
Audit and Risk Management Committee	47.9	23.9
Health, Safety and Environment Committee	39.9	19.9
People and Remuneration Committee	39.9	19.9
Nominations Committee	None paid	None paid

6.4 Minimum security ownership requirement

NEDs are expected to hold securities to a value which is not less than the annual base Board fee (before tax and excluding fees applicable to membership of Committees). This level of security holding is to be held throughout their tenure as NEDs and is a requirement of their employment agreement. As at 30 June 2019, all NEDs met this requirement.

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7. Remuneration Governance

7.1 Role of People and Remuneration Committee

The Committee has been established by the Board to oversee Executive KMP and NED remuneration. The purpose of the Committee is to oversee the development of APA's people and remuneration strategies and frameworks to support the achievement of APA's business objectives. Specifically, the Committee will ensure there is a robust remuneration and reward system that aligns employee, investor and customer interests, promotes a positive culture and facilitates effective attraction, retention and development of a diverse and talented workforce. The Committee's activities are governed by its Charter (a copy of which is available on APA's website: <https://www.apa.com.au/about-apa/our-organisation/corporate-governance/>).

In addition to making recommendations regarding APA's remuneration strategy and policy, people and diversity and inclusion matters, the Committee is specifically responsible for:

- Recommending to the Board any adjustment of Directors' fees, including Committee fees, for APA;
- Annually reviewing and assessing APA's performance and remuneration strategy and frameworks, including making recommendations to the Board regarding whether APA's remuneration policies are aligned with its core values, purpose, strategic direction and risk appetite;
- Recommending remuneration for the CEO/MD and all executives reporting to the CEO/MD, including considering whether there is a robust performance assessment process in place and, in consultation with the Audit and Risk Management Committee, whether proposed remuneration outcomes are appropriate in light of relevant risk outcomes and corporate culture;
- Recommending the short and long term performance objectives for the CEO/MD and all executives reporting to the CEO/MD, and assessment of performance against those objectives;
- Developing and recommending the appointment, retention and termination policy and procedures for the CEO/MD;
- Recommending the 'at-risk' elements of remuneration and performance targets for APA's financial performance as they relate to incentives, including all awards made under APA's long term incentive plan;
- Reviewing and recommending changes to the contract terms of the CEO/MD or to any aspect of their remuneration not specifically addressed elsewhere in the Charter;
- Approving, and providing to the Board for its noting prior to implementation, any changes to the contract terms of any member of the Executive Committee, or to any aspect of their remuneration not specifically addressed elsewhere in the Charter;
- Reviewing and approving people strategies and frameworks to ensure that they support APA's business objectives over the short and longer terms, enabling APA to attract, develop, retain and motivate employees who deliver outstanding operational performance;
- Reviewing and recommending APA's diversity policy, and assessing the effectiveness of practices and initiatives with respect to gender and other diversity in the workforce;
- Recommending to the Board measurable objectives for achieving greater diversity across APA and, on an annual basis, reviewing and reporting to the Board on APA's progress against them;
- Reviewing and making recommendations to the Board in relation to whether there is any gender or other inappropriate bias in remuneration outcomes for directors, executives or other employees;
- Reviewing executive and people leader development and senior succession planning (excluding CEO/MD succession which is the responsibility of the Nomination Committee); and
- Overseeing the development of people and culture programs including corporate values and the Code of Conduct, which support a high performance environment and provide alignment with business strategy and requirements.

7.2 Composition of the Committee

The members of the Committee, all of whom are independent NEDs, are:

- Peter Wasow (Chairman);
- Steve Crane;
- Shirley In't Veld; and
- Patricia McKenzie ⁽¹⁵⁾

The CEO/MD and nominated senior executives attend meetings of the Committee by invitation. The Committee met four times during the year.

7.3 Use of external advisors

The Committee seeks external professional advice from time to time on matters within its terms of reference. Remuneration advisors are engaged by the Committee and report directly to the Committee. During FY2019, the following remuneration information was obtained and considered by the Committee:

- Ernst & Young provided remuneration benchmarking information and assisted with remuneration governance;
- KPMG provided remuneration benchmarking information and reviewed the executive remuneration framework; and
- Orient Capital (part of the Link Group) provided relative TSR benchmarking analysis.

No recommendations were made by these external advisors regarding remuneration arrangements. APA employs internal remuneration professionals, providing analysis to the Committee and Board. This advice is used as a guide, and does not serve as a substitute for the thorough consideration of the issues by each Director.

15) Retired 8 March 2019.

remuneration report. continued.

AUSTRALIAN PIPELINE TRUST AND ITS CONTROLLED ENTITIES
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8. Statutory Tables

The following tables outline the amounts recognised as an expense in the respective years, determined in accordance with the relevant accounting standards.

8.1 Executive KMP Statutory Remuneration ⁽¹⁶⁾

	Short-Term Employment Benefits \$		Post- Employment \$	LTI Plans \$	Total \$
	Salary ⁽¹⁷⁾	Awarded STI ⁽¹⁸⁾	Super- annuation	Security-Based Payments ⁽¹⁹⁾	
M McCormack ⁽²⁰⁾					
2019	1,980,000	1,649,920	25,000	1,515,047	5,169,967
2018	1,930,000	1,708,690	25,000	1,479,646	5,143,336
P Fredricson					
2019	901,000	510,970	25,000	469,591	1,906,561
2018	878,000	532,960	25,000	472,995	1,908,955
R Gersbach					
2019	918,334	497,220	26,666	479,246	1,921,466
2018	904,931	535,330	20,049	488,139	1,948,449
R Wheals					
2019	825,000	480,670	25,000	400,124	1,730,794
2018	755,000	503,680	25,000	381,368	1,665,048
Total Remuneration					
2019	4,624,334	3,138,780	101,666	2,864,008	10,728,788
2018	4,467,931	3,280,660	95,049	2,822,148	10,665,788

16) This table outlines the total remuneration earned by Executive KMP during FY2018 and FY2019, calculated in accordance with the relevant accounting standard, AASB 2: Share-based Payments (AASB 2).

17) Salary includes both fixed pay and any salary sacrificed items, such as motor vehicles or car parking (including any applicable fringe benefits tax). It is exclusive of any superannuation contributions.

18) Awarded STI relates to that element of remuneration which is earned by the Executive KMP in respect of performance during each financial year (or for the relevant period that they were KMP as set out in the Report).

19) With regards to the LTI, AASB 2 requires three equal instalments to be amortised over a four year period, that is the year of service to which the LTI allocation is awarded plus the following three year period in which the reference units vest. Cash settled reference units which were allocated during FY2019, based on an estimated VWAP of \$11.0155.

20) Mr McCormack's retirement, announced on 13 December 2018, was effective on 5 July 2019. Mr McCormack's termination payments (before withholding taxes and superannuation obligation) are disclosed in sections 5.1 and 5.4 of this Report.

remuneration report. continued.

AUSTRALIAN PIPELINE TRUST AND ITS CONTROLLED ENTITIES
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8.2 NED Statutory Remuneration Disclosure

Financial Year	Short-term employment benefits	Post- employment benefits	Total \$
	Fees \$	Superannuation \$	
M Fraser			
FY2019	467,000	44,400	511,400
FY2018	377,667	35,900	413,567
S Crane			
FY2019	200,600	19,050	219,650
FY2018	208,125	19,775	227,900
D Goodin			
FY2019	222,500	21,150	243,650
FY2018	211,775	20,125	231,900
S In't Veld ⁽²¹⁾			
FY2019	203,507	19,362	222,869
FY2018	56,252	5,355	61,607
P Wasow ⁽²²⁾			
FY2019	218,850	20,750	239,600
FY2018	62,527	5,930	68,457
J Fazzino ⁽²³⁾			
FY2019	72,455	6,880	79,335
R Higgins AO ⁽²⁴⁾			
FY2019	144,800	13,733	158,533
FY2018	217,200	20,600	237,800
P McKenzie ⁽²⁵⁾			
FY2019	134,919	12,843	147,762
FY2018	195,400	18,600	214,000
L Bleasel AM ⁽²⁶⁾			
FY2018	152,129	14,464	166,593
J Fletcher ⁽²⁷⁾			
FY2018	144,800	13,733	158,533
Total			
FY2019	1,664,631	158,168	1,822,799
FY2018	1,625,875	154,482	1,780,357

21) Appointed 19 March 2018.

22) Appointed 19 March 2018.

23) Appointed 21 February 2019.

24) Retired 20 February 2019.

25) Retired 8 March 2019.

26) Retired 27 October 2017.

27) Retired 21 February 2018.

remuneration report. continued.

AUSTRALIAN PIPELINE TRUST AND ITS CONTROLLED ENTITIES
FOR THE FINANCIAL YEAR ENDED 30 JUNE 2019

8.3 Outstanding LTI awards

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

	Allocation date	Opening balance at 1 Jul 2018	Units allocated in 2019	Cash settled reference units paid	Closing balance at 30 Jun 2019	Units subject to allocation by the Board in Aug 2019	Reference units allocated that have not yet vested or been paid and the months in which they will vest			
							Aug 19	Aug 20	Aug 21	Aug 22
M McCormack	2015	62,871		(62,871)						
	2016	103,872		(51,936)	51,936		51,936			
	2017	188,742		(62,914)	125,828		62,914	62,914		
	2018		71,364		71,364		23,788	23,788	23,788	
	2019					134,325		44,775	44,775	44,775
	Total						138,638	131,477	68,563	44,775
P Fredricson	2015	21,354		(21,354)						
	2016	32,758		(16,379)	16,379		16,379			
	2017	58,077		(19,359)	38,718		19,359	19,359		
	2018		21,975		21,975		7,325	7,325	7,325	
	2019					41,358		13,786	13,786	13,786
	Total						43,063	40,470	21,111	13,786
R Gersbach	2015	22,531		(22,531)						
	2016	33,426		(16,713)	16,713		16,713			
	2017	59,271		(19,757)	39,514		19,757	19,757		
	2018		22,437		22,437		7,479	7,479	7,479	
	2019					42,207		14,069	14,069	14,069
	Total						43,949	41,305	21,548	14,069
R Wheals	2015	16,152		(16,152)						
	2016	26,598		(13,299)	13,299		13,299			
	2017	48,477		(16,159)	32,318		16,159	16,159		
	2018		18,981		18,981		6,327	6,327	6,327	
	2019					37,962		12,654	12,654	12,654
	Total						35,785	35,140	18,981	12,654

8.4 Security holdings

The following table sets out the relevant interests of current NEDs and Executive KMP in APA securities:

Year ended 30 June 2019	Opening Balance at 1 July 2018	Securities Acquired	Securities Disposed	Closing Balance at 30 June 2019
Non-executive Directors				
M Fraser	102,942	—	—	102,942
S Crane	130,000	—	—	130,000
J Fazzino ⁽²⁸⁾	—	31,751	—	31,751
D Goodin	23,000	—	—	23,000
S In't Veld	25,000	—	—	25,000
P Wasow	15,000	6,000	—	21,000
Executive KMP				
M McCormack	350,000	—	—	350,000
P Fredricson	48,500	—	—	48,500
R Gersbach	21,691	—	—	21,691
R Wheals	33,883	5,000	—	38,883

Executive KMP are subject to APA's Securities Trading Policy. A Director or Designated Person (as defined in this policy) with price-sensitive information relating to APA (which is not generally available) is precluded from trading in APA securities.

(28) Appointed 21 February 2019.

consolidated statement of profit or loss and other comprehensive income.AUSTRALIAN PIPELINE TRUST AND ITS CONTROLLED ENTITIES
FOR THE FINANCIAL YEAR ENDED 30 JUNE 2019

	Note	2019 \$000	2018 \$000
Revenue	4	2,428,949	2,364,798
Share of net profits of associates and joint ventures using the equity method	4	23,222	21,924
		2,452,171	2,386,722
Asset operation and management expenses		(213,522)	(214,339)
Depreciation and amortisation expense	5	(611,358)	(578,916)
Other operating costs – pass-through	5	(421,198)	(445,307)
Finance costs	5	(500,020)	(515,515)
Employee benefit expense	5	(235,034)	(197,545)
Other expenses		(6,060)	(5,206)
Profit before tax		464,979	429,894
Income tax expense	6	(176,966)	(165,055)
Profit for the year		288,013	264,839
Other comprehensive income, net of income tax			
Items that will not be reclassified subsequently to profit or loss:			
Actuarial (loss)/gain on defined benefit plan		(11,418)	1,588
Income tax relating to items that will not be reclassified subsequently		3,425	(476)
		(7,993)	1,112
Items that may be reclassified subsequently to profit or loss:			
Transfer of gain on cash flow hedges to profit or loss		74,347	93,901
Loss on cash flow hedges taken to equity		(448,940)	(278,831)
(Loss)/gain on associate hedges taken to equity		(8,540)	8,632
Income tax relating to items that may be reclassified subsequently		114,951	52,906
		(268,182)	(123,392)
Other comprehensive income for the year (net of tax)		(276,175)	(122,280)
Total comprehensive income for the year		11,838	142,559
Profit attributable to:			
Unitholders of the parent		222,943	196,790
Non-controlling interest – APT Investment Trust unitholders		65,070	68,049
APA stapled securityholders		288,013	264,839
Total comprehensive income attributable to:			
Unitholders of the parent		(53,232)	74,510
Non-controlling interest – APT Investment Trust unitholders		65,070	68,049
APA stapled securityholders		11,838	142,559
Earnings per security			
		2019	2018
Basic and diluted (cents per security)	7	24.4	23.3

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

consolidated statement of financial position.

AUSTRALIAN PIPELINE TRUST AND ITS CONTROLLED ENTITIES
AS AT 30 JUNE 2019

	Note	2019 \$'000	2018 \$'000
Current assets			
Cash and cash equivalents	18	354,947	100,643
Trade and other receivables	9	249,962	251,720
Other financial assets	20	68,039	55,525
Inventories		30,963	28,534
Other		13,592	12,487
Current assets		717,503	448,909
Non-current assets			
Trade and other receivables	9	130,131	14,030
Other financial assets	20	502,161	591,487
Investments accounted for using the equity method	23	263,829	271,597
Property, plant and equipment	11	9,796,072	9,691,666
Goodwill	12	1,183,604	1,183,604
Other Intangible assets	12	2,809,761	2,992,431
Other	15	30,866	33,502
Non-current assets		14,716,424	14,778,317
Total assets		15,433,927	15,227,226
Current liabilities			
Trade and other payables	10	302,082	381,676
Borrowings	18	444,502	329,219
Other financial liabilities	20	152,782	139,401
Provisions	14	94,841	83,629
Unearned revenue		12,320	20,922
Current liabilities		1,006,527	954,847
Non-current liabilities			
Trade and other payables	10	3,230	5,089
Borrowings	18	9,865,813	9,321,377
Other financial liabilities	20	264,703	128,510
Deferred tax liabilities	6	544,013	558,442
Provisions	14	89,663	71,951
Unearned revenue		60,581	60,183
Non-current liabilities		10,828,003	10,145,552
Total liabilities		11,834,530	11,100,399
Net assets		3,599,397	4,126,827
Equity			
Australian Pipeline Trust equity:			
Issued capital	21	3,103,806	3,288,123
Reserves		(599,347)	(331,165)
Retained earnings		100,663	105,412
Equity attributable to unitholders of the parent		2,605,122	3,062,370
Non-controlling interests:			
APT Investment Trust:			
Issued capital		964,219	1,030,176
Retained earnings		30,056	34,228
Equity attributable to unitholders of APT Investment Trust	22	994,275	1,064,404
Other non-controlling interest		—	53
Total non-controlling interests		994,275	1,064,457
Total equity		3,599,397	4,126,827

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

consolidated statement of changes in equity.

AUSTRALIAN PIPELINE TRUST AND ITS CONTROLLED ENTITIES
FOR THE FINANCIAL YEAR ENDED 30 JUNE 2019

	Australian Pipeline Trust					APT Investment Trust			Other non-controlling interest				Total \$'000
	Issued Capital \$'000	Asset Revaluation Reserve \$'000	Hedging Reserve \$'000	Retained earnings \$'000	Attributable to owners of the parent \$'000	Issued Capital \$'000	Retained earnings \$'000	Investment Trust \$'000	Issued Capital \$'000	Other \$'000	Retained earnings \$'000	Other non-controlling interest \$'000	Total \$'000
Balance at 1 July 2017	3,114,617	8,669	(216,442)	60,804	2,967,648	976,284	34,198	1,010,482	4	1	48	53	3,978,183
Profit for the year	—	—	—	196,790	196,790	—	68,049	68,049	—	—	—	—	264,839
Other comprehensive income	—	—	(176,298)	1,588	(174,710)	—	—	—	—	—	—	—	(174,710)
Income tax relating to components of other comprehensive income	—	—	52,906	(476)	52,430	—	—	—	—	—	—	—	52,430
Total comprehensive income for the year	—	—	(123,392)	197,902	74,510	—	68,049	68,049	—	—	—	—	142,559
Payment of distributions (Note 8)	(201,385)	—	—	(153,294)	(354,679)	(67,597)	(68,019)	(135,616)	—	—	—	—	(490,295)
Securities issued under entitlement offer	380,782	—	—	—	380,782	124,234	—	124,234	—	—	—	—	505,016
Issue cost of securities	(8,415)	—	—	—	(8,415)	(2,745)	—	(2,745)	—	—	—	—	(11,160)
Tax relating to security issue costs	2,524	—	—	—	2,524	—	—	—	—	—	—	—	2,524
Balance at 30 June 2018	3,288,123	8,669	(339,834)	105,412	3,062,370	1,030,176	34,228	1,064,404	4	1	48	53	4,126,827
Balance at 1 July 2018	3,288,123	8,669	(339,834)	105,412	3,062,370	1,030,176	34,228	1,064,404	4	1	48	53	4,126,827
Impact of changes in accounting standards ^(a)	—	—	—	(2,164)	(2,164)	—	—	—	—	—	—	—	(2,164)
Adjusted balance at 1 July 2018	3,288,123	8,669	(339,834)	103,248	3,060,206	1,030,176	34,228	1,064,404	4	1	48	53	4,124,663
Profit for the year	—	—	—	222,943	222,943	—	65,070	65,070	—	—	—	—	288,013
Other comprehensive income	—	—	(383,133)	(11,418)	(394,551)	—	—	—	—	—	—	—	(394,551)
comprehensive income	—	—	114,951	3,425	118,376	—	—	—	—	—	—	—	118,376
Total comprehensive income for the year	—	—	(268,182)	214,950	(53,232)	—	65,070	65,070	—	—	—	—	11,838
Transfer to retained earnings	—	—	—	—	—	—	—	—	—	(1)	1	—	—
Payment of distributions	(184,181)	—	—	(217,535)	(401,716)	(65,894)	(69,242)	(135,136)	(4)	—	(49)	(53)	(536,905)
Issue cost of securities	(194)	—	—	—	(194)	(63)	—	(63)	—	—	—	—	(257)
Tax relating to security issue costs	58	—	—	—	58	—	—	—	—	—	—	—	58
Balance at 30 June 2019	3,103,806	8,669	(608,016)	100,663	2,605,122	964,219	30,056	994,275	—	—	—	—	3,599,397

a) APA Group has adopted AASB 15 Revenue from Contracts with Customers on a modified retrospective basis. This resulted in a charge of \$2.2 million to retained earnings as at 1 July 2018, being the cumulative effect on initial application of the standard (refer to Note 30). The comparative results are not restated as permitted by the standard.

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

consolidated statement of cash flows.

AUSTRALIAN PIPELINE TRUST AND ITS CONTROLLED ENTITIES
FOR THE FINANCIAL YEAR ENDED 30 JUNE 2019

	Note	2019 \$000	2018 \$000
Cash flows from operating activities			
Receipts from customers		2,666,095	2,635,344
Payments to suppliers and employees		(1,142,419)	(1,111,969)
Dividends received from associates and joint ventures		22,450	18,841
Proceeds from repayment of finance leases		1,469	1,774
Interest received		8,825	9,967
Interest and other costs of finance paid		(470,509)	(473,243)
Income tax paid		(73,784)	(49,087)
Net cash provided by operating activities		1,012,127	1,031,627
Cash flows from investing activities			
Payments for property, plant and equipment		(581,384)	(875,030)
Proceeds from sale of property, plant and equipment		652	663
Payments for intangible assets		(318)	(1,161)
Loans advanced to related parties		(122,002)	(282)
Net cash used in investing activities		(703,052)	(875,810)
Cash flows from financing activities			
Proceeds from borrowings		1,669,706	309,718
Repayments of borrowings		(1,175,854)	(761,733)
Proceeds from issue of securities		—	505,016
Payments of security issue costs		(864)	(10,554)
Payment of debt issue costs		(11,955)	(1,581)
Proceeds from early settlement of derivatives		1,157	—
Distributions paid to:			
Unitholders of APT		(401,716)	(354,679)
Unitholders of non-controlling interests - APTIT		(135,136)	(135,616)
Securityholders of other non-controlling interests		(53)	—
Net cash used in financing activities		(54,715)	(449,429)
Net increase/(decrease) in cash and cash equivalents		254,360	(293,612)
Cash and cash equivalents at beginning of financial year		100,643	394,501
Unrealised exchange losses on cash held		(56)	(246)
Cash and cash equivalents at end of financial year	18	354,947	100,643

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

consolidated statement of cash flows. continued.AUSTRALIAN PIPELINE TRUST AND ITS CONTROLLED ENTITIES
FOR THE FINANCIAL YEAR ENDED 30 JUNE 2019**Reconciliation of profit for the year to the net cash provided by operating activities**

	2019 \$000	2018 \$000
Profit for the year	288,013	264,839
Profit on disposal of property, plant and equipment	(583)	(466)
Share of net profits of joint ventures and associates using the equity method	(23,222)	(21,924)
Dividends/distributions received from equity accounted investments	22,452	18,841
Depreciation and amortisation expense	611,358	578,916
Finance costs	16,858	15,569
Unrealised foreign exchange loss	7,241	1,966
Amortisation of hedging loss	6,846	6,904
Changes in assets and liabilities:		
Trade and other receivables	6,923	18,894
Inventories	(2,429)	(3,177)
Other assets	2,228	(1,695)
Trade and other payables	(17,294)	20,115
Provisions	11,199	(11,303)
Other liabilities	(20,647)	28,167
Income tax balances	103,184	115,981
Net cash provided by operating activities	1,012,127	1,031,627

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.

notes to the consolidated financial statements.

AUSTRALIAN PIPELINE TRUST AND ITS CONTROLLED ENTITIES
FOR THE FINANCIAL YEAR ENDED 30 JUNE 2019

Basis of Preparation

1. About this report

In the following financial statements, note disclosures are grouped into six sections being: Basis of Preparation; Financial Performance; Operating Assets and Liabilities; Capital Management; Group Structure; and Other. Each note sets out the accounting policies applied in producing the results along with any key judgements and estimates used.

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notes to the consolidated financial statements. continued.

AUSTRALIAN PIPELINE TRUST AND ITS CONTROLLED ENTITIES
FOR THE FINANCIAL YEAR ENDED 30 JUNE 2019

Basis of Preparation

2. General information

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

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

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

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

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

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

Level 25
580 George Street
SYDNEY NSW 2000
Tel: (02) 9693 0000

The consolidated general purpose financial report for the year ended 30 June 2019 was authorised for issue in accordance with a resolution of the directors on 21 August 2019.

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

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

Working capital position

The working capital position as at 30 June 2019 for APA Group is that current liabilities exceed current assets by \$289.0 million (2018: \$505.9 million) primarily as a result of current borrowings of \$444.5 million and \$152.8 million (AUD equivalent) of cash flow hedge liabilities.

APA Group has access to sufficient available committed, un-drawn bank facilities of \$1,550.0 million as at 30 June 2019 (2018: \$868.8 million) to meet the repayment of current borrowings on due date.

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

Foreign currency transactions

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

Critical accounting judgements and key sources of estimation uncertainty

In the process of applying the Group's accounting policies, a number of judgements and estimates have been made. Judgements and estimates which are material to the financial statements are found in the following disclosures:

- Property, plant and equipment (note 11)
- Impairment of non-financial assets (note 13)
- Fair value of financial instruments (note 19(c))

Judgements and estimates require assumptions to be made about highly uncertain external factors such as: discount rates; probability factors; the effects of inflation; commercial contract lives and renewals; market supply-and-demand conditions; changing technology; timing of occurrence; input costs; political and social trends; and climate change. As such the actual outcomes may differ as a result of these judgements and assumptions.

notes to the consolidated financial statements. continued.

