



ASX ANNOUNCEMENT

20 September 2013

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 2013
- Annual Report 2013
- In the Pipeline newsletter

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About APA Group (APA)

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

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

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

CONNECTING OPPORTUNITIES

APA GROUP ANNUAL REVIEW AND SUSTAINABILITY REPORT 2013

MORE THAN THE SUM OF OUR PARTS



APA Group



TRANSFORMATIONAL

Through consistent execution of a sustainable growth strategy, APA has enhanced and expanded its energy infrastructure portfolio. The recent acquisitions and developments – acquired pipelines, gas storage expansion, pipeline expansions, power station development – create a transformational step-change – an interconnected portfolio able to adapt and respond to the opportunities in Australia's very dynamic energy market.

APA is now at a point where the totality and integrity of what we offer is greater than the individual assets and puts us in the position to offer beneficial, potentially game-changing solutions to our customers, while continuing to build on a secure base.

More than the sum of our parts –
GROWTH SECURITY VALUE

OUR VISION

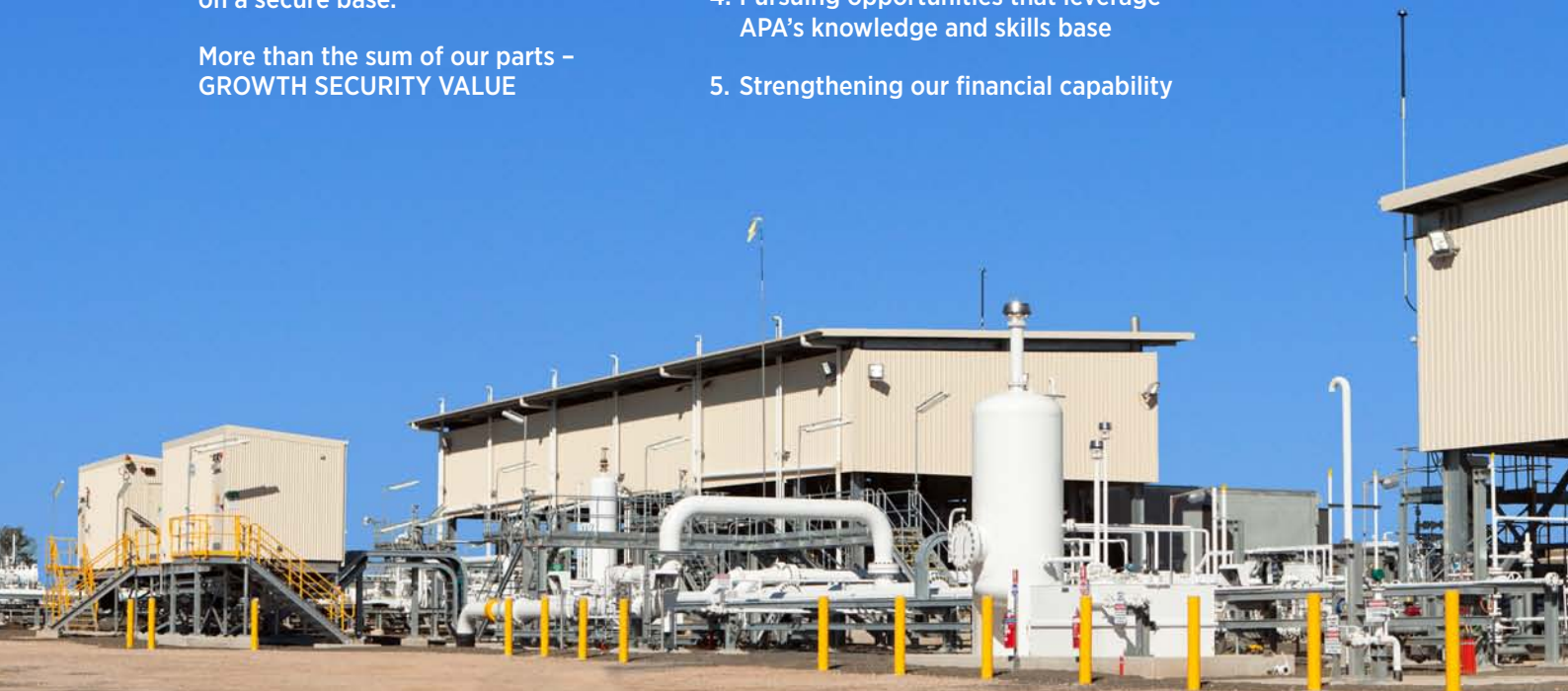
Maintain our ranking as Australia's number one energy infrastructure business

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

DISCLAIMER: APA Group comprises two registered investment schemes, Australian Pipeline Trust (ARSN 091 678 778) and APT Investment Trust (ARSN 115 585 441), the securities of which are stapled together. Australian Pipeline Limited (ACN 091 344 704) is the responsible entity of Australian Pipeline Trust and APT Investment Trust. Please note that Australian Pipeline Limited is not licensed to provide financial product advice in relation to securities in APA Group. This publication does not constitute financial product advice and has been prepared without taking into account your objectives, financial situation or particular needs. Before relying on any statements contained in this publication, including forecasts and projections, you should consider the appropriateness of the information, having regard to your own objectives, financial situations and needs and consult an investment adviser if necessary. Whilst due care and attention have been used in preparing this publication, certain forward looking statements are made in this publication which are not based on historical fact and necessarily involve assumptions as to future events and analysis, which may or may not be correct. These forward looking statements should not be relied upon as an indication or guarantee of future performance.

FRONT COVER: The recently expanded Mondarra Gas Storage Facility in Western Australia is now operating at five times its previous capacity, mitigating short term supply risks for the west. **THIS PAGE:** APA's newly acquired Wallumbilla compressor station is undergoing additional compression capacity works to meet contracted demand by GLNG.



GROWTH

Contents

Highlights	2
Chairman's report	4
Managing Director's report	6
Operations review	8
Capital management	14
Our people	15
Sustainability report	16
Leadership	20
Five year financial summary	22
Investor information	23
About APA	24

Information contained in this document is current as at 21 August 2013 unless otherwise stated.



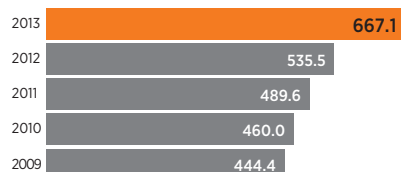
BIG PICTURE

HIGHLIGHTS

In a year of significant achievements, these stood out.

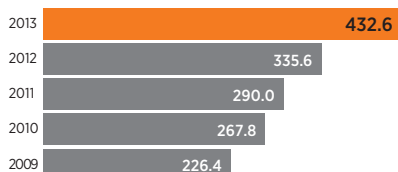
BUSINESS PERFORMANCE (NORMALISED¹)

EBITDA (\$M)



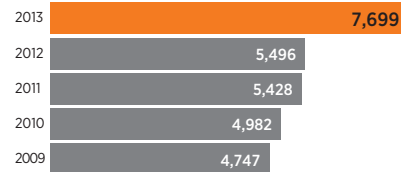
EBITDA increased by 24.6%, with 9 months' contribution from acquired pipelines and growth in APA's assets and investments, in line with guidance.

OPERATING CASH FLOW (\$M)



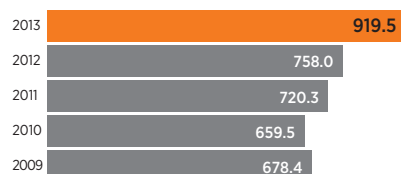
Operating cash flow increased by 28.9%, with 9 months' contribution from acquired pipelines, growth in APA's assets and increased distributions from investments.

TOTAL ASSETS (\$M)



Total assets increased by \$2.2 billion with the addition of the acquired pipelines, expansions on APA pipelines and expansion of the Mondarra Gas Storage Facility.

REVENUE EXCLUDING PASS-THROUGH² (\$M)



Revenue excluding pass-through increased by 21.3% due to 9 months' contribution from acquired pipelines and business growth, partially offset by the removal of contributions from the Allgas business.

OPERATING CASH FLOW PER SECURITY (CENTS)



Operating cash flow per security increased by 6.8% to 56.0 cents per security.

DISTRIBUTIONS PER SECURITY (CENTS)



Distributions increased by 1.4% to 35.5 cents, in line with guidance, and paid in full out of operating cash flow.

FINANCIAL ACHIEVEMENTS

	2013 Normalised ¹ \$ million	2012 Normalised \$ million	Change % Normalised	2013 Statutory \$ million	2012 Statutory \$ million	Change % Statutory
FINANCIAL RESULTS						
Revenue	1,272.3	1,060.7	19.9	1,272.3	1,060.7	19.9
Revenue excluding pass-through ²	919.5	758.0	21.3	919.5	758.0	21.3
EBITDA	667.1	535.5	24.6	768.8	525.8	46.2
Profit after tax and minorities	178.8	140.3	27.4	298.8	130.7	128.7
Operating cash flow	432.6	335.6	28.9	374.4	335.6	11.6
FINANCIAL POSITION						
Total assets				7,699.0	5,496.0	43.7
Debt				4,412.0	3,224.0	36.8
Securityholders' equity				2,512.0	1,614.0	55.6
FINANCIAL RATIOS						
Operating cash flow per security (cents)	56.0	52.5	6.8	48.5	52.5	(7.6)
Earnings per security (cents)	23.1	21.9	5.6	38.7	20.4	89.4
Distribution per security (cents)				35.5	35.0	1.4
Distribution payout ratio	68.2%	67.0%	1.8	78.9%	67.0%	17.8
Gearing (net debt to net debt plus equity)				62.8%	65.0%	
Interest cover ratio				2.3	2.5	

¹ Normalised financial results exclude significant items.

² Pass-through revenue is revenue on which no margin is earned.

CAPITAL EXPANSION ACHIEVEMENTS

MONDARRA GAS STORAGE FACILITY
Capacity expansion
20 year contract
[READ MORE P11](#)



PILBARA PIPELINE SYSTEM
Acquisition and integration

GOLDFIELDS GAS PIPELINE
2 capacity expansion projects – compressor stations and compressor upgrades
20 and 15 year contracts
[READ MORE P10](#)



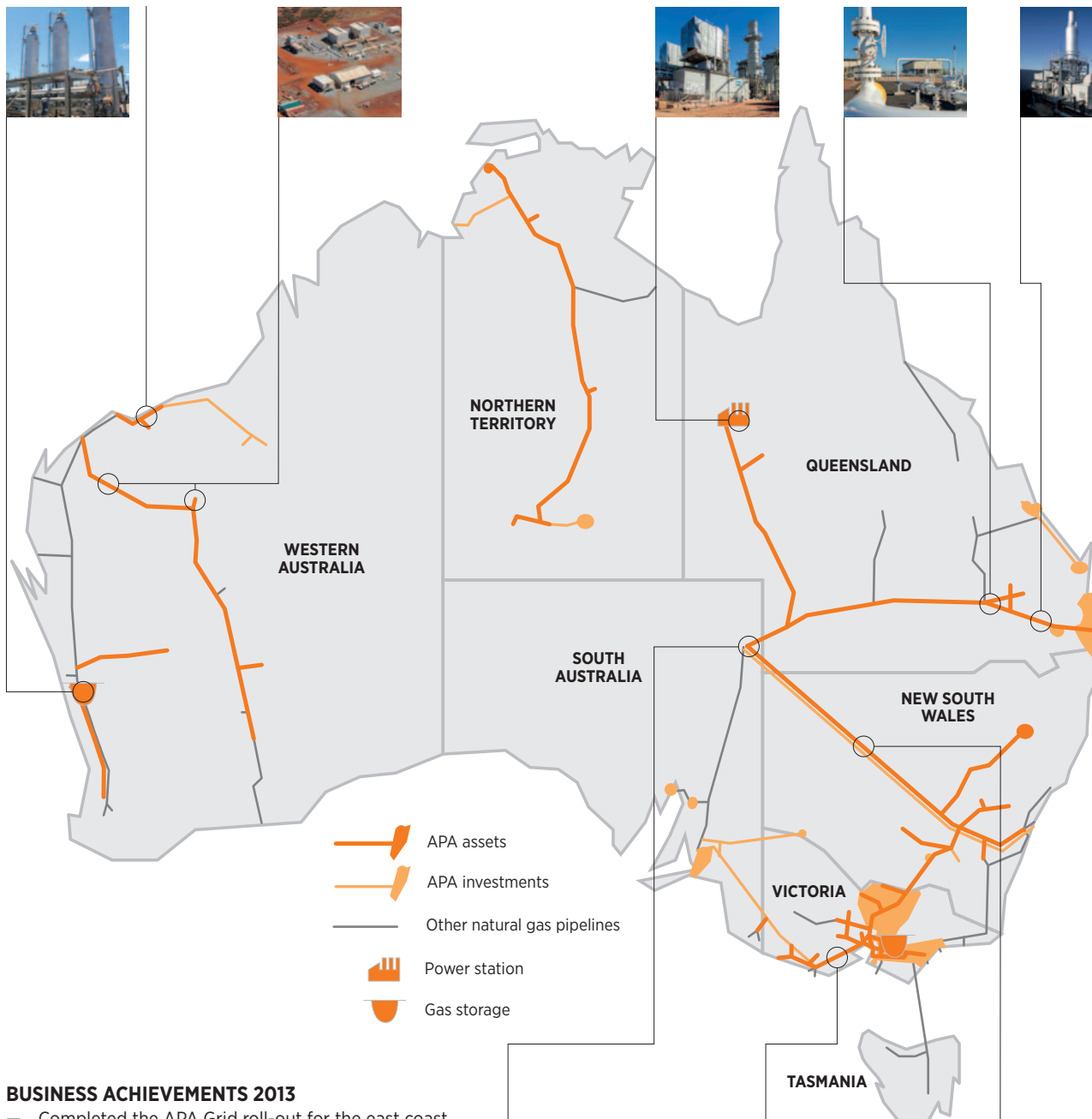
DIAMANTINA POWER STATION
Joint development (APA/AGL) 242 MW gas-fired generation plus 60 MW back-up generation
17 year contract
[READ MORE P11](#)



