HSBC Building
Level 19
580 George Street
Sydney NSW 2000
PO Box R41
Royal Exchange NSW 1225

Phone 61 2 9693 0000
Fax 61 2 9693 0093
www.apa.com.au

APA Group

Australian Pipeline Ltd
ACN 091 344 704

Australian Pipeline Trust
ARSN 091 678 778

APT Investment Trust
ARSN 115 585 441

ASX ANNOUNCEMENT

26 September 2014

APA Group (ASX: APA)
(also for release to APT Pipelines Limited (ASX: AQH))

ANNUAL REVIEW AND SUSTAINABILITY REPORT, ANNUAL REPORT AND NEWSLETTER

The following documents are attached for release to the market:

- Annual Review and Sustainability Report 2014
- Annual Report 2014
- In the Pipeline newsletter

Mark Knapman
Company Secretary
Australian Pipeline Limited

For further information please contact:

Investor enquiries:
Chris Kotsaris
Telephone: (02) 9693 0049
Mob: 0402 060 508
Email: chris.kotsaris@apa.com.au

Media enquiries:
David Symons
Telephone: (02) 8306 4244
Mob: 0410 559 184
Email: media@apa.com.au

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

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

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

INNOVATING TODAY TRANSFORMING TOMORROW

APA Group Annual Review and Sustainability Report **2014**

APA Group

TRANSFORMING AUSTRALIA'S GAS INDUSTRY

APA is transforming the future of Australia's gas industry through innovative thinking and sound decision making

Gas industry dynamics are complex, and at APA, we're focused on providing seamless energy solutions that meet our customers' needs. We're also developing further enhancements to our integrated portfolio of gas infrastructure that will add significant value for all stakeholders.

APA's innovation is allowing participants in Australia's energy market to think differently about their businesses because of new opportunities and energy frontiers presented by APA. Miners are converting their operations to gas-fired power, gas explorers are pursuing new sources of gas, and shippers are able to access multiple supply and delivery points with one transport contract, while pipeline capacity trading supports flexibility and transparency in the gas market.

APA remains focused on its core business of transporting and storing gas, and on investment opportunities that utilise our industry-leading skills in these areas. We have remained disciplined in our approach to growing APA. Our drive and enthusiasm to respond to Australia's energy challenges, as well as the smarts of our people, are changing the way we do things. In turn this creates opportunities for customers, growth for our business and value generation for our investors.

Innovating today – transforming tomorrow . . . that's what we're doing at APA.

Front Cover: Bronte Rathjen (left) Regional Manager for South West Queensland Pipeline (SWQP) Transmission Operations and Ben Tibenszky (right) Project Engineer for the SWQP Eastern Haul project on site at APA's Wallumbilla Queensland operations, overseeing the compression expansion and bi-directional capital works. In the background are the three new Solar Mars 90 compressors that will increase capacity at the Wallumbilla gas hub.
This page: Kilometres of steel pipe for looping stored at a laydown yard in regional Victoria for Stage 1 of the Victorian Northern Interconnect expansion project.

OUR VISION

Maintain our ranking as Australia's number one energy infrastructure business.

OUR STRATEGY

1. Enhancing APA's portfolio of gas infrastructure assets in Australia's growing energy market
2. Capturing revenue and operational synergies from APA's significant asset base
3. Facilitating the development of gas related projects that enhance APA's infrastructure portfolio
4. Pursuing opportunities that leverage APA's knowledge and skills base
5. Strengthening our financial capability

Information contained in this document is current as at 20 August 2014 unless otherwise stated.

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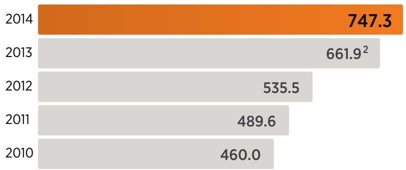
2014 HIGHLIGHTS

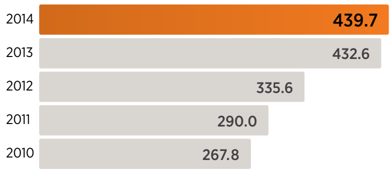
BUSINESS PERFORMANCE (NORMALISED[1])

EBITDA ($M)



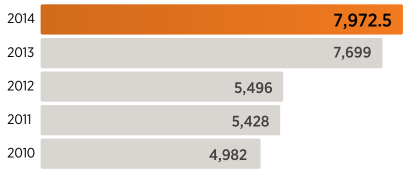
EBITDA increased by 12.9% with a full year's contribution of the acquired pipelines, additional earnings from the Mondarra Gas Storage Facility, increased performance of Energy Investments and increased customer contributions in Asset Management.

OPERATING CASH FLOW ($M)



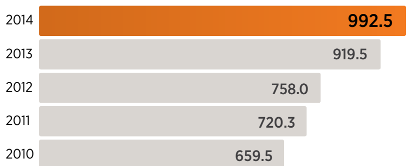
Operating cash flow increased by 1.6%, which was less than the increase for EBITDA mainly due to timing differences.

TOTAL ASSETS ($M)



Total assets increased by 3.6% with the addition of expansion projects.

REVENUE EXCLUDING PASS-THROUGH[3] ($M)



Revenue excluding pass through[3] increased by 7.9% with a full year's contribution of the acquired pipelines, additional earnings from the Mondarra Gas Storage Facility, increased performance of Energy Investments and increased customer contributions in Asset Management.

OPERATING CASH FLOW PER SECURITY (CENTS)

Operating cash flow per security decreased by 6.1% due to the increase in weighted average securities on issue.

DISTRIBUTIONS PER SECURITY (CENTS)

Distributions per security increased by 2.1% to 36.25 cents, in line with guidance and paid in full out of operating cash flow.

FINANCIAL ACHIEVEMENTS

	2014 Normalised[1] $ million	2013 Normalised [1,2] $ million	Change % Normalised	**2014 Statutory $ million**	2013 Statutory[2] $ million	Change % Statutory
FINANCIAL RESULTS						
Revenue	**1,396.0**	1,272.3	9.7	**1,396.0**	1,272.3	9.7
Revenue excluding pass-through[3]	**992.5**	919.5	7.9	**992.5**	919.5	7.9
EBITDA	**747.3**	661.9	12.9	**747.3**	763.6	(2.1)
Profit after tax and minorities	**199.6**	175.1	14.0	**343.7**	295.1	16.5
Operating cash flow	**439.7**	432.6	1.6	**431.5**	374.4	15.3
FINANCIAL POSITION						
Total assets				**7,972.5**	7,698.9	3.6
Debt				**4,789.4**	4,412.0	8.6
Securityholders' equity				**2,496.5**	2,513.9	(0.7)
FINANCIAL RATIOS						
Operating cash flow per security (cents)	**52.6**	56.0	(6.1)	**51.6**	48.5	6.4
Earnings per security (cents)	**23.9**	22.7	5.3	**41.1**	38.2	7.6
Distribution per security (cents)				**36.3**	35.5	2.3
Distribution payout ratio (%)	**68.9**	68.2	1.0	**70.2**	78.9	(11.0)
Gearing (net debt to net debt plus equity) (%)				**64.2**	62.8	
Interest cover ratio (times)				**2.3**	2.3	

1 Normalised financial results exclude significant items.
2 The comparative numbers for 2013 have been restated for the effect of applying AASB 119 'Employee Benefits'.
3 Pass-through revenue is revenue on which no margin is earned.

CAPITAL EXPANSION ACHIEVEMENTS

PILBARA PIPELINE SYSTEM

New lateral and delivery station for new gas transportation agreement.

MORE: PAGE 11

NORTHERN LINK FEASIBILITY STUDY

APA committed up to $2 million to undertake a 2 year feasibility study to link its Northern Territory pipeline infrastructure with its east coast grid.

MORE: PAGE 11

DIAMANTINA POWER STATION

APA/AGL joint development 242 MW gas-fired generation (in commissioning phase) plus 60 MW back-up generation (commercially operating).

MORE: PAGE 4

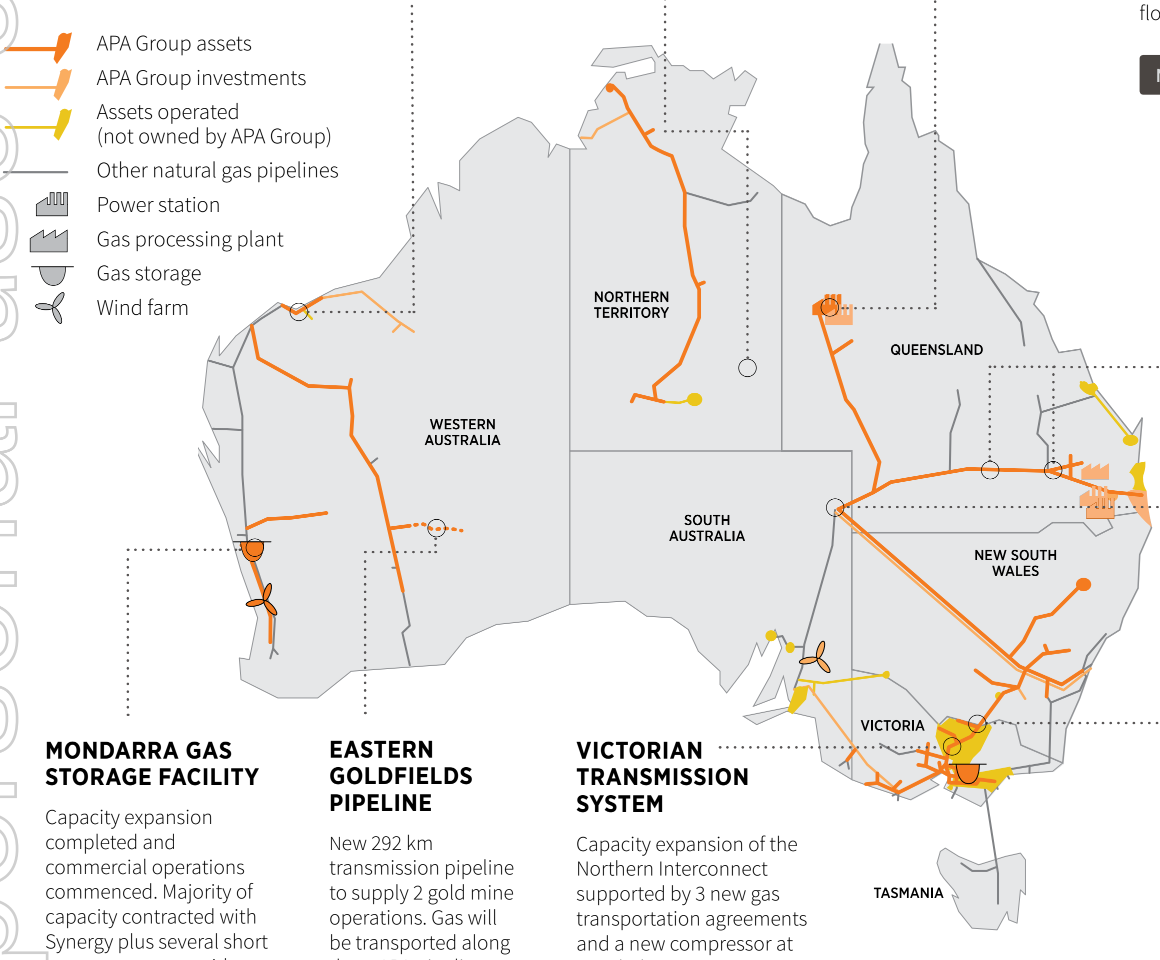
WALLUMBILLA COMPRESSION

Expanding compression capacity and associated services.

SOUTH WEST QUEENSLAND PIPELINE

Increased eastern haul capacity and bi-directional flow capability.

MORE: PAGE 10



MOOMBA COMPRESSION

Expand compression capacity.

MORE: PAGE 10

MOOMBA SYDNEY PIPELINE

Southern lateral expansion for new gas transportation agreements increasing the gas flow from Victoria into New South Wales.

MORE: PAGE 8

MONDARRA GAS STORAGE FACILITY

Capacity expansion completed and commercial operations commenced. Majority of capacity contracted with Synergy plus several short term agreements with other customers.

MORE: PAGE 11

EASTERN GOLDFIELDS PIPELINE

New 292 km transmission pipeline to supply 2 gold mine operations. Gas will be transported along three APA pipelines.

MORE: PAGE 11

VICTORIAN TRANSMISSION SYSTEM

Capacity expansion of the Northern Interconnect supported by 3 new gas transportation agreements and a new compressor at Winchelsea.

OTHER INITIATIVES

- **Introduced Capacity Trading and In-Pipe Trade services on two APA pipelines** – South West Queensland Pipeline and Roma Brisbane Pipeline. The services are accessed via a public website and provide market flexibility and transparency to the gas market. Plans are in place to extend these services to all APA pipelines nationally.
- **Developed a Gas Loan Service facility** at APA's Mondarra Gas Storage Facility to provide loans of up to 100 TJ to help manage emergency and/or security of supply issues.
- **Constructed new gas network infrastructure** to deliver gas to five new major housing developments in South Australia, Queensland and Victoria which will deliver over 130,000 new connections over the next 30 years. Together with Envestra, APA secured funding under the Victorian Governments *Energy for the Regions Program* to connect natural gas to two regional Victorian townships.
- **Replaced over 551 kilometres of network mains** in Queensland, South Australia and Victoria allowing networks to operate at higher pressure and increase gas transmission capacity.

CHAIRMAN'S REPORT

"We continue to realise the benefits of our interconnected infrastructure network particularly on the east coast, and it is pleasing to see the contribution of recent pipeline acquisitions exceeding expectations."

I am pleased to report that APA has delivered another strong result for the 2014 financial year, successfully delivering on a number of growth initiatives while improving the services we are able to provide customers.

The Board declared a final distribution of 18.75 cents and an interim distribution of 17.5 cents during the 2014 financial year, bringing total distributions to 36.25 cents for the year, a 2.1 per cent increase on the previous financial year. We continue to fully fund distributions out of operating cash flow without compromising continued investment in the growth of the business. In addition to extending our consistent track record of sustainable distribution growth, APA delivered a total securityholder return of 21.6[1] per cent for the year.

Increased profitability in 2014 was driven largely by a full year's contribution from the pipeline assets added to our portfolio in the 2013 financial year and additional earnings from the expanded Mondarra Gas Storage Facility. A strong performance in the Energy Investments segment and increased customer contributions in Asset Management also contributed to the result.

Net profit after tax increased by 16.5 per cent to $344 million, including a significant item relating to a one-off positive adjustment to tax expense of $144 million. Excluding significant items, net profit increased by 14.0 per cent to $200 million and earnings before interest, tax, depreciation and amortisation ("EBITDA") increased by 12.9 per cent to $747 million. Operating cash flow increased by 1.6 per cent to $440 million on a normalised basis.

DELIVERING GROWTH

APA executed its business strategy consistently throughout the 2014 financial year, delivering sustainable growth.

In Western Australia, we completed the expansion of the Mondarra Gas Storage Facility and commercial operation commenced in July 2013. We also substantially advanced two expansion projects on our Goldfields Gas Pipeline that will increase capacity by almost 30 per cent. These projects are underpinned by long term gas transportation agreements with major mining groups, and revenue from these contracts commenced in October 2013.

In July 2014 we announced a further expansion of our portfolio with the development of a new gas transmission pipeline in Western Australia to supply mining operations in the eastern Goldfields region. The $140 million project is underpinned by two new long term gas transportation agreements.

Meanwhile, developments at the Diamantina Power Station in Mount Isa demonstrated the benefits of our approach to risk management and planning. After the project's turn-key contractor was placed into voluntary administration, we worked efficiently with our joint venture partner AGL Energy to transition the project to delivery under the supervision of the existing project manager. Through careful preparation and by taking swift action, we were able to minimise disruption to the project with the 242 megawatt Diamantina Power Station expected to be fully operational within the first half of the 2015 financial year. The adjacent 60 megawatt Leichhardt Power Station was commissioned and fully operational as of July 2014.

1 Total securityholder return is the capital appreciation of the company's security price, adjusted for capital management (such as security splits and consolidations) and assuming the reinvestment of distributions at the declared distribution rate per security. Figure quoted is sourced from IRESS.

LEVERAGING THE NETWORK

We continue to realise the benefits of our interconnected infrastructure network particularly on the east coast, and it is pleasing to see the contribution of recent pipeline acquisitions exceeding expectations.

A focus during the year was working proactively with customers to identify opportunities to leverage our east coast pipeline network so as to provide more flexibility and options as the industry adapts to evolving market dynamics. It was this focus that led to the execution of new gas transportation agreements utilising one or more pipelines in the network.

We also continued expansion and construction of the Wallumbilla and Moomba compression facilities and capital works on the South West Queensland Pipeline. These projects are expected to be completed prior to the commencement of contracted services in 2015.

In early 2014 we commenced a feasibility study to advance a proposal of a gas pipeline link between our Northern Territory and east coast assets. Although at the early stages, the proposed link would create one interconnected system with over 9,000 kilometres of gas pipelines, potentially providing customers with access to any gas source between the Timor Sea and Bass Strait.

ENVESTRA

In August 2014, we decided to sell our 33 per cent shareholding in Envestra. APA first acquired a position in Envestra in 2007.

The decision came at the end of a process that commenced with APA's announcement of a proposal to merge with Envestra by Scheme of Arrangement in July 2013. Gas distribution is a core business for APA and as operator of Envestra's assets, we saw clear benefits in an aligned ownership structure across the combined group. The terms of the merger were subsequently agreed with Envestra in December 2013. However, when Envestra received a competing all cash takeover proposal from Cheung Kong Infrastructure (CKI) in May 2014, Envestra exercised its right to terminate the Scheme Implementation Agreement that it had entered into with APA and recommended the CKI offer to Envestra shareholders.

The Board applies a prudent approach to all investments and acquisitions in order to achieve a level of return for our Securityholders. After careful consideration, we concluded it would be in the best interests of our investors to sell APA's investment in Envestra into CKI's takeover offer.

Maintaining discipline in relation to all investment decisions is an essential element of our commitment to consistent and appropriate risk-adjusted returns across our portfolio. Notwithstanding the benefits of aligned ownership that underpinned our merger proposal, the Board determined we would not be able to offer terms sufficient to move to full ownership of Envestra while also delivering appropriate returns for our investors. In addition, the takeover offer from the alternative consortium exceeded our valuation of the Envestra business.

We received $784 million in gross proceeds, and in financial year 2015, we will realise an estimated pre-tax profit of $430 million for our investment in Envestra.

The proceeds will be used to fund our growth and investment projects over the coming 12 to 18 months and we will continue to earn revenues from operating Envestra's assets under the long term agreement APA retains until 2027. APA has over 550 employees who will continue to operate and manage Envestra's infrastructure network.

RESPONSIBLE CAPITAL MANAGEMENT

A further area of focus during the 2014 financial year was managing our debt facilities to maintain an appropriate maturity profile and sufficient headroom to support ongoing growth.

In December 2013, we extended four bilateral bank facilities that were due to mature in mid-2014 and increased the limit of each facility from $75 million to $100 million. In June 2014, we completed the refinancing of two syndicated bank facilities, replacing them with three new facilities totalling $1.25 billion.

It was encouraging that the three new syndicated facilities were oversubscribed, demonstrating continued lender support and confidence in APA's business. I am pleased to report that APA has no further debt refinancing obligations until September 2015, with an average maturity of drawn debt of more than 5 years.

We continue to maintain a strong balance sheet with around $800 million in cash and committed undrawn facilities at balance date, while proceeds from the sale of our investment in Envestra will be reflected in the consolidated results of the Group in the 2015 financial year. We are confident we have an appropriate balance of debt and equity and this view is reinforced by our investment grade credit ratings.

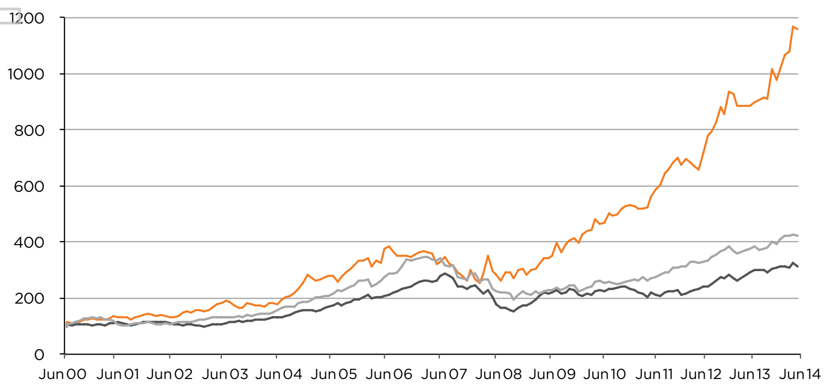
OUTLOOK

The Board is confident that APA is well placed to continue delivering sustainable and profitable growth. Achievements in capital management and successful investment over the last year have strengthened APA's financial standing and ability to continue leveraging its unrivalled asset base to deliver organic growth.

This growth is reflected in our guidance for the 2015 financial year, with EBITDA expected to be in the range of $740 million to $760 million on a continuing basis, and total distributions to be at least equal to those paid in the 2014 financial year – that is, at least 36.25 cents.

On behalf of the Board, I thank our Managing Director Mick McCormack, his leadership team and APA's people for their contributions this year. I also thank you, our Securityholders, for your continued support.

Len Bleasel AM
Chairman



TOTAL SECURITYHOLDER RETURN SINCE LISTING

(Total return indexed to 100 from date of APA listing, 13 June 2000 to 30 June 2014)

- APA total securityholder return
- S&P/ASX 200 Accumulation Index
- S&P/ASX 200 Utilities Accumulation Index

MANAGING DIRECTOR'S REPORT

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Since listing 14 years ago, APA has assembled an unrivalled gas infrastructure footprint across Australia. APA now has the opportunity to play a significant role in the transformation of the nation's gas industry.

We continue to apply our core skills in gas transmission and distribution to growth initiatives and innovation, but we are now doing this at a time when the market for gas on the east coast is transitioning from being exclusively domestic to involving a substantial export component with the emergence of the LNG export industry in Queensland.

A changing industry creates substantial opportunity for APA. Whether we're talking with customers about moving gas from across the east coast market into Queensland to supply the LNG export market, or creating competition between producers by providing customers with more options for sourcing their gas, APA's infrastructure is ideally positioned.

In the 2014 financial year we worked hard to extend our record for delivering growing, sustainable returns for investors. As we look to the future, we see a wide range of opportunities to invest in projects that deliver appropriate commercial returns while contributing to the unfolding transformation of the gas industry in Australia.

INNOVATING FOR TOMORROW

The addition to our portfolio of the South West Queensland Pipeline and Pilbara Pipeline System last year facilitated a transformational step-change to our infrastructure network, uniquely positioning APA to respond to changing gas supply and demand dynamics. The South West Queensland Pipeline was the final piece necessary to create the east coast gas grid, a 7,000 kilometre integrated pipeline grid in eastern Australia that allows for the seamless transport of gas from multiple production facilities to users across four states and the Australian Capital Territory.

Changing market dynamics are driving a shift in the way producers and gas users think about transporting gas. I am confident that our portfolio of assets positions APA to deliver solutions and take advantage of the opportunities offered by an evolving gas market, not only for APA's benefit, but also for the benefit of our customers. During the year, we were increasingly focused on opportunities to adapt and develop our infrastructure to ensure we were able to offer new, innovative solutions and services that meet customer needs.

We have been proactively engaging with customers to identify ways to optimise the use of our grid to satisfy demand and supply requirements, while also taking advantage of the benefits of APA's ever-improving capabilities in areas including storage, gas-parking facilities and multi-directional flows. APA's ability to provide these services on all our major gas pipelines is an effective way to mitigate supply constraints. Our commitment to introduce more bi-directional capabilities will strengthen our capacity to respond to future changes in the market.

Over the course of the year it was encouraging to see the benefits of the grid driving new commercial arrangements with customers. Just one example was the June 2014 announcement of an agreement with an existing customer for flexible gas transportation services from multiple receipt and delivery points on the east coast grid. This represents a new way of contracting with our customers that would have been unheard of as little as a few years ago.

We also worked with customers to address uncertainty around the supply of gas into New South Wales, announcing new agreements to transport additional gas supply from Victoria. These agreements will see APA increase capacity on the Victorian Transmission System, with the requisite capital expenditure underwritten by customer contracts and regulatory arrangements.

In addition to providing improved service to our customers, these projects strengthen the east coast grid for the long term and create opportunities for APA to grow organically.

In February this year, we commenced a feasibility study to link our assets in the Northern Territory to the grid. We anticipate that the link will encourage further investment in gas exploration and production in the Northern Territory, potentially unlocking another supply source to meet gas demand in both eastern and northern Australia. I am pleased that we have already seen strong support for the link from government, customers and producers. While this project is still at a formative stage, it is another example of APA assessing opportunities to innovate today, leveraging our infrastructure footprint, so as to better meet the changing gas demand of tomorrow.

In Western Australia we anticipate a change in industry dynamics in coming years as a number of major gas legacy contracts with flexible terms expire. As gas producers pursue less flexible contracts, demand from users for infrastructure that offers improved flexibility will increase. APA is positioning for these changes, completing expansion of our Mondarra Storage Facility during the year. Although the majority of Mondarra's capacity is contracted for 20 years, we worked with customers to execute several short term gas storage service agreements.

EVOLVING PORTFOLIO

APA's portfolio of assets continues to evolve and strengthen as we deliver on our strategy to build and enhance our core gas transmission and distribution assets, adapting to market conditions and customer requirements.

In July 2014 we agreed to develop a new transmission pipeline that will supply mining operations in the eastern Goldfields region. We are expanding capacity on the Victorian Transmission System that when completed in 2015, will increase the firm peak winter gas flows from Victoria to New South Wales by 145 per cent.

Work is continuing to increase capacity in Queensland and on the existing Goldfields Gas Pipeline in Western Australia, and I have already noted the completion of the expansion of the Mondarra Gas Storage Facility during the year.

While our portfolio continues to evolve, we are also committed to maintaining a diversified business geographically. It is this balance that has underpinned APA's consistent, sustainable returns over the years.

Our Energy Infrastructure business segment includes gas transmission and storage assets and the Emu Downs Wind Farm. This business contributed EBITDA of $623 million in financial year 2014, an increase of 13.6 per cent on the previous year excluding the Moomba Adelaide Pipeline System, which was divested in the 2013 financial year. The increased result was largely driven by the additional contribution from the expanded Mondarra Gas Storage Facility and Goldfields Gas Pipeline and a full-year contribution from the South West Queensland Pipeline and Pilbara Pipeline System.

APA's Asset Management segment provides management and operational services to APA's investments and a number of third parties under long term agreements. EBITDA for this segment increased by 34.1 per cent to $56 million on the back of an increase in customer contributions and higher fees received from Envestra.

Our Energy Investments segment contributed EBITDA of $68 million, a 33.1 per cent increase from last year, mainly due to an increase in Envestra's performance.

We reported capital and investment expenditure of $573 million for the year. This included growth project expenditure of $383 million, for pipeline capacity expansion in Western Australia, Victoria and New South Wales and additional compression facilities at Moomba and Wallumbilla.

COMMITMENT TO SAFETY

In addition to our focus on providing safe and reliable services, APA is committed to the wellbeing and safety of its people. We apply our industry know-how to ensure a safe environment for employees, contractors and the communities in which we operate.

During the financial year we launched a three year Health and Safety Strategic Improvement Plan that was developed following a business wide health and safety survey conducted in 2013. The plan will improve our understanding of hazards and risks in the business, and assist in identifying controls required to eliminate or mitigate risks to our people. During the year we introduced 12 of the 17 initiatives set out in the plan.

It is pleasing that the Lost Time Injury Frequency Rate ("LTIFR") for APA employees was 0.7, a significant improvement from 2.1 last year, and at industry world best practice levels. We will continue implementing the plan to ensure we are providing the safest possible workplace for APA employees and contractors, reinforcing a culture committed to health and safety.

OUTLOOK

I remain confident that APA is well placed to continue enhancing its infrastructure portfolio as we adapt to the evolving demand for gas in Australia.

We will continue to leverage our interconnected infrastructure network in eastern Australia to provide flexible and tailored services for our customers. This includes committed projects, several of which we expect to complete in the coming year.

We will also seek further opportunities to leverage our skills and asset base to provide additional solutions for our customers and strengthen our network for the long term. This will include opportunities to optimise existing infrastructure as well as the development of new pipelines where there is customer demand and a willingness to underwrite capital expenditure.

As always, we continue to monitor investment and acquisition opportunities. Each of our investments to date has been supported by a strong strategic rationale and we will continue to apply a prudent approach to ensure appropriate commercial returns in the future.

Our strong balance sheet will be bolstered by the addition of proceeds from the sale of our investment in Envestra, and as such I am confident APA has the financial strength required to fund financially attractive growth projects over the coming year and beyond.

I am proud of our hard work and dedication over the last 14 years which has established APA as Australia's leading gas infrastructure business. I thank you for your continued support and, together with all of APA's people, look forward to leading APA into a new, exciting era for the gas industry.

Mick McCormack
Managing Director

"Changing market dynamics are driving a shift in the way producers and gas users think about transporting gas. I am confident that our portfolio of assets positions APA to deliver solutions and take advantage of the opportunities offered by an evolving gas market, not only for APA's benefit but also for the benefit of our customers."

TRANSMISSION

Gas transmission remains the core business of APA and in the 14 years since listing, we have doubled the size of our transmission footprint. Today APA owns and/or operates over 14,000 kilometres of transmission pipelines across mainland Australia. More significant is the reach of our portfolio, with every major gas supply source within commercial reach of APA's infrastructure.

SEAMLESS SERVICE

APA's east coast grid has now been in place for 18 months, since acquiring the South West Queensland Pipeline in 2012. The grid includes more than 7,000 kilometres of pipeline across five states and territories.

The grid has great strategic value as it effectively interconnects all APA's gas pipeline and storage infrastructure assets in eastern Australia to operate as one system. It allows us to provide improved service capabilities and flexibility for our customers across all the major gas basins and demand centres in the region, and provides our customers with the ability to better manage their upstream and downstream portfolios.

Moreover, the grid ensures APA is best equipped to deal with issues and opportunities in an increasingly dynamic Australian gas market. We have the levers needed to respond to changes in gas demand, domestically and in the export market, and are best placed to connect new gas sources.

During the year APA signed a number of new commercial agreements with Energy Australia, Origin and Lumo Energy to transport additional gas supply from Victoria north into the Moomba Sydney Pipeline. These agreements support the $160 million capacity expansion currently underway on the Victorian Transmission System, which will increase winter peak flows in the northern section by 145 per cent.

A number of multi-pipeline agreements were also signed, including a major new agreement with an existing customer for flexible services across the grid, in particular utilising the Moomba Sydney Pipeline.

APA provides a 'one-stop-shop' for moving and storing gas across the grid. We are continually enhancing our service offerings for our customers. This year, we established capacity trading at the Wallumbilla gas hub, enabling customers to optimise the use of their contracted pipeline capacity. In addition, APA has introduced a further service that will support development of the gas market. This service, termed 'In-Pipe Trades', facilitates the transfer of gas between users of gas transportation services.

These new services will be rolled out nationally to other APA pipelines, providing customers with an efficient mechanism to manage their requirements as well as provide transparency to the gas market.

APA has been busy applying its engineering and operating smarts to the east coast grid – projects that expand or squeeze out more capacity, and provide the physical flexibility to move gas anywhere across the grid's approximately 30 gas receipt points and 100 delivery points. This includes progressively adding bi-directional capability to all major pipelines on the grid.

"Origin is now able to think differently about how to best manage our gas portfolio with the new range of transport and storage services that APA is able to provide.

APA has applied smart thinking to its interconnected pipeline grid in the east to create innovative services and unprecedented flexibility for customers like Origin. APA is responding to the market demands, but more than that, they're opening up new possibilities and opportunities that are reshaping how Origin and other gas producers, shippers and retailers do business."

FRANK CALABRIA
Chief Executive Officer Energy Markets, Origin Energy

APA GRID – SMART CUSTOMER INTERFACE SYSTEM

Implemented in 2013, APA's smart customer interface system – the APA Grid – has paved the way for seamless multi-pipeline services on APA's assets across the country.

The APA Grid provides the interface for customers to simply and efficiently move and store gas across multiple receipt and delivery points in accordance with their contractual arrangements.

APA has applied clever thinking behind the customer interface, connecting the system with real time operation and information, to optimise the use of the grid for customers and APA alike.

IMPROVING MARKET TRANSPARENCY AND EFFICIENCY

Michael Cini is APA's Manager Commercial Operations in Transmission and has been working with various APA teams to bring together all the facets and information required for APA to do the leg work for the customer across our multiple assets.

Input is required from Commercial teams across all the states, Metering and Measurement, Pipeline Control Centres, Capacity Planning, Group IT, Regulatory, Legal and Finance.

He comments on the Grid development, "It is one of those areas where we step in as an industry leader and do something different that adds value to our customers' businesses and to APA's business as well as improving market transparency and efficiency".

Michael Cini (top right) working with Systems Analysts from APA's IT team.

DELIVERING $325 MILLION OF CAPITAL PROJECTS

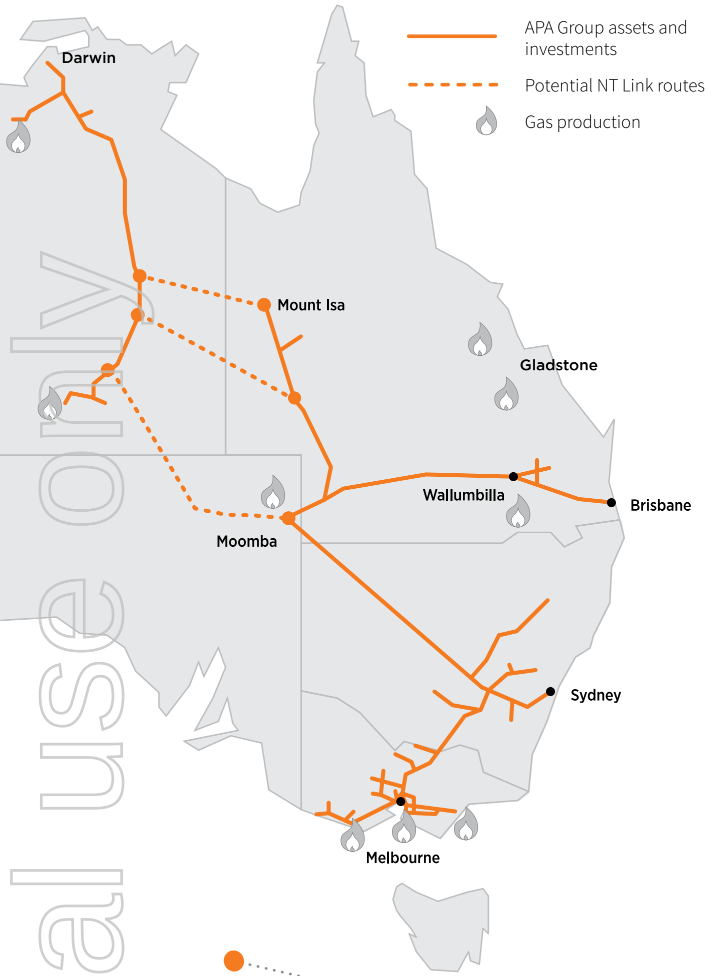
Peter Kelly has been in the gas industry for over 35 years with extensive experience in the development and operation of pipeline infrastructure.

He is currently overseeing the delivery of APA's three major capital expansion projects on the northern section of APA's east coast grid, installation of the Moomba compression facility and eastern haul capability on the SWQP, as well as increasing compression capacity at the Wallumbilla gas hub. These three projects, when completed and operating, will deliver unparalleled flexibility and service to customers on the east coast grid.

Expanded compression capacity at Moomba with the installation of 3 new Solar Mars 90 compressors. 1

Modification of the SWQP pipeline at Wallumbilla to allow bi-directional flow capability. 2

Three new Solar Mars 90 compressors installed at Wallumbilla, adding to six existing compressor units. 3



APA'S NORTHERN TERRITORY LINK

In February 2014 APA announced its decision to undertake a feasibility study exploring the potential construction of a pipeline to link the east coast grid with our Northern Territory assets. This follows a strong indicative interest in creating such a link from government, producers and gas users.

The proposed pipeline link would effectively form a 9,000 kilometre APA pipeline grid, potentially providing customers in eastern Australia, southern Australia and the Northern Territory with gas from any source between the Timor Sea and Bass Strait. It would further strengthen APA's ability to offer customers seamless services and unrivalled cost effective options, with flexibility and security as well as bringing us a step closer to a national gas transmission grid.

With the dynamics facing gas supply on the east coast, the link is also likely to stimulate investment in gas production in and around the Territory and South Australia, and link these new gas sources to customers. Through the feasibility study, APA expects to gain a sound understanding of the gas production potential in the region, as well as demand from potential gas buyers on the east coast. This information will contribute to the pipeline route, size and construction timing if the development proceeds.

Overall, the study is expected to cost around $2 million. Once concluded, APA will be in a position to negotiate commercial terms with customers and potentially move towards an investment decision by 2016.

EXPANDING GAS PIPELINE AND STORAGE INFRASTRUCTURE IN WESTERN AUSTRALIA

APA's pipelines run through the resource rich Pilbara and Goldfields regions of Western Australia, responding to energy requirements of mining operations and power suppliers.

This year the $150 million capacity expansion of the Goldfields Gas Pipeline neared completion with expanded capacity becoming available during the year, and scheduled to deliver full capacity by 2015. The increased capacity of almost 30 per cent matches APA's long term agreements with Rio Tinto and the Mount Newman Joint Venture.

More recently, APA announced it will expand its infrastructure footprint with the development of the new 292 kilometre Eastern Goldfields Pipeline. The $140 million project is underpinned by two long term multi-pipeline agreements to supply mining operations in the Goldfields region.

APA completed the expansion of the Mondarra Gas Storage Facility in July 2013. The facility is a strategic asset, offering security of supply to West Australian gas users as well as giving customers flexible options to manage their portfolio. With the market dynamics facing Perth and West Australia, it is emerging as an asset of increasing significance in the region.

The Mondarra Gas Storage Facility, Western Australia. 4

NETWORKS

APA is one of the largest operators of gas distribution networks in Australia, operating and managing over 27,000 kilometres of gas pipelines which deliver natural gas to 1.3 million homes and businesses in South Australia, Victoria, Queensland, New South Wales and the Northern Territory.

APA operates and manages these assets on behalf of the network owners, Envestra Limited ("Envestra") and GDI (EII) Pty Ltd ("GDI"), under long-term service agreements with each of the owners. APA has a 20 per cent investment in GDI and also owns a small distribution network in rural New South Wales. On 7 August 2014, APA sold its 33 per cent interest in Envestra.

APA has significant expertise and systems dedicated to managing the networks. Over 550 APA employees and 950 contractors located across eastern Australia focus their skills and know-how to deliver high quality and cost effective services, and expand and increase the use of the networks for their owners.

NETWORK GROWTH

APA increases the utilisation of the networks by promoting natural gas as the preferred choice of energy, and facilitating the connection of homes and businesses to gas supply. During the year over 25,000 new customer connections were added to the existing networks.

APA also works closely with developers and government bodies to ensure that gas infrastructure is installed in major urban subdivisions and rural towns. This year, APA commenced or continued the extension of gas networks into five new major housing developments in South Australia, Queensland and Victoria. This involves the extension, and at times expansion, of gas pipelines to supply the developments, the progressive construction of the distribution networks, and installation of customer services connection as the developments grow. The total new customer connection potential exceeds 130,000 homes and businesses over the next 30 years.

During the year APA, together with Envestra, secured funding under the Victorian Government's *Energy for the Regions Program* to extend the gas network to two regional townships – Koo Wee Rup, 63 kilometres south east of Melbourne, and Wandong-Heathcote Junction, 50 kilometres north of Melbourne. Construction will start on both projects in the first half of financial year 2015 and completion is expected by 2016. The extended network will enable more than 1,750 homes and businesses to choose natural gas as an energy source.

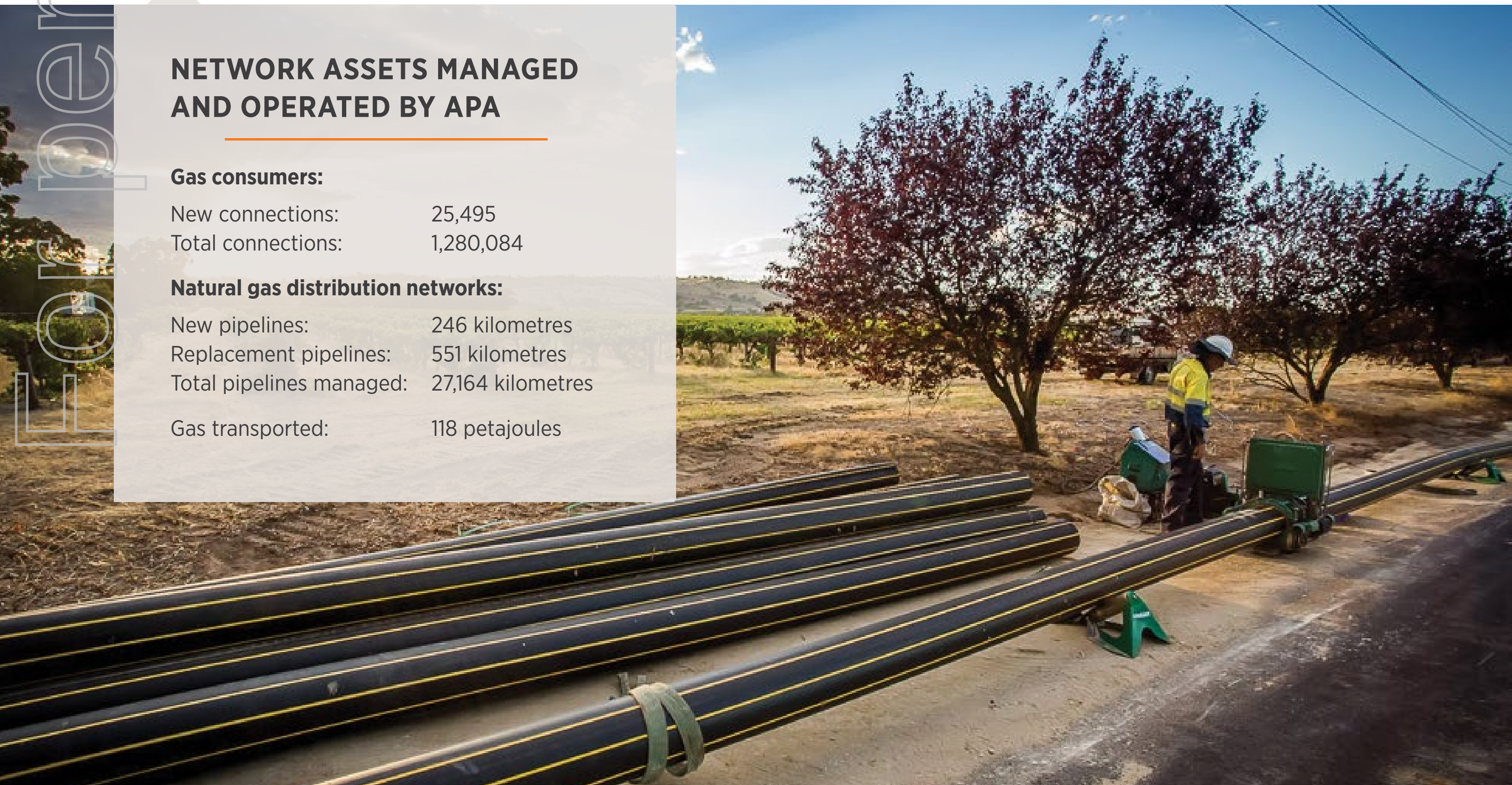
NETWORK ASSETS MANAGED AND OPERATED BY APA

Gas consumers:

New connections:	25,495
Total connections:	1,280,084

Natural gas distribution networks:

New pipelines:	246 kilometres
Replacement pipelines:	551 kilometres
Total pipelines managed:	27,164 kilometres
Gas transported:	118 petajoules



Connecting Tanunda in South Australia to natural gas.