AUSTRALIAN PIPELINE TRUST AND ITS CONTROLLED ENTITIES
FOR THE FINANCIAL YEAR ENDED 30 JUNE 2019

Financial Performance

3. Segment information

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

APA Group comprises the following reportable segments:

- **Energy Infrastructure**, includes all of APA Group's wholly or majority owned gas pipelines, gas storage assets, gas compression and processing assets and gas-fired and renewable energy power generation assets;
- **Asset Management**, provides commercial, operating services and/or asset maintenance services to its energy investments and third parties for appropriate fees; and
- **Energy Investments**, includes APA Group's strategic stakes in a number of investment vehicles that house energy infrastructure assets, generally characterised by long-term secure cash flows, with low ongoing capital expenditure requirements.

Reportable segments

	Energy Infrastructure \$000	Asset Management \$000	Energy Investments \$000	Other \$000	Consolidated \$000
2019					
Segment revenue^(a)					
Revenue from contracts with customers	1,899,071	94,398	—	—	1,993,469
Equity accounted net profits	—	—	23,222	—	23,222
Pass-through revenue	27,881	393,317	—	—	421,198
Other income	4,775	391	—	—	5,166
Finance lease and investment interest income	1,305	—	5,210	—	6,515
Total segment revenue	1,933,032	488,106	28,432	—	2,449,570
Other interest income					2,601
Consolidated revenue					2,452,171
Segment result					
Earnings before interest, tax, depreciation and amortisation ("EBITDA")	1,571,139	52,954	—	—	1,624,093
Share of net profits of joint ventures and associates using the equity method	—	—	23,222	—	23,222
Finance lease and investment interest income	1,305	—	5,210	—	6,515
Corporate costs	—	—	—	(80,074)	(80,074)
Total EBITDA	1,572,444	52,954	28,432	(80,074)	1,573,756
Depreciation and amortisation	(600,248)	(11,110)	—	—	(611,358)
Earnings before interest and tax ("EBIT")	972,196	41,844	28,432	(80,074)	962,398
Net interest cost ^(b)					(497,419)
Profit before tax					464,979
Income tax expense					(176,966)
Profit for the year					288,013

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

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

notes to the consolidated financial statements. continued.

AUSTRALIAN PIPELINE TRUST AND ITS CONTROLLED ENTITIES
FOR THE FINANCIAL YEAR ENDED 30 JUNE 2019

Financial Performance

3. Segment information (continued)

Reportable segments (continued)

	Energy Infrastructure \$000	Asset Management \$000	Energy Investments \$000	Consolidated \$000
2019				
Segment assets and liabilities				
Segment assets	13,938,973	183,669	132,993	14,255,635
Carrying value of investments using the equity method	—	—	263,829	263,829
Unallocated assets ^(a)				914,463
Total assets				15,433,927
Segment liabilities	376,598	60,707	—	437,305
Unallocated liabilities ^(b)				11,397,225
Total liabilities				11,834,530

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

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

	Energy Infrastructure \$000	Asset Management \$000	Energy Investments \$000	Other \$000	Consolidated \$000
2018					
Segment revenue ^(a)					
Revenue from contracts with customers	1,801,285	108,533	—	—	1,909,818
Equity accounted net profits	—	—	21,924	—	21,924
Pass-through revenue	44,265	401,042	—	—	445,307
Other income	1,220	4	—	—	1,224
Finance lease and investment interest income	1,454	—	1,144	—	2,598
Total segment revenue	1,848,224	509,579	23,068	—	2,380,871
Other interest income					5,851
Consolidated revenue					2,386,722
Segment result					
Earnings before interest, tax, depreciation and amortisation ("EBITDA")	1,495,642	66,204	—	—	1,561,846
Share of net profits of joint ventures and associates using the equity method	—	—	21,924	—	21,924
Finance lease and investment interest income	1,454	—	1,144	—	2,598
Corporate costs	—	—	—	(67,894)	(67,894)
Total EBITDA	1,497,096	66,204	23,068	(67,894)	1,518,474
Depreciation and amortisation	(567,925)	(10,991)	—	—	(578,916)
Earnings before interest and tax ("EBIT")	929,171	55,213	23,068	(67,894)	939,558
Net interest cost ^(b)					(509,664)
Profit before tax					429,894
Income tax expense					(165,055)
Profit for the year					264,839

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

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

notes to the consolidated financial statements. continued.

AUSTRALIAN PIPELINE TRUST AND ITS CONTROLLED ENTITIES
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Financial Performance

3. Segment information (continued)

Reportable segments (continued)

2018	Energy Infrastructure \$000	Asset Management \$000	Energy Investments \$000	Consolidated \$000
Segment assets and liabilities				
Segment assets	13,995,163	212,521	10,967	14,218,651
Carrying value of investments using the equity method	—	—	271,597	271,597
Unallocated assets ^(a)				736,978
Total assets				15,227,226
Segment liabilities	440,276	64,829	—	505,105
Unallocated liabilities ^(b)				10,595,294
Total liabilities				11,100,399

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

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

4. Revenue

Disaggregation of revenue

Revenue is disaggregated below by state, business unit and geography.

2019	Energy Infrastructure		
	Transmission \$000	Power Generation \$000	Total \$000
Energy Infrastructure			
Queensland	960,933	246,174	1,207,107
New South Wales	173,594	—	173,594
Victoria	144,380	—	144,380
South Australia	3,004	—	3,004
Western Australia	288,997	51,688	340,685
Northern Territory	30,301	—	30,301
Energy Infrastructure revenue from contracts with customers	1,601,209	297,862	1,899,071
Asset Management revenue from contracts with customers			94,398
Pass-through revenue			421,198
Other income			5,166
Operating revenue			2,419,833
Interest income			2,601
Interest income from related parties			5,210
Finance lease income			1,305
Finance income			9,116
Total Revenue			2,428,949
Share of net profits of joint ventures and associates using the equity method			23,222
			2,452,171

notes to the consolidated financial statements. continued.

AUSTRALIAN PIPELINE TRUST AND ITS CONTROLLED ENTITIES
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Financial Performance

4. Revenue (continued)

Disaggregation of revenue (continued)

	Energy Infrastructure		
	Transmission \$'000	Power Generation \$'000	Total \$'000
2018 ^(a)			
Energy Infrastructure			
Queensland	923,800	229,175	1,152,975
New South Wales	166,243	—	166,243
Victoria	153,166	—	153,166
South Australia	2,925	—	2,925
Western Australia	263,585	29,530	293,115
Northern Territory	32,861	—	32,861
Energy Infrastructure revenue from contracts with customers	1,542,580	258,705	1,801,285
Asset Management revenue from contracts with customers			108,533
Pass-through revenue			445,307
Other income			1,224
Operating revenue			2,356,349
Interest income			5,851
Interest income from related parties			1,144
Finance lease income			1,454
Finance income			8,449
Total Revenue			2,364,798
Share of net profits of joint ventures and associates using the equity method			21,924
			2,386,722

a) 2018 disclosure aligned with 2019 disclosure format, reflective of AASB 15 Revenue from Contracts with Customers requirements.

Revenue is recognised at an amount that reflects the consideration to which the Group expects to be entitled in exchange for the provision of services or for the transferring of goods to a customer (the performance obligations) under a contract. APA Group recognises revenue when control of a product or service is transferred to the customer. Amounts disclosed as revenue are net of duties, goods and services tax ("GST") and other taxes paid, except where the amount of GST incurred is not recoverable from the taxation authority. Given the nature of APA Group's services there is no significant right of return or warranty provided.

Revenue from contracts with customers is derived from the major business activities as follows:

- **Energy Infrastructure revenue from contracts with customers**, is derived from the transportation, processing and storage of gas and other related services (transmission revenue), and the generation of electricity and other related services (power generation revenue). Revenue from contracts with customers may either be identified as separate performance obligations or a series of distinct performance obligations that are substantially the same, have the same pattern of transfer and are therefore treated as a single performance obligation that is satisfied over time. This includes both firm and interruptible services. The consideration is volume based and is recognised as revenue in a manner that depicts the transfer based on volume of output to the customer. This method most accurately depicts the progress towards satisfaction of the performance obligation of the services provided, as the customer simultaneously receives and consumes the benefits of APA Group's service and obtains value as each volume of output is transported by APA Group. The amount billed corresponds directly to the value of the performance to date;
- **Asset Management revenue from contracts with customers**, is derived from the provision of commercial services, operating services, asset management services and/or asset maintenance services to APA Group's energy investments and other third parties. APA Group applies the practical expedient to recognise revenue at the amount to which APA Group has a right to invoice; and
- **Pass-through revenue**, is revenue from contracts with customers for which no margin is earned, and is recognised when the services are provided. APA Group applies the practical expedient to recognise revenue at the amount to which APA Group has a right to invoice. APA Group is determined to be the principal in these relationships.

Other types of revenue is recognised as follows:

- **Interest income**, which is recognised as it accrues and is determined using the effective interest method;
- **Dividend income**, which is recognised when the right to receive the payment has been established; and
- **Finance lease income**, which is allocated to accounting periods so as to reflect a constant periodic rate of return on the Group's net investment outstanding in respect of the leases.

notes to the consolidated financial statements. continued.

AUSTRALIAN PIPELINE TRUST AND ITS CONTROLLED ENTITIES
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Financial Performance

4. Revenue (continued)

Contract liabilities – unearned revenue

Where amounts have been received in advance of fulfilling the contract obligation these amounts are deferred in the balance sheet as unearned revenue until the performance obligation is fulfilled. Where the period between the payment by the customer and the fulfilment of the obligation is expected to exceed one year any amounts associated with the finance component of this deferred revenue is recognised as interest expense.

Contract assets – accrued revenue

Contract assets primarily relate to APA Group's right to consideration for work completed but not billed at the reporting date. These amounts are known as accrued revenue and are disclosed in Note 9.

Accrued revenue is transferred to trade receivables when the rights become unconditional. This usually occurs when APA Group issues an invoice to the customer.

Accounting for costs to obtain contracts

APA Group generally expenses costs to obtain contracts as they are incurred, as they tend to be incurred whether the contract is obtained or not (e.g. staff salaries, professional fees etc.).

Future Revenues from Remaining Performance Obligations

As at 30 June 2019, future contracted Energy Infrastructure revenues extending through to 2050 are approximately \$22.2 billion, of which \$1.8 billion is expected to be recognised in 2020. These amounts relate to Energy Infrastructure revenue from long term contracts with highly credit worthy counterparties.

Future contracted Energy Infrastructure revenues outlined above are in nominal 2019 dollars escalated by CPI. Variable revenues, potential future revenues from new contracts, contract renewals or extensions, and revenues from potential new assets or expansions where a contract does not currently exist with a customer are not included. As such, the future contracts revenues described above represent only part of APA Group's forecast revenues for FY2020 and beyond.

Information about major customers

Included in revenues arising from energy infrastructure of \$1,899.1 million (2018: \$1,801.3 million) are revenues of approximately \$708.6 million (2018: \$689.4 million) which arose from sales to APA Group's top three customers.

5. Expenses

	2019 \$'000	2018 \$'000
Depreciation of non-current assets	428,370	395,904
Amortisation of non-current assets	182,988	183,012
Depreciation and amortisation expense	611,358	578,916
Energy infrastructure costs – pass-through	27,881	44,265
Asset management costs – pass-through	393,317	401,042
Other operating costs - pass-through	421,198	445,307
Interest on bank overdrafts and borrowings ^(a)	509,864	517,503
Amortisation of deferred borrowing costs	7,631	8,968
Other finance costs	7,749	6,990
	525,244	533,461
Less: amounts included in the cost of qualifying assets	(31,468)	(23,697)
	493,776	509,764
Loss on derivatives	47	743
Unwinding of discount on non-current liabilities	6,197	5,008
Finance costs	500,020	515,515
Defined contribution plans	14,264	12,417
Defined benefit plans (Note 16)	1,944	2,280
Post-employment benefits	16,208	14,697
Termination benefits	3,823	(4,221)
Cash settled security-based payments ^(b)	25,555	20,915
Other employee benefits	189,448	166,154
Employee benefit expense ^(c)	235,034	197,545

a) The average interest rate applying to drawn debt is 5.53% p.a. (2018: 5.65% p.a.) excluding amortisation of borrowing costs and other finance costs.

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

c) Employee benefit expense of \$64.5 million (2018: \$67.2 million) is recharged as pass-through revenue and presented as part of other operating costs – pass-through.

notes to the consolidated financial statements. continued.

AUSTRALIAN PIPELINE TRUST AND ITS CONTROLLED ENTITIES
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Financial Performance

6. Income tax

The major components of tax expense are:

	2019 \$000	2018 \$000
Income statement		
Current tax expense in respect of the current year	(72,138)	(54,536)
Adjustments recognised in the current year in relation to current tax of prior years	104	612
Deferred tax expense relating to the origination and reversal of temporary differences	(104,932)	(111,131)
Total tax expense	(176,966)	(165,055)
Tax reconciliation		
Profit before tax	464,979	429,894
Income tax expense calculated at 30%	(139,494)	(128,968)
Non-assessable trust distribution	19,521	20,415
Non deductible expenses	(58,403)	(58,319)
Non assessable income	84	19
	(178,292)	(166,853)
Franking credits received	105	—
Previously unbooked losses now recognised	853	690
Adjustments recognised in the current year in relation to the current tax of prior years	104	612
R&D tax incentive	264	496
	(176,966)	(165,055)

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

Income tax expense for the year is \$177.0 million (2018: \$165.1 million). An income tax provision of \$32.0 million (2018: \$33.8 million) has been recognised after installments made during the year and utilisation of all available group tax losses and partial utilisation of available transferred tax losses (refer to Note 10).

Deferred tax balances

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

	Opening balance \$000	Charged to income \$000	Charged to equity \$000	Closing balance \$000
2019				
Gross deferred tax liabilities				
Property, plant and equipment	(903,769)	(85,886)	—	(989,655)
Deferred expenses	(54,803)	(713)	—	(55,516)
Other	(233)	(66)	—	(299)
	(958,805)	(86,665)	—	(1,045,470)
Gross deferred tax assets				
Provisions	43,391	5,249	—	48,640
Cash flow hedges	141,235	858	112,124	254,217
Security issue costs	3,831	(2,327)	58	1,562
Deferred revenue	13,748	(144)	927	14,531
Investments equity accounted	1,705	(98)	2,827	4,434
Defined benefit obligation	(497)	11	3,425	2,939
Tax losses	196,950	(21,816)	—	175,134
	400,363	(18,267)	119,361	501,457
Net deferred tax liability	(558,442)	(104,932)	119,361	(544,013)

notes to the consolidated financial statements. continued.

AUSTRALIAN PIPELINE TRUST AND ITS CONTROLLED ENTITIES
FOR THE FINANCIAL YEAR ENDED 30 JUNE 2019

Financial Performance

6. Income tax (continued)

Deferred tax balances (continued)

	Opening balance \$000	Charged to income \$000	Charged to equity \$000	Closing balance \$000
2018				
Gross deferred tax liabilities				
Property, plant and equipment	(810,121)	(93,648)	—	(903,769)
Deferred expenses	(56,480)	1,677	—	(54,803)
Defined benefit obligation	(68)	47	(476)	(497)
Other	(1,054)	821	—	(233)
	(867,723)	(91,103)	(476)	(959,302)
Gross deferred tax assets				
Provisions	45,891	(2,500)	—	43,391
Cash flow hedges	87,819	(118)	53,534	141,235
Security issue costs	3,624	(2,317)	2,524	3,831
Deferred revenue	4,406	9,342	—	13,748
Investments equity accounted	2,441	(108)	(628)	1,705
Tax losses	221,277	(24,327)	—	196,950
	365,458	(20,028)	55,430	400,860
Net deferred tax liability	(502,265)	(111,131)	54,954	(558,442)

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.

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

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

Tax consolidation

APT and its wholly-owned Australian resident entities formed a tax-consolidated group with effect from 1 July 2003 and are therefore taxed as a single entity from that date. The head entity within the tax-consolidated group is APT. The members of the tax-consolidated group are identified at Note 24.

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

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

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

Nature of tax funding arrangement and tax sharing agreement

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

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

notes to the consolidated financial statements. continued.

AUSTRALIAN PIPELINE TRUST AND ITS CONTROLLED ENTITIES
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7. Earnings per security

	2019 cents	2018 cents
Basic and diluted earnings per unit attributable to the parent	18.9	17.3
Basic and diluted earnings per unit attributable to the non-controlling interest	5.5	6.0
Basic and diluted earnings per stapled security	24.4	23.3

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

	2019 \$000	2018 \$000
Net profit attributable to unitholders of the parent	222,943	196,790
Net profit attributable to unitholders of the non-controlling interest	65,070	68,049
Net profit attributable to stapled securityholders for calculating basic and diluted earnings per security	288,013	264,839
	2019 No. of securities 000	2018 No. of securities 000
Adjusted weighted average number of ordinary securities used in the calculation of basic and diluted earnings per security	1,179,894	1,136,875

8. Distributions

	2019 cents per security	2019 Total \$000	2018 cents per security	2018 Total \$000
Recognised amounts				
Final FY2018 distribution paid on 12 September 2018				
(2018: Final FY2017 distribution paid on 13 September 2017)				
Profit distribution – APT ^(a)	8.93	105,412	5.46	60,803
Capital distribution – APT	9.03	106,513	10.78	120,183
Profit distribution – APTIT ^(a)	2.90	34,228	3.07	34,198
Capital distribution – APTIT	3.14	37,022	3.69	41,107
	24.00	283,175	23.00	256,291
Interim FY2019 distribution paid on 13 March 2019				
(2018: Interim FY2018 distribution paid on 14 March 2018)				
Profit distribution – APT ^(b)	9.50	112,123	8.30	92,491
Capital distribution – APT	6.58	77,668	7.29	81,202
Profit distribution – APTIT ^(a)	2.97	35,014	3.03	33,821
Capital distribution – APTIT	2.45	28,872	2.38	26,490
	21.50	253,677	21.00	234,004
Total distributions recognised				
Profit distributions	24.30	286,777	19.86	221,313
Capital distributions	21.20	250,075	24.14	268,982
	45.50	536,852	44.00	490,295

a) Profit distributions were unfranked (2018: unfranked).

b) Interim profit distributions were 7.47 cents per security franked and 2.03 cents per security unfranked (2018: 5.83 cents per security franked and 2.47 cents per security unfranked).

notes to the consolidated financial statements. continued.

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8. Distributions (continued)

	2019 cents per security	2019 Total \$000	2018 cents per security	2018 Total \$000
Unrecognised amounts				
Final FY2019 distribution payable on 11 September 2019^(a)				
(2018: Final FY2018 distribution paid on 12 September 2018)				
Profit distribution – APT ^(b)	8.53	100,663	8.93	105,412
Capital distribution – APT	10.44	123,153	9.03	106,513
Profit distribution – APTIT ^(c)	2.55	30,056	2.90	34,228
Capital distribution – APTIT	3.98	47,002	3.14	37,022
	25.50	300,874	24.00	283,175

a) Record date 28 June 2019.

b) Final profit distributions are to be fully franked (2018: fully franked).

c) Profit distributions were unfranked (2018: unfranked).

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

	2019 \$000	2018 \$000
Franking account balance	(5,943)	3,228
Income tax payable	32,005	33,734
Adjusted Franking account balance	26,062	36,962

The adjusted franking account balance will be reduced by \$43.1 million (FY2018: \$45.2 million) following the payment of the final distribution payable on 11 September 2019 (FY2018: 12 September 2018).

On 31 July 2019, APA Group made a franking deficit tax payment of \$5.9 million. This represents a prepayment of the final income tax payment due for FY2019.

Operating Assets and Liabilities

9. Receivables

	2019 \$000	2018 \$000
Trade receivables	26,080	27,991
Accrued Revenue	198,816	198,324
Loss allowance	(10)	(1,494)
Trade receivables	224,886	224,821
Receivables from associates and related parties	23,373	25,252
Finance lease receivables (Note 17)	1,246	1,480
Interest receivable	378	88
Other debtors	79	79
Current	249,962	251,720
Finance lease receivables (Note 17)	12,794	14,030
Loan receivable - related party	117,337	—
Non-current	130,131	14,030

At 30 June 2019, APA Group had a secured amortising loan receivable from SEA Gas of \$122.3 million. This facility has been extended at arm's length terms maturing September 2021.

Trade receivables are non-interest bearing and are generally on 30 day terms. There are no material trade receivables past due and not provided for.

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

notes to the consolidated financial statements. continued.

AUSTRALIAN PIPELINE TRUST AND ITS CONTROLLED ENTITIES
FOR THE FINANCIAL YEAR ENDED 30 JUNE 2019

Operating Assets and Liabilities

10. Payables

	2019 \$000	2018 \$000
Trade payables ^(a)	39,934	41,392
Income tax payable	32,005	33,754
Other payables	230,143	306,530
Current	302,082	381,676
Other payables	3,230	5,089
Non-current	3,230	5,089

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

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

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

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

11. Property, plant and equipment

	Freehold land and buildings – at cost \$000	Leasehold improvements – at cost \$000	Plant and equipment – at cost \$000	Work in progress – at cost \$000	Total \$000
Gross carrying amount					
Balance at 1 July 2017	242,733	10,167	10,351,003	229,407	10,833,310
Additions	702	—	31,278	905,622	937,602
Disposals	—	—	(4,071)	—	(4,071)
Transfers	5,282	493	272,876	(278,651)	—
Balance at 30 June 2018	248,717	10,660	10,651,086	856,378	11,766,841
Additions	—	—	29,345	503,500	532,845
Disposals	(1)	—	(950)	—	(951)
Transfers	12,988	127	812,782	(825,897)	—
Balance at 30 June 2019	261,704	10,787	11,492,263	533,981	12,298,735
Accumulated depreciation					
Balance at 1 July 2017	(39,161)	(3,029)	(1,640,955)	—	(1,683,145)
Disposals	—	—	3,874	—	3,874
Depreciation expense (Note 5)	(7,184)	(923)	(387,797)	—	(395,904)
Balance at 30 June 2018	(46,345)	(3,952)	(2,024,878)	—	(2,075,175)
Disposals	—	—	882	—	882
Depreciation expense (Note 5)	(7,544)	(967)	(419,859)	—	(428,370)
Balance at 30 June 2019	(53,889)	(4,919)	(2,443,855)	—	(2,502,663)
Net book value					
As at 30 June 2018	202,372	6,708	8,626,208	856,378	9,691,666
As at 30 June 2019	207,815	5,868	9,048,408	533,981	9,796,072

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

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

notes to the consolidated financial statements. continued.

AUSTRALIAN PIPELINE TRUST AND ITS CONTROLLED ENTITIES
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Operating Assets and Liabilities

11. Property, plant and equipment (continued)

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

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

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

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

APA Group reviews the estimated useful lives of property, plant and equipment at the end of each annual reporting period. Physical, economic and environmental factors are taken into consideration in assessing the useful lives of the assets, including but not limited to asset condition and obsolescence, technology changes, commercial contract lives and renewals, global and regional gas supply-and-demand, and climate change based on TCFD scenario testing to 2030. Any reassessment of useful lives in a particular year will affect the depreciation expense.

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

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

12. Goodwill and intangibles

	2019 \$000	2018 \$000
Goodwill		
Balance at beginning of financial year	1,183,604	1,183,604
Balance at end of financial year	1,183,604	1,183,604

Allocation of goodwill to cash-generating units

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

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

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

Asset Management business	21,456	21,456
Energy Infrastructure		
East Cost Grid	1,060,681	1,060,681
Diamantina Power Station	43,104	43,104
Other energy infrastructure ^(a)	58,363	58,363
	1,183,604	1,183,604

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

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

notes to the consolidated financial statements. continued.

AUSTRALIAN PIPELINE TRUST AND ITS CONTROLLED ENTITIES
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Operating Assets and Liabilities

12. Goodwill and intangibles (continued)

Allocation of goodwill to cash-generating units (continued)

	2019 \$000	2018 \$000
Contract and other intangibles		
Gross carrying amount		
Balance at beginning of financial year	3,590,960	3,589,799
Acquisitions / additions	318	1,161
Balance at end of financial year	3,591,278	3,590,960
Accumulated amortisation and impairment		
Balance at beginning of financial year	(598,529)	(415,517)
Amortisation expense (Note 5)	(182,988)	(183,012)
Balance at end of financial year	(781,517)	(598,529)
	2,809,761	2,992,431

APA Group holds various third party operating and maintenance contracts. The combined gross carrying amount of \$3,591.3 million amortises over terms ranging from one to 20 years. Useful life is determined based on the underlying contractual terms. Amortisation expense is not a cash item, and is included in the line item of depreciation and amortisation expense in the statement of profit or loss and other comprehensive income.