WALLUMBILLA COMPRESSION
Expanded compression capacity and associated services
15 year contract with a further 5 to 10 year option
[READ MORE P9](#)



ROMA BRISBANE PIPELINE
Capacity expansion completed including Dalby compression station
2 contracts up to 15 years



BUSINESS ACHIEVEMENTS 2013

- Completed the APA Grid roll-out for the east coast – APA's online customer facility providing seamless service for transmission customers and improving operational excellence
- Secured gas network infrastructure commitments in new residential developments resulting in 130,000 new connections over the next 30 years
- 435 kilometres of network mains replaced throughout Queensland, South Australia and Victoria [READ MORE P12](#)
- Completed the reporting and structure reorganisation commenced in FY2012, improving APA's ability to respond to customer needs and strategic opportunities



SOUTH WEST QUEENSLAND PIPELINE
Acquisition and integration
[READ MORE P8](#)
MOOMBA COMPRESSOR STATION
Capacity expansion
15 year contract



VICTORIAN TRANSMISSION SYSTEM
Upgrade of the Euroa compression station and Longford meter station plus Sunbury looping completed
Regulated revenue
[READ MORE P10](#)

MOOMBA SYDNEY PIPELINE
Final year of 5 year capacity expansion program

CHAIRMAN'S REPORT

“APA’s continued success year on year is due to a sound and well executed business strategy. We have pursued secure and sustainable growth, acquiring and developing energy infrastructure assets and businesses where we’re able to earn a fair, commercial return.”



I am pleased to report that APA has delivered another solid result for the 2013 financial year, successfully completing the acquisition of Hastings Diversified Utilities Fund (“HDF”) and further increasing the capacity of our infrastructure portfolio.

The increase in APA’s 2013 financial performance reflects the contribution of the HDF assets as well as APA’s existing assets and investments. Net profit after tax of \$299 million includes a net positive contribution of \$120 million from significant items, most of which relate to the HDF acquisition.

Excluding significant items, net profit after tax increased by 27.4 per cent to \$179 million, earnings before interest tax, depreciation and amortisation (“EBITDA”) increased by 24.6 per cent to \$667 million, in line with our expectations and guidance, and operating cash flow increased by 28.9 per cent to \$433 million.

The Board declared a final distribution of 18.5 cents per security bringing total distribution for the 2013 financial year to 35.5 cents per security, 1.4 per cent higher than last year and consistent with APA’s guidance. Distribution payments are well covered by operating cash flow, with operating cash flow per security of 56.0 cents.

APA has maintained its track record of sustainable distribution growth and increasing returns to its investors, with a total securityholder return for the year of 30.5¹ per cent. In June 2013, APA entered the S&P/ASX 50 Index – an outcome of APA’s growth strategy.

PROVEN GROWTH STRATEGY

APA’s continued success year on year is due to a sound and well executed business strategy. We have pursued secure and sustainable growth, acquiring and developing energy infrastructure assets and businesses where we’re able to earn a fair, commercial return.

In December 2012 we completed the acquisition of the HDF pipelines. We sold the Moomba Adelaide Pipeline System in May this year, satisfying the competition regulator’s requirements, and completed the integration of both the South West Queensland Pipeline and Pilbara Pipeline System into our portfolio.

These two pipelines stand on their own merit as key pipeline assets in their respective regions.

However, connected with APA’s existing gas infrastructure, they form part of APA’s pipeline grid, creating a step-change in the flexibility and services we can offer our customers, and an ability to respond to the changes in gas supply and demand options. Economies of scale from maximising infrastructure network utilisation will also help deliver attractive long-term returns for our investors.

In response to the demand for gas transportation and storage services on our assets, we have continued to expand the capacity of our pipelines and compression facilities, as well as our underground storage facility in Western Australia. The joint development of the Diamantina and Leichhardt gas-fired power stations in Mount Isa, which the Board recently visited, is also well advanced and due to commence operations, in the first half of next year.

We apply a prudent approach to our investments and acquisitions, with each satisfying our investment criteria, and underwritten by long-term contracts with creditworthy counterparties or relevant regulatory approvals.

Our proposal to merge with Envestra announced in July 2013 uses this same prudent approach. As both the operator of its gas distribution assets, and its largest shareholder, APA is uniquely positioned to deliver the benefits of full ownership to APA Securityholders and Envestra shareholders. At the time of writing, we have had no meaningful engagement with Envestra however, as Envestra’s largest shareholders, we remain interested in progressing this proposal.

ASTUTE CAPITAL MANAGEMENT

During the year, a total of \$2.75 billion in funds was raised through the issue of new equity and debt in order to fund APA’s growth projects and investments and to support the HDF acquisition. This included the repayment of all of HDF’s outstanding debt, totalling \$1.3 billion.

The APA subordinated notes which were listed on the ASX in September 2012, contributed \$515 million. This is APA’s first issuance of debt in the Australian retail market and I was pleased that over 1,000 APA Securityholders also took up this investment opportunity. A further \$1,271 million of bonds issued in the overseas debt capital markets, shows the support for APA from a broad range of debt capital markets.

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 distribution at the declared distribution rate per security. Figure quoted is sourced from IRESS.

As part of the consideration for HDF, APA issued 176 million new APA securities in exchange for all the HDF securities APA did not own. I welcome our new Securityholders who have joined us as part of the HDF transaction.

We have retained a strong balance sheet, with the right balance of debt and equity for our capital intensive business, as well as both our investment grade credit ratings. The Board is confident that we have the funding strength to support APA's growth.

BOARD FOCUS

During this busy year, the Board remained focused on the development and execution of APA's strategy and maintaining the highest levels of corporate governance. The Board and senior management reaffirmed APA's strategy and operating model as part of our annual review.

In addition to Board and Committee meetings, the Directors visited a number of APA's operations, including the newly commissioned

Dalby compressor station in Queensland, which is part of the Roma Brisbane Pipeline capacity expansion project and the Diamantina and Leichhardt gas-fired power stations currently under construction at Mount Isa.

Muri Muhammad, a foundation member of the APA Board, retired in October 2012. Muri's experience within the gas industry and his commitment to the Board has been most valuable and I thank him for his contribution.

OUTLOOK

The Board remains confident that APA is well placed to deliver steady growth and earnings stability. Given our extensive portfolio of assets and industry skills, we will continue to grow profitably and securely through both organic growth opportunities and our investments across the country.

This growth is reflected in our guidance for the 2014 financial year, with EBITDA expected to be in the range of \$715 million to \$730 million, and

total distributions to be at least equal to those paid in the 2013 financial year – that is, at least 35.5 cents per security.

APA's continued solid performance and strong growth is testament to a strong business managed and operated by excellent people. On behalf of the Board, I thank our Managing Director Mick McCormack, his leadership team and APA's people for their contributions this year.

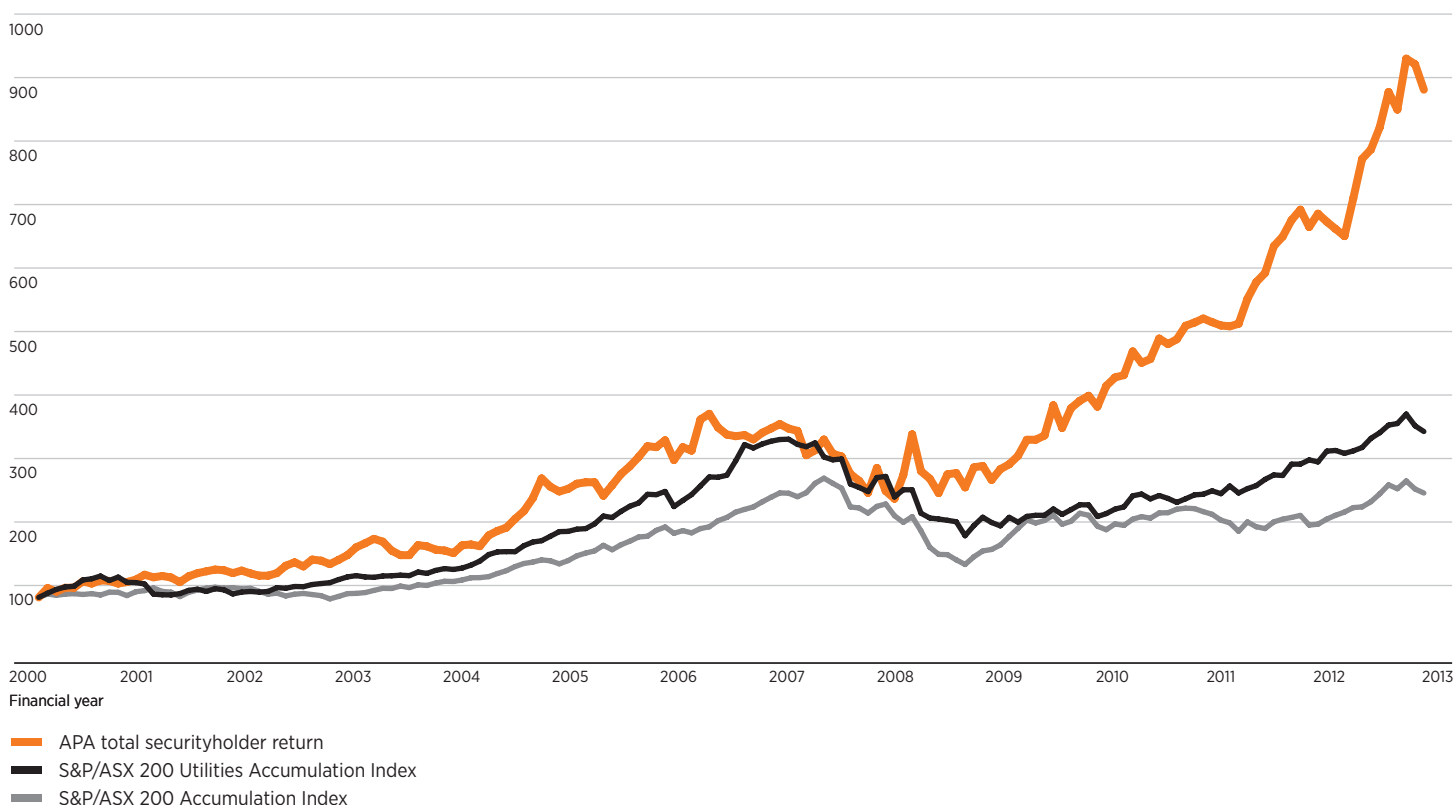
Finally, I'd like to acknowledge all our Securityholders, existing and new, for your ongoing support.

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 2013)



MANAGING DIRECTOR'S REPORT

“APA’s east coast pipeline grid has transformed the gas industry at a time when complex dynamics are in play around gas supply and demand. It increases the receipt and delivery options available to our customers, and it adds further value to our portfolio, opening up more synergy, growth and revenue opportunities.”



APA has built its business on consistency and reliability. Since listing in June 2000, APA’s strategy has never varied. We’re focused on building and enhancing our core business of gas transmission and distribution assets, utilising our industry and commercial skills, to deliver growing and sustainable returns to our investors. This year we have again executed our strategy, expanding our existing assets, developing new energy generation assets, and in particular adding two pipelines through the acquisition of Hastings Diversified Utilities Fund (“HDF”).

Today we own and operate an unrivalled gas infrastructure footprint across Australia, significant in size and extent, and significant in the interconnection of our assets. This is generating additional value and benefits for APA and our customers, and ushers in a new era of delivering energy solutions throughout Australia. I am proud to be leading APA, a company which is more than the sum of its parts.

A YEAR OF TRANSFORMATIONAL GROWTH

The single biggest achievement in the 2013 financial year was the acquisition of HDF – a \$2.6 billion acquisition, completed in December 2012. We acquired high quality pipelines with secure long-term revenue contracts, synergy value with our existing assets, and future growth potential. Within six months of taking ownership, we completed the integration of these assets, sold the Moomba Adelaide Pipeline System, satisfying the competition regulator’s requirements and repaid all the HDF debt facilities.

We have been moving towards an integrated gas transportation grid for some time, progressively adding pipelines to our portfolio. The HDF assets were the last pieces we needed to make this a reality. With the addition of the South West Queensland Pipeline, we have created a 7,000 kilometre gas pipeline grid on the east coast of Australia. We can now offer our customers a new level of service and flexibility that was not previously available, moving gas between over a hundred receipt and delivery points across four states and providing ready access to multiple gas sources.

APA’s east coast pipeline grid has transformed the gas industry at a time when complex dynamics are in play around gas supply and demand. It increases the receipt and delivery options available to our customers, and it adds further value to our portfolio, opening up more synergy, growth and revenue opportunities.

Furthermore, with the addition of the Pilbara Pipeline System on the west coast, we now own and operate all the pipeline infrastructure serving the north west mining region.