QUALITY SERVICE

Changes to urban density and increased demand on gas networks have put pressure on most of the aging gas networks across Australia, including those operated by APA.

Low pressure supply is common in the older areas of a network where the gas pipelines, or mains, were constructed up to 80 years ago (and in some cases even before then) using cast iron pipes and un-protected steel pipes.

APA continued work on a Mains Renewal Program across Queensland, South Australia and Victoria on behalf of Envestra and GDI to replace and upgrade these low pressure pipelines. This is mainly achieved by inserting polyethylene pipes which are able to operate at a higher pressure, into the older pipes.

Over the past three years 1,337 kilometres of gas pipelines have been replaced, with 551 kilometres completed this year, and 497 kilometres targeted for the 2014-15 financial year.

Some of the key benefits of this program are the improvement in service quality, particularly gas supply reliability, and the better management of system use gas. In addition, the renewed mains provide greater capacity to meet increased gas loads in the networks, especially in areas of new high density residential developments with modern, high gas demand, instantaneous appliances, such as 'zero storage' hot water.

Mains Renewal Program in Brisbane. 2

COMBINED NETWORK SKILLS TO CONNECT 20,000 HOMES

Located between Brisbane and the Gold Coast in Queensland, Yarrabilba is a new 2,012 hectare residential development site that is expected to grow to 20,000 homes over the next 20 years. The new community will also include commercial and business centres, educational and recreational facilities.

APA has been involved at the early stage of the development, working with the developer Lend Lease, retailers, builders, and other stakeholders to promote and encourage the use of natural gas at Yarrabilba, particularly as the developer was keen to embrace sustainable energy solutions and provide new homes with the option of natural gas supply.

APA's engineering expertise was applied to design the gas infrastructure required to supply gas to the region. This year APA constructed the 16 kilometre high pressure pipeline to supply gas to the subdivision, and installed approximately 8 kilometres of reticulated pipeline through the initial stages of the housing development.

Extending the gas network to Yarrabilba benefits all stakeholders – from new home owners and developers, to APA and the network owner GDI. It's the combined commercial and operational expertise within APA that has delivered timely and seamless service to all stakeholders involved in the project.

APA Managers Steve Kevin (Networks Commercial) and Anthony Cronin (Networks Capital Projects) reviewing the Yarrabilba development site. 3

NEW HOUSING DEVELOPMENTS

DEVELOPMENT	LOCATION	NEW CONNECTION POTENTIAL
Buckland Park, South Australia	32 kilometres north of Adelaide	25,000 new homes
Tanunda, South Australia	Existing regional township located towards the south of the Barossa Valley	Existing homes and businesses, and a new development with 2,000 new homes
Yarrabilba, Queensland	40 kilometres south-west of Brisbane	20,000 new homes
Ripley Valley, Queensland	5 kilometres south-west of Ipswich	50,000 new homes
Merrifield, Victoria	30 kilometres north of Melbourne	37,000 new homes

OUR PEOPLE

At APA it's the diversity of our peoples' skills and thinking that makes the difference to the success of our business. We therefore foster a high-performance work environment where talented people are encouraged to extend themselves within a stimulating, respectful, attractive and safety-conscious environment.

The skilled job market we operate in continues to be highly competitive and we realise more than ever the importance of attracting and retaining the very best people as our business continues to grow. Since listing 14 years ago, our workforce has grown exponentially from six people to a team of over 1,600 people located across mainland Australia. Throughout 2014, we continued to challenge our organisation with regards to effective and efficient organisational design and made structural and work practice changes to enhance our capability.

DEVELOPING POTENTIAL

Growing and developing our talent is essential to our business. During the 2014 financial year, we expanded the suite of learning and development programs we offer which are designed to encourage employees to stretch their capabilities, reach their full potential, and to develop in-demand skills to be the future leaders of APA. Additional leadership programs were also designed to grow the performance management and development capability of our leaders, by providing them with practical feedback and coaching techniques to improve performance and development planning conversations.

During the year, 224 employees participated in APA's Leadership Development Programs with a further 1,691 attendances at a range of APA Skill-Based Development Programs. 685 employees attended Fair Treatment training. For people managing large teams or a sizable part of our business, APA continued the Business Acumen Skills Program to simulate running the business in a commercial environment. This financial year, 25 employees attended the course giving them exposure to high level decision making from a whole of company perspective beyond the daily perspective of their everyday role.

APA's annual succession and talent review process has continued to identify critical role and capability needs, as well as our talent pipeline and bench-strength across the organisation. In financial year 2014 we invested in profiling our high potential talent pool to obtain a clearer view of our leadership strengths and areas for improvement, which has helped inform the creation of targeted development plans.

WELLBEING AND SAFETY OF OUR PEOPLE

We continue to aim to be a zero harm workplace for our employees, contractors and the broader communities in which we operate so that everyone goes home at the end of the day in the same condition they came to work in.

During the 2014 financial year, we introduced the concept of a "Good Day" (a day in APA where no one has been injured or required first aid and we have not caused environmental harm). We achieved 214 combined Good Days for employees and contractors compared to 181 in financial year 2013. This is a significant improvement, representing an additional 33 days twhere people did not get hurt or the environment was not harmed. In financial year 2014, we also implemented 12 of 17 initiatives from the three year HSE Strategy and Improvement Plan.

The employee Lost Time Injury Frequency Rate (LTIFR) in financial year 2014 was 0.7, down from 2.1 in financial year 2013. This result represents an outstanding improvement on previous years including the 2.2 result in financial year 2012.

These improvements have been supported by the Leading Zero Harm Leadership initiative, one of the key initiatives of the HSE Strategy and Improvement Plan.

The program focusses on three foundations of health and safety leadership:

- **Active Monitoring** – in its simplest form is finding out what is going on in the business;
- **Intervention** – is the understanding that every leader intervenes immediately whenever they see an unsafe act or condition; and
- **Feedback** – where feedback on performance and behaviour is actively sought and acted upon.

Mick McCormack presenting Andrew Drummond, Manager Field Services WA with the annual APA HSE Excellence Award. Andrew and the APA team from Newman developed a battery cradle reducing manual handling and the associated risks.

Team members from APA's Sydney office out on site at Wilton inspecting an excavated section of the Moomba Sydney Pipeline. 2

APA encourages healthy living and for the fifth year, sponsored employees to participate in the Global Corporate Challenge. 259 APA people enthusiastically participated, an increase from 224 in in the previous financial year. Other health initiatives also included the annual flu vaccination program and the confidential employee assistance program which provides services to employees and their immediate family.

In June 2014, we engaged a workplace health consultant, to determine APA's Health and wellbeing risk profile. The results will be used to devise more targeted initiatives to improve employee health and well-being.

DIVERSITY ADDS VALUE

We recognise the value of diversity and inclusion as one element in helping us successfully achieve our business strategy. We have taken considerable steps in financial year 2014 to research, review and identify opportunities where we can improve in this area with the assistance of a specialist diversity and inclusion consultancy. This work has resulted in the development of a three year Diversity and Inclusion Strategy, which is aligned to our business strategy.

The strategy articulates a clear diversity and inclusion vision which will be achieved through building on the following foundation areas:

- Inclusive work culture;
- Knowledge and collaboration;
- People systems; and
- APA values.

These foundation areas are also central to delivering on the three diversity and inclusion focus areas identified through APA's review, being; diversity of thought, gender diversity and age diversity.

Our leaders are critical to achieving a shift in behavioural change and mindset where diversity and inclusion is concerned. To support this shift we are developing an inclusive leadership program to grow the capability of our leaders. This program will link the business imperative to diversity of thought, unconscious bias and inclusive practices and behaviours in decision making for improved individual, team and organisational effectiveness.

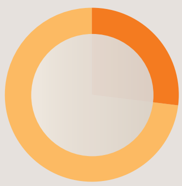
APA WORKFORCE GENDER PROFILE (2014)

17%	Percentage of non-executive directors who are women
27%	Percentage of workforce who are women
16.5%	Percentage of leadership roles filled by women[1]
4.5%	Percentage of technical and trades roles filled by women

1 Leadership roles are defined in accordance with the WGEA (ANZSCO) occupational categories and comprise all levels of management (i.e. general managers, key management personnel, manager roles) excluding team leader and supervisory roles

APA EMPLOYEES BY AGE

APA EMPLOYEES BY GENDER



SUSTAINABILITY REPORT

CUSTOMERS

We will deliver value to our customers and create responsive solutions to meet their needs by:

- Providing our customers **market-leading flexible solutions** to meet customer's changing requirements, including responding to critical events when our customers are negatively impacted.
- Delivering value to customers by effectively and reliably **utilising the capacity of APA's assets.**
- Working with customers to provide optimal investment and **energy market solutions.**

2014 PERFORMANCE

Three agreements signed underpinning $160 million in pipeline capacity expansions to enable additional gas to be delivered from Victoria to New South Wales.

Entered into new transportation agreements that underpinned $40 million of expansion in the South West Pipeline.

Commenced a feasibility study to link prospective gas reserves in the Northern Territory to east coast demand.

Work continued on projects to enable APA to provide bi-directional gas transportation services between Moomba and Wallumbilla and additional services for customers in south-east Queensland.

Entered into flexible agreements which incorporate multiple receipt and delivery points on the east coast grid – in particular utilising the Moomba Sydney Pipeline and gas storage services.

Developed and entered into a suite of flexible gas storage services using the Mondarra Gas Storage Facility.

In July, APA entered into new long-term agreements with AngloGold Ashanti Australia Limited for the transportation of gas in the Goldfields Gas Pipeline and the Murrin Murrin Pipeline. These agreements also underpin the construction of a new 292 kilometre gas transmission pipeline – the Eastern Goldfields Pipeline at a cost of $140m.

Introduced new web based capacity trading services to streamline trades between sellers and buyers of capacity.

ACTIONS FOR 2015

Respond to customer needs and continue to develop optimal energy solutions with customers.

Cost efficiency to meet customer growth requirements – maximising use of existing assets and profitably expanding APA's asset portfolio.

Continue to develop flexible transportation and storage services.

Commence and progress construction of the 292 kilometre Eastern Goldfields Pipeline.

EMPLOYEES

We will provide a safe, stimulating and rewarding workplace where our employees can learn and grow by:

- Committing to a long-term target of **Zero Harm** by continually improving safety in the workplace.
- Providing employees with a stimulating and rewarding environment such that they would recommend APA as a **great place to work.**
- Providing learning and development programs to **attract, retain and develop** employees.
- Promoting **diversity** as a core policy supported by initiatives which foster inclusion.

2014 PERFORMANCE

LTIFR (excluding contractors) improved significantly from 2.1 to 0.7. This was below our 2014 LTIFR target of 1.3.

Launched APA's three year Strategic Improvement Plan, implementing 12 of the 17 initiatives, including Leading Zero Harm.

Continued sponsorship of health focused activities for employees including the Global Corporate Challenge in which 259 APA employees participated.

224 employees participated in APA Leadership Development Programs. A total of 1,691 APA Skill-Based Development Programs were undertaken and over 685 employees attended Fair Treatment Training.

25 employees attended APA'S Business Acumen Skills program.

Developed a three year Diversity and Inclusion Strategy which is aligned to APA's business strategy.

ACTIONS FOR 2015

Target an LTIFR of less than 1 (including contractors).

Continue implementation of the HSE Strategic Plan initiatives. Specifically we will refresh the Leadership Initiative (Leading Zero Harm), calibrate the hazard profiling work from 2014, start conducting mock scenarios in each business division and put a focus on our Health and Well-being Program.

Expand technical, learning and development program to all employees.

Implement the first year of the Diversity and Inclusion Strategy.

ENVIRONMENT

We will continue to deliver an environmentally responsible, safe and essential service by:

- Contributing to policy and responding to **climate change initiatives** to promote the use of gas as essential to a cleaner energy mix.
- Including the environment in all investment and procurement decision-making, complying with our emissions reporting obligations, and **conserving and rehabilitating** the natural state of the land we disturb.
- Evaluating complementary **clean energy** projects.

2014 PERFORMANCE

Engaged with government to promote the role of gas in a carbon-constrained economy, directly and via industry associations. Completed submissions to the Green Paper, White Paper and RET Review promoting gas and renewable energy.

Complied with reporting and liability obligations under the Clean Energy Act 2011. Successfully recovered costs for APA's carbon permit liability either through contractual terms or the access arrangement tariff review process.

Participated for the fourth time in the Carbon Disclosure Project, a voluntary disclosure to investors on carbon emissions, liability, reduction activities, strategies and management. APA's overall score of 70D ranked highest amongst its direct peers.

Continued to develop the renewable energy projects at Emu Downs Wind Farm, subject to customer demand.

ACTIONS FOR 2015

Participate in policy discussions and promote the role of gas as an important contribution to reducing Australia's emissions.

Maintain carbon market expertise and knowledge should energy markets shift to clean fuels such as wind, solar and gas.

Continue to maintain and operate assets in accordance with environmental regulations.

COMMUNITY

We will positively engage the communities within which we operate by:

- Building long-term strategic community relationships to maintain **support and goodwill** for APA's activities.
- **Increasing employee connections with local communities** through sponsorships, employee volunteering and giving programs targeting vulnerable communities.

2014 PERFORMANCE

Continued APA's 'Building Brighter Futures' community investment program marking the third year of support for NAPCAN, Exodus Foundation (Darwin Literacy Centre), and Clontarf Foundation.

Employees across APA participated in four community events including Cancer Council (Australia's Biggest Morning Tea and Pink Ribbon Day), Black Dog Institute and Movember with their fundraising efforts matched by APA, up to a $5,000 limit per event.

ACTIONS FOR 2015

Continue to support our community investment program, Building Brighter Futures by extending our partnerships with Clontarf Foundation and Darwin Literacy Centre; and welcoming a new partner, The Fred Hollows Foundation. Employee involvement will also be introduced to further support our partners' objectives.

Expand our financial support for community events by raising matched amount to $10,000 per event for the following causes: Australia's Biggest Morning Tea, Pink Ribbon Day, Black Dog Institute and Movember.

Continue to invest in causes that enhance our relationships with key community stakeholders and strengthen our brand.

INVESTORS

We will continue to be a reliable and attractive investment which delivers superior returns for securityholders by:

- **Achieving reliable and sustainable earnings growth** by focusing on long-term revenue and reduced costs.
- Maintaining a strong and **robust balance sheet.**
- Identifying and evaluating additional attractive **infrastructure style investments** in related energy businesses.

2014 PERFORMANCE

Total securityholder return of 21.6 per cent for 2014.

Maintained investment grade credit ratings (BBB/Baa2).

Successful refinancing of bank debt facilities: $400 million bilateral bank facilities and $1,250 million syndicated bank debt facilities.

Delivered investors a 2.1 per cent increase in distributions.

$383 million of organic growth capital expenditure.

Market capitalisation increased by 15 per cent.

ACTIONS FOR 2015

Progress or complete current growth capital projects underway.

Continue to evaluate and develop additional revenue streams in related energy businesses.

Maintain credit rating levels.

COMMUNITY

Our Community Investment Program was developed as an avenue for APA to give back to the communities where we work and live, and for our employees to come together to support social causes close to their hearts. We also appreciate the role that these investments play in building our company and employment brand as well as in supporting our role as a responsible corporate citizen.

APA's Community Investment Program was set up in 2010. It includes three levels of community investment activities which underpin the above mentioned community investment objectives:

Building Brighter Futures is focused on working alongside selected not for profit partner organisations which support the development of disadvantaged young indigenous Australians through sport, literacy or health programs. The 2014 financial year was the final year of our three year commitments to support The Clontarf Foundation, The Darwin Literacy Centre, and NAPCAN's Aboriginal Girls Circle. As a result of our program review, we have made a decision to boost our support towards our ongoing partners and implement other positive changes, including:

- Extending our support for The Clontarf Foundation and The Darwin Literacy Centre;
- Welcoming a new partner, The Fred Hollows Foundation; and
- Looking into opportunities to further support our partners through APA employee involvement.

Calendar of employee events are all about our employees coming together to raise funds through personal contributions to selected charities. APA supports these events by capped matching of funds raised by APA employees.

In 2014, our employees supported the Cancer Council's Australia's Biggest Morning Tea and Pink Ribbon Day; The Black Dog Institute; and Movember.

APA matched the funds raised by employees to a capped amount of $5,000 per charitable event. For 2015 financial year, APA has increased the matched amount to $10,000 per event to further engage employees and these charities.

Sponsorship and donations include monetary and in-kind support for local community based organisations or causes, to engender goodwill in local communities, strengthen relationships and enhance our reputation.

APA supports groups that are aligned with our current or future operations footprint and where support will result in at least one of the following outcomes:

- Strengthen APA's reputation in the local community
- Enhance APA's relationship with key community stakeholders
- Increase community awareness and understanding of APA
- Provide positive networking opportunities with community stakeholders

Some of our more significant sponsorships include Taronga Zoo Foundation, Australian Brandenburg Orchestra and the Australian Ice Hockey League.

APA Sydney colleagues with Managing Director Mick McCormack gather around 'Sentient Being', one of the art sculptures from Taronga Zoo's Rhino Wild campaign sponsored by APA. 1

Arijay, apprentice butcher at the Gunbalanya meatworks. 2

CARVING A BRIGHTER FUTURE

The words "Building Brighter Futures" capture the essence of what our Community Investment Program is all about. Arjay's story is one example of how our support helps build brighter futures for those in need of a helping hand.

ENVIRONMENT

NATIONAL GREENHOUSE AND ENERGY REPORTING

APA has a relatively small carbon footprint in the overall energy chain. APA's emissions are mainly the result of the combustion of natural gas in compressor stations and from fugitive emissions within networks. In financial year 2014 APA reported emissions of 322,827 tonnes under National Greenhouse and Energy Reporting (NGERS), and on 31 October APA expects to report an emissions number broadly in line with the previous year.

CARBON DISCLOSURE PROJECT

APA participated for the fourth time in the Carbon Disclosure Project, a voluntary disclosure to investors on carbon emissions, liability, reduction activities, strategies and management. APA's score of 70 is ranked in the highest band for disclosure (>70), which states that "Senior management understand the business issues related to climate change and are building climate related risks and opportunities into core business".

APA could improve its performance score by setting and achieving carbon emission reduction targets. However, because APA's reduction activities rely on a strong carbon price, management will wait for further certainty on carbon legislation before committing resources to these activities. APA's overall score of 70D ranked second in the utilities sector and highest amongst its direct peers.

CLEAN ENERGY POLICY

In 2014, APA continued to manage its carbon liability by passing-through carbon permit costs for its liable facilities through contractual terms and conditions or through regulated access arrangements. This carbon tax legislation was repealed effective from 1 July 2014 at which time APA ceased having a liability. APA supports reducing carbon emissions as a responsible risk mitigation response to climate change. APA has long supported the introduction of a price on carbon and certainty on carbon policy.

However the lack of effective domestic and international carbon policy has failed to provide the required certainty to shift large-scale coal generation to more carbon efficient gas-fired generation. In the longer term, as international and domestic carbon markets mature, APA's assets would play an important role in meeting Australia's long-term emission reduction targets should energy consumption shift from carbon intensive fuels such as coal to more carbon efficient fuels such as natural gas.

In APA's view, gas-fired generation and renewable energy, predominately wind-powered generation and increasingly solar generation, are technologies that can meet significant emission reduction targets for Australia.

In May 2014, APA made three key recommendations to the Renewable Energy Target ("RET") Review Panel; the Large-scale Renewable Energy Target ("LRET") should be revised to an actual 20 per cent of generation, the Small-scale Renewable Energy Scheme should be suspended as it has fulfilled its objectives, and that any scheme beyond an actual 20 per cent LRET should include low-emission technologies.

EXPANDING OUR LOW EMISSION GENERATION PORTFOLIO

APA has interests in wind energy and low emission state of the art gas-fired generation. These investments provide solid returns and help lower carbon emissions in the Australian economy.

APA is jointly constructing, with AGL Energy, the 242 megawatt Diamantina combined cycle gas power station, which is a low emission and efficient power generating asset. Its carbon intensity is approximately 0.4 tonnes per megawatt hour, which is less than half the carbon intensity of the National Electricity Market.

Subject to customer demand, APA will progress the development of the 130 megawatt Badgingarra Wind Development Project adjacent to the Emu Downs Wind Farm, as well as the Emu Downs Solar Project, a small expansion to the wind farm. Both projects are contingent on entering into a long-term customer off-take agreement and meeting APA investment hurdles.

Arijay Camp, an eighteen year old, has defied all odds in the remote Northern Territory Aboriginal community of Gunbalanya, located in West Arnhem Land, 300 kilometres east of Darwin. With many social issues prevalent in this small but stunning region of Australia, attending school each day is an achievement in itself.

Arijay not only finished school with an 86 per cent attendance, he has also excelled during his three years enrolled at Clontarf's Gunbalanya Academy, which culminated in an outstanding final year of school in 2013.

To top off an incredible year, Arijay also received the very prestigious 2013 Group Training Northern Territory School-Based Apprentice Trainee of the Year Award which was presented to him in February 2014 in front of a large crowd at Parliament House in Darwin. This was a very proud moment for Arijay, his family, the Gunbalanya community and other Clontarf Academy members who all see Arijay as a strong role model. Arijay spent two years completing his School Based Apprenticeship as a butcher and is now in full time employment locally as an Apprentice Butcher.

LEADERSHIP

APA GROUP BOARD

The Board is accountable to Securityholders for the performance of APA. It endorses the strategic direction of the business, approves new projects within that strategy and monitors the management and performance of the business and the executive team. The Board operates in accordance with the APA Group Board Charter.

Leonard Bleasel AM
Chairman

Leonard (Len) was appointed Chairman in 2007. He has had a long career in the energy industry commencing his career with AGL in 1958 working in a variety of roles, culminating in the position of Managing Director and CEO from 1990 until his retirement from management in 2001.

Len was awarded an AM in the General Division of the Order of Australia for services to the Australian gas and energy industries and the community.

Michael McCormack
Chief Executive Officer and Managing Director

Michael (Mick) has been Chief Executive Officer of APA since 1 July 2005 and Managing Director since 1 July 2006.

Mick has over 25 years' experience in the gas infrastructure sector in Australia, and his career has encompassed all aspects of the sector, including commercial development, design, construction, operation and management of most of Australia's natural gas pipelines and gas distribution systems.

SENIOR MANAGEMENT

APA is an internally managed and operated business overseen by an executive leadership team with extensive know-how and industry experience across all areas of operations. Whether it's delivering energy solutions for our customers or delivering returns to our Securityholders, our leadership team holds the business to account to ensure high standards are achieved.

Ross Gersbach
Chief Executive Strategy and Development

Responsible for complementary businesses that enhance APA's infrastructure portfolio, including power generation and APA's Energy Investments as well as group strategy, regulatory and government affairs, environmental development and mergers and acquisitions.

Rob Wheals
Group Executive Transmission

Responsible for the commercial and operational performance of APA's gas transmission and gas storage assets.

VIEW FULL BIOGRAPHIES – OUR PEOPLE

annualreport2014.apa.com

Steven Crane

Steven joined the Board in 2011. Steven's background is in investment banking and he has over 30 years' experience in the financial services industry having previously been Chief Executive Officer of ABN AMRO Australia and BZW Australia. Steven also has considerable experience as a non-executive Director of listed entities.

Steven is a member of the Audit and Risk Management Committee and the Remuneration Committee.

John Fletcher

John joined the Board in 2008 and has over 35 years' experience in the energy industry, having held a number of executive positions in AGL prior to his retirement in 2003, including Chief Financial Officer. He brings a wide commercial and financial practical knowledge to the Board. John was previously an AGL appointed Director of Australian Pipeline Limited from 2000 to 2005.

John is Chairman of the Remuneration Committee and a member of the Audit and Risk Management Committee.

Russell Higgins AO

Russell joined the Board in 2004. Russell has extensive experience both locally and internationally in the energy sector and in economic and fiscal policy. He was Secretary and Chief Executive Officer of the Department of Industry, Science and Resources from 1997 to 2002 and Chairman of the Australian Government's Energy Task Force from 2003 to 2004.

Russell is Chairman of the Health Safety and Environment Committee and a member of the Audit and Risk Management Committee.

Patricia McKenzie

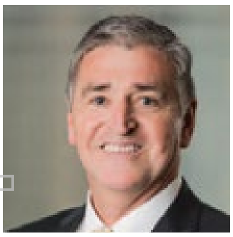
Patricia joined the Board in 2011. Patricia has considerable expertise and experience in energy market regulation having been Chief Executive Officer of Gas Market Company Limited and a former Director of Australian Energy Market Operator Limited. Patricia also has extensive corporate legal experience and is a qualified solicitor.

Patricia is a member of the Health Safety and Environment Committee and the remuneration Committee.

Robert Wright

Robert joined the Board in 2000. He has over 30 years' financial management experience, having held a number of Chief Financial Officer positions, including Finance Director of David Jones Limited. He is currently Chairman of APA Ethane Limited, the responsible entity of Ethane Pipeline Income Fund.

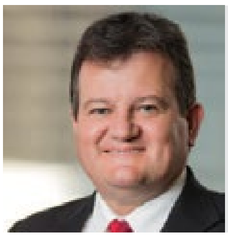
Robert is Chairman of the Audit and Risk Management Committee and a member of the Health Safety and Environment Committee.



John Ferguson

Group Executive Networks

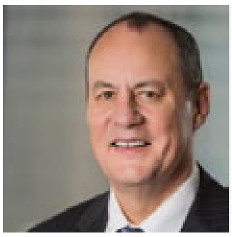
Responsible for the management and operation of APA's minority owned gas distribution assets, and Envestra Limited assets.



Kevin Lester

Group Executive Infrastructure Development

Responsible for engineering services and the delivery of APA's infrastructure expansion projects, including asset management, project development and technical regulation of all pipeline and related assets.



Peter Fredricson

Chief Financial Officer

Responsible for all financial functions, including accounting and financial reporting, financial compliance and governance, taxation, treasury, balance sheet management and capital strategy, and insurance and risk. He is also responsible for investor relations and information technology.

Peter Wallace

Group Executive Human Resources

Responsible for managing the human resources function, which covers strategy and activities relating to APA's employees, including providing a safe work environment for all employees.

Mark Knapman

Company Secretary

Responsible for the secretariat function, corporate governance, legal, internal audit and financial services compliance functions.

FIVE YEAR SUMMARY

		2014	2013[5]	2012	2011	2010
FINANCIAL PERFORMANCE						
Revenue	$m	**1,396.0**	1,272.3	1,060.7	1,102.0	989.5
Revenue excluding pass-through[1]	$m	**992.5**	919.5	758.0	720.3	659.5
EBITDA	$m	**747.3**	763.6	525.8	492.1	460.0
Depreciation and amortisation expense	$m	**(156.2)**	(130.5)	(110.4)	(100.4)	(91.4)
EBIT	$m	**591.1**	633.2	415.4	391.8	368.5
Interest expense	$m	**(325.1)**	(290.9)	(234.3)	(247.1)	(229.4)
Tax expense	$m	**77.7**	(49.9)	(50.4)	(35.9)	(38.7)
Minority interests	$m	**(1.0)**	2.8	-	(0.3)	(0.2)
Profit after tax and minorities, including significant items	$m	**343.7**	295.1	130.7	108.5	100.4
Significant items – after income tax	$m	**144.1**	120.0	(9.7)	(0.4)	0.0
Profit after tax and minorities, excluding significant items	$m	**199.6**	175.1	140.3	108.9	100.4
FINANCIAL POSITION						
Total assets	$m	**7,973**	7,699	5,496	5,428	4,982
Debt	$m	**4,789**	4,412	3,224	3,240	3,157
Securityholders' equity	$m	**2,496**	2,514	1,614	1,668	1,395
CASH FLOW AND CAPITAL EXPENDITURE						
Operating cash flow	$m	**431.5**	374.4	335.6	290.0	267.8
Capital expenditure	$m	**446.8**	397.4	249.1	173.4	135.4
Investments and acquisitions	$m	**–**	330.8	46.4	342.7	220.5
KEY FINANCIAL RATIOS						
Earnings per security	cents	**41.1**	38.2	20.4	19.7	19.4
Operating cash flow per security	cents	**51.6**	48.5	52.5	52.6	51.9
Distribution per security	cents	**36.3**	35.5	35.0	34.4	32.8
Gearing (net debt to net debt plus equity)	%	**64.2**	62.8	65.0	66.2	69.8
Interest cover ratio	times	**2.3**	2.3	2.5	2.0	2.1
Weighted average number of securities	m	**835.8**	772.3	639.7	551.2	516.2
EBITDA BY SEGMENT (EXCLUDING SIGNIFICANT ITEMS)						
Energy Infrastructure						
Queensland	$m	**212.8**	163.7[2]	79.6	71.7	70.7
New South Wales	$m	**106.6**	112.1	113.1	101.3	96.8
Victoria and South Australia	$m	**116.9**	124.7	123.1	115.9	105.7
Western Australia and Northern Territory	$m	**186.6**	147.7[3]	125.9	99.8	102.7
Asset Management	$m	**56.2**	41.9	31.9	38.8	32.3
Energy Investments	$m	**68.1**	51.2	41.8	27.1	19.1
Divested businesses[4]	$m	**–**	20.6	20.2	35.1	32.6

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

2 Includes the South West Queensland Pipeline – revenue and EBITDA contributions from 9 October 2012 and excludes the Allgas business contribution in 2012.

3 Includes the Pilbara Pipeline System – revenue and EBITDA contributions from 9 October 2012.

4 APA Gas Network Queensland (Allgas) was sold into GDI (EII) Pty Ltd in December 2011, with APA retaining a 20 per cent interest in GDI (EII) Pty Ltd and operates the assets under a long term asset management agreement. The Moomba Adelaide Pipeline System revenue and EBITDA contributions from consolidation on 9 October 2012 to sale of the business on 30 April 2013.

5 The balances for June 2013 have been restated for the effect of applying AASB 119 'Employee Benefits'.

INVESTOR INFORMATION

CALENDAR OF EVENTS

Final distribution FY2014 record date
30 June 2014

Final distribution FY2014 payment date
10 September 2014

Annual meeting
24 October 2014

Interim result announcement
25 February 2015*

Interim distribution FY2015 record date
31 December 2014*

Interim distribution FY2015 payment date
18 March 2015*

*Subject to change

ANNUAL MEETING DETAILS

Date: Friday, 24 October 2014
Venue: City Recital Hall, 2 Angel Place, 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 19, 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. Secrurityholders with enquires should contact the APA Group registry.

ONLINE INTERACTIVE REPORTS

APA Group's 2014 Annual Report, Annual Review and Sustainability Report are available in an easy to view interactive format at apa.com.au.

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 from APA 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.

ABOUT APA

APA Group is Australia's largest energy infrastructure business, owning and/or operating $12 billion of energy infrastructure assets, with more than 1,600 highly skilled and experienced people.

APA's primary activities relate to the ownership, management and operation of natural gas transmission and distribution assets across Australia. Operations are reported in three principal business segments:

ENERGY INFRASTRUCTURE

APA's Energy Infrastructure business has an extensive gas transmission portfolio that transports more than half the natural gas used in Australia. Our pipelines are interconnected with gas storage and power generation facilities:

- **Transmission pipelines:** 14 high pressure gas transmission pipelines totalling almost 12,000 kilometres
- **Storage:** Mondarra Gas Storage Facility in Western Australia and the Dandenong LNG Storage Facility in Victoria
- **Power generation:** 80 MW Emu Downs Wind Farm in Western Australia

ENERGY INVESTMENTS

APA has minority interests in a number of energy infrastructure entities:

- SEA Gas Pipeline – 50.0%
- EII2 – 20.2%
- GDI (EII) Pty Ltd – 20.0%
- Energy Infrastructure Investments – 19.9%
- Ethane Pipeline Income Fund (EPX) – 6.1%

ASSET MANAGEMENT

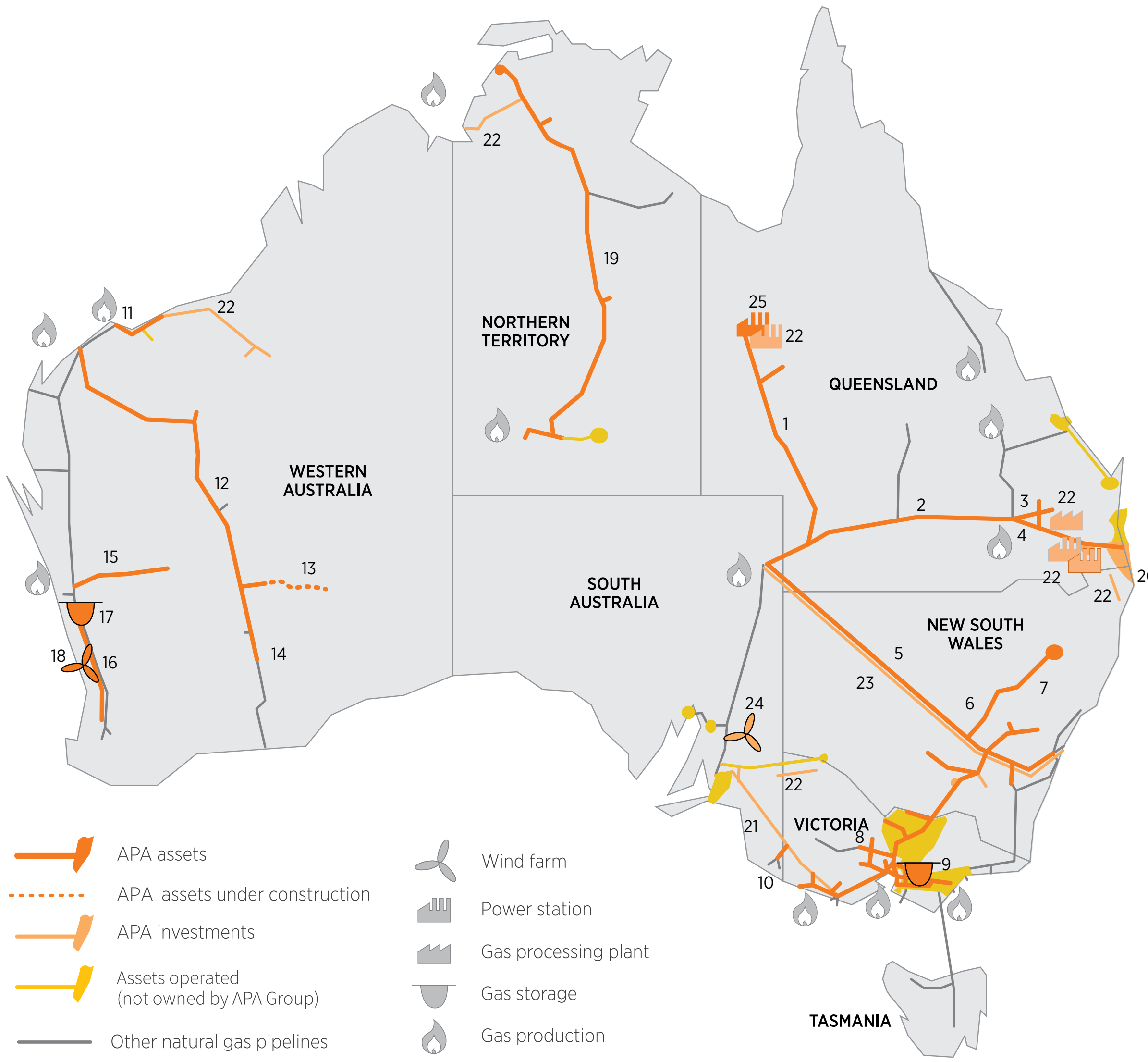
APA provides asset management, operating and maintenance services to the majority of its Energy Investments and to Envestra Limited. APA also provides corporate services to EPX, EII2 and GDI (EII) Pty Ltd.

APA'S ENERGY INFRASTRUCTURE ASSETS

EAST COAST GAS GRID	Length/Capacity	Regulation[1]	Basin	State	Reserves[2]
Carpentaria Gas Pipeline	944 km Ballera to Mount Isa, including laterals	Light regulation	Surat-Bowen	QLD	44,495 PJ
South West Queensland Pipeline	936 km Wallumbilla to Moomba	Not regulated			
Berwyndale Wallumbilla Pipeline	112 km Berwyndale to Wallumbilla	Not regulated			
Roma Brisbane Pipeline	583 km Wallumbilla to Brisbane, including Peat lateral	Full regulation			
Moomba Sydney Pipeline	2,029 km Moomba to Sydney, Laterals and NSW–VIC Interconnect	Not regulated to Marsden Light regulation downstream of Marsden	NSW coal seam gas	NSW	2,353 PJ
Central West Pipeline	255 km Marsden to Dubbo	Light regulation			
Central Ranges Pipeline and distribution network	295 km Dubbo to Tamworth	Full regulation			
Victorian Transmission System	1,847 km across Victoria	Full regulation	Gippsland Otway Bass	VIC VIC VIC	3,442 PJ 722 PJ 221 PJ
Dandenong LNG Storage Facility	12,000 tonnes	Not regulated			
SESA Pipeline	45 km	Not regulated	Cooper	SA	1,801 PJ
					53,034 PJ
WESTERN AUSTRALIA AND NORTHERN TERRITORY					
Pilbara Pipeline System	248 km Karratha to Port Hedland including laterals	Not regulated	Carnarvon Browse Perth	WA WA WA	70,386 PJ 17,384 PJ 35 PJ
Goldfields Gas Pipeline (88.2%)	1,590 km Yarraloola to Kalgoorlie mainline laterals and Kalgoorlie Kambalda Pipeline	Light regulation for Kalgoorlie Kambalda Pipeline			87,805 PJ
Eastern Goldfields Pipeline (under construction)	292 km Murrin Murrin to Tropicana	Not regulated			
Mid West Pipeline (50%)	362 km Geraldton to Windimurra	Not regulated			
Parmelia Gas Pipeline	448 km Dongara to Pinjarra, including laterals	Not regulated			
Mondarra Gas Storage Facility	15 PJ	Not regulated			
Emu Downs Wind Farm	80 MW	Not regulated			
Amadeus Gas Pipeline	1,673 km Amadeus Basin to Darwin including laterals	Full regulation	Bonaparte Amadeus	NT NT	981 PJ 181 PJ
					1,162 PJ

1 Light regulation: contractual terms (including price) are negotiated between the service provider and the customer.
Full regulation: provides for the regulator to determine price and other terms of access for standard ("reference") services as part of an access arrangement process.
2 Natural gas and ethane 2P reserves by field and basin. Source: EnergyQuest August 2014

OUR PORTFOLIO



ENERGY INFRASTRUCTURE

QUEENSLAND

1. Carpentaria Gas Pipeline
2. South West Queensland Pipeline
3. Berwyndale Wallumbilla Pipeline
4. Roma Brisbane Pipeline

NEW SOUTH WALES

5. Moomba Sydney Pipeline
6. Central West Pipeline
7. Central Ranges Pipeline and distribution network

VICTORIA

8. Victorian Transmission System
9. Dandenong LNG Storage Facility

SOUTH AUSTRALIA

10. SESA Pipeline

WESTERN AUSTRALIA

11. Pilbara Pipeline System
12. Goldfields Gas Pipeline (88.2%)
13. Eastern Goldfields Pipeline (under construction)
14. Kalgoorlie Kambalda Pipeline
15. Mid West Pipeline (50%)
16. Parmelia Gas Pipeline
17. Mondarra Gas Storage Facility
18. Emu Downs Wind Farm

NORTHERN TERRITORY

19. Amadeus Gas Pipeline

ENERGY INVESTMENTS

20. GDI (EII) Pty Ltd (20%)
    Allgas gas distribution network in Queensland
21. SEA Gas Pipeline (50%)
22. Energy Infrastructure Investments (19.9%)
    Gas pipelines, electricity transmission, gas-fired power stations and gas processing plants
23. Ethane Pipeline Income Fund (6.1%)
24. E112 (20.2%)
    North Brown Hill Wind Farm
25. Diamantina Power Station (50%)
    (under construction)

INNOVATING TODAY TRANSFORMING TOMORROW

APA Group Annual Report **2014**

APA Group

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AUSTRALIAN PIPELINE TRUST AND ITS CONTROLLED ENTITIES
ARSN 091 678 778

DIRECTORS' REPORT

The Directors of Australian Pipeline Limited ("Responsible Entity") submit their report and the annual financial report of Australian Pipeline Trust ("APT") and its controlled entities (together "APA" or "Consolidated Entity") for the financial year ended 30 June 2014. This report refers to the consolidated results of APT and APT Investment Trust ("APTIT").

DIRECTORS

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

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

Details of the Directors, their qualifications, experience, special responsibilities and directorships of other listed entities are set out on pages 13 to 15.

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

PRINCIPAL ACTIVITIES

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

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

FINANCIAL AND OPERATIONAL REVIEW

APA OVERVIEW

APA is Australia's largest natural gas infrastructure business. It owns or has an interest in approximately $12.3 billion of energy infrastructure across Australia, and operates these with a skilled workforce of in excess of 1,600 people.

APA has a diverse portfolio of 14,100 kilometres of gas transmission pipelines that span every state and territory on mainland Australia and deliver about half the nation's natural gas. It also owns other related energy infrastructure assets such as gas storage facilities and power generation assets.

APA has ownership interests in, and operates, the GDI (EII) Pty Ltd ("GDI") gas distribution network, and also operates the gas distribution network owned by Envestra Limited ("Envestra"), which together comprise approximately 27,100 kilometres of gas mains and pipelines, and approximately 1.3 million gas consumer connections.

On 7 August 2014, APA accepted the Cheung Kong Group's ("CKI Consortium") takeover offer for its 33.0% interest in Envestra. APA retains its Operations and Management Agreement on the Envestra assets, which runs to 2027 – see page 16.

APA also has minority interests in and operates other energy infrastructure assets and businesses, including SEA Gas Pipeline, Energy Infrastructure Investments, EII2 and Ethane Pipeline Income Fund.