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

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

13. Impairment of non-financial assets

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

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

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

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

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

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

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

For fully regulated assets, cash flows have been extrapolated on the basis of existing transportation contracts and government policy settings, and expected contract renewals with a resulting average annual growth rate of 1.0% p.a. (2018: 1.0% p.a.). These expected cash flows are factored into the regulated asset base and do not exceed management's expectations of the long-term average growth rate for the market in which the cash generating unit operates.

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

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

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

notes to the consolidated financial statements. continued.

AUSTRALIAN PIPELINE TRUST AND ITS CONTROLLED ENTITIES
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Operating Assets and Liabilities

13. Impairment of non-financial assets (continued)

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

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 7.75% p.a. (2018: 8.25% p.a.) for Energy Infrastructure assets other than Wallumbilla Gladstone Pipeline segment (WGP) and 7.75% p.a. (2018: 8.25% p.a.) for Asset Management. In relation to WGP segment of the Energy Infrastructure assets, the debt financing that was specifically raised to fund the acquisition is utilised to determine the pre-tax discount rate of 6.50% p.a. applicable to this asset (2018: 6.50% p.a.).

These assumptions have been determined with reference to historic information, current performance and expected changes taking into account external information such as discount rates, the effects of inflation, climate change based on TCFD scenario testing to 2030, the outlook for global and regional market gas supply-and-demand conditions, contract renewals, and input costs. Such estimates may change as new information becomes available.

14. Provisions

	2019 \$000	2018 \$000
Employee benefits	86,625	78,433
Other	8,216	5,196
Current	94,841	83,629
Employee benefits	33,672	30,180
Other	55,991	41,771
Non-current	89,663	71,951
Employee benefits		
Incentives	33,126	28,153
Cash settled security-based payments	7,042	8,299
Leave balances	46,137	41,981
Termination benefits	320	—
Current	86,625	78,433
Cash settled security-based payments	9,695	14,791
Defined benefit liability (Note 16)	13,852	5,032
Leave balances	10,125	10,357
Non-current	33,672	30,180

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

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

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

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

15. Other non-current assets

	2019 \$000	2018 \$000
Line pack gas	20,607	20,607
Gas held in storage	6,010	6,010
Defined benefit asset (Note 16)	4,057	6,693
Other assets	192	192
	30,866	33,502

notes to the consolidated financial statements. continued.

AUSTRALIAN PIPELINE TRUST AND ITS CONTROLLED ENTITIES
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Operating Assets and Liabilities

16. Employee superannuation plans

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

The most recent actuarial valuations of plan assets and the present value of the defined benefit obligations were determined at 30 June 2019. The present value of the defined benefit obligations, and the related current service cost and past service cost, were measured using the projected unit credit method.

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

	2019 \$000	2018 \$000
Amounts recognised in the statement of profit or loss and other comprehensive income		
Current service cost	1,955	2,234
Net interest (income)/expense	(11)	46
Components of defined benefit costs recognised in profit or loss (Note 5)	1,944	2,280
Amounts recognised in the statement of financial position		
Fair value of plan assets	136,487	135,620
Present value of benefit obligation	(146,282)	(133,959)
Defined benefit asset – non-current (Note 15)	4,057	6,693
Defined benefit liability – non-current (Note 14)	(13,852)	(5,032)
Opening defined benefit obligation	133,959	134,804
Current service cost	1,955	2,234
Interest cost	5,312	5,369
Contributions from plan participants	744	786
Actuarial loss	15,837	5,138
Benefits paid	(11,044)	(13,873)
Administrative expenses, taxes and premiums paid	(481)	(499)
Closing defined benefit obligation	146,282	133,959
Movements in the present value of the plan assets in the current period were as follows:		
Opening fair value of plan assets	135,620	135,029
Interest income	5,323	5,323
Actual return on plan assets excluding interest income	4,420	6,726
Contributions from employer	1,905	2,128
Contributions from plan participants	744	786
Benefits paid	(11,044)	(13,873)
Administrative expenses, taxes and premiums paid	(481)	(499)
Closing fair value of plan assets	136,487	135,620

Defined contribution plans

Contributions to defined contribution plans are expensed when incurred.

Defined benefit plans

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

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

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

notes to the consolidated financial statements. continued.

AUSTRALIAN PIPELINE TRUST AND ITS CONTROLLED ENTITIES
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Operating Assets and Liabilities

16. Employee superannuation plans (continued)

Defined benefit plans (continued)

Key actuarial assumptions used in the determination of the defined benefit obligation is a discount rate of 3.1% gross of tax (2018: 4.1%), based on the corporate bond yield curve published by Milliman, an expected salary increase rate of 3.0% (2018: 3.0%), and pension indexation rate of 2.0% (2018: 2.0%). The sensitivity analysis below has been determined based on reasonable possible changes of the respective assumptions occurring at the end of the reporting period, while holding all other assumptions constant:

- If the discount rate is 50 basis points higher (lower), the defined benefit obligation would decrease by \$7,080,000 (increase by \$7,891,000).
- If the expected salary growth increases (decreases) by 0.5%, the defined benefit obligation would increase by \$1,957,000 (decrease by \$1,822,000).
- If the expected pension indexation rate increases (decreases) by 0.5%, the defined benefit obligation would increase by \$5,635,000 (decrease by \$5,121,000).

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 to one another as some of the assumptions may be correlated.

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

APA Group expects to pay \$1.9 million in contributions to the defined benefit plans during the year ending 30 June 2020.

17. Leases

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

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

	2019 \$000	2018 \$000
Finance lease receivables		
Not longer than 1 year	2,411	2,775
Longer than 1 year and not longer than 5 years	8,063	8,763
Longer than 5 years	11,121	12,832
Minimum future lease payments receivable^(a)	21,595	24,370
Gross finance lease receivables	21,595	24,370
Less: unearned finance lease receivables	(7,555)	(8,860)
Present value of lease receivables	14,040	15,510
Included in the financial statements as part of:		
Current trade and other receivables (Note 9)	1,246	1,480
Non-current receivables (Note 9)	12,794	14,030
	14,040	15,510

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

APA Group as a lessor

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

APA Group as a lessee

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

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

notes to the consolidated financial statements. continued.

AUSTRALIAN PIPELINE TRUST AND ITS CONTROLLED ENTITIES
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Operating Assets and Liabilities

17. Leases (continued)

Non-cancellable operating leases

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

	2019 \$000	2018 \$000
Not longer than 1 year	14,638	13,641
Longer than 1 year and not longer than 5 years	34,688	36,487
Longer than 5 years	16,477	22,437
	65,803	72,565

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

Capital Management

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

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

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

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

Controlled entities are subject to externally imposed capital requirements. These relate to the Australian Financial Services Licence held by Australian Pipeline Limited, the Responsible Entity of APA Group, and were adhered to for the entirety of the 2019 and 2018 periods.

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

APA Group's Board of Directors reviews the capital structure on a regular basis. As part of the review, the Board considers the cost of capital and the state of the markets. APA Group's Funds From Operations to Net Debt exceed the levels S&P and Moody's consider appropriate for APA's BBB/Baa2 credit rating. Funds From Operations to Net Debt is a leverage metric that measures cash flows generated by the business that are available to service debt (note: each rating agency calculates credit metrics slightly differently using their own proprietary methods). Creditworthiness improves as the percentage of Funds From Operations to Net Debt increases (and vice versa). APA Group balances its overall capital structure through equity issuance, new debt or the redemption of existing debt and through a disciplined distribution payment policy.

notes to the consolidated financial statements. continued.

AUSTRALIAN PIPELINE TRUST AND ITS CONTROLLED ENTITIES
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Capital Management

18. Net debt

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

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

	2019 \$000	2018 \$000
Cash at bank and on hand	354,703	99,277
Short-term deposits	244	1,366
Cash and cash equivalents	354,947	100,643
Guaranteed senior notes ^(a)	(433,550)	(318,373)
Other financial liabilities	(10,952)	(10,846)
Current borrowings	(444,502)	(329,219)
Guaranteed senior notes ^(a)	(9,841,174)	(9,089,991)
Bank borrowings ^(b)	—	(200,000)
Other financial liabilities	(65,379)	(73,458)
Less: unamortised borrowing costs	40,740	42,072
Non-current borrowings	(9,865,813)	(9,321,377)
Total borrowings	(10,310,315)	(9,650,596)
Net debt	(9,955,368)	(9,549,953)

a) Represents USD denominated private placement notes of US\$199 million, CAD medium term notes (MTN) of C\$300 million, JPY MTN of ¥ 10,000 million, GBP MTN of £1,350 million, EUR MTN of €1,350 million and USD denominated 144a notes of US\$3,000 million measured at the exchange rate at reporting date, and A\$143 million of AUD denominated private placement notes and AUD MTN of A\$500 million (2018: Includes USD denominated private placement notes of US\$185 million and A\$68 million of AUD denominated private placement notes). Refer to Note 19 for details of interest rates and maturity profiles.

b) Refer to Note 19 for details of interest rates and maturity profiles.

Reconciliation of net debt

	Cash and cash equivalents \$000	Borrowings due within 1 year \$000	Borrowings due after 1 year \$000	Net debt \$000
Net debt as at 1 July 2017	394,501	(126,858)	(9,573,907)	(9,306,264)
Cash movements	(293,612)	137,015	315,000	158,403
Foreign exchange movements due to fair value changes	(246)	(13,298)	(384,758)	(398,302)
Transfer from due after 1 year to due within 1 year	—	(326,078)	326,078	—
Amortisation of deferred borrowing costs	—	—	(3,790)	(3,790)
Net debt as at 30 June 2018	100,643	(329,219)	(9,321,377)	(9,549,953)
Net debt as at 1 July 2018	100,643	(329,219)	(9,321,377)	(9,549,953)
Cash movements	254,360	325,854	(819,706)	(239,492)
Foreign exchange movements due to fair value changes	(56)	(41,699)	(122,836)	(164,591)
Transfer from due after 1 year to due within 1 year	—	(399,438)	399,438	—
Amortisation of deferred borrowing costs	—	—	(1,332)	(1,332)
Net debt as at 30 June 2019	354,947	(444,502)	(9,865,813)	(9,955,368)

notes to the consolidated financial statements. continued.

AUSTRALIAN PIPELINE TRUST AND ITS CONTROLLED ENTITIES
FOR THE FINANCIAL YEAR ENDED 30 JUNE 2019

Capital Management

18. Net debt (continued)

	2019 \$000	2018 \$000
Financing facilities available		
Total facilities		
Guaranteed senior notes ^(a)	10,274,724	9,408,364
Bank borrowings ^(b)	1,550,000	1,068,750
	11,824,724	10,477,114
Facilities used at balance date		
Guaranteed senior notes ^(a)	10,274,724	9,408,364
Bank borrowings ^(b)	—	200,000
	10,274,724	9,608,364
Facilities unused at balance date		
Guaranteed senior notes ^(a)	—	—
Bank borrowings ^(b)	1,550,000	868,750
	1,550,000	868,750

a) Represents USD denominated private placement notes of US\$199 million, CAD medium term notes (MTN) of C\$300 million, JPY MTN of ¥ 10,000 million, GBP MTN of £1,350 million, EUR MTN of €1,350 million and USD denominated 144a notes of US\$3,000 million measured at the exchange rate at reporting date, and A\$143 million of AUD denominated private placement notes and AUD MTN of A\$500 million (2018: Includes USD denominated private placement notes of US\$185 million and A\$68 million of AUD denominated private placement notes). Refer to Note 19 for details of interest rates and maturity profiles.

b) Refer to Note 19 for details of interest rates and maturity profiles.

19. Financial risk management

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

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

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

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

a) Market risk

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

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

APA Group is also exposed to price risk arising from its forward purchase contracts over listed equities and electricity price risk arising from an electricity contract for difference.

There has been no change to the nature of the market risks to which APA Group is exposed or the manner in which these risks are managed and measured.

notes to the consolidated financial statements. continued.

AUSTRALIAN PIPELINE TRUST AND ITS CONTROLLED ENTITIES
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Capital Management

19. Financial risk management (continued)

a) Market risk (continued)

Foreign currency risk

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

Forward foreign exchange contracts

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

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

	Cash & cash equivalents \$000	Receivables \$000	Total borrowings \$000	Cross currency swaps \$000	Foreign exchange contract \$000	Net foreign currency position \$000
2019						
US Dollar (USD) ^(a)	12,458	—	(4,558,603)	327,588	(935,003)	(5,153,560)
Japanese Yen (JPY)	—	—	(132,196)	132,196	—	—
Canadian Dollar (CAD)	—	—	(326,675)	326,675	—	—
British Pound (GBP)	—	—	(2,442,600)	2,442,600	267	267
Euro (EUR)	—	—	(2,187,895)	2,187,895	3,031	3,031
Swedish Krona (SEK)	—	—	—	—	41,429	41,429
	12,458	—	(9,647,969)	5,416,954	(890,276)	(5,108,833)
2018						
US Dollar (USD) ^(a)	3,143	—	(4,576,684)	(433,791)	(109,807)	(5,117,139)
Canadian Dollar (CAD)	—	—	(308,496)	308,496	—	—
British Pound (GBP)	—	—	(1,694,493)	1,694,493	—	—
Euro (EUR)	—	—	(2,129,801)	2,129,801	18,911	18,911
Swedish Krona (SEK)	—	—	—	—	43,344	43,344
Danish Krona (DKK)	—	—	—	—	4,102	4,102
	3,143	—	(8,709,474)	3,698,999	(43,450)	(5,050,782)

a) Foreign currency denominated borrowings to manage the currency risk associated with foreign currency denominated revenue and receivables.

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

For the hedges of highly probable forecast sales and purchases, as the critical terms (i.e. the notional amount, life and underlying) of the foreign exchange forward contracts and their corresponding hedged items are the same, APA Group performs a qualitative assessment of effectiveness and it is expected that the value of the forward contracts and the value of the corresponding hedged items will systematically change in opposite directions in response to movements in the underlying exchange rates.

The main source of hedge ineffectiveness in these hedging relationships is the effect of the counterparty and APA Group's own credit risk on the fair value of the forward contracts, which is not reflected in the fair value of the hedged item attributable to changes in foreign exchange rates. The effect of credit risk does not dominate the value changes that result from that economic relationship.

notes to the consolidated financial statements. continued.

AUSTRALIAN PIPELINE TRUST AND ITS CONTROLLED ENTITIES
FOR THE FINANCIAL YEAR ENDED 30 JUNE 2019

Capital Management

19. Financial risk management (continued)

a) Market risk (continued)

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

Cash flow hedges

<i>Cash flow hedges</i>			Contract Value			Fair value \$000
2019	Foreign currency	Average exchange rate \$	< 1 year \$000	1 - 2 years \$000	2 - 5 years \$000	
Forecast revenue and associated receivable						
Pay USD / receive AUD	USD	0.7169	319,697	364,587	253,313	(11,874)
Forecast capital purchases						
Pay AUD / receive USD	USD	0.7124	(2,594)	—	—	35
Pay AUD / receive EUR	EUR	0.6018	(942)	(1,522)	(567)	(1)
Pay AUD / receive SEK	SEK	5.7712	(7,217)	(30,528)	(3,684)	(3,818)
Pay AUD / receive GBP	GBP	0.5431	(267)	—	—	(5)
			308,677	332,537	249,062	(15,663)

2018

Forecast revenue and associated receivable						
Pay USD / receive AUD	USD	0.6528	137,462	—	—	15,957
Forecast capital purchases						
Pay AUD / receive USD	USD	0.7596	(27,515)	(140)	—	734
Pay AUD / receive EUR	EUR	0.6821	(17,039)	(77)	(1,795)	1,706
Pay AUD / receive SEK	SEK	5.7572	(2,087)	(7,045)	(34,212)	(3,142)
Pay AUD / receive DKK	DKK	5.1321	(4,102)	—	—	387
			86,719	(7,262)	(36,007)	15,642

As at reporting date, APA Group has entered into FECs to hedge net US exchange rate risk arising from anticipated future transactions with an aggregate notional principal amount of \$937.6 million (2018: \$137.5 million) which are designated in cash flow hedge relationships. The hedged anticipated transactions denominated in US dollars are expected to occur at various dates between one month to three years from reporting date.

Cross currency swap contracts

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

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

Cash flow hedges		Exchange rate	Less than 1 year	1 - 2 years	2 - 5 years	More than 5 years
2019	Foreign currency	\$	\$000	\$000	\$000	\$000
Pay AUD / receive foreign currency						
2007 USPP Notes	AUD/USD	0.8068	—	—	(153,694)	—
2009 USPP Notes	AUD/USD	0.7576	(98,997)	—	—	—
2012 CAD Medium Term Notes	AUD/CAD	1.0363	(289,494)	—	—	—
2012 US144A	AUD/USD	1.0198	—	—	(735,438)	—
2012 GBP Medium Term Notes	AUD/GBP	0.6530	—	—	—	(535,988)
2015 EUR Medium Term Notes	AUD/EUR	0.6183	—	—	(1,132,141)	—
2017 US144A	AUD/USD	0.7668	—	—	—	(1,108,503)
2019 GBP Medium Term Notes	AUD/GBP	0.5388	—	—	—	(742,390)
2019 JPY Medium Term Notes	AUD/JPY	75.2220	—	—	—	(132,940)
Pay USD / receive foreign currency						
2015 EUR Medium Term Notes	USD/EUR	0.9514	—	—	—	(973,587)
2015 GBP Medium Term Notes	USD/GBP	0.6773	—	—	—	(1,262,415)
			(388,491)	—	(2,021,273)	(4,755,823)

notes to the consolidated financial statements. continued.

AUSTRALIAN PIPELINE TRUST AND ITS CONTROLLED ENTITIES
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Capital Management

19. Financial risk management (continued)

a) Market risk (continued)

Cash flow hedges (continued)

	Foreign currency	Exchange rate \$	Less than 1 year \$'000	1 - 2 years \$'000	2 - 5 years \$'000	More than 5 years \$'000
2018						
Pay AUD / receive foreign currency						
2003 USPP Notes	AUD/USD	0.6573	(95,847)	—	—	—
2007 USPP Notes	AUD/USD	0.8068	(151,215)	—	(153,694)	—
2009 USPP Notes	AUD/USD	0.7576	—	(98,997)	—	—
2012 CAD Medium Term Notes	AUD/CAD	1.0363	—	(289,494)	—	—
2012 US144A	AUD/USD	1.0198	—	—	(735,438)	—
2012 GBP Medium Term Notes	AUD/GBP	0.6530	—	—	—	(535,988)
2017 US144A	AUD/USD	0.7668	—	—	—	(1,108,503)
Pay USD / receive foreign currency						
2015 EUR Medium Term Notes	USD/EUR	0.9514	—	—	(994,901)	(924,013)
2015 GBP Medium Term Notes	USD/GBP	0.6773	—	—	—	(1,198,134)
			(247,062)	(388,491)	(1,884,033)	(3,766,638)

Foreign currency denominated borrowings

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

Foreign currency sensitivity analysis

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

- There would be no impact on net profit as all foreign currency exposures are fully hedged (2018: nil); and
- Equity reserves would decrease by \$1,296.4 million with a 20 percent depreciation of the A\$ or increase by \$864.7 million with a 20 percent increase in foreign exchange rates (2018: decrease by \$1,272.0 million or increase by \$849.4 million respectively).

Interest rate risk

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

APA Group's exposures to interest rate risk on financial liabilities are detailed in the liquidity risk management section of this note. Exposure to financial assets is limited to cash and cash equivalents amounting to \$354.9 million as at 30 June 2019 (2018: \$100.6 million).

Cross currency swap and interest rate swap contracts

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

There is an economic relationship between the hedged item and the hedging instrument. Based on APA Group's qualitative assessment of effectiveness, it is expected that the value of the interest rate swap contracts and the value of the corresponding hedged items will systematically change in opposite directions in response to movements in the underlying interest rates. The main source of hedge ineffectiveness in these hedge relationships is the effect of the counterparty and APA Group's own credit risk on the fair value of the interest rate swap contracts, which is not reflected in the fair value of the hedged item attributable to the change in interest rates and difference in timing of the future cash flows. The effect of credit risk does not dominate the value changes that result from that economic relationship.

notes to the consolidated financial statements. continued.

AUSTRALIAN PIPELINE TRUST AND ITS CONTROLLED ENTITIES
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Capital Management

19. Financial risk management (continued)

a) Market risk (continued)

Cross currency swap and interest rate swap contracts (continued)

	Hedge ineffectiveness gain / (loss)		Balance relating to discontinued cash flow hedges	
	2019 \$000	2018 \$000	2019 \$000	2018 \$000
Interest rate risk				
Hedging US\$ denominated borrowings (interest rate swap)	—	—	52,912	57,150
	—	—	52,912	57,150
	Fair value of hedge instrument		Fair value of hedge item	
	2019 \$000	2018 \$000	2019 \$000	2018 \$000
Electricity price risk				
Hedging electricity contract (contract for difference)	—	(6,536)	—	6,536
	—	(6,536)	—	6,536
	Reserve balance		2019 \$000	2018 \$000

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 over the short term. At reporting date, if interest rates had been 100 basis points higher or lower and all other variables were held constant, APA Group's:

- net profit would decrease by \$nil or increase by \$nil (2018: decrease by \$2,000,000 or increase by \$2,000,000); and
- equity reserves would increase by \$54,170,000 with a 100 basis point decrease in interest rates or decrease by \$35,640,000 with a 100 basis point increase in interest rates (2018: increase by \$40,738,000 or decrease by \$31,154,000 respectively). This is due to the changes in the fair value of derivative interest instruments.

APA Group's profit sensitivity to interest rates has decreased during the current year as APA Group has no unhedged floating rate borrowings outstanding at the end of the financial year. The increase/decrease in equity reserves is based on 1.00% p.a. increase/decrease in the yield curve at the reporting date. The increase in sensitivity in equity is due to the increase in the notional value of cross currency swaps.

Price risk – equity price

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

Price risk – electricity price

APA Group is exposed to electricity price risk arising from a contract for difference in an electricity sales agreement with a customer. The contract guarantees the Group a fixed price for electricity offtake. The sensitivity of the contract for difference to changes in the electricity price is provided in the fair value of financial instrument section.

b) Credit risk

Credit risk refers to the risk that a counterparty will default on its contractual obligations resulting in financial loss to APA Group.

Credit risk management

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

notes to the consolidated financial statements. continued.

AUSTRALIAN PIPELINE TRUST AND ITS CONTROLLED ENTITIES
FOR THE FINANCIAL YEAR ENDED 30 JUNE 2019

Capital Management

19. Financial risk management (continued)

b) Credit risk (continued)

Overview of APA Group's exposure to credit risk

The carrying amount of financial assets recorded in the financial statements, net of any collateral held or bank guarantees held by the Group (which will cause a financial loss to APA Group due to failure to discharge an obligation by the counterparties), represents APA Group's maximum exposure to credit risk in relation to those assets.

In order to minimise credit risk, APA Group categorised exposures according to their degree of risk of default. APA Group's exposure and the credit ratings of its counterparties are continuously monitored and the aggregate value of transactions concluded is spread amongst approved counterparties.

APA Group's current credit risk grading framework comprises the following categories:

- Performing – the counterparty has a low risk of default and does not have any past-due amounts;
- Doubtful – amount is >30 days past due or there has been a significant increase in credit risk since initial recognition; and
- Write-off – there is evidence indicating that the debtor is in severe financial difficulty and APA Group has no realistic prospect of recovery.

The table below details the credit quality of APA Group's financial assets.

2019	External credit rating	Internal credit rating	ECL method ^(a)
Cash and cash equivalents and cash on deposit	A- (Standard & Poor's)/ A3 (Moody's) or higher	Performing	12-month ECL
Trade receivables	N/A	— ^(b) Lifetime ECL (simplified approach)	
Finance lease receivables	N/A	— ^(b) Lifetime ECL (simplified approach)	
Contract assets	N/A	— ^(b) Lifetime ECL (simplified approach)	
Loans advanced to related parties	N/A	Performing	12-month ECL
Redeemable preference shares (GDI)	N/A	Performing	12-month ECL

a) Lifetime ECL represents the expected credit losses (ECL) that will result from all possible default events over the expected life of a financial instrument. In contrast, 12-month ECL represents the portion of lifetime ECL that is expected to result from default events on a financial instrument that are possible within 12 months after the reporting date.

b) For trade receivables, finance lease receivables and contract assets, APA Group has applied the simplified approach in AASB 9 to measure the loss allowance at lifetime ECL. APA Group determines the expected credit losses on these items by using a provision matrix, estimated based on historical credit loss experience based on the past due status of the debtors, adjusted as appropriate to reflect current conditions and estimates of future economic conditions. Accordingly, the credit risk profile of these assets is presented based on their past due status in terms of the provision matrix. Note 9 includes further details on the loss allowance for these assets respectively if any.