During the year we were also busy working on \$1.5 billion of organic growth projects across the country. We completed expansion projects on three of our east coast pipelines, and commenced work on two pipeline compression facilities. In the west, we continued work on the Goldfields Gas Pipeline expansion, and completed the Mondarra Gas Storage Facility expansion. In Mount Isa, Queensland, development of the Diamantina and Leichhardt Power Stations is well advanced, achieving important construction and financing milestones.

Consistent with the low-risk nature of our business, this significant growth capital expenditure is underpinned by long-term contracts with strong creditworthy counterparties, or secured by the relevant regulatory arrangements.

DIVERSE PORTFOLIO

The benefits of our continuing diversification of APA’s business away from any one state, asset or asset class are reflected in our ongoing stable results. The gas transmission and storage assets and the Emu Downs Wind Farm, which make up the Energy Infrastructure business, derive their revenue from either regulatory arrangements or capacity-based contracts. The Energy Infrastructure business contributed \$550 million in EBITDA, a 24.5 per cent increase on last year, mainly due to the addition of earnings from the new pipeline assets acquired, the sale of new capacity on the Roma Brisbane Pipeline, and increased margin on the Amadeus Gas Pipeline in the Northern Territory. At the same time, under the new access arrangement for the Victorian Transmission System, reduced tariffs have impacted our revenues in the second half of FY2013.

Asset Management reflects the operator fees APA receives for operating and managing our minority investments and other income from working on our assets for customers. This segment contributed \$46 million in EBITDA to the group, benefiting from around \$10 million in customer contributions. The Energy Investment sector has performed well, contributing \$51 million, with the first full year of investment income from our 20 per cent ownership of GDI, the Allgas joint venture, and our share of improved financial performance in our other investments.

Portfolio diversity



Continuing business – 2013 EBITDA

Energy Infrastructure	85.1%
QLD	25.3%
NSW	17.4%
VIC & SA	19.5%
WA & NT	22.9%

Asset Management	7.0%
Energy Investments	7.9%

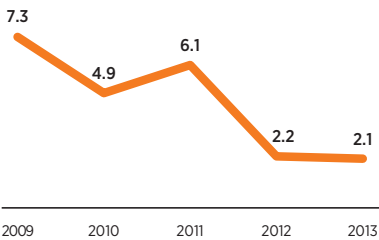
SAFETY AND RELIABILITY

We remain, as always, focused on delivering safe and reliable services, and are equipped with the industry know-how and resources to optimise the maintenance and operation of our \$12 billion of assets and investments. Our emergency response programs are a key part of this.

During the summer floods in Queensland, this response was again tested as APA's Networks and engineering teams repaired a damaged pipeline over 22 days under extreme conditions while maintaining critical gas supply to essential services in the Wide Bay region. I'm proud of the skills, ingenuity and dedication of our people in dealing with this and other difficult and complex situations.

During the year we welcomed around 100 new employees to APA's team, mainly through the HDF acquisition, adding further technical and operational expertise to the business. We now have a diversely skilled team of over 1,500 employees located across Australia requiring even more emphasis on our safety priority. While APA's Lost Time Injury Frequency Rate (LTIFR) of 2.1 was an improvement on last year, we maintain our long term safety goal of a "zero harm" workplace. I am personally committed to reinforcing a strong safety culture throughout APA and ensuring our processes and behaviours create a safer workplace.

Lost time injury frequency rate



Lost time injury frequency rate (LTIFR) is measured as the number of lost time injuries per million hours worked (excluding contractors).

OUTLOOK

Our strategy remains unchanged as we look to the year ahead, and there are a range of attractive opportunities in front of us. On the east coast we will concentrate on delivering the benefits offered by our gas grid – operationally and commercially – and enhancing the contractual position of the pipeline network as a whole.

We will continue the growth projects that are underway on our pipelines, and on our compression facilities at Wallumbilla and Moomba, as well as the Diamantina Power Station development. We also expect that demand on the east coast for gas transportation services to supply the export LNG industry will require further pipeline expansion.

Another area of growth is the development of new pipelines, either to supply major new sources of industrial demand for gas or to connect new sources of gas supply. The extent of our portfolio, our industry expertise and balance sheet strength, mean that we are well placed to develop any pipeline opportunities that may be under consideration.

Finally, we will continue to look for investments and acquisition opportunities which fit our strategic and commercial objectives.

Everything we've done over the last 13 years has contributed to the strong platform that APA now has. The smarts and dedication of APA's people will continue to be pivotal in our growth and success, and I thank them for their dedication and commitment during this transformational year for APA.

Mick McCormack
Managing Director and Chief Executive Officer

DELIVERING SEAMLESS ENERGY SOLUTIONS

TRANSMISSION

Every major gas supply source in Australia is within reach of APA's infrastructure, enabling gas to be transported to where it's required.

Over the last 13 years, APA has more than doubled the size and reach of its gas infrastructure portfolio. Today it owns and operates 14,100 kilometres of gas transmission pipelines across mainland Australia. Every major gas supply source in Australia is within reach of APA's infrastructure, enabling gas to be transported to where it's required.

Our gas customers rely on APA to provide services that are consistent, flexible and seamless to meet their changing needs. APA's assets and people deliver those services reliably, cost-effectively, and above all, safely.

With our gas transmission pipelines positioned across mainland Australia, APA is able to make new connections with customers, markets and supply sources, by expanding or extending its infrastructure. Furthermore, APA is able to provide seamless and innovative energy transportation

and storage services through its network across Australia. This creates additional value for APA and customers alike. APA's value as a whole gas-related infrastructure portfolio is more than the sum of each asset's stand-alone value.

INTERCONNECTED PIPELINE NETWORKS

APA has progressively increased its gas infrastructure portfolio through acquisitions and developments. The recent addition of the two HDF assets – South West Queensland Pipeline and the Pilbara Pipeline System – has seen the emergence of APA transmission networks in the east and west of the country.

In Western Australia, APA's pipelines encircle the mineral rich Pilbara and Goldfield regions. In the Northern Territory, APA's pipelines continue to be the key infrastructure supplying power generation and industry, and close to potential new sources of gas supply.

In the eastern states, the South West Queensland Pipeline has formed the link between four existing APA pipelines. APA now owns and operates an east coast grid of over 7,000 kilometres of gas pipelines connected to all major gas production and demand centres across four states and the Australian Capital Territory.

Already APA and our customers are experiencing the benefits of this grid. We can now transport gas seamlessly from multiple gas production facilities to gas users across five borders. The grid also presents APA with the opportunity to develop new and innovative service offerings, as well as facilitating gas competition and the development of the gas market in eastern Australia.

The innovative and flexible gas transportation and storage services we are developing will assist our customers in managing the variability and complexity of their supply and demand requirements. For the first time, APA's customers will be able to move gas easily around the east coast, under a single gas transportation contract, with simplified daily administration of gas movements, and with only one invoice to pay.

A few months following the formation of the grid, APA implemented a service for a customer that allows the seamless transportation of gas across three pipelines, from Moomba, South Australia to Brisbane, Queensland. Previously, this service was not easily accessed by the customer due to the complexity of negotiating and managing three contracts across the three pipelines.

OUR TRANSMISSION FOCUS

APA's customers rely on consistent, flexible and seamless services to meet their changing needs. APA is focused on delivering these services reliably and cost-effectively and above all, safely.

The key areas of focus in APA's Transmission team are:

1. Capturing future growth for transportation and storage services.

This is all about getting the most out of our assets, every hour of every day, and optimising availability of capacity and services. At the same time, we are developing opportunities to transport additional gas and deliver new services for existing and new customers by improving and expanding our assets.

2. Offering high quality, seamless and flexible services for our customers to meet their changing needs.

We are focused on satisfying our customers gas transportation and storage needs. We work with our customers, gaining an understanding of their current and future needs, in order to deliver tailored, efficient and timely services.

3. Ensuring the highest level of service reliability and safety, while doing this cost-effectively.

We provide reliable and safe services. To achieve this, we maintain our assets well and operate according to best practice systems and processes. Our consistent and whole-of-operations approach, puts safety at the centre of everything we do, while still managing our costs.

APA's east coast grid



APA has also developed services to transport gas from Victoria into New South Wales and further north under an expanded multi-asset service.

Work is also underway to configure APA's customer management system ("APA Grid") to provide a comprehensive 'grid service'. APA's customers will be able to manage the

RoCD2 pig being loaded into the Moomba to Sydney Pipeline.

transportation of their gas across all the receipt and delivery points on APA's grid, in accordance with a single negotiated service.

This means real flexibility, as customers ultimately will have the potential to transport gas between almost 30 receipt points and 100 delivery points on the east coast. This is a significant step-change in the gas transportation and storage service available to APA's customers.

In addition to these services, the grid also enhances security of gas supply and assists in the development of a competitive gas market in eastern Australia.

The supply sources of the Cooper, Gippsland, Otway and Surat gas basins, as well as gas storage facilities such as APA's Dandenong LNG plant in Victoria and Energy Australia's Iona Gas plant, are now connected through APA's east coast grid with the major demand centres in Brisbane, Sydney, Melbourne, Mount Isa and Wallumbilla – which will be connected to the Queensland export LNG plants.

To further support customers with managing their gas procurement and transporting strategies, APA is also actively developing new services and investing in new systems. Recently, APA successfully trialled and now offers a new service, enabling customers to trade gas between each other once their gas has entered APA's east coast grid.

This new service allows greater flexibility in sourcing gas on both a short and long-term basis. Importantly, trades can be facilitated through the proposed 'gas trading hub' at Wallumbilla (an initiative of the Standard Council on Energy Resources, due to commence in March 2014) or any other mechanism agreed between the customers trading gas.

There are additional benefits for APA in operating the grid. Following the acquisition of the South West Queensland Pipeline, APA physically interfaced this pipeline with the Roma Brisbane Pipeline, developing a revised operating mode where the two pipelines operate as one system. This has enabled more gas to be transported and stored without the need for additional capital works. The sale of this increased capacity will generate additional revenue for APA.

The Wallumbilla compression expansion project is an example of APA's ability to quickly respond to market opportunities. APA was able to

OPERATIONAL SKILLS AND KNOW-HOW

Maintaining our assets well is key to ensuring our gas transportation and storage services are delivered safely, reliably and cost-efficiently for the long-term. We have a national maintenance program for all our assets and investments that we maintain and operate to meet technical requirements and ensure good industry practice.

Inline pipeline inspection or 'intelligent pigging' is one of the asset integrity management processes that we use to inspect and confirm the condition of a pipeline. The 'intelligent pigs' sent through a pipeline can detect metal loss corrosion, stress corrosion cracking and other pipeline defects on both the inside and outside of a pipeline. The process is designed to minimise impact on the flow of gas in a pipeline and is normally conducted at periodic intervals of a few years.

APA uses the world's best technology including high resolution electromagnetic and ultrasonic pigs that travel in the gas stream. The sensors in these intelligent pigs measure the size and exact location of even minute changes in a pipeline's condition. Intelligent pigging provides a health check for a pipeline to ensure its ongoing fitness for service as well as meeting legislative and licensing requirements. By keeping detailed diagnostic records and undertaking timely repairs or preventative maintenance, we can effectively extend the safe useable life of our pipelines.



proceed with the capital investment of up to \$200 million immediately on acquiring HDF. The project is underpinned by a long term agreement, with services commencing in the middle FY2015.

Implementing APA's customer management system was a key milestone for APA this year, and allowed for the seamless integration of the new pipeline assets. It provides APA and our customers with a dynamic tool that can readily adapt to APA's requirements, customers' needs,

and market changes, making it easier to do business.

CONNECTING NEW GAS SUPPLIES

Currently, there is significant gas exploration work across Australia. This creates potential future growth opportunities for further investment in transmission assets to assist in commercialising new gas supplies.

In New South Wales, the potential supply of gas from the Gunnedah Basin in the second half of

1. Additional compression capacity installed at Yarraloola on the Goldfields Gas Pipeline.
2. The newly expanded Mondarra Gas Storage Facility.
3. Construction of the Diamantina Power Station is progressing.

this decade presents APA with the opportunity to deliver new volumes into our Moomba Sydney Pipeline via the Central Ranges and Central West Pipelines. The demand for gas by the Queensland LNG projects may create the opportunity for additional gas volumes from the Gippsland and Otway Basins in Victoria to be transported into the New South Wales market, and potentially beyond into Queensland.

In Victoria this year, we completed an upgrade of the Longford meter station, a key delivery point into the Victorian Transmission System. APA also commissioned a new compressor station at Euroa in the north east of the state as part of the next stage of the northern expansion program. APA will continue to expand its pipeline systems to facilitate a competitive service between Victoria and New South Wales. APA is currently undertaking Front End Engineering Design (FEED) work for the next stage of expansion of the northern zone of the Victorian Transmission System to facilitate additional gas flows between the two states.

Development of the Galilee Basin in central Queensland and other basins, including McArthur, South Nicholson and Isa Super basin, could potentially supply the domestic market in the future by connecting to APA's Carpentaria Gas Pipeline at Mount Isa. Recently, APA signed a non-binding Heads of Agreement with Armour Energy who is exploring these gas supplies in northern Queensland and the Northern Territory.

There is also the opportunity to link the east coast gas grid with APA's Amadeus Gas Pipeline in the Northern Territory, thereby improving security of gas supply for both regions. This would be a significant link given the proposed supply of gas to Gove and the development of a pipeline connecting Gove to the Amadeus Gas Pipeline at Katherine.

EXPANDING ASSETS AND SERVICES IN THE WEST

In Western Australia, APA progressed the two expansion projects on the Goldfields Gas Pipeline. These expansions, underwritten by long term agreements, increase the capacity of the pipeline by 28 per cent, and will support the further development of Rio Tinto's mining operations and those of the Mount Newman Joint Venture.