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

APA is listed on the Australian Securities Exchange ("ASX") and is included in the S&P ASX 50 Index. Since listing in June 2000, its market capitalisation has increased more than 13-fold to $6.46 billion (as at 19 August 2014), and it has achieved total securityholder returns of 978% or annual compound growth rate of 18.4%[1] at the end of the financial year.

APA regulated and contracted revenue

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

A national regulatory regime provides mechanisms for regulatory pricing, amongst other things, which is encapsulated in the National Gas Law and National Gas Rules. The economic regulation aspects of the regime apply to most gas distribution networks and a number of gas transmission pipelines in Australia.

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

Contracted revenues are sourced from unregulated assets, assets under light regulation and assets under full regulation. Contracts are generally for the reservation of capacity, with the majority of the revenue fixed. Weighted average contract term is greater than 10 years, and where new infrastructure is required, terms tend to be 15 years or greater to fully underwrite the investment by APA in any necessary expansion.

Approximately 23% of APA's FY14 revenue (excluding pass-through revenue) was subject to prices determined under full regulation. The majority of the remaining 77% of APA's revenue is generated from contracts which have set terms, including negotiated pricing for the life of the contract.

APA ASSETS AND OPERATIONS

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

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

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

1 Total securityholder return is the capital appreciation of the company's security price, adjusted for capital management (such as security splits and consolidations) and assuming reinvestment of distribution at the declared distribution rate per security. Figures quoted are sourced from IRESS and measured as at 30 June 2014.

Energy Infrastructure assets

	LENGTH/CAPACITY	REGULATORY STATUS
East coast gas grid		
Roma Brisbane Pipeline (including Peat Lateral)	583 km / 233 TJ/d	Full regulation
South West Queensland Pipeline	936 km / 384 TJ/d	Not regulated
Carpentaria Gas Pipeline	944 km / 119 TJ/d	Light regulation
Berwyndale Wallumbilla Pipeline	112 km	Not regulated
Moomba Sydney Pipeline	2,029 km / 439 TJ/d	Light regulation (partial)
Central West Pipeline	255 km	Light regulation
Central Ranges Pipeline and distribution network	295 km	Full regulation
Victorian Transmission System	1,847 km / 1,030 TJ/d	Full regulation
Dandenong LNG Storage Facility	12,000 tonnes	Not regulated
SESA Pipeline	45 km	Not regulated
	Total 7,044 km	
West Australian and Northern Territory assets		
Goldfields Gas Pipeline (88.2%)	1,590 km / 175 TJ/d	Full regulation
Pilbara Pipeline System	248 km	Not regulated
Parmelia Gas Pipeline	448 km	Not regulated
Mid West Pipeline (50%)	362 km	Not regulated
Mondarra Gas Storage Facility	15 PJ	Not regulated
Emu Downs Wind Farm	80 MW	Not regulated
Amadeus Gas Pipeline	1,673 km	Full regulation

Energy Investments and Asset Management

ENERGY INVESTMENT	OWNERSHIP INTEREST	DETAIL	ASSET MANAGEMENT
Envestra (1)	33.0% (1)	**Gas distribution**: 22,762 km of gas mains and pipelines, 1.19 million gas consumer connections, 1,124 km of pipelines across SA, Vic, NSW, Qld and NT	Operational services
GDI	20%	**Gas distribution**: 3,060 km of gas mains, 92,700 gas consumer connections in Qld	Operational services Management services Corporate support services
SEA Gas Pipeline	50%	**Gas pipeline**: 680 km pipeline from Iona and Port Campbell, Vic to Adelaide, SA	Maintenance services only
Energy Infrastructure Investments	19.9%	**Gas pipelines**: Telfer Gas Pipeline and lateral (488 km); Bonaparte Gas Pipeline (286 km); Wickham Point Pipeline (13 km) **Electricity transmission cables**: Murraylink (176 km) and Directlink (63 km) **Gas-fired power stations**: Daandine power station (27 MW) and X41 power station (32 MW) **Gas processing facilities**: Kogan North (12 TJ/day) and Tipton West (29 TJ/day)	Operational services Management services Corporate support services
EII2	20.2%	**Wind generation**: North Brown Hill Wind Farm (132 MW), SA	Corporate support services
Ethane Pipeline Income Fund	6.1%	**Ethane pipeline**: 1,375 km from Moomba to Port Botany, Sydney	Operational services Management services Corporate support services
Diamantina Power Station joint venture	50%	**Gas-fired power stations**: Diamantina Power Station (242 MW) currently under development and Leichhardt Power Station (60 MW)	Corporate support services

(1) On 7 August 2014, APA accepted the CKI Consortium's takeover offer for its 33.0% interest in Envestra. APA retains its Operations and Management Agreement on the Envestra assets, which runs to 2027, see page 11.

APA's objective and strategy

APA's objective to maximise the value of APA for its investors is supported by its strategy to:

- focus on expanding and enhancing its natural gas infrastructure portfolio to meet the increasing demand for natural gas services throughout Australia;
- capture revenue and operational synergies from its significant asset base;
- pursue asset development opportunities which leverage APA's existing assets and utilise the depth of its comprehensive asset management and operational skills;
- enhance APA's services to customers, including the development of more flexible and tailored services to better satisfy customer requirements; and
- strengthen its financial capability.

This strategy has been relatively unchanged since listing. Consistent with this strategy, over the 2014 financial year APA commenced, continued or completed the following growth development projects and acquisitions:

- expansion of the Mondarra Gas Storage Facility;
- pipeline capacity expansions on the Victorian Transmission System and Goldfields Gas Pipeline;
- compressor facility projects at Wallumbilla and Moomba;
- development of the east coast grid services and operating framework; and
- development of the Diamantina and Leichhardt gas fired power stations.

FINANCIAL REVIEW

The following table provides a summary of key financial data for the financial year:

YEAR ENDED 30 JUNE	2014 $000	2013 [(1)] $000	CHANGES $000	CHANGES %
Operating results including significant items				
Total revenue	**1,395,992**	1,272,267	123,725	9.7
Pass-through revenue [(2)]	**403,477**	352,743	50,734	14.4
Total revenue excluding pass-through	**992,515**	919,524	72,991	7.9
EBITDA	**747,334**	763,628	(16,294)	(2.1)
Depreciation and amortisation expense	**(156,228)**	(130,461)	(25,767)	(19.8)
EBIT	**591,106**	633,167	(42,061)	(6.6)
Finance costs and interest income	**(325,084)**	(290,916)	(34,168)	(11.7)
Profit before income tax and non-controlling interests	**266,022**	342,251	(76,229)	(22.3)
Income tax benefit/(expense)	**77,684**	(49,869)	127,553	NM
Non-controlling interests	**(1)**	2,764	(2,765)	NM
Profit after income tax and non-controlling interests, including significant items	**343,705**	295,146	48,559	16.5
Significant items after income tax [(3)]	**144,060**	120,030	24,030	20.0
Profit after income tax and non-controlling interests, excluding significant items	**199,645**	175,116	24,529	14.0
Operating cash flow [(4)]	**431,541**	374,381	57,160	15.3
Operating cash flow per security (cents)	**51.6**	48.5	3.1	6.4
Normalised operating cash flow [(5)]	**439,742**	432,639	7,103	1.6
Normalised operating cash flow per security (cents) [(4)]	**52.6**	56.0	(3.4)	(6.1)
Earnings per security – reported (cents)	**41.1**	38.2	2.9	7.6
Earnings per security – normalised (cents) [(6)]	**23.9**	22.7	1.2	5.3
Distribution per security (cents)	**36.25**	35.50	0.75	2.1
Distribution payout ratio [(7)]	**68.9%**	68.2%		
Net tangible asset per security ($)	**1.41**	1.42	(0.01)	(0.7)
Weighted average number of securities (000)	**835,751**	772,314		

(1) APA has adopted revised AASB 119 during the financial year. As the revised standard must be applied retrospectively, comparative numbers have been restated.

(2) Pass-through revenue is revenue on which no margin is earned. Pass-through revenue arises in the asset management operations in respect of costs incurred in, and passed on to Envestra and GDI in respect of, the operation of the Envestra and GDI assets respectively.

(3) Significant items: 2014 relate to a once-off adjustment to APA's tax expense for the financial year to reflect a change in the treatment, for tax depreciation purposes only, of various capital assets; 2013 relate to the acquisition of Hastings Diversified Utilities Fund and the reversal of some costs booked in relation to the sale of the Allgas business in December 2011.

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

(5) Normalised operating cash flow excludes significant items.

(6) Normalised earnings exclude significant items – see page 5.

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

DIRECTORS' REPORT
CONTINUED

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

The following table summarises key reconciling items between statutory profit after tax attributable to the APA securityholders and the normalised financial measures described above:

	2014 (1) $000			2013 (2,3) $000		
	NORMALISED	SIGNIFICANT ITEMS	STATUTORY	NORMALISED	SIGNIFICANT ITEMS	STATUTORY
Revenue excluding pass-through (4)	**992,515**	**–**	**992,515**	919,524	–	919,524
EBITDA	**747,334**	**–**	**747,334**	661,943	101,685	763,628
Depreciation and amortisation expense	**(156,228)**	**–**	**(156,228)**	(130,461)	–	(130,461)
EBIT	**591,106**	**–**	**591,106**	531,482	101,685	633,167
Finance costs and interest income	**(325,084)**	**–**	**(325,084)**	(299,629)	8,713	(290,916)
Profit before income tax and non-controlling interests	**266,022**	**–**	**266,022**	231,853	110,398	342,251
Income tax benefit/(expense)	**(66,376)**	**144,060**	**77,684**	(59,501)	9,632	(49,869)
Non-controlling interests	**(1)**	**–**	**(1)**	2,764	–	2,764
Profit after income tax and non-controlling interests	**199,645**	**144,060**	**343,705**	175,116	120,030	295,146
Operating cash flow (5)	**439,742**	**(8,201)**	**431,541**	432,639	(58,258)	374,381

(1) Significant items: 2014 relate to a once-off adjustment to APA's tax expense for the financial year to reflect a change in the treatment, for tax depreciation purposes only, of various capital assets.

(2) Significant items: 2013 relate to the acquisition of Hastings Diversified Utilities Fund and the reversal of some costs booked in relation to the sale of the Allgas business in December 2011.

(3) APA has adopted revised AASB 119 during the financial year. As the revised standard must be applied retrospectively, comparative numbers have been restated, but without any material impact on previously reported results.

(4) Pass-through revenue is revenue on which no margin is earned. Pass-through revenue arises in the asset management operations in respect of costs incurred in, and passed on to Envestra and GDI in respect of, the operation of the Envestra and GDI assets.

(5) Significant items for operating cash flow: 2014 relate to fees paid to Hastings Funds Management Limited ($8.2 million); 2013 relate to fees paid by Hastings Diversified Utilities Fund to Hastings Funds Management Limited and advisers in respect of the takeover of the fund by APA ($58.3 million).

APA reported profit after tax and non-controlling interests and including significant items of $343.7 million, an increase of 16.5% compared with $295.1 million reported last financial year. APA's 2014 profit includes the significant item of $144.1 million relating to a once-off adjustment to tax expense for the financial year to reflect a change in the treatment, for tax depreciation purposes only, of various capital assets acquired in 2006. This is compared with profit in 2013, which also includes a number of one-off significant items, primarily associated with the Hastings Diversified Utilities Fund ("HDF") acquisition (totalling $120.0 million).

Normalised profit after tax and non-controlling interests (that is, excluding significant items) increased by 14.0% to $199.6 million (2013: $175.1 million).

Revenue (excluding pass-through revenue) increased by $73.0 million to $992.5 million, an increase of 7.9% on last financial year. Normalised EBITDA of $747.3 million was $85.4 million or 12.9% above last financial year (2013: $661.9 million), and in line with APA's guidance for the 2014 financial year of $740 million to $750 million.

The main factors driving the increase in normalised profit and EBITDA include:

- the full 12 months' contribution of the South West Queensland Pipeline and the Pilbara Pipeline System, consolidated since 9 October 2012;
- additional earnings from the expanded Mondarra Gas Storage Facility commissioned July 2013;
- increased performance of Energy Investments; and
- increased customer contributions in Asset Management.

These increases were partially offset by reduced Victorian Gas Transmission earnings as a result of the new access arrangement and the removal of contributions from the Moomba Adelaide Pipeline System, which was consolidated 9 October 2012 and sold 1 May 2013.

Operating cash flow increased by 15.3% to $431.5 million (2013: $374.4 million), and operating cash flow per security increased by 6.4%, or 3.1 cents, to 51.6 cents per security (2013: 48.5 cents).

Operating cash flow was impacted by the one-off payment of $8.2 million during the financial year relating to the NSW Supreme Court's decision in a matter regarding fees payable to Hastings Funds Management Limited, which APA is appealing, and the significant one-off fees of $58.3 million paid by HDF to Hastings Funds Management Limited and HDF's advisers in respect of the takeover by APA in the previous corresponding period.

Excluding these significant items, normalised operating cash flow was up by 1.6% to $439.7 million (2013: $432.6 million) and corresponding operating cash flow per security was down 6.1%, or 3.4 cents, to 52.6 cents per security. This decrease is primarily due to an 8.2% increase in the average number of securities on issue this financial year.

APA's distributions for the financial year totalled 36.25 cents per security, an increase of 2.1%, or 0.75 cents, on last financial year, and in line with its guidance of at least 36 cents per security. The distribution payout ratio of 68.9% based on normalised operating cash flow was slightly higher than the 68.2% ratio last financial year, mainly due to the increased securities on issue. APA continues to fully fund its distributions out of operating cash flows whilst also retaining significant cash in the business to support ongoing growth.

CAPITAL MANAGEMENT

APA securities on issue were unchanged during the financial year, with 835,750,807 securities on issue at 30 June 2014.

During the financial year, APA completed the following financings:

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

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

At 30 June 2014, APA's debt portfolio has a broad spread of maturities extending out to 2024, with an average maturity of drawn debt of 5.4 years. APA's gearing [2] of 64.2% at 30 June 2014 was up from 62.8% at 30 June 2013, as funding for APA's growth infrastructure over the period under review has been drawn from debt as well as operating cash flow remaining in the business.

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

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

BORROWINGS AND FINANCE COSTS

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

Excluding significant items, net finance costs increased by $25.5 million, or 8.5%, to $325.1 million (2013: $299.6 million). The increase is primarily due to increased borrowings. The average interest rate (including credit margins) applying to drawn debt was 7.12 % for the financial year (2013: 7.35%).

APA's interest cover ratio [3] for the financial year, at 2.31 times (2013: 2.30 times), remains well in excess of its debt covenant default ratio of 1.1 times, and distribution lock up ratio of 1.3 times.

CREDIT RATINGS

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

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

INCOME TAX

APA's 2014 profit after tax includes a significant item of $144.1 million relating to a once-off adjustment to tax expense for the financial year to reflect a change in the treatment, for tax depreciation purposes only, of various capital assets acquired in 2006. This resulted in an income tax credit for the financial year of $77.7 million.

Excluding significant items for this financial year and last financial year, the effective income tax rate for the financial year is 25.0%, slightly lower than 25.7% last financial year.

CAPITAL AND INVESTMENT EXPENDITURE [4]

Capital expenditure (including stay-in-business capex) for the financial year totalled $446.7 million compared with $397.4 million last financial year.

Growth project expenditure of $382.5 million was in respect of pipeline capacity expansion in Western Australia, Victoria and New South Wales, and additional compression facilities at Moomba and Wallumbilla. These capital expenditures were generally either fully underwritten through long-term contractual arrangements or have regulatory approval through a relevant access arrangement.

Investment expenditure for the financial year of $126.1 million is the increase in APA's net investment in the Diamantina Power Station joint venture through the provision of shareholder loans as part of its long-term funding commitment to the project.

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

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

4 Capital expenditure represents actual cash payments as disclosed in the cash flow statement, and it excludes accruals brought forward from the prior period and carried forward to the next period.

DIRECTORS' REPORT
CONTINUED

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

CAPITAL AND INVESTMENT EXPENDITURE (1)	DESCRIPTION OF 2014 MAJOR PROJECTS	2014 $ MILLION	2013 $ MILLION
Growth expenditure			
Regulated		**65.5**	22.6
Victorian Transmission System	Winchelsea compression; Northern Interconnect looping		
Major projects			
Queensland	Wallumbilla and Moomba compression	**206.6**	80.8
New South Wales	Moomba Sydney Pipeline southern expansion	**13.2**	23.8
Western Australia	Goldfields Gas Pipeline expansions	**73.4**	208.9
Other	Victorian metering and LNG; maintenance system	**23.8**	29.0
		317.0	342.6
Total growth capex		**382.5**	365.2
Stay-in-business capex		**45.1**	24.7
Customer contributions	Pilbara Pipeline relocation	**19.1**	7.5
Total capital expenditure		**446.7**	397.4
Acquisitions		**–**	330.8
Energy Investments	Diamantina Power Station joint venture	**126.1**	–
Total investment expenditure		**126.1**	330.8
Total capital and investment expenditure		**572.8**	728.2

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

DISTRIBUTIONS

Distributions paid to Securityholders during the financial year were:

	FINAL FY2013 DISTRIBUTION PAID 11 SEPTEMBER 2013		INTERIM FY2014 DISTRIBUTION PAID 12 MARCH 2014	
	CENTS PER SECURITY	TOTAL DISTRIBUTION $000	CENTS PER SECURITY	TOTAL DISTRIBUTION $000
APT profit distribution	16.02	133,877	**14.56**	**121,663**
APT capital distribution	–	–	**0.49**	**4,056**
APTIT profit distribution	2.32	19,424	**2.30**	**19,241**
APTIT capital distribution	0.16	1,313	**0.15**	**1,295**
Total	18.50	154,614	**17.50**	**146,255**

On 20 August 2014, the Directors declared a final distribution for APA for the financial year of 18.75 cents per security which is payable on 10 September 2014 and will comprise the following components:

	FINAL FY2014 DISTRIBUTION PAYABLE 10 SEPTEMBER 2014	
	CENTS PER SECURITY	TOTAL DISTRIBUTION $000
APT profit distribution	**16.42**	**137,239**
APT capital distribution	**–**	**–**
APTIT profit distribution	**2.33**	**19,464**
APTIT capital distribution	**–**	**–**
Total	**18.75**	**156,703**

Total distribution for the financial year ended 30 June 2014 is 36.25 cents per security, an increase of 0.75 cents, or 2.1%, on the prior year.

Distribution information is presented on an accounting classification basis. The APA Group Annual Tax Statement and Annual Tax Return Guide (to be released in September 2014) will provide the classification of distribution components for the purpose of preparation of Securityholder income tax returns.

DIRECTORS' REPORT
CONTINUED

SIGNIFICANT CHANGES IN STATE OF AFFAIRS

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

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

Further information of APA's disposal of its interest in Envestra is found on page 11.

BUSINESS SEGMENT PERFORMANCES AND OPERATIONAL REVIEW

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

			CHANGES	
YEAR ENDED 30 JUNE	**2014 $000**	2013 (1) $000	$000	%
Revenue (continuing business)				
Energy Infrastructure				
Queensland (2)	**271,747**	217,530	54,217	24.9
New South Wales	**133,554**	139,321	(5,767)	(4.1)
Victoria	**153,669**	162,582	(8,913)	(5.5)
South Australia	**2,687**	2,164	523	24.2
Western Australia (3)	**237,564**	196,878	40,686	20.7
Northern Territory	**24,848**	23,001	1,847	8.0
Energy Infrastructure total	**824,069**	741,476	82,593	11.1
Asset Management	**99,171**	82,293	16,878	20.5
Energy Investments	**68,133**	51,180	16,953	33.1
Total segment revenue	**991,373**	874,949	116,424	13.3
Pass-through revenue	**403,477**	352,743	50,734	14.4
Unallocated revenue (interest income)	**1,142**	11,697	(10,555)	(90.2)
Divested business (4)	**–**	32,878	(32,878)	NM
Total revenue	**1,395,992**	1,272,267	123,725	9.7
EBITDA (continuing business)				
Energy Infrastructure				
Queensland (2)	**212,833**	163,748	49,085	30.0
New South Wales	**106,615**	112,085	(5,470)	(4.9)
Victoria	**114,702**	122,973	(8,271)	(6.7)
South Australia	**2,204**	1,732	472	27.3
Western Australia (3)	**173,139**	135,980	37,159	27.3
Northern Territory	**13,520**	11,748	1,772	15.1
Energy Infrastructure total	**623,013**	548,266	74,747	13.6
Asset Management	**56,188**	41,889	14,299	34.1
Energy Investments	**68,133**	51,177	16,956	33.1
Total segment EBITDA	**747,334**	641,332	106,002	16.5
Divested business (4)	**–**	20,611	(20,611)	NM
Total EBITDA before significant items	**747,334**	661,943	85,391	12.9
Significant items (5)	**–**	101,685	(101,685)	NM
Total EBITDA	**747,334**	**763,628**	**(16,294)**	**(2.1)**

(1) APA has adopted revised AASB 119 during the financial year. As the revised standard must be applied retrospectively, comparative numbers have been restated.

(2) Includes the South West Queensland Pipeline revenue and EBITDA contributions from 9 October 2012.

(3) Includes the Pilbara Pipeline System revenue and EBITDA contributions from 9 October 2012.

(4) 2013: Consolidation of the Moomba Adelaide Pipeline System on 9 October 2012 until divestment on 1 May 2013.

(5) Significant items: 2013 relate primarily to one-off items associated with the Hastings Diversified Utilities Fund acquisition.

APA's operations and financial performance during the financial year principally reflects the additional revenue from assets acquired in the 2013 financial year and asset expansions, partially offset by the reduced Victorian Transmission System revenue.

EBITDA in APA's continuing business, which excludes the Moomba Adelaide Pipeline System that was divested on 1 May 2013, increased by $106.0 million, or 16.5%, to $747.3 million.

APA continues to focus on the operation, development and enhancement of its gas transmission and distribution assets, and energy investments across mainland Australia.

ENERGY INFRASTRUCTURE

The Energy Infrastructure segment includes gas transmission and storage assets and the Emu Downs Wind Farm. Revenue from these assets is derived from either regulatory arrangements or capacity-based contracts. Regulatory arrangements on major assets are reviewed every five years. Contracts have a weighted average length in excess of 10 years.

The Energy Infrastructure segment contributed 83% of revenue and EBITDA. Revenue (excluding pass-through revenue) was $824.1 million, an increase of 11.1% on last financial year (2013: $741.5 million). EBITDA increased by 13.6% to $623.0 million on last financial year (2013: $548.3 million).

The following key factors contributed to this result:

- additional contribution from the expanded Mondarra Gas Storage Facility, which commenced commercial operation in July 2013;
- full 12 months' contribution from the South West Queensland Pipeline and the Pilbara Pipeline System, compared with nine months last financial year;
- additional contribution from the expanded Goldfields Gas Pipeline; and
- an increase in volumes through the Victorian Transmission System to New South Wales offset by the reduced regulatory tariffs of the new access arrangement which commenced on 1 July 2013.

East coast gas grid

With the addition of the South West Queensland Pipeline as part of the acquisition of HDF, APA now has a 7,000 km integrated pipeline grid on the east coast of Australia, with the ability to transport gas seamlessly from multiple gas production facilities to gas users across four states.

Customers using the grid now have flexibility in relation to receipt and delivery points, with the potential to move between 30 receipt points and about 100 delivery points on the east coast. APA has developed the commercial and operational framework to deliver this flexibility and other related services, such as multi asset services, bi-directional transportation and gas storage and parking facilities.

During the financial year, three new gas transportation agreements on the Moomba Sydney Pipeline System were executed to facilitate the increased transportation of gas from Victoria to New South Wales via the Victorian Transmission System. The net revenue impact of these agreements is positive, with the resultant increase in revenue on the Victorian Transmission System more than offsetting reduced revenue on the Moomba Sydney Pipeline. The agreements are summarised below:

- in September 2013, APA announced a new gas transportation and storage services agreement with Origin Energy Limited on the Moomba Sydney Pipeline. The agreement has a term of six years, commencing January 2014 and replacing a previous contract transporting gas from Moomba;
- in October 2013, APA announced a new gas transportation agreement with EnergyAustralia Pty Ltd for the delivery of gas sourced from Victoria into New South Wales via APA's Moomba Sydney Pipeline and Victorian Transmission System. The agreement has an initial term of 4.5 years, commencing January 2015, and will replace a current contract between APA and EnergyAustralia for the transportation of gas from Moomba; and
- in November 2013, APA announced a new gas transportation agreement with Lumo Energy providing a revised suite of services from Victoria through to Sydney using the Victorian Transmission System and Moomba Sydney Pipeline. The agreement has a term of five and a half years, commencing January 2015.

The Victorian Transmission System will be expanded to increase the firm peak winter gas flows from Victoria into New South Wales by 145%, at a total cost of approximately $160 million. See Victorian Transmission System (page 10) and Moomba Sydney Pipeline (below) for more detail.

There were also a number of additional gas transportation and storage services agreements executed during the financial year which utilise one or more pipelines on the east coast grid, the most significant being, as announed in June 2014, a new agreement with an existing customer for flexible gas transportation services from multiple receipt and delivery points on the grid – in particular utilising the Moomba Sydney Pipeline – as well as gas storage services. The agreement, which commences in September 2015, is for an initial term of seven years with a further three year option.

Against the backdrop of a very dynamic gas market in the south east of Australia, APA continues to adapt and progressively develop its gas pipeline infrastructure and services in response to the changing needs of customers.

An update on projects and developments is listed below by geographic region:

Queensland

- ***Wallumbilla compression facilities***

  In December 2012, APA announced it would proceed with the development of expanded compression capacity and associated services at Wallumbilla in Queensland. The expansion, totalling $125 million, is underpinned by a 15-year revenue agreement with GLNG Operations Pty Ltd, with a further five to 10 year option.

  Construction continued during the financial year with completion expected prior to January 2015.

- ***Moomba compression facilities and South West Queensland Pipeline eastern haul capital works***

  APA continued the $125 million compression capacity expansion project on the Moomba end of the South West Queensland Pipeline. The project, which commenced during HDF ownership of the asset, will support the west to east gas transportation agreements on the South West Queensland Pipeline. In addition, APA continued capital works on the South West Queensland Pipeline, totalling $75 million, which facilitates eastern haul transportation services and pipeline bi-directional capability. Both capital projects are underpinned by long term revenue contracts.

  Construction continued during the financial year with completion of Moomba compression expected in the second quarter of the 2015 financial year.

New South Wales

- ***Moomba Sydney Pipeline***

  New gas transportation agreements to provide increased gas flow from Victoria into New South Wales were executed during the financial year (see east coast grid on this page). These agreements underpin the $160 million project to increase gas transportation capacity from Victoria into New South Wales, which includes expanding capacity of the Culcairn compressor in southern New South Wales. Capital works commences this financial year, and are scheduled for completion by winter 2015.

DIRECTORS' REPORT
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APA is actively marketing capacity in the medium term to replace contracts expiring in 2016. Options include delivery of supplies from new fields, storage services and the potential for the delivery of southern sourced gas to northern markets.

Victoria

– ***Victorian Transmission System***

Total gas volume transported through the Victorian Transmission System was 233.1 PJ, down 3.0% on last financial year (2013: 240.5 PJ) due to much warmer weather in the financial year and lower industrial demand. This was partially offset by increased gas exports to New South Wales (17.9 PJ in FY14; 16.0 PJ in FY13). Peak day volume of 1,132 TJ was lower than last financial year (2013: 1,212 TJ).

In March 2013, the Australian Energy Regulator ("AER") issued its final decision which did not accept APA's revised access arrangement proposal. The AER subsequently published its own access arrangement for the Victorian Transmission System. APA sought review of the AER's decision to the Australian Competition Tribunal, whose decision was handed down on 18 September 2013. APA was successful in respect of two aspects of the AER's decision, which together represent approximately $20 million in additional revenue over the current access arrangement period.

APA commenced construction of the new $40 million compression facilities at Winchelsea as part of the South West Pipeline augmentation approved in the current access arrangement. Completion is expected in December 2014.

Construction of the first stage of looping of the Northern Interconnect commenced, as part of the $160 million capital projects to provide additional capacity in the northern zone of the system in accordance with regulatory arrangements (Northern Zone augmentation) and new contractual agreements – see east coast grid on page 9.

Western Australia

– ***Goldfields Gas Pipeline***

In December 2011 and January 2012, APA announced two new capacity expansions on the Goldfields Gas Pipeline to supply a new 20-year gas transportation agreement with Rio Tinto and a new 15-year gas transportation agreement with the Mount Newman Joint Venture (85% BHP Billiton). The expansions totalling $150 million (APA's share: $132 million) neared completion during the financial year and will increase the pipeline's capacity by 28% to 205 TJ/d. This additional capacity progressively became available as required under the agreements, with some revenues commencing in October 2013 and set to ramp up fully in the 2015 financial year.

APA has been managing the construction project on behalf of the Goldfields Gas Transmission Joint Venture through which APA owns 88.2% of the Goldfields Gas Pipeline.

APA and Murrin Murrin Operations Pty Limited recontracted for a further 15 years of gas transportation services on the Goldfields Gas Pipeline and Murrin Murrin Lateral, commencing July 2014.

– ***Mondarra Gas Storage Facility***

APA completed the expansion of its Mondarra Gas Storage Facility during the financial year, with commercial operations commencing 23 July 2013. Work commenced in May 2011 following execution of a long-term foundation contract for storage capacity with Synergy (previously Verve Energy). The facility's commercial storage capacity has been increased from 3 PJ to 15 PJ and provides APA's customers with supply options and flexibility to better manage their gas supply and demand portfolios.

Most of the facility's capacity is contracted for at least 20 years with Synergy. During the financial year, APA executed several short term gas storage service agreements with other Western Australian customers, which utilise some of the remaining capacity of the facility.

– ***Eastern Goldfields Pipeline***

In July 2014, APA announced it will further expand its portfolio with the development of a new 292 km gas transmission pipeline, the Eastern Goldfields Pipeline, to supply mining operations in the eastern Goldfields region of Western Australia. The pipeline is underpinned by two new, long term gas transportation agreements with AngloGold Ashanti Australia Limited for the transportation of gas through the Goldfields Gas Pipeline, Murrin Murrin Lateral and the new Eastern Goldfields Pipeline to AngloGold's Sunrise Dam and Tropicana gold mining operations.

APA will construct the Eastern Goldfields Pipeline and associated infrastructure for an estimated total capital cost of $140 million, with completion expected prior to January 2016 when gas transportation services are due to commence.

– ***Pilbara Pipeline System***

APA signed a new gas transportation agreement with Sub 161 for one year, with options to extend the term of the agreement. This required the construction of a new lateral and delivery station totalling $4 million, which is underwritten by the agreement. Sub 161 produces compressed natural gas, supplying mining operations in the Pilbara region.

Northern Territory

– ***Pipeline link between the Northern Territory and south east Australia***

In early 2014, APA commenced a feasibility study to link its pipeline infrastructure in the Northern Territory with its east coast gas grid. The proposed pipeline link will create the opportunity for gas sourced from onshore and offshore fields in the Northern Territory to supply markets in the east, as well as supplying additional gas security for the Northern Territory.

APA expects to complete the feasibility study within two years, at a total cost of approximately $2 million. Any commitment to develop the link will require appropriate long term revenue agreements to underpin the project.

– ***Gas supply to the Australian Agricultural Company meat processing facility***

In March 2014, APA executed a long term agreement to deliver natural gas to the Australian Agricultural Company meat processing facility near Darwin, starting in mid-2014. Under the agreement, gas sourced from the Amadeus Basin will be transported north to the customer's facility via APA's Amadeus Gas Pipeline.

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 Envestra, Ethane Pipeline Income Fund, Energy Infrastructure Investments and GDI. Asset management services are provided to these customers under long term contracts.

Revenue (excluding pass-through revenue) from asset management services increased by $16.9 million or 20.5% to $99.2 million (2013: $82.3 million) and EBITDA increased by $14.3 million or 34.1% to $56.2 million (2013: $41.9 million).

The increase in revenue is due to an increase in customer contributions for relocating APA infrastructure, totalling $23.4 million (2013: $10.2 million), as well as an increase in asset management fees from Envestra, which are calculated as a percentage of revenue.

ENERGY INVESTMENTS

APA has an interest in a number of energy investments across Australia, including Envestra, SEA Gas Pipeline, Energy Infrastructure Investments, Ethane Pipeline Income Fund, EII2 and GDI. APA holds a number of roles in respect of the majority of these investments, in addition to its ownership interest. All investments are equity accounted, with the exception of APA's interest in Ethane Pipeline Income Fund.

DIRECTORS' REPORT
CONTINUED

EBITDA from these investments increased by 33.1% to $68.1 million, up from $51.2 million last financial year, mainly due to the increase in Envestra's profitability.

At 30 June 2014, APA's interest in Envestra was 33.0%. On 7 August 2014, APA accepted CKI Consortium's offer for all its Envestra shares, exiting its investment in Envestra. However, APA will continue to operate Envestra's assets under an Operating and Management agreement that expires in 2027 – see below.

PROJECT UNDER DEVELOPMENT – DIAMANTINA POWER STATION AND LEICHHARDT POWER STATION

APA and AGL Energy are jointly developing the Diamantina Power Station and Leichhardt Power Station at Mount Isa, Queensland through a 50:50 owned joint venture. The Diamantina Power Station is a 242 MW combined cycle gas-fired power station. The adjacent Leichhardt Power Station is a 60 MW open cycle gas-fired power station which will provide back-up generation in support of availability commitments to customers. The power stations will be supplied with gas via APA's Carpentaria Gas Pipeline.

The power stations are underpinned by long term energy supply agreements through to 2031 with Mount Isa Mines Limited, a wholly owned subsidiary of Glencore Xstrata, and Ergon Energy, Queensland's state-owned regional electricity supplier. Under the arrangements, AGL has contracted transportation capacity in the Carpentaria Gas Pipeline for an initial ten-year period.

In early October 2013, the Diamantina Power Station delivered its first power into the Mount Isa electricity grid as part of the commissioning of the first 40MW open cycle gas turbine generator. In January 2014, it commenced supplying power commercially to one of its two major customers. Full combined cycle operation is due to commence in the last quarter of calendar 2014. The Leichhardt Power Station was commissioned and became fully operational in July 2014.

APA EXITS ITS INVESTMENT IN ENVESTRA

On 17 December 2013, APA and Envestra agreed to progress a scheme of arrangement proposal to combine the two businesses following a revised proposal from APA, which implied a value of $1.17 per Envestra share (based on an APA share price of $6.0974, the APA 30 day VWAP at close of business on 11 December 2013). Following completion of confirmatory due diligence, receipt of certain binding confirmations from Envestra's financiers and the issue of an Independent Expert Report, APA and Envestra entered into a Scheme Implementation Agreement, with an expected implementation date of early June 2014.

However, on 8 May 2014, Envestra received a non-binding proposal from the CKI Consortium. Following due diligence and relevant approvals, on 30 May 2014 Envestra entered into a Bid Implementation Agreement with the CKI Consortium for a price of $1.32 per Envestra share, plus an entitlement to a final dividend of 3.5 cents per share, which was paid on 25 July 2014. As a result, Envestra terminated the Scheme Implementation Agreement with APA.

The CKI Consortium formalised its bid for Envestra in its Bidder's Statement dated 20 June 2014, with the offer open for acceptance from 4 July 2014 to 8 August 2014 (unless extended or withdrawn).

On 7 August 2014, APA accepted the CKI Consortium offer for all its Envestra shares. APA will receive $784 million in consideration, in addition to the $21 million final dividend paid by Envestra on 25 July 2014.

The CKI Consortium offer is now expected to close on 21 August 2014.

APA retains its Operations and Management Agreement on the Envestra assets, which runs to 2027. Under that agreement, APA is paid all actual costs and disbursements reasonably incurred or outlaid by APA in the performance of its obligations under the agreement, and a management fee of 3% of the total network revenue Envestra receives from the assets that APA manages.

TOTAL SECURITYHOLDER RETURN

During the financial year, APA's market capitalisation increased by 15.0% to $5.76 billion at 30 June 2014. Distributions declared during the financial year amounted to 36.25 cents per APA security. APA's total securityholder return for the financial year, which accounts for the capital appreciation of APA's security price and assumes the reinvestment of distributions at the declared time, was 21.6%, placing APA in the top 39th percentile of one year total shareholder returns for the financial year and top 14th percentile of three year total shareholder returns for ASX 100 listed companies [5]. APA's 10-year total securityholder return is 492%, a compound annual growth rate of 19.5%.

REGULATORY MATTERS

Key regulatory matters addressed during the financial year included:

Victorian Transmission System access arrangement

In April 2012, APA submitted a revised access arrangement proposal for the Victorian Gas Transmission System for the period 2013 to 2017. In March 2013, the AER issued its final decision in which it did not accept APA's proposal. The AER subsequently published its own access arrangement for the Victorian Transmission System.

The AER's final decision includes a reduction in revenue that resulted from, among other matters, a lower capital base reflecting lower actual capital expenditure in the previous access arrangement period and a significantly lower allowed rate of return.

APA sought review of the AER's decision by the Australian Competition Tribunal, whose decision was issued on 18 September 2013. APA was successful in respect of two aspects of the review of the AER's decision, which together represent approximately $20 million in additional revenue over the current access arrangement period.

Rate of return guidelines

In December 2013, each of the AER and the Economic Regulation Authority ("ERA") published their respective initial Rate of Return Guideline, as required by changes to the National Gas Rules implemented in 2012. The guidelines highlight that the Capital Asset Pricing Model continues to dominate each of the Regulators' respective approaches to determining the cost of equity. These guidelines are not binding and service providers in their access arrangements proposals to the AER and ERA can argue for departure from the relevant guideline.

HEALTH, SAFETY AND ENVIRONMENT

Health and safety reporting

The Lost Time Injury Frequency Rate ("LTIFR") [6] for APA employees was 0.7 for the financial year, down from 2.1 last financial year. There were two employee and three contractor lost time injuries during the financial year, which is four fewer lost time injuries compared with the prior financial year.

APA aims to be a "zero harm" workplace for its employees, contractors and the broader communities in which it operates. During the financial year, APA launched its three year Strategic Improvement Plan, introducing 12 of its 17 initiatives, including Leading Zero Harm. These initiatives were implemented across all areas of APA's business, and have contributed to the improvement in this financial year's health and safety performance.

The Strategic Improvement Plan was developed following a corporate wide health and safety cultural survey in early 2013. Implementation of the plan is improving APA's understanding of the hazards and risks in its business, identifying the controls needed to eliminate or mitigate these risks and validating this with a robust assurance framework.

5 Figures quoted are sourced from IRESS and measured as at 30 June 2014.

6 Lost Time Injury Frequency Rate is calculated as the work hours lost as a result of injury at work, multiplied by one million, divided by the total hours worked.

DIRECTORS' REPORT
CONTINUED

Other activities implemented during the financial year include:

- a new risk-based approach to health and safety audits, which provides more targeted compliance with APA's Health, Safety and Environment system;
- an improved hazard profiling process that allows for a better understanding of the workplace health and safety risks in each business unit and operational site across APA; and
- a new suite of safety performance measures, which include lead indicators that measure performance against the proactive safety measures.

APA encourages healthy living and for the sixth year sponsored employees are participating in the Global Corporate challenge. 37 teams (259 APA employees) commenced a 16 week walking challenge with the aim of increasing the number of steps they take and improving overall physical fitness. In addition, APA provided an annual flu vaccination program and a confidential employee assistance program that provides services to employees and their immediate families.

Environmental regulations

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

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

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

The Safety and Operating Plan for APA's distribution network has been audited in accordance with New South Wales technical regulatory requirements.

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

Environmental reporting

In October 2013, APA complied with Australia's National Greenhouse and Energy Reporting ("NGER") obligations for the 2013 financial year. Energy reporting for the 2014 financial year will be submitted in October 2014.

APA's main sources of emissions are from the combustion of natural gas in compressor stations and from fugitive emissions associated with natural gas pipelines. NGER compliance reporting applied to assets under APA's operational control, which include Roma Brisbane Pipeline, Moomba Sydney Pipeline, South West Queensland Pipeline, Northern Territory Natural Gas Distribution Network, Goldfields Gas Pipeline (88.2% ownership), Diamantina Power Station (50% equity ownership) and Allgas (20% equity ownership).

APA's summary of Scope 1 emissions and energy consumption for the 2013 financial year are set out in the following table:

FINANCIAL YEAR	2013	2012	CHANGE	
Scope 1 CO^2 emissions (tonnes)	**322,827**	327,239	(4,412)	(1.4)%
Energy consumption (GJ) (1)	**2,791,839**	2,886,506	(94,667)	(3.3)%

(1) In 2013 APA amended its NGER reporting methodology for energy consumption. 2012 figures have been adjusted to reflect this change

Carbon legislation and repeal

A major element of the Clean Energy Act 2011, passed by the Senate on 8 November 2011, was the introduction of legislation to reduce carbon emissions. The legislation put a price on carbon emissions from 1 July 2012.

However, in July 2014, the carbon price legislation was repealed effective 1 July 2014. Consequently, the 2014 financial year is the final year for carbon liability compliance. The Federal Government has proposed the Emissions Reduction Fund as a replacement for the existing carbon legislation.

During the financial year APA recovered all its carbon related costs. From 1 July 2014 APA will no longer have a carbon liability and will remove any pass-through carbon charges from customers' charges.

RISK OVERVIEW

APA identifies risks to the business and puts in place mitigation actions to remove or minimise the negative impact and maximise the opportunities in respect of these risks. Material risks are reviewed on an ongoing basis by APA's Executive Risk Management Committee and the Board Audit and Risk Management Committee, together with the relevant business units and internal experts. Further information on this process is provided in APA's Corporate Governance Statement (refer to Principle 7).

Risk assessment considers a combination of the probability and consequence of risks occurring. Listed below are the key risks identified that could materially affect APA negatively. However, the materiality of risks may change and previously unidentified risks may emerge. These risks should be considered in connection with any forward looking statement by APA in this document or elsewhere.

Key risks

Economic regulation

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

Bypass and competitive risk

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

Gas demand risk

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

DIRECTORS' REPORT
CONTINUED

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

Counterparty risk
The failure of a counterparty to meet its contractual commitments to APA, whether in whole or in part, would reduce future anticipated revenue unless and until APA is able to secure an alternative customer. Counterparty risk also arises when contracts are entered into for derivatives with financial institutions. Exposures are regularly monitored in accordance with APA's Treasury Risk Management Policy.

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

APA has borrowings extending through to 2022. Access to continuing financing sources to extend and/or refinance debt facilities will be important. An inability to secure new debt facilities at a similar quantum and cost to existing debt facilities may adversely affect APA's operations and/or financial position and performance.