There is no material ECL for any of the financial assets listed in the table above.

Cross guarantee

In accordance with a deed of cross guarantee, APT Pipelines Limited, a subsidiary of APA Group, has agreed to provide financial support, when and as required, to all wholly-owned controlled entities with either a deficit in shareholders' funds or an excess of current liabilities over current assets. The fair value of the financial guarantee as at 30 June 2019 has been determined to be immaterial and no liability has been recorded (2018: \$nil).

c) Liquidity risk

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

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

notes to the consolidated financial statements. continued.

AUSTRALIAN PIPELINE TRUST AND ITS CONTROLLED ENTITIES
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19. Financial risk management (continued)

c) Liquidity risk (continued)

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

2019	Maturity	Average interest rate % p.a.	Less than 1 year \$'000	1 - 5 years \$'000	More than 5 years \$'000
Unsecured financial liabilities					
Trade and other payables		—	302,082	—	—
Unsecured bank borrowings ^(a)		—	—	—	—
Denominated in A\$					
Other financial liabilities		—	4,285	12,207	5,961
Denominated in US\$					
Other financial liabilities ^(b)		—	8,327	29,023	24,757
Guaranteed Senior Notes ^(c)					
Denominated in A\$					
2007 Series G	15 May 22	7.45	6,002	92,586	—
2007 Series H	15 May 22	7.45	4,617	71,220	—
2010 AUD Medium Term Notes	22 Jul 20	7.75	23,250	311,625	—
2016 AUD Medium Term Notes	20 Oct 23	3.75	7,500	226,250	—
Denominated in US\$					
2007 Series F	15 May 22	6.14	11,354	176,433	—
2009 Series B	1 Jul 19	8.86	104,797	—	—
2012 US 144A	11 Oct 22	3.88	49,661	857,911	—
2015 US 144A ^(b)	23 Mar 25	4.20	65,835	263,342	1,633,528
2015 US 144A ^(b)	23 Mar 35	5.00	21,375	85,501	662,867
2017 US 144A	15 Jul 27	4.25	58,715	234,894	1,313,477
Denominated in stated foreign currency					
2012 CAD Medium Term Notes	24 Jul 19	4.25	299,179	—	—
2012 GBP Medium Term Notes	26 Nov 24	4.25	39,351	158,159	555,663
2015 GBP Medium Term Notes ^(b)	22 Mar 30	3.50	56,713	226,539	1,602,172
2015 EUR Medium Term Notes	22 Mar 22	1.38	35,077	67,183	—
2015 EUR Medium Term Notes ^(b)	22 Mar 27	2.00	42,794	171,174	1,101,968
2019 GBP Medium Term Notes	18 Jul 31	3.13	28,519	134,564	995,090
2019 JPY Medium Term Notes	13 Jun 34	1.03	5,668	22,471	189,188
			1,175,101	3,141,082	8,084,671

a) Bank facilities mature or expire on 19 December 2019 (\$100 million limit), 18 May 2020 (\$150 million limit), 19 December 2020 (\$100 million limit), 16 May 2022 (\$50 million limit), 18 July 2022 (\$150 million limit), 30 June 2023 (\$500 million limit) and 31 December 2023 (\$500 million limit).

b) Facilities are denominated in or fully swapped by way of cross currency swap into US\$. Cashflows represent the US\$ cashflow translated at the USD/AUD spot rate as at 30 June 2019. These amounts are fully hedged by forward exchange contracts or future US\$ revenues.

c) Rates shown are the coupon rate in the currency of issuance.

notes to the consolidated financial statements. continued.

AUSTRALIAN PIPELINE TRUST AND ITS CONTROLLED ENTITIES
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Capital Management

19. Financial risk management (continued)

c) Liquidity risk (continued)

2018	Maturity	Average interest rate % p.a.	Less than 1 year \$'000	1 - 5 years \$'000	More than 5 years \$'000
Unsecured financial liabilities					
Trade and other payables		—	381,676	—	—
Unsecured bank borrowings ^(a)		3.07	6,114	204,419	—
Denominated in A\$					
Other financial liabilities		—	4,798	13,883	8,570
Denominated in US\$					
Other financial liabilities ^(b)		—	7,903	29,578	29,367
Guaranteed Senior Notes ^(c)					
Denominated in A\$					
2007 Series E	15 May 19	7.40	73,214	—	—
2007 Series G	15 May 22	7.45	6,002	98,588	—
2007 Series H	15 May 22	7.45	4,617	75,837	—
2010 AUD Medium Term Notes	22 Jul 20	7.75	23,250	334,875	—
2016 AUD Medium Term Notes	20 Oct 23	3.75	7,500	30,000	203,750
Denominated in US\$					
2003 Series D	9 Sep 18	6.02	99,360	—	—
2007 Series D	15 May 19	5.99	162,324	—	—
2007 Series F	15 May 22	6.14	11,354	187,787	—
2009 Series B	1 Jul 19	8.86	11,761	104,797	—
2012 US 144A	11 Oct 22	3.88	49,123	907,572	—
2015 US 144A ^(b)	23 Mar 25	4.20	62,483	249,932	1,612,832
2015 US 144A ^(b)	23 Mar 35	5.00	20,287	81,147	649,400
2017 US 144A	15 Jul 27	4.25	58,523	235,087	1,371,999
Denominated in stated foreign currency					
2012 CAD Medium Term Notes	24 Jul 19	4.25	19,529	299,179	—
2012 GBP Medium Term Notes	26 Nov 24	4.25	39,351	157,727	595,446
2015 GBP Medium Term Notes ^(b)	22 Mar 30	3.50	53,726	215,008	1,574,423
2015 EUR Medium Term Notes ^(b)	22 Mar 22	1.38	36,341	1,103,923	—
2015 EUR Medium Term Notes ^(b)	22 Mar 27	2.00	40,615	162,458	1,086,471
			1,179,851	4,491,797	7,132,258

a) Bank facilities mature or expire on 2 July 2018 (\$518.75 million limit), 18 May 2019 (\$50 million limit), 19 December 2019 (\$100 million limit), 18 May 2020 (\$150 million limit), 19 December 2020 (\$100 million limit) and 18 July 2022 (\$150 million limit). A new \$1,000 million syndicated bank facility came into effect on 2 July 2018. The two tranches of this facility mature on 30 June 2023 and 31 December 2023 respectively.

b) Facilities are denominated in or fully swapped by way of cross currency swap into US\$. Cashflows represent the US\$ cashflow translated at the USD/AUD spot rate as at 30 June 2018. These amounts are fully hedged by forward exchange contracts or future US\$ revenues.

c) Rates shown are the coupon rate in the currency of issuance.

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

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

notes to the consolidated financial statements. continued.

AUSTRALIAN PIPELINE TRUST AND ITS CONTROLLED ENTITIES
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Capital Management

19. Financial risk management (continued)

c) Liquidity risk (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).

Transfers between levels of the fair value hierarchy occur at the end of the reporting period. There have been no transfers between the levels during 2019 (2018: none). Transfers between level 1 and level 2 are triggered when there are changes to the availability of quoted prices in active markets. Transfers into level 3 are triggered when the observable inputs become no longer observable, or vice versa for transfer out of level 3.

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

Contract for difference

The financial statements include a contract for difference arising from an electricity sales agreement with a customer that guarantees the Group a fixed price for electricity offtake for the agreed term which is measured at fair value. The fair value of the contract for difference is derived from internal discounted cash flow valuation methodology, which includes some assumptions that are not able to be supported by observable market prices or rates.

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

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

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

notes to the consolidated financial statements. continued.

AUSTRALIAN PIPELINE TRUST AND ITS CONTROLLED ENTITIES
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19. Financial risk management (continued)

Fair value hierarchy

2019	Level 1 \$000	Level 2 \$000	Level 3 \$000	Total \$000
Financial assets measured at fair value				
Equity forwards designated as fair value through profit or loss	—	2,245	—	2,245
Cross currency interest rate swaps used for hedging	—	527,857	—	527,857
Forward foreign exchange contracts used for hedging	—	10,209	—	10,209
Contract for difference	—	—	2,144	2,144
	—	540,311	2,144	542,455
Financial liabilities measured at fair value				
Cross currency interest rate swaps used for hedging	—	356,409	—	356,409
Forward foreign exchange contracts used for hedging	—	25,872	—	25,872
Contract for difference	—	—	402	402
	—	382,281	402	382,683
2018				
Financial assets measured at fair value				
Equity forwards designated as fair value through profit or loss	—	2,045	—	2,045
Cross currency interest rate swaps used for hedging	—	592,244	—	592,244
Forward foreign exchange contracts used for hedging	—	29,130	—	29,130
	—	623,419	—	623,419
Financial liabilities measured at fair value				
Interest rate swaps used for hedging	—	800	—	800
Cross currency interest rate swaps used for hedging	—	215,641	—	215,641
Forward foreign exchange contracts used for hedging	—	13,486	—	13,486
Contract for difference	—	—	6,536	6,536
	—	229,927	6,536	236,463
Reconciliation of Level 3 fair value measurements				
		2019 \$000	2018 \$000	
Opening balance		6,536	—	
Revaluation		(3,708)	6,536	
Settlement		(4,570)	—	
Closing balance		(1,742)	6,536	

notes to the consolidated financial statements. continued.

AUSTRALIAN PIPELINE TRUST AND ITS CONTROLLED ENTITIES
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Capital Management

19. Financial risk management (continued)

Fair value measurements of financial instruments measured at amortised cost

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

	Carrying amount		Fair value (level 2) ^(a)	
	2019 \$000	2018 \$000	2019 \$000	2018 \$000
Financial liabilities				
Unsecured long term Private Placement Notes	426,115	730,049	460,583	768,992
Unsecured Australian Dollar Medium Term Notes	500,000	500,000	530,459	528,646
Unsecured Japanese Yen Medium Term Notes	132,196	—	134,944	—
Unsecured Canadian Dollar Medium Term Notes	326,675	308,496	327,014	312,539
Unsecured US Dollar 144A Medium Term Notes	4,275,027	4,057,344	4,489,354	3,992,019
Unsecured British Pound Medium Term Notes	2,442,600	1,694,492	2,602,390	1,768,993
Unsecured Euro Medium Term Notes	2,187,895	2,129,801	2,255,715	2,108,339
	10,290,508	9,420,182	10,800,459	9,479,528

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

20. Other financial instruments

	Assets		Liabilities	
	2019 \$000	2018 \$000	2019 \$000	2018 \$000
Derivatives at fair value:				
Contract for difference	—	—	402	6,094
Equity forward contracts	1,513	1,236	—	—
Derivatives at fair value designated as hedging instruments:				
Cross currency interest rate swaps – cash flow hedges	61,664	24,903	141,860	120,551
Foreign exchange contracts – cash flow hedges	4,577	29,101	10,520	10,656
Interest rate swaps – cash flow hedges	—	—	—	2,100
Financial item carried at amortised cost:				
Redeemable preference share interest	285	285	—	—
Current	68,039	55,525	152,782	139,401
Derivatives – at fair value:				
Contract for difference	2,144	—	—	442
Equity forward contracts	732	809	—	—
Indexed revenue contracts	—	—	3,459	3,767
Derivatives at fair value designated as hedging instruments:				
Cross currency interest rate swaps - cash flow hedges	483,253	580,249	245,892	121,471
Foreign exchange contracts - cash flow hedges	5,632	29	15,352	2,830
Financial items carried at amortised cost:				
Redeemable preference shares	10,400	10,400	—	—
Non-current	502,161	591,487	264,703	128,510

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

notes to the consolidated financial statements. continued.

AUSTRALIAN PIPELINE TRUST AND ITS CONTROLLED ENTITIES
FOR THE FINANCIAL YEAR ENDED 30 JUNE 2019

Capital Management

20. Other financial instruments (continued)

Recognition and measurement

Classification of financial assets

Debt instruments that meet the following conditions are subsequently measured at amortised cost:

- The financial asset is held within a business model whose objective is to hold financial assets in order to collect contractual cash flows; and
- The contractual terms of the financial asset give rise on specified dates to cash flows that are solely payments of principal and interest on the principal amount outstanding.

Debt instruments that meet the following conditions are subsequently measured at fair value through other comprehensive income (FVTOCI):

- The financial asset is held within a business model whose objective is achieved by both collecting contractual cash flows and selling the financial assets; and
- The contractual terms of the financial asset give rise on specified dates to cash flows that are solely payments of principal and interest on the principal amount outstanding.

By default, all other financial assets are subsequently measured at fair value through profit or loss (FVTPL).

Financial assets at FVTPL are measured at fair value at the end of each reporting period, with any fair value gains or losses recognised in profit or loss to the extent they are not part of a designated hedging relationship.

Derivatives that APA Group does not elect to apply hedge accounting to or do not meet the hedge accounting criteria, are classified as 'financial assets/liabilities' for accounting purposes and accounted for at FVTPL. Further information about the classification and measurement of financial instruments is provided in Note 30 under AASB 9 'Financial Instruments'.

Fair value measurement

For information about the methods and assumptions used in determining the fair value of financial instruments refer to Note 19.

Hedge accounting

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

At the inception of the hedge relationship, APA Group formally designates and documents the relationship between the hedging instrument and the 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, APA Group expects the hedging instrument is effective in offsetting changes in fair values or cash flows of the hedged item attributable to the hedged risk, which is when the hedging relationships meet all of the following hedge effectiveness requirements:

- there is an economic relationship between the hedged item and the hedging instrument;
- the effect of credit risk does not dominate the value changes that result from that economic relationship; and
- the hedge ratio of the hedging relationship is the same as that resulting from the quantity of the hedged item that APA Group actually hedges and the quantity of the hedging instrument that APA Group actually uses to hedge that quantity of hedged item.

If a hedging relationship ceases to meet the hedge effectiveness requirement relating to the hedge ratio but the risk management objective for that designated hedging relationship remains the same, APA Group adjusts the hedge ratio of the hedging relationship (i.e. rebalances the hedge) so that it meets the qualifying criteria again.

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

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

notes to the consolidated financial statements. continued.

AUSTRALIAN PIPELINE TRUST AND ITS CONTROLLED ENTITIES
FOR THE FINANCIAL YEAR ENDED 30 JUNE 2019

Capital Management

20. Other financial instruments (continued)

Recognition and measurement (continued)

Cash flow hedges

The effective portion of changes in the fair value of derivatives and other qualifying hedging instruments that are designated and qualify as cash flow hedges is recognised in other comprehensive income and accumulated under the cash flow hedge reserve, limited to the cumulative change in fair value of the hedged item from inception of the hedge. The gain or loss relating to the ineffective portion is recognised immediately in profit or loss, and is included in the 'finance costs' line item.

Amounts previously recognised in other comprehensive income and accumulated in equity are reclassified to profit or loss in the periods when the hedged item affects profit or loss, in the same line as the recognised hedged item. However, when the hedged forecast transaction results in the recognition of a non-financial asset or a non-financial liability, the gains and losses previously recognised in other comprehensive income and accumulated in equity are removed from equity and included in the initial measurement of the cost of the non-financial asset or non-financial liability. This transfer does not affect other comprehensive income. Furthermore, if APA Group expects that some or all of the loss accumulated in the cash flow hedging reserve will not be recovered in the future, that amount is immediately reclassified to profit or loss.

APA Group discontinues hedge accounting only when the hedging relationship (or a part thereof) ceases to meet the qualifying criteria (after rebalancing, if applicable). This includes instances when the hedging instrument expires or is sold, terminated or exercised. The discontinuation is accounted for prospectively. Any gain or loss recognised in other comprehensive income and accumulated in cash flow hedge reserve at that time remains in equity and is reclassified to profit or loss when the forecast transaction occurs. When a forecast transaction is no longer expected to occur, the gain or loss accumulated in cash flow hedge reserve is reclassified immediately to profit or loss.

Accounting for the forward element of forward contracts and foreign currency basis spreads of financial instruments

APA Group designates the full change in the fair value of a forward contract (i.e. including the forward elements) as the hedging instrument for all of its hedging relationships involving forward contracts.

APA Group separates the foreign currency basis spread from a financial instrument and excludes it from the designation of that financial instrument as the hedging instrument. Changes in the value of the undesignated aligned foreign currency basis spread associated with cross currency interest rate swaps are deferred in other comprehensive income.

Cash flow hedge and cost of hedging reserve

The cash flow hedge reserve represents the cumulative amount of gains and losses on hedging instruments deemed effective in cash flow hedges. The cumulative deferred gain or loss on the hedging instrument is recognised in profit or loss only when the hedged transaction impacts the profit or loss, or is included directly in the initial cost or other carrying amount of the hedged non-financial items.

The cost of hedging reserve represents the effect of the changes in fair value of the forward currency basis spread of a financial instrument when the foreign currency basis spread of a financial instrument is excluded from the designation of that financial instrument as the hedging instrument (consistent with APA Group's accounting policy to recognise non-designated component of foreign currency derivative in equity). The changes in fair value of the foreign currency basis spread of a financial instrument, in relation to a time-period related hedged item accumulated in the cash flow hedging reserve, are amortised to profit or loss on a rational basis over the term of the hedging relationship.

	2019 \$000	2018 \$000
Balance at beginning of financial year	(339,834)	(216,442)
Gain/(loss) recognised taken to equity:		
Gain/(loss) arising on changes in fair value of hedging instruments	(464,643)	(202,054)
Changes in fair value of foreign currency basis spread during the year	15,719	(76,753)
Share of hedge reserve of associate	(8,540)	8,632
Income tax related to changes in fair value	137,239	81,053
Transferred to profit or loss:		
(Gain)/ loss reclassified to profit or loss - hedged item has affected profit or loss	52,945	66,495
(Gain)/ loss arising on changes in fair value of foreign currency basis spread	21,402	27,405
Income tax related to amounts reclassified to profit or loss	(22,304)	(28,170)
Balance at end of financial year	(608,016)	(339,834)

The foreign currency basis spread balance at the beginning of the financial year is (\$93.3 million) and at the end of the financial year is (\$51.2 million) in 2019 (2018: (\$43.9 million) and (\$93.3 million) respectively).

notes to the consolidated financial statements. continued.

AUSTRALIAN PIPELINE TRUST AND ITS CONTROLLED ENTITIES
FOR THE FINANCIAL YEAR ENDED 30 JUNE 2019

Capital Management

20. Other financial instruments (continued)

Recognition and measurement (continued)

Hedge ineffectiveness

Hedge effectiveness is determined at the inception of the hedge relationship, and through periodic prospective effectiveness assessments to ensure that an economic relationship exists between the hedged item and hedging instrument.

In hedges of foreign currency capital equipment purchases, ineffectiveness may arise if the timing of the forecast transaction changes from what was originally estimated, or if there are changes in the credit risk of APA Group or the derivative counterparty.

Hedge ineffectiveness for cross currency interest rate swaps is assessed using the same principles as for hedges of foreign currency capital equipment purchases. It may occur due to the credit value/debit value adjustment on the swap contracts which is not matched by the debts.

Impairment of financial assets

In relation to the impairment of financial assets, it is no longer necessary for a credit event to have occurred before credit losses are recognised. APA Group applies an ECL model to account for ECL and changes in those ECL at each reporting date to reflect changes in credit risk since initial recognition of a financial asset.

APA Group recognises a loss allowance for ECL on investments in debt instruments that are measured at amortised cost, for example, loans advanced to related parties and trade receivables. No impairment loss is recognised for investments in equity instruments. For trade receivables, finance lease receivables and contract assets, APA Group applies the simplified approach to assessing ECL. Under the simplified approach, ECL on these financial assets is estimated using a provision matrix. This matrix is based on APA Group's historical credit losses and reasonable and supportable information that is available without undue cost.

The amount of ECL under either approach is updated at each reporting date to reflect changes in credit risk since initial recognition of the respective financial instrument.

APA Group recognises an impairment gain or loss in profit or loss for all financial instruments with a corresponding adjustment to their carrying amount through a loss allowance account. Aside from the additional disclosure requirements in Note 19, the history of collection rates and forward-looking information that is available without undue cost or effort shows that APA Group does not have an expected loss on collection of debtors or loans.

Significant increase in credit risk

An actual or expected significant deterioration in the financial instrument's external (if available) or internal credit rating.

Definition of default

When there is a breach of financial covenants by the debtor.

Write-off policy

APA Group writes off a financial asset when all reasonable attempts at recovery have been taken and failed e.g. debts that are considered irrecoverable, or where the cost of recovery is uneconomic, must be written off as a bad debt.

21. Issued capital

	2019 \$000		2018 \$000	
Units				
1,179,893,848 securities, fully paid (2018: 1,179,893,848 securities, fully paid) ^(a)		3,103,806		3,288,123
	2019 No. of units 000	2019 \$000	2018 No. of units 000	2018 \$000
Movements				
Balance at beginning of financial year	1,179,894	3,288,123	1,114,307	3,114,617
Securities issued under entitlement offer	—	—	65,587	380,782
Capital distributions paid (Note 8)	—	(184,181)	—	(201,385)
Issue costs of securities	—	(194)	—	(8,415)
Tax relating to security issue costs	—	58	—	2,524
Balance at end of financial year	1,179,894	3,103,806	1,179,894	3,288,123

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

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

notes to the consolidated financial statements. continued.

AUSTRALIAN PIPELINE TRUST AND ITS CONTROLLED ENTITIES
FOR THE FINANCIAL YEAR ENDED 30 JUNE 2019

Group Structure

22. Non-controlling interests

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

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

	2019 \$000	2018 \$000
Financial position		
Current assets	813	774
Non-current assets	993,487	1,063,708
Total assets	994,300	1,064,482
Current liabilities	25	78
Total liabilities	25	78
Net assets	994,275	1,064,404
Equity attributable to non-controlling interests	994,275	1,064,404
Financial performance		
Revenue	65,082	68,061
Expenses	(12)	(12)
Profit for the year	65,070	68,049
Total comprehensive income allocated to non-controlling interests for the year	65,070	68,049
Cash flows		
Net cash provided by operating activities	65,790	68,852
Net cash provided by/(used in) investing activities	69,409	(54,725)
Distributions paid to non-controlling interests	(135,136)	(135,616)
Net cash used in financing activities	(135,199)	(14,127)
The accounting policies of APTIT are the same as those applied to APA Group.		
There are no material guarantees, contingent liabilities or restrictions imposed on APA Group from APTIT's non-controlling interests.		
APT Investment Trust	994,275	1,064,404
Other non-controlling interest	—	53
	994,275	1,064,457
APT Investment Trust		
Issued capital:		
Balance at beginning of financial year	1,030,176	976,284
Issue of securities under entitlement offer	—	124,234
Issue costs of units	(63)	(2,745)
Distribution – capital return (Note 8)	(65,894)	(67,597)
	964,219	1,030,176
Reserves:		
	—	—
Retained earnings:		
Balance at beginning of financial year	34,228	34,198
Net profit attributable to APTIT unitholders	65,070	68,049
Distributions paid (Note 8)	(69,242)	(68,019)
	30,056	34,228

notes to the consolidated financial statements. continued.

AUSTRALIAN PIPELINE TRUST AND ITS CONTROLLED ENTITIES
FOR THE FINANCIAL YEAR ENDED 30 JUNE 2019

Group Structure

22. Non-controlling interests (continued)

	2019 \$000	2018 \$000
Other non-controlling interest		
Issued capital:		
Balance at beginning of financial year	4	4
Distribution – capital return	(4)	—
	—	4
Reserves:		
Balance at beginning of financial year	1	1
Transfer to retained earnings	(1)	—
	—	1
Retained earnings:		
Balance at beginning of financial year	48	48
Net profit attributable to other non-controlling interest	—	—
Transfer from reserves	1	—
Distribution paid	(49)	—
	—	48

23. Joint arrangements and associates

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

Name of entity	Principal activity	Country of incorporation	Ownership interest %	
			2019	2018
Joint ventures:				
SEA Gas	Gas transmission	Australia	50.00	50.00
SEA Gas (Mortlake)	Gas transmission	Australia	50.00	50.00
Energy Infrastructure Investments	Energy infrastructure	Australia	19.90	19.90
EII 2	Power generation (wind)	Australia	20.20	20.20
Associates:				
GDI (EII)	Gas distribution	Australia	20.00	20.00
			2019 \$000	2018 \$000
Investment in joint ventures and associates using the equity method			263,829	271,597
Joint Ventures				
Aggregate carrying amount of investment			239,243	242,768
APA Group's aggregated share of:				
Profit from continuing operations			18,630	17,105
Other comprehensive income			(4,405)	9,039
Total comprehensive income			14,225	26,144
Associates				
Aggregate carrying amount of investment			24,586	28,829
APA Group's aggregated share of:				
Profit from continuing operations			4,592	4,819
Other comprehensive income			(4,135)	(407)
Total comprehensive income			457	4,412

notes to the consolidated financial statements. continued.