Further major pipeline development opportunities centre on the connection to new or expanded iron ore projects in the Pilbara



region. With our network of pipelines in the region, APA is uniquely positioned to provide timely and cost-effective energy solutions.

The completion of the Mondarra Gas Storage Facility was another major achievement in FY2013. The storage and operating capacity of this underground gas storage facility has been increased by more than five times. This facility highlights APA's strategic objectives through leveraging our existing infrastructure in that region, the Parmelia Gas Pipeline and Emu Downs Wind Farm, and enhancing our portfolio of gas infrastructure by delivering gas-related services to meet customer demand. Our investment is underpinned by a long term contract with the major provider of electrical generation capacity in Western Australia, Verve Energy.

This investment forms another step in the development by APA of the "Mondarra Gas Hub", which conveniently straddles the only two gas pipelines servicing the south west of Western Australia. The Mondarra Gas Hub effectively offers interconnected pipeline gas transportation, load management, storage, compression and processing services.

ENERGY SOLUTIONS IN NORTH WEST QUEENSLAND

APA's other major development project, the Diamantina Power Station (DPS), has significantly progressed during the year. APA is building the 302 megawatt gas-fired power generation facility in conjunction with AGL Energy, which consists of 242 megawatts of combined cycle power and an additional 60 megawatts of open cycle power. Natural gas will be supplied by AGL Energy and transported via APA's Carpentaria Gas Pipeline, thereby harnessing each company's expertise to deliver a total energy solution. The power station is expected to be fully commissioned towards the end of FY2014 with 80 megawatts of open cycle power available several months earlier.

DPS is a high efficiency low emissions solution to meet the current and growing energy needs of Mount Isa and the resource rich north west Queensland region. DPS will provide a reliable electricity supply solution and is able to be expanded to meet growing energy requirements of mining operations in the region. Long-term contracts have been signed with Xstrata Mount Isa Mines and Ergon Energy, underpinning the \$570 million investment by APA and AGL Energy. Limited-recourse project financing was completed in December 2012.

Increased utilisation of APA's infrastructure through connected transmission networks and adjacent gas-fired generation ultimately adds to our earnings and increases the value of APA's business. As a result, both APA Securityholders and our customers enjoy the benefits of these synergies – a true win-win outcome.

APA's underlying strategy becomes even more potent with the new opportunities that have arisen as a result of APA's expansive footprint and continued commitment to investing in Australia's energy sector.

COPPER FOR COMMUNITY CASH

An innovative recycling initiative at the Mondarra Gas Storage Facility raised almost \$76,000 for community groups in nearby Dongara, Western Australia.

As is typical of large construction projects, one of the significant waste products on the Mondarra project was scrap copper. Some of it was leftover tails from cabling used to run all the electric circuitry for the plant, and a large amount came from underground wiring which was reclaimed when the temporary accommodation was demobilised at the end of the construction phase.

With copper recognised as a valuable commodity, the APA crew saw the opportunity to turn the scrap into something that could benefit the local Dongara community. Dedicated skips were assigned to collect the scrap over the last months of the project, and a plan to sell the scrap and donate the funds to the Dongara community was communicated to everyone across the site. APA established a relationship with not-for-profit group, Men in Sheds, who agreed to strip the insulation wire from the copper to prepare it for sale to a scrap merchant. Volunteers from Dongara Lions and RSL clubs assisted with the task.

APA employees and the community volunteers collected and stripped nearly 11 tonnes of scrap copper, which was sold for a total value of almost \$76,000. APA contacted the local council for a list of not-for-profit organisations and selected a number they felt could benefit from some extra financial support. Beneficiaries of the funds raised included Men in Sheds, Dongara RSL and Lions Clubs, St Johns Ambulance, Surf Life Saving, Sea Rescue, Royal Flying Doctor Service and the Dongara Yacht and Softball clubs.

This is a great example of how APA has recycled waste to make a real difference in a local community, and APA aims to apply this model on other future construction projects.



MAKING CONNECTIONS

NETWORKS

APA's point of difference is that we do this in ways that achieve the best outcomes for all stakeholders – our customers, energy regulators, the end consumer and APA.

APA's Networks business manages 25,000 kilometres of gas mains in South Australia, Victoria, Queensland, New South Wales and the Northern Territory on behalf of the network owners, Envestra Limited and GDI (EII) Pty Ltd, in which APA also has an investment stake. APA also owns a small distribution network in rural New South Wales.

APA's Network operations are twofold: firstly, we are responsible for the safe and efficient transport of gas from transmission pipelines through to the end consumer, whether they're residential, industrial or commercial. Secondly, we maintain the integrity of the networks system to ensure reliable gas supply on behalf of our customers. Under the long-term service agreements with our customers, APA's responsibility extends beyond operation and maintenance functions, encompassing planning, designing and construction of network expansions, as well as marketing the use of gas to consumers and encouraging more connections.

SKILLED PEOPLE

We have an extensive Networks team across eastern Australia, with over 550 employees and 650 contractors applying their diverse skills to operate, maintain and manage our customers' networks. We have been operating and developing these networks for many years – the GDI network in Queensland since 2006 and the Envestra network from 2007, using our know-how to improve efficiencies, minimise costs, find operational synergies and expand and increase the use of the networks for their owners.

We operate within a highly regulated environment. The networks are predominantly located in built-up urban environments, and service around 1.2 million gas consumers. We therefore must meet extensive statutory and market obligations. APA's point of difference is that we do this in ways that achieve the best outcomes for all stakeholders – our customers, energy regulators, the end consumer and APA. We have thorough, rigorous and repeatable processes that ensure delivery of high quality services.

NEW GROWTH

In pursuit of sourcing new growth opportunities, APA works closely with developers and governments to ensure that gas infrastructure is installed in major urban subdivisions. This year, we achieved great success with gas infrastructure confirmed in four new major developments including Buckland Park in South Australia, Ripley Valley and Yarrabilba in

Queensland and Merrifield in Victoria. Altogether, these projects will provide 130,000 new gas connections over the next 30 years and the increased possibility of additional developments in adjacent areas. This new growth will also require approximately 40 kilometres of new supply mains to be installed as well as a new gate station for Merrifield, and comes on top of annual organic growth which this year was over 25,000 new connections. The cumulative five year forecast figures are strong with expectations of 136,000 new customers connected, 163,000 new meters installed and 1,300 kilometres of new mains laid. The majority of these developments are in areas where Envestra has its gas distribution networks.

APA also developed the new Natural Gas website owned by Envestra (www.maketheconnection.com.au) that was launched in December, helping to simplify the connection process which varies across each state, as well as promoting the benefits of natural gas.

REDUCING COSTS

'System Use Gas' (also referred to as 'Unaccounted for Gas'), is the gas lost or consumed in running networks, and is keenly monitored by both APA and the network owners. In FY2012, APA commenced an accelerated five year Mains Renewal Program of proactive block mains across Queensland, South Australia and Victoria on behalf of Envestra. The main cause of gas leakage in the networks is the deterioration of the old cast iron pipes (on average 70 years old) and old un-protected steel pipes (on average 55 years old). The program involves replacing 2,100 kilometres of old mains with polyethylene pipe at a total capital expenditure of \$530 million over five years. In the two years since the program commenced, almost 800 kilometres of mains have been replaced, with over 430 kilometres completed this year. As the program continues to gain momentum and benefit from process efficiencies, 480 kilometres has been targeted for FY2014.

The Mains Renewal Program is challenging given the large number of people required to undertake the work, the use of contractors for much of the installation work, as well as the extensive community relations activities that are required because the majority of mains are located in residential streets. Safety is our highest priority and APA's safety requirements must be adhered to by all contractors involved in the program. This year, the number of

significant contractor injuries has decreased from the previous year.

Almost 90 per cent of the mains renewal is achieved by inserting polyethylene pipe into the old mains. Polyethylene pipes are commonly used material worldwide for gas distribution. They have an expected life in excess of 80 years, with the additional advantages of being light and easy to handle and join, making connections to consumers easier. These gas pipes also operate at a higher pressure than cast iron and so deliver the added advantage of increased capacity for growth.

In FY2013, Envestra reported a reduction in their Unaccounted for Gas due to the success of APA's Mains Renewal Program and we expect this trend to continue as the program progresses.

2013 NETWORKS STATISTICS

APA investment in network operators

Envestra Limited	33%
GDI (EII) Pty Ltd	20%

Network assets managed and operated by APA

Consumers connected (new)	25,885
Consumers managed	1,254,643
Meters installed (new)	28,583
Meter replaced	59,196
Networks managed	25,000 kilometres
Mains laid	221 kilometres
Mains replaced	435 kilometres
Gas transported	121 petajoules

1. Welding a flange at the APA Networks Brisbane depot.
2. Mains renewal of cast iron pipe with polyethylene pipe.
3. Checking the pressure regulator on a domestic gas meter.

RELIABLE SUPPLY

Maintaining a safe and reliable supply for customers is one of our key operational objectives. In January this year, severe flooding in Queensland caused irreparable damage to a 600 metre section of Envestra's Wide Bay Gas Pipeline that runs beneath the Burnett River. This affected more than 1,000 residential properties and businesses in the Bundaberg, Maryborough and Hervey Bay communities. More than 100 APA people were mobilised from across the Networks and Transmission businesses to repair the pipeline. Over the 22 days it took to effect the repairs, APA put in place a temporary solution to provide an interim gas supply to critical services such as hospitals and nursing homes.

The APA team developed this innovative temporary solution, which maintained sufficient pressure in the network, minimising supply interruption and reducing the system re-commissioning time once the pipeline repairs were completed. The solution involved transporting almost 30 tonnes of LNG from APA's storage facility in Dandenong, Victoria and injecting it into the pipeline through a temporary LNG facility that had been installed. APA's efforts were noted in the Queensland parliament with the State MP and Local Member for Hervey Bay paying tribute to APA for its tireless effort and keeping the affected communities informed.



A STRONG FINANCIAL FRAMEWORK

CAPITAL MANAGEMENT

We have a solid track record in managing our capital actively and responsibly.

We have a strong track record in managing capital responsibly. We have continued to grow our asset base to record levels while delivering stakeholders competitive returns over a sustained timeframe.

From a capital management perspective, 2013 was a financial year of significant activity and achievement for APA. A total of \$2,754 million in funds were raised through the various equity and debt capital markets that APA has access to, in order to fund the ongoing operations of the business and to support the acquisition of HDF, including the repayment of all of HDF's outstanding debt.

In particular, APA raised:

- \$A515 million of hybrid securities by issuing ASX listed subordinated notes in the Australian retail investment market;
- \$A83 million from the issue of new securities under the APA distribution reinvestment plan in September 2012 and March 2013;
- \$A885 million of equity by issuing around 175.7 million new securities to the owners of HDF in return for all of the securities in HDF that were subject to APA's off-market takeover offer for HDF that closed on 24 December 2012;
- \$A735 million of 10 year senior unsecured bonds issued in the USD 144A market; and
- \$A536 million of 12 year senior unsecured bonds issued in the Sterling market.

The end result was that APA was able to fund the acquisition of HDF, the repayment of HDF's \$1.35 billion in short-term debt and APA's

ongoing investment in organic growth of the business with longer term, well-priced debt and equity that ensured that APA maintained strong BBB/Baa2 investment grade credit rating metrics going forward. Furthermore, with debt/(debt + equity) metrics of around 63 per cent as at 30 June 2013, APA remains well placed to fund further organic growth into FY2014 from available cash resources and committed, undrawn debt facilities.

APA's capital management remains the basis of everything that APA does today in the context of managing its balance sheet and ensuring ongoing Securityholder value.

APA will continue to target strong BBB/Baa2 investment grade credit ratings through maintaining sufficient flexibility to fund organic growth and investment from internally generated and retained cash flows and, where appropriate, additional debt and equity funding.

In that context, APA has over the last four years obtained both a Standard & Poor's investment grade rating (BBB/Stable) and a Moody's Investors Service investment grade credit rating (Baa2/Stable). APA has also put in place an Australian Medium Term Note ("AMTN") program, a European Medium Term Note ("EMTN") program and a US Dollar 144A ("US144A") program, to ensure optimal funding flexibility and optionality going forward.

Each of these programs has given APA access to a much broader and more liquid set of debt capital markets allowing the business to significantly change the look and feel of its debt portfolio over the past four years.

APA now borrows some:

- \$A525 million from local, shorter term (2-5 years) bank funding markets (\$A1,750 million as at June 2009);
- \$A300 million from the Australian Dollar bond market (10 year bonds, due July 2020);
- \$A126 million from the Japanese Yen market (6.5 year bonds, due June 2018);
- \$A289 million from the Canadian Maple bond market (7 year bonds, due July 2019);
- \$A735 million from the US144A market (10 year bonds, due October 2022); and
- \$A536 million from the Sterling market (12 year bonds, due November 2024).

Along with outstanding borrowings in the US private placement market of \$A1,390 million, APA has some 88 per cent of all of its senior debt issued in longer term (5-12 years) markets compared with just 43 per cent issued outside of the Australian loan markets in June 2009.

APA has used each of the medium term note programs and the US144A program alongside prudent issuance of equity and the September 2012 listing of APA's Subordinated Notes to effectively fund in excess of \$A6.7 billion of growth and refinancing over the past four years.

We will continue to finance all APA's ongoing activities with appropriate levels of operating cash flows retained in the business, equity and debt to ensure that the BBB/Baa2 credit ratings are maintained, thus giving APA ongoing access to the broadest possible range of debt capital markets with which to effectively manage its capital requirements.