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

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

Operational risk
APA is exposed to a number of operational risks such as equipment failures or breakdowns, rupture of pipelines, information technology systems failures or breakdowns, employee or equipment shortages, contractor default, unplanned interruptions, damage by third parties and unforeseen accidents. Operational disruption, or the cost of repairing or replacing damaged assets, could adversely impact APA's earnings. Insurance policies may only provide protection for some, but not all, of the costs that may arise from unforeseen events.

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

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

GUIDANCE FOR 2015 FINANCIAL YEAR
Based on current operating plans, APA expects statutory EBITDA for the full year to 30 June 2015 to be in a range of $1,170 million to $1,190 million, inclusive of a once-off profit on sale of APA's Envestra shares of around $430 million. APA expects normalised EBITDA to be in the range of $740 million to $760 million, which represents an increase of approximately 6% to 9% on the 2014 financial year EBITDA of APA's continuing business, which excludes equity accounted earnings from Envestra of $50.1 million.

Net interest cost for the 2015 financial year is expected to be in a range of $315 million to $325 million.

Distribution per security for the 2015 financial year is expected to be at least equal to that paid in respect of the 2014 financial year, that is, at least 36.25 cents per security.

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

INFORMATION ON DIRECTORS AND COMPANY SECRETARY
Information relating to the qualifications and experience of the Directors and Company Secretary is set out below:

Leonard Bleasel AM
FAICD FAIM
Independent Chairman
Appointed 28 August 2007

Appointed Chairman
30 October 2007

Leonard (Len) Bleasel had a long career in the energy industry before retiring from management in 2001. He started his career in AGL in 1958 and worked in a variety of roles, culminating in the position of Managing Director and CEO from 1990 to 2001.

Len is Chairman of the Taronga Conservation Society Australia and the Advisory Council for CIMB Securities International (Australia) Pty Limited.

Len's past appointments have included lead non-executive director of QBE Insurance Group Limited, Chairman of Foodland Associated Limited, ABN AMRO Australia Holdings Pty Limited, Solaris Power, the Australian Gas Association, Natural Gas Corporation Holdings Ltd (New Zealand), Elgas Ltd, Auscom Holdings Pty Ltd, Industrial Pipe Systems Pty Ltd and East Australian Pipeline Ltd, a director of St George Bank Limited and Gas Valpo (Chile), and Vice President of the Royal Blind Society.

Len was awarded an AM in the General Division of the Order of Australia for services to the Australian gas and energy industries and the community.

DIRECTORS' REPORT
CONTINUED

Michael McCormack
BSurv GradDipEng
MBA FAICD
Chief Executive Officer and Managing Director
Appointed Managing Director 1 July 2006

Michael (Mick) McCormack has been Chief Executive Officer of APA since 1 July 2005 and Managing Director since 1 July 2006. He has over 25 years' experience in the gas infrastructure sector in Australia and his career has encompassed all aspects of the sector including commercial development, design, construction, operation and management of most of Australia's natural gas pipelines and gas distribution systems.

Mick is a Director of Envestra Limited and formerly a Director of the Australian Pipeline Industry Association and the Australian Brandenburg Orchestra.

Steven Crane
BComm FAICD SF Fin
Independent Director
Appointed 1 January 2011

Steven (Steve) Crane has over 30 years' experience in the financial services industry. His background is in investment banking, having previously been Chief Executive Officer of ABN AMRO Australia and BZW Australia.

Steve has considerable experience as a non-executive Director of listed entities. He is currently Chairman of nib holdings limited, a Director of Bank of Queensland Limited, Transfield Services Limited and Taronga Conservation Society Australia, and a member of the Advisory Council for CIMB Securities International (Australia) Pty Limited. He was formerly Chairman of Adelaide Managed Funds Limited and Investa Property Group Limited, a Director of Adelaide Bank Limited, Foodland Associated Limited and APA Ethane Limited, the responsible entity of Ethane Pipeline Income Fund, and a member of the Advisory Council RBS Group (Australia) Pty Limited.

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

John Fletcher
BSc MBA FAICD
Independent Director
Appointed 27 February 2008

John Fletcher has over 35 years' experience in the energy industry, having held a number of executive positions in AGL prior to his retirement in 2003, including Chief Financial Officer. John has previously been a Director of Integral Energy, Natural Gas Corporation Holdings Ltd (New Zealand), Foodland Associated Limited, Sydney Water Corporation and Alinta Energy Group. He brings a wide commercial and financial practical knowledge to the Board.

John was previously an AGL appointed Director of Australian Pipeline Limited from 2000 to 2005.

John is the Chairman of the Remuneration Committee and a member of the Audit and Risk Management Committee.

Russell Higgins AO
BEc FAICD
Independent Director
Appointed 7 December 2004

Russell Higgins has extensive experience both locally and internationally in the energy sector and in economic and fiscal policy. He was Secretary and Chief Executive Officer of the Department of Industry, Science and Resources from 1997 to 2002 and Chairman of the Australian Government's Energy Task Force from 2003 to 2004.

Russell is a Director of Telstra Corporation Limited, Argo Investments Limited and the St James Ethics Foundation.

He is a former Chairman of the CSIRO Energy Transformed Flagship Advisory Committee, the Snowy Mountains Council and the Australian Government's Management Improvement Advisory Committee, and a former Director of Leighton Holdings Limited, Ricegrowers Limited (trading as SunRice), Australian Biodiesel Group Limited, EFIC, CSIRO, Austrade and the Australian Industry and Development Corporation, as well as a former member of the Australian Government's Joint Economic Forecasting Group. In 2006-07, he was a member of the Prime Ministerial Task Group on Emissions Trading.

Russell is Chairman of the Health Safety and Environment Committee and a member of the Audit and Risk Management Committee.

Patricia McKenzie
LLB FAICD
Independent Director
Appointed 1 January 2011

Patricia McKenzie has considerable expertise and experience in energy market regulation and, as a qualified solicitor, extensive corporate legal experience. She is currently Chair of Healthdirect (National Health Call Centre Network Limited) and a Director of Macquarie Generation, and was formerly a Director of Australian Energy Market Operator Limited (AEMO), the national energy market operator for electricity and gas, and the Chief Executive Officer of Gas Market Company Limited, the market administrator for retail competition in the gas industry in New South Wales and the Australian Capital Territory.

Patricia is a member of the Health Safety and Environment Committee and the Remuneration Committee.

Robert Wright
BCom FCPA
Independent Director
Appointed 11 February 2000

Robert Wright has over 30 years' financial management experience, having held a number of Chief Financial Officer positions, including Finance Director of David Jones Limited. He is currently the Chairman of Super Retail Group Limited and APA Ethane Limited, the responsible entity of Ethane Pipeline Income Fund, and was previously Chairman of SAI Global Limited, Dexion Limited and RCL Group Limited.

Robert is the Chairman of the Audit and Risk Management Committee and a member of the Health Safety and Environment Committee.

Mark Knapman
BCom LLB FGIA FCIS
Company Secretary
Appointed 16 July 2008

In addition to being responsible for the secretariat function, Mark Knapman oversees corporate governance and the legal, internal audit and financial services compliance functions.

Mark has extensive experience as a Company Secretary. He was Company Secretary and General Counsel of an ASX-listed company and Asia Pacific Legal Counsel and Company Secretary for a US multinational company prior to joining APA. Prior to those roles he was a partner of an Australian law firm.

Mark is a Fellow of the Governance Institute of Australia (formerly Chartered Secretaries Australia) and the Institute of Company Secretaries and Administrators, and is admitted to practice as a solicitor.

DIRECTORS' REPORT
CONTINUED

DIRECTORSHIPS OF OTHER LISTED COMPANIES

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

NAME	COMPANY	PERIOD OF DIRECTORSHIP
Leonard Bleasel AM	QBE Insurance Group Limited	January 2001 to September 2012
Michael McCormack	Envestra Limited	Since July 2007
Steven Crane	Transfield Services Limited	Since February 2008
	Bank of Queensland Limited	Since December 2008
	nib holdings limited	Since September 2010
John Fletcher	–	–
Russell Higgins AO	Telstra Corporation Limited	Since September 2009
	Argo Investments Limited	Since September 2011
	Ricegrowers Limited	December 2005 to August 2012
	Leighton Holdings Limited	June 2013 to May 2014
Patricia McKenzie	–	–
Robert Wright	Super Retail Group Limited	Since May 2004
	APA Ethane Limited (1)	Since July 2008
	SAI Global Limited	October 2003 to October 2013
	RCL Group Limited	May 2006 to February 2012

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

OPTIONS GRANTED

In this report, the term "APA securities" refers to the 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.

INDEMNIFICATION OF OFFICERS AND EXTERNAL AUDITOR

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

Australian Pipeline Limited, in its capacity as Responsible Entity of Australian Pipeline Trust and APT Investment Trust, indemnifies each person who is or has been a Director or Company Secretary 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. This indemnity may extend to such other officers or former officers of APA Group entities as the Board, in its discretion, in each case determines. The indemnity operates to the full extent allowed by law but only to the extent not covered by insurance, and is on terms the Board considers usual for arrangements of this type.

Under its constitution, 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

DIRECTORS' MEETINGS

During the financial year, 20 Board meetings, three Remuneration Committee meetings, four Audit and Risk Management Committee meetings and three Health Safety and Environment Committee meetings were held. The following table sets out the number of meetings attended by each Director while they were a Director or a committee member:

	BOARD		REMUNERATION COMMITTEE		AUDIT AND RISK MANAGEMENT COMMITTEE		HEALTH SAFETY AND ENVIRONMENT COMMITTEE	
DIRECTORS	A	B	A	B	A	B	A	B
Leonard Bleasel AM (1)	20	20	–	–	–	–	–	–
Michael McCormack	20	20	–	–	–	–	–	–
Steven Crane	20	20	3	3	4	4	–	–
John Fletcher	20	20	3	3	4	4	–	–
Russell Higgins AO	20	20	–	–	4	4	3	3
Patricia McKenzie	20	20	3	3	–	–	3	3
Robert Wright	20	20	–	–	4	4	3	3

A: Number of meetings held during the time the Director held office or was a member of the committee during the financial year.
B: Number of meetings attended.
(1) The Chairman attended all committee meetings ex officio.

DIRECTORS' SECURITYHOLDINGS

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

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

DIRECTORS	FULLY PAID SECURITIES AS AT 1 JULY 2013	SECURITIES ACQUIRED	SECURITIES DISPOSED	FULLY PAID SECURITIES AS AT 30 JUNE 2014
Leonard Bleasel AM	460,664	–	–	460,664
Michael McCormack	208,590	–	–	208,590
Steven Crane	100,000	–	–	100,000
John Fletcher	66,188	–	–	66,188
Russell Higgins AO	92,040	–	–	92,040
Patricia McKenzie	12,500	–	–	12,500
Robert Wright	39,444	–	–	39,444
	979,426	–	–	979,426

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.

DIRECTORS' REPORT
CONTINUED

REMUNERATION REPORT

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

AUDITOR

AUDITOR'S INDEPENDENCE DECLARATION

A copy of the independence declaration of the auditor, Deloitte Touche Tohmatsu ("Auditor") as required under section 307C of the Corporations Act 2001 is included at page 97.

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 45 to the financial statements.

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

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

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 46 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 at the end of the financial year, are disclosed in Note 31 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 included in Note 3 to the financial statements.

ROUNDING OF AMOUNTS

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

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

On behalf of the Directors

Leonard Bleasel AM	**Robert Wright**
Chairman	Director

SYDNEY, 20 August 2014

REMUNERATION REPORT

INTRODUCTION

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

This report explains our approach to remuneration and sets out key 2014 remuneration details for the Directors of the Responsible Entity and key management personnel of APA.

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

DIRECTORS OF THE RESPONSIBLE ENTITY [1]	
Leonard Bleasel AM	Chairman APA Group
Michael McCormack	Chief Executive Officer and Managing Director
Steven Crane	
John Fletcher	Chairman Remuneration Committee
Russell Higgins AO	Chairman Health Safety and Environment Committee
Patricia McKenzie	
Robert Wright	Chairman Audit and Risk Management Committee
KEY MANAGEMENT PERSONNEL	
Michael McCormack	Chief Executive Officer and Managing Director
Peter Fredricson	Chief Financial Officer
Ross Gersbach	Chief Executive Strategy and Development
Robert Wheals	Group Executive Transmission
John Ferguson	Group Executive Networks
Kevin Lester	Group Executive Infrastructure Development
Stephen Ohl [2]	Group Executive Strategic Projects
Mark Knapman	Company Secretary
Peter Wallace	Group Executive Human Resources

(1) The Directors are defined as "key management personnel" under accounting standard AASB 124 – Related Party Disclosures ("AASB 124") and are presented separately in this report.
(2) Stephen Ohl retired with effect from 1 July 2013.

HAVE THERE BEEN ANY CHANGES TO THE EXECUTIVE REMUNERATION STRUCTURE DURING FY2014?

There have been no changes to the remuneration structure during FY2014.

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

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

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

Thirdly, consistent with emerging good governance, last year the Board introduced an Executive Remuneration Clawback Policy which provides that, in the event of a material misstatement in the year end accounts for the preceding three years (which may affect one or more key management personnel), the Board at its discretion may clawback some or all of any STI or LTI award or LTI grant not yet vested. The policy appears on the Group website.

REMUNERATION COMMITTEE

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

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

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

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

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

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

OUR APPROACH TO NON-EXECUTIVE DIRECTOR REMUNERATION

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

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

Non-executive Director remuneration comprises:

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

REMUNERATION REPORT
CONTINUED

The Board determines base board fees and committee fees annually. It acts on advice from the Remuneration Committee which obtains external benchmark information from independent remuneration specialists. Such information includes market comparisons paid by comparable companies in the ASX 100.

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

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

Board and committee fees

Following external benchmarking and a review of APA's performance relative to other companies, base board fees and fees for serving on a committee of the Board were increased effective 1 January 2014.

Base board fees and committee fees are outlined below.

	FEES (1)	CHAIRMAN $000/PA	MEMBER $000/PA
Effective 1 January 2014	Board fees	370	129
	Remuneration Committee fees	32	16
	Audit and Risk Management Committee fees	38	19
	Health Safety and Environment Committee fees	32	16
Effective 1 January 2013 to 31 December 2013	Board fees	330	120
	Remuneration Committee fees	31	15.5
	Audit and Risk Management Committee fees	37	18.5
	Health Safety and Environment Committee fees	31	15.5

(1) Excludes superannuation guarantee levy.

Total remuneration earned and received

The following table outlines the total remuneration earned and received by non-executive Directors during FY2014, calculated in accordance with applicable accounting standards.

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

(1) The remuneration for the Chief Executive Officer and Managing Director, Michael McCormack, is included with the remuneration disclosures for key management personnel for FY2014 on page 26.

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

REMUNERATION REPORT
CONTINUED

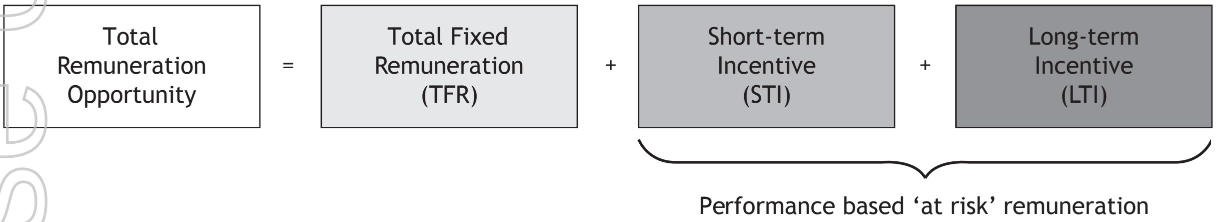
OUR APPROACH TO EXECUTIVE REMUNERATION

What is our executive remuneration strategy?

Our executive remuneration strategy is to:

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

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

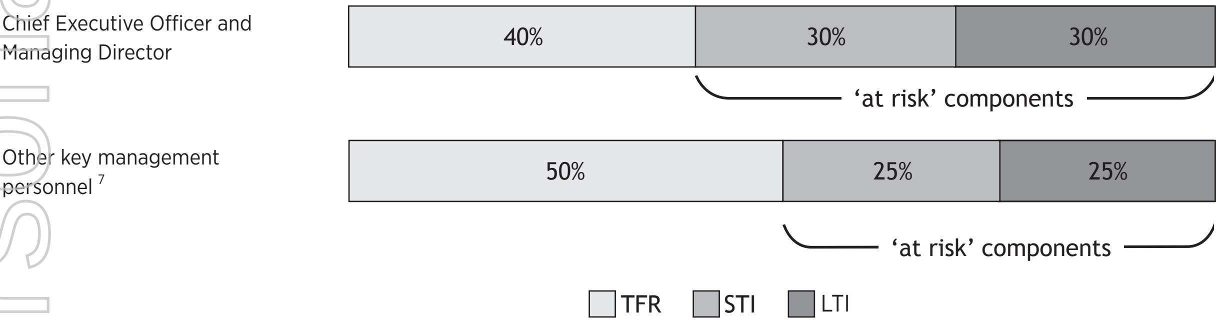


Each individual's TRO is dependent on their level in the organisation and their capacity to influence outcomes.

What is the remuneration mix?

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

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



An overview of remuneration components

Each remuneration component has a different purpose:

REMUNERATION COMPONENT	PURPOSE	HOW REWARD IS DELIVERED
Total Fixed Remuneration ("TFR")	To reflect the market value of the role and the individual's skills and experience.	The total of base salary (which includes cash, superannuation guarantee levy, vehicles and parking) and incidental benefits paid in monthly instalments.
'AT RISK' COMPONENTS		
Short-term incentive ("STI")	To reward strong performance against the achievement of specific business objectives.	Cash-based incentive based on a mix of financial and non-financial key performance indicators paid annually after the audited accounts are approved.
Long-term incentive ("LTI")	To link executive reward with securityholder value.	Cash-settled incentive based on achievement of an annual Board-mandated set of performance hurdles paid in three equal annual instalments starting one year after the year of allocation.

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

TOTAL FIXED REMUNERATION ("TFR")

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

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

'AT RISK' REMUNERATION

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

SHORT-TERM INCENTIVE ("STI")

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

What are the performance hurdles of the STI plan?

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

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

The KPIs are designed to put a proportion of executive remuneration 'at risk' against meeting individual KPIs linked to:

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

How is performance measured?

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

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

What is the value of the STI opportunity?

The STI amount payable is capped, the Chief Executive Officer's STIs at 150% of 30% of TRO, and his direct reports' STI at 150% of 25% of TRO [8].

How is the STI reward delivered?

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

For FY2014, the STI outcomes are shown in the table below for key management personnel:

KEY MANAGEMENT PERSONNEL [(1)]	STI EARNED ($)	STI EARNED (%)	STI FORFEITED ($)	STI FORFEITED (%)
Michael McCormack	1,463,962	91.0%	144,788	9.0%
Peter Fredricson	534,375	95.0%	28,125	5.0%
Ross Gersbach	512,595	86.4%	80,655	13.6%
Robert Wheals	341,090	91.0%	33,910	9.0%
John Ferguson	304,463	88.3%	40,537	11.7%
Kevin Lester	269,955	85.7%	45,045	14.3%
Mark Knapman	236,445	90.7%	24,245	9.3%
Peter Wallace	296,204	85.3%	51,047	14.7%

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

LONG-TERM INCENTIVE ("LTI")

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

WHAT ARE THE KEY PERFORMANCE HURDLES OF THE LTI PLAN?

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

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

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

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

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

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

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

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

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

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

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

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

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

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

For FY2014, the actual LTI performance achieved was 79.8% for TSR against S&P ASX 100 and 100% for EBITDA/FE growth. LTI allocations are shown in the table below for all key management personnel:

KEY MANAGEMENT PERSONNEL [(1)]	LTI EARNED ($)	LTI FORFEITED ($)
Michael McCormack	946,017	644,733
Peter Fredricson	337,069	225,431
Ross Gersbach	355,495	237,755
Robert Wheals	224,713	150,287
John Ferguson	206,736	138,264
Kevin Lester	188,759	126,241
Mark Knapman	156,214	104,476
Peter Wallace	208,084	139,166

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

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

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

Changes to LTI TSR methodology for FY2015
As APA has been included in the S&P ASX 100 index for the last three years, the Remuneration Committee considers it appropriate that in future, commencing in FY2015, the TSR be measured over a three year cycle to remove short term fluctuations and more closely reflect the longer term intent of the LTI plan.

Movements in LTI and current LTI reference units outstanding

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

KEY MANAGEMENT PERSONNEL	GRANT DATE	OPENING BALANCE AT 1 JULY 2013	ALLOCATED	PAID	FORFEITED	CLOSING BALANCE AT 30 JUNE 2014	REFERENCE UNITS SUBJECT TO ALLOCATION BY THE BOARD IN AUGUST 2014 (1)	BALANCE OF REFERENCE UNITS (2)	REFERENCE UNITS ALLOCATED THAT HAVE NOT YET VESTED OR BEEN PAID AND THE YEARS IN WHICH THEY WILL VEST (2)			
									2014 (3)	2015	2016	2017
Michael McCormack	2010	66,227	–	(66,227)	–	–			–	–	–	–
	2011	138,746	–	(69,373)	–	69,373			69,373	–	–	–
	2012	191,016	–	(63,672)	–	127,344			63,672	63,672	–	–
	2013		178,188	–	–	178,188			59,396	59,396	59,396	–
	2014						131,223		–	43,741	43,741	43,741
								506,128	**192,441**	**166,809**	**103,137**	**43,741**
Peter Fredricson	2010	26,923	–	(26,923)	–	–			–	–	–	–
	2011	57,308	–	(28,654)	–	28,654			28,654	–	–	–
	2012	76,029	–	(25,343)	–	50,686			25,343	25,343	–	–
	2013		65,238	–	–	65,238			21,746	21,746	21,746	–
	2014						45,882		–	15,294	15,294	15,294
								190,460	**75,743**	**62,383**	**37,040**	**15,294**
Ross Gersbach	2010	30,692	–	(30,692)	–	–			–	–	–	–
	2011	65,352	–	(32,676)	–	32,676			32,676	–	–	–
	2012	86,067	–	(28,689)	–	57,378			28,689	28,689	–	–
	2013		71,664	–	–	71,664			23,888	23,888	23,888	–
	2014						48,390		–	16,130	16,130	16,130
								210,108	**85,253**	**68,707**	**40,018**	**16,130**
Robert Wheals	2010	11,307	–	(11,307)	–	–			–	–	–	–
	2011	22,170	–	(11,085)	–	11,085			11,085	–	–	–
	2012	32,723	–	(10,907)	–	21,816			10,908	10,908	–	–
	2013		40,407	–	–	40,407			13,469	13,469	13,469	–
	2014						30,588		–	10,196	10,196	10,196
								103,896	**35,462**	**34,573**	**23,665**	**10,196**

Movements in LTI and current LTI reference units outstanding
Continued

KEY MANAGEMENT PERSONNEL	GRANT DATE	OPENING BALANCE AT 1 JULY 2013	ALLOCATED	PAID	FORFEITED	CLOSING BALANCE AT 30 JUNE 2014	REFERENCE UNITS SUBJECT TO ALLOCATION BY THE BOARD IN AUGUST 2014 (1)	BALANCE OF REFERENCE UNITS (2)	REFERENCE UNITS ALLOCATED THAT HAVE NOT YET VESTED OR BEEN PAID AND THE YEARS IN WHICH THEY WILL VEST (2)			
									2014 (3)	2015	2016	2017
John Ferguson	2010	11,063	–	(11,063)	–	–			–	–	–	–
	2011	21,588	–	(10,794)	–	10,794			10,794	–	–	–
	2012	31,965	–	(10,655)	–	21,310			10,655	10,655	–	–
	2013		37,293	–	–	37,293			12,431	12,431	12,431	–
	2014						28,140		–	9,380	9,380	9,380
								97,537	**33,880**	**32,466**	**21,811**	**9,380**
Kevin Lester (4)	2013		30,630	–	–	30,630			10,210	10,210	10,210	–
	2014						25,692		–	8,564	8,564	8,564
								56,322	**10,210**	**18,744**	**18,744**	**8,564**
Stephen Ohl (5)	2010	22,346	–	(22,346)	–	–			–	–	–	–
	2011	45,243	–	(22,621)	–	22,622			22,622	–	–	–
	2012	58,967	–	(19,655)	–	39,312			19,656	19,656	–	–
	2013		47,712	–	–	47,712			15,904	15,904	15,904	–
	2014						–		–	–	–	–
								109,646	**58,182**	**35,560**	**15,904**	**–**
Mark Knapman	2010	14,622	–	(14,622)	–	–			–	–	–	–
	2011	29,122	–	(14,561)	–	14,561			14,561	–	–	–
	2012	37,794	–	(12,598)	–	25,196			12,598	12,598	–	–
	2013		30,741	–	–	30,741			10,247	10,247	10,247	–
	2014						21,264		–	7,088	7,088	7,088
								91,762	**37,406**	**29,933**	**17,335**	**7,088**
Peter Wallace	2011	7,276		(3,638)	–	3,638			3,638	–	–	–
	2012	39,332		(13,110)	–	26,222			13,111	13,111	–	–
	2013		36,027	–	–	36,027			12,009	12,009	12,009	–
	2014						28,323		–	9,441	9,441	9,441
								94,210	**28,758**	**34,561**	**21,450**	**9,441**

(1) Reference units subject to Board allocation in August 2014 based on an estimated VWAP of $7.3464.
(2) Includes reference units subject to allocation by the Board in August 2014.
(3) Reference units multiplied by 30 trading days VWAP to be paid in cash in September 2014.
(4) Kevin Lester joined APA on 6 August 2012.
(5) Stephen Ohl retired with effect from 1 July 2013.

REMUNERATION REPORT
CONTINUED

REMUNERATION DURING FY2014

ACTUAL REMUNERATION

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

The table below sets out **actual cash payments** made to the relevant key management personnel during FY2014. This table differs from the information provided under the section "Total remuneration earned" which reflects the total remuneration earned by key management personnel in a year some of which will only be paid in later years.

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

The table below does not show LTI allocations in FY2014 or previous years that are still subject to performance or employment conditions because those LTI allocations are still at-risk of forfeiture.

The actual STI payments represent the amounts earned by the key management personnel in the prior financial year (2012) but only paid in August 2013 (as they are dependent on the approval by the Board of the audited annual accounts) and individual performance assessed at that time.

The following table outlines the actual remuneration received by key management personnel during FY2014:

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

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

(2) Stephen Ohl retired with effect from 1 July 2013. A termination payment of $353,716 (representing the termination benefit of $245,000 plus statutory entitlements) was made during FY2014.

REMUNERATION REPORT
CONTINUED

TOTAL REMUNERATION EARNED

The following table outlines the total remuneration earned by key management personnel during FY2014, calculated in accordance with accounting standards:

	SHORT-TERM EMPLOYMENT BENEFITS			POST-EMPLOYMENT	LONG-TERM INCENTIVE PLANS		
	SALARY/FEES $	SHORT-TERM INCENTIVE SCHEME $	NON-MONETARY $	SUPERANNUATION $	SHARE-BASED PAYMENTS (1) $	OTHER PAYMENTS (2) $	TOTAL $
KEY MANAGEMENT PERSONNEL							
M J McCormack							
2014	**1,405,000**	**1,463,962**	**–**	**25,000**	**1,301,316**	**–**	**4,195,278**
2013	1,167,500	1,132,313	–	25,000	1,165,290	–	3,490,103
P J Fredricson							
2014	**725,000**	**534,375**	**–**	**25,000**	**501,596**	**202,000**	**1,987,971**
2013	653,530	477,375	–	16,470	462,536	202,000	1,811,911
R M Gersbach							
2014	**761,303**	**512,595**	**11,922**	**17,775**	**558,598**	**228,667**	**2,090,860**
2013	707,608	505,080	11,922	16,470	522,376	228,667	1,992,123
R A Wheals							
2014	**475,000**	**341,090**	**–**	**25,000**	**251,563**	**60,000**	**1,152,653**
2013	390,000	239,663	–	25,000	193,639	60,000	908,302
J L Ferguson							
2014	**435,000**	**304,463**	**–**	**25,000**	**238,352**	**60,000**	**1,062,815**
2013	358,130	267,143	–	24,870	185,791	130,000	965,934
K Lester[3]							
2014	**395,000**	**269,955**	**–**	**25,000**	**103,441**	**–**	**793,396**
2013	299,905	180,216	–	20,928	45,835	100,000	646,884
S P Ohl[4]							
2014	**–**	**–**	**–**	**–**	**–**	**–**	**–**
2014	465,530	312,375	–	24,470	362,815	245,000	1,410,190
M T Knapman							
2014	**455,000**	**236,445**	**–**	**25,000**	**245,153**	**–**	**961,598**
2013	411,000	215,482	–	25,000	234,415	–	885,897
P J Wallace							
2014	**438,000**	**296,204**	**–**	**25,000**	**210,465**	**–**	**969,669**
2013	345,149	237,263	–	24,999	129,441	–	736,852
TOTAL REMUNERATION							
2014	**5,089,303**	**3,959,089**	**11,922**	**192,775**	**3,410,484**	**550,667**	**13,214,240**
2013	4,798,352	3,566,910	11,922	203,207	3,302,138	965,667	12,848,196

(1) Cash settled share-based payments.

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

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

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

TRANSACTIONS WITH DIRECTORS AND KEY MANAGEMENT PERSONNEL

LOANS TO DIRECTORS AND KEY MANAGEMENT PERSONNEL

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

DIRECTORS AND KEY MANAGEMENT PERSONNEL EQUITY HOLDINGS

The following table sets out the relevant interests of Directors and key management personnel in APA securities:

	OPENING BALANCE AT 1 JULY 2013	SECURITIES ACQUIRED	SECURITIES DISPOSED	CLOSING BALANCE AT 30 JUNE 2014
L F Bleasel AM	460,664	–	–	460,664
S Crane	100,000	–	–	100,000
J A Fletcher	66,188	–	–	66,188
R A Higgins AO	92,040	–	–	92,040
P M McKenzie	12,500	–	–	12,500
R J Wright	39,444	–	–	39,444
M J McCormack	208,590	–	–	208,590
P J Fredricson	7,716	–	–	7,716
R M Gersbach	485	–	–	485
R A Wheals	1,500	–	–	1,500
J L Ferguson	1,967	–	–	1,967
M T Knapman	7,201	–	–	7,201
P J Wallace	6,000	–	–	6,000

In accordance with APA's Securities Trading Policy, a Director or Designated Person (as defined in this policy) with price-sensitive information relating to APA which is not generally available is precluded from trading in APA securities. That no APA securities were acquired or disposed of by Directors or key management personnel during FY2014 reflects the application of that restriction over a large part of the year due to APA's corporate activity, and the fact that the Distribution Reinvestment Plan was suspended in June 2013.

OTHER TRANSACTIONS WITH DIRECTORS AND KEY MANAGEMENT PERSONNEL OF APA AND THE RESPONSIBLE ENTITY

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

LINK BETWEEN REMUNERATION AND APA'S PERFORMANCE

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

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

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

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

EXECUTIVE CONTRACTS

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

NAME AND TITLE AND COMMENCEMENT DATE	TERM AND TERMINATION PROVISIONS/BENEFITS
Michael McCormack *Managing Director* since 1 July 2006 *Chief Executive Officer* 1 July 2005 to 30 June 2006 Commenced 1 March 2000	No defined term. On termination with cause APA will pay any TFR due and owing at the date of termination and any accrued leave entitlements. On termination without cause, APA will pay 52 weeks TRO, any incentives earned but not paid and all leave entitlements. APA will also pay any TRO due and owing at the date of termination. Mr McCormack is required to give APA twelve months' notice.
Peter Fredricson *Chief Financial Officer* Commenced 1 June 2009	No defined term. On termination with cause, APA will pay any TFR due and owing at the date of termination and any accrued leave entitlements. On termination without cause, APA will pay 13 weeks TFR, any notice period not worked, any bonus entitlement not yet paid and any accrued leave entitlement. APA will also pay any TRO due and owing at the date of termination. Mr Fredricson is required to give APA six months' notice. In return for increased notice, non-compete and non-solicitation provisions, and due to the critical nature of the role of Chief Financial Officer with regard to the growth, integration and financial challenges facing APA, Mr Fredricson was placed on a loyalty and performance bonus effective from March 2012 for three years and became entitled to the payment of the first instalment in April 2013.
Ross Gersbach *Chief Executive Strategy and Development* Commenced 1 February 2008	No defined term. On termination with cause, APA will pay any TFR due and owing at the date of termination and any accrued leave entitlements. On termination without cause, APA will pay 13 weeks TFR, any notice period not worked, any bonus entitlement not yet paid and any accrued leave entitlement. APA will also pay any TRO due and owing at the date of termination. Mr Gersbach is required to give APA six months' notice. In return for increased notice, non-compete and non-solicitation provisions, and due to the critical nature of the role of Chief Executive Strategy and Development with regard to the growth, integration and financial challenges facing APA, Mr Gersbach was placed on a loyalty and performance bonus effective from March 2012 for three years and became entitled to the first instalment in April 2013.
Robert Wheals *Group Executive Transmission* Commenced 22 September 2008	No defined term. On termination with cause, APA will pay any TFR due and owing at the date of termination and any accrued leave entitlements. On termination without cause, APA will pay 13 weeks TFR, any notice period not worked, any bonus entitlement not yet paid and any accrued leave entitlement. APA will also pay any TRO due and owing at the date of termination. Mr Wheals is required to give APA six months' notice. In return for increased notice, non-compete and non-solicitation provisions, and due to the critical nature of the role of Group Executive Transmission under the major restructure of the business, Mr Wheals was placed on a loyalty and performance bonus effective from March 2012 for two years and became entitled to the first instalment in April 2013.
John Ferguson *Group Executive Networks* Commenced 29 September 2008	No defined term. On termination with cause, APA will pay any TFR due and owing at the date of termination and any accrued leave entitlements. On termination without cause, APA will pay 13 weeks TFR, any notice period not worked, any bonus entitlement not yet paid and any accrued leave entitlement. APA will also pay any TRO due and owing at the date of termination. Mr Ferguson is required to give APA six months' notice. In return for increased notice, non-compete and non-solicitation provisions, and due to the critical nature of the role of Group Executive Networks under the major restructure of the business, Mr Ferguson was placed on a loyalty and performance bonus effective from March 2012 for two years and became entitled to the first instalment in April 2013.

REMUNERATION REPORT
CONTINUED

NAME AND TITLE AND COMMENCEMENT DATE	TERM AND TERMINATION PROVISIONS/BENEFITS
Kevin Lester *Group Executive Infrastructure Development* Commenced 6 August 2012	No defined term. On termination with cause, APA will pay any TFR due and owing at the date of termination and any accrued leave entitlements. On termination without cause, APA will pay 13 weeks TFR, any notice period not worked, any bonus entitlement not yet paid and any accrued leave entitlement. APA will also pay any TRO due and owing at the date of termination. Mr Lester is required to give APA six months' notice.
Mark Knapman *Company Secretary* Commenced 16 July 2008	No defined term. On termination with cause or following long-term illness or incapacity, APA will pay any TFR due and owing at the date of termination and any accrued leave entitlements. On termination without cause, APA will pay 26 weeks TFR, any incentives earned but not paid on their due date and any accrued leave entitlement. APA will also pay any TRO due and owing at the date of termination. Mr Knapman is required to give APA three months' notice.
Peter Wallace *Group Executive Human Resources* Commenced 4 April 2011	No defined term. On termination with cause, APA will pay any TFR due and owing at the date of termination and any accrued leave entitlements. On termination without cause, APA will pay 13 weeks TFR, any notice period not worked, any bonus entitlement not yet paid and any accrued leave entitlement. APA will also pay any TRO due and owing at the date of termination. Mr Wallace is required to give APA six months' notice.

REMUNERATION ADVISERS

During FY2014, the following remuneration information was obtained and considered by the Remuneration Committee:

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

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

CORPORATE GOVERNANCE STATEMENT

APA Group ("APA") comprises two registered investment schemes, Australian Pipeline Trust and APT Investment Trust, the securities in which are "stapled" together, and their controlled entities.

Australian Pipeline Limited ("Responsible Entity") is the responsible entity of those trusts and is responsible for APA's corporate governance practices.

The ASX Corporate Governance Council's Corporate Governance Principles and Recommendations articulate eight core principles of good corporate governance and, for each of those principles, recommendations as to their implementation. Adoption of the Council's recommendations is not compulsory. However, under the Listing Rules of ASX Limited ("ASX") a listed entity is required to provide a statement in its Annual Report disclosing the extent to which it has adopted the recommendations in the reporting period and, if it has not adopted any of the recommendations, to explain why.

Each of the principles of good corporate governance has been responded to in turn in this statement and the table at the rear of this statement provides a checklist of APA's adoption of the ASX Corporate Governance Council's recommendations. Explanations for departures from the recommendations are set out in this statement.

Various references are made below to APA's website as a source of information on corporate governance practices and documentation. The home page for APA's website is www.apa.com.au, and the link entitled "About APA" leads to the corporate governance material. Securityholders who do not have internet access but wish to read that material should telephone 1800 992 312 (or +61 1800 992 312, if calling from outside Australia) and ask for a copy of the relevant material to be sent to them.

In this statement, the term "Reporting Period" means the period of 12 months to 30 June 2014.

This statement responds to the Second Edition of the Corporate Governance Principles and Recommendations. The ASX Corporate Governance Council issued the Third Edition of the publication in March 2014 that APA proposes to commence reporting against in 2015, when it reports on the 2015 financial year.

PRINCIPLE 1: LAY SOLID FOUNDATIONS FOR MANAGEMENT AND OVERSIGHT

Board and its Committees

The Board of Directors of the Responsible Entity ("Board") is accountable to securityholders for the proper management of APA's business and affairs. It operates in accordance with a Charter, which is published on APA's website.

The Board normally meets 11 times each year, with additional meetings being held as required. The number of times it met during the Reporting Period and Directors' attendance at those meetings are set out in the Directors' Report for the Reporting Period.

To assist the Board in carrying out its responsibilities, the following standing Committees of its members have been established:

Each Committee has its own Charter that describes the roles and responsibilities delegated to the Committee by the Board, and those Charters are published on APA's website. The Charters for the Board and its Committees are reviewed by the Board annually, and were last reviewed in July 2014.

The Board delegates responsibility for implementing the strategic direction and managing the day-to-day operations of APA to the Managing Director. The Managing Director consults with the Chairman, in the first instance, on matters that are sensitive, extraordinary or of a strategic nature. The Board has approved specific limits of authority for management with respect to approval of expenditure, contracts and other matters, and regularly reviews those limits.

Non-executive Directors' letter of appointment

The current non-executive Directors have each received a letter of appointment documenting, among other issues:

- the roles and responsibilities of the Board and each of its Committees;
- expectations of the time commitment to be made by Directors in serving on the Board and its Committees, and of their participation in an annual review of the Board, its Committees and individual Directors;
- requirements with respect to the disclosure of Directors' interests;
- the fees payable to the Directors; and
- key policies that Directors are required to comply with, such as APA's Securities Trading Policy.

Management: service contracts, induction and performance evaluations

The Managing Director and each of the executives who report to him have service contracts setting out their responsibilities, conditions of service and termination entitlements.

Newly appointed senior executives complete an induction program on the management of the business covering topics that include financial matters, strategic direction, operations, risk management, health and safety, environmental issues and governance matters. APA also conducts annual processes relating to talent and succession management, and the development of leadership capabilities.

APA has processes in place to review the performance of senior management. Each senior executive, including the Managing Director, has personal objectives as well as objectives related to the performance of business or functional units and APA as a whole. They are reviewed against those objectives at least annually. A performance review of senior management has been conducted during the Reporting Period in accordance with that process.

Performance evaluation of the Managing Director is handled by the Chairman with the assistance of the Remuneration Committee and a report is provided to and reviewed by the Board. Assessment and monitoring of the performance of other senior executives are handled by the Managing Director who reports on those matters to the Chairman and the Remuneration Committee.

Company Secretary

The Company Secretary is accountable to the Board, through the Chairman, on matters to do with the functioning of the Board, including advising the Board and its Committees on governance matters, monitoring that Board policies and procedures are followed, coordinating the timely despatch of Board papers, drafting minutes of meetings and similar matters. The decision to remove or appoint the Company Secretary requires the Board's approval.

PRINCIPLE 2: STRUCTURE THE BOARD TO ADD VALUE

Board membership

The Board determines its size and composition, subject to limits imposed by the Responsible Entity's constitution. The constitution provides for a minimum of three Directors and a maximum of 12.

The names of the current Directors and their experience, terms of office and membership of Board Committees are set out in the Directors' Report for the Reporting Period.

The composition of the Board is determined in accordance with the following principles:

- a majority of the Board will be comprised of independent Directors;
- the Chairman will be an independent Director; and
- a person cannot hold the positions of both Chairman and Chief Executive Officer.

The Responsible Entity's constitution requires one-third of its Directors (excluding the Managing Director and any Director who is standing for re-election after having been appointed as an additional Director or to fill a vacancy) to retire from office at the annual general meeting of the Responsible Entity each year. If the calculation of that one-third is not a whole number, the number of Directors required to retire by this "rotation" process is rounded to the nearest whole number. Retiring Directors are eligible for re-election.

The Responsible Entity's constitution also provides that if the Board appoints a Director to fill a vacancy or as an addition to the Board, the new Director will hold office until the end of the next annual general meeting of the Responsible Entity and is eligible for re-election.

Securityholders' right to nominate a Director and to vote on nominees
The Deed Poll initially executed by the Responsible Entity in 2004 and amended with APA securityholders' approval in 2011 (a copy of which is available on APA's website) affords APA securityholders certain rights in respect to nominees for the position of Director on the Board.

At least 75 days before annual general meetings of the Responsible Entity, securityholders are notified by an announcement to ASX that they may nominate a person to fill a vacancy on the Board that arises on retirement of either a Director under the "rotation" process or a Director appointed by the Board since the last annual general meeting.

If securityholders wish to exercise that right, at least 60 days before the annual general meeting they must send the Responsible Entity a signed nomination form and the nominee's signed consent to act as a Director.

In the notice of meeting for the annual meeting of securityholders ("Annual Meeting"), the Responsible Entity advises securityholders of all candidates who have been validly nominated for the position of Director, including the Responsible Entity's nominations and nominations made by securityholders in accordance with the process described above, and securityholders are afforded the opportunity to vote on the nominations at the Annual Meeting.

Independence of Directors
The Board assesses the independence of non-executive Directors on appointment and annually having regard to the Independence of Directors Policy (published on APA's website).

The Directors' Report for the Reporting Period identifies which Directors are considered to be independent at the date of the report. A majority of the current Directors are independent.

In considering the independence of Robert Wright, the Board (other than Mr Wright) noted that he has served as a Director for 14 years, having been appointed in 2000, and that the Independence of Directors Policy recognises that a Director's length of service may be a relevant factor in determining their independence. However, the Board was satisfied that Mr Wright continues to demonstrate independent judgement and character in performing his role on the Board and as a member of the Committees on which he serves, and therefore considers him to be independent.