AUSTRALIAN PIPELINE TRUST AND ITS CONTROLLED ENTITIES
FOR THE FINANCIAL YEAR ENDED 30 JUNE 2019

Group Structure

23. Joint arrangements and associates (continued)

Investment in associates

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

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

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

Contingent liabilities and capital commitments

APA Group's share of the contingent liabilities, capital commitments and other expenditure commitments of joint operations is disclosed in Note 25.

APA Group is a venturer in the following joint operations:

Name of venture	Principal activity	Output interest	
		2019 %	2018 %
Goldfields Gas Transmission ^(a)	Gas pipeline operation - Western Australia	88.2	88.2
Mid West Pipeline ^(b)	Gas pipeline operation - Western Australia	50.0	50.0

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

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

Interest in joint arrangements

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

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

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

24. Subsidiaries

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

Name of entity	Country of registration/ incorporation	Ownership interest	
		2019 %	2018 %

Parent entity

Australian Pipeline Trust ^(a)

Subsidiaries

Agex Pty. Ltd. ^{(b),(c)}	Australia	100	100
Amadeus Gas Trust ^(e)	—	—	96
APA (BWF Holdco) Pty Ltd ^{(b),(c)}	Australia	100	100
APA (EDWF Holdco) Pty Ltd ^{(b),(c)}	Australia	100	100
APA (EPX) Pty Limited ^{(b),(c)}	Australia	100	100
APA (NBH) Pty Limited ^{(b),(c)}	Australia	100	100
APA (Pilbara Pipeline) Pty Ltd ^{(b),(c)}	Australia	100	100
APA (SWQP) Pty Limited ^{(b),(c)}	Australia	100	100
APA (WA) One Pty Limited ^{(b),(c)}	Australia	100	100
APA AIS 1 Pty Limited ^{(b),(c)}	Australia	100	100
APA AIS 2 Pty Ltd ^{(b),(c)}	Australia	100	100
APA AIS Pty Limited ^{(b),(c)}	Australia	100	100
APA AM (Allgas) Pty Limited ^{(b),(c)}	Australia	100	100

notes to the consolidated financial statements. continued.

AUSTRALIAN PIPELINE TRUST AND ITS CONTROLLED ENTITIES
FOR THE FINANCIAL YEAR ENDED 30 JUNE 2019

Group Structure

24. Subsidiaries (continued)

Name of entity	Country of registration/ incorporation	Ownership interest	
		2019 %	2018 %
APA BIDCO Pty Limited ^{(b),(c)}	Australia	100	100
APA Biobond Pty Limited ^{(b),(c)}	Australia	100	100
APA Country Pipelines Pty Limited ^{(b),(c)}	Australia	100	100
APA DPS Holdings Pty Limited ^{(b),(c)}	Australia	100	100
APA DPS2 Pty Limited ^{(b),(c)}	Australia	100	100
APA East Pipelines Pty Limited ^{(b),(c)}	Australia	100	100
APA EE Australia Pty Limited ^{(b),(c)}	Australia	100	100
APA EE Corporate Shared Services Pty Limited ^{(b),(c)}	Australia	100	100
APA EE Holdings Pty Limited ^{(b),(c)}	Australia	100	100
APA EE Pty Limited ^{(b),(c)}	Australia	100	100
APA Ethane Pty Limited ^{(b),(c)}	Australia	100	100
APA Facilities Management Pty Limited ^{(b),(c)}	Australia	100	100
APA Midstream Holdings Pty Limited ^{(b),(c)}	Australia	100	100
APA Operations (EII) Pty Limited ^{(b),(c)}	Australia	100	100
APA Operations Pty Limited ^{(b),(c)}	Australia	100	100
APA Orbest Gas Plant Pty Ltd ^{(b),(c)}	Australia	100	100
APA Pipelines Investments (BWP) Pty Limited ^{(b),(c)}	Australia	100	100
APA Power Holdings Pty Limited ^{(b),(c)}	Australia	100	100
APA Power PF Pty Limited ^{(b),(c)}	Australia	100	100
APA Reedy Creek Wallumbilla Pty Limited ^{(b),(c)}	Australia	100	100
APA SEA Gas (Mortlake) Holdings Pty Ltd ^{(b),(c)}	Australia	100	100
APA SEA Gas (Mortlake) Pty Ltd ^(b)	Australia	100	100
APA Services (Int) Inc.	United States	100	100
APA Sub Trust No 1 ^{(b),(d)}	—	100	100
APA Sub Trust No 2 ^{(b),(d)}	—	100	100
APA Sub Trust No 3 ^{(b),(d)}	—	100	100
APA Transmission Pty Limited ^{(b),(c)}	Australia	100	100
APA VTS A Pty Limited ^{(b),(c)}	Australia	100	100
APA VTS Australia (Holdings) Pty Limited ^{(b),(c)}	Australia	100	100
APA VTS Australia (NSW) Pty Limited ^{(b),(c)}	Australia	100	100
APA VTS Australia (Operations) Pty Limited ^{(b),(c)}	Australia	100	100
APA VTS Australia Pty Limited ^{(b),(c)}	Australia	100	100
APA VTS B Pty Limited ^{(b),(c)}	Australia	100	100
APA Western Slopes Pipeline Pty Limited ^{(b),(c)}	Australia	100	100
APA WGP Pty Ltd ^{(b),(c)}	Australia	100	100
APT (MIT) Services Pty Limited ^{(b),(c)}	Australia	100	100
APT AM (Stratus) Pty Limited ^{(b),(c)}	Australia	100	100
APT AM Employment Pty Limited ^{(b),(c)}	Australia	100	100
APT AM Holdings Pty Limited ^{(b),(c)}	Australia	100	100
APT Facility Management Pty Limited ^{(b),(c)}	Australia	100	100
APT Goldfields Pty Ltd ^{(b),(c)}	Australia	100	100
APT Management Services Pty Limited ^{(b),(c)}	Australia	100	100
APT O&M Holdings Pty Ltd ^{(b),(c)}	Australia	100	100
APT O&M Services (QLD) Pty Ltd ^{(b),(c)}	Australia	100	100
APT O&M Services Pty Ltd ^{(b),(c)}	Australia	100	100
APT Parmelia Holdings Pty Ltd ^{(b),(c)}	Australia	100	100
APT Parmelia Pty Ltd ^{(b),(c)}	Australia	100	100
APT Parmelia Trust ^{(b),(d)}	—	100	100
APT Petroleum Pipelines Holdings Pty Limited ^{(b),(c)}	Australia	100	100
APT Petroleum Pipelines Pty Limited ^{(b),(c)}	Australia	100	100
APT Pipelines (NSW) Pty Limited ^{(b),(c)}	Australia	100	100
APT Pipelines (NT) Pty Limited ^{(b),(c)}	Australia	100	100

notes to the consolidated financial statements. continued.

AUSTRALIAN PIPELINE TRUST AND ITS CONTROLLED ENTITIES
FOR THE FINANCIAL YEAR ENDED 30 JUNE 2019

Group Structure

24. Subsidiaries (continued)

Name of entity	Country of registration/ incorporation	Ownership interest	
		2019 %	2018 %
APT Pipelines (QLD) Pty Limited ^{(b),(c)}	Australia	100	100
APT Pipelines (SA) Pty Limited ^{(b),(c)}	Australia	100	100
APT Pipelines (WA) Pty Limited ^{(b),(c)}	Australia	100	100
APT Pipelines Investments (NSW) Pty Limited ^{(b),(c)}	Australia	100	100
APT Pipelines Investments (WA) Pty Limited ^{(b),(c)}	Australia	100	100
APT Pipelines Limited ^{(b),(c)}	Australia	100	100
APT SEA Gas Holdings Pty Limited ^{(b),(c)}	Australia	100	100
APT SPV2 Pty Ltd ^(b)	Australia	100	100
APT SPV3 Pty Ltd ^(b)	Australia	100	100
Australian Pipeline Limited ^(b)	Australia	100	100
Central Ranges Pipeline Pty Ltd ^{(b),(c)}	Australia	100	100
Darling Downs Solar Farm Pty Ltd ^{(b),(c)}	Australia	100	100
Diamantina Holding Company Pty Limited ^{(b),(c)}	Australia	100	100
Diamantina Power Station Pty Limited ^{(b),(c)}	Australia	100	100
East Australian Pipeline Pty Limited ^{(b),(c)}	Australia	100	100
EDWF Holdings 1 Pty Ltd ^{(b),(c)}	Australia	100	100
EDWF Holdings 2 Pty Ltd ^{(b),(c)}	Australia	100	100
EDWF Manager Pty Ltd ^{(b),(c)}	Australia	100	100
Epic Energy East Pipelines Trust ^{(b),(d)}	—	100	100
EPX Holdco Pty Limited ^{(b),(c)}	Australia	100	100
EPX Member Pty Limited ^{(b),(c)}	Australia	100	100
EPX Trust ^{(b),(d)}	—	100	100
Ethane Pipeline Income Financing Trust ^{(b),(d)}	—	100	100
Ethane Pipeline Income Trust ^{(b),(d)}	—	100	100
Gasinvest Australia Pty Ltd ^{(b),(c)}	Australia	100	100
GasNet A Trust ^(d)	—	100	100
GasNet Australia Investments Trust ^(d)	—	100	100
GasNet Australia Trust ^{(b),(d)}	—	100	100
Goldfields Gas Transmission Pty Ltd ^(b)	Australia	100	100
Gorodok Pty. Ltd. ^{(b),(c)}	Australia	100	100
Griffin Windfarm 2 Pty Ltd ^(b)	Australia	100	100
Moomba to Sydney Ethane Pipeline Trust ^{(b),(d)}	—	100	100
N.T. Gas Distribution Pty Limited ^{(b),(c)}	Australia	100	100
N.T. Gas Easements Pty. Limited ^{(b),(c)}	Australia	100	100
N.T. Gas Pty Limited	Australia	96	96
Roverton Pty. Ltd. ^{(b),(c)}	Australia	100	100
SCP Investments (No. 1) Pty Limited ^{(b),(c)}	Australia	100	100
SCP Investments (No. 2) Pty Limited ^{(b),(c)}	Australia	100	100
SCP Investments (No. 3) Pty Limited ^{(b),(c)}	Australia	100	100
Sopic Pty. Ltd. ^{(b),(c)}	Australia	100	100
Southern Cross Pipelines (NPL) Australia Pty Limited ^{(b),(c)}	Australia	100	100
Southern Cross Pipelines Australia Pty Limited ^{(b),(c)}	Australia	100	100
Trans Australia Pipeline Pty Ltd ^{(b),(c)}	Australia	100	100
Votrant No. 1606 Pty Limited ^(b)	Australia	100	100
Votrant No. 1613 Pty Limited ^(b)	Australia	100	100
Western Australian Gas Transmission Company 1 Pty Ltd ^{(b),(c)}	Australia	100	100
Wind Portfolio Pty Ltd ^{(b),(c)}	Australia	100	100

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

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

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

d) These trusts are unincorporated and not required to be registered.

e) Amadeus Gas Trust terminated on 28 June 2019.

notes to the consolidated financial statements. continued.

AUSTRALIAN PIPELINE TRUST AND ITS CONTROLLED ENTITIES
FOR THE FINANCIAL YEAR ENDED 30 JUNE 2019

Other

25. Commitments and contingencies

	2019 \$000	2018 \$000
Capital expenditure commitments		
APA Group - plant and equipment	172,774	287,506
APA Group's share of jointly controlled operations - plant and equipment	8,596	2,293
	181,370	289,799
Contingent liabilities		
Bank guarantees	52,233	52,586

APA Group had no contingent assets as at 30 June 2019 and 30 June 2018.

26. Director and Executive Key Management Personnel remuneration

Remuneration of Directors

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

	2019 \$	2018 \$
Short-term employment benefits	1,664,631	1,625,875
Post-employment benefits	158,168	154,482
Total remuneration: Non-Executive Directors	1,822,799	1,780,357
Short-term employment benefits	3,629,920	3,638,690
Post-employment benefits	25,000	25,000
Cash settled security-based payments	1,515,047	1,479,646
Total remuneration: Executive Director ^(a)	5,169,967	5,143,336
Total remuneration: Directors	6,992,766	6,923,693

Remuneration of Executive Key Management Personnel ^(a)

The aggregate remuneration of Executive Key Management Personnel of APA Group is set out below:

Short-term employment benefits	7,763,114	7,748,591
Post-employment benefits	101,666	95,049
Cash settled security-based payments	2,864,008	2,822,148
Total remuneration: Executive Key Management Personnel	10,728,788	10,665,788

a) The remuneration for the Chief Executive Officer and Managing Director, Michael (Mick) McCormack, is included in both the remuneration disclosure for Directors and Executive Key Management Personnel.

27. Remuneration of external auditor

	2019 \$	2018 \$
Amounts received or due and receivable by Deloitte Touche Tohmatsu for:		
Auditing the financial report	694,900	734,800
Compliance plan audit	19,700	19,300
Other assurance services ^(a)	506,700	544,915
Other non-audit, non-assurance services ^(b)	—	9,091
	1,221,300	1,308,106

a) Services provided were in accordance with the external auditor independence policy. Other assurance services mainly comprise assurance services in relation to the AER financial reporting guideline for Non-Scheme pipelines, security related transactions (debt raisings and FY2018 included equity raising) and procedures in relation to ASIC Regulatory Guide 231 requirements.

b) Services provided were in accordance with the external auditor independence policy. Other non-audit, non-assurance services comprise the facilitation of an industry charter workshop.

notes to the consolidated financial statements. continued.

AUSTRALIAN PIPELINE TRUST AND ITS CONTROLLED ENTITIES
FOR THE FINANCIAL YEAR ENDED 30 JUNE 2019

Other

28. Related party transactions

a) Equity interest in related parties

Details of the percentage of ordinary securities held in subsidiaries are disclosed in Note 24 and the details of the percentage held in joint operations, joint ventures and associates are disclosed in Note 23.

b) Responsible Entity – Australian Pipeline Limited

The Responsible Entity is wholly owned by APT Pipelines Limited.

c) Transactions with related parties within APA Group

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

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

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

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

Refer to Note 24 for details of the entities that comprise APA Group.

Australian Pipeline Limited

Management fees of \$4,696,351 (2018: \$4,717,014) were paid to the Responsible Entity as reimbursement of costs incurred on behalf of APA Group. No amounts were paid directly by APA Group to the Directors of the Responsible Entity, except as disclosed at Note 26.

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

d) Transactions with other associates and joint ventures

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

	Dividends from related parties \$000	Sales to related parties \$000	Purchases from related parties \$000	Amount owed by related parties \$000	Amount owed to related parties \$000
2019					
SEA Gas	9,551	7,809	—	122,626	—
Energy Infrastructure Investments	4,466	39,198	—	7,627	—
EII 2	3,732	1,020	—	335	—
GDI (EII)	4,701	53,654	—	10,123	—
	22,450	101,680	—	140,710	—
2018					
SEA Gas	5,975	3,853	—	311	—
Energy Infrastructure Investments	3,841	46,671	—	15,486	—
EII 2	3,253	764	—	47	—
GDI (EII)	5,772	62,053	—	7,417	—
	18,841	113,341	—	23,261	—

At year end, APA Group had a loan receivable from SEA Gas of \$122.3 million (2018: \$0.3 million).

notes to the consolidated financial statements. continued.

AUSTRALIAN PIPELINE TRUST AND ITS CONTROLLED ENTITIES
FOR THE FINANCIAL YEAR ENDED 30 JUNE 2019

Other

29. Parent entity information

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

	2019 \$000	2018 \$000
Financial position		
Assets		
Current assets	2,533,019	2,695,971
Non-current assets	707,803	731,861
Total assets	3,240,822	3,427,832
Liabilities		
Current liabilities	130,337	132,313
Total liabilities	130,337	132,313
Net assets	3,110,485	3,295,519
Equity		
Issued capital	3,103,806	3,288,123
Retained earnings	6,679	7,396
Total equity	3,110,485	3,295,519
Financial performance		
Profit for the year	216,818	147,408
Total comprehensive income	216,818	147,408

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

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

Due to the contingent nature of these financial guarantees no liability has been recorded (2018: \$nil).

Contingent liabilities of the parent entity

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

30. Adoption of new and revised Accounting Standards

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

Adoption of AASB 9 'Financial Instruments'

In the current year, APA Group has applied AASB 9 'Financial Instruments' (as revised) and the related consequential amendments to other Accounting Standards for the first time. AASB 9 'Financial Instruments' (AASB 9) introduces new requirements for 1) the classification and measurement of financial assets and financial liabilities; 2) general hedge accounting and 3) impairment for financial assets. Details of these new requirements as well as their impact on APA Group's consolidated financial statements are described below. APA Group has applied AASB 9 in accordance with the transition provisions set out in AASB 9.

Classification and measurement of financial assets

The date of initial application (i.e. the date on which APA Group has assessed its existing financial assets and financial liabilities in terms of the requirements of AASB 9) is 1 July 2018. Accordingly, APA Group has applied the requirements of AASB 9 to instruments that have not been derecognised as at 1 July 2018.

All recognised financial assets that are within the scope of AASB 9 are required to be measured subsequently at amortised cost or fair value on the basis of the entity's business model for managing the financial assets and the contractual cash flow characteristics of the financial assets. Specifically:

- Debt investments that are held within a business model whose objective is to collect the contractual cash flows, and that have contractual cash flows that are solely payments of principal and interest on the principal amount outstanding, are subsequently measured at amortised cost;
- Debt investments that are held within a business model whose objective is both to collect the contractual cash flows and to sell the debt instruments, and that have contractual cash flows that are solely payments of principal and interest on the principal amount outstanding, are subsequently measured at FVTOCI;
- All other debt investments and equity investments are subsequently measured at FVTPL.

notes to the consolidated financial statements. continued.

AUSTRALIAN PIPELINE TRUST AND ITS CONTROLLED ENTITIES
FOR THE FINANCIAL YEAR ENDED 30 JUNE 2019

Other

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

Adoption of AASB 9 'Financial Instruments' (continued)

In the current year, APA Group has not designated any debt investments that meet the amortised cost or FVTOCI criteria as measured at FVTPL.

Debt instruments that are subsequently measured at amortised cost or at FVTOCI are subject to impairment.

APA Group reviewed and assessed its existing financial assets as at 1 July 2018 based on the facts and circumstances that existed at that date and concluded that the initial application of AASB 9 has had the following impact on APA Group's financial assets as regards their classification and measurement:

- Financial assets classified as held-to-maturity and loans and receivables under AASB 139 that were measured at amortised cost continue to be measured at amortised cost under AASB 9 as they are held within a business model to collect contractual cash flows and these cash flows consist solely of payments of principal and interest on the principal amount outstanding;
- Financial assets that were measured at FVTPL under AASB 139 continue to be measured as such under AASB 9.

None of the classifications of financial assets have had any impact on APA Group's financial position, profit or loss, other comprehensive income or total comprehensive income for either period.

Classification and measurement of financial liabilities

One change introduced by AASB 9 in the classification and measurement of financial liabilities relates to the accounting for changes in the fair value of a financial liability designated as FVTPL attributable to changes in the credit risk of the issuer.

Specifically, AASB 9 requires that the changes in the fair value of the financial liability that is attributable to changes in the credit risk of that liability be presented in other comprehensive income, unless the recognition of the effects of changes in the liability's credit risk in other comprehensive income would create or enlarge an accounting mismatch in profit or loss. Changes in fair value attributable to a financial liability's credit risk are not subsequently reclassified to profit or loss, but are transferred to retained earnings when the financial liability is derecognised. Previously, under AASB 139, the entire amount of the change in the fair value of the financial liability designated as FVTPL was presented in profit or loss.

This change in accounting policy has had no impact on the classification and measurement of APA Group's financial liabilities.

General hedge accounting

The new general hedge accounting requirements retain the three types of hedge accounting: cash flow hedges, fair value hedges and net investment hedges. However, greater flexibility has been introduced to the types of transactions eligible for hedge accounting, specifically broadening the types of instruments that qualify for hedging instruments and the types of risk components of non-financial items that are eligible for hedge accounting. In addition, the effectiveness test has been replaced with the principle of an 'economic relationship'. Retrospective assessment of hedge effectiveness is also no longer required. Enhanced disclosure requirements about APA Group's risk management activities have also been introduced.

In accordance with AASB 9's transition provisions for hedge accounting, APA Group has applied the AASB 9 hedge accounting requirements prospectively from the date of initial application on 1 July 2018. APA Group's qualifying hedging relationships in place as at 1 July 2018 also qualified for hedge accounting in accordance with AASB 9 and were therefore regarded as continuing hedging relationships. No rebalancing of any of the hedging relationships was necessary on 1 July 2018. As the critical terms of the hedging instruments match those of their corresponding hedged items, all hedging relationships continue to be effective under AASB 9's effectiveness assessment requirements. APA Group has also not designated any hedging relationships under AASB 9 that would not have met the qualifying hedge accounting criteria under AASB 139.

AASB 9 requires hedging gains and losses to be recognised as an adjustment to the initial carrying amount of non-financial hedged items (basis adjustment). In addition, transfers from the hedging reserve to the initial carrying amount of the hedged item are not reclassification adjustments under AASB 1 Presentation of Financial Statements and hence they do not affect other comprehensive income. Hedging gains and losses subject to basis adjustments are categorised as amounts that will not be subsequently reclassified to profit or loss in other comprehensive income. This is consistent with APA Group's practice prior to the adoption of AASB 9.

Consistent with prior periods, APA Group has continued to designate the change in fair value of the entire forward contract, i.e. including the forward element, as the hedging instrument in APA Group's cash flow hedge relationships.

Since the AASB 9 hedge accounting requirements apply prospectively from the date of initial application (i.e. 1 July 2018), the comparative figures have not been restated.

The application of the AASB 9 hedge accounting requirements has had no impact on the results and financial position of APA Group for the current and/or prior periods.

notes to the consolidated financial statements. continued.

AUSTRALIAN PIPELINE TRUST AND ITS CONTROLLED ENTITIES
FOR THE FINANCIAL YEAR ENDED 30 JUNE 2019

Other

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

Adoption of AASB 9 'Financial Instruments' (continued)

The table below illustrates the classification and measurement of financial assets and financial liabilities under AASB 9 and AASB 139 at the date of initial application, 1 July 2018.

Category	Original category under AASB 139	New measurement category under AASB 9
Cash and cash equivalents and cash on deposit	Loans and receivables	Financial assets at amortised cost
Trade and other receivables	Loans and receivables	Financial assets at amortised cost
Equity forward contracts	Financial assets/liabilities at FVTPL	Financial assets/liabilities at FVTPL
Foreign currency contracts, interest rate swaps and cross currency interest rate swaps	Derivatives designated as hedging instruments at fair value	Derivatives designated as hedging instruments at fair value
Loans advanced to related parties	Held-to-maturity investments	Financial assets at amortised cost
Redeemable preference shares (GDI)	Held-to-maturity investments	Financial assets at amortised cost
Trade and other payables	Financial liabilities at amortised cost	Financial liabilities at amortised cost
Borrowings	Financial liabilities at amortised cost	Financial liabilities at amortised cost

Impairment of financial assets

In relation to the impairment of financial assets, it is no longer necessary for a credit event to have occurred before credit losses are recognised. AASB 9 requires an expected credit loss model as opposed to an incurred credit loss model under AASB 139. The expected credit loss model requires APA Group to account for expected credit losses and changes in those expected credit losses at each reporting date to reflect changes in credit risk since initial recognition of the financial assets.

Specifically, AASB 9 requires APA Group to recognise a loss allowance for ECL on loans and receivables. Aside from loans and receivables, APA Group does not currently hold any debt instruments or guarantee contracts as covered by the scope of the impairment section.

In particular, AASB 9 requires APA Group to measure the loss allowance for a financial instrument at an amount equal to the lifetime ECL if the credit risk on that financial instrument has increased significantly since initial recognition, or if the financial instrument is a purchased or originated credit-impaired financial asset. In the event the credit risk on a financial instrument has not increased significantly since initial recognition (except for a purchased or originated credit-impaired financial asset), APA Group is required to measure the loss allowance for that financial instrument at an amount equal to 12 months ECL. AASB 9 also requires a simplified approach for measuring the loss allowance at an amount equal to lifetime ECL for trade receivables, contract assets and lease receivables in certain circumstances. APA Group applies the simplified approach to assessing ECL for trade receivables, finance lease receivables and contract assets.