Capital expansion works recently completed at the Mondarra Gas Storage Facility have increased the storage capacity fivefold to 15PJ.

MAKING IT HAPPEN

OUR PEOPLE

APA's most valuable asset is its team of talented and committed employees.

At APA we recognise the strong connection between people skills and a successful business and therefore foster a high-performance work environment where talented people are encouraged to extend themselves within a stimulating, respectful, attractive and safety-conscious environment.

Given the very competitive job market that we operate in, we realise the importance of attracting and retaining the very best people and our 1,500-strong team are testament to the value we place on workforce planning as we continue to grow the business. During this financial year, we completed the company-wide reorganisation commenced in February 2012, which included the creation of new business divisions and the realignment of reporting lines. This new business model has prepared APA for the next phase of our growth by making us more adaptable and responsive and facilitated the seamless integration of HDF assets and people into our business.

REALISING POTENTIAL

Our key organisational strengths are in effective operational integrity and safety, efficient project execution, capital management smarts, and responding to our customer's needs. These diverse areas of capabilities drive the need for a variety of in-demand skills by APA. We have a comprehensive learning and development program to encourage our employees to stretch their capabilities and reach their full potential, and to develop the future leaders of the company.

During the year, 368 employees participated in APA Leadership Development Programs with a further 1,518 employees undertaking a range of APA Skill-Based Development Programs and over 500 attended Equal Employment Opportunities Training. The programs focus on increasing self-awareness, leading people and building technical capability. For people managing large teams or a sizable part of our business, APA runs a Business Acumen Skills Program to simulate running the business in a commercial environment. This year, 100 employees attended the course which gave them exposure to

high level decision making from a whole of company perspective beyond the daily business unit perspective of their everyday role.

KEEPING EVERYONE SAFE AND HEALTHY

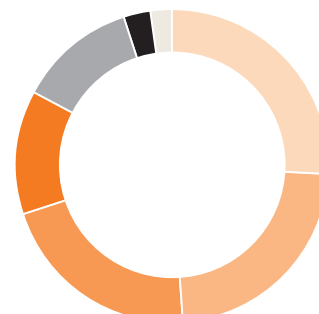
We continue to aim to be a zero harm workplace for our employees, contractors and the broader communities in which we operate so that everyone goes home at the end of the day in the same condition they came to work in. In FY2013 we completed the development and deployment of the Safeguard Integrated Health Safety and Environment (HSE) system which sets the minimum standard required to effectively manage safety and the environment in APA. In May we also launched a three year Strategy and Improvement Plan which is intended to take APA's HSE performance to a world class level. The strategy contains 17 key initiatives including an HSE Culture and Climate Survey which was completed during the year. The FY2013 employee Lost Time Injury Frequency Rate (LTIFR) was 2.1 which pleasingly was a slight decrease on last year's result of 2.2.

APA encourages healthy living and for the fourth year, sponsored employees to participate in the Global Corporate Challenge. 224 enthusiastic APA people participated in the 16 week challenge walking over 184,000 collective kilometres and burning over 11.5 million calories. Other health initiatives also include an annual flu vaccination program and the confidential employee assistance program which provides services to employees and their immediate family.

DIVERSITY ADDS VALUE

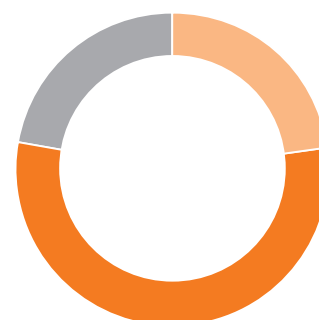
The diversity of our asset portfolio adds value and security to APA's business. Similarly, our diverse workforce, adds value to APA's business. We embrace individual diversity (gender, age, culture, skills, experience, interests), encouraging diversity of thought, which is conducive to better decision making and opportunity for innovation. This year, a Diversity and Inclusion Committee was established to identify, review and develop ways of improving diversity and inclusion at APA.

APA employees by state



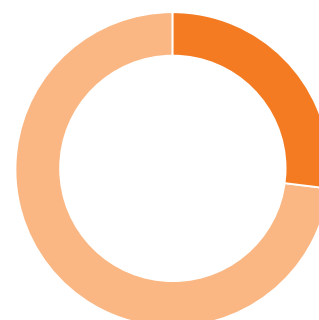
State	
VIC	26%
SA	23%
QLD	21%
NSW	13%
WA	12%
NT	3%
ACT	2%

APA employees by age



Age	
Less than 35	23%
35-54	55%
Over 55	22%

APA employees by gender



Gender	
Female	27%
Male	73%

APA workforce gender profile (2013)

Women represent 27 per cent of our total work force.

27%

Women hold 17 per cent of the total number of Directorships on the APA Group Board.

17%

Women hold approximately 15 per cent of leadership roles within APA (top three levels of management).

15%

Women hold 3 per cent of the technical roles within APA.

3%

ACHIEVING THE RIGHT BALANCE

SUSTAINABILITY REPORT

OUR VISION To maintain our ranking as Australia's number one energy infrastructure business. Our success will be founded upon the strengthening of our asset footprint. We are committed to working closely with our stakeholders – customers, employees, the environment, community and investors – to deliver continuous improvement and sustainable growth.



Happy graduates of Exodus Foundation's literacy program.

OPERATING SUSTAINABLY UNDERPINS EVERYTHING WE DO

Stakeholder strategic objectives	2013 performance	Actions for 2014
Customers We will deliver value to our customers and create responsive solutions to meet their needs by: — Providing our customers a market-leading service, including responding to critical events when our customers are negatively impacted. — Delivering value to customers by utilising the capacity of APA's assets. — Working with customers to provide optimal investment and energy market solutions to maintain a pipeline of growth projects.	Commercial agreements signed with Santos and GLNG Operations for the development of new compression and associated facilities at the Moomba and Wallumbilla gas hubs in Queensland. These developments will enable APA to provide bi-directional gas transportation services between Moomba and Wallumbilla and additional services for customers in south east Queensland. In May 2013 APA delivered its first multi-asset transportation service on the east coast gas grid. In Western Australia APA developed a suite of flexible gas storage services for the Mondarra Gas Storage Facility and undertook a number of expansion programs in the region on the Goldfields Gas Pipeline and the Pilbara Pipeline System. In June 2013, APA announced a non-binding Heads of Agreement with Armour Energy to investigate transportation of new gas supplies to the eastern Australian and Northern Territory gas markets.	Continue to expand its pipeline system to provide transportation services from Victoria to New South Wales via the Victorian Transmission System, including expansion of the South West Pipeline. 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.
Stakeholder strategic objectives	2013 performance	Actions for 2014
Employees We will provide a safe, stimulating and rewarding workplace where our employees can learn and grow by: — Committing to a long-term LTIFR¹ 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.	LTIFR (excluding contractors) improved slightly from 2.2 to 2.1. This was above our 2013 LTIFR target of 1.3. Review of the implementation of the safety management system (Safeguard) resulted in streamlining the system to make it more user-friendly. A company-wide Health Safety and Environment Strategy and Improvement Plan was also implemented. Continued sponsorship of health focused activities for employees including the Global Corporate Challenge. 368 employees participated in APA Leadership Development Programs. A further 1,518 employees undertook a range of APA Skill-Based Development Programs and over 500 employees attended EEO Training. Business Acumen Skills program developed and rolled out with 100 employees attending. Diversity and Inclusion Committee established to develop work place initiatives to ensure that APA maintains a skilled and engaged workforce. A Career Transition to Retirement Workshop was developed and offered to employees to assist with their preparation for retirement.	Target an LTIFR of less than 1.5 (including contractors). Implementation of a new Strategy and Improvement Plan for HSE which comprises a total of 17 initiatives. In 2014 initiatives to be implemented will include; HSE Leadership Program; New Leading Indicators; and Risk Based Validation Auditing. Expanded technical, learning and development program to all employees. Continue development of APA's diversity policy and initiatives.

¹ Lost Time Injury Frequency Rate (LTIFR) is measured as the number of lost time claims per million hours worked.

Stakeholder strategic objectives	2013 performance	Actions for 2014
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.	Contributed to the federal government's Clean Energy Act 2011 regulation design and consultation process. Complied with the Clean Energy Act 2011 by procuring and surrendering permits for APA's FY2013 carbon liability. Successful cost recovery mechanisms in place for APA's carbon permit liability either contractually or through the access arrangement tariff review process. Participated for the third 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 72D ranked highest amongst its direct peers. Engaged with government to promote the role of gas in the carbon-constrained economy, directly and via industry associations. This included a developing a Natural Gas Policy paper with industry body Australian Pipeline Industry Association (APIA). Continued to develop the renewable energy projects at Emu Downs Wind Farm, subject to customer demand.	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 with a long-term view on energy markets shifting to clean fuels such as wind, solar and gas. Continue to incorporate carbon costs and the mitigation of extreme weather into all investment decisions. Evaluate energy project opportunities arising from the shift to renewable energy, particularly projects that enhance APA's current assets.
Stakeholder strategic objectives	2013 performance	Actions for 2014
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 our vulnerable communities.	Continued APA's 'Building Brighter Futures' community investment program including support for NAPCAN, Exodus Foundation, Clontarf Foundation and Beyond Empathy. Employees across APA participated in three community events for causes including Cancer Council and Movember with their fundraising efforts matched by APA, up to a \$4,000 limit per event. Total community investment for the 2013 financial year was \$475,000.	Continue to support our community investment program, Building Brighter Futures, and expand its reach. Continue to invest in causes that enhance our relationships with key community stakeholders and strengthen our brand. Expand our financial support for local volunteer and community services.
Stakeholder strategic objectives	2013 performance	Actions for 2014
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.	Total securityholder return of 30.5 per cent for 2013. Maintained investment grade credit ratings (BBB/Baa2). Successful debt raising of \$1,271 million senior unsecured bonds across USD and Sterling markets to repay HDF debt and to fund growth and \$515 million of ASX listed subordinated notes. New APA securities totalling \$968 million, issued under the APA DRP and issued to securityholders of HDF as part of APA's takeover offer. \$373 million of organic growth capital expenditure. Acquisition of HDF and increased interest in Envestra.	Maintain credit rating levels. Continue to evaluate additional revenue streams in related energy businesses.

We work hard to make a difference in communities and for the environment

APA is proud to contribute to the Australian communities where we live and work. We recognise the role that our community support plays in strengthening our brand, enhancing our relationships with key stakeholders and engendering goodwill in local communities. And we're proud to invest in social causes and initiatives that will help build brighter futures for vulnerable people, especially young indigenous Australians.

BUILDING BRIGHTER FUTURES

We've continued to grow 'Building Brighter Futures', our community investment program to support initiatives which improve the future work and life prospects of vulnerable Australians.

Our long-term corporate partnerships are focused on the core social issue of disadvantaged, young indigenous Australians. We have continued our three year commitment to support:

- NAPCAN Aboriginal Girls Circle: a residential camp program to build resilience, self-esteem, social connections and confidence for Aboriginal girls in regional and remote areas;
- Clontarf Foundation: an organisation which exists to improve the education, discipline, self-esteem, life skills and employment prospects of young Aboriginal men and by doing so, equips them to participate more meaningfully in society; and



Clontarf Foundation participants from Coodanup, Western Australia.

- Exodus Foundation Literacy Program: a literacy program to teach functional literacy to disadvantaged children with severely compromised reading ability, including indigenous children in Darwin.

We also again supported Beyond Empathy, a community arts and cultural development organisation that creates art projects with people living on the margins of their communities, to tell their stories and engage with positive futures.

This year APA donated almost \$160,000 to these causes.

APA PEOPLE COMING TOGETHER TO MAKE A DIFFERENCE

Building Brighter Futures also supports a number of causes close to the hearts of APA people through our annual community event calendar. Our people drank tea, baked and ate pink food and grew moustaches to show their support, and raise much needed funds, for Cancer Council's Pink Ribbon Day, Australia's Biggest Morning Tea, and the Movember Foundation. This year employees also voted to add a new event to the 2013 calendar, and will support the cause of mental illness and the Black Dog Institute in August.

Collectively, employees donated almost \$26,000 to these causes, which APA was pleased to match to \$18,000 under our capped donation matching program.

Taronga Zoo's short beaked echidna



APA's total community investment and sponsorship for the 2013 financial year was \$475,000.

SUPPORTING ARTS, NATURE, SPORT

This year we continued to support great Australian music with our sponsorship of the Darwin Symphony and Australian Brandenburg orchestras. We also supported Taronga Zoo's short beaked echidna, continuing an association we were pleased to establish with this iconic Australian monotreme in 2011.

As a business that's flourished from humble beginnings, we recognise the critical value of early support. That's why this year we commenced our partnership with the Australian Ice Hockey League, a semi-professional but fast growing national competition for ice hockey players.

SUPPORTING LOCAL COMMUNITIES

As part of our support for local communities, in Queensland, we were pleased to make a donation to Bundaberg SES, acknowledging their important work during the severe summer floods. In Mount Isa, as part of our Diamantina Power Station joint project with AGL Energy, we've been pleased to support a number of local initiatives, including the New Year's Eve fireworks and the Swingin' Utes music festival. Also in Queensland, HDF (Epic Energy), the former owner of the South West Queensland Pipeline, made a number of financial contributions to local schools, services and community groups, including a \$20,000 donation towards the protection of the Aboriginal Kullilli Burial Ground. In Dongara Western Australia, an innovative recycling effort by APA raised almost \$76,000, all of which was donated to local community groups.