Board skills and experience
The Board considers that a diverse range of skills, experience and backgrounds is required on the Board to effectively govern the business. It determines and reviews from time to time the mix of skills and diversity that it looks to achieve in its membership which, in broad terms, includes the following:

- knowledge of the business sectors in which APA operates;
- senior executive and international business experience;
- financial acumen and relevant operating experience;
- knowledge of global capital markets;
- experience in regulatory and government policy;
- experience in the development and implementation of strategy; and
- experience in the oversight of health, safety and environmental risks and challenges.

Selection and appointment of Directors
The functions with respect to selection and appointment of new Directors, Board succession and related matters are handled by the Board, not a Nomination Committee. Ultimate responsibility for such matters rests with the full Board and the Board considers the efficient handling of those matters is not diminished by the absence of a Nomination Committee.

When looking to appoint a new Director, the Board predefines the skills and experience required of candidates for the role to ensure that the required mix of skills and experience will be represented on the Board and, based on that work, seeks a list of potential candidates believed to satisfy those requirements.

If the Board is not satisfied with the quality or diversity of the candidates identified in that process, it may consider it appropriate to instruct a search firm to identify additional suitable candidates.

The Chairman conducts an initial interview of the short-listed candidates and, subject to them being available for and interested in the position, they are then interviewed by the Board. The Board assesses potential candidates against the predefined requirements and also considers their qualifications, backgrounds and personal qualities, and appropriate background checks are undertaken in respect to a candidate before they are appointed as a Director.

In the interest of gender diversity, the Board has determined that the short-listed candidates for an available Board position must include at least one qualified female candidate and, where a search firm is engaged, the Board will instruct them accordingly.

Annual review of performance of the Board, its Committees and Directors
A review process to assess the performance of the Board, its Committees and individual Directors is undertaken each year. The last review was conducted in December 2013 and the review for the Reporting Period is expected to be completed in December 2014.

Each Director completes a questionnaire, the responses are collated and the Board then meets to discuss and consider the results of that process and to determine any actions arising from the review. The Chairman also meets with each Director individually to discuss the review and the Director's own performance and to seek feedback on the Chairman's performance.

Matters covered by the review include the role and performance of the Board and its Committees, Directors' understanding of APA's long-term objectives and key risks to the business and achievement of those objectives, succession planning and the effectiveness of the Chairman in leading the Board.

Directors' access to information, management and professional advice
Subject to normal privacy requirements, Directors have access to APA's records and information, and to the Company Secretary and other senior management personnel.

The Board receives regular detailed reports on financial, commercial and operational aspects of APA's business and may request elaboration or explanation of those reports. At the two-day annual Board strategy review, Directors are updated on industry developments, regulatory changes and other background information relevant to the Board's review of strategy. Ad hoc briefings are also provided to the Board on relevant industry, legislative and regulatory changes.

APA's external auditor updates the members of the Audit and Risk Management Committee and other members of the Board who attend the Committee's meetings on developments in accounting standards and the key areas of focus for the regulator, the Australian Securities and Investments Commission, in financial reporting.

While most Board meetings are held in Sydney, where APA's head office is located, some are held in other locations where APA has a presence, providing Directors with the opportunity to receive presentations from and speak to local APA employees about the business, to inspect APA's assets and facilities and, where appropriate, to engage with customers and government representatives.

The Board collectively, and each Director individually, may seek independent professional advice at APA's expense. Prior approval of the Chairman is required, but this may not be unreasonably withheld.

Directors and senior management are encouraged to broaden their knowledge of APA's business and to keep abreast of developments in business more generally by attending relevant courses, seminars and conferences. Where appropriate, APA will meet expenses involved in such activities.

PRINCIPLE 3: PROMOTE ETHICAL AND RESPONSIBLE DECISION-MAKING

Code of Conduct and policies

The Board and senior management are firmly committed to ensuring that they and all employees observe high standards of ethical behaviour and conduct.

APA's Code of Conduct sets out the behaviour required of Directors and employees and recognises the responsibilities of APA and its personnel to securityholders, customers, suppliers, employees and the community. It also requires that breaches of the code are reported and provides a mechanism to enable breaches to be reported without fear of retribution. The code is published on APA's website.

A number of APA's policies aim to foster a culture of compliance and ethical and responsible decision-making. APA's Whistleblower Policy encourages the reporting of matters of concern and suspected wrongdoing, such as dishonest or fraudulent conduct, breaches of legislation and other conduct that may cause financial loss to APA or be otherwise detrimental to its reputation or interests, and describes the protection to be afforded to whistleblowers who report such conduct against reprisals, discrimination, harassment or other disadvantage resulting from their reports.

APA's Securities Trading Policy, published on its website, provides that subject to some exceptions Directors and designated management personnel must not buy or sell APA securities during either of the following "closed periods":

- the period starting 1 January and ending on the second business day after the release of APA's half yearly results to the ASX, or
- the period starting 1 July and ending on the second business day after the release of APA's annual results to the ASX,

unless exceptional circumstances apply, and they may only buy or sell APA securities outside those closed periods if they obtain clearance to do so in accordance with the process described in the policy. Directors and employees are precluded from buying or selling securities at any time if they are aware of any price-sensitive information which has not been made public.

Diversity and Inclusion

APA values diversity and recognises that to continue to be a relevant and innovative organisation, it must leverage the full potential of its people. Embracing individual diversity encourages diversity of thought, which is conducive to better decision making and opportunity for innovation. It is also about taking advantage of all available talent for the benefit of the organisation. APA also recognises that creating sustainable shareholder wealth depends on its ability to attract and retain an engaged, highly skilled and motivated workforce. Therefore, diversity makes good business sense.

APA's Diversity Policy is available on its website.

Diversity objectives

In 2014 APA sought to focus its diversity and inclusion efforts on the following elements (the sections in bold italics below being the objectives and initiatives identified in APA's 2013 corporate governance statement):

Raising awareness of the benefits of diversity and inclusion within APA through an education program. An awareness session will be included in the next annual Leadership Conference in October 2013

APA's 2013 Leadership Conference included a session on diversity and inclusion and a presentation to the top 110 leadership group on the business imperatives of diversity and inclusion.

Subsequent to this conference, APA engaged the services of a consulting organisation who specialise in organisational diagnostics and diversity and inclusion. APA then completed the following activities:

- a review of the APA policies with regard to diversity, inclusion and equal employment opportunity;
- a review of APA behaviours, practices and processes and how these may be shaping the current profile of the organisation;
- a review of current and emerging legislation and its impact;
- analysis of the expectations and trends from external stakeholders (peak industry bodies, securityholders, lenders, etc.);
- analysis of peer group and competitor emerging trends and good practice;
- analysis of internal demographic metrics as well as conducting employees' exit interviews with regard to staff turnover, reasons for leaving APA, employment attractiveness of APA and disputes and grievances; and
- analysis of leadership and employee expectations through survey, focus groups and interviews.

Based on the above work, APA has developed a Diversity and Inclusion Strategy which includes a clear vision, the foundations needed to achieve the vision and focus areas that are important to APA.

Implementing a graduate program with a target of at least 50% female participants by March 2014

APA has not yet finalised the design of the graduate program and will be finalising this in the next reporting period.

Designing an employee value proposition, with an element on attracting women to APA into non-traditional roles, by December 2013

The current APA employee value proposition has been completed. It focuses in particular on the benefits that APA offers women in non-administrative areas of the business, including rewarding, interesting and challenging work, flexible working arrangements, career progression, benefits and entitlements, a family friendly work place and breastfeeding accreditation. The profile of women within APA has been raised through testimonials being posted on APA's website and included in APA's corporate video, to showcase what APA has to offer prospective candidates in the external market.

Developing the APA brand with a focus on raising APA's profile for attracting women through social media such as LinkedIn, e-recruitment tools, network groups and sponsorships. These programs will be fully operational by June 2014

Substantial investment in APA's brand and reinvigorated recruitment practices have been completed and rolled out in 2014. Advertising, recruitment practices, internal appointments, external appointments, external pools of talent, internal high potential candidates and successors were all reviewed within the recruitment process with the view to identifying and hiring or promoting women who meet the merit requirements of available roles.

In addition, hiring managers have received training on the recruitment process, including making sound, unbiased decisions in their recruitment decisions.

Following the review of recruitment practices, all management level recruitment decisions must include at least one woman on the interviewing panel and all management positions must seek to have at least one woman in the short list of candidates.

Completing a pay equity review

In 2013 the business conducted a pay equity review, following similar reviews in 2011 and 2012. Across all pay grades for all employees the gap in remuneration between men compared to women in like-for-like roles has now been reduced from 5.7% in 2012 to less than 3.4% in 2013. This was achieved through accelerated pay increases for women whose remuneration was identified as being below that of men with comparable merit, experience and competencies in comparable roles. Another pay equity review will be completed in 2014.

In 2015 APA will be reporting on the progress it has made on the three year Diversity and Inclusion Strategy and the milestones set out in that document. The strategy will centre on building the following foundations:

- an inclusive work culture;
- knowledge and collaboration;
- people systems; and
- APA values.

Building on these foundations will help achieve the vision and deliver on the three focus areas of diversity of thought, gender diversity and age diversity that were identified through the data collection mechanisms outlined earlier in this section.

The Diversity and Inclusion Strategy is available on the APA website.

APA workforce gender profile (2014)

The following profile of APA's workforce was reported to the Workplace Gender Equality Agency ("WGEA") in 2014.

Percentage of non-executive Directors who are women	17%
Percentage of workforce who are women	27%
Percentage of leadership roles* filled by women	16.5%
Percentage of technical and trades roles filled by women	4.5%

* Leadership roles are defined in accordance with the WGEA (ANZSCO) occupational categories and comprise all levels of management (i.e. Key Management Personnel, General Manager and Manager roles), excluding team leader and supervisory roles.

PRINCIPLE 4: SAFEGUARD INTEGRITY IN FINANCIAL REPORTING

Audit and Risk Management Committee

The Board has established an Audit and Risk Management Committee, the composition of which is determined in accordance with the following principles:

- the Committee will have at least three members;
- all members of the Committee will be independent, non-executive Directors; and
- the Committee Chairman cannot also be the Chairman of the Board.

The Directors' Report for the Reporting Period identifies the current members of the Committee and their qualifications and experience. The Chairman of the Board, although not a member of the Committee, usually attends Committee meetings.

The roles and responsibilities delegated to the Committee are set out in the Committee's Charter which is published on APA's website.

The Managing Director, Chief Financial Officer, Company Secretary, Head of Risk and Insurance, other senior management personnel, as required, and the external and internal auditors attend Committee meetings at the discretion of the Committee. The external and internal auditors receive all Committee papers and regularly meet with the Committee, without management present, at Committee meetings.

The minutes of each meeting of the Audit and Risk Management Committee are reviewed at the subsequent meeting of the Board and the Committee Chairman reports to the Board on the Committee's activities and recommendations.

The Committee is required by its Charter to meet at least four times each year. The number of times it met during the Reporting Period and the Committee members' attendance at those meetings are set out in the Directors' Report for the Reporting Period.

External auditor and their independence

Apart from reviewing the integrity of APA's financial reporting, the Committee receives reports from the external auditor, monitors their effectiveness and independence and makes recommendations to the Board on the appointment or replacement (subject to Securityholders' approval, if applicable) of the external auditor.

The External Auditor Appointment and Independence Policy (published on APA's website) documents the process for appointment of the auditor and for monitoring the auditor's independence. Pursuant to that policy, the lead partner and the review or concurring partner of the external auditor must be rotated at least every five years, followed by a two year minimum time-out period during which they may not take part in the audit. With Greg Couttas of Deloitte Touche Tohmatsu having been appointed the lead audit partner for the APA audit in December 2009, he will be replaced in that role by Andrew Griffiths, a partner of the same firm, with effect from commencement of the audit for the six months to 31 December 2014.

In the Reporting Period, APA conducted a tender for external audit services, inviting responses from all four major audit firms. After the responses to the tender and presentations from the respondent firms were reviewed, and based on a recommendation from the Audit and Risk Management Committee, the Board approved Deloitte Touche Tohmatsu continuing as external auditor.

The external auditor's independence could be impaired or compromised, or be interpreted as being impaired or compromised, through the provision of some non-audit services or by the quantum of fees paid to the auditor for such services. Accordingly, the Audit and Risk Management Committee has approved a list of non-audit services that the external auditor may perform and the process for those services being approved, identified a list of prohibited services and determined a maximum dollar limit on non-audit services provided by the auditor in any financial year. The Directors' Report for the Reporting Period contains a section on non-audit services provided by the auditor that includes an explanation of the basis on which the Board remains satisfied as to the auditor's independence.

As referred to under Principle 6 below, the external auditor attends the Annual Meeting and is available at the meeting to answer questions from securityholders about the conduct of the audit and the preparation and content of the independent Audit Report.

Reimbursement of Responsible Entity's costs

The Responsible Entity's costs incurred in acting as responsible entity of Australian Pipeline Trust and APT Investment Trust are reimbursed by APA. The actual cost recovery in the Reporting Period was $3,178,000 (2013: $2,728,000). The Responsible Entity does not make a profit, nor seek performance fees.

The constitutions of Australian Pipeline Trust and APT Investment Trust enable the Responsible Entity to charge fees up to 0.5% per annum of the value of gross assets; however, the right to charge such fees has been waived to the extent it exceeds the Responsible Entity's costs.

PRINCIPLE 5: MAKE TIMELY AND BALANCED DISCLOSURE

APA's Market Disclosure Policy, published on APA's website, aims to ensure that information that a person could reasonably expect to have a material effect on the APA security price, whether the information is positive or negative, is announced to the market by release to ASX in accordance with the ASX Listing Rules and the Corporations Act 2001.

The Company Secretary is the nominated continuous disclosure officer.

All ASX announcements are posted on APA's website as soon as reasonably possible after notification to ASX.

PRINCIPLE 6: RESPECT THE RIGHTS OF SHAREHOLDERS

Communications with Securityholders

APA aims to ensure its Securityholders are informed of all significant developments affecting APA's state of affairs and business. Information is communicated to Securityholders by a number of means, including the following:

- an Annual Report, comprising the Financial Report, Directors' Report and Audit Report, sent to Securityholders who have elected to receive the report;
- an Annual Review sent to Securityholders who elect to receive either the statutory report or the Annual Review alone;
- a biannual newsletter sent to Securityholders who have not elected to receive the Annual Report, and to all Securityholders on the announcement of the half year results;
- the interim (half yearly) report and Directors' commentary on that report;
- announcements to ASX and media releases;
- "Open Briefings" prepared from time to time to provide an update to investors, and released to ASX;
- investor presentations, including presentations made in investor roadshows in Australia and offshore, copies of which are released to ASX;
- the Annual Meeting of Securityholders;
- webcasting of half year and annual results presentations, the Annual Meeting and announcements of major events; and
- the Investor Centre section of APA's website on which the reports, ASX and media releases, presentations and other documents referred to above are posted.

APA's website also contains information of interest to Securityholders and potential investors about APA's assets and investments and the economic regulation to which some of its assets are subject.

Securityholders may elect to receive APA's Securityholder communications (including the Annual Report, Annual Review, distribution statements and tax guides) electronically. Securityholders and others may also elect on APA's website to receive ASX and media announcements and newsletters by email, and may also ask questions through an email link provided on the website.

Annual Meeting of Securityholders

APA encourages Securityholders to participate in its Annual Meetings. A Notice of Meeting setting out the agenda for the Annual Meeting and explaining resolutions on which securityholders may vote is sent to all securityholders and to ASX prior to the meeting. Securityholders who cannot attend an Annual Meeting in person may appoint a proxy and may read the Chairman and Managing Directors' addresses that are sent to ASX and posted on APA's website, and listen to a webcast of the meeting available through the website.

At the Annual Meeting, the Chairman encourages questions and comments from securityholders and seeks to ensure the meeting is managed to give securityholders an opportunity to participate. Questions on operational matters may be answered by the Managing Director or another appropriate member of senior management. Securityholders are also invited to send written questions ahead of the meeting and, where there is a common theme to a number of questions, either the Chairman or the Managing Director will commonly seek to provide an answer in their address.

The external auditor attends Annual Meetings and is available to respond to questions from securityholders about the conduct of the audit and the preparation and content of the independent Audit Report.

The 2014 Annual Meeting will be held in Sydney on 24 October 2014. A notice of that meeting and a proxy form will be sent to Securityholders some weeks before the meeting, and details of the meeting are also available from APA's website.

PRINCIPLE 7: RECOGNISE AND MANAGE RISK

The identification and effective management of risk, including calculated risk-taking, are viewed as an essential part of APA's approach to creating long-term securityholder value.

Risk management framework and responsibilities

The Board is responsible for adopting and reviewing APA's approach to the identification, evaluation and management of risks that are material to the fulfilment of APA's objectives.

The Board has delegated certain responsibilities with respect to risk management to its Audit and Risk Management Committee described under Principle 4 above. The Committee's primary function with respect to risk is to maintain and oversee a sound system of internal risk management controls based on the Board's adopted risk management approach.

Specific risk management responsibilities of the Audit and Risk Management Committee include:

- reviewing and approving APA's risk profile, Risk Management Policy and framework;
- reviewing at least annually APA's implementation of the Risk Management Policy and framework; and
- receiving and reviewing management's report on the effectiveness of risk management and internal control systems and otherwise monitoring the effectiveness of the risk management framework and the system of internal control, and progress against agreed risk management plans.

The Managing Director is accountable for ensuring that a risk management system is established, implemented and maintained in accordance with APA's Risk Management Policy and framework.

Senior management is accountable for risk management within the areas under their control, including devolution of the risk management process to operational managers, and is responsible for:

- reviewing the measures of risk impact severity that underlies the analysis of material risks, to ensure the measures remain current to APA's context;
- identifying material risks that may impact on APA's business plans and objectives and the development, implementation, performance and review of risk management plans. In doing so, senior management considers both financial risk and non-financial risk, including operational, environmental, strategic, market-related, compliance and reputation risk;
- confirming the effectiveness of controls in management of risks within the defined appetite for retention of risk;
- aggregating operational risk data across APA, and monitoring external factors, to facilitate monitoring of APA's risk profile; and
- contributing advice, leadership and facilitation in the development of group-wide risk controls.

The Head of Risk and Insurance, who reports to the Chief Financial Officer and provides a report to each meeting of the Audit and Risk Management Committee, is responsible for:

- overseeing and facilitating the co-ordination of the risk management activities of senior management;
- reporting to the Committee on APA's risk profile and the implementation and effectiveness of risk management plans;
- contributing leadership and facilitation of the implementation and assurance of group-wide risk controls; and
- working with senior management to design and develop risk education and communication forums.

APA's management has reported to the Audit and Risk Management Committee during the Reporting Period on its assessment of the effectiveness of management by APA of its material risks.

Assurance from Chief Executive Officer and Chief Financial Officer
In the course of approving the Financial Report for the Reporting Period, the Board considered a written statement from the Chief Executive Officer and the Chief Financial Officer to the effect that, to the best of their knowledge and belief, their declaration pursuant to section 295A of the Corporations Act 2001 (broadly, that the Financial Report gives a true and fair view in all material respects of APA's financial position and complies in all material respects with relevant accounting standards) is founded on a sound system of risk management and internal control and that system is operating effectively in all material respects in relation to financial reporting risks, based on the management framework adopted by APA. The Board requires such a statement for each reporting period.

Internal audit
APA has developed a framework for Internal Audit within the group.

Internal Audit provides an independent, objective perspective to the Audit and Risk Management Committee on the internal controls implemented to address APA's key strategic, operational and financial risks and assists senior management in the effective discharge of their responsibilities to the Board in the area of risk management and internal control, by providing independent appraisals of the adequacy and effectiveness of risk management and internal control systems.

Internal Audit, currently outsourced to PricewaterhouseCoopers, reports directly to the Audit and Risk Management Committee so as to bring the requisite degree of independence and objectivity to the role. Before each financial year, Internal Audit, in consultation with management, prepares an internal audit plan for the next three years and submits the plan to the Committee for review and approval. At each of its meetings, the Committee receives a report from Internal Audit on activities undertaken in accordance with the approved plan.

PRINCIPLE 8: REMUNERATE FAIRLY AND RESPONSIBLY
Remuneration Committee
The Board has established a Remuneration Committee to consider and make recommendations to the Board on, among other things, remuneration policies applicable to Board members and senior management.

The composition of the Remuneration Committee is determined in accordance with the following principles:

- the Committee will have at least three members;
- all members of the Committee will be non-executive Directors and a majority of them will be independent Directors; and
- the Committee Chairman will be an independent Director.

The Directors' Report for the Reporting Period identifies the current members of the Committee and their qualifications and experience. The Chairman of the Board, although not a member of the Committee, usually attends Committee meetings.

The roles and responsibilities delegated to the Remuneration Committee are set out in the Committee's Charter which is published on APA's website.

The Managing Director attends meetings of the Committee by invitation when required to report on and discuss senior management performance and remuneration matters.

The Committee Chairman reports to the Board on the Committee's activities and recommendations.

The Committee is required by its Charter to meet at least twice each year. The number of times it met during the Reporting Period and the Committee members' attendance at those meetings are set out in the Directors' Report for the Reporting Period.

External advice
The Committee may seek external professional advice on any matter within its terms of reference. As stated in APA's Remuneration Report referred to below, independent remuneration consultants were engaged by the Chairman of the Remuneration Committee to provide comparative market data with respect to non-executive Director and executive remuneration during the Reporting Period.

Remuneration Report
The Corporations Act 2001 does not require registered investment schemes like Australian Pipeline Trust and APT Investment Trust to include a Remuneration Report as part of the annual Directors' Report, but APA has chosen to do so for the Reporting Period and prior periods.

The Remuneration Report distinguishes the structure of non-executive Directors' remuneration from that of the Managing Director and other senior executives, and sets out details of the components of remuneration and total remuneration paid to those individuals over the Reporting Period.

Unvested benefits under APA's long term incentive plan
The Remuneration Report describes APA's long term incentive plan under which the benefits to executives who participate in the plan are related to the price of APA securities and vest over three years. An aim of the plan is to align the interests of the plan's participants with the interests of Securityholders. APA recognises that the use of arrangements such as hedging or derivative financial products that operate to limit for participants the economic risk of their unvested benefits are likely to reduce the intended alignment of those interests. Consequently, it is APA policy that participants in the long term incentive plan must not use, nor allow to be used, any such arrangements in relation to their unvested benefits.

"Clawback" of performance-based remuneration
The Remuneration Report summarises APA's Executive Remuneration Clawback Policy pursuant to which the Board, in certain circumstances involving a misstatement in the Financial Report for any of the preceding three financial years due to a material non-compliance with a financial reporting requirement or certain misconduct of an executive, may require the executive to repay all or part of their short term or long term incentives, withhold payment of the executive's unpaid incentive entitlements and/or forfeit the executive's unvested entitlements. The Executive Remuneration Clawback Policy is available on APA's website.

Retirement benefits
In 2003 the Board terminated the non-executive Directors' retirement benefit plan so that the benefits to participating Directors that had accrued up to termination were then quantified and preserved for payment on retirement of those Directors. Under the plan, after three years' service a Director was entitled to the equivalent of the emoluments received over the most recent 12 months. After 10 years' service, the entitlement increased to the equivalent of emoluments received during the most recent three years. No additional entitlement accrued after 10 years. For periods between three and 10 years, the entitlement was calculated on a pro-rata basis.

Robert Wright is the only current Director entitled to benefit under the plan on retirement from the Board.

CORPORATE GOVERNANCE PRINCIPLES AND RECOMMENDATIONS ISSUED BY ASX CORPORATE GOVERNANCE COUNCIL

		COMPLY YES/NO
PRINCIPLE 1: LAY SOLID FOUNDATIONS FOR MANAGEMENT AND OVERSIGHT		
1.1	Companies should establish the functions reserved to the board and those delegated to senior executives and disclose those functions	Yes
1.2	Companies should disclose the process for evaluating the performance of senior executives	Yes
1.3	Companies should provide the information indicated in the Guide to reporting on Principle 1	Yes
PRINCIPLE 2: STRUCTURE THE BOARD TO ADD VALUE		
2.1	A majority of the board should be independent directors	Yes
2.2	The chair should be an independent director	Yes
2.3	The roles of chair and chief executive officer should not be exercised by the same individual	Yes
2.4	The board should establish a nomination committee	No (1)
2.5	Companies should disclose the process for evaluating the performance of the board, its committees and individual directors	Yes
2.6	Companies should provide the information indicated in the Guide to reporting on Principle 2	Yes
PRINCIPLE 3: PROMOTE ETHICAL AND RESPONSIBLE DECISION-MAKING		
3.1	Companies should establish a code of conduct and disclose the code or a summary of that code as to: – the practices necessary to maintain confidence in the company's integrity – the practices necessary to take into account their legal obligations and the reasonable expectations of their stakeholders – the responsibility and accountability of individuals for reporting and investigating reports of unethical practices	Yes
3.2	Companies should establish a policy concerning diversity and disclose the policy or a summary of that policy. The policy should include requirements for the board to establish measurable objectives for achieving gender diversity for the board to assess annually both the objectives and progress in achieving them	Yes
3.3	Companies should disclose in each annual report the measurable objectives for achieving gender diversity set by the board in accordance with the diversity policy and progress towards achieving them	Yes
3.4	Companies should disclose in each annual report the proportion of women employees in the whole organisation, women in senior management positions and women on the board.	Yes
3.5	Companies should provide the information indicated in the Guide to reporting on Principle 3	Yes
PRINCIPLE 4: SAFEGUARD INTEGRITY IN FINANCIAL REPORTING		
4.1	The board should establish an audit committee	Yes
4.2	The audit committee should be structured so that it: – consists only of non-executive directors – consists of a majority of independent directors – is chaired by an independent chair, who is not chair of the board – has at least three members	Yes
4.3	The audit committee should have a formal charter	Yes
4.4	Companies should provide the information indicated in the Guide to reporting on Principle 4	Yes
PRINCIPLE 5: MAKE TIMELY AND BALANCED DISCLOSURE		
5.1	Companies should establish written policies designed to ensure compliance with ASX Listing Rule disclosure requirements and to ensure accountability at a senior executive level for that compliance and disclose those policies or a summary of those policies	Yes
5.2	Companies should provide the information indicated in the Guide to reporting on Principle 5	Yes
PRINCIPLE 6: RESPECT THE RIGHTS OF SHAREHOLDERS		
6.1	Companies should design a communications policy for promoting effective communication with shareholders and encouraging their participation at general meetings and disclose their policy or a summary of that policy	Yes
6.2	Companies should provide the information indicated in the Guide to reporting on Principle 6	Yes

(1) The Board has chosen not to have a separate nomination committee, as explained in the section of this statement entitled "Principle 2: Structure the board to add value" under the heading "Selection and appointment of directors".

		COMPLY YES/NO
PRINCIPLE 7: RECOGNISE AND MANAGE RISK		
7.1	Companies should establish policies for the oversight and management of material business risks and disclose a summary of those policies	Yes
7.2	The board should require management to design and implement the risk management and internal control system to manage the company's material business risks and report to it on whether those risks are being managed effectively. The board should disclose that management has reported to it as to the effectiveness of the company's management of its material business risks	Yes
7.3	The board should disclose whether it has received assurance from the chief executive officer (or equivalent) and the chief financial officer (or equivalent) that the declaration provided in accordance with section 295A of the Corporations Act is founded on a sound system of risk management and internal control and that the system is operating effectively in all material respects in relation to financial reporting risks	Yes
7.4	Companies should provide the information indicated in the Guide to reporting on Principle 7	Yes
PRINCIPLE 8: REMUNERATE FAIRLY AND RESPONSIBLY		
8.1	The board should establish a remuneration committee	Yes
8.2	The remuneration committee should be structured so that it: – consists of a majority of independent directors – is chaired by an independent director – has at least three members	Yes
8.3	Companies should clearly distinguish the structure of non-executive directors' remuneration from that of executive directors and senior executives	Yes
8.4	Companies should provide the information indicated in the Guide to reporting on Principle 8	Yes

CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME

For the financial year ended 30 June 2014

	NOTE	2014 $000	2013 (RESTATED) $000
CONTINUING OPERATIONS			
Revenue	6	**1,331,703**	1,227,399
Share of net profits of associates and joint ventures accounted for using the equity method	6	**64,289**	44,868
		1,395,992	1,272,267
Gain on previously held interest in HDF on obtaining control		**–**	142,333
Asset operation and management expenses		**(65,570)**	(96,903)
Depreciation and amortisation expense	7	**(156,228)**	(130,461)
Other operating costs – pass-through	7	**(403,477)**	(352,743)
Finance costs	7	**(326,226)**	(302,613)
Employee benefit expense	7	**(168,615)**	(174,496)
Other expenses	7	**(9,854)**	(15,133)
Profit before tax		**266,022**	342,251
Income tax benefit/(expense)	9	**77,684**	(49,869)
Profit for the year		**343,706**	292,382
Other comprehensive income, net of income tax			
Items that will not be reclassified subsequently to profit or loss:			
Actuarial gain on defined benefit plan		**6,796**	17,901
Income tax relating to items that will not be reclassified subsequently		**(2,039)**	(5,371)
		4,757	12,530
Items that may be reclassified subsequently to profit or loss:			
(Loss)/gain on available-for-sale investments taken to equity		**(2,823)**	25,519
Gain on available-for-sale investment reclassified to profit or loss		**–**	(142,333)
Transfer of gain on cash flow hedges to profit or loss		**72,522**	91,438
Loss on cash flow hedges taken to equity		**(154,309)**	(144,702)
(Loss)/gain on associate hedges taken to equity		**(7,928)**	14,316
Income tax relating to items that may be reclassified subsequently		**27,504**	46,382
		(65,034)	(109,380)
Other comprehensive income for the year (net of tax)		**(60,277)**	(96,850)
Total comprehensive income for the year		**283,429**	195,532
Profit attributable to:			
Equityholders of the parent		**304,999**	257,003
Non-controlling interest – APT Investment Trust equityholders		**38,706**	38,143
APA stapled securityholders		**343,705**	295,146
Non-controlling interest – other		**1**	(2,764)
		343,706	292,382
Total comprehensive income attributable to:			
Equityholders of the parent		**245,583**	161,310
Non-controlling interest – APT Investment Trust equityholders		**37,845**	36,986
APA stapled securityholders		**283,428**	198,296
Non-controlling interest – other		**1**	(2,764)
		283,429	195,532
EARNINGS PER SECURITY			
Basic and diluted (cents per security)	38	**41.1**	38.2

Diluted earnings per security is exactly the same as basic earnings per security.

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

As at 30 June 2014

	NOTE	2014 $000	2013 (RESTATED) $000
CURRENT ASSETS			
Cash and cash equivalents	39	**7,009**	80,955
Trade and other receivables	11	**156,439**	164,569
Other financial assets	12	**16,575**	16,469
Inventories	13	**17,349**	12,726
Other	14	**5,996**	5,662
Total current assets		**203,368**	280,381
NON-CURRENT ASSETS			
Receivables	15	**147,835**	34,318
Other financial assets	16	**110,768**	168,540
Investments accounted for using the equity method	18	**593,325**	589,131
Property, plant and equipment	20	**5,574,481**	5,280,411
Goodwill	21	**1,150,500**	1,150,500
Other intangible assets	22	**170,804**	177,015
Other	23	**21,429**	18,632
Total non-current assets		**7,769,142**	7,418,547
Total assets		**7,972,510**	7,698,928
CURRENT LIABILITIES			
Trade and other payables	24	**185,988**	190,062
Borrowings	25	**–**	80,910
Other financial liabilities	26	**90,574**	126,385
Provisions	27	**81,003**	81,943
Other	28	**15,975**	12,921
Total current liabilities		**373,540**	492,221
NON-CURRENT LIABILITIES			
Trade and other payables	24	**3,599**	3,749
Borrowings	29	**4,708,283**	4,233,242
Other financial liabilities	30	**216,936**	177,256
Deferred tax liabilities	9	**110,783**	213,932
Provisions	27	**47,442**	47,930
Other	28	**15,438**	16,669
Total non-current liabilities		**5,102,481**	4,692,778
Total liabilities		**5,476,021**	5,184,999
Net assets		**2,496,489**	2,513,929

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

CONSOLIDATED STATEMENT OF FINANCIAL POSITION
CONTINUED

As at 30 June 2014

	NOTE	2014 $000	2013 (RESTATED) $000
EQUITY			
Australian Pipeline Trust equity:			
Issued capital	31	**1,816,460**	1,820,516
Reserves	32	**(116,243)**	(52,070)
Retained earnings	33	**200,978**	146,762
Equity attributable to securityholders of the parent		**1,901,195**	1,915,208
Non-controlling interests:			
APT Investment Trust:			
Issued capital	34	**576,172**	578,780
Reserves	34	**(394)**	467
Retained earnings	34	**19,465**	19,424
Equity attributable to securityholders of APT Investment Trust		**595,243**	598,671
Other non-controlling interest	34	**51**	50
Total non-controlling interests		**595,294**	598,721
Total equity		**2,496,489**	2,513,929

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

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

For the financial year ended 30 June 2014

	AUSTRALIAN PIPELINE TRUST							APT INVESTMENT TRUST				OTHER NON-CONTROLLING INTEREST				
	ISSUED CAPITAL $000	ASSET REVALUATION RESERVE $000	AVAILABLE-FOR-SALE INVESTMENT REVALUATION RESERVE $000	HEDGING RESERVE $000	OTHER RESERVES $000	RETAINED EARNINGS (RESTATED) $000	ATTRIBUTABLE TO OWNER OF THE PARENT (RESTATED) $000	ISSUED CAPITAL $000	AVAILABLE-FOR-SALE INVESTMENT REVALUATION RESERVE $000	RETAINED EARNINGS $000	APT INVESTMENT TRUST $000	ISSUED CAPITAL $000	OTHER $000	RETAINED EARNINGS $000	OTHER NON-CONTROLLING INTEREST $000	TOTAL (RESTATED) $000
Balance at 1 July 2012	1,138,205	8,669	82,696	(35,212)	–	34,710	1,229,068	364,066	1,624	21,160	386,850	4	1	44	49	1,615,967
Profit for the year	–	–	–	–	–	257,003	257,003	–	–	38,143	38,143	–	–	(2,764)	(2,764)	292,382
Other comprehensive income	–	–	(80,960)	(27,263)	–	12,530	(95,693)	–	(1,157)	–	(1,157)	–	–	–	–	(96,850)
Total comprehensive income for the year	–	–	(80,960)	(27,263)	–	269,533	161,310	–	(1,157)	38,143	36,986	–	–	(2,764)	(2,764)	195,532
Non-controlling interest on obtaining control of HDF	–	–	–	–	–	–	–	–	–	–	–	713,069	–		713,069	713,069
Acquisition of non-controlling interest	–	–	–	–	(2,765)	–	(2,765)	–	–	–	–	(713,069)	–	2,765	(710,304)	(713,069)
Transfer to retained earnings	–	–	–	–	2,765	(2,765)	–	–	–	–	–	–	–	–	–	–
Payment of distributions	–	–	–	–	–	(154,716)	(154,716)	–	–	(39,879)	(39,879)	–	–	–	–	(194,595)
Issued under distribution reinvestment plan	63,503	–	–	–	–	–	63,503	19,663	–	–	19,663	–	–	–	–	83,166
Issued in business combination	672,630	–	–	–	–	–	672,630	212,035	–	–	212,035	–	–	–	–	884,665
Issue cost of securities	(6,672)	–	–	–	–	–	(6,672)	(2,105)	–	–	(2,105)	–	–	–	–	(8,777)
Tax relating to security issue costs	32	–	–	–	–	–	32	–	–	–	–	–	–	–	–	32
Capital return to securityholders	(47,182)	–	–	–	–	–	(47,182)	(14,879)	–	–	(14,879)	–	–	–	–	(62,061)
Balance at 30 June 2013	1,820,516	8,669	1,736	(62,475)	–	146,762	1,915,208	578,780	467	19,424	598,671	4	1	45	50	2,513,929
Balance at 1 July 2013	**1,820,516**	**8,669**	**1,736**	**(62,475)**	**–**	**146,762**	**1,915,208**	**578,780**	**467**	**19,424**	**598,671**	**4**	**1**	**45**	**50**	**2,513,929**
Profit for the year	**–**	**–**	**–**	**–**	**–**	**304,999**	**304,999**	**–**	**–**	**38,706**	**38,706**	**–**	**–**	**1**	**1**	**343,706**
Other comprehensive income	**–**	**–**	**(1,373)**	**(62,800)**	**–**	**4,757**	**(59,416)**	**–**	**(861)**	**–**	**(861)**	**–**	**–**	**–**	**–**	**(60,277)**
Total comprehensive income for the year	**–**	**–**	**(1,373)**	**(62,800)**	**–**	**309,756**	**245,583**	**–**	**(861)**	**38,706**	**37,845**	**–**	**–**	**1**	**1**	**283,429**
Payment of distributions	**–**	**–**	**–**	**–**	**–**	**(255,540)**	**(255,540)**	**–**	**–**	**(38,665)**	**(38,665)**	**–**	**–**	**–**	**–**	**(294,205)**
Capital return to securityholders	**(4,056)**	**–**	**–**	**–**	**–**	**–**	**(4,056)**	**(2,608)**	**–**	**–**	**(2,608)**	**–**	**–**	**–**	**–**	**(6,664)**
Balance at 30 June 2014	**1,816,460**	**8,669**	**363**	**(125,275)**	**–**	**200,978**	**1,901,195**	**576,172**	**(394)**	**19,465**	**595,243**	**4**	**1**	**46**	**51**	**2,496,489**

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

CONSOLIDATED STATEMENT OF CASH FLOWS

For the financial year ended 30 June 2014

	NOTE	2014 $000	2013 $000
CASH FLOWS FROM OPERATING ACTIVITIES			
Receipts from customers		**1,461,695**	1,347,848
Payments to suppliers and employees		**(767,599)**	(703,790)
Payments by HDF to Hastings Funds Management for management and performance fees		**(8,201)**	(31,590)
Payments by HDF for takeover defense costs		**–**	(26,668)
Dividends received		**61,971**	54,615
Proceeds from repayment of finance leases		**4,693**	4,724
Interest received		**5,965**	19,335
Interest and other costs of finance paid		**(327,124)**	(289,952)
Income tax refund/(paid)		**141**	(141)
Net cash provided by operating activities	39(c)	**431,541**	374,381
CASH FLOWS FROM INVESTING ACTIVITIES			
Payments for property, plant and equipment		**(446,754)**	(397,451)
Proceeds from sale of property, plant and equipment		**797**	605
Payments for equity accounted investments	39(b)	**–**	(65,451)
Payments for controlled entities net of cash acquired	42	**(24)**	(265,321)
Payments for intangible assets		**(677)**	(1,107)
Loans advanced to related parties		**(126,127)**	–
Proceeds from sale of businesses	43	**1,487**	411,364
Net cash used in investing activities		**(571,298)**	(317,361)
CASH FLOWS FROM FINANCING ACTIVITIES			
Proceeds from borrowings		**1,585,833**	2,822,243
Repayments of borrowings		**(1,208,915)**	(2,872,000)
Proceeds from issue of securities		**–**	83,166
Payment of debt issue costs		**(10,178)**	(25,867)
Payments of security issue costs		**(60)**	(8,717)
Payments for early settlement of loans and derivatives		**–**	(34,919)
Distributions paid to:			
Securityholders of APT		**(259,598)**	(201,898)
Securityholders of non-controlling – APTIT		**(41,271)**	(54,758)
Securityholders of other non-controlling interests		**–**	(13,249)
Net cash provided by/(used in) financing activities		**65,811**	(305,999)
Net decrease in cash and cash equivalents		**(73,946)**	(248,979)
Cash and cash equivalents at beginning of financial year		**80,955**	329,934
Cash and cash equivalents at end of financial year	39(a)	**7,009**	80,955

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

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the financial year ended 30 June 2014

1. 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 Security 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, their respective subsidiaries and 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.

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

Registered office and principal place of business
Level 19, HSBC Building
580 George Street, SYDNEY NSW 2000
Tel: (02) 9693 0000

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

- Energy infrastructure businesses located across Australia;
- Energy investments, including Envestra Limited ("Envestra"), SEA Gas Pipeline, Ethane Pipeline Income Fund ("EPX"), Energy Infrastructure Investments Pty Limited ("EII"), EII 2 Pty Limited ("EII2"), GDI (EII) Pty Ltd ("GDI"), Diamantina Power Station ("DPS"); and
- Asset management and operations services for the majority of APA Group's energy investments and other third parties.

2. ADOPTION OF NEW AND REVISED ACCOUNTING STANDARDS

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

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

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

AASB 119 Employee benefits (revised)

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

APA Group has obtained actuarial assessments and applied amendments retrospectively with the cumulative impacts shown in the following table:

	CUMULATIVE IMPACTS INCREASE/(DECREASE)	
	1 JUL 2012 $000	30 JUN 2013 $000
Impact on profit		
Profit before income tax		(5,173)
Income tax		1,552
Profit after tax		(3,621)
Impact on statement of financial position		
Net defined benefit superannuation liabilities	**(2,750)**	(2,312)
Deferred tax	**825**	694
Net liabilities	**(1,925)**	(1,618)
Retained earnings (opening balance)	**1,925**	1,925
Reserves	**–**	3,314
Total equity	**1,925**	5,239

2. ADOPTION OF NEW AND REVISED ACCOUNTING STANDARDS (CONTINUED)

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

AASB 13 Fair value measurement

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

AASB 13 requires inclusion of a measure for credit risk in the calculations of assets and liabilities recorded at fair value. This change is applied prospectively and has not had a significant impact on the fair value of APA Group's assets and liabilities for the year ended 30 June 2014, however has resulted in additional fair value disclosures as provided in Note 40.

Control and joint arrangements

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

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

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

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

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

AASB 12 is a new disclosure standard and is applicable to entities that have interests in subsidiaries, joint arrangements, associates and unconsolidated structured entities. The application of AASB 12 has resulted in more disclosures and has been included in Note 17, Note 18 and Note 19.

AASB 124 Related party disclosures

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

The amendments remove the individual remuneration disclosures and disclosures about equity holdings, loans and other transactions with key management personnel. As a result, only aggregate remuneration disclosures are provided in Note 46(a) and Note 46(b).

(b) Standards and Interpretations issued not yet adopted

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

STANDARD/INTERPRETATION	EFFECTIVE FOR ANNUAL REPORTING PERIODS BEGINNING ON OR AFTER	EXPECTED TO BE INITIALLY APPLIED IN THE FINANCIAL YEAR ENDING
– AASB 9 'Financial Instruments', and the relevant amending standards	1 January 2017	30 June 2018

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

– IFRS 15 'Revenue from Contracts with Customers'	1 January 2017	30 June 2018

The potential impact of the initial application of the Standards above is yet to be determined.

3. SIGNIFICANT ACCOUNTING POLICIES

Basis of preparation

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

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

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

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

(a) Working capital position

The working capital position as at 30 June 2014 for APA Group is that current liabilities exceed current assets by $170.2 million ($211.8 million for 30 June 2013) primarily as a result of $90.6 million (AUD equivalent) of cash flow hedge liabilities.