As at 1 July 2018, APA Group reviewed and assessed its existing financial assets and amounts due from customers for impairment. APA Group used reasonable and supportable information that is available without undue cost or effort in accordance with the requirements of AASB 9 to determine the credit risk of the respective items at the date they were initially recognised. It compared that to the credit risk as at 1 July 2017 and 1 July 2018. Based upon this assessment, aside from the additional disclosure requirements, this change has not had a material impact to APA Group's accounts. The history of collection rates and forward-looking information that is available without undue cost or effort shows that APA Group does not have an expected loss on collection of debtors or loans.

Details of the applicable accounting policies are set out in Note 20.

Adoption of AASB 15 'Revenue from Contracts with Customers'

APA Group has adopted AASB 15 'Revenue from Contracts with Customers' (AASB 15) from 1 July 2018. AASB 15 replaced AASB 118 'Revenue' and AASB 111 'Construction Contracts' and related interpretations.

AASB 15 applies to all revenues arising from contracts with customers unless the contracts are within the scope of other standards. The standard establishes a comprehensive framework for determining whether revenue is recognised and if so, the timing and amount of revenue recognition based on the core principle being that an entity should recognise revenue at an amount that reflects the consideration it expects to be entitled to in exchange for fulfilling its performance obligations to a customer.

The Group's accounting policies for its revenue streams are disclosed in detail in Note 4. Apart from providing more extensive disclosures of the Group's revenue transactions, the application of AASB 15 has no significant impact on the financial position and financial performance of APA Group.

APA Group adopted AASB 15 on a modified retrospective basis, therefore the new standard has been applied only to contracts that remain in force at 1 July 2018. As permitted by the standard comparative results are not restated. The cumulative effect on initial application was a charge of \$2.2 million to opening retained earnings, an increase in unearned revenue of \$3.1 million and an increase in deferred tax assets of \$0.9 million at 1 July 2018. This adjustment is a result of AASB 15's requirement to separately recognise interest expense from revenue from contracts with customers where the period between the payment by the customer and the fulfilment of the obligation gives rise to a significant financing component.

notes to the consolidated financial statements. continued.

AUSTRALIAN PIPELINE TRUST AND ITS CONTROLLED ENTITIES
FOR THE FINANCIAL YEAR ENDED 30 JUNE 2019

Other

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

Adoption of AASB 15 'Revenue from Contracts with Customers' (continued)

APA Group may receive cash from customers as a contribution to constructing or connecting the customer to the network as part of ongoing access to gas transportation services. A significant financing component has been identified in some such contracts, as a result of the length of time between when the customer pays for the service and when APA Group fulfils the performance obligation. The effects of financing have been presented as interest expense separately from revenue from contracts with customers, with the accumulative adjustment at 1 July 2018 recognised in retained earnings as outlined previously.

Discussions on the updated accounting policies can be found in Note 4.

Standards and Interpretations issued not yet adopted

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

Standard/Interpretation	Effective for annual reporting periods beginning on or after	Expected to be initially applied in the financial year ending
AASB 16 'Leases'	1 January 2019	30 June 2020

AASB 16 'Leases'

APA Group has chosen not to early adopt AASB 16 'Leases' in preparing these consolidated financial statements.

AASB 16 'Leases' (AASB 16) is effective for annual periods beginning on or after 1 January 2019. AASB 16 replaces AASB 117 'Leases' and related interpretations. Early adoption is permitted for entities that apply AASB 15 at or before the date of initial application of AASB 16. APA Group will apply AASB 16 in the financial year beginning 1 July 2019 (financial year ended 30 June 2020).

Under AASB 16, APA Group's accounting for leases as a lessee will result in the recognition of a right-of-use (ROU) asset as a new category within property, plant and equipment and an associated lease liability in the Consolidated Statement of Financial Position. The lease liability represents the present value of future lease payments, with the exception of short-term and low value leases. An interest expense will be recognised on the lease liabilities and a depreciation charge will be recognised for the ROU assets. There will also be additional disclosure requirements under the new standard. APA Group's accounting for leases as a lessor remains unchanged under AASB 16.

Previously under AASB 117 'Leases', operating leases were off-balance sheet, APA Group recognised operating lease expense on a straight-line basis over the term of the lease, and recognised assets and liabilities only to the extent that there was a timing difference between actual lease payments and the expense recognised.

APA Group has materially completed the assessment of the impact of the adoption of AASB 16 on the consolidated financial statements as at 1 July 2019. This assessment covered a variety of scenarios based on the various transition options and practical expedients applied. APA Group plans to adopt the modified retrospective approach on transition with no restatement of the comparative information. Under this approach, the lease liability is measured at present value of future lease payments on the initial date of application, being 1 July 2019. For leases other than motor vehicles, the lease asset is measured as if AASB 16 has been applied from the commencement of the lease with any difference between the lease asset and the liability recognised as an adjustment to opening retained earnings. For motor vehicle leases the lease asset equals the lease liability with nil impact on opening retained earnings.

AASB 16 provides for a number of practical expedients for transition. In accordance with these expedients APA Group has elected to: exempt leases with a remaining term of less than 12 months from 1 July 2019; apply discount rates to a portfolio of assets with similar characteristics; use hindsight to determine the lease term; and continue to apply the existing definition of a lease under current accounting standards ('grandfather').

On transition, APA Group expects to recognise ROU assets of approximately \$63 million and approximately \$76 million lease related liability. The net effect of the recognised lease liabilities and ROU asset, adjusted for deferred tax and for deferred lease liabilities existent on transition will be reflected in opening retained earnings.

APA Group does not expect the adoption of AASB 16 to materially affect its financial results or to impact its ability to comply with any of its loan covenants.

The actual impacts of adopting the standard may change as the new accounting policies are subject to change until APA Group presents its first financial statements that include the date of initial application.

31. Events occurring after reporting date

On 21 August 2019, the Directors declared a final distribution of 25.50 cents per security (\$300.9 million) for APA Group. This is comprised of a distribution of 18.97 cents per unit from APT and a distribution of 6.53 cents per unit from APTIT. The APT distribution represents a 8.53 cents per unit fully franked profit distribution and 10.44 cents per unit capital distribution. The APTIT distribution represents a 2.55 cent per unit profit distribution and a 3.98 cents per unit capital distribution. Franking credits of 3.66 cents per security will be allocated to the franked profit distribution. The distribution will be paid on 11 September 2019.

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

declaration by the directors of australian pipeline limited.

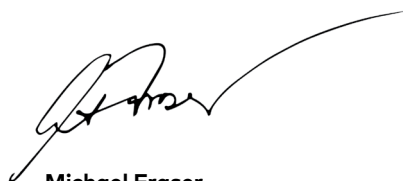
AUSTRALIAN PIPELINE TRUST AND ITS CONTROLLED ENTITIES
FOR THE FINANCIAL YEAR ENDED 30 JUNE 2019

The Directors declare that:

- a) in the Directors' opinion, there are reasonable grounds to believe that Australian Pipeline Trust 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 APA Group;
- c) in the Directors' opinion, the financial statements and notes thereto are in accordance with International Financial Reporting Standards issued by the International Accounting Standards Board; and
- d) the Directors have been given the declarations by the Chief Executive Officer and Chief Financial Officer required by section 295A of the Corporations Act 2001.

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

On behalf of the Directors



Michael Fraser
Chairman

Sydney, 21 August 2019



Debra Goodin
Director

auditor's independence declaration.

AUSTRALIAN PIPELINE TRUST AND ITS CONTROLLED ENTITIES
TO AUSTRALIAN PIPELINE LIMITED AS RESPONSIBLE ENTITY FOR AUSTRALIAN PIPELINE TRUST

Deloitte.

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21 August 2019

The Directors
Australian Pipeline Limited as responsible entity for
Australian Pipeline Trust
Level 25, 580 George Street
Sydney NSW 2000

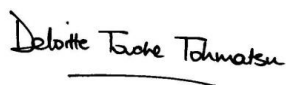
Dear Directors

Auditor's Independence Declaration to Australian Pipeline Limited as responsible entity for Australian Pipeline Trust

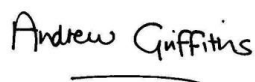
In accordance with section 307C of the *Corporations Act 2001*, I am pleased to provide the following declaration of independence to the directors of Australian Pipeline Limited as responsible entity for Australian Pipeline Trust.

As lead audit partner for the audit of the financial statements of Australian Pipeline Trust for the financial year ended 30 June 2019, 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.



DELOITTE TOUCHE TOHMATSU



A V Griffiths
Partner
Chartered Accountants
Sydney, 21 August 2019

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independent auditor's report.

AUSTRALIAN PIPELINE TRUST AND ITS CONTROLLED ENTITIES
TO THE UNITHOLDERS OF AUSTRALIAN PIPELINE TRUST



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Independent Auditor's Report to the Unitholders of Australian Pipeline Trust

Report on the Audit of the Financial Report

Opinion

We have audited the financial report of Australian Pipeline Trust (the "Trust") and its controlled entities (the "Group"), which comprises the consolidated statement of financial position as at 30 June 2019, the consolidated statement of profit or loss and other comprehensive income, the consolidated statement of changes in equity and the consolidated statement of cash flows for the year then ended, and notes to the financial statements, including a summary of significant accounting policies, and the directors' declaration.

In our opinion, the accompanying financial report of the Group is in accordance with the *Corporations Act 2001*, including:

- (i) giving a true and fair view of the Group's financial position as at 30 June 2019 and of its financial performance for the year then ended; and
- (ii) complying with Australian Accounting Standards and the *Corporations Regulations 2001*.

Basis for Opinion

We conducted our audit in accordance with Australian Auditing Standards. Our responsibilities under those standards are further described in the *Auditor's Responsibilities for the Audit of the Financial Report* section of our report. We are independent of the Group in accordance with the auditor independence requirements of the *Corporations Act 2001* and the ethical requirements of the Accounting Professional and Ethical Standards Board's APES 110 *Code of Ethics for Professional Accountants* (the Code) that are relevant to our audit of the financial report in Australia. We have also fulfilled our other ethical responsibilities in accordance with the Code.

We confirm that the independence declaration required by the *Corporations Act 2001*, which has been given to the directors of Australian Pipeline Limited (the "Responsible Entity"), would be in the same terms if given to the directors as at the time of this auditor's report.

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

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independent auditor's report. continued.

AUSTRALIAN PIPELINE TRUST AND ITS CONTROLLED ENTITIES
TO THE UNITHOLDERS OF AUSTRALIAN PIPELINE TRUST

Deloitte.

Key Audit Matters

Key audit matters are those matters that, in our professional judgement, were of most significance in our audit of the financial report for the current period. These matters were addressed in the context of our audit of the financial report as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters.

Key Audit Matter	How the scope of our audit responded to the Key Audit Matter
Derivative transactions and balances including the application of hedge accounting As at 30 June 2019, the Group has variable and fixed rate borrowings totalling \$10.3 billion extending through to 2035. These borrowings are denominated in Australian, US and Canadian dollars as well as British Pounds and Euros as disclosed in Note 18. As a result, the Group is exposed to interest rate and foreign exchange rate movements and enters into the following types of derivative financial instruments to manage those exposures: • Interest rate swaps to mitigate the risk of increasing interest rates, and • Cross currency interest rate swaps to manage the currency risk associated with foreign currency denominated borrowings. In addition, as disclosed in Note 19, revenue for the Wallumbilla Gladstone Pipeline (WGP) is denominated in US dollars. In order to manage the currency risk the Group designates US dollar borrowings (which acts as a natural hedge of the forecast US dollar denominated revenue) against a portion of the US dollar revenue stream. The Group also uses forward exchange contracts to hedge that portion of the exchange rate risk not covered by the US dollar borrowings. The Group applies hedge accounting in respect of these complex arrangements.	Our procedures performed in conjunction with our Treasury specialists included, but were not limited to: • Understanding management's controls over the recording of derivative transactions and the application of hedge accounting, • On a sample basis, testing the accuracy and completeness of derivative transactions and balances by agreeing to third-party confirmations, • Evaluating the appropriateness of the valuation methodologies applied and testing on sample basis the valuation of the derivative financial instruments, • Testing on a sample basis the application of hedge accounting (including hedge effectiveness and measurement of ineffectiveness), and evaluating on a sample basis, in particular for WGP, that the derivative financial instruments qualified for hedge accounting in accordance with the <i>AASB 9 Financial Instruments</i>. We also assessed the appropriateness of the disclosures in Notes 18 and 19 to the financial statements.

independent auditor's report. continued.

AUSTRALIAN PIPELINE TRUST AND ITS CONTROLLED ENTITIES
TO THE UNITHOLDERS OF AUSTRALIAN PIPELINE TRUST

Deloitte.

Key Audit Matter	How the scope of our audit responded to the Key Audit Matter
Goodwill Impairment As at 30 June 2019 the Group's balance sheet includes goodwill of \$1.2 billion allocated across several cash generating units (CGUs) as disclosed in Note 12. The assessment of the recoverable amount of the Group's goodwill balance requires the exercise of significant judgement in respect of factors such as future contract renewals, contracting of spare capacity, forecast operating and maintenance costs, discount rates, as well as economic assumptions such as inflation.	Our procedures included, but were not limited to: - Understanding the appropriateness of management's controls over the evaluation of the carrying value of the Group's goodwill to determine any asset impairments, - Challenging in conjunction with our corporate finance specialists the Group's assumptions and estimates used to determine the recoverable amount of a sample of CGUs, including those relating to: - forecast revenue by reference to: - expected future contract renewals - expected contracting of spare capacity - operating and maintenance expenses with reference to actual costs incurred in the current period and approved budgets for forecast periods - discount rates with reference to: - external data - Deloitte developed discount rates. - Assessing historical accuracy of management's budgeting and forecasting of the Group, - Testing on a sample basis, the mathematical accuracy of the cash flow models and agreeing relevant data to approved budgets and latest forecasts, - Evaluating management's sensitivity analysis in relation to key assumptions, with particular focus on the discount rate and assumptions relating to contract renewals and contracting of spare capacity. We also assessed the appropriateness of the disclosures in Note 12 to the financial statements.

independent auditor's report. continued.

AUSTRALIAN PIPELINE TRUST AND ITS CONTROLLED ENTITIES
TO THE UNITHOLDERS OF AUSTRALIAN PIPELINE TRUST

Deloitte.

Other Information

The directors of the Responsible Entity ("the Directors") are responsible for the other information. The other information comprises the information included in the Group's annual report for the year ended 30 June 2019, but does not include the financial report and our auditor's report thereon.

Our opinion on the financial report does not cover the other information and we do not express any form of assurance conclusion thereon.

In connection with our audit of the financial report, our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the financial report or our knowledge obtained in the audit, or otherwise appears to be materially misstated. If, based on the work we have performed, we conclude that there is a material misstatement of this other information, we are required to report that fact. We have nothing to report in this regard.

Responsibilities of the Directors for the Financial Report

The directors are responsible for the preparation of the financial report that gives a true and fair view in accordance with Australian Accounting Standards and the *Corporations Act 2001* and for such internal control as the directors determine is necessary to enable the preparation of the financial report that gives a true and fair view and is free from material misstatement, whether due to fraud or error.

In preparing the financial report, the directors are responsible for assessing the ability of the Group to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless the directors either intend to liquidate the Group or to cease operations, or have no realistic alternative but to do so.

Auditor's Responsibilities for the Audit of the Financial Report

Our objectives are to obtain reasonable assurance about whether the financial report as a whole is free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with the Australian Auditing Standards will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of this financial report.

As part of an audit in accordance with the Australian Auditing Standards, we exercise professional judgement and maintain professional scepticism throughout the audit. We also:

- Identify and assess the risks of material misstatement of the financial report, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Group's internal control.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by the directors.

independent auditor's report. continued.

AUSTRALIAN PIPELINE TRUST AND ITS CONTROLLED ENTITIES
TO THE UNITHOLDERS OF AUSTRALIAN PIPELINE TRUST

Deloitte.

- Conclude on the appropriateness of the directors' use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Group's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the financial report or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Group to cease to continue as a going concern.
- Evaluate the overall presentation, structure and content of the financial report, including the disclosures, and whether the financial report represents the underlying transactions and events in a manner that achieves fair presentation.
- Obtain sufficient appropriate audit evidence regarding the financial information of the entities or business activities within the Group to express an opinion on the financial report. We are responsible for the direction, supervision and performance of the Group audit. We remain solely responsible for our audit opinion.

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

We also provide the directors with a statement that we have complied with relevant ethical requirements regarding independence, and to communicate with them all relationships and other matters that may reasonably be thought to bear on our independence, and where applicable, related safeguards.

From the matters communicated with the directors, we determine those matters that were of most significance in the audit of the financial report of the current period and are therefore the key audit matters. We describe these matters in our auditor's report unless law or regulation precludes public disclosure about the matter or when, in extremely rare circumstances, we determine that a matter should not be communicated in our report because the adverse consequences of doing so would reasonably be expected to outweigh the public interest benefits of such communication.

Report on the Remuneration Report*Opinion on the Remuneration Report*

We have audited the Remuneration Report of Australian Pipeline Limited as responsible entity of Australian Pipeline Trust included in pages 45 to 58 of the Directors' Report for the year ended 30 June 2019.

In our opinion, the Remuneration Report of Australian Pipeline Limited for the year ended 30 June 2019, has been prepared in accordance with section 300A of the *Corporations Act 2001*.

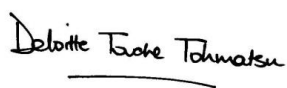
independent auditor's report. continued.

AUSTRALIAN PIPELINE TRUST AND ITS CONTROLLED ENTITIES
TO THE UNITHOLDERS OF AUSTRALIAN PIPELINE TRUST

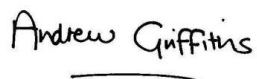
Deloitte.

Responsibilities

The directors have voluntarily presented the Remuneration Report of the Responsible Entity of Australian Pipeline Trust which has been prepared in accordance with section 300A of the *Corporations Act 2001*. Our responsibility is to express an opinion on the Remuneration Report, based on our audit conducted in accordance with Australian Auditing Standards.



DELOITTE TOUCHE TOHMATSU



A V Griffiths
Partner
Chartered Accountants
Sydney, 21 August 2019

directors' report.

APT INVESTMENT TRUST AND ITS CONTROLLED ENTITIES

APT Investment Trust and its Controlled Entities (ARSN 115 585 441)**Directors' Report for the year ended 30 June 2019**

The Directors of Australian Pipeline Limited ("Responsible Entity") submit their report and the annual financial report of APT Investment Trust ("APTIT") and its controlled entities (together "Consolidated Entity") for the financial year ended 30 June 2019. This report refers to the consolidated results of APTIT, one of the two stapled entities of APA Group, with the other stapled entity being Australian Pipeline Trust (together "APA").

1. Directors

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

	First appointed
Current Directors:	
Michael Fraser	1 September 2015 Chairman: 27 October 2017
Robert (Rob) Wheals	Chief Executive Officer and Managing Director: 6 July 2019
Steven (Steve) Crane	1 January 2011
James Fazzino	21 February 2019
Debra (Debbie) Goodin	1 September 2015
Shirley In't Veld	19 March 2018
Peter Wasow	19 March 2018
Former Directors:	
Russell Higgins AO	7 December 2004 (Retired as a Director 20 February 2019)
Patricia McKenzie	1 January 2011 (Retired as a Director 8 March 2019)
Michael (Mick) McCormack	Chief Executive Officer: 1 July 2005 and Managing Director: 1 July 2006 (Retired as CEO and Managing Director 5 July 2019)

The Company Secretary of the Responsible Entity during the year and since the year end is Nevenka Codevelle.

2. Principal Activities

The Consolidated Entity operates as an investment and financing entity within the APA Group.

3. State of Affairs

Rob Wheals commenced as APA's new Chief Executive Officer and Managing Director with effect from 6 July 2019 following Mick McCormack's retirement on 5 July 2019.

4. Subsequent Events

On 21 August 2019, the Directors declared a final distribution of 6.53 cents per unit (\$77.1 million). The distribution represents a 2.55 cents per unit profit distribution and 3.98 cents per unit capital distribution. The distribution is expected to be paid on 11 September 2019.

Other than what is noted above and as disclosed elsewhere in this report, there has not arisen in the interval between the end of the full year ended 30 June 2019 and the date of this report any matter or circumstance that has significantly affected, or may significantly affect, the Group's operations, the results of those operations, or the Group's state of affairs, in future financial years.

5. Review and Results of Operations

The Consolidated Entity reported net profit after tax of \$65.1 million (FY2018: \$68.0 million) for the year ended 30 June 2019 and total revenue of \$65.1 million (FY2018: \$68.1 million).

directors' report. continued.

APT INVESTMENT TRUST AND ITS CONTROLLED ENTITIES

6. Distributions

Distributions paid to Securityholders during the financial year were:

	Final FY2018 distribution paid 12 September 2018		Interim FY2019 distribution paid 3 March 2019	
	Cents per security	Total distribution \$000	Cents per security	Total distribution \$000
APTIT profit distribution	2.90	34,228	2.97	35,014
APTIT capital distribution	3.14	37,022	2.45	28,872
Total	6.04	71,250	5.42	63,886

On 21 August 2019, the Directors declared a final distribution for APTIT for the financial year of 6.53 cents per security which is payable on 11 September 2019 and will comprise the following components:

	Final FY2019 distribution payable 11 September 2019	
	Cents per security	Total distribution \$000
APTIT profit distribution	2.55	30,056
APTIT capital distribution	3.98	47,002
Total	6.53	77,058

Distribution information is presented on an accounting classification basis. The APA Group Annual Tax Statement (to be released in September 2019) and Annual Tax Return Guide will provide the classification of distribution components for the purposes of preparation of Securityholder income tax returns.

To assist APA Securityholders who wish to submit their annual tax return prior to receiving their annual APA Tax Statement in mid September, APA has developed an online tax estimator tool. The Estimator tool will generate Pro Forma Tax Return Inputs based on information entered by Securityholders and therefore should be considered "indicative only" compared to the confirmed accurate information contained in APA's Annual Tax Statement. The Tax Estimator will be available under the Investor section on APA's website following confirmation by the Board via an ASX release of the final FY2019 distribution (<https://www.apa.com.au/investors/my-securities/apa-annual-tax-statement-estimator/>).

7. Directors

7.1 Information on Directors and Company Secretary

See pages 06 to 07 for information relating to qualifications and experience of the Directors and the Company Secretary.

7.2 Directorships of other listed companies

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

Name	Company	Period of directorship
Michael Fraser	Aurizon Holdings Limited	Since February 2016
Robert Wheals	—	—
Steven Crane	nib holdings limited SCA Property Group	Since September 2010, Chair since October 2011 Since December 2018
James Fazzino	Incitec Pivot Limited	July 2005 to November 2017
Debra Goodin	Senex Energy Limited oOh!media Limited Atlas Arteria Limited Ten Network Holdings Limited	Since May 2014 Since November 2014 Since September 2017 August 2016 to November 2017
Shirley In't Veld	Northern Star Resources Limited Asciano Limited DUET Group	Since September 2016 November 2010 to August 2016 August 2013 to May 2017
Peter Wasow	Oz Minerals Limited Alcoa Australia Limited Alumina Limited	Since November 2017 January 2014 to July 2017 September 2011 to May 2017

directors' report. continued.

APT INVESTMENT TRUST AND ITS CONTROLLED ENTITIES

7.3 Directors' meetings

During the financial year, 17 Board meetings, four Audit and Risk Management Committee meetings, four People and Remuneration Committee meetings, four Health Safety and Environment Committee meetings and three Nomination Committee meetings were held. The following table sets out the number of meetings attended by each Director while they were a Director or a committee member:

Directors	Board		People & Remuneration Committee		Audit & Risk Management Committee		Health Safety & Environment Committee		Nomination Committee	
	A	B	A	B	A	B	A	B	A	B
Michael Fraser	17	17			4	4	—	—	3	3
Michael McCormack ⁽¹⁾	14	14	—	—	—	—	—	—	—	—
Steven Crane	17	17	4	3	4	4	—	—	1	1
James Fazzino	6	6	—	—	1	1	2	2	—	—
Debra Goodin	17	17	—	—	4	4	4	4	3	3
Shirley Int'd Veld	17	17	4	4	—	—	4	4	—	—
Peter Wasow	17	17	4	4	4	4	—	—	—	—
Russell Higgins ⁽²⁾	11	11	—	—	3	3	2	2	2	2
Patricia McKenzie ⁽³⁾	11	10	2	2	—	—	2	1	—	—

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

B) Number of meetings attended.

1) Michael McCormack retired as a Director on 5 July 2019.

2) Russell Higgins AO retired as a Director on 20 February 2019.

3) Patricia McKenzie retired as a Director on 8 March 2019.

7.4 Directors' securityholdings

The aggregate number of APA securities held directly, indirectly or beneficially by Directors or their Director related entities at 30 June 2019 is 683,693 (2018: 800,118 ⁽¹⁾).