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 our networks.

APA regularly monitors its carbon exposure and complies with National Greenhouse and Energy Reporting (NGERS) obligations for reporting emissions data. In financial year 2012 APA reported emissions of 327,239 tonnes under NGERS, and on 31 October APA expects to report an emissions number broadly in line with last year once an adjustment is made for the recently acquired HDF pipeline assets.

CARBON DISCLOSURE PROJECT

APA participated for the third time in the Carbon Disclosure Project, a voluntary disclosure to investors on carbon emissions, liability, reduction activities, strategies and management.

APA's score of 72 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's performance score of D ranked in the top 40 per cent in the Utilities sector. 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 72D ranked highest amongst its direct peers.

CLEAN ENERGY ACT 2011 – A PRICE ON CARBON

On 1 July 2012 the Clean Energy Act 2011 imposed a price on carbon emissions. APA has consulted and determined with regulators the mechanism to recover carbon permit costs relating to its regulated assets under the access arrangement review process. For non-regulated assets, APA has passed-through carbon permit costs for its liable facilities through contractual terms and conditions.

CLEAN ENERGY POLICY

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, to date the Clean Energy Act 2011 has not provided the required certainty to shift large-scale coal generation to

more carbon efficient gas-fired generation. These uncertainties include the lack of international binding carbon reduction agreements and the price of carbon permits after the fixed price period.

In the longer term, as international and domestic carbon markets mature, APA's assets will play an important role in meeting Australia's long-term emission reduction targets as energy consumption shifts 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.

SECURING AUSTRALIA'S GAS FUTURE

APA supports the recommended policy initiatives from the Australian Pipeline Industry Association's ("APIA") recent review of Australia's current energy policies.

Key findings of the APIA policy paper included:

- The low emissions intensity of electricity generated from natural gas and the highly efficient heating capacity of natural gas in direct applications can contribute to reducing Australia's greenhouse gas emissions at a low cost if the appropriate policy environment exists;
- Australia is fortunate to have large reserves of natural gas, a relatively stable regulatory environment, efficient gas infrastructure, and well-developed downstream gas markets;
- It is important to establish an investment environment that maximises the nation's ability to exploit natural gas for economic and environmental benefits;
- Any clean energy policy should be technology neutral, where projects compete for investment and/or government funding programs/schemes on the basis of emissions reduction and economic efficiency; and
- If the conditions were set appropriately to encourage projects that provide energy with a low emissions intensity, then natural gas projects would compete on the same footing and contribute significantly to meeting long-term emissions reduction targets
- One policy option is for the Renewable Energy Target (RET) to be widened to include all low emission forms of generation, allowing new energy projects to

compete for market demand on the basis of their economic efficiency and capacity to reduce emissions. Under such a policy, gas would be able to compete on a dollar per tonne abatement basis with renewables as opposed to being excluded completely from the RET. This policy option would ensure that Australia meets its emissions reduction targets at the lowest cost

- Another policy option aimed at increasing low-emission energy and domestic energy security is to establish a technology neutral, government-run scheme for all forms of energy (including renewables and low emission technologies) to compete for funding. If gas met the economic and environment efficiency criteria, such a scheme could be designed in a way that could accelerate the development of new gas fields by underwriting the new infrastructure required to unlock the gas.

APA continues to discuss gas and clean energy policy options with state and federal governments.

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 gas 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 APA's 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 off-take agreement and meeting APA investment hurdles.

CLEAR DIRECTION

LEADERSHIP

A key attribute of APA is its transparent structure with Directors, management and employees being part of the self-managed business.

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.

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.

View full biographies – Our People
[➤ annualreport2013.apa.com.au](http://annualreport2013.apa.com.au)

APA Group Board



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.

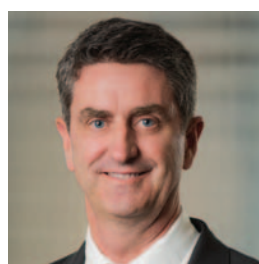


Michael McCormack
Chief Executive Officer and Managing Director

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



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.



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



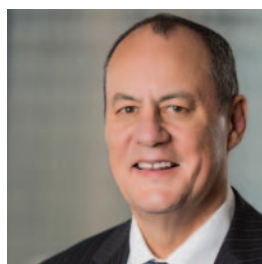
John Ferguson
*Group Executive
Networks*

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



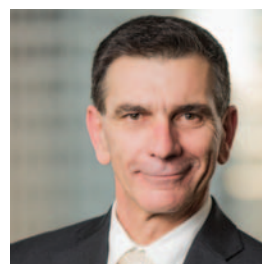
Kevin Lester
*Group Executive
Infrastructure Development*

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.



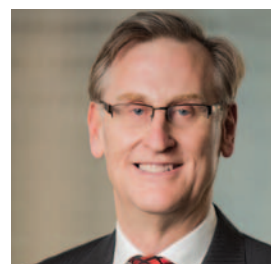
Peter Fredricson
Chief Financial Officer

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.

VISIBLE GROWTH

FIVE YEAR FINANCIAL SUMMARY

		2013	2012	2011	2010	2009
FINANCIAL PERFORMANCE						
Revenue	\$m	1,272.3	1,060.7	1,102.0	989.5	949.8
Revenue excluding pass-through ¹	\$m	919.5	758.0	720.3	659.5	678.4
EBITDA	\$m	768.8	525.8	492.1	460.0	432.1
Depreciation and amortisation expense	\$m	(130.5)	(110.4)	(100.4)	(91.4)	(95.6)
EBIT	\$m	638.3	415.4	391.8	368.5	336.5
Interest expense	\$m	(290.9)	(234.3)	(247.1)	(229.4)	(221.7)
Tax expense	\$m	(51.4)	(50.4)	(35.9)	(38.7)	(35.9)
Minority interests	\$m	2.8	-	(0.3)	(0.2)	(0.1)
Profit after tax and minorities, including significant items	\$m	298.8	130.7	108.5	100.4	78.8
Significant items – after income tax	\$m	120.0	(9.7)	(0.4)	0.0	(21.0)
Profit after tax and minorities, excluding significant items	\$m	178.7	140.3	108.9	100.4	99.7
FINANCIAL POSITION						
Total assets	\$m	7,699	5,496	5,428	4,982	4,747
Debt	\$m	4,412	3,224	3,240	3,157	3,057
Securityholders' equity	\$m	2,512	1,614	1,668	1,395	1,278
CASH FLOW AND CAPITAL EXPENDITURE						
Operating cash flow	\$m	374.4	335.6	290.0	267.8	226.4
Capital expenditure	\$m	397.4	249.1	173.4	135.4	301.7
Investments and acquisitions	\$m	330.8	46.4	342.7	220.5	118.7
KEY FINANCIAL RATIOS						
Earnings per security	cents	38.7	20.4	19.7	19.4	22.7
Operating cash flow per security	cents	48.5	52.5	52.6	51.9	48.2
Distribution per security	cents	35.5	35.0	34.4	32.8	31.0
Gearing (net debt to net debt plus equity)	%	62.8	65.0	66.2	69.8	70.3
Interest cover ratio	times	2.3	2.5	2.0	2.1	2.1
Weighted average number of securities	m	772.3	639.7	551.2	516.2	485.1
EBITDA BY SEGMENT (EXCLUDING SIGNIFICANT ITEMS)						
Energy Infrastructure						
Queensland ²	\$m	163.7	79.6	71.7	70.7	62.8
New South Wales	\$m	112.7	113.1	101.3	96.8	83.4
Victoria and South Australia	\$m	125.7	123.1	115.9	105.7	105.1
Western Australia ³ and Northern Territory	\$m	147.7	125.9	99.8	102.7	110.6
Asset Management	\$m	45.4	31.9	38.8	32.3	22.6
Energy Investments	\$m	51.2	41.8	27.1	19.1	11.6
Divested businesses ⁴	\$m	20.6	20.2	35.1	32.6	48.2

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 (EIL) Pty Ltd in December 2011, with APA retaining a 20% interest in GDI (EIL) 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.

INVESTOR INFORMATION

CALENDAR OF EVENTS

Final distribution FY2013 record date	28 June 2013
Final distribution FY2013 payment date	11 September 2013
Annual meeting	24 October 2013
Interim result announcement	19 February 2014*
Interim distribution FY2014 record date	31 December 2013*
Interim distribution FY2014 payment date	12 March 2014*

*Subject to change

ANNUAL MEETING DETAILS

Date: Thursday 24 October 2013

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: www.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: www.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.

Direct payment can be made to an Australian or New Zealand bank account. If you would like to arrange direct payment, please contact the APA Group registry.



ONLINE INTERACTIVE REPORTS

APA Group's 2013 Annual Report, Annual Review and Sustainability Report are available in an easy to view interactive format at www.apa.com.au.

ONLINE INFORMATION

Further information on APA is available at www.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.

WHAT WE DO

ABOUT APA

APA Group is Australia's largest energy infrastructure business, with more than 1,500 highly skilled and experienced people and \$12 billion of energy infrastructure assets.

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 over 14,000 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 companies:

- Envestra Limited – 33.0%
- SEA Gas Pipeline – 50.0%
- Energy Infrastructure Investments – 19.9%
- Ethane Pipeline Income Fund (EPX) – 6.1%
- EII2 – 20.2%
- GDI (EII) Pty Ltd – 20.0%



ASSET MANAGEMENT

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

APA's energy infrastructure assets

	Length/Capacity	Regulation ¹	Basin	State	Reserves ²
EAST COAST GAS GRID					
Carpentaria Gas Pipeline	944 km Ballera to Mount Isa	Light regulation	Surat-Bowen	QLD	41,281 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	582 km Wallumbilla to Brisbane, including the Peat Lateral	Full regulation			
Moomba Sydney Pipeline	2,028 km Moomba to Sydney, Laterals and NSW-VIC Interconnect	Not regulated to Marsden Light regulation downstream of Marsden	NSW Coal seam gas	NSW	2,822 PJ
Central West Pipeline	255 km Marsden to Dubbo	Light Regulation			
Central Ranges Pipeline and distribution network	294 km Dubbo to Tamworth	Full Regulation			
Victorian Transmission System	1,842 km across Victoria	Full Regulation	Gippsland Otway Bass	VIC VIC VIC	3,684 PJ 821 PJ 250 PJ
Dandenong LNG Storage Facility	12,000 tonnes	Not Regulated			
SESA Pipeline	45 km	Not Regulated	Cooper	SA	1,992 PJ
					50,850PJ
WESTERN AUSTRALIA AND NORTHERN TERRITORY					
Pilbara Pipeline System	328 km Karratha to Port Hedland including laterals	Not Regulated	Carnarvon	WA	71,855 PJ
Goldfields Gas Pipeline (88.2%)	1,590 km Yarraloola to Kalgoorlie mainline laterals and Kalgoorlie Kambalda Pipeline	Light regulation for Kalgoorlie Kambalda Pipeline	Browse Perth	WA WA	17,384 PJ 41PJ
					89,280PJ
Mid West Pipeline (50%)	363 km Geraldton to Windimurra	Not Regulated			
Parmelia Gas Pipeline	446 km Dongara to Pinjarra	Not Regulated			
Mondarra Gas Storage Facility	15 PJ	Not Regulated			
Emu Downs Wind Farm	80 MW	Not Regulated			
Amadeus Gas Pipeline	1,671 km Amadeus Basin to Darwin including laterals	Full regulation	Bonaparte Amadeus	NT NT	1,054 PJ 138 PJ
					1,192PJ

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, comprising both conventional gas and CSG. Source: EnergyQuest August 2013

OUR ASSETS AND INVESTMENTS



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
8. NSW - VIC Interconnect

Victoria

9. Victorian Transmission System
10. Dandenong LNG Storage Facility

South Australia

11. SESA Pipeline

Western Australia

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

Northern Territory

19. Amadeus Gas Pipeline

ENERGY INVESTMENTS

20. Envestra Limited (33%)
Gas distribution networks and pipelines (SA, Vic, Qld, NSW & NT)
21. GDI (EII) Pty Ltd (20%) Allgas gas distribution network in Queensland
22. SEA Gas Pipeline (50%)
23. Energy Infrastructure Investments (19.9%)
Gas pipelines, electricity transmission, gas-fired power stations and gas processing plants
24. Ethane Pipeline Income Fund (6.1%)
25. E112 (20.2%)
North Brown Hill Wind Farm

UNDER DEVELOPMENT

26. Diamantina Power Station (50%)

TASMANIA

- APA assets
- APA investments
- Other natural gas pipelines
- Wind farm
- Power station
- Gas processing plant
- Gas storage
- Gas production

APA.COM.AU



CONNECTING OPPORTUNITIES

APA GROUP ANNUAL REPORT 2013

MORE THAN THE SUM OF OUR PARTS



AUSTRALIAN PIPELINE TRUST	
2	Directors' report
19	Remuneration report
30	Corporate governance statement
37	Consolidated statement of profit or loss and other comprehensive income
38	Consolidated statement of financial position
40	Consolidated statement of changes in equity
41	Consolidated statement of cash flows
42	Notes to the consolidated financial statements
98	Declaration by the Directors of Australian Pipeline Limited
99	Auditor's Independence Declaration
100	Independent Auditor's Report

APT INVESTMENT TRUST	
102	Directors' report
104	Consolidated statement of profit or loss and other comprehensive income
105	Consolidated statement of financial position
105	Consolidated statement of changes in equity
106	Consolidated statement of cash flows
107	Notes to the consolidated financial statements
123	Declaration by the Directors of Australian Pipeline Limited
124	Auditor's Independence Declaration
125	Independent Auditor's Report

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 2013. 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 year and since the year end are:

Leonard Bleasel AM	Chairman
Michael McCormack	Chief Executive Officer and Managing Director
Steven Crane	
John Fletcher	
Russell Higgins AO	
Patricia McKenzie	
Muri Muhammad	(retired 24 October 2012)
Robert Wright	

Details of the Directors, their qualifications, experience, special responsibilities and Directorships of other listed entities are set out on pages 14 to 16.