APA Group has access to sufficient available committed, un-drawn bank facilities of $835.5 million ($891.7 million for 30 June 2013).

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.

(b) Basis of consolidation

The financial statements comprise the consolidation of the accounts of APT and APTIT (together "the Trusts") and their respective subsidiaries (together "APA Group") together with APA Group's share of joint arrangements, associates and joint ventures accounted for as described below.

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

(i) Subsidiaries

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

(ii) 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.

(iii) 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.

(c) Business combinations

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

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

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

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

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

(d) Financial assets and liabilities

Available-for-sale financial assets

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

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

3. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

(d) Financial assets and liabilities (continued)

Loans and receivables

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

Trade and other payables

Trade and other payables are recognised when 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.

Impairment of financial assets

Financial assets, other than those at fair value through profit or loss, are assessed for indicators of impairment at the end of each reporting period. Financial assets are impaired where there is objective evidence that as a result of one or more events that occurred after the initial recognition of the financial asset the estimated future cash flows of the investments have been unfavourably impacted.

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

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

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

Cash and cash equivalents

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

(e) Borrowings

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

(f) Borrowing costs

Borrowing costs directly attributable to the acquisition, construction or production of qualifying assets, which are assets that necessarily take a substantial period of time to get ready for their intended use or sale, are added to the cost of those assets, until such time as the assets are substantially ready for their intended use or sale. Investment income earned on the temporary investment of specific borrowings pending their expenditure on qualifying assets is deducted from the borrowing costs eligible for capitalisation.

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

(g) Property, plant and equipment

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

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

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

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

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

(h) Employee benefits

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

Defined contribution plans

Contributions to defined contribution plans are expensed when incurred.

Defined benefit plans

For defined benefit plans, the cost of providing benefits is determined using the projected unit credit method, with actuarial valuations being carried out at each reporting date. Actuarial gains and losses and the return on plan assets (excluding interest) are recognised immediately in the statement of financial position with a charge or credit recognised in other comprehensive income in the period in which they occur. Remeasurement, comprising of actuarial gains and losses and the return on plan assets (excluding interest), is recognised in other comprehensive income and immediately reflected in retained earnings and will not be reclassified to profit or loss.

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

3. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

(h) Employee benefits (continued)

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.

(i) Intangible assets and goodwill

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

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

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

(j) Derivative financial instruments

APA Group enters into a variety of derivative financial instruments to manage its exposure to interest rate and foreign exchange rate risk, including foreign exchange forward contracts, interest rate swaps and cross currency swaps. Further details of derivative financial instruments are disclosed in Note 40.

Derivatives are initially recognised at fair value at the date a derivatives contract is entered into and subsequently remeasured to their fair value at each reporting period. The resulting gain or loss is recognised in profit or loss immediately unless the derivative is designated and effective as a hedging instrument, in which event the timing of the recognition in profit or loss depends on the nature of the hedge relationship. APA Group designates certain derivatives as hedges of the fair value of recognised assets or liabilities or firm commitments (fair value hedges) or, hedges of highly probable forecast transactions or of foreign currency risk of firm commitments (cash flow hedges).

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

Hedge accounting

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.

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

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

Note 40 contains details of the fair values of the derivative instruments used for hedging purposes. Movements in the hedging reserve in equity are also detailed in Note 32.

Fair value hedges

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

Cash flow hedges

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

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

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

(k) Financial instruments issued by APA Group

Debt and equity instruments

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

Financial guarantee contract liabilities

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

Transaction costs arising on the issue of equity instruments

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

Interest and distributions

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

3. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

(l) 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.

(m) Goods and services tax

Revenues, expenses and assets are recognised net of the amount of goods and services tax ("GST"), except where the amount of GST incurred is not recoverable from the taxation authority. Receivables and payables are recognised inclusive of GST, except for accrued revenue and accrued expense at balance dates which exclude GST.

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

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

(n) Impairment of assets

Goodwill and intangible assets that have an indefinite useful life are not subject to amortisation and are tested annually for impairment, or more frequently if events or changes in circumstances indicate that they might be impaired. Property, plant and equipment and intangible assets with finite lives are reviewed for impairment if there is an indication that the carrying amount may not be recoverable.

An impairment loss is recognised for the amount by which the asset's carrying amount exceeds its recoverable amount. The recoverable amount is the higher of an asset's fair value less costs to sell, and value in use. For the purposes of assessing impairment, assets are grouped at the lowest levels for which there are separately identifiable cash inflows which are largely independent of the cash inflows from other assets or groups of assets (cash-generating units). Assets other than goodwill that suffered an impairment are reviewed for possible reversal of the impairment at each reporting period.

(o) Inventories

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

(p) Security-based payments

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.

(q) Income tax

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

Deferred tax is provided using the balance sheet liability method, providing for temporary differences between the carrying amounts of assets and liabilities for financial reporting purposes and the amounts used for taxation purposes. The following temporary differences are not provided for: initial recognition of goodwill, initial recognition of assets or liabilities that affect neither accounting nor taxable profit, and differences relating to investments in wholly-owned entities to the extent that they will probably not reverse in the foreseeable future. The amount of deferred tax provided is based on the expected manner of realisation or settlement of the carrying amount of assets and liabilities, using the tax rates enacted or substantively enacted by the end of the reporting period.

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

Tax consolidation

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

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

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

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

(r) Leased assets

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

Group as lessor

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

Group as lessee

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

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

3. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

(r) Leased assets (continued)

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.

(s) Provisions

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

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

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

(t) Revenue recognition

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

Sales revenue

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

Pass-through revenue

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

Interest revenue

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

Sale of non-current assets

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

Dividend revenue

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

Finance lease income

Finance lease income is allocated to accounting periods so as to reflect a constant periodic rate of return on the Group's net investment outstanding in respect of the leases.

4. CRITICAL ACCOUNTING JUDGEMENTS AND KEY SOURCES OF ESTIMATION UNCERTAINTY

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

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

Impairment of assets

Determining whether property, plant and equipment, identifiable intangible assets and goodwill are impaired requires an estimation of the value-in-use or fair value of the cash-generating units. The calculations require 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.

Estimates and assumptions used are reviewed on an ongoing basis.

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

Useful lives of non-current assets

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

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 on the recoverability based on the counterparty's and APA Group's credit risk.

Details of the inputs to the fair value of financial instruments are included in Note 40.

5. SEGMENT INFORMATION

APA Group operates in one geographical segment, being Australia.

(a) Description of reportable segments

APA Group comprises the following reportable segments:

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

(b) Reportable segments

	ENERGY INFRASTRUCTURE $000	ASSET MANAGEMENT $000	ENERGY INVESTMENTS $000	CONSOLIDATED $000
2014				
SEGMENT REVENUE [(a)]				
External sales revenue	**820,478**	**99,171**	**–**	**919,649**
Equity accounted net profits	**–**	**–**	**64,289**	**64,289**
Pass-through revenue	**8,925**	**394,552**	**–**	**403,477**
Finance lease and investment interest income	**3,591**	**–**	**3,311**	**6,902**
Distribution – other entities	**–**	**–**	**533**	**533**
Total segment revenue	**832,994**	**493,723**	**68,133**	**1,394,850**
Other interest income				**1,142**
Consolidated revenue				**1,395,992**
SEGMENT RESULT				
Earnings before interest, tax, depreciation and amortisation ("EBITDA")	**619,422**	**56,188**	**533**	**676,143**
Share of net profits of associates and joint ventures accounted for using the equity method	**–**	**–**	**64,289**	**64,289**
Finance lease and investment interest income	**3,591**	**–**	**3,311**	**6,902**
Total EBITDA	**623,013**	**56,188**	**68,133**	**747,334**
Depreciation and amortisation	**(151,610)**	**(4,618)**	**–**	**(156,228)**
Earnings before interest and tax ("EBIT")	**471,403**	**51,570**	**68,133**	**591,106**
Net finance costs [(b)]				**(325,084)**
Profit before tax				**266,022**
Income tax benefit				**77,684**
Profit for the year				**343,706**
SEGMENT ASSETS AND LIABILITIES				
Segment assets	**6,877,648**	**248,972**	**151,690**	**7,278,310**
Carrying value of investments accounted for using the equity method			**593,325**	**593,325**
Unallocated assets [(c)]				**100,875**
Total assets				**7,972,510**
Segment liabilities	**273,654**	**75,792**	**–**	**349,446**
Unallocated liabilities [(d)]				**5,126,575**
Total liabilities				**5,476,021**

(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.

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

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

5. SEGMENT INFORMATION (CONTINUED)

(b) Reportable segments (continued)

	ENERGY INFRASTRUCTURE [(a)] (RESTATED) $000	ASSET MANAGEMENT (RESTATED) $000	ENERGY INVESTMENTS [(f)] $000	CONSOLIDATED (RESTATED) $000
2013				
SEGMENT REVENUE [(b)]				
External sales revenue	770,532	82,293	–	852,825
Equity accounted net profits	–	–	44,868	44,868
Pass-through revenue	8,449	344,294	–	352,743
Finance lease and investment interest income	3,822	–	3,069	6,891
Distribution – other entities	–	–	3,243	3,243
Total segment revenue	782,803	426,587	51,180	1,260,570
Other interest income				11,697
Consolidated revenue				1,272,267
SEGMENT RESULT				
Earnings before interest, tax, depreciation and amortisation ("EBITDA")	524,407	41,889	145,573	711,869
Share of net profits of associates and joint ventures accounted for using the equity method	–	–	44,868	44,868
Finance lease and investment interest income	3,822	–	3,069	6,891
Total EBITDA	528,229	41,889	193,510	763,628
Depreciation and amortisation	(125,671)	(4,790)	–	(130,461)
Earnings before interest and tax ("EBIT")	402,558	37,099	193,510	633,167
Net finance costs [(c)]				(290,916)
Profit before tax				342,251
Income tax expense				(49,869)
Profit for the year				292,382
SEGMENT ASSETS AND LIABILITIES				
Segment assets	6,608,054	235,631	35,490	6,879,175
Carrying value of investments accounted for using the equity method			589,131	589,131
Unallocated assets [(d)]				230,622
Total assets				7,698,928
Segment liabilities	284,049	69,918	–	353,967
Unallocated liabilities [(e)]				4,831,032
Total liabilities				5,184,999

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

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

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

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

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

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

(c) Other segment information

Revenue from major products and services

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

Information about major customers

Included in revenues arising from energy infrastructure of $820.5 million (2013: $770.5 million) are revenues of approximately $384.4 million (2013: $373.8 million) which arose from sales to APA Group's top three customers.

6. REVENUE

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

Continuing operations

	2014 $000	2013 $000
OPERATING REVENUE		
Energy infrastructure revenue:		
– energy infrastructure revenue	**819,899**	769,895
– pass-through revenue	**8,925**	8,449
	828,824	778,344
Asset management revenue:		
– asset management revenue	**99,171**	82,293
– pass-through revenue	**394,552**	344,294
	493,723	426,587
	1,322,547	1,204,931
FINANCE INCOME		
Interest	**1,142**	11,697
Redeemable ordinary shares (EII) and redeemable preference shares (GDI) interest income	**3,311**	3,069
Finance lease income	**3,591**	3,822
	8,044	18,588
OTHER INCOME		
Dividends	**533**	3,243
Rental income	**579**	637
	1,331,703	1,227,399
Share of net profits of associates and joint ventures accounted for using the equity method	**64,289**	44,868
	1,395,992	1,272,267

7. EXPENSES

Profit before tax includes the following expenses:

	2014 $000	2013 $000
DEPRECIATION AND AMORTISATION EXPENSE		
Depreciation of non-current assets	**151,132**	124,787
Amortisation of non-current assets	**5,096**	5,674
	156,228	130,461
OTHER OPERATING COSTS – PASS-THROUGH		
Gas pipeline costs	**8,925**	8,449
Management, operating and maintenance costs	**394,552**	344,294
	403,477	352,743
FINANCE COSTS		
Interest on bank overdrafts and borrowings	**324,122**	316,438
Amortisation of deferred borrowing costs	**9,245**	9,257
Other finance costs	**9,031**	9,378
	342,398	335,073
Less: amounts included in the cost of qualifying assets	**(18,069)**	(25,020)
	324,329	310,053
Loss/(gain) on derivatives	**787**	(8,179)
Unwinding of discount on non-current liabilities	**1,110**	739
	326,226	302,613

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

	2014 $000	2013 (RESTATED) $000
EMPLOYEE BENEFIT EXPENSE		
Post-employment benefits:		
Defined contribution plans	**9,648**	9,176
Defined benefit plans	**4,468**	5,128
	14,116	14,304
Termination benefits	**1,004**	4,941
Cash settled share-based payments	**22,452**	26,568
Other employee benefits	**131,043**	128,683
	168,615	174,496
OTHER EXPENSES		
Doubtful debts	**985**	805
Impairment of intangibles	**1,792**	2,075
Impairment of goodwill [(a)]	**–**	1,867
Loss on disposal of property, plant and equipment	**115**	480
Other	**6,962**	9,906
	9,854	15,133

(a) The impairment in the 2013 financial year relates to a reassessment of renewal opportunities beyond current contracted terms for minor contracts in the asset management business.

8. SIGNIFICANT ITEMS

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

	2014 $000	2013 $000
SIGNIFICANT INCOME/(EXPENSE) ITEMS		
Write back of transaction costs on sale of Allgas Distribution Network	–	18,588
Gain on previously held interest in HDF on obtaining control	–	142,333
Transaction costs on acquisition of HDF	–	(12,404)
Integration costs on acquisition of HDF	–	(4,481)
Significant items incurred by APA Group	–	144,036
Management and performance fees charged to HDF by Hastings Funds Management	–	(35,438)
Takeover response costs incurred by HDF	–	(6,913)
Significant items incurred by HDF	–	(42,351)
Total significant items impacting EBITDA	–	101,685
Significant items impacting finance costs:		
Gain on settlement of HDF interest rate swaps	–	8,713
Profit from significant items before income tax	–	110,398
Income tax related to significant items above	–	2,818
Write back of deferred tax on obtaining control of HDF	–	6,814
Income tax benefit on tax cost base step up[(a)]	144,060	–
Profit from significant items after income tax	144,060	120,030

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

9. INCOME TAX

Income tax recognised in profit or loss

	2014 $000	2013 (RESTATED) $000
TAX (EXPENSE)/INCOME COMPRISES:		
Current tax expense in respect of the current year	(1,063)	(7,313)
Adjustments recognised in the current year in relation to current tax of prior years	1,061	7,518
	(2)	205
Deferred tax expense relating to the origination and reversal of temporary differences	77,686	(50,074)
Total tax benefit/(expense)	77,684	(49,869)
ATTRIBUTABLE TO:		
Profit from continuing operations	77,684	(49,869)

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

	2014 $000	2013 (RESTATED) $000
Profit before tax	266,022	342,251
Income tax expense calculated at 30%	(79,807)	(102,675)
Non-assessable trust distribution	11,611	11,443
Non deductible expenses	(3,054)	(15,629)
Non assessable income	15,034	58,939
Unfranked dividends from associates	(11,221)	(9,465)
	(67,437)	(57,387)
Tax benefit on tax cost base step up	144,060	–
Adjustment recognised in the current year in relation to the current tax of prior years	1,061	7,518
	77,684	(49,869)

9. INCOME TAX (CONTINUED)

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

Income tax recognised directly in equity

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

	2014 $000	2013 (RESTATED) $000
DEFERRED INCOME TAX		
Revaluation of financial instruments treated as cash flow hedges	**26,913**	11,685
Actuarial movements on defined benefit plans	**(2,039)**	(5,371)
Revaluation of available-for-sale financial assets	**589**	34,697
Security issue costs	**–**	32
Income tax benefit reported in equity	**25,463**	41,043
DEFERRED TAX BALANCES		
Deferred tax liabilities		
Temporary differences	**(540,896)**	(553,626)
	(540,896)	(553,626)
Deferred tax assets		
Temporary differences	**96,975**	71,007
Tax losses	**333,138**	268,687
	430,113	339,694
	(110,783)	(213,932)

Deferred tax balances

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

	OPENING BALANCE $000	CHARGED TO INCOME $000	CHARGED TO EQUITY $000	ACQUISITIONS/ DISPOSALS $000	CLOSING BALANCE $000
2014					
GROSS DEFERRED TAX LIABILITIES					
Intangible assets	**(3,975)**	**538**	**–**	**–**	**(3,437)**
Property, plant and equipment	**(497,925)**	**11,296**	**–**	**–**	**(486,629)**
Deferred expenses	**(47,535)**	**(2,148)**	**–**	**–**	**(49,683)**
Investments equity accounted	**(3,445)**	**295**	**2,160**	**–**	**(990)**
Available for sale investments	**(746)**	**–**	**589**	**–**	**(157)**
	(553,626)	**9,981**	**2,749**	**–**	**(540,896)**
GROSS DEFERRED TAX ASSETS					
Provisions	**36,361**	**1,087**	**–**	**–**	**37,448**
Cash flow hedges	**27,527**	**236**	**24,753**	**–**	**52,516**
Defined benefit obligation	**6,225**	**142**	**(2,039)**	**–**	**4,328**
Security issue costs	**368**	**(182)**	**–**	**–**	**186**
Deferred revenue	**467**	**1,998**	**–**	**–**	**2,465**
Other	**59**	**(27)**	**–**	**–**	**32**
Tax losses	**268,687**	**64,451**	**–**	**–**	**333,138**
	339,694	**67,705**	**22,714**	**–**	**430,113**
	(213,932)	**77,686**	**25,463**	**–**	**(110,783)**

9. INCOME TAX (CONTINUED)

Deferred tax balances (continued)

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

	OPENING BALANCE $000	CHARGED TO INCOME $000	CHARGED TO EQUITY $000	ACQUISITIONS/ DISPOSALS $000	CLOSING BALANCE $000
2013 (RESTATED)					
GROSS DEFERRED TAX LIABILITIES					
Intangible assets	(4,598)	623	–	–	(3,975)
Property, plant and equipment	(418,239)	(46,493)	–	(33,193)	(497,925)
Deferred expenses	(59,132)	(7,741)	–	19,338	(47,535)
Investments equity accounted	(440)	290	(3,295)	–	(3,445)
Available for sale investments	(35,443)	–	34,697	–	(746)
	(517,852)	(53,321)	31,402	(13,855)	(553,626)
GROSS DEFERRED TAX ASSETS					
Provisions	30,084	5,244	–	1,033	36,361
Cash flow hedges	12,410	(12,926)	14,980	13,063	27,527
Defined benefit obligation	11,564	32	(5,371)	–	6,225
Security issue costs	531	(195)	32	–	368
Deferred revenue	(511)	978	–	–	467
Other	(6,567)	6,580	–	46	59
Tax losses	150,234	3,534	–	114,919	268,687
	197,745	3,247	9,641	129,061	339,694
	(320,107)	(50,074)	41,043	115,206	(213,932)

Unrecognised deferred tax assets

	2014 $000	2013 $000
The following deferred tax assets have not been brought to account as assets:		
Tax losses – capital	**32,069**	30,044

Tax consolidation

Relevance of tax consolidation to the Group

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 41.

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

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

10. DISTRIBUTIONS

	APT AND APTIT			
	2014 CENTS PER SECURITY	**2014 TOTAL $000**	2013 CENTS PER SECURITY	2013 TOTAL $000
RECOGNISED AMOUNTS				
Final distribution paid on 11 September 2013				
(2012: 14 September 2012)				
Profit distribution - APT [(a)]	**16.02**	**133,877**	5.09	32,786
Profit distribution - APTIT [(a)] (Note 34)	**2.32**	**19,424**	3.28	21,160
Capital distribution - APT (Note 31)	**–**	**–**	7.32	47,182
Capital distribution - APTIT (Note 34)	**0.16**	**1,313**	2.31	14,879
	18.50	**154,614**	18.00	116,007
Interim distribution paid on 12 March 2014				
(2012: 13 March 2013)				
Profit distribution - APT [(a)]	**14.56**	**121,663**	14.74	121,930
Profit distribution - APTIT [(a)] (Note 34)	**2.30**	**19,241**	2.26	18,719
Capital distribution - APT (Note 31)	**0.49**	**4,056**	-	-
Capital distribution - APTIT (Note 34)	**0.15**	**1,295**	-	-
	17.50	**146,255**	17.00	140,649
Total distributions recognised				
Profit distributions [(a)]	**35.20**	**294,205**	25.37	194,595
Capital distributions	**0.80**	**6,664**	9.63	62,061
UNRECOGNISED AMOUNTS				
Final distribution payable on 10 September 2014 [(b)]				
(2013: 11 September 2013)				
Profit distribution – APT [(a)]	**16.42**	**137,239**	16.02	133,877
Profit distribution – APTIT [(a)]	**2.33**	**19,464**	2.32	19,424
Capital distribution – APT	**–**	**–**	–	–
Capital distribution – APTIT	**–**	**–**	0.16	1,313
	18.75	**156,703**	18.50	154,614

(a) Profit distributions were unfranked (2013: unfranked).

(b) Record date 30 June 2014.

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.

	2014 $000	2013 $000
Adjusted franking account balance (tax paid basis)	**5,107**	3,609

11. TRADE AND OTHER RECEIVABLES

	2014 $000	2013 $000
Trade receivables	**96,644**	104,483
Allowance for doubtful debts	**(1,790)**	(805)
	94,854	103,678
Receivables from associates and related parties	**56,936**	55,931
Finance lease receivables (Note 35)	**4,575**	4,744
Interest receivable	**63**	146
Other debtors	**11**	70
	156,439	164,569

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

Ageing of past due but not impaired		
30 – 60 days	**3,129**	5,806
60 – 90 days	**662**	1,167
90 – 120 days	**1,817**	3,037
	5,608	10,010

Movement in the allowance for doubtful debts		
Balance at beginning of year	**805**	–
Charged to profit or loss	**985**	805
Balance at end of year	**1,790**	805

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

Ageing of impaired receivables		
Not past due	**136**	32
30 – 60 days	**–**	219
60 – 90 days	**–**	232
90 – 120 days	**1,654**	322
	1,790	805

12. OTHER CURRENT FINANCIAL ASSETS

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

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS CONTINUED

For the financial year ended 30 June 2014

13. INVENTORIES

	2014 $000	2013 $000
Spare parts	**14,261**	11,860
Gas stock	**3,088**	866
	17,349	12,726

14. OTHER CURRENT ASSETS

Prepayments	**5,996**	5,662

15. NON-CURRENT RECEIVABLES

Finance lease receivables (Note 35)	**29,747**	34,318
Loan receivable – related party [(a)]	**118,088**	–
	147,835	34,318

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

16. OTHER NON-CURRENT FINANCIAL ASSETS

Available-for-sale investments carried at fair value:		
Ethane Pipeline Income Fund	**4,571**	7,394
Financial assets carried at amortised cost:		
Redeemable ordinary shares	**18,218**	17,264
Redeemable preference shares	**10,400**	10,400
Derivatives – at fair value:		
Equity forward contracts	**1,597**	1,894
Cross currency interest rate swaps – cash flow hedges	**75,982**	131,588
	110,768	168,540

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

Redeemable ordinary shares relate to APA Group's 19.9% investment in Energy Infrastructure Investments Pty Ltd where APL, as responsible entity for APTIT, acquired the redeemable ordinary shares, which include a debt component. This debt component amortises over ten years from December 2008 at 12% per annum.

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

17. SUBSIDIARIES WITH NON-CONTROLLING INTERESTS

		OWNERSHIP INTEREST HELD BY THE GROUP %		OWNERSHIP INTEREST HELD BY NCI %	
NAME OF SUBSIDIARY	PRINCIPAL ACTIVITY	2014	2013	2014	2013
APT Investment Trust	Inter-entity investment and financing	–	–	**100**	100

APT has one material non-controlled subsidiary, APTIT. 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.

	2014 $000	2013 $000
FINANCIAL POSITION		
Current assets	**670**	641
Non-current assets	**594,584**	598,054
Total assets	**595,254**	598,695
Current liabilities	**11**	24
Total liabilities	**11**	24
Net assets	**595,243**	598,671
Equity attributable to non-controlling interests	**595,243**	598,671
FINANCIAL PERFORMANCE		
Revenue	**38,718**	38,155
Expenses	**(12)**	(12)
Profit for the year	**38,706**	38,143
Other comprehensive income	**(861)**	(1,157)
Total comprehensive income allocated to non-controlling interests for the year	**37,845**	36,986
CASH FLOWS		
Net cash provided by operating activities	**39,695**	40,821
Net cash provided by / (used in) investing activities	**1,592**	(3,635)
Distributions paid to non-controlling interests	**(41,273)**	(54,758)
Net cash used in financing activities	**(41,287)**	(37,186)

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.

18. JOINT VENTURES AND ASSOCIATES ACCOUNTED FOR USING THE EQUITY METHOD

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 % 2014	2013
Joint ventures:				
SEA Gas	Gas transmission	Australia	**50.00**	50.00
Diamantina Power Station	Power generation (gas)	Australia	**50.00**	50.00
Energy Infrastructure Investments	Unlisted energy vehicle	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
Envestra Limited [(a)]	Gas distribution	Australia	**33.05**	33.05

	2014 $000	2013 $000
Investment in joint ventures and associates	**593,325**	589,131

(a) Envestra Limited is an ASX listed gas distribution and transmission company, owning approximately 22,000 kms of distribution networks and over 1,000 kms of transmission pipelines. APA Group owns 33.05% and also has a long term agreement to operate and maintain Envestra's assets. The fair value of APA Group's investment in Envestra as at 30 June 2014 is $807.5m ($590.8m for 30 June 2013) based on quoted market prices. Refer to Note 50 regarding events subsequent to year-end, relating to APA Group's investment in Envestra.

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

	2014 $000	2013 $000
JOINT VENTURES		
Aggregate carrying amount of investment	**179,820**	185,363
APA Group's aggregated share of:		
Profit from continuing operations	**11,973**	10,119
Other comprehensive income	**(8,783)**	8,371
Total comprehensive income	**3,190**	18,490

Summarised financial information for Envestra being APA Group's only material associate is set out below. The summarised financial information below is prepared in accordance with AIFRS and represents amounts published in the associate's financial statements for the year ended 30 June 2014.

FINANCIAL POSITION		
Current assets	**82,300**	86,200
Non-current assets	**3,306,700**	3,150,700
Total assets	**3,389,000**	3,236,900
Current liabilities	**73,300**	126,700
Non-current liabilities	**2,454,700**	2,268,400
Total liabilities	**2,528,000**	2,395,100
Net assets	**861,000**	841,800

18. JOINT VENTURES AND ASSOCIATES ACCOUNTED FOR USING THE EQUITY METHOD (CONTINUED)

	2014 $000	2013 $000
FINANCIAL PERFORMANCE		
Revenue	**554,400**	507,500
Profit before income tax expense	**218,700**	153,800
Net profit after tax	**153,000**	107,800
Other comprehensive income	**(18,800)**	23,400
Total comprehensive income	**134,200**	131,200

Dividend and summarised financial information relating to the interest in Envestra recognised in the consolidated financial statements is set out below.

	2014 $000	2013 $000
ENVESTRA		
Dividends received from the associate during the year	**38,000**	31,551
Aggregate carrying amount of investment	**382,926**	369,989
APA Group's aggregated share of:		
Profit from continuing operations	**50,113**	32,799
Other comprehensive income	**825**	6,308
Total comprehensive income	**50,938**	39,107
ASSOCIATES – OTHER		
Aggregate carrying amount of investment	**30,579**	33,780
APA Group's aggregated share of:		
Profit from continuing operations	**2,204**	1,950
Other comprehensive income	**29**	(362)
Total comprehensive income	**2,233**	1,588

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 49 and Note 44 respectively.

19. JOINT OPERATIONS

APA Group is a venturer in the following joint operations:

		OUTPUT INTEREST	
NAME OF VENTURE	PRINCIPAL ACTIVITY	2014 %	2013 %
Goldfields Gas Transmission	Gas pipeline operation – Western Australia	**88.2** [(a)]	88.2 [(a)]
Mid West Pipeline	Gas pipeline operation – Western Australia	**50.0** [(b)]	50.0 [(b)]

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

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

20. 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 2012	117,595	2,222	3,579,033	325,049	4,023,899
Additions	8,537	2,717	4,562	368,231	384,047
Disposals	(7,573)	–	(4,597)	–	(12,170)
Derecognised on disposal of subsidiary (Note 43)	(3,648)	–	(372,380)	(327)	(376,355)
Acquisitions through business combinations (Note 42)	16,190	–	1,896,192	20,972	1,933,354
Transfers	–	–	216,777	(219,571)	(2,794)
Balance at 30 June 2013	131,101	4,939	5,319,587	494,354	5,949,981
Additions	**–**	**–**	**32,129**	**413,985**	**446,114**
Disposals	**(33)**	**–**	**(6,126)**	**–**	**(6,159)**
Transfers	**8,366**	**76**	**421,036**	**(429,478)**	**–**
Balance at 30 June 2014	**139,434**	**5,015**	**5,766,626**	**478,861**	**6,389,936**
ACCUMULATED DEPRECIATION					
Balance at 1 July 2012	(17,392)	(1,927)	(532,382)	–	(551,701)
Disposals	200	–	3,470	–	3,670
Derecognised on disposal of subsidiaries (Note 43)	19	–	3,108	–	3,127
Depreciation expense	(2,376)	(233)	(122,178)	–	(124,787)
Transfers	473	–	(352)	–	121
Balance at 30 June 2013	(19,076)	(2,160)	(648,334)	–	(669,570)
Disposals	**7**	**–**	**5,240**	**–**	**5,247**
Depreciation expense	**(2,785)**	**(128)**	**(148,219)**	**–**	**(151,132)**
Balance at 30 June 2014	**(21,854)**	**(2,288)**	**(791,313)**	**–**	**(815,455)**
NET BOOK VALUE					
As at 30 June 2013	112,025	2,779	4,671,253	494,354	5,280,411
As at 30 June 2014	**117,580**	**2,727**	**4,975,313**	**478,861**	**5,574,481**

21. GOODWILL

	2014 $000	2013 $000
GROSS CARRYING AMOUNT		
Balance at beginning of financial year	**1,150,500**	411,883
Acquisitions (Note 42)	**–**	765,476
Disposals (Note 43)	**–**	(24,992)
Goodwill impairment	**–**	(1,867)
Balance at end of financial year	**1,150,500**	1,150,500

ALLOCATION OF GOODWILL TO CASH-GENERATING UNITS

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

Individual cash-generating units

- Asset Management business
- Energy Infrastructure:
  - New South Wales pipelines;
  - Victorian Transmission System;
  - South West Queensland Pipeline; and
  - Other energy infrastructure.

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

	2014 $000	2013 $000
Asset Management business	**31,456**	31,456
Energy Infrastructure		
New South Wales pipelines	**146,008**	146,008
Victorian Transmission System	**105,061**	105,061
South West Queensland Pipeline	**707,843**	663,268
Other energy infrastructure [(a)]	**160,132**	204,707
	1,150,500	1,150,500

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

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

The recoverable amounts of cash-generating units are determined based on value-in-use calculations. These calculations use cash flow projections based on a five year financial business plan and thereafter a further 15 year financial model. This is the basis of the Group's forecasting and planning processes which represents the underlying long term nature of associated customer contracts on these 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 1.9% p.a. These expected cash flows are factored into the regulated asset base and do not exceed management's expectations of the long-term average growth rate for the market in which the cash generating unit operates.

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

As contracts mature, given ongoing demand for capacity, it is assumed that capacity is resold.

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

Cash flow projections are estimated for a period of up to 20 years, with a terminal value, recognising the long term nature of the assets. The pre-tax discount rates used are 8.25% p.a. (2013: 8.25% p.a.) for energy infrastructure assets and 8.25% p.a. (2013: 8.25% p.a.) for asset management.

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

22. OTHER INTANGIBLE ASSETS

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

APA Group holds various third party operating and maintenance contracts. The combined gross carrying amount of $204.9 million amortises over terms ranging from one to 60 years. Useful life is determined based on the underlying contractual terms plus estimations of renewal of up to two terms where considered probable by management. Amortisation expense is included in the line item of depreciation and amortisation expense in the statement of profit or loss and other comprehensive income.

23. OTHER NON-CURRENT ASSETS

Line pack gas	**16,152**	10,922
Gas held in storage	**5,085**	5,085
Other assets	**192**	2,625
	21,429	18,632

24. TRADE AND OTHER PAYABLES

CURRENT		
Trade payables [(a)]	**27,037**	28,427
Other payables [(b)]	**158,951**	161,635
	185,988	190,062
NON-CURRENT		
Other payables	**3,599**	3,749
	3,599	3,749

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

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

25. CURRENT BORROWINGS

UNSECURED – AT AMORTISED COST		
Guaranteed Senior Notes [(a)]	**–**	80,910

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

26. OTHER CURRENT FINANCIAL LIABILITIES

Derivatives

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

	2014 $000	2013 $000
Forward foreign exchange contracts – cash flow hedges	**1,246**	–
Interest rate swaps – cash flow hedges	**17,712**	22,500
Cross currency interest rate swaps – cash flow hedges	**71,616**	103,885
	90,574	126,385

27. PROVISIONS

	2014 $000	2013 (RESTATED) $000
CURRENT		
Employee benefits [(a)]	**73,899**	71,098
Other (Note 36)	**7,104**	10,845
	81,003	81,943
NON-CURRENT		
Employee benefits [(a)]	**38,833**	42,995
Other (Note 36)	**8,609**	4,935
	47,442	47,930

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

	2014 $000	2013 (RESTATED) $000
CURRENT		
Incentives	**25,217**	23,042
Cash settled security-based payments	**9,263**	8,193
Leave balances	**37,310**	38,030
Termination benefits	**2,109**	1,833
	73,899	71,098
NON-CURRENT		
Cash settled security-based payments	**15,818**	15,215
Retirement benefit obligation (Note 37)	**14,426**	20,749
Leave balances	**8,589**	7,031
	38,833	42,995

28. OTHER LIABILITIES

	2014 $000	2013 $000
CURRENT		
Unearned revenue – other	**15,975**	12,921
	15,975	12,921
NON-CURRENT		
Unearned revenue – other	**15,438**	16,669
	15,438	16,669

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS CONTINUED

For the financial year ended 30 June 2014

29. NON-CURRENT BORROWINGS

	2014 $000	2013 $000
UNSECURED – AT AMORTISED COST		
Bank borrowings [(a)]	**1,014,500**	525,000
Guaranteed Senior Notes [(b)]	**3,214,082**	3,227,340
Subordinated Notes [(c)]	**515,000**	515,000
Less: unamortised borrowing costs	**(35,299)**	(34,098)
	4,708,283	4,233,242

(a) Relates to the non-current portion of long-term borrowings. Refer to Note 40 for details of interest rates and maturity profiles.

(b) Represents USD denominated private placement notes of US$725 million, CAD MTN of C$300 million, GBP MTN of £350 million, JPY MTN of ¥10,000 million and USD denominated 144a notes of US$750 million measured at the exchange rate at reporting date, and A$314.9 million of AUD denominated private placement notes and AUD medium term notes (MTN) of A$300 million. Refer to Note 40 for details of interest rates and maturity profiles.

(c) Represents AUD denominated subordinated notes. Refer to Note 40 for details of interest rates and maturity profiles.

30. OTHER NON-CURRENT FINANCIAL LIABILITIES

Derivatives

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

	2014 $000	2013 $000
Interest rate swaps – cash flow hedges	**17,377**	29,512
Cross currency interest rate swaps – cash flow hedges	**199,559**	147,744
	216,936	177,256

31. ISSUED CAPITAL

Securities

	2014 $000	2013 $000
835,750,807 securities, fully paid (2013: 835,750,807 securities, fully paid) [(a)]	**1,816,460**	1,820,516

	2014 NO. OF SECURITIES 000	2014 $000	2013 NO. OF SECURITIES 000	2013 $000
Movements				
Balance at beginning of financial year	**835,751**	**1,820,516**	644,486	1,138,205
Issue of securities under Distribution Reinvestment Plan	**–**	**–**	15,548	63,503
Issue of securities in business combination	**–**	**–**	175,717	672,630
Capital return to securityholders (Note 10)	**–**	**(4,056)**	–	(47,182)
Issue cost of securities	**–**	**–**	–	(6,672)
Tax relating to security issue costs	**–**	**–**	–	32
Balance at end of financial year	**835,751**	**1,816,460**	835,751	1,820,516

(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

For the financial year ended 30 June 2014

32. RESERVES

	2014 $000	2013 $000
Hedging	**(125,275)**	(62,475)
Asset revaluation	**8,669**	8,669
Available-for-sale investment revaluation	**363**	1,736
	(116,243)	(52,070)

HEDGING RESERVE

	2014 $000	2013 $000
Balance at beginning of financial year	**(62,475)**	(35,212)
Gain/(loss) recognised:		
Interest rate swaps/currency swaps	**(154,309)**	(144,702)
Deferred tax related to gains/losses recognised	**46,293**	43,411
Transferred to profit or loss:		
Interest rate swaps/currency swaps	**72,522**	91,438
Deferred tax related to amounts transferred to profit or loss	**(21,757)**	(27,431)
Share of hedge reserve of associate	**(7,928)**	14,316
Deferred tax related to share of hedge reserve	**2,379**	(4,295)
Balance at end of financial year	**(125,275)**	(62,475)

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

ASSET REVALUATION RESERVE

	2014 $000	2013 $000
Balance at beginning of financial year	**8,669**	8,669
Balance at end of financial year	**8,669**	8,669

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

AVAILABLE-FOR-SALE INVESTMENT REVALUATION RESERVE

	2014 $000	2013 $000
Balance at beginning of financial year	**1,736**	82,696
Revaluation (loss)/gain recognised	**(1,962)**	26,676
Gain transferred to profit or loss	**–**	(142,333)
Deferred tax related to gains/losses recognised	**589**	34,697
Balance at end of financial year	**363**	1,736

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

OTHER RESERVES

	2014 $000	2013 $000
Balance at beginning of financial year	**–**	–
Acquisition of non-controlling interest	**–**	(2,765)
Transfer to retained earnings	**–**	2,765
Balance at end of financial year	**–**	–

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

33. RETAINED EARNINGS

	2014 $000	2013 (RESTATED) $000
Balance at beginning of financial year	**146,762**	34,710
Net profit attributable to securityholders	**304,999**	257,003
Distributions paid (Note 10)	**(255,540)**	(154,716)
Transfer from reserves on acquisition of non-controlling interest in HDF	**–**	(2,765)
Actuarial gain on defined benefit plans recognised directly to retained earnings after tax	**4,757**	12,530
	200,978	146,762

34. NON-CONTROLLING INTERESTS

	2014 $000	2013 $000
APT Investment Trust	**595,243**	598,671
Other non-controlling interest	**51**	50
	595,294	598,721

APT INVESTMENT TRUST		
Balance at beginning of financial year	**578,780**	364,066
Issue of securities under distribution reinvestment plan	**–**	19,663
Issue of securities under security purchase plan	**–**	–
Distribution – capital return (Note 10)	**(2,608)**	(14,879)
Issue cost of securities	**–**	(2,105)
Tax relating to security issue costs	**–**	–
Balance at end of financial year	**576,172**	578,780
Reserves:		
Available for sale investment revaluation reserve:		
Balance at beginning of financial year	**467**	1,624
Valuation loss recognised	**(861)**	(1,157)
	(394)	467
Retained earnings:		
Balance at beginning of financial year	**19,424**	21,160
Net profit attributable to APTIT equityholders	**38,706**	38,143
Distributions paid (Note 10)	**(38,665)**	(39,879)
Balance at end of financial year	**19,465**	19,424

OTHER NON-CONTROLLING INTEREST		
Issued capital	**4**	4
Reserves	**1**	1
Retained earnings	**46**	45
	51	50

35. LEASES

Leasing arrangements – receivables

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

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

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

	2014 $000	2013 $000
NON-CANCELLABLE OPERATING LEASES – OTHER		
Not longer than 1 year	**9,927**	9,120
Longer than 1 year and not longer than 5 years	**21,776**	23,200
Longer than 5 years	**22,808**	25,066
	54,511	57,386

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS CONTINUED

For the financial year ended 30 June 2014

36. OTHER PROVISIONS

	ABANDONMENT [a] $000	OTHER [b] $000	TOTAL $000
Balance at 30 June 2013	4,935	10,845	15,780
Additional provisions recognised	1,258	7,505	8,763
Unwinding of discount	596	–	596
Reductions arising from payments/other sacrifices of future economic benefits	–	(5,097)	(5,097)
Reductions resulting from re-measurement or settlement without cost	–	(4,329)	(4,329)
Balance at 30 June 2014	**6,789**	**8,924**	**15,713**
Current (Note 27)	**–**	**7,104**	**7,104**
Non-current (Note 27)	**6,789**	**1,820**	**8,609**
	6,789	**8,924**	**15,713**

	ABANDONMENT [a] $000	OTHER [b] $000	TOTAL $000
Balance at 30 June 2012	4,354	12,395	16,749
Additional provisions recognised	294	2,905	3,199
Unwinding of discount	287	–	287
Reductions arising from payments/other sacrifices of future economic benefits	–	(2,455)	(2,455)
Reductions resulting from re-measurement or settlement without cost	–	(2,000)	(2,000)
Balance at 30 June 2013	4,935	10,845	15,780
Current (Note 27)	–	10,845	10,845
Non-current (Note 27)	4,935	–	4,935
	4,935	10,845	15,780

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

(b) Includes pipeline rectification works.

37. 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 obligation were carried out at 30 June 2014 by Mercer (Australia) Pty Ltd and Russell Investments (2013: Mercer (Australia) Pty Ltd and Russell Investments). The present value of the defined benefit obligation, and the related current service cost and past service cost, were measured using the projected unit credit method.

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

	2014 $000	2013 (RESTATED) $000
AMOUNTS RECOGNISED IN THE STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME		
Current service cost	**3,901**	4,246
Net interest expense	**567**	882
Components of defined benefit costs recognised in profit or loss	**4,468**	5,128
Remeasurement on the net defined benefit liability:		
Return on plan assets (excluding amounts included in net interest expense)	**(10,870)**	(14,306)
Actuarial gains and losses arising from changes in demographic assumptions	**(96)**	–
Actuarial gains and losses arising from changes in financial assumptions	**(878)**	(8,171)
Actuarial gains and losses arising from experience adjustments	**5,048**	4,576
Components of defined benefit costs recognised in other comprehensive income	**(6,796)**	(17,901)
Total recognised in the statement of profit or loss and other comprehensive income	**(2,328)**	(12,773)
AMOUNTS RECOGNISED IN THE STATEMENT OF FINANCIAL POSITION		
Fair value of plan assets	**130,195**	118,404
Present value of benefit obligation	**(144,621)**	(139,153)
Net liability – non-current (Note 27)	**(14,426)**	(20,749)
MOVEMENTS IN LIABILITY DURING THE YEAR		
Balance at beginning of year	**(20,749)**	(38,545)
Expense recognised in profit or loss	**(4,468)**	(5,128)
Amount recognised in retained earnings (prior to tax effect)	**6,796**	17,901
Contributions from employer	**3,995**	5,023
Balance at end of year [(a)]	**(14,426)**	(20,749)

(a) The above balances are recorded within the provisions section of the statement of financial position; refer to Note 27.