The following table sets out Directors' relevant interests in APA securities as at 30 June 2019:

Directors	Fully paid securities as at 1 July 2018	Securities acquired	Securities disposed	Fully paid securities as at 30 June 2019
Michael Fraser	102,942	—	—	102,942
Michael McCormack	350,000	—	—	350,000
Steven Crane	130,000	—	—	130,000
Debra Goodin	23,000	—	—	23,000
James Fazzino ⁽²⁾	—	31,751	—	31,751
Shirley Int'd Veld	25,000	—	—	25,000
Peter Wasow	15,000	6,000	—	21,000
Russell Higgins AO ⁽³⁾	129,939	—	—	—
Patricia McKenzie ⁽⁴⁾	24,237	—	—	—
	800,118	37,751	—	683,693

1) At 1 July 2018, the aggregate number of APA securities held directly or beneficially by Directors or their related entities included 129,939 securities held by Russell Higgins AO who retired on 20 February 2019 and 24,237 securities held by Patricia McKenzie who retired on 8 March 2019. The aggregate number of APA Securities held directly or beneficially by the current Directors or their related entities as at 30 June 2019 is 683,693.

2) James Fazzino was appointed as a Director effective 21 February 2019. He held nil securities on appointment.

3) Russell Higgins AO retired as a Director on 20 February 2019. He held 129,939 securities on retirement.

4) Patricia McKenzie retired as a Director on 8 March 2019. She held 24,237 securities on retirement.

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

8. Options Granted

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

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

directors' report. continued.

APT INVESTMENT TRUST AND ITS CONTROLLED ENTITIES

9. Indemnification of Officers

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

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

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

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

10. Information Required for Registered Schemes

Fees paid to the Responsible Entity and its associates (including Directors and Secretaries of the Responsible Entity, related bodies corporate and Directors and Secretaries of related bodies corporate) out of APA scheme property during the financial year are disclosed in Note 18 to the financial statements.

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

The number of APTIT units issued during the financial year, and the number of APTIT units on issue at the end of the financial year, are disclosed in Note 13 to the financial statements.

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

11. 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 139.

12. Rounding of Amounts

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

13. Authorisation

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

On behalf of the Directors



Michael Fraser

Chairman

Sydney, 21 August 2019



Debra Goodin

Director

consolidated statement of profit or loss and other comprehensive income.APT INVESTMENT TRUST AND ITS CONTROLLED ENTITIES
FOR THE FINANCIAL YEAR ENDED 30 JUNE 2019

	Note	2019 \$000	2018 \$000
Revenue	4	65,082	68,061
Expenses	4	(12)	(12)
Profit before tax		65,070	68,049
Income tax expense	5	—	—
Profit for the year		65,070	68,049
Other comprehensive income			
Total comprehensive income for the year		65,070	68,049
Profit Attributable to:			
Unitholders of the parent		65,070	68,049
		65,070	68,049
Total comprehensive income attributable to:			
Unitholders of the parent		65,070	68,049
Earnings per unit		2019	2018
Basic and diluted (cents per unit)	6	5.5	6.0

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

consolidated statement of financial position.

APT INVESTMENT TRUST AND ITS CONTROLLED ENTITIES
AS AT 30 JUNE 2019

	Note	2019 \$'000	2018 \$'000
Current assets			
Receivables	8	813	774
Non-current assets			
Receivables	8	6,925	7,737
Other financial assets	11	986,562	1,055,971
Non-current assets		993,487	1,063,708
Total assets		994,300	1,064,482
Current liabilities			
Trade and other payables	9	25	78
Total liabilities		25	78
Net assets		994,275	1,064,404
Equity			
Issued capital	13	964,219	1,030,176
Retained earnings		30,056	34,228
Total equity		994,275	1,064,404

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

consolidated statement of changes in equity.

APT INVESTMENT TRUST AND ITS CONTROLLED ENTITIES
FOR THE FINANCIAL YEAR ENDED 30 JUNE 2019

	Note	Issued capital \$000	Retained earnings \$000	Total \$000
Balance at 1 July 2017		976,284	34,198	1,010,482
Profit for the year		—	68,049	68,049
Total comprehensive income for the year		—	68,049	68,049
Issue of units under entitlement offer	13	124,234	—	124,234
Issue cost of units	13	(2,745)	—	(2,745)
Distributions to unitholders	7	(67,597)	(68,019)	(135,616)
Balance at 30 June 2018		1,030,176	34,228	1,064,404
Balance at 1 July 2018		1,030,176	34,228	1,064,404
Profit for the year		—	65,070	65,070
Total comprehensive income for the year		—	65,070	65,070
Issue cost of units	13	(63)	—	(63)
Distributions to unitholders	7	(65,894)	(69,242)	(135,136)
Balance at 30 June 2019		964,219	30,056	994,275

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

consolidated statement of cash flows.

APT INVESTMENT TRUST AND ITS CONTROLLED ENTITIES
FOR THE FINANCIAL YEAR ENDED 30 JUNE 2019

	2019 \$000	2018 \$000
Cash flows from operating activities		
Trust distribution – related party	26,833	27,979
Interest received – related parties	37,523	39,349
Proceeds from repayment of finance leases	1,167	1,167
Receipts from customers	333	369
Payments to suppliers	(66)	(12)
Net cash provided by operating activities	65,790	68,852
Cash flows from investing activities		
Receipts from/(advances to) related parties	69,409	(54,725)
Net cash provided by/(used in) investing activities	69,409	(54,725)
Cash flows from financing activities		
Proceeds from issue of units	—	124,234
Payment of unit issue costs	(63)	(2,745)
Distributions to unitholders	(135,136)	(135,616)
Net cash used in financing activities	(135,199)	(14,127)
Net increase in cash and cash equivalents	—	—
Cash and cash equivalents at beginning of financial year	—	—
Cash and cash equivalents at end of financial year	—	—

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

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.

notes to the consolidated financial statements.

APT INVESTMENT TRUST AND ITS CONTROLLED ENTITIES
FOR THE FINANCIAL YEAR ENDED 30 JUNE 2019

Basis of Preparation

1. About this report

In the following financial statements, note disclosures are grouped into six sections being: Basis of Preparation; Financial Performance; Operating Assets and Liabilities; Capital Management; Group Structure; and Other. Each note sets out the accounting policies applied in producing the results along with any key judgements and estimates used.

Basis of Preparation

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notes to the consolidated financial statements. continued.

APT INVESTMENT TRUST AND ITS CONTROLLED ENTITIES
FOR THE FINANCIAL YEAR ENDED 30 JUNE 2019

Basis of Preparation

2. General information

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

This financial report represents the consolidated financial statements of APTIT and its controlled entities (together the "Consolidated Entity"). For the purposes of preparing the consolidated financial report, the Consolidated Entity is a for-profit entity.

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

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

Level 25
580 George Street
SYDNEY NSW 2000
Tel: (02) 9693 0000

APTIT operates as an investment entity within APA Group.

The financial report for the year ended 30 June 2019 was authorised for issue in accordance with a resolution of the directors on 21 August 2019.

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

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

Financial Performance

3. Segment information

The Consolidated Entity has one reportable segment being energy infrastructure investment.

The Consolidated Entity is an investing entity within the Australian Pipeline Trust stapled group. As the Trust only operates in one segment, it has not disclosed segment information separately.

notes to the consolidated financial statements. continued.

APT INVESTMENT TRUST AND ITS CONTROLLED ENTITIES
FOR THE FINANCIAL YEAR ENDED 30 JUNE 2019

Financial Performance

4. Profit from operations

Profit before income tax includes the following items of income and expense:

	2019 \$000	2018 \$000
Revenue		
Distributions		
Trust distribution – related party	26,833	27,979
	26,833	27,979
Finance income		
Interest – related parties	37,523	39,350
Finance lease income – related party	393	430
	37,916	39,780
Other revenue		
Other	333	302
Total revenue	65,082	68,061
Expenses		
Audit fees	(12)	(12)
Total expenses	(12)	(12)

Revenue is recognised at an amount that reflects the consideration to which the Consolidated Entity expects to be entitled. Amounts disclosed as revenue are net of duties and taxes paid. Revenue is recognised for the major business activities as follows:

- **Interest revenue**, which is recognised as it accrues and is determined using the effective interest method;
- **Distribution revenue**, which is recognised when the right to receive a distribution has been established;
- **Finance lease income**, which is recognised when receivable.

5. Income tax

Income tax expense is not brought to account in respect of APTIT as, pursuant to Australian taxation laws, APTIT is not liable for income tax provided that its realised taxable income (including any assessable realised capital gains) is fully distributed to its unitholders each year.

6. Earnings per unit

	2019 cents	2018 cents
Basic and diluted earnings per unit	5.5	6.0

The earnings and weighted average number of units used in the calculation of basic and diluted earnings per unit are as follows:

	2019 \$000	2018 \$000
Net profit attributable to unitholders for calculating basic and diluted earnings per unit	65,070	68,049
	2019 No. of units 000	2018 No. of units 000
Adjusted weighted average number of ordinary units used in the calculation of basic and diluted earnings per unit	1,179,894	1,136,875

notes to the consolidated financial statements. continued.

APT INVESTMENT TRUST AND ITS CONTROLLED ENTITIES
FOR THE FINANCIAL YEAR ENDED 30 JUNE 2019

Financial Performance

7. Distributions

	2019 cents per unit	2019 Total \$000	2018 cents per unit	2018 Total \$000
Recognised amounts				
Final FY2018 distribution paid on 12 September 2018				
(2018: Final FY2017 distribution paid on 13 September 2017)				
Profit distribution ^(a)	2.90	34,228	3.07	34,198
Capital distribution	3.14	37,022	3.69	41,107
	6.04	71,250	6.76	75,305
Interim FY2019 distribution paid on 13 March 2019				
(2018: Interim FY2018 distribution paid on 14 March 2018)				
Profit distribution ^(a)	2.97	35,014	3.03	33,821
Capital distribution	2.45	28,872	2.38	26,490
	5.42	63,886	5.41	60,311
Total distributions recognised				
Profit distributions ^(a)	5.87	69,242	6.10	68,019
Capital distributions (Note 13)	5.59	65,894	6.07	67,597
	11.46	135,136	12.17	135,616
Unrecognised amounts				
Final FY2019 distribution payable on 11 September 2019 ^(b)				
(2018: Final FY2018 distribution paid on 12 September 2018)				
Profit distribution ^(a)	2.55	30,056	2.90	34,228
Capital distribution	3.98	47,002	3.14	37,022
	6.53	77,058	6.04	71,250

a) Profit distributions unfranked (2018: unfranked).

b) Record date 28 June 2019.

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

Operating Assets and Liabilities

8. Receivables

	2019 \$000	2018 \$000
Finance lease receivable – related party (Note 10)	813	774
Current	813	774
Finance lease receivable – related party (Note 10)	6,925	7,737
Non-current	6,925	7,737

In determining the recoverability of a receivable, the Consolidated Entity considers any change in the credit quality of the receivable from the date the credit was initially granted up to the reporting date. The directors believe that there is no credit provision required.

None of the above receivables is past due.

notes to the consolidated financial statements. continued.

APT INVESTMENT TRUST AND ITS CONTROLLED ENTITIES
FOR THE FINANCIAL YEAR ENDED 30 JUNE 2019

Operating Assets and Liabilities

9. Payables

	2019 \$000	2018 \$000
Other payables	25	78

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

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.

10. Leases

Finance leases

Leasing arrangements – receivables

Finance lease receivables relate to the lease of a pipeline lateral.

There are no contingent rental payments due.

	2019 \$000	2018 \$000
Finance lease receivables		
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	3,502	4,669
Minimum future lease payments receivable ^(a)	9,338	10,505
Gross finance lease receivables	9,338	10,505
Less: unearned finance lease receivables	(1,600)	(1,994)
Present value of lease receivables	7,738	8,511
Included in the financial statements as part of:		
Current receivables (Note 8)	813	774
Non-current receivables (Note 8)	6,925	7,737
	7,738	8,511

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

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

Consolidated Entity as lessor

Amounts due from a lessee under a finance lease are recorded as receivables. Finance lease receivables are initially recognised at the amount 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 receipts are allocated between interest revenue and reduction of the lease receivable over the term of the lease in order to reflect a constant periodic rate of return on the net investment outstanding in respect of the lease.

notes to the consolidated financial statements. continued.

APT INVESTMENT TRUST AND ITS CONTROLLED ENTITIES
FOR THE FINANCIAL YEAR ENDED 30 JUNE 2019

Capital Management

11. Other financial instruments

	2019 \$'000	2018 \$'000
Non-current		
Advance to related party	879,183	948,592
Investments carried at cost:		
Investment in related party ^(a)	107,379	107,379
	986,562	1,055,971

a) The investment in related party reflects GasNet Australia Investments Trust's ("GAIT") investment in 100% of the B Class units in GasNet A Trust. The B Class units give GAIT preferred rights to the income and capital of GasNet A Trust, but hold no voting rights. The A Class unitholder may however suspend for a period or terminate all of the B Class unitholder rights to income and capital. As such, GAIT neither controls nor has a significant influence over GasNet A Trust. GasNet Australia Trust, a related party wholly owned by APA Group, owns 100% of the A Class units in GasNet A Trust and, accordingly, GasNet A Trust is included in the consolidation of the APA Group. The investment has not been measured at fair value as the units of GasNet A Trust are not available for trade on an active market and as such, the fair value of the units cannot be reliably determined. The Consolidated Entity does not intend to dispose of its interest in GasNet A Trust.

Classification of financial assets

Debt instruments that meet the following conditions are subsequently measured at amortised cost:

- The financial asset is held within a business model whose objective is to hold financial assets in order to collect contractual cash flows; and
- The contractual terms of the financial asset give rise on specified dates to cash flows that are solely payments of principal and interest on the principal amount outstanding.

Debt instruments that meet the following conditions are subsequently measured at fair value through other comprehensive income (FVTOCI):

- The financial asset is held within a business model whose objective is achieved by both collecting contractual cash flows and selling the financial assets; and
- The contractual terms of the financial asset give rise on specified dates to cash flows that are solely payments of principal and interest on the principal amount outstanding.

By default, all other financial assets are subsequently measured at fair value through profit or loss (FVTPL).

Financial assets at FVTPL are measured at fair value at the end of each reporting period, with any fair value gains or losses recognised in profit or loss to the extent they are not part of a designated hedging relationship.

Derivatives that the Consolidated Entity does not elect to apply hedge accounting to or that do not meet the hedge accounting criteria, are classified as 'financial assets/liabilities' for accounting purposes and accounted for at FVTPL. Further information about the classification and measurement of financial instruments is provided in Note 20 under AASB 9 'Financial Instruments'.

Effective interest method

The effective interest method is a method of calculating the amortised cost of a financial asset and of allocating interest income over the relevant period. The effective interest rate is the rate that exactly discounts estimated future cash receipts through the expected life of the financial asset, or where appropriate, a shorter period.

Receivables and loans

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

Impairment of financial assets

The impairment of financial assets is no longer necessary for a credit event to have occurred before credit losses are recognised. The Consolidated Entity applies an expected credit loss (ECL) model to account for ECL and changes in the ECL at each reporting date to reflect changes in credit risk since initial recognition of the financial asset.

The Consolidated Entity recognises a loss allowance for ECL on investments in debt instruments that are measured at amortised cost, for example, loans advanced to related parties and receivables. For finance lease receivables, the Consolidated Entity applies the simplified approach to assessing ECL. Under the simplified approach, ECL on these financial assets is estimated using a provision matrix. This matrix is based on the Consolidated Entity's historical credit losses and reasonable and supportable information that is available without undue cost.

The amount of ECL under either approach is updated at each reporting date to reflect changes in credit risk since initial recognition of the respective financial instrument.

The Consolidated Entity recognises an impairment gain or loss in profit or loss for all financial instruments with a corresponding adjustment to their carrying amount through a loss allowance account. Aside from the additional disclosure requirements, the history of collection rates and forward-looking information that is available without undue cost or effort shows that the Consolidated Entity does not have an expected loss on collection of debtors or loans.

notes to the consolidated financial statements. continued.

APT INVESTMENT TRUST AND ITS CONTROLLED ENTITIES
FOR THE FINANCIAL YEAR ENDED 30 JUNE 2019

Capital Management

12. Financial risk management

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

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

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

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

a) Market risk

The Consolidated Entity's activities exposure is primarily to the financial risk of changes in interest rates. There has been no change to the Consolidated Entity's exposure to market risk or the manner in which it manages and measures the risk from the previous year.

Interest rate sensitivity analysis

The sensitivity analysis below has been determined based on the exposure to interest rates on loans with related parties. A 100 basis points increase or decrease is used and represents management's assessment of the greatest possible change in interest rates within a given period of time. At reporting date, if interest rates had been 100 basis points higher or lower and all other variables were constant, the Consolidated Entity's net profit would increase by \$5,974,000 or decrease by \$5,917,000 (2018: increase by \$6,023,000 or decrease by \$5,968,000 respectively). This is mainly attributable to the Consolidated Entity's exposure to interest rates on its variable rate inter-entity balances. The sensitivity has decreased due to lower inter-entity balances.

b) Credit risk

Credit risk refers to the risk that a counterparty will default on its contractual obligations resulting in financial loss to the Consolidated Entity.

Credit risk management

The Consolidated Entity has adopted the policy of only dealing with creditworthy counterparties and obtaining sufficient collateral or bank guarantees where appropriate as a means of mitigating the risk of loss. For financial investments or market risk hedging, the Consolidated Entity's policy is to only transact with counterparties that have a credit rating of A- (Standard & Poor's)/A3 (Moody's) or higher unless specifically approved by the Board. Where a counterparty's rating falls below this threshold following a transaction, no other transactions can be executed with that counterparty until the exposure is sufficiently reduced or their credit rating is upgraded above the Consolidated Entity's minimum threshold. The Consolidated Entity's exposure to financial instrument and deposit credit risk is closely monitored against counterparty credit limits imposed by the Treasury Risk Management Policy approved by the ARMC. These limits are regularly reviewed by the Board.

Overview of the Consolidated Entity's exposure to credit risk

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.

c) Liquidity risk

The Consolidated Entity's exposure to liquidity risk is limited to other payables of \$25,000 (2018: \$78,000), all of which are due in less than 1 year (2018: less than 1 year).

notes to the consolidated financial statements. continued.

APT INVESTMENT TRUST AND ITS CONTROLLED ENTITIES
FOR THE FINANCIAL YEAR ENDED 30 JUNE 2019

Capital Management

13. Issued capital

	2019 \$000	2018 \$000		
Units				
1,179,893,848 units, fully paid (2018: 1,179,893,848 units, fully paid) ^(a)	964,219	1,030,176		
	2019 No. of units 000	2019 \$000	2018 No. of units 000	2018 \$000
Movements				
Balance at beginning of financial year	1,179,894	1,030,176	1,114,307	976,284
Issue of units under entitlement offer	—	—	65,587	124,234
Issue cost of units	—	(63)	—	(2,745)
Capital distributions paid (Note 7)	—	(65,894)	—	(67,597)
Balance at end of financial year	1,179,894	964,219	1,179,894	1,030,176

a) Fully paid units carry one vote per unit and carry the right to distributions.

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

Group Structure

14. Subsidiaries

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

		Output interest	
		2019	2018
Name of entity	Country of registration	%	%
Parent entity			
APT Investment Trust			
Subsidiary			
GasNet Australia Investments Trust	Australia	100	100

notes to the consolidated financial statements. continued.

APT INVESTMENT TRUST AND ITS CONTROLLED ENTITIES
FOR THE FINANCIAL YEAR ENDED 30 JUNE 2019

Other

15. Commitments and contingencies

The Consolidated Entity had no material contingent assets, liabilities and commitments as at 30 June 2019 and 30 June 2018.

16. Director and Executive Key Management Personnel remuneration

Remuneration of Directors

The aggregate remuneration of Directors of the Consolidated Entity is set out below:

	2019 \$	2018 \$
Short-term employment benefits	1,664,631	1,625,875
Post-employment benefits	158,168	154,482
Total remuneration: Non-Executive Directors	1,822,799	1,780,357
Short-term employment benefits	3,629,920	3,638,690
Post-employment benefits	25,000	25,000
Cash settled security-based payments	1,515,047	1,479,646
Total remuneration: Executive Director ^(a)	5,169,967	5,143,336
Total Remuneration: Directors	6,992,766	6,923,693

Remuneration of Executive Key Management Personnel ^(a)

The aggregate remuneration of Executive Key Management Personnel of the Consolidated Entity is set out below:

Short-term employment benefits	7,763,114	7,748,591
Post-employment benefits	101,666	95,049
Cash settled security-based payments	2,864,008	2,822,148
Total remuneration: Executive Key Management Personnel	10,728,788	10,665,788

a) The remuneration of the Chief Executive Officer and Managing Director, Michael (Mick) McCormack, is included in both the remuneration disclosure for Directors and Executive Key Management Personnel.

17. Remuneration of external auditor

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

	2019 \$	2018 \$
Auditing the financial report	6,100	6,000
Compliance plan audit	5,800	5,700
Other assurance services ^(a)	—	15,990
	11,900	27,690

a) Services provided were in accordance with the external auditor independence policy. Other assurance services comprise assurance services in relation to security related transactions (equity raising).

notes to the consolidated financial statements. continued.

APT INVESTMENT TRUST AND ITS CONTROLLED ENTITIES
FOR THE FINANCIAL YEAR ENDED 30 JUNE 2019

Other

18. Related party transactions

a) Equity interest in related parties

Details of the percentage of ordinary securities held in subsidiaries are disclosed in Note 14.

b) Responsible Entity – Australian Pipeline Limited

The Responsible Entity is wholly owned by APT Pipelines Limited (2018: 100% owned by APT Pipelines Limited).

c) Transactions with related parties within the Consolidated Entity

During the financial year, the following transactions occurred between the Trust and its other related parties:

- loans advanced and payments received on long-term inter-entity loans; and
- payments of distributions.

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

Refer to Note 14 for details of the entities that comprise the Consolidated Entity.

d) Transactions with other related parties

APTIT and its controlled entities have a loan receivable balance with another entity in APA. This loan is repayable on agreement between the parties. Interest is recognised by applying the effective interest method, agreed between the parties at the end of each month and is determined by reference to market rates.

The following balances arising from transactions between APTIT and its other related parties are outstanding at reporting date:

- current receivables totalling \$813,000 are owing from a subsidiary of APT for amounts due under a finance lease arrangement (2018: \$774,000);
- non-current receivables totalling \$6,925,000 are owing from a subsidiary of APT for amounts due under a finance lease arrangement (2018: \$7,737,000); and
- non-current receivables totalling \$879,183,000 (2018: \$948,592,000) are owing from a subsidiary of APT for amounts due under inter-entity loans.

Australian Pipeline Limited

Management fees of \$1,142,000 (2018: \$1,152,000) were paid to the Responsible Entity as reimbursement of costs incurred on behalf of APTIT. No amounts were paid directly by APTIT to the Directors of the Responsible Entity.

Australian Pipeline Trust

Management fees of \$1,142,000 (2018: \$1,152,000) were reimbursed by APT.

notes to the consolidated financial statements. continued.

APT INVESTMENT TRUST AND ITS CONTROLLED ENTITIES
FOR THE FINANCIAL YEAR ENDED 30 JUNE 2019

Other

19. Parent entity information

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

	2019 \$000	2018 \$000
Financial position		
Assets		
Current assets	813	774
Non-current assets	993,487	1,063,708
Total assets	994,300	1,064,482
Liabilities		
Current liabilities	25	78
Total liabilities	25	78
Net assets	994,275	1,064,404
Equity		
Issued capital	964,219	1,030,176
Retained earnings	30,056	34,228
Reserves	—	—
Total equity	994,275	1,064,404
Financial performance		
Profit for the year	65,070	68,049
Other comprehensive income	—	—
Total comprehensive income	65,070	68,049

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

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

Contingent liabilities of the parent entity

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

20. Adoption of new and revised Accounting Standards

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

Adoption of AASB 9 'Financial Instruments'

In the current year, the Consolidated Entity has applied AASB 9 Financial Instruments (as revised) and the related consequential amendments to other Accounting Standards for the first time. AASB 9 introduces new requirements for 1) the classification and measurement of financial assets and financial liabilities and 2) impairment for financial assets. Details of these new requirements as well as their impact on the Consolidated Entity's consolidated financial statements are described below. The Consolidated Entity has applied AASB 9 in accordance with the transition provisions set out in AASB 9.

Classification and measurement of financial assets

The date of initial application (i.e. the date on which the Consolidated Entity has assessed its existing financial assets and financial liabilities in terms of the requirements of AASB 9) is 1 July 2018. Accordingly, the Consolidated Entity has applied the requirements of AASB 9 to instruments that have not been derecognised as at 1 July 2018.