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 and the Emu Downs Wind Farm in Western Australia;
- asset management and operations services for the majority of APA's energy investments and for third parties; and
- energy investments in listed and unlisted entities.

FINANCIAL AND OPERATIONAL REVIEW

APA OVERVIEW

APA is Australia's largest natural gas infrastructure business. It owns or has an interest in approximately \$12 billion of energy infrastructure across Australia, and operates these with a skilled workforce in excess of 1,500 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 usage. 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 Envestra Limited ("Envestra") and the GDI (EIL) Pty Ltd ("GDI") gas distribution networks, which together have approximately 25,000 kilometres of gas mains and approximately 1.2 million gas consumer connections. It also has minority interests in and operates other energy infrastructure assets and businesses, including SEA Gas Pipeline, Energy Infrastructure Investments, EIL2 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 service offerings.

APA is listed on ASX and is included in the S&P ASX 50 Index. Since listing in June 2000, its market capitalisation has increased ten-fold to over \$5 billion (as at 30 June 2013), and it has achieved total securityholder returns of 787% or annual compound growth rate of 18.2%.¹

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 small portfolio of 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 determines 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 as well as assets under full regulation. Contracts are generally for a reservation of capacity, with a majority of the revenue fixed. Average contract term is greater than 10 years, and where new infrastructure is required, terms tend to be 15 years or greater.

Approximately 25% of APA's FY2013 revenue (excluding pass-through revenue) was subject to prices determined under full regulation. The majority of the remaining 75% 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 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.

DIRECTORS' REPORT

CONTINUED

Energy Infrastructure assets

	LENGTH/CAPACITY	REGULATORY STATUS
East coast gas grid		
Roma Brisbane Pipeline	582 km	Full regulation
South West Queensland Pipeline	936 km	Not regulated
Carpentaria Gas Pipeline	944 km	Light regulation
Berwyndale Wallumbilla Pipeline	112 km	Not regulated
Moomba Sydney Pipeline	2,028 km	Light regulation (partial)
Central West Pipeline	255 km	Light regulation
Central Ranges Pipeline and distribution network	294 km	Full regulation
Victorian Transmission System	1,842 km	Full regulation
Dandenong LNG Storage Facility	12,000 tonnes	Not regulated
SESA Pipeline	45 km	Not regulated
	Total 7,038 km	
West Australian and Northern Territory assets		
Goldfields Gas Pipeline (88.2%)	1,546 km	Full regulation
Kalgoorlie to Kambalda	44 km	Light regulation
Pilbara Pipeline System	328 km	Not regulated
Parmelia Gas Pipeline	446 km	Not regulated
Mid West Pipeline (50%)	363 km	Not regulated
Mondarra Gas Storage Facility	15 PJ	Not regulated
Emu Downs Wind Farm	80 MW	Not regulated
Amadeus Gas Pipeline	1,671 km	Full regulation
	Total 4,398 km	

Energy Investments and Asset Management

ENERGY INVESTMENT	OWNERSHIP INTEREST	DETAIL	ASSET MANAGEMENT
Envestra	33.0%	Gas distribution: 22,500 km of gas mains, 1.14 million gas consumer connections, 1,124 km of pipelines across SA, Vic, NSW, Qld and NT	Operational services
GDI	20.0%	Gas distribution: 2,800 km of gas mains, 83,000 gas consumer connections in Qld	Operational services; Investment management services
SEA Gas Pipeline	50.0%	Gas pipeline: 687 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 - 12 km Electricity transmission cables: Murraylink (176 km) and Directlink (63 km) Gas-fired power stations: Daandine power station (27MW) and X41 power station (32 MW) Gas processing facilities: Kogan North (12 TJ/day) Tipton West (29 TJ/day)	Operational services; Investment management services
EI12	20.2%	Wind generation: North Brown Hill Wind Farm (132MW), SA	Investment management services
Ethane Pipeline Income Fund	6.1%	Ethane pipeline: 1,375 km from Moomba to Port Botany, Sydney	Operational services; Investment management services
Diamantina Power Station	50.0%	Gas-fired power stations: Diamantina Power Station (242 MW) and Leichhardt Power Station (60 MW) currently under development	NA

DIRECTORS' REPORT

CONTINUED

APA 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;
- 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 2013 financial year APA commenced, continued or completed the following growth development projects and acquisitions:

- acquisition of the South West Queensland Pipeline and Pilbara Pipeline System through its takeover of Hastings Diversified Utilities Fund ("HDF");
- pipeline capacity expansions on the Victorian Transmission System, Moomba Sydney Pipeline, Goldfields Gas Pipeline and Roma Brisbane Pipeline;
- expansion of the Mondarra Gas Storage Facility;
- development of the Diamantina and Leichhardt gas fired power stations;
- compression projects at Wallumbilla and Moomba; and
- development of the east coast grid services and operating framework.

FINANCIAL REVIEW

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

YEAR ENDED 30 JUNE	2013	2012	CHANGES	
	\$000	\$000	\$000	%
Operating results including significant items				
Total revenue	1,272,267	1,060,661	211,606	20.0
Pass-through revenue ⁽¹⁾	352,743	302,633	50,110	16.6
Total revenue excluding pass-through	919,524	758,028	161,496	21.3
EBITDA	768,801	525,825	242,976	46.2
Depreciation and amortisation expense	(130,461)	(110,409)	(20,052)	(18.2)
EBIT	638,340	415,416	222,924	53.7
Net interest expense	(290,916)	(234,326)	(56,590)	(24.2)
Pre-tax profit	347,424	181,090	166,334	91.9
Income tax expense	(51,421)	(50,435)	(986)	(2.0)
Minorities	2,764	(5)	2,769	-
Profit after tax and minorities, including significant items	298,767	130,650	168,117	128.7
Significant items after income tax ⁽²⁾	120,030	(9,663)	129,693	-
Profit after income tax and minorities, excluding significant items	178,737	140,313	38,423	27.4
Operating cash flow ⁽³⁾	374,381	335,569	38,812	11.6
Operating cash flow per security (cents)	48.5	52.5	(4.0)	(7.6)
Normalised operating cash flow ⁽⁴⁾	432,639	335,569	97,070	28.9
Normalised operating cash flow per security (cents) ⁽⁴⁾	56.0	52.5	3.5	6.8
Earnings per security – reported (cents)	38.7	20.4	18.3	89.4
Earnings per security – normalised (cents) ⁽⁵⁾	23.1	21.9	1.2	5.5
Distribution per security (cents)	35.5	35.0	0.5	1.4
Distribution payout ratio ⁽⁶⁾	68.2%	67.0%		
Net tangible asset per security	1.42	1.58	(0.16)	(10.3)
Weighted average number of securities (000)	772,314	639,743		

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

(2) Significant items: see summary table (page 5).

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

(4) Normalised operating cash flow excludes significant items.

(5) Normalised earnings per security excludes significant items.

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

DIRECTORS' REPORT

CONTINUED

APA reported profit after tax and minorities and including significant items of \$298.8 million, an increase of 129% compared with \$130.7 million reported last year. APA's profit includes the earnings of HDF which was acquired in the financial year and consolidated from 9 October 2012.

APA's profit also contained a number of significant items (tabled below) relating to APA's acquisition of HDF, fees paid by HDF to Hastings Funds Management and the reversal of costs booked against the sale of APA Gas Networks (Qld) ("Allgas") to GDI (December 2011), with a net positive after tax impact of \$120.0 million.

SIGNIFICANT ITEMS	2013 \$000	2012 \$000
Significant items impacting EBITDA		
Write back of transaction costs in respect of Allgas sale ⁽¹⁾	18,588	(9,663)
Gain on APA's previously held interest in HDF	142,333	-
Transaction costs on acquisition of HDF	(12,404)	-
Integration costs on acquisition of HDF	(4,481)	-
Significant items incurred by APA	144,036	(9,633)
Management and Performance Fees charged to HDF by Hastings Funds Management	(35,438)	-
Takeover response costs incurred by HDF	(6,913)	-
Significant items incurred and paid by HDF	(42,351)	-
Total significant items impacting EBITDA	101,685	(9,633)
Significant items impacting finance costs		
Gain on settlement of HDF interest rate swaps	8,713	-
Total significant items before tax	110,398	(9,633)
Income tax related to significant items	9,632	-
Total significant items after tax	120,030	(9,633)

(1) Prior year significant item reflects profit on Allgas sale less transaction costs.

Net profit after tax (excluding the significant items) of \$178.7 million was up 27.4% on last year (\$140.3 million).

Revenue (excluding pass-through) increased by \$161.5 million to \$919.5 million, an increase of 21.3% on last year. Earnings before interest, tax, depreciation and amortisation ("EBITDA") increased by \$243.0 million to \$768.8 million, an increase of 46.2%. This was in line with APA's EBITDA guidance for the 2013 financial year of \$755 million to \$770 million.

The main factors driving the increase in profit and EBITDA, excluding the significant items, include:

- additional earnings from the new expansion on the Roma Brisbane Pipeline (commissioned September 2012);
- increased performance of investments, in particular Envestra;
- increased asset management earnings from operating the Envestra assets, full year's earnings from operating the GDI assets and increased customer contribution work; and
- nine months' contribution of the South West Queensland Pipeline and the Pilbara Pipeline System and seven months' contribution of the Moomba Adelaide Pipeline System ("MAPS") divested 1 May 2013.

The increase was partially offset by the removal of contributions from Allgas.

Operating cash flow increased by 11.6% to \$374.4 million while operating cash flow per security decreased by 7.6% or 4.0 cents to 48.5 cents per security. The drop in operating cash flow per security is primarily due to the increase in securities on issue, as well as the inclusion of operating cash flows from HDF for the period from 9 October 2012 (which included some \$58.3 million of fees paid by HDF to Hastings Funds Management and HDF's advisers in respect of the takeover by APA).

Normalised operating cash flow, that is, excluding the HDF significant one off payments, was up 28.9% on last year at \$432.6 million, and corresponding operating cash flow per security was up 6.8% or 3.5 cents to 56.0 cents per security.

APA's distributions for the financial year totalled 35.5 cents per security, an increase of 1.4% or 0.5 cents on last year. APA achieved its guidance of paying distributions in the 2013 financial year at least equal to distributions in the 2012 financial year. The distribution payout ratio of 68.2% based on normalised operating cash flow, was slightly higher than the 67.0% ratio last 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 issued a total of 191,265,224 securities since 30 June 2012. The issues comprised:

- 7,147,485 new securities issued under the APA Distribution Reinvestment Plan ("DRP") on 14 September 2012, at \$4.69 per security, raising \$33.5 million;
- 175,717,257 new securities as part of the offer consideration for HDF, issued between 9 October and 24 December 2012 inclusively, at an average weighted cost per security of \$5.035; and
- 8,400,482 new securities issued under the DRP on 13 March 2013 at \$5.91 per security, raising \$49.6 million.

At 30 June 2013, there were 835,750,807 securities on issue (30 June 2012: 644,485,583), an increase of 29.7%.

DIRECTORS' REPORT

CONTINUED

On 19 June 2013, having reviewed APA's financial position and funding requirements, the Board advised of its decision to suspend the DRP with immediate effect and until further notice.

During the year APA completed the following financings:

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

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

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

At 30 June 2013, APA's debt portfolio has a broad spread of maturities extending out to 2024, with an average maturity of drawn debt of 6.2 years. APA's gearing² of 62.8% at 30 June 2013 was down from 65.0% at 30 June 2012, primarily due to the reduction in net debt following receipt of funds from the sale of MAPS in May 2013.

At 30 June 2013, APA had \$972 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 2013, 83.2% of interest obligations on gross borrowings were either hedged or issued at fixed interest rates for varying periods extending out in excess of 11 years.

BORROWINGS AND FINANCE COSTS

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

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

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

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

CREDIT RATINGS

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

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

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

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

INCOME TAX

The effective income tax rate for the year was 14.8%, lower than 27.9% last year, primarily due to a number of significant items being capital in nature and therefore having little or no tax effect. The effective income tax rate before significant items is 25.8%, slightly lower than 26.4% last year.

CAPITAL AND INVESTMENT EXPENDITURE

Capital and investment expenditure for the year totalled \$728.2 million compared with \$295.5 million last year. Growth project expenditure of \$372.7 million was in respect of pipeline capacity expansion in Queensland, New South Wales, Victoria and Western Australia, and the expansion of the Mondarra Gas Storage Facility. This expenditure was generally either fully underwritten through long-term gas transportation agreements or had regulatory approval through a relevant access arrangement.

Acquisitions and investments totalled \$330.8 million, with the majority relating to the acquisition of HDF. Net cash consideration for the acquisition of HDF was \$257.0 million. APA maintained its interest in Envestra at 33.0% for \$65.5 million, by participating in Envestra's dividend reinvestment plan and its April 2013 equity placement.