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

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

37. EMPLOYEE SUPERANNUATION PLANS (CONTINUED)

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

	2014 $000	2013 (RESTATED) $000
Opening fair value of plan assets	**118,404**	100,658
Interest income	**3,953**	2,762
Actual return on plan assets excluding interest income	**10,870**	14,306
Contributions from employer	**3,995**	5,023
Contributions from plan participants	**1,627**	1,442
Benefits paid	**(7,891)**	(4,786)
Taxes and premiums paid	**(763)**	(1,001)
Closing fair value of plan assets	**130,195**	118,404

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

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

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

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

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

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

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

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

APA Group expects $2.2 million in contributions to be paid to the defined benefit plans during the year ending 30 June 2015.

38. EARNINGS PER SECURITY

	2014	2013 (RESTATED)
Basic and diluted earnings per security (cents)	**41.1**	38.2

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

Net profit attributable to securityholders for calculating basic and diluted earnings per security ($000)	**343,705**	295,146

	NO. OF SECURITIES	
	2014	2013
Adjusted weighted average number of ordinary securities used in the calculation of basic and diluted earnings per security (000)	**835,751**	772,314

39. NOTES TO THE STATEMENT OF CASH FLOWS

(a) Reconciliation of cash and cash equivalents

For the purposes of the statement of cash flows, cash and cash equivalents includes cash on hand and in banks and investments in money market instruments, net of outstanding bank overdrafts. Cash and cash equivalents at the end of the financial year as shown in the statement of cash flows is reconciled to the related items in the statement of financial position as follows:

	2014 $000	2013 $000
Cash at bank and on hand [(a)]	**5,954**	79,931
Short-term deposits	**1,055**	1,024
	7,009	80,955

APA Group had no restricted cash as at 30 June 2014.

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

(b) Investments acquired and disposed of

Equity accounted investments

There has no been no change in the holding of APA Group's equity accounted investments for the financial year ended 30 June 2014. In the prior financial year, $31.6 million was invested in Envestra through the Dividend Reinvestment Plan and an additional amount of $33.9 million was invested in Envestra through a share placement.

39. NOTES TO THE STATEMENT OF CASH FLOWS (CONTINUED)

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

	2014 $000	2013 (RESTATED) $000
Profit for the year	**343,706**	292,382
Gain on previously held interest in HDF on obtaining control	**–**	(142,333)
Acquisition costs on business combinations	**–**	12,408
Write back of transaction costs on sale of Allgas Distribution Network	**–**	(18,483)
Loss on disposal of property, plant and equipment	**115**	480
Impairment of goodwill	**–**	1,867
Share of net profits of jointly controlled entities accounted for using the equity method	**(64,289)**	(44,868)
Dividends/distributions received from equity accounted investments	**61,418**	48,452
Depreciation and amortisation expense	**156,228**	130,461
Finance costs	**11,142**	1,481
Changes in assets and liabilities:		
Trade and other receivables	**5,948**	4,248
Inventories	**(4,623)**	706
Other assets	**4,291**	(1,605)
Trade and other payables	**5,962**	(5,407)
Provisions	**885**	12,093
Other liabilities	**(11,558)**	30,068
Income tax balances	**(77,684)**	52,431
Net cash provided by operating activities	**431,541**	374,381

(d) Financing facilities

	2014 $000	2013 $000
UNSECURED FACILITIES		
Bank borrowings [(a)]		
Amounts used	**1,014,500**	525,000
Amounts unused	**835,500**	891,667
	1,850,000	1,416,667
Guaranteed Senior Notes [(b)]		
Amounts used	**3,214,082**	3,308,250
Amounts unused	**–**	–
	3,214,082	3,308,250
Subordinated Notes [(c)]		
Amounts used	**515,000**	515,000
Amounts unused	**–**	–
	515,000	515,000

(a) Relates to the non-current portion of long-term borrowings. Refer to Note 40 for details of interest rates and maturity profiles.

(b) Represents USD denominated private placement notes of US$725 million, CAD MTN of C$300 million, GBP MTN of £350 million, JPY MTN of ¥10,000 million and USD denominated 144a notes of US$750 million measured at the exchange rate at reporting date, and A$314.9 million of AUD denominated private placement notes and AUD medium term notes (MTN) of A$300 million. Refer to Note 40 for details of interest rates and maturity profiles.

(c) Represents AUD denominated subordinated notes. Refer to Note 40 for details of interest rates and maturity profiles.

40. FINANCIAL INSTRUMENTS

(a) Capital risk management

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

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

The capital structure of the APA Group consists of debt, which includes borrowings disclosed in Notes 25 and 29, cash and cash equivalents, and equity attributable to equity holders of the parent, comprising issued capital, reserves and retained earnings as disclosed in Notes 31, 32 and 33 respectively.

The APA Group's operations are conducted primarily through its subsidiaries.

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

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

Controlled entities are subject to externally imposed capital requirements. These relate to the Australian Financial Services Licence held by Australian Pipeline Limited, the Responsible Entity of the APA Group and were adhered to for the entirety of the 2014 and 2013 periods.

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

Gearing ratio

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

(b) Financial risk management objectives

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

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

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

(c) Market risk management

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

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

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

APA Group is also exposed to price risk arising from its investments in and forward purchase contracts over listed equities. The majority of this exposure arises from APA Group's investment in Ethane Pipeline Income Fund which is publicly traded on the Australian Securities Exchange (ASX).

(d) Foreign currency risk management

APA Group undertakes certain transactions denominated in foreign currencies and hence exposures to exchange rate fluctuations arise. Exchange rate exposures are managed within approved policy parameters utilising foreign exchange contracts, including forward contracts and cross currency swap contracts. All foreign currency exposure was managed in accordance with the Treasury Risk Management Policy in both 2013 and 2014.

40. FINANCIAL INSTRUMENTS (CONTINUED)

(d) Foreign currency risk management (continued)

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

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

Forward foreign exchange contracts

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

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

OUTSTANDING CONTRACTS	AVERAGE EXCHANGE RATE	FOREIGN CURRENCY 2014 US$000	CONTRACT VALUE 2014 $000	FAIR VALUE 2014 $000
2014				
Buy US dollars				
Less than 3 months	**0.8704**	**14,133**	**16,238**	**(1,152)**
3 to 6 months	**0.8808**	**1,334**	**1,515**	**(86)**
6 to 12 months	**0.8981**	**204**	**227**	**(8)**
		15,671	**17,980**	**(1,246)**
2013				
Buy US dollars				
Less than 3 months	0.9966	12,910	12,954	1,222
3 to 6 months	1.0155	2,990	2,944	358
6 to 12 months	0.9500	3,585	3,774	208
		19,485	19,672	1,788

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

As at reporting date, the aggregate amount of unrealised loss under forward foreign exchange contracts deferred in the hedging reserve relating to these anticipated future transactions is $1.2 million (2013: unrealised gain of $1.8 million). It is anticipated that the capital purchases will take place within the next financial year at which stage unrealised mark-to-market amounts in equity will be included in the carrying amount of the asset being purchased.

Cross currency swap contracts

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

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

40. FINANCIAL INSTRUMENTS (CONTINUED)

(d) Foreign currency risk management (continued)

Cross currency swap contracts (continued)

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

	EXCHANGE RATE		AMOUNT	
	2014 $	2013 $	**2014 $000**	2013 $000
2003 USPP NOTE ISSUE				
Buy US dollars – interest				
Less than 1 year	**0.6573**	0.6573	**(16,480)**	(19,671)
1 year to 2 years	**0.6573**	0.6573	**(11,125)**	(16,480)
2 years to 5 years	**0.6573**	0.6573	**(14,425)**	(22,665)
5 years and more	**–**	0.6573	**–**	(2,885)
			(42,030)	(61,701)
Buy US dollars – principal				
Less than 1 year	**0.6573**	0.6573	**–**	(112,582)
1 year to 2 years	**0.6573**	0.6573	**(185,608)**	–
2 years to 5 years	**0.6573**	0.6573	**(95,847)**	(185,608)
5 years and more	**–**	0.6573	**–**	(95,847)
			(281,455)	(394,037)
2007 USPP NOTE ISSUE				
Buy US dollars – interest				
Less than 1 year	**0.8068**	0.8068	**(29,737)**	(29,737)
1 year to 2 years	**0.8068**	0.8068	**(29,737)**	(29,737)
2 years to 5 years	**0.8068**	0.8068	**(66,726)**	(77,969)
5 years and more	**0.8068**	0.8068	**(28,310)**	(46,805)
			(154,510)	(184,248)
Buy US dollars – principal				
2 years to 5 years	**0.8068**	0.8068	**(342,092)**	(190,878)
5 years and more	**0.8068**	0.8068	**(153,694)**	(304,908)
			(495,786)	(495,786)
2009 USPP NOTE ISSUE				
Buy US dollars – interest				
Less than 1 year	**0.7576**	0.7576	**(15,934)**	(15,934)
1 year to 2 years	**0.7576**	0.7576	**(15,934)**	(15,934)
2 years to 5 years	**0.7576**	0.7576	**(29,894)**	(37,057)
5 years and more	**0.7576**	0.7576	**(4,385)**	(13,156)
			(66,147)	(82,081)
Buy US dollars – principal				
2 years to 5 years	**0.7576**	0.7576	**(85,787)**	(85,787)
5 years and more	**0.7576**	0.7576	**(98,997)**	(98,997)
			(184,784)	(184,784)

40. FINANCIAL INSTRUMENTS (CONTINUED)

(d) Foreign currency risk management (continued)

Cross currency swap contracts (continued)

	EXCHANGE RATE		AMOUNT	
	2014 $	2013 $	**2014 $000**	2013 $000
2012 JPY MTN ISSUE				
Buy Japanese yen – interest				
Less than 1 year	**79.4502**	79.4502	**(1,543)**	(1,543)
1 year to 2 years	**79.4502**	79.4502	**(1,543)**	(1,543)
2 years to 5 years	**79.4502**	79.4502	**(3,086)**	(4,629)
			(6,172)	(7,715)
Buy Japanese yen – principal				
2 years to 5 years	**79.4502**	79.4502	**(125,865)**	(125,865)
2012 CAD MTN ISSUE				
Buy Canadian dollars – interest				
Less than 1 year	**1.0363**	1.0363	**(12,289)**	(12,289)
1 year to 2 years	**1.0363**	1.0363	**(12,289)**	(12,289)
2 years to 5 years	**1.0363**	1.0363	**(36,867)**	(36,867)
5 years and more	**1.0363**	1.0363	**(6,145)**	(18,434)
			(67,590)	(79,879)
Buy Canadian dollars – principal				
5 years and more	**1.0363**	1.0363	**(289,494)**	(289,494)
2012 US144A ISSUE				
Buy US dollars – interest				
Less than 1 year	**1.0198**	1.0198	**(28,498)**	(28,498)
1 year to 2 years	**1.0198**	1.0198	**(28,498)**	(28,498)
2 years to 5 years	**1.0198**	1.0198	**(85,495)**	(85,495)
5 years and more	**1.0198**	1.0198	**(99,744)**	(128,242)
			(242,235)	(270,733)
Buy US dollars – principal				
5 years and more	**1.0198**	1.0198	**(735,438)**	(735,438)
2012 GBP MTN ISSUE				
Buy British pounds – interest				
Less than 1 year	**0.6530**	0.6530	**(22,779)**	(22,779)
1 year to 2 years	**0.6530**	0.6530	**(22,779)**	(22,779)
2 years to 5 years	**0.6530**	0.6530	**(68,338)**	(68,338)
5 years and more	**0.6530**	0.6530	**(136,677)**	(159,456)
			(250,573)	(273,352)
Buy British pounds – principal				
5 years and more	**0.6530**	0.6530	**(535,988)**	(535,988)

40. FINANCIAL INSTRUMENTS (CONTINUED)

(d) Foreign currency risk management (continued)

Foreign currency sensitivity analysis

APA Group is exposed to movements in the USD, JPY, CAD and GBP through its fully hedged borrowings from global debt capital markets and its current obligations to future purchases of capital equipment. The entire foreign currency cash flows arising from the USPP, US144a and MTN issues have been swapped; as such, APA Group has no currency risk associated with those note issues. Therefore, the sensitivity analysis has only been performed on the forward foreign exchange contracts. The following table details APA Group's sensitivity to a 10% decrease and increase in the Australian dollar against the relevant foreign currencies. The sensitivity rate used is 10% and represents management's assessment of the possible change in foreign exchange rates. The sensitivity analysis includes only outstanding foreign currency denominated monetary items and adjusts their translation at the period end for a 10% change in foreign currency rates.

	2014 $000	2013 $000
A$ depreciating by 10%		
Profit	**–**	–
Other equity [(a)]	**(1,846)**	(2,365)
A$ appreciating by 10%		
Profit	**–**	–
Other equity [(a)]	**1,510**	1,935

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

(e) Interest rate risk management

APA Group is exposed to interest rate risk as it borrows funds at both fixed and floating interest rates. This risk is managed by APA Group by maintaining an appropriate mix between fixed and floating rate borrowings, through the use of interest rate swap contracts. Hedging activities are evaluated regularly to align with interest rate views and defined policy, ensuring appropriate hedging strategies are applied. Hedging activity is complemented by "natural hedges" from regulatory resets and CPI adjusted revenues.

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 $7.0 million as at 30 June 2014 (2013: $80.6 million).

Interest rate swap contracts

Under interest rate swap contracts, APA Group agrees to exchange the difference between fixed and floating rate interest amounts calculated on agreed notional principal amounts. Such contracts enable APA Group to mitigate the risk of cash flow exposures on the issued variable rate debt held. The fair value of interest rate swaps at the reporting date is determined by discounting the future cash flows using the yield curves at reporting date. The average interest rate is based on the outstanding balances at the end of the financial year.

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

	WEIGHTED AVERAGE INTEREST RATE		**NOTIONAL PRINCIPAL AMOUNT**		**FAIR VALUE**	
	2014 % P.A.	2013 % P.A.	**2014 $000**	2013 $000	**2014 $000**	2013 $000
CASH FLOW HEDGES						
Pay fixed AUD interest – receive floating AUD or fixed/floating foreign currency						
Less than 1 year	**5.90**	7.03	**100,000**	187,582	**(1,852)**	(34,411)
1 year to 2 years	**7.10**	5.90	**310,608**	100,000	**(66,627)**	(4,804)
2 years to 5 years	**7.75**	7.62	**649,591**	713,137	**(130,564)**	(128,246)
5 years and more	**7.24**	7.24	**1,813,611**	2,060,672	**(16,621)**	13,426
			2,873,810	3,061,391	**(215,664)**	(154,035)

APA Group had no fair value hedges in 2013 or 2014.

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

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

40. FINANCIAL INSTRUMENTS (CONTINUED)

(e) Interest rate risk management (continued)

Interest rate sensitivity analysis

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

- net profit would decrease by $13,045,000 or increase by $13,045,000 (2013: decrease by $7,400,000 or increase by $7,400,000). This is mainly attributable to APA Group's exposure to interest rates on its variable rate borrowings, including its Australian Dollar subordinated notes; and
- equity reserves would increase by $6,923,000 with a 100 basis point decrease in interest rates or decrease by $6,386,000 with a 100 basis point increase in interest rates (2013 : increase by $13,360,000 or decrease by $10,971,000 respectively). This is due to the changes in the fair value of derivative interest instruments.

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

(f) Price risk management

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

Equity price sensitivity

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

- net profit would have been unaffected as the equity investments are classified as available-for-sale and no investments were disposed of or impaired, there is also nil effect from the forwards as the corresponding exposure will offset in full (2013: $nil); and
- equity reserves would decrease/increase by $96,000 (2013: $219,000), due to the changes in the fair value of available-for-sale shares.

APA Group's analysis of its exposure to equity prices has established that, overall, its sensitivity declined during the current period compared to the prior period. This outcome is largely a result of the decrease in the security price of Ethane Pipeline Income Trust.

(g) Credit risk management

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

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

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

Cross guarantee

In accordance with a deed of cross guarantee, APT Pipelines Limited, a subsidiary of APA Group, has agreed to provide financial support, when and as required, to all wholly-owned controlled entities with either a deficit in shareholders' funds or an excess of current liabilities over current assets. The fair value of the financial guarantee as at 30 June 2014 has been determined to be immaterial and no liability has been recorded (2013: $nil).

(h) Liquidity risk management

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

40. FINANCIAL INSTRUMENTS (CONTINUED)

(h) Liquidity risk management (continued)

Details of undrawn facilities available to APA Group are shown in the table below:

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

40. FINANCIAL INSTRUMENTS (CONTINUED)

(h) Liquidity risk management (continued)

Liquidity and interest risk table

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

All foreign currency note exposures (both principal and interest) have been fully hedged back into Australian dollars at fixed interest rates for the entire duration of the note exposure. Therefore the table below shows the undiscounted Australian dollar cash flows associated with the foreign currency notes, cross currency interest rate swaps and fixed interest rate swaps in aggregate.

	AVERAGE INTEREST RATE % P.A.	LESS THAN 1 YEAR $000	1 – 5 YEARS $000	MORE THAN 5 YEARS $000
2014				
FINANCIAL LIABILITIES				
Trade and other payables	–	185,988	–	–
Unsecured bank borrowings [(a)]	4.04	88,608	1,052,698	–
2012 Subordinated Notes [(b)]	3.05	36,802	160,229	3,031,374
Interest Rate Swaps (Net Settled)	6.11	6,841	4,237	–
Guaranteed Senior Notes:				
Denominated in A$				
2007 Series A [(c)]	7.33	367	5,733	–
2007 Series C [(c)]	7.38	7,318	113,793	–
2007 Series E [(d)]	7.40	5,045	88,349	–
2007 Series G [(e)]	7.45	6,002	24,008	98,588
2007 Series H [(e)]	7.45	4,617	18,468	75,837
2010 AUD Medium Term Note [(f)]	7.75	23,250	93,000	334,875
Denominated in US$ (rates shown are the coupon rate of the US dollar notes)				
2003 Series C [(g)]	5.77	14,175	192,773	–
2003 Series D [(h)]	6.02	6,911	120,169	–
2007 Series B [(c)]	5.89	13,986	218,851	–
2007 Series D [(d)]	5.99	11,111	195,657	–
2007 Series F [(e)]	6.14	11,354	45,416	187,787
2009 Series A [(i)]	8.35	9,752	100,375	–
2009 Series B [(j)]	8.86	11,761	47,075	104,797
2012 US 144a [(k)]	3.88	49,392	196,358	907,571
Denominated in stated foreign currency				
2012 JPY Medium Term Note [(l)]	1.23	8,535	151,565	–
2012 CAD Medium Term Note [(m)]	4.25	19,690	78,010	299,178
2012 GBP Medium Term Note [(n)]	4.25	39,351	158,159	753,173
		560,856	3,064,923	5,793,180

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

(b) Matures on 1 October 2072.

(c) Matures on 15 May 2017.

(d) Matures on 15 May 2019.

(e) Matures on 15 May 2022.

(f) Matures on 22 July 2020.

(g) Matures on 9 September 2015.

(h) Matures on 9 September 2018.

(i) Matures on 1 July 2016.

(j) Matures on 1 July 2019.

(k) Matures on 11 October 2022.

(l) Matures on 22 Jun 2018.

(m) Matures on 24 July 2019.

(n) Matures on 26 November 2024.

40. FINANCIAL INSTRUMENTS (CONTINUED)

(h) Liquidity risk management (continued)

Liquidity and interest risk table (continued)

	AVERAGE INTEREST RATE % P.A.	LESS THAN 1 YEAR $000	1 – 5 YEARS $000	MORE THAN 5 YEARS $000
2013				
FINANCIAL LIABILITIES				
Trade and other payables	–	190,062	–	–
Unsecured bank borrowings [(a)]	4.53	22,747	534,564	–
2012 Subordinated Notes [(b)]	3.05	27,712	167,966	3,113,913
Interest Rate Swaps (Net Settled)	6.15	10,300	9,641	–
Guaranteed Senior Notes:				
Denominated in A$				
2007 Series A [(b)]	7.33	367	6,100	–
2007 Series C [(b)]	7.38	7,318	121,111	–
2007 Series E [(c)]	7.40	5,045	20,178	73,215
2007 Series G [(d)]	7.45	6,002	24,008	104,590
2007 Series H [(d)]	7.45	4,617	18,468	80,454
2010 AUD Medium Term Note [(j)]	7.75	23,250	93,000	358,125
Denominated in US$ (rates shown are the coupon rate of the US dollar notes)				
2003 Series B [(e)]	5.67	116,813	–	–
2003 Series C [(f)]	5.77	14,175	206,948	–
2003 Series D [(g)]	6.02	6,911	27,721	99,359
2007 Series B [(b)]	5.89	13,986	232,837	–
2007 Series D [(c)]	5.99	11,111	44,442	162,325
2007 Series F [(d)]	6.14	11,354	45,416	199,142
2009 Series A [(h)]	8.35	9,752	110,127	–
2009 Series B [(i)]	8.86	11,761	47,075	116,558
2012 US 144a [(l)]	3.88	49,123	196,627	956,694
Denominated in stated foreign currency				
2012 JPY Medium Term Note [(k)]	1.23	8,535	160,100	–
2012 CAD Medium Term Note [(l)]	4.25	19,529	78,171	318,708
2012 GBP Medium Term Note [(o)]	4.25	39,351	158,159	792,524
		609,821	2,302,659	6,375,607

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

(b) Matures on 1 October 2072.

(c) Matures on 15 May 2017.

(d) Matures on 15 May 2019.

(e) Matures on 15 May 2022.

(f) Matures on 22 July 2020.

(g) Matures on 9 September 2013.

(h) Matures on 9 September 2015.

(i) Matures on 9 September 2018.

(j) Matures on 1 July 2016.

(k) Matures on 1 July 2019.

(l) Matures on 11 October 2022.

(m) Matures on 22 Jun 2018.

(n) Matures on 24 July 2019.

(o) Matures on 26 November 2024.

40. FINANCIAL INSTRUMENTS (CONTINUED)

(i) Fair value of financial instruments

Fair value measurements recognised in the statement of financial position

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

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

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

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

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

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

40. FINANCIAL INSTRUMENTS (CONTINUED)

(i) Fair value of financial instruments (continued)

Fair value hierarchy

	LEVEL 1 $000	LEVEL 2 $000	LEVEL 3 $000	TOTAL $000
2014				
Financial assets measured at fair value				
Available-for-sale listed equity securities				
Ethane Pipeline Income Fund	**4,571**	**–**	**–**	**4,571**
Equity forwards designated as fair value through profit and loss	**–**	**4,004**	**–**	**4,004**
Cross Currency Interest Rate Swaps used for hedging	**–**	**77,115**	**–**	**77,115**
	4,571	**81,119**	**–**	**85,690**
Financial liabilities measured at fair value				
Interest rate swaps used for hedging	**–**	**31,041**	**–**	**31,041**
Cross Currency Interest Rate Swaps used for hedging	**–**	**261,739**	**–**	**261,739**
Forward foreign exchange contracts used for hedging	**–**	**1,246**	**–**	**1,246**
	–	**294,026**	**–**	**294,026**
2013				
Financial assets measured at fair value				
Available-for-sale listed equity securities				
Ethane Pipeline Income Fund	7,394	–	–	7,394
Equity forwards designated as fair value through profit and loss	–	3,822	–	3,822
Cross Currency Interest Rate Swaps used for hedging	–	132,718	–	132,718
Forward foreign exchange contracts used for hedging	–	1,788	–	1,788
	7,394	138,328	–	145,722
Financial liabilities measured at fair value				
Interest rate swaps used for hedging	–	47,088	–	47,088
Cross Currency Interest Rate Swaps used for hedging	–	239,665	–	239,665
	–	286,753	–	286,753

Fair value measurements of financial instruments measured at amortised cost

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

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

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

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

41. SUBSIDIARIES

NAME OF ENTITY	COUNTRY OF REGISTRATION/ INCORPORATION	OWNERSHIP INTEREST 2014 %	2013 %
PARENT ENTITY			
Australian Pipeline Trust [(a)]			
SUBSIDIARIES			
APT Pipelines Limited [(b),(c)]	Australia	100	100
Australian Pipeline Limited [(b)]	Australia	100	100
Agex Pty Ltd [(b),(c)]	Australia	100	100
Amadeus Gas Trust	Australia	96	96
APT Goldfields Pty Ltd [(b),(c)]	Australia	100	100
APT Management Services Pty Limited [(b),(c)]	Australia	100	100
APT Parmelia Gas Pty Ltd [(b),(c)]	Australia	100	100
APT Parmelia Holdings Pty Ltd [(b),(c)]	Australia	100	100
APT Parmelia Pty Ltd [(b),(c)]	Australia	100	100
APT Parmelia Trust [(b)]	Cayman Islands	100	100
APT Petroleum Pipelines Holdings Pty Limited [(b),(c)]	Australia	100	100
APT Petroleum Pipelines Pty Limited [(b),(c)]	Australia	100	100
APT Pipelines (NSW) Pty Limited [(b),(c)]	Australia	100	100
APT Pipelines (NT) Pty Limited [(b),(c)]	Australia	100	100
APT Pipelines (QLD) Pty Limited [(b),(c)]	Australia	100	100
APT Pipelines (WA) Pty Limited [(b),(c)]	Australia	100	100
APT Pipelines Investments (NSW) Pty Limited [(b),(c)]	Australia	100	100
APT Pipelines Investments (WA) Pty Limited [(b),(c)]	Australia	100	100
East Australian Pipeline Pty Limited [(b),(c)]	Australia	100	100
Gasinvest Australia Pty Ltd [(b),(c)]	Australia	100	100
Goldfields Gas Transmission Pty Ltd [(b)]	Australia	100	100
N.T. Gas Distribution Pty Limited [(b),(c)]	Australia	100	100
N.T. Gas Easements Pty Limited [(b),(c)]	Australia	100	100
N.T. Gas Pty Limited	Australia	96	96
Roverton Pty Ltd [(b),(c)]	Australia	100	100
SCP Investments (No. 1) Pty Limited [(b),(c)]	Australia	100	100
SCP Investments (No. 2) Pty Limited [(b),(c)]	Australia	100	100
SCP Investments (No. 3) Pty Limited [(b),(c)]	Australia	100	100
Sopic Pty Ltd [(b),(c)]	Australia	100	100
Southern Cross Pipelines (NPL) Australia Pty Ltd [(b),(c)]	Australia	100	100
Southern Cross Pipelines Australia Pty Limited [(b),(c)]	Australia	100	100
Trans Australia Pipeline Pty Ltd [(b),(c)]	Australia	100	100
Western Australian Gas Transmission Company 1 Pty Ltd [(b),(c)]	Australia	100	100
GasNet Australia Trust [(b)]	Australia	100	100
APA GasNet Australia (Holdings) Pty Limited [(b),(c)]	Australia	100	100
APA GasNet Australia (Operations) Pty Limited [(b),(c)]	Australia	100	100
APA GasNet A Pty Limited [(b),(c)]	Australia	100	100
GasNet A Trust	Australia	100	100
APA GasNet Australia (NSW) Pty Limited [(b),(c)]	Australia	100	100
APA GasNet B Pty Limited [(b),(c)]	Australia	100	100
APA GasNet Australia Pty Limited [(b),(c)]	Australia	100	100

41. SUBSIDIARIES (CONTINUED)

NAME OF ENTITY	COUNTRY OF REGISTRATION/ INCORPORATION	OWNERSHIP INTEREST 2014 %	2013 %
GasNet B Trust (b)	Australia	100	100
GasNet Australia Investments Trust	Australia	100	100
APA Operations Pty Limited (b),(c)	Australia	100	100
APT AM Holdings Pty Limited (b),(c)	Australia	100	100
APT O&M Holdings Pty Ltd (b),(c)	Australia	100	100
APT O&M Services Pty Ltd (b),(c)	Australia	100	100
APT O&M Services (QLD) Pty Ltd (b),(c)	Australia	100	100
APT Water Management Pty Ltd (b),(c)	Australia	100	100
APT Water Management Holdings Pty Ltd (b),(c)	Australia	100	100
APT AM (Stratus) Pty Limited (b),(c)	Australia	100	100
APT Facility Management Pty Limited (b),(c)	Australia	100	100
APT AM Employment Pty Limited (b),(c)	Australia	100	100
APT Sea Gas Holdings Pty Limited (b),(c)	Australia	100	100
APT SPV2 Pty Ltd (b)	Australia	100	100
APT SPV3 Pty Ltd (b)	Australia	100	100
APT Pipelines (SA) Pty Limited (b),(c)	Australia	100	100
APT (MIT) Services Pty Limited (b),(c)	Australia	100	100
APA Operations (EII) Pty Limited (b),(c)	Australia	100	100
APA Pipelines (QNSW) Pty Limited (b),(c)	Australia	100	100
Central Ranges Pipeline Pty Ltd (b),(c)	Australia	100	100
APA Country Pipelines Pty Limited (b),(c)	Australia	100	100
North Western Natural Gas Company Pty Limited (b),(c)	Australia	100	100
APA Facilities Management Pty Limited (b),(c)	Australia	100	100
APA (NBH) Pty Limited (b),(c)	Australia	100	100
APA Pipelines Investments (BWP) Pty Limited (b),(c)	Australia	100	100
APA Power Holdings Pty Limited (b),(c)	Australia	100	100
APA (EDWF Holdco) Pty Ltd (b),(c)	Australia	100	100
APA (BWF Holdco) Pty Ltd (b),(c)	Australia	100	100
EDWF Holdings 1 Pty Ltd (b),(c)	Australia	100	100
EDWF Holdings 2 Pty Ltd (b),(c)	Australia	100	100
EDWF Manager Pty Ltd (b),(c)	Australia	100	100
Wind Portfolio Pty Ltd (b),(c)	Australia	100	100
Griffin Windfarm 2 Pty Ltd (b)	Australia	100	100
APA AM (Allgas) Pty Limited (b),(c)	Australia	100	100
APA DPS Holdings Pty Limited (b),(c)	Australia	100	100
APA Power PF Pty Limited (b),(c)	Australia	100	100
APA Sub Trust No 1 (b)	Australia	100	100
APA Sub Trust No 2 (b)	Australia	100	100
APA Sub Trust No 3 (b)	Australia	100	100
APA (Pilbara Pipeline) Pty Ltd (b),(c)	Australia	100	100
APA (Sub No 3) International Holdings 1 Pty Ltd (b),(c),(f)	Australia	100	100
APA (Sub No 3) International Holdings 2 Pty Ltd (b),(c),(f)	Australia	100	100
APA (Sub No 3) International Nominees Pty Ltd (b),(c),(f)	Australia	100	100
APA (SWQP) Pty Limited (b),(c)	Australia	100	100

41. SUBSIDIARIES (CONTINUED)

NAME OF ENTITY	COUNTRY OF REGISTRATION/ INCORPORATION	OWNERSHIP INTEREST 2014 %	2013 %
APA (WA) One Pty Limited [(b),(c)]	Australia	100	100
APA AIS 1 Pty Limited [(b),(c)]	Australia	100	100
APA AIS 2 Pty Ltd [(b),(c)]	Australia	100	100
APA AIS Pty Limited [(b),(c)]	Australia	100	100
APA Biobond Pty Limited [(b),(c)]	Australia	100	100
APA East One Pty Limited [(b),(c),(f)]	Australia	100	100
APA East Pipelines Pty Limited [(b),(c)]	Australia	100	100
APA EE Pty Limited [(b),(c)]	Australia	100	100
APA EE Australia Pty Limited [(b),(c)]	Australia	100	100
APA EE Corporate Shared Services Pty Limited [(b),(c)]	Australia	100	100
APA EE Holdings Pty Limited [(b),(c)]	Australia	100	100
Epic Energy East Pipelines Trust [(b)]	Australia	100	100
APA (NT) Pty Limited [(b),(c),(f)]	Australia	100	100
Epic Energy South Australia Pty Limited [(d)]	Australia	–	–
MAPS FinCo Pty Limited [(e)]	Australia	–	100

(a) Australian Pipeline Trust is the head entity within the tax-consolidated group.
(b) These entities are members of the tax-consolidated group.
(c) These wholly-owned subsidiaries have entered into a deed of cross guarantee with APT Pipelines Limited pursuant to ASIC Class Order 98/1418 and are relieved from the requirement to prepare and lodge an audited financial report.
(d) Entity was acquired and disposed of during the 2013 year.
(e) Entity was deregistered during the year.
(f) Entity party to a revocation deed in relation to the APT Pipelines Limited deed of cross guarantee lodged with ASIC on 1 August 2014.

42. ACQUISITION OF BUSINESSES

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

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

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

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

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

42. ACQUISITION OF BUSINESSES (CONTINUED)

NAMES OF BUSINESS ACQUIRED	PRINCIPAL ACTIVITY	DATE OF ACQUISITION	PROPORTION ACQUIRED %	COST OF ACQUISITION $000
During the financial year ended 30 June 2013				
Hastings Diversified Utilities Fund (HDF)	Gas Transmission	9 October 2012 – 24 December 2012	100	1,233,847

HASTINGS DIVERSIFIED UTILITIES FUND	2013 FAIR VALUE ON ACQUISITION $000
Net assets acquired	
Current assets	
Cash and cash equivalents	104,500
Trade and other receivables	23,963
Other financial assets	79
Inventories	1,930
Deferred tax assets	104,408
Other	1,727
Non-current assets	
Receivables	15,278
Property, plant and equipment	1,933,354
Goodwill	765,476
Other	8,090
Current liabilities	
Trade and other payables	(44,190)
Current borrowings	(1,325,000)
Other financial liabilities	(43,897)
Provisions	(19,044)
Other	(644)
Non-current liabilities	
Provisions	(1,201)
Fair value of net assets acquired	**1,524,829**
Previously held interest	(290,982)
Cost of acquisition	**1,233,847**
Cash balances acquired	(104,500)
Securities issued as part consideration	(884,665)
Transaction costs paid	12,380
Net cash outflow on acquisition	**257,062**
Prior year transaction costs paid	8,259
Total cash outflow on acquisitions	**265,321**

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

43. DISPOSAL OF BUSINESSES

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

	2013 MOOMBA ADELAIDE PIPELINE SYSTEM 1 MAY 2013 $000
NET ASSETS DISPOSED	
Current assets	
Cash and cash equivalents	3,546
Trade and other receivables	5,453
Inventories	1,350
Other	294
Non-current assets	
Property, plant and equipment	373,228
Goodwill	24,992
Intangibles	–
Other	1,811
Total assets	**410,674**
Current liabilities	
Trade and other payables	(3,229)
Provisions	(1,659)
Other	–
Non-current liabilities	
Deferred tax liabilities	(10,798)
Provisions	(311)
Total liabilities	**(15,997)**
Net assets	**394,677**
Profit on sale before transaction costs	5,807
Transactions costs	(5,807)
Loss on disposal (after transaction costs)	–
Less: Cash and cash equivalents disposed	(3,546)
Payables – sale of business	595
Net cash inflow on disposal	**391,726**
Net cash inflow/(outflow) on transaction costs relating to prior year disposal	19,638
Total proceeds on sale of businesses	**411,364**

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

44. COMMITMENTS FOR EXPENDITURE

	2014 $000	2013 $000
CAPITAL EXPENDITURE COMMITMENTS		
Plant and equipment	**87,835**	119,413
APA GROUP'S SHARE OF JOINTLY CONTROLLED OPERATION'S COMMITMENTS		
Plant and equipment	**16,458**	45,637

45. REMUNERATION OF EXTERNAL AUDITOR

	2014	2013
Amounts received or due and receivable by Deloitte Touche Tohmatsu for:		
Auditing the financial report	**700,000**	765,300
Compliance plan audit	**21,500**	20,700
Tax compliance and advice [(a)]	**8,500**	193,305
Other assurance services [(a)]	**414,000**	505,000
	1,144,000	1,484,305

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

46. DIRECTOR AND KEY MANAGEMENT PERSONNEL COMPENSATION

(a) Directors compensation

The aggregate compensation made to Directors of APA Group is set out below:

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

(b) Key management personnel compensation [(a)]

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

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

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

47. RELATED PARTY TRANSACTIONS

(a) Equity interest in related parties

Details of the percentage of ordinary securities held in subsidiaries are disclosed in Note 41 and the details of the percentage held in joint operations are disclosed in Note 19. Details of interests in joint ventures and associates are disclosed in Note 18.

(b) Responsible Entity – Australian Pipeline Limited

The Responsible Entity is wholly owned by APT Pipelines Limited.

(c) Transactions with key management personnel

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;
- payments of capital distributions (returns of capital); and
- equity issues.

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

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

Refer to Note 41 for details of the entities that comprise APA Group.

Australian Pipeline Limited

Management fees of $3,177,861 (2013: $2,727,683) were paid to the Responsible Entity as reimbursement of costs incurred on behalf of APA. No amounts were paid directly by APA to the Directors of the Responsible Entity, except as disclosed at Note 46.

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.

47. RELATED PARTY TRANSACTIONS (CONTINUED)

(d) Transactions with other related parties

Transactions with 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
2014					
SEA Gas	**11,298**	**3,256**	**–**	**98**	**–**
Energy Infrastructure Investments	**4,283**	**22,755**	**250**	**1,935**	**–**
EII 2	**2,405**	**641**	**–**	**–**	**–**
APA Ethane Ltd	**–**	**200**	**–**	**–**	**–**
Diamantina Power Station	**–**	**3,083**	**–**	**–**	**–**
GDI (EII)	**5,433**	**49,435**	**18**	**4,994**	**–**
Envestra Limited	**38,000**	**369,471**	**578**	**40,400**	**–**
	61,419	**448,841**	**846**	**47,427**	**–**

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

	DIVIDENDS FROM RELATED PARTIES $000	SALES TO RELATED PARTIES $000	PURCHASES FROM RELATED PARTIES $000	AMOUNT OWED BY RELATED PARTIES $000	AMOUNT OWED TO RELATED PARTIES $000
2013					
SEA Gas	6,673	3,122	5	107	–
Energy Infrastructure Investments	4,296	23,317	–	5,911	–
EII 2	2,047	654	–	40	–
APA Ethane Ltd	–	200	–	–	–
Diamantina Power Station	–	4,392	–	143	–
GDI (EII)	3,886	39,626	–	5,077	–
Envestra Limited	31,551	326,935	1,255	35,644	–
	48,453	398,246	1,260	46,922	–

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

At year end, APA Group had receivables with other related parties of $9.0 million.

48. 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. Refer to note 3 for a summary of significant accounting policies relating to the group.

	2014 $000	2013 $000
FINANCIAL POSITION		
Assets		
Current assets	**845,650**	902,410
Non-current assets	**1,083,512**	1,029,610
Total assets	**1,929,162**	1,932,020
Liabilities		
Current liabilities	**98,427**	98,473
Non-current liabilities	**–**	–
Total liabilities	**98,427**	98,473
Net assets	**1,830,735**	1,833,547
Equity		
Issued capital	**1,816,460**	1,820,516
Retained earnings	**13,912**	11,294
Reserves		
Available-for-sale investment revaluation reserve	**363**	1,737
Total equity	**1,830,735**	1,833,547
FINANCIAL PERFORMANCE		
Profit for the year	**258,159**	156,128
Other comprehensive income	**(1,373)**	(607)
Total comprehensive income	**256,786**	155,521

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.

49. CONTINGENCIES

CONTINGENT LIABILITIES		
Bank guarantees	**28,553**	157,200
CONTINGENT ASSETS	**–**	–

50. EVENTS OCCURRING AFTER REPORTING DATE

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

On 20 August 2014, the Directors declared a final distribution of 18.75 cents per security ($156.7 million) for APA Group (comprising a distribution of 16.42 cents per security from APT and a distribution of 2.33 cents per security from APTIT), made up of 18.75 cents per security unfranked profit distribution. The distribution will be paid on 10 September 2014.

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

DECLARATION BY THE DIRECTORS OF AUSTRALIAN PIPELINE LIMITED

For the financial year ended 30 June 2014

The Directors declare that:

(a) in the Directors' opinion, there are reasonable grounds to believe that 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 as stated in Note 3 to the financial statements; and

(d) the Directors have been given the declarations by the Managing Director and Chief Financial Officer required by section 295A of the Corporations Act 2001.

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

On behalf of the Directors

Leonard Bleasel AM
Chairman

Robert Wright
Director

SYDNEY, 20 August 2014

AUDITOR'S INDEPENDENCE DECLARATION

For the financial year ended 30 June 2014

Deloitte.

Deloitte Touche Tohmatsu
ABN 74 490 121 060

Grosvenor Place
225 George Street
Sydney NSW 2000
PO Box N250 Grosvenor Place
Sydney NSW 1220 Australia

DX: 10307SSE
Tel: +61 (0) 2 9322 7000
Fax: +61 (0) 2 9322 7001
ww.deloitte.com.au

The Directors
Australian Pipeline Limited as responsible entity for
Australian Pipeline Trust
HSBC Building
Level 19, 580 George Street
Sydney NSW 2000

20 August 2014

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 2014, I declare that to the best of my knowledge and belief, there have been no contraventions of:

(i) the auditor independence requirements of the *Corporations Act 2001* in relation to the audit; and

(ii) any applicable code of professional conduct in relation to the audit.

Yours sincerely

Deloitte Touche Tohmatsu

DELOITTE TOUCHE TOHMATSU

G. Couttas

G Couttas
Partner
Chartered Accountants

Deloitte.

Deloitte Touche Tohmatsu
ABN 74 490 121 060

Grosvenor Place
225 George Street
Sydney NSW 2000
PO Box N250 Grosvenor Place
Sydney NSW 1220 Australia

DX: 10307SSE
Tel: +61 (0) 2 9322 7000
Fax: +61 (0) 2 9322 7001
www.deloitte.com.au

Independent Auditor's Report to the Unitholders of Australian Pipeline Trust

We have audited the accompanying financial report of Australian Pipeline Trust, which comprises the statement of financial position as at 30 June 2014, the statement of profit or loss and other comprehensive income, the statement of cash flows and the statement of changes in equity for the year ended on that date, notes comprising a summary of significant accounting policies and other explanatory information, and the directors' declaration of the consolidated entity, comprising the Trust and the entities it controlled at the year's end or from time to time during the financial year as set out on pages 38 to 96.

Directors' Responsibility for the Financial Report

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

Auditor's Responsibility

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

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

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

Deloitte.

Auditor's Independence Declaration

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

Opinion

In our opinion:

(a) the financial report of Australian Pipeline Trust is in accordance with the *Corporations Act 2001*, including:

   (i) giving a true and fair view of the consolidated entity's financial position as at 30 June 2014 and of its performance for the year ended on that date; and

   (ii) complying with Australian Accounting Standards and the *Corporations Regulations 2001*; and

(b) the financial statements also comply with International Financial Reporting Standards as disclosed in Note 3.