All recognised financial assets that are within the scope of AASB 9 are required to be measured subsequently at amortised cost or fair value on the basis of the entity's business model for managing the financial assets and the contractual cash flow characteristics of the financial assets. Specifically:

- Debt investments that are held within a business model whose objective is to collect the contractual cash flows, and that have contractual cash flows that are solely payments of principal and interest on the principal amount outstanding, are subsequently measured at amortised cost;
- Debt investments that are held within a business model whose objective is both to collect the contractual cash flows and to sell the debt instruments, and that have contractual cash flows that are solely payments of principal and interest on the principal amount outstanding, are subsequently measured at FVTOCI;
- All other debt investments and equity investments are subsequently measured at FVTPL.

In the current year, the Consolidated Entity has not designated any debt investments that meet the amortised cost or FVTOCI criteria as measured at FVTPL.

notes to the consolidated financial statements. continued.

APT INVESTMENT TRUST AND ITS CONTROLLED ENTITIES
FOR THE FINANCIAL YEAR ENDED 30 JUNE 2019

Other

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

Adoption of AASB 9 'Financial Instruments' (continued)

Debt instruments that are subsequently measured at amortised cost or at FVTOCI are subject to impairment.

The Consolidated Entity reviewed and assessed its existing financial assets as at 1 July 2018 based on the facts and circumstances that existed at that date and concluded that the initial application of AASB 9 has had the following impact on the Consolidated Entity's financial assets as regards their classification and measurement:

- Financial assets classified as held-to-maturity and loans and receivables under AASB 139 that were measured at amortised cost continue to be measured at amortised cost under AASB 9 as they are held within a business model to collect contractual cash flows and these cash flows consist solely of payments of principal and interest on the principal amount outstanding;
- Financial assets that were measured at FVTPL under AASB 139 continue to be measured as such under AASB 9.

None of the classifications of financial assets have had any impact on the Consolidated Entity's financial position, profit or loss, other comprehensive income or total comprehensive income for either period.

Classification and measurement of financial liabilities

One change introduced by AASB 9 in the classification and measurement of financial liabilities relates to the accounting for changes in the fair value of a financial liability designated at FVTPL attributable to changes in the credit risk of the issuer.

Specifically, AASB 9 requires that the changes in the fair value of the financial liability that is attributable to changes in the credit risk of that liability be presented in other comprehensive income, unless the recognition of the effects of changes in the liability's credit risk in other comprehensive income would create or enlarge an accounting mismatch in profit or loss. Changes in fair value attributable to a financial liability's credit risk are not subsequently reclassified to profit or loss, but are transferred to retained earnings when the financial liability is derecognised. Previously, under AASB 139, the entire amount of the change in the fair value of the financial liability designated at FVTPL was presented in profit or loss.

This change in accounting policy has had no impact on the classification and measurement of the Consolidated Entity's financial liabilities.

The table below illustrates the classification and measurement of financial assets and financial liabilities under AASB 9 and AASB 139 at the date of initial application, 1 July 2018.

Category	Original category under AASB 139	New measurement category under AASB 9
Receivables	Loans and receivables	Financial assets at amortised cost
Loans advanced to related parties	Held-to-maturity investments	Financial assets at amortised cost
Trade and other payables	Financial liabilities at amortised cost	Financial liabilities at amortised cost

Impairment of financial assets

In relation to the impairment of financial assets, it is no longer necessary for a credit event to have occurred before credit losses are recognised. AASB 9 requires an expected credit loss model as opposed to an incurred credit loss model under AASB 139. The expected credit loss model requires the Consolidated Entity to account for expected credit losses and changes in those expected credit losses at each reporting date to reflect changes in credit risk since initial recognition of the financial assets.

Specifically, AASB 9 requires the Consolidated Entity to recognise a loss allowance for ECL on loans and receivables. Aside from loans and receivables, the Consolidated Entity does not currently hold any debt instruments or guarantee contracts as covered by the scope of the impairment section.

In particular, AASB 9 requires the Consolidated Entity to measure the loss allowance for a financial instrument at an amount equal to the lifetime ECL if the credit risk on that financial instrument has increased significantly since initial recognition, or if the financial instrument is a purchased or originated credit-impaired financial asset. In the event the credit risk on a financial instrument has not increased significantly since initial recognition (except for a purchased or originated credit-impaired financial asset), the Consolidated Entity is required to measure the loss allowance for that financial instrument at an amount equal to 12 months ECL. AASB 9 also requires a simplified approach for measuring the loss allowance at an amount equal to lifetime ECL for trade receivables, contract assets and lease receivables in certain circumstances. The Consolidated Entity applies the simplified approach to assessing ECL for lease receivables.

As at 1 July 2018, the Consolidated Entity reviewed and assessed its existing financial assets, loans advanced to related parties and amounts due from customers for impairment using reasonable and supportable information that is available without undue cost or effort in accordance with the requirements of AASB 9 to determine the credit risk of the respective items at the date they were initially recognised, and compared that to the credit risk as at 1 July 2017 and 1 July 2018. Based upon this assessment, aside from the additional disclosure requirements, this change has not had a material impact to the Consolidated Entity's accounts. The history of collection rates and quality of counterparties shows that the Consolidated Entity does not have an expected loss on collection of debtors or loans.

Details of the applicable accounting policies are set out in Note 11.

notes to the consolidated financial statements. continued.

APT INVESTMENT TRUST AND ITS CONTROLLED ENTITIES
FOR THE FINANCIAL YEAR ENDED 30 JUNE 2019

Other

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

Adoption of AASB 15 'Revenue from Contracts with Customers'

The consolidated entity has adopted AASB 15 Revenue from Contracts with Customers ("AASB 15") from 1 July 2018. AASB 15 replaced AASB 118 Revenue and AASB 111 Construction Contracts and related interpretations.

AASB 15 applies to all revenues arising from contracts with customers unless the contracts are within the scope of other standards. The standard establishes a comprehensive framework for determining whether revenue is recognised and if so, the timing and amount of revenue recognition based on the core principle being that an entity should recognise revenue at an amount that reflects the consideration it expects to be entitled to in exchange for fulfilling its performance obligations to a customer.

As the revenue of the Consolidated Entity is limited to interest earned on inter-entity loans, distribution revenue and finance lease income, AASB 15 does not have any impact on the Consolidated Entity.

The Consolidated Entity's accounting policies for its revenue streams are disclosed in Note 4.

Standards and Interpretations issued not yet adopted

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

Standard/Interpretation	Effective for annual reporting periods beginning on or after	Expected to be initially applied in the financial year ending
AASB 16 'Leases'	1 January 2019	30 June 2020

AASB 16 'Leases'

The Consolidated Entity has chosen not to early adopt AASB 16 'Leases' in preparing these consolidated financial statements.

AASB 16 'Leases' (AASB 16) is effective for annual reporting periods beginning on or after 1 January 2019. AASB 16 replaces AASB 117 'Leases' and related interpretations. Early adoption is permitted for entities that apply AASB 15 at or before the date of initial application of AASB 16. The consolidated entity will apply AASB 16 in the financial year beginning 1 July 2019 (financial year ended 30 June 2020).

The Consolidated Entity has completed an assessment of the potential impact of the adoption of AASB 16. As the Consolidated Entity is a lessor only, the new standard will not have a material impact on the consolidated financial statements.

21. Events occurring after reporting date

On 21 August 2019, the Directors declared a final distribution for the 2019 financial year of 6.53 cents per unit (\$77.1 million). The distribution represents a 2.55 cents per unit unfranked profit distribution and 3.98 cents per unit capital distribution. The distribution will be paid on 11 September 2019.

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

declaration by the directors of australian pipeline limited.

APT INVESTMENT TRUST AND ITS CONTROLLED ENTITIES
FOR THE FINANCIAL YEAR ENDED 30 JUNE 2019

The Directors declare that:

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

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

On behalf of the Directors



Michael Fraser

Chairman

Sydney, 21 August 2019



Debra Goodin

Director

auditor's independence declaration.

APT INVESTMENT TRUST AND ITS CONTROLLED ENTITIES
TO AUSTRALIAN PIPELINE LIMITED AS RESPONSIBLE ENTITY FOR APT INVESTMENT TRUST

Deloitte.

Deloitte Touche Tohmatsu
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21 August 2019

The Directors
Australian Pipeline Limited as responsible entity for
APT Investment Trust
Level 25, 580 George Street
Sydney NSW 2000

Dear Directors

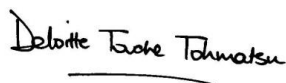
Auditor's Independence Declaration to Australian Pipeline Limited as responsible entity for APT Investment Trust

In accordance with section 307C of the *Corporations Act 2001*, I am pleased to provide the following declaration of independence to the directors of Australian Pipeline Limited as responsible entity for APT Investment Trust.

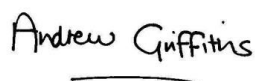
As lead audit partner for the audit of the financial statements of APT Investment Trust for the financial year ended 30 June 2019, I declare that to the best of my knowledge and belief, there have been no contraventions of:

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

Yours sincerely



DELOITTE TOUCHE TOHMATSU



A V Griffiths
Partner
Chartered Accountants
Sydney, 21 August 2019

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independent auditor's report.

APT INVESTMENT TRUST AND ITS CONTROLLED ENTITIES
TO THE UNITHOLDERS OF APT INVESTMENT TRUST



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Independent Auditor's Report to the Unitholders of APT Investment Trust

Report on the Audit of the Financial Report

Opinion

We have audited the financial report of APT Investment Trust (the "consolidated entity"), which comprises the consolidated statement of financial position as at 30 June 2019, the consolidated statement of profit or loss and other comprehensive income, the consolidated statement of changes in equity and the consolidated statement of cash flows for the year then ended, and notes to the financial statements, including a summary of significant accounting policies, and the directors' declaration.

In our opinion, the accompanying financial report of the consolidated entity is in accordance with the *Corporations Act 2001*, including:

- (i) giving a true and fair view of the consolidated entity's financial position as at 30 June 2019 and of its financial performance for the year then ended; and
- (ii) complying with Australian Accounting Standards and the *Corporations Regulations 2001*.

Basis for Opinion

We conducted our audit in accordance with Australian Auditing Standards. Our responsibilities under those standards are further described in the *Auditor's Responsibilities for the Audit of the Financial Report* section of our report. We are independent of the consolidated entity in accordance with the auditor independence requirements of the *Corporations Act 2001* and the ethical requirements of the Accounting Professional and Ethical Standards Board's APES 110 *Code of Ethics for Professional Accountants* (the Code) that are relevant to our audit of the financial report in Australia. We have also fulfilled our other ethical responsibilities in accordance with the Code.

We confirm that the independence declaration required by the *Corporations Act 2001*, which has been given to the directors of the Company, would be in the same terms if given to the directors as at the time of this auditor's report.

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

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independent auditor's report. continued.

APT INVESTMENT TRUST AND ITS CONTROLLED ENTITIES
TO THE UNITHOLDERS OF APT INVESTMENT TRUST

Deloitte.

Other Information

The directors of APT Investment Trust ("the Directors") are responsible for the other information. The other information comprises the information included in the consolidated entity's annual report for the year ended 30 June 2019, but does not include the financial report and our auditor's report thereon.

Our opinion on the financial report does not cover the other information and we do not express any form of assurance conclusion thereon.

In connection with our audit of the financial report, our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the financial report or our knowledge obtained in the audit, or otherwise appears to be materially misstated. If, based on the work we have performed, we conclude that there is a material misstatement of this other information, we are required to report that fact. We have nothing to report in this regard.

Responsibilities of the Directors for the Financial Report

The directors are responsible for the preparation of the financial report that gives a true and fair view in accordance with Australian Accounting Standards and the *Corporations Act 2001* and for such internal control as the directors determine is necessary to enable the preparation of the financial report that gives a true and fair view and is free from material misstatement, whether due to fraud or error.

In preparing the financial report, the directors are responsible for assessing the ability of the consolidated entity to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless the directors either intend to liquidate the consolidated entity or to cease operations, or have no realistic alternative but to do so.

Auditor's Responsibilities for the Audit of the Financial Report

Our objectives are to obtain reasonable assurance about whether the financial report as a whole is free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with the Australian Auditing Standards will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of this financial report.

As part of an audit in accordance with the Australian Auditing Standards, we exercise professional judgement and maintain professional scepticism throughout the audit. We also:

- Identify and assess the risks of material misstatement of the financial report, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the consolidated entity's internal control.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by the directors.

independent auditor's report. continued.

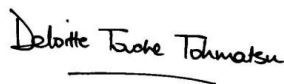
APT INVESTMENT TRUST AND ITS CONTROLLED ENTITIES
TO THE UNITHOLDERS OF APT INVESTMENT TRUST

Deloitte.

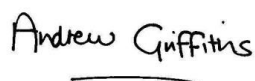
- Conclude on the appropriateness of the directors' use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the consolidated entity's ability to continue as a going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

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

We also provide the directors with a statement that we have complied with relevant ethical requirements regarding independence, and to communicate with them all relationships and other matters that may reasonably be thought to bear on our independence, and where applicable, related safeguards.



DELOITTE TOUCHE TOHMATSU



A V Griffiths
Partner
Chartered Accountants
Sydney, 21 August 2019

additional information.

Additional information required by the Listing Rules of the Australian Securities Exchange Limited and not provided elsewhere in this report (the information is applicable as at 16 August 2019).

Twenty largest holders

	No. of securities	%
HSBC Custody Nominees (Australia) Limited	278,881,130	23.64
BNP Paribas Nominees Pty Ltd	206,889,750	17.53
J P Morgan Nominees Australia Limited	150,042,188	12.72
Citicorp Nominees Pty Limited	93,014,761	7.88
National Nominees Limited	30,586,418	2.59
Custodial Services Limited	21,562,451	1.83
Argo Investments Limited	10,882,525	0.92
BNP Paribas Noms Pty Ltd	6,966,101	0.59
HSBC Custody Nominees (Australia) Limited	6,063,005	0.51
Citicorp Nominees Pty Limited	5,631,958	0.48
BKI Investment Company Limited	4,894,714	0.41
Australian Foundation Investment Company Limited	4,040,000	0.34
HSBC Custody Nominees (Australia) Limited-GSCO ECA	3,381,771	0.29
AMP Life Limited	3,360,429	0.28
HSBC Custody Nominees (Australia) Limited	3,026,564	0.26
Australian Foundation Investment Company Limited	2,500,000	0.21
Milton Corporation Limited	2,077,766	0.18
BNP Paribas Nominees Pty Ltd	1,920,000	0.16
Buttonwood Nominees Pty Ltd	1,608,410	0.14
Navigator Australia Ltd	1,477,357	0.13
Total for Top 20	838,807,298	71.09

Distribution of holders

Ranges	No. of holders	%	No. of securities	%
100,001 and Over	137	0.18	871,610,743	73.87
10,001 to 100,000	7,657	10.30	152,950,506	12.96
5,001 to 10,000	9,813	13.20	69,823,458	5.92
1,001 to 5,000	28,818	38.78	74,427,629	6.31
1 to 1,000	27,888	37.53	11,100,957	0.94
Total	74,313	100.00	1,179,893,848	100.00

1,759 holders hold less than a marketable parcel of securities (market value less than \$500 or 48 securities based on a market price on 16 August 2019 of \$10.49).

Substantial holders

By notice dated 14 June 2019, BlackRock Group advised that it had an interest in 70,905,193 stapled securities, as at 12 June 2019.

By notice dated 13 March 2018, BNP Paribas Nominees Pty Limited as custodian for UniSuper Limited advised that it had an interest in 189,951,079 stapled securities, as at 09 March 2018.

By notice dated 4 January 2017, The Vanguard Group Inc. advised that it had an interest in 56,186,718 stapled securities, as at 30 December 2017.

Voting rights

On a show of hands, each holder has one vote.

On a poll, each holder has one vote for each dollar of the value of the total interests they have in the scheme.

On-market buy-back

There is no current on-market buy-back.

five year summary.

Financial Performance (Statutory)		2019	2018	2017	2016	2015
Revenue	\$m	2,452.2	2,386.7	2,326.4	2,094.3	1,553.6
Revenue excluding pass-through ⁽¹⁾	\$m	2,031.0	1,941.4	1,888.3	1,656.0	1,119.2
EBITDA	\$m	1,573.8	1,518.5	1,470.1	1,330.5	1,269.5
Depreciation and amortisation expense	\$m	(611.4)	(578.9)	(570.0)	(520.9)	(208.2)
EBIT	\$m	962.4	939.6	900.1	809.7	1,061.3
Interest expense	\$m	(497.4)	(509.7)	(513.8)	(507.7)	(324.2)
Tax (expense) / benefit	\$m	(177.0)	(165.1)	(149.5)	(122.5)	(177.2)
Profit after tax including significant items	\$m	288.0	264.8	236.8	179.5	559.9
Significant items – after income tax	\$m	—	—	—	—	356.0
Profit after tax excluding significant items	\$m	288.0	264.8	236.8	179.5	203.9
Financial Position						
Total assets	\$m	15,433.9	15,227.2	15,045.9	14,842.7	14,652.9
Total drawn debt ⁽²⁾	\$m	9,352.1	8,810.4	9,249.7	9,037.3	8,642.8
Total equity	\$m	3,599.4	4,126.8	3,978.2	4,029.1	4,382.7
Operating Cash Flow						
Operating cash flow ⁽³⁾	\$m	1,012.1	1,031.6	973.9	862.4	562.2
Key Financial Ratios						
Earnings per security ⁽⁴⁾	cents	24.4	23.3	21.2	16.0	56.1 ⁽⁵⁾
Operating cash flow per security ⁽⁴⁾	cents	85.8	90.7	87.1	77.1	56.3
Distribution per security	cents	47.0	45.0	43.5	41.5	38.0
Funds From Operations to Net Debt	%	10.8	10.7	10.8	9.5	6.5 ⁽⁶⁾
Funds From Operations to Interest	times	3.0	3.0	3.0	2.7	2.8
Weighted average number of securities ⁽⁴⁾	m	1,179.9	1,136.9	1,118.5	1,118.5	999.4 ⁽⁵⁾
EBITDA by Segment (Excluding Significant Items)						
EBITDA (Continuing businesses)						
Energy Infrastructure						
East Coast:						
Queensland	\$m	1,010.1	962.2	925.4	855.8	340.1
New South Wales	\$m	149.4	147.1	149.5	121.7	120.8
Victoria	\$m	114.0	124.6	123.0	120.6	130.2
South Australia	\$m	2.1	2.6	2.3	2.5	1.9
Northern Territory	\$m	19.2	22.9	18.8	17.5	18.0
Western Australia	\$m	277.8	237.6	234.7	217.6	212.6
Asset Management	\$m	53.0	66.2	58.7	53.9	49.5
Energy Investments	\$m	28.4	23.1	24.4	27.8	21.8
Corporate costs	\$m	(80.1)	(67.9)	(66.7)	(86.7)	(73.6)
Divested businesses ⁽⁷⁾	\$m	—	—	—	—	1.0

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

2) APA's liability to repay debt at relevant due dates of the drawn facilities. This amount represents current and non-current borrowings as per balance sheet and is adjusted for deferred borrowing costs, the effect of unwinding of discount, unrealised foreign exchange differences reported in equity and deducting other financial liabilities that are reported as part of borrowings in the balance sheet.

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

4) On the 23 March 2018, APA Group issued 65,586,479 new ordinary securities on completion of the fully underwritten pro-rata accelerated institutional tradeable renounceable entitlement offer, resulting in total securities on issue as at 30 June 2018 of 1,179,893,848. The entitlement offer was offered at \$7.70 per security, a discount to APA Group's closing market price of \$8.26 per security on the 23 February 2018, the last trading day before the record date of 26 February 2018. The numbers of securities used for calculation of earnings per security and operating cash flow per security from FY2015 to FY2018 have been adjusted. An adjustment factor of 1.0038 has been calculated, being the closing market price per security on 23 February 2018, divided by the theoretical ex-rights price (TERP) of \$8.23 per security.

5) Between 23 December 2014 and 28 January 2015, APA Group issued a total of 278,556,562 new ordinary securities on completion of the fully underwritten accelerated renounceable entitlement offer, resulting in total securities on issue as at 30 June 2015 of 1,114,307,369. The entitlement offer was offered at \$6.60 per security, a discount to APA's closing market price of \$7.67 per security on 9 December 2014, the last trading day before the record date of the entitlement offer of 15 December 2014. The weighted average number of securities for FY2015 used for calculation of earnings per security and operating cash flow per security have been adjusted. An adjustment factor of 1.036 has been calculated, being the closing market price per security on 9 December 2014, divided by the theoretical ex-rights value (TERP) of \$7.40 per security.

6) June 2015 FFO to Net Debt was affected by the \$3.7 billion worth of USD denominated debt raised to Wallumbilla Gladstone Pipeline.

7) Australian Gas Networks Limited sold in August 2014.

investor information.

Calendar of events

Final distribution FY2019 record date	28 June 2019
Final distribution FY2019 payment date	11 September 2019
Annual meeting	24 October 2019
Interim results announcement	18 February 2020 ⁽¹⁾
Interim distribution FY2020 record date	31 December 2019 ⁽¹⁾
Interim distribution FY2020 payment date	11 March 2020 ⁽¹⁾

1) Subject to change.

Annual Meeting Details

Date: Thursday, 24 October 2019

Venue: InterContinental Sydney Hotel,
James Cook Ballroom,
117 Macquarie Street,
Sydney NSW

Time: 10.30am

Registration commences at 10.00am

ASX Listing

An APA Group security comprises a unit in Australian Pipeline Trust and a unit in APT Investment Trust. These units are stapled together to form a stapled security which is listed on the ASX (ASX Code: APA). Australian Pipeline Limited is the Responsible Entity of those trusts.

APA Group Responsible Entity And Registered Office

Australian Pipeline Limited

ACN 091 344 704
Level 25, 580 George Street,
Sydney NSW 2000
PO Box R41,
Royal Exchange NSW 1225
Telephone: +61 2 9693 0000
Facsimile: +61 2 9693 0093
Website: apa.com.au

APA Group Registry

Link Market Services Limited

Level 12, 680 George Street,
Sydney NSW 2000
Locked Bag A14,
Sydney South NSW 1235
Telephone: +61 1800 992 312
Facsimile: +61 2 9287 0303
Email: apagroup@linkmarketservices.com.au
Website: linkmarketservices.com.au

Securityholder Details

It is important that Securityholders notify the APA Group registry immediately if there is a change to their address or banking arrangements. Securityholders with enquiries should also contact the APA Group registry.

Distribution Payments

Distributions will be paid semi-annually in March and September. Securityholders will receive annual tax statements with the final distribution in September. Payment to Securityholders residing in Australia and New Zealand will be made only by direct credit into an Australian or New Zealand bank account. Securityholders with enquiries should contact the APA Group registry.

Online Information

Further information on APA is available at apa.com.au, including:

- Results, market releases and news
- Asset and business information
- Corporate responsibility and sustainability reporting
- Securityholder information such as the current APA security price, distribution and tax information.

Electronic Communication

Securityholders can elect to receive communication electronically by registering their email address with the APA Group registry. Electing to receive annual reports electronically will reduce the adverse impact we have on the environment.



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Disclaimer:

APA Group comprises two registered investment schemes, Australian Pipeline Trust (ARSN 091 678 778) and APT Investment Trust (ARSN 115 585 441), the securities of which are stapled together. Australian Pipeline Limited (ACN 091 344 704) is the responsible entity of Australian Pipeline Trust and APT Investment Trust. Please note that Australian Pipeline Limited is not licensed to provide financial product advice in relation to securities in APA Group. This publication does not constitute financial product advice and has been prepared without taking into account your objectives, financial situation or particular needs. Before relying on any statements contained in this publication, including forecasts and projections, you should consider the appropriateness of the information, having regard to your own objectives, financial situations and needs and seek professional advice if necessary.

This publication contains forward looking information, including about APA Group, its financial results and other matters which are subject to risk factors. APA Group believes that there are reasonable grounds for these statements and whilst due care and attention have been used in preparing this publication, certain forward looking statements are made in this publication which are not based on historical fact and necessarily involve assumptions as to future events and analysis, which may or may not be correct. These forward looking statements should not be relied on as an indication or guarantee of future performance.

All references to dollars, cents or '\$' in this presentation are to Australian currency, unless otherwise stated.

EBIT, EBITDA and other "normalised" measures are non-IFRS measures that are presented to provide an understanding of the performance of APA Group. Such non-IFRS information is unaudited, however the numbers have been extracted from the audited financial statements.



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