DELOITTE TOUCHE TOHMATSU

G Couttas
Partner
Chartered Accountants
Sydney, 20 August 2014

APT INVESTMENT TRUST AND ITS CONTROLLED ENTITIES ARSN 115 585 441

DIRECTORS' REPORT

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 2014. 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").

DIRECTORS

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

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

Details of the Directors, their qualifications, experience, special responsibilities and directorships of other listed entities are set out on pages 13 to 15.

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

PRINCIPAL ACTIVITIES

APTIT operates as an investment and financing entity within the APA stapled group.

REVIEW AND RESULTS OF OPERATIONS

APTIT reported net profit after tax of $38.7 million (2013: $38.1 million) for the year ended 30 June 2014 on total revenue of $38.7 million (2013: $38.2 million).

DISTRIBUTIONS

Distributions paid to Securityholders during the financial year were:

	FINAL FY2013 DISTRIBUTION PAID 11 SEPTEMBER 2013		INTERIM FY2014 DISTRIBUTION PAID 12 MARCH 2014	
	CENTS PER SECURITY	TOTAL DISTRIBUTION $000	CENTS PER SECURITY	TOTAL DISTRIBUTION $000
APTIT profit distribution	2.32	19,424	**2.30**	**19,241**
APTIT capital distribution	0.16	1,313	**0.15**	**1,295**
Total	2.48	20,737	**2.45**	**20,536**

On 20 August 2014, the Directors declared a final distribution for APTIT for the year of 2.33 cents per security which is payable on 10 September 2014 and will comprise the following components:

	FINAL FY2014 DISTRIBUTION PAYABLE 10 SEPTEMBER 2014	
	CENTS PER SECURITY	TOTAL DISTRIBUTION $000
APTIT profit distribution	**2.33**	**19,464**
APTIT capital distribution	**–**	**–**
Total	**2.33**	**19,464**

Distribution information is presented on an accounting classification basis. The APA Annual Tax Statement and Annual Tax Return Guide (to be released in September 2014) will provide the classification of distribution components for the purpose of preparation of Securityholder income tax returns.

DIRECTORS' REPORT
CONTINUED

SIGNIFICANT CHANGES IN STATE OF AFFAIRS

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

The CKI Consortium formalised its bid for Envestra in its Bidders Statement issued on 20 June 2014. On 7 August 2014, APA accepted this offer for its entire interest in Envestra of 33.0%. APA will receive $783.8 million in consideration, in addition to the $20.8 million it received on 25 July 2014, being the final dividend of 3.5 cents per share paid by Envestra on that date. APA retains its Operations and Management Agreement on the Envestra assets, which runs to 2027.

SUBSEQUENT EVENTS

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

OTHER INFORMATION

Details of the Directors and Company Secretary of the Responsible Entity are set out in the Australian Pipeline Trust Directors' report at pages 2 to 17. That report also contains information on the Directors' directorships of other listed companies, their attendance at meetings and securityholdings, options, indemnification of officers, remuneration and the auditor's provision of non-audit services and independence.

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 17 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 at the end of the financial year, are disclosed in Note 10 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 included in Note 2 to the financial statements.

AUDITOR'S INDEPENDENCE DECLARATION

A copy of the Auditor's independence declaration as required under section 307C of the Corporations Act 2001 is included on page 115.

ROUNDING OF AMOUNTS

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

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

On behalf of the Directors

Leonard Bleasel AM
Chairman

Robert Wright
Director

SYDNEY, 20 August 2014

CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME

For the financial year ended 30 June 2014

	NOTE	2014 $000	2013 $000
CONTINUING OPERATIONS			
Revenue	4	**38,718**	38,155
Expenses	4	**(12)**	(12)
Profit before tax		**38,706**	38,143
Income tax expense		**–**	–
Profit for the year		**38,706**	38,143
Other comprehensive income			
Items that may be reclassified to profit and loss:			
Loss on available-for-sale investments taken to equity		**(861)**	(1,157)
Other comprehensive income for the year (net of tax)		**(861)**	(1,157)
Total comprehensive income for the year		**37,845**	36,986
Profit Attributable to:			
Equityholders of the parent		**38,706**	38,143
		38,706	38,143
Total comprehensive income attributable to:			
Equityholders of the parent		**37,845**	36,986
EARNINGS PER SECURITY			
Basic and diluted earnings per security (cents)	12	**4.6**	4.9

Diluted earnings per security is exactly the same as basic earnings per security.

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

APT INVESTMENT TRUST AND ITS CONTROLLED ENTITIES

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

As at 30 June 2014

	NOTE	2014 $000	2013 $000
CURRENT ASSETS			
Receivables	6	**670**	641
NON–CURRENT ASSETS			
Receivables	7	**10,623**	11,260
Other financial assets	8	**583,961**	586,794
Total non–current assets		**594,584**	598,054
Total assets		**595,254**	598,695
CURRENT LIABILITIES			
Trade and other payables	9	**11**	24
Total liabilities		**11**	24
Net assets		**595,243**	598,671
EQUITY			
Issued capital	10	**576,172**	578,780
Reserves	11	**(394)**	467
Retained earnings		**19,465**	19,424
Total equity		**595,243**	598,671

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

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

For the financial year ended 30 June 2014

	NOTE	ISSUED CAPITAL $000	RESERVES $000	RETAINED EARNINGS $000	TOTAL $000
Balance at 1 July 2012		364,066	1,624	21,160	386,850
Profit for the year		–	–	38,143	38,143
Other comprehensive income for the year (net of tax)	11	–	(1,157)	–	(1,157)
Total comprehensive income for the year		–	(1,157)	38,143	36,986
Issue of capital (net of issue costs)	10	229,593	–	–	229,593
Distributions to securityholders	5	(14,879)	–	(39,879)	(54,758)
Balance at 30 June 2013		578,780	467	19,424	598,671
Balance at 1 July 2013		**578,780**	**467**	**19,424**	**598,671**
Profit for the year		**–**	**–**	**38,706**	**38,706**
Other comprehensive income for the year (net of tax)	11	**–**	**(861)**	**–**	**(861)**
Total comprehensive income for the year		**–**	**(861)**	**38,706**	**37,845**
Distributions to securityholders	5	**(2,608)**	**–**	**(38,665)**	**(41,273)**
Balance at 30 June 2014		**576,172**	**(394)**	**19,465**	**595,243**

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

APT INVESTMENT TRUST AND ITS CONTROLLED ENTITIES

CONSOLIDATED STATEMENT OF CASH FLOWS

For the financial year ended 30 June 2014

	2014 $000	2013 $000
CASH FLOWS FROM OPERATING ACTIVITIES		
Trust distribution – related party	**23,013**	25,190
Capital distribution received – external	**–**	271
Dividends received	**126**	150
Interest received – related parties	**15,199**	13,888
Finance lease receivable repayments	**1,168**	1,167
Receipts from customers	**201**	167
Payments to suppliers	**(12)**	(12)
Net cash provided by operating activities	**39,695**	40,821
CASH FLOWS FROM INVESTING ACTIVITIES		
Repayment received from/(advances to) related parties	**1,592**	(3,635)
Net cash provided by/(used in) investing activities	**1,592**	(3,635)
CASH FLOWS FROM FINANCING ACTIVITIES		
Proceeds from issue of securities	**–**	19,663
Payment of security issue costs	**(14)**	(2,091)
Distributions to securityholders	**(41,273)**	(54,758)
Net cash used in financing activities	**(41,287)**	(37,186)
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.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the financial year ended 30 June 2014

1. GENERAL INFORMATION

APT Investment Trust ("APTIT" or "Trust") is one of the two stapled trusts of APA Group ("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.

APTIT's registered office and its principal place of business are as follows:

Registered office and principal place of business
Level 19, HSBC Building
580 George Street
SYDNEY NSW 2000
Tel: (02) 9693 0000

APTIT operates as an investment entity within the Australian Pipeline Trust stapled group.

2. SIGNIFICANT ACCOUNTING POLICIES

Basis of preparation

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

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

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

Critical accounting judgements and key sources of estimation uncertainty

In the application of the Consolidated Entity's accounting policies, management is required to make judgements, estimates and assumptions about the carrying values of assets and liabilities that are not readily apparent from other sources.

The estimates and associated assumptions are based on historical experience and other factors that are considered to be relevant. Actual results may differ from these estimates.

The estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to accounting estimates are recognised in the period in which the estimate is revised if the revision affects only that period, or in the period of the revision and future periods if the revision affects both current and future periods. Refer to Note 3 for a discussion of critical judgements in applying the entity's accounting policies, and key sources of estimation uncertainty.

Adoption of new and revised Accounting Standards

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

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

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

AASB 13 Fair value measurement

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

AASB 13 requires inclusion of a measure for credit risk in the calculations of assets and liabilities recorded at fair value. This change is applied prospectively and has not had a significant impact on the fair value of the Consolidated Entity's assets and liabilities for the year ended 30 June 2014, but has resulted in additional fair value disclosures as provided in Note 15.

Control

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

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

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

AASB 12 is a new disclosure standard and is applicable to entities that have interests in subsidiaries, joint arrangements, associates and unconsolidated structured entities.

AASB 124 Related party disclosures

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

The amendments remove the individual remuneration disclosures and disclosures about equity holdings, loans and other transactions with key management personnel. As a result, only aggregate remuneration disclosures are provided in Note 17.

2. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Basis of preparation (continued)

(b) Standards and Interpretations issued not yet adopted

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

STANDARD/INTERPRETATION	EFFECTIVE FOR ANNUAL REPORTING PERIODS BEGINNING ON OR AFTER	EXPECTED TO BE INITIALLY APPLIED IN THE FINANCIAL YEAR ENDING
– AASB 9 ‘Financial Instruments’ and the relevant amending standards	1 January 2017	30 June 2018

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

– IFRS 15 ‘Revenue from Contracts with Customers’	1 January 2017	30 June 2018

The potential impact of the initial application of the Standards above is yet to be determined.

(a) Basis of consolidation

The financial statements comprise the consolidation of APTIT and its respective subsidiaries (together “Consolidated 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.

(i) Subsidiaries

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

(b) Cash and cash equivalents

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

(c) Trade and other payables

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

(d) Acquisition of assets

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

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

(e) Financial instruments issued by the Consolidated Entity

Debt and equity instruments

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

Transaction costs arising on the issue of equity instruments

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

Interest and distributions

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

(f) Goods and services tax

Revenues, expenses and assets are recognised net of the amount of goods and services tax (“GST”), except where the amount of GST incurred is not recoverable from the taxation authority. Receivables and payables are recognised inclusive of GST, except for accrued revenue and accrued expense at balance dates which exclude GST.

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

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

(g) Impairment of assets

Assets are reviewed for impairment at least annually or whenever events or changes in circumstances indicate that the carrying amount may not be recoverable. An impairment loss is recognised for the amount by which the asset’s carrying amount exceeds its recoverable amount. The recoverable amount is the higher of an asset’s fair value less costs to sell, and value in use. For the purpose of assessing impairment, assets are grouped at the lowest levels for which there are separately identifiable cash inflows which are largely independent of the cash inflows from other assets or groups of assets (cash-generating units). Assets other than goodwill that have previously suffered an impairment are reviewed for possible reversal of the impairment at the end of each reporting period.

(h) Income tax

Income tax expense is not brought to account in respect of APTIT as, pursuant to the 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 securityholders each year.

(i) Financial assets and liabilities

Financial assets are classified into the following specified categories: financial assets ‘held-to-maturity investments’, ‘available-for-sale’ financial assets, and ‘loans and receivables’.

The classification depends on the nature and purpose of the financial assets and is determined at the time of initial recognition.

2. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

(i) Financial assets and liabilities (continued)

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.

Fair value through profit or loss

Financial assets at fair value through profit or loss are stated at fair value, with any resultant gain or loss recognised in profit or loss. The net gain or loss recognised in profit or loss incorporates any dividend or interest earned on the financial asset.

Available-for-sale financial assets

Financial assets classified as being available-for-sale are stated at fair value. Gains and losses arising from changes in fair value are recognised directly in the available-for-sale investment revaluation reserve.

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

Financial assets are assessed for indicators of impairment at each balance sheet date. Financial assets are impaired where there is objective evidence that as a result of one or more events that occurred after initial recognition of the financial asset, the estimated future cash flows of the investment have been adversely impacted.

(j) Revenue recognition

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

Interest revenue

Interest is recognised by applying the effective interest method.

Distribution revenue

Distribution revenue is recognised when the right to receive a distribution has been established.

Dividend revenue

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

Finance lease income

Finance lease income is recognised when receivable.

(k) Leased assets

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

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.

(l) Segment information

The Consolidated Entity has one reportable segment being energy infrastructure investment and operation.

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.

3. CRITICAL ACCOUNTING JUDGEMENTS AND KEY SOURCES OF ESTIMATION UNCERTAINTY

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

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

Impairment of assets

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

Estimates and assumptions used are reviewed on an ongoing basis.

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

Useful lives of non-current assets

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

Fair value of financial instruments

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

Details of the inputs to the fair value of financial instruments are included in Note 15.

4. PROFIT FROM OPERATIONS

Profit before income tax includes the following items of income and expense:

	2014 $000	2013 $000
REVENUE		
Distributions		
Trust distribution – related party	**23,013**	25,190
Other entities	**125**	130
	23,138	25,320
FINANCE INCOME		
Interest – related parties	**15,162**	13,541
Loss on financial asset held at fair value through profit and loss	**(342)**	(1,460)
Finance lease income – related party	**559**	587
	15,379	12,668
OTHER REVENUE		
Other	**201**	167
Total revenue	**38,718**	38,155
EXPENSES		
Audit fees	**(12)**	(12)
Total expenses	**(12)**	(12)

5. DISTRIBUTIONS

	2014 CENTS PER SECURITY	2014 TOTAL $000	2013 CENTS PER SECURITY	2013 TOTAL $000
RECOGNISED AMOUNTS				
Final distribution paid on 11 September 2013 (2013: 14 September 2012)				
Profit distribution [a]	**2.32**	**19,424**	3.28	21,160
Capital distribution	**0.16**	**1,313**	2.31	14,879
	2.48	**20,737**	5.59	36,039
Interim distribution paid on 12 March 2014 (2013: 13 March 2013)				
Profit distribution [a]	**2.30**	**19,241**	2.26	18,719
Capital distribution	**0.15**	**1,295**	–	–
	2.45	**20,536**	2.26	18,719
Total distributions recognised				
Profit distributions [a]	**4.62**	**38,665**	5.54	39,879
Capital distributions	**0.31**	**2,608**	2.31	14,879
UNRECOGNISED AMOUNTS				
Final distribution payable on 10 September 2014 [b] (2013: 11 September 2013)				
Profit distribution [a]	**2.33**	**19,464**	2.32	19,424
Capital distribution	**–**	**–**	0.16	1,313
	2.33	**19,464**	2.48	20,737

(a) Profit distributions unfranked (2013: unfranked).
(b) Record date 30 June 2014.

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.

6. CURRENT RECEIVABLES

	2014 $000	2013 $000
Other debtors	**31**	32
Finance lease receivable – related party (Note 14)	**639**	609
	670	641

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.

7. NON-CURRENT RECEIVABLES

	2014 $000	2013 $000
Finance lease receivable – related party (Note 14)	**10,623**	11,260

8. NON-CURRENT OTHER FINANCIAL ASSETS

	2014 $000	2013 $000
Advance to related party	**440,633**	442,225
Investments carried at cost:		
Investment in related party [(a)]	**107,379**	107,379
	548,012	549,604
Financial assets carried at fair value:		
Redeemable ordinary shares [(b)]	**34,427**	34,807
Available-for-sale investments carried at fair value [(c)]	**1,522**	2,383
	583,961	586,794

(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 perferred 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 capiltal. As such, GAIT neither controls nor has a significant influence over GasNet A Trust. GasNet Australia Trust, a related party wholly owned by APT Group, owns 100% of the A Class units in GasNet A Trust and, accordingly, GasNet A Trust is included in the consolidation of the APT 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.

(b) Financial assets carried at fair value relate to APA Group's 19.9% investment in Energy Infrastructure Investments Pty Ltd where APL, as Responsible Entity for APTIT, acquired the redeemable ordinary shares.

(c) Available-for-sale investments reflect a 6% unitholding in Ethane Pipeline Income Fund.

9. TRADE AND OTHER PAYABLES

	2014 $000	2013 $000
Other payables	**11**	24

10. ISSUED CAPITAL

	2014 $000	2013 $000
835,751,807 securities, fully paid (2013: 835,751,807 securities, fully paid) [(a)]	**576,172**	578,780

	2014 NO. OF UNITS 000	**2014 $000**	2013 NO. OF UNITS 000	2013 $000
MOVEMENTS				
Balance at beginning of financial year	**835,752**	**578,780**	644,486	364,066
Issue of securities under Distribution Reinvestment Plan	**–**	**–**	15,548	19,663
Issue of securities as consideration for related party acquisition [(b)]	**–**	**–**	175,718	212,035
Issue cost of securities	**–**	**–**	–	(2,105)
Capital distributions paid (Note 5)	**–**	**(2,608)**	–	(14,879)
Balance at end of financial year	**835,752**	**576,172**	835,752	578,780

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

(b) APTIT issued securities as part consideration for APT Pipelines Ltd's acquisition of the Hastings Diversified Utilities Fund.

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

For the financial year ended 30 June 2014

11. RESERVES

	2014 $000	2013 $000
Available-for-sale investment revaluation reserve		
Balance at beginning of financial year	**467**	1,624
Valuation loss recognised	**(861)**	(1,157)
Balance at end of financial year	**(394)**	467

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

12. EARNINGS PER SECURITY

	2014	2013
Basic and diluted earnings per security (cents)	**4.6**	4.9

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

Net profit attributable to securityholders for calculating basic and diluted earnings per security ($'000)	**38,706**	38,143

	NO. OF SECURITIES	
Weighted average number of ordinary securities on issue used in the calculation ('000)	**835,751**	772,314

13. REMUNERATION OF EXTERNAL AUDITOR

	2014 $	2013 $
Amounts received or due and receivable by Deloitte Touche Tohmatsu for:		
Auditing the financial report	**12,322**	11,958

14. LEASES

	2014 $000	2013 $000
FINANCE LEASES		
Leasing arrangements – receivables		
Finance lease receivables relate to the lease of a pipeline lateral.		
There are no contingent rental payments due.		
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	**9,338**	10,506
Minimum future lease payments receivable [(a)]	**15,174**	16,342
Gross finance lease receivables	**15,174**	16,342
Less: unearned finance lease receivables	**(3,912)**	(4,473)
Present value of lease receivables	**11,262**	11,869
Included in the financial statements as part of:		
Current receivables (Note 6)	**639**	609
Non-current receivables (Note 7)	**10,623**	11,260
	11,262	11,869

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

15. FINANCIAL INSTRUMENTS

(a) Financial risk management objectives

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

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

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

(b) Market risk management

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 period. The Consolidated Entity is also exposed to price risk from its investments in listed equities. The shareholding rests with one entity, Ethane Pipeline Income Financing Trust, that is publicly traded in the major financial markets.

Equity price sensitivity

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

- net profit would have been unaffected as the equity investments are classified as available-for-sale and no material investments were disposed of or impaired (2013: $nil); and
- equity reserves would decrease/increase by $32,000 (2013: $71,000), due to the changes in the fair value of available-for-sale shares.

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

(c) Credit risk management

Credit risk refers to the risk that a counterparty will default on its contractual obligations resulting in financial loss to the Consolidated Entity. The Consolidated Entity has adopted the policy of only dealing with creditworthy counterparties and obtaining sufficient collateral or bank guarantees where appropriate as a means of mitigating any risk of loss. For financial investments or market risk hedging, the Consolidated Entity's policy is to deal with highly rated counterparties.

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.

(d) Liquidity risk management

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

(e) Fair value of financial instruments

Fair value measurements recognised in the statement of financial position

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

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

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

Fair value of the Consolidated Entity'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:

Available-for-sale listed equity securities

- the fair values of available-for-sale financial assets and financial liabilities with standard terms and conditions and traded on active liquid markets are determined with reference to quoted market prices; and
- these instruments are classified in the fair value hierarchy at level 1.

Unlisted Redeemable ordinary shares

The financial statements include redeemable ordinary shares ("ROS") held in an unlisted entity which are measured at fair value (Note 8). The fair market value of the ROS is derived from a binomial tree model, which includes some assumptions that are not able to be supported by observable market prices or rates. The model maps different possible valuation paths of three distinct components:

- value of the debt component;
- value of the ROS discretionary dividends; and
- value of the option to convert to ordinary shares.

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

- the risk adjusted rate for the ROS is estimated as the required rate of return based on projected cash flows to equity at issuance assuming the ROS price at issuance ($0.99) and the ordinary price at issuance ($0.01) are at their fair value;
- the risk free rate of return is 2.93% (2013: 3.19%) per annum and is based upon an interpolation of the three and five year Government bond rates at the valuation date;
- a credit margin of 7% is added to the risk free rate. The credit margin is reviewed and adjusted (where required) annually;
- the ROS discretionary dividends are estimated based on an internal forecasted cash flow model;
- the value of the option to convert is deemed to be zero (2013: zero). For conversion to occur, a number of conditions must be met. At the reporting date, it was deemed highly unlikely these conditions would occur based on an internal forecasting model; and
- These instruments are classified in the fair value hierarchy at level 3.

The fair value is impacted by the following unobservable inputs:

- An increase in the discount rate will result in a decrease in the fair value;
- An increase in discretionary dividends will result in a increase in the fair value; and
- Meeting conditions to trigger the conversion of the option would result in an increase in the fair value.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS CONTINUED

For the financial year ended 30 June 2014

15. FINANCIAL INSTRUMENTS (CONTINUED)

(e) Fair value of financial instruments (continued)

Fair value hierarchy

	LEVEL 1 $000	LEVEL 2 $000	LEVEL 3 $000	TOTAL $000
2014				
Financial assets measured at fair value				
Available-for-sale listed equity securities	**1,523**	**–**	**–**	**1,523**
Ethane Pipeline Income Fund				
Unlisted Redeemable Ordinary Shares	**–**	**–**	**34,427**	**34,427**
Energy Infrastructure Investments				
	1,523	**–**	**34,427**	**35,950**
2013				
Financial assets measured at fair value				
Available-for-sale listed equity securities				
Ethane Pipeline Income Fund	2,383	–	–	2,383
Unlisted Redeemable Ordinary Shares				
Energy Infrastructure Investments	–	–	34,807	34,807
	2,383	–	34,807	37,190

Reconciliation of Level 3 fair value measurements of financial assets

	FAIR VALUE THROUGH PROFIT OR LOSS 2014 $000	FAIR VALUE THROUGH PROFIT OR LOSS 2013 $000
Opening balance	**34,807**	36,614
Total gains or losses:		
– in profit or loss: Interest – related parties	**4,245**	3,949
– in profit or loss: (Loss)/gain on financial asset held at fair value through profit and loss	**(342)**	(1,460)
Distributions	**(4,283)**	(4,296)
Closing balance	**34,427**	34,807

(f) 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. 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 $1,145,000 or decrease by $1,090,000 (2013: increase by $485,000 or decrease by $412,000 respectively). This is mainly attributable to the Consolidated Entity's exposure to interest rates on its variable rate inter-entity balances and the fair value movement on the ROS. The sensitivity has increased due to higher inter-entity balances resulting in interest income sensitivity which is greater than the ROS sensitivity.

16. SUBSIDIARIES

NAME OF ENTITY	COUNTRY OF REGISTRATION	OWNERSHIP INTEREST 2014 %	OWNERSHIP INTEREST 2013 %
Parent entity			
APT Investment Trust			
Controlled entity			
GasNet Australia Investments Trust	Australia	**100**	100

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS CONTINUED

For the financial year ended 30 June 2014

17. DIRECTOR AND KEY MANAGEMENT PERSONNEL COMPENSATION

(a) Director compensation

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

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

(b) Key management personnel compensation [(a)]

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

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

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

18. RELATED PARTY TRANSACTIONS

(a) Equity interest in related parties

Details of the percentage of ordinary securities held in subsidiaries are disclosed in Note 16.

(b) Responsible Entity – Australian Pipeline Limited

The Responsible Entity is wholly owned by APT Pipelines Limited (2013: 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 16 for details of the entities that comprise the Consolidated Entity.

(d) Transactions with other related parties

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

The following balances arising from transactions between APTIT and its other related parties are outstanding at reporting date:

- current receivables totalling $670,000 are owing from a subsidiary of APT for amounts due under a finance lease arrangement (2013: $609,000);
- non-current receivables totalling $10,623,000 are owing from a subsidiary of APT for amounts due under a finance lease arrangement (2013: $11,260,000); and
- non-current receivables totalling $440,633,000 (2013: $442,225,000) are owing from a subsidiary of APT.

Australian Pipeline Limited

Management fees of $753,000 (2013: $671,000) 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 $753,000 (2013: $671,000) were reimbursed by APT.

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. Refer to Note 2 for a summary of significant accounting policies relating to the Consolidated Entity.

	2014 $000	2013 $000
FINANCIAL POSITION		
Assets		
Current assets	**670**	641
Non-current assets	**594,584**	598,054
Total assets	**595,254**	598,695
Liabilities		
Current liabilities	**11**	24
Total liabilities	**11**	24
Net assets	**595,243**	598,671
Equity		
Issued capital	**576,172**	578,780
Retained earnings	**19,465**	19,424
Reserves		
Available-for-sale investment revaluation reserve	**(394)**	467
Total equity	**595,243**	598,671
FINANCIAL PERFORMANCE		
Profit for the year	**38,706**	38,143
Other comprehensive income	**(861)**	(1,157)
Total comprehensive income	**37,845**	36,986

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. CONTINGENCIES

At 30 June 2014, there are no material contingent liabilities or contingent assets (2013: $nil).

21. EVENTS OCCURRING AFTER REPORTING DATE

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

On 20 August 2014, the Directors declared a final distribution for the 2014 financial year of 2.33 cents per security ($19.5 million). The distribution represents a 2.33 cents per security unfranked profit distribution and nil cents per security capital distribution. The distribution will be paid on 10 September 2014.

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

DECLARATION BY THE DIRECTORS OF AUSTRALIAN PIPELINE LIMITED

For the financial year ended 30 June 2014

The Directors declare that:

(a) in the Directors' opinion, there are reasonable grounds to believe that APT 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 as stated in Note 2 to the financial statements; and

(d) the Directors have been given the declarations by the Managing Director and Chief Financial Officer required by section 295A of the Corporations Act 2001.

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

On behalf of the Directors

Leonard Bleasel AM
Chairman

Robert Wright
Director

SYDNEY, 20 August 2014

AUDITOR'S INDEPENDENCE DECLARATION

For the financial year ended 30 June 2014

Sydney NSW 1220 Australia

DX: 10307SSE
Tel: +61 (0) 2 9322 7000
Fax: +61 (0) 2 9322 7001
www.deloitte.com.au

The Directors
Australian Pipeline Limited as responsible entity for
APT Investment Trust
HSBC Building
Level 19, 580 George Street
Sydney NSW 2000

20 August 2014

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 2014, I declare that to the best of my knowledge and belief, there have been no contraventions of:

(i) the auditor independence requirements of the *Corporations Act 2001* in relation to the audit; and

(ii) any applicable code of professional conduct in relation to the audit.

Yours sincerely

DELOITTE TOUCHE TOHMATSU

G Couttas
Partner
Chartered Accountants

Deloitte.

Deloitte Touche Tohmatsu
ABN 74 490 121 060

Grosvenor Place
225 George Street
Sydney NSW 2000
PO Box N250 Grosvenor Place
Sydney NSW 1220 Australia

DX: 10307SSE
Tel: +61 (0) 2 9322 7000
Fax: +61 (0) 2 9322 7001
www.deloitte.com.au

Independent Auditor's Report to the Unitholders of APT Investment Trust

We have audited the accompanying financial report of APT Investment Trust, which comprises the statement of financial position as at 30 June 2014, the statement of profit or loss and other comprehensive income, the statement of cash flows and the statement of changes in equity for the year ended on that date, notes comprising a summary of significant accounting policies and other explanatory information, and the directors' declaration of the consolidated entity, comprising the Trust and the entities it controlled at the year's end or from time to time during the financial year as set out on pages 102 to 114.

Directors' Responsibility for the Financial Report

The directors of Australian Pipeline Limited are responsible for the preparation of the financial report that gives a true and fair view in accordance with Australian Accounting Standards and the *Corporations Act 2001* and for such internal control as the directors determine is necessary to enable the preparation of the financial report that gives a true and fair view and is free from material misstatement, whether due to fraud or error. In Note 2, the directors also state, in accordance with Accounting Standard AASB 101 *Presentation of Financial Statements*, that the financial statements comply with International Financial Reporting Standards.

Auditor's Responsibility

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

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

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

Deloitte.

Auditor's Independence Declaration

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

Opinion

In our opinion:

(a) the financial report of APT Investment Trust is in accordance with the *Corporations Act 2001*, including:

  (i) giving a true and fair view of the consolidated entity's financial position as at 30 June 2014 and of its performance for the year ended on that date; and

  (ii) complying with Australian Accounting Standards and the *Corporations Regulations 2001*; and

(b) the financial statements also comply with International Financial Reporting Standards as disclosed in Note 2.

Deloitte Touche Tohmatsu

DELOITTE TOUCHE TOHMATSU

G. Couttas

G Couttas
Partner
Chartered Accountants
Sydney, 20 August 2014

ADDITIONAL INFORMATION

Additional information required by the Listing Rules of the Autralian Securities Exchange Limited and not provided elsewhere in this report (the information is applicable as at 29 August 2014).

TWENTY LARGEST HOLDERS	NO. OF SECURITIES	%
National Nominees Limited	**136,325,223**	16.31
HSBC Custody Nominees (Australia) Limited	**134,721,166**	16.12
J P Morgan Nominees Australia Limited	**80,950,830**	9.69
Citicorp Nominees Pty Limited	**46,082,166**	5.51
Custodial Services Limited	**17,604,599**	2.11
Australian Foundation Investment Company Limited	**11,643,321**	1.39
BNP Paribas Noms Pty Ltd	**7,959,470**	0.95
Argo Investments Limited	**7,358,455**	0.88
AMP Life Limited	**7,073,719**	0.85
Bond Street Custodians Limited	**3,186,189**	0.38
BKI Investment Company Limited	**2,854,452**	0.34
UBS Wealth Management Australia Nominees Pty Ltd	**2,258,031**	0.27
Questor Financial Services Limited	**1,800,928**	0.22
Djerriwarrh Investments Limited	**1,765,000**	0.21
Milton Corporation Limited	**1,719,254**	0.21
Navigator Australia Limited	**1,704,109**	0.20
Invia Custodian Pty Limited	**1,286,982**	0.15
Nulis Nominees (Australia) Limited	**1,230,624**	0.15
QIC Limited	**1,208,616**	0.14
BT Portfolio Services Limited	**1,199,238**	0.14
Total for top 20	**469,932,372**	**56.23**

DISTRIBUTION OF HOLDERS

RANGES	NO. OF HOLDERS	%	NO. OF SECURITIES	%
100,001 and Over	161	0.20	496,254,385	59.38
10,001 to 100,000	8,076	10.08	159,163,991	19.04
5,001 to 10,000	11,649	14.54	84,178,700	10.07
1,001 to 5,000	31,928	39.86	85,036,280	10.18
1 to 1,000	28,290	35.32	11,117,451	1.33
Total	**80,104**	**100.00**	**835,750,807**	**100.00**

2,310 holders hold less than a marketable parcel of securities (market value less than $500 or 65 securities based on a market price on 29 August 2014 of $7.75).

SUBSTANTIAL HOLDERS

By notice dated 11 August 2014, National Nominees as Custodian for Unisuper Limited advised that it had an interest in 67,731,922 ordinary securities.

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.

ADDITIONAL INFORMATION
CONTINUED

CALENDAR OF EVENTS

Final distribution FY2014 record date	30 June 2014
Final distribution FY2014 payment date	10 September 2014
Annual meeting	24 October 2014
Interim result announcement	25 February 2015*
Interim distribution FY2015 record date	31 December 2014*
Interim distribution FY2015 payment date	18 March 2015*

*Subject to change

ANNUAL MEETING DETAILS

Date: **Friday, 24 October 2014**

Venue: **City Recital Hall**
2 Angel Place, 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 19, 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 INTERACTIVE REPORTS

APA Group's 2014 Annual Report, Annual Review and Sustainability Report are available in an easy to view interactive format at apa.com.au.

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 from APA 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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INNOVATING TODAY TRANSFORMING TOMORROW

SEPTEMBER 2014 IN THE PIPELINE

APA Group 2014 Annual Results Summary

Dear Securityholders

The 2014 financial year has been a significant year for APA, having successfully delivered on growth initiatives while enhancing customer services. I am pleased to report that APA delivered another solid result, culminating in total distributions increasing 2.1 per cent on last year.

SOLID RESULTS

The 2014 statutory results include a significant item relating to a one-off positive adjustment to tax expense. I will report on APA's "normalised" results, which exclude significant items, as they are the more relevant measure of our operating performance. Notably, our key financial measures were:

- an increase in profit after tax of 14.0 per cent to $199.6 million;
- an increase in earnings before interest, tax, depreciation and amortisation ("EBITDA") of 12.9 per cent to $747.3 million; and
- an increase in operating cash flow of 1.6 per cent to $439.7 million. Operating cash flow per security was down 6.1 per cent to 52.6 cents due to an increase in the average number of APA securities on issue during the year as a result of the Hastings Diversified Utilities Fund acquisition in the previous year.

Earnings growth was largely a result of a full year's contribution from the recently acquired South West Queensland Pipeline and Pilbara Pipeline System, together with additional earnings from the Mondarra Gas Storage Facility, a strong performance in the Energy Investments business segment and increased customer contributions in Asset Management. Our asset portfolio diversity continues to provide both revenue security and a platform for continued growth.

This year, as in prior years, distributions are fully funded out of operating cash flow, with the remaining cash retained in the business to support the funding of our ongoing growth investments. The Board declared a final distribution of 18.75 cents, bringing total distributions for the year to 36.25 cents. APA's track record of sustainable and growing distributions is also reflected in our total securityholder return of 21.6 per cent for the year.

DELIVERING GROWTH

With our focus on growth and value, for both investors and customers, APA has developed a strategic asset portfolio to become Australia's leading gas infrastructure business. The services we provide are now enabling our customers to think differently about how to move and store gas across the country.

We've applied innovative thinking whilst maintaining our financial discipline to respond to Australia's dynamic gas industry. This year, we continued to expand and extend our asset portfolio and provide reliable and seamless services for our customers.

In Western Australia, we commissioned the Mondarra Gas Storage Facility and neared completion of the two expansion projects on the Goldfields Gas Pipeline.

In July this year, we announced the new 292 kilometre Eastern Goldfields Pipeline to supply two mining operations in the eastern Goldfields region. The new long term revenue agreements underpinning this pipeline provide for gas transportation across three of APA's pipelines, demonstrating our ability to provide seamless services and add value by leveraging our existing assets.

We continue to see the benefits of our 7,000 kilometre east coast pipeline grid. Three new gas transportation agreements to move gas from Victoria into New South Wales underpin the expansion work on the northern section of the Victorian Transmission System. APA also signed a major new agreement with an existing customer for flexible services on the grid, in particular utilising the Moomba Sydney Pipeline.

In South Australia and Queensland, the compression capacity expansion works and South West Queensland bi-directional capability project were progressed, and will be completed within the 2015 financial year. In Mount Isa, we neared completion of the Diamantina Power Station.

In early 2014, APA commenced a two year feasibility study to assess the commercial viability of connecting our Northern Territory assets to our east coast grid. The resultant 9,000 kilometre pipeline grid, if completed, will be transformational for all gas industry participants as well as for APA and its investors.

SALE OF ENVESTRA INVESTMENT

We've always applied a prudent approach to our investments and acquisitions. Whilst our rationale for owning the Envestra gas distribution network remains sound, the cash offer for Envestra by the Cheung Kong Infrastructure group exceeded our valuation of the business. After careful consideration, we concluded it was in the best interests of our investors to sell APA's 33.0 per cent interest in Envestra and redeploy the proceeds to opportunities which will provide better long term value. As a result of this sale, we will realise an estimated pre-tax profit of $430 million in the 2015 financial year. APA will continue to operate and manage the Envestra assets under a long term agreement until 2027.

OUTLOOK

Based on current expected operating plans, APA expects normalised EBITDA on a continuing business basis to be in the range of $740 million to $760 million, and total distributions to be at least equal to those in the 2014 financial year – that is, at least 36.25 cents.

Thank you for your continued support and I look forward to reporting the half year results to you in March 2015.

Len Bleasel AM
APA Group Chairman

APA Group

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 those trusts. The registered office is HSBC building, Level 19, 580 George Street, Sydney NSW 2000.

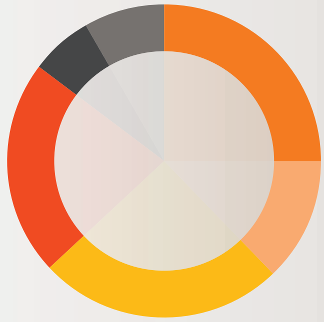
FINANCIAL ACHIEVEMENTS

	2014 Normalised[1] $ million	2013 Normalised[1,2] $ million	Change % Normalised	2014 Statutory $ million	2013 Statutory[2] $ million	Change % Statutory
FINANCIAL RESULTS						
Revenue	**1,396.0**	1,272.3	9.7	**1,396.0**	1,272.3	9.7
Revenue excluding pass-through[3]	**992.5**	919.5	7.9	**992.5**	919.5	7.9
EBITDA	**747.3**	661.9	12.9	**747.3**	763.6	(2.1)
Profit after tax and minorities	**199.6**	175.1	14.0	**343.7**	295.1	16.5
Operating cash flow	**439.7**	432.6	1.6	**431.5**	374.4	15.3
FINANCIAL POSITION						
Total assets				**7,972.5**	7,698.9	3.6
Debt				**4,789.4**	4,412.0	8.6
Securityholders' equity				**2,496.5**	2,513.9	(0.7)
FINANCIAL RATIOS						
Operating cash flow per security (cents)	**52.6**	56.0	(6.1)	**51.6**	48.5	6.4
Earnings per security (cents)	**23.9**	22.7	5.3	**41.1**	38.2	7.6
Distribution per security (cents)				**36.3**	35.5	2.3
Distribution payout ratio (%)	**68.9**	68.2	1.0	**70.2**	78.9	(11.0)
Gearing (net debt to net debt plus equity) (%)				**64.2**	62.8	
Interest cover ratio (times)				**2.3**	2.3	

1 Normalised financial results exclude significant items.
2 The comparative numbers for 2013 have been restated for the effect of applying AASB 119 'Employee Benefits'.
3 Pass-through revenue is revenue on which no margin is earned.

PORTFOLIO DIVERSITY

Continuing business – 2014 EBITDA

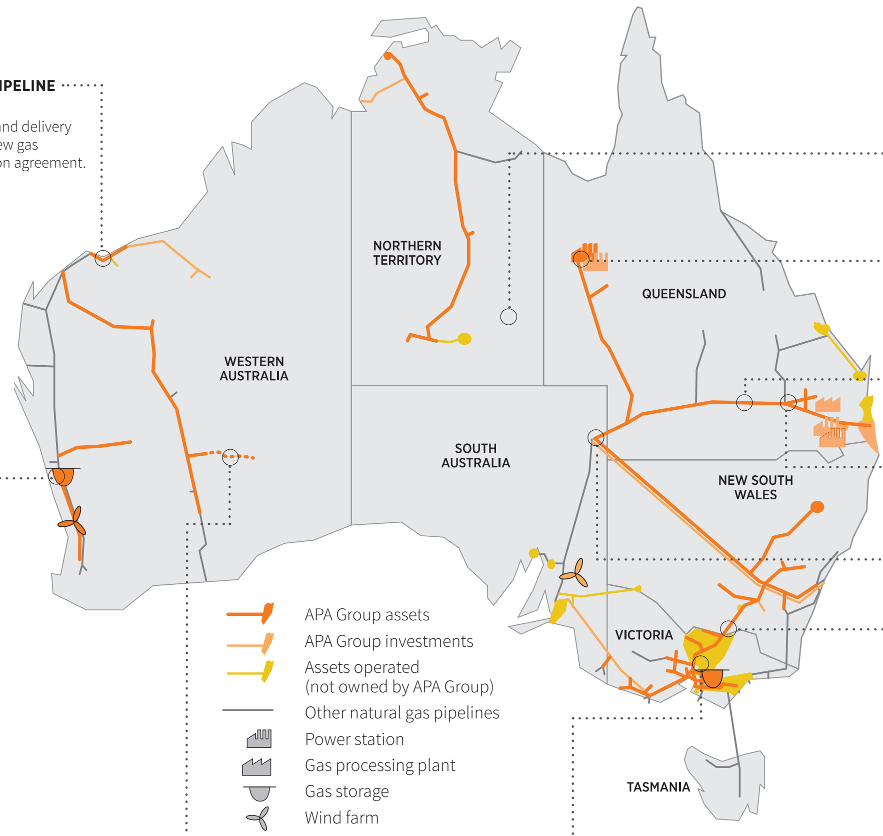


Energy Infrastructure 83.4%

QLD	28.5%
NSW	14.3%
VIC & SA	15.6%
WA & NT	25.0%
Energy Investments	**9.1%**
Asset Management	**7.5%**

CAPITAL EXPANSION ACHIEVEMENTS

OUR PORTFOLIO OF INTERCONNECTED ENERGY INFRASTRUCTURE ASSETS



PILBARA PIPELINE SYSTEM
New lateral and delivery station for new gas transportation agreement.

NORTHERN LINK FEASIBILITY STUDY
APA committed up to $2 million to undertake a 2 year feasibility study to link its Northern Territory pipeline infrastructure with its east coast grid.

DIAMANTINA POWER STATION
APA/AGL 242 MW joint development gas-fired generation (in commissioning phase) plus 60 MW back-up generation (commercially operating).

SOUTH WEST QUEENSLAND PIPELINE
Increased eastern haul capacity and bi-directional flow capability.

WALLUMBILLA COMPRESSION
Expanding compression capacity and associated services.

MOOMBA COMPRESSION
Expanded compression capacity.

MOOMBA SYDNEY PIPELINE
Southern lateral expansion for new gas transportation agreements increasing the gas flow from Victoria into New South Wales.

MONDARRA GAS STORAGE FACILITY
Capacity expansion completed and commercial operations commenced. Majority of capacity contracted with Synergy plus several short term agreements with other customers.

EASTERN GOLDFIELDS PIPELINE
New 292 km transmission pipeline to supply 2 gold mine operations. Gas will be transported along 3 APA pipelines.

VICTORIAN TRANSMISSION SYSTEM
Capacity expansion of the Northern Interconnect supported by 3 new gas transportation agreements, and a new compressor at Winchelsea.

APA 2014 Annual Report and Annual Review and Sustainability Report are available on our website at **apa.com.au**