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

DIRECTORS' REPORT

CONTINUED

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

CAPITAL AND INVESTMENT EXPENDITURE ⁽¹⁾	DESCRIPTION OF 2013 MAJOR PROJECTS	2013 \$ million	2012 \$ million
Growth expenditure			
<i>Regulated</i>			
Victorian Transmission System	Euroa compression; Sunbury lateral looping project, Longford meter station upgrade	22.6	35.1
Allgas ⁽²⁾		-	8.4
		22.6	43.5
<i>Major projects</i>			
Queensland	Wallumbilla and Moomba compression; Roma Brisbane Pipeline expansion	80.8	35.7
New South Wales	Moomba Sydney Pipeline expansion	24.1	18.9
Western Australia	Mondarra Gas Storage Facility; Goldfields Gas Pipeline expansions;	213.7	116.4
Other	Victorian metering and LNG; NT pipelines	31.5	10.2
		350.1	181.2
<i>Acquisitions</i>			
Energy Infrastructure	HDF acquisition net of cash acquired; Emu Downs Wind Farm stamp duty	265.3	6.0
Energy Investments	Increased interest in Envestra	65.5	40.4
		330.8	46.4
Total growth capex		703.5	271.1
Stay in business capex		24.7	24.4
Total capex		728.2	295.5

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

(2) Capital expenditure prior to the sale of Allgas to GDI in December 2011.

DISTRIBUTIONS

Distributions paid to Securityholders during the year were:

	FINAL FY2012 DISTRIBUTION PAID 14 SEPTEMBER 2012		INTERIM FY2013 DISTRIBUTION PAID 13 MARCH 2013	
	Cents per security	Total distribution \$000	Cents per security	Total distribution \$000
APT profit distribution	5.09	32,786	14.74	121,930
APT capital distribution	7.32	47,182	-	-
APTIT profit distribution	3.28	21,160	2.26	18,719
APTIT capital distribution	2.31	14,879	-	-
Total	18.00	116,007	17.00	140,649

On 21 August 2013, the Directors declared a final distribution for APA for the year of 18.5 cents per security which is payable on 11 September 2013, and will comprise the following components:

	FINAL FY2013 DISTRIBUTION PAYABLE 11 SEPTEMBER 2013	
	Cents per security	Total distribution \$000
APT profit distribution	16.02	133,877
APT capital distribution	-	-
APTIT profit distribution	2.32	19,424
APTIT capital distribution	0.16	1,313
Total	18.50	154,614

Total distribution for the financial year ended 30 June 2013 is 35.5 cents per security, an increase of 0.5 cents, or 1.4%, on the year ended 30 June 2012.

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 2013) will provide the classification of distribution components for the purposes of preparation of securityholder income tax returns.

DIRECTORS' REPORT

CONTINUED

SIGNIFICANT CHANGES IN STATE OF AFFAIRS

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

YEAR ENDED 30 JUNE	2013 \$000	2012 \$000	CHANGES	
			\$000	%
Revenue (continuing business)				
Energy Infrastructure				
Queensland ⁽¹⁾	217,530	112,225	105,305	93.8
New South Wales	139,321	138,443	878	0.6
Victoria	162,582	161,297	1,285	0.8
South Australia	2,164	2,109	55	2.6
Western Australia ⁽²⁾	196,878	174,166	22,712	13.0
Northern Territory	23,001	21,734	1,267	5.8
Energy Infrastructure total	741,476	609,974	131,502	21.6
Asset Management	82,293	69,295	12,998	18.8
Energy Investments	51,180	41,747	9,433	22.6
Total segment revenue	874,949	721,016	153,933	21.3
Pass-through revenue	352,743	302,633	50,110	16.6
Unallocated revenue (interest income)	11,697	6,317	5,380	85.2
Divested business ⁽³⁾	32,878	30,695	2,183	7.1
Total revenue	1,272,267	1,060,661	211,606	20.0
EBITDA (continuing business)				
Energy Infrastructure				
Queensland ⁽¹⁾	163,748	79,566	84,182	105.8
New South Wales	112,659	113,098	(439)	-0.4
Victoria	124,014	121,549	2,465	2.0
South Australia	1,732	1,521	211	13.9
Western Australia ⁽²⁾	135,980	117,397	18,583	15.8
Northern Territory	11,748	8,541	3,207	37.5
Energy Infrastructure total	549,881	441,672	108,209	24.5
Asset Management	45,447	31,910	13,537	42.4
Energy Investments	51,177	41,751	9,426	22.6
Total segment EBITDA	646,505	515,333	131,172	25.5
Divested business ⁽³⁾	20,611	20,155		
Total EBITDA before significant items	667,116	535,488	131,628	24.6
Significant items ⁽⁴⁾	101,685	(9,663)		
Total EBITDA	768,801	525,825	242,976	46.2

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

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

(3) 2013: MAPS consolidation on 9 October 2012 to sale of the business on 1 May 2013. 2012: Allgas sold to GDI in December 2011.

(4) See page 5 for significant items.

DIRECTORS' REPORT

CONTINUED

APA's operations and financial result in the period reflect steady growth across APA's portfolio, and includes nine months of earnings of the South West Queensland Pipeline and the Pilbara Pipeline System, and seven months earnings of MAPS which was sold 1 May 2013.

The table below provides additional information with respect to EBITDA performance of APA's continuing business prior to HDF consolidation.

YEAR ENDED 30 JUNE	2013 \$000	2012 \$000	CHANGES	
			\$000	%
EBITDA				
APA continuing business	551,943	515,333	36,610	7.1
HDF (retained business)	94,562	-	94,562	-
Continuing business EBITDA	646,505	515,333	131,172	25.5
Divested business ⁽¹⁾	20,611	20,155	456	-
Significant items - APA	144,036	(9,663)	153,699	-
Significant items - HDF	(42,351)	-	(42,351)	-
Total EBITDA	768,801	525,825	242,976	46.2

(1) 2013: MAPS consolidation on 9 October 2012 to sale of the business on 1 May 2013. 2012: Allgas sold to GDI in December 2011.

EBITDA in APA's continuing business, prior to the acquisition of HDF assets, and excluding the divested business, increased by 7.1% to \$551.9 million.

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 (continuing business) contributed 83.6% of total normalised revenue (excluding pass through revenue) and 85.1% of total normalised EBITDA. Revenue (excluding pass-through revenue) was \$741.5 an increase of 21.6% on the \$610.0 million reported last year. EBITDA increased by 24.5% to \$549.9 million (2012: \$441.7 million).

The following key factors contributed to this result:

- nine months' contribution from the increased Roma Brisbane Pipeline capacity;
- increase in volumes through the Victorian Transmission System in the first six months due to cooler weather, offset by the reduced regulatory tariffs of the new access arrangement applied to the second half of the year;
- increased operating margin on the Amadeus Pipeline; and
- nine months' contribution from the South West Queensland Pipeline and the Pilbara Pipeline System.

New South Wales revenue and EBITDA in 2013 was lower than last year predominantly due to the expiry of a gas transportation agreement early in the financial year, which partly offset the impact of tariff increases. This capacity was recontracted mid-year.

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

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 is developing the commercial and operational framework to deliver these and other related services to

APA's customer base, such as storage, gas-parking facilities and multi-directional flows.

In May 2013, APA executed a gas transmission agreement across three pipelines to transport gas seamlessly from Moomba directly to Brisbane under a single contract. APA is currently trialling a number of similar trans-pipeline services with its customers. APA is also in discussion with customers to move gas from Victoria into New South Wales and further north.

In August 2013, APA completed the software interface between the South West Queensland Pipeline and the Roma Brisbane Pipeline, enabling the two pipelines to work as one system and facilitating both optimised operations control as well as a single customer interface.

Queensland

– Roma Brisbane Pipeline

APA commissioned the expansion of the pipeline in September 2012, increasing capacity by approximately 10%. The project included additional compression, pipeline pressure upgrades and augmentation of the pipeline in the Brisbane metropolitan area. The additional capacity has been substantially contracted under long-term transportation agreements with an energy retailer and a major industrial gas user.

– South West Queensland Pipeline

APA's acquisition of HDF included the South West Queensland Pipeline. The 937 km pipeline connects Wallumbilla (Roma) in Queensland with Moomba in South Australia. The pipeline has long-term gas transportation agreements for both western haul and eastern haul services.

APA has completed the integration of the pipeline's commercial and field operations into APA's east coast transmission pipeline business. South West Queensland Pipeline revenue and EBITDA contributions for the current period is from the date of consolidation of HDF (see page 11).

– Wallumbilla compression facilities

In December 2012 APA announced it will proceed with the development of expanded compression capacity and associated services at Wallumbilla in Queensland. The capital investment of up to \$200 million over the next two years is underpinned by a long-term agreement.

The capital works will increase compression capacity at Wallumbilla and provide the option for further compression services in the future. Design and procurement activities have commenced, with the compression and associated services to be available at the start of 2015.

DIRECTORS' REPORT

CONTINUED

– *Moomba compression facilities*

APA has 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, and is due to commence in the second half of the 2014 calendar year.

New South Wales

– *Moomba Sydney Pipeline*

APA is at the final stage of completing its five-year capacity expansion program of the Moomba Sydney Pipeline for a total cost of \$96 million.

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 240.5 PJ, up 4.7% on last year (229.7 PJ) due to colder weather and increased gas exports into New South Wales. Peak day volume of 1,212 TJ was up 5.3% on last year (1,151 TJ).

APA continued work on capital projects which provide both additional capacity and security of supply for the Victorian Transmission System. APA completed an upgrade of the Longford Meter Station through which the majority of Victoria's gas is delivered. APA also commissioned a new compressor at Euroa, part of the northern augmentation project and the Sunbury lateral expansion with funding approved within the system's current (2008-2013) regulatory arrangements.

In March 2013, the Australian Energy Regulator ("AER") issued its final decision which did not accept APA's revised access arrangement proposal. The AER published its own access arrangement for the Victorian Transmission System. See 'Regulatory matters' on page 11 for further details.

South Australia

– *Moomba Adelaide Pipeline System*

APA's acquisition of HDF included MAPS. On 1 May 2013, in accordance with its undertaking to the ACCC as part of the acquisition of HDF, APA sold MAPS to QIC Global Infrastructure for \$400.6 million.

Western Australia

– *Goldfields Gas Pipeline*

In December 2011 and January 2012, APA announced two new capacity expansions on the pipeline totalling 44 TJ/day, an increase of 28% of the pipeline's capacity. These expansions are underpinned by 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).

During the year, the \$150 million compression expansion projects on the Goldfields Pipeline progressed. Commissioning of APA's works is expected in the second and third quarters of the 2014 financial year.

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

– *Mondarra Gas Storage Facility*

APA completed the expansion of its Mondarra Gas Storage Facility, with commercial operations commencing 23 July 2013. Work commenced following execution of a long-term foundation contract for storage capacity with Verve Energy in May 2011. The Facility's storage capacity has been

increased by five times and provides APA's customers with supply options and flexibility to better manage their gas supply and demand portfolios.

Forecast contracted revenue for 2014 financial year is approximately \$30 million, increasing as more capacity is sold. Most of the Facility's capacity is contracted for at least 20 years, and APA continues to actively market storage services for the remaining capacity to other potential users of the Facility.

The overall cost of the expansion was higher than initial estimates, reflecting increased labour costs in Western Australia experienced by industry, largely due to the mining boom, during the peak construction period, together with changes in the design of the surface facility to deliver increased injection rate capacity and increased overall reliability.

– *Pilbara Pipeline System*

APA's acquisition of HDF included the Pilbara Pipeline System, four connected pipelines in the Pilbara region. APA completed integration of the system's commercial and field operations into APA's Western Australian transmission pipeline business. The Pilbara Pipeline System revenue and EBITDA contributions for the current period is from the date of consolidation of HDF (see page 11).

Northern Territory

– *Potential Katherine to Gove gas pipeline and expansion of the Amadeus Gas Pipeline*

APA has commenced discussions with the Northern Territory government and Pacific Aluminium (PacAl), owner of the alumina refinery at Gove, on the Gulf of Carpentaria, in relation to infrastructure required to supply gas to Gove. The new supply of gas will require capital works on APA's Amadeus Gas Pipeline and Energy Infrastructure Investment's Bonaparte Gas Pipeline. APA is also interested in developing and owning the Katherine to Gove pipeline, if the project proceeds.

– *Armour Energy Heads of Agreement*

In June 2013, APA and Armour Energy have entered into a non-binding Heads of Agreement to work together to facilitate the potential transportation of gas from Armour's North Australian gas projects to eastern Australia and Northern Territory gas markets. Infrastructure development will possibly include new pipelines connecting to APA's Carpentaria Gas Pipeline and the expansion of existing APA assets.

ASSET MANAGEMENT

APA provides asset management and operational services to the majority of its energy investments and a number of third parties. Its main customers are Envestra, Ethane Pipeline Income Fund, SEA Gas Pipeline, the Diamantina Power Station joint venture, Energy Infrastructure Investments, GDI and EII2. Asset management and operational services are provided to these customers under long-term contracts.

Revenue (excluding pass-through revenue) from such services increased by 18.8% to \$82.3 million (2012: \$69.3 million) while EBITDA increased by 42.4% to \$45.5 million, (2012: \$31.9 million). The increase is due to a number of factors, including:

- customer contributions totalling \$10.2 million (2012: \$1.8 million);
- full year contribution of GDI asset management fees (six months in 2012); and
- increased fees for operating Envestra's assets due to increases in Envestra's revenues.

DIRECTORS' REPORT

CONTINUED

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, EI2 and GDI. HDF distributions contributed to Energy Investments until 9 October 2012, when APA's interest exceeded 50%. Since that date, HDF's assets form part of the Energy Infrastructure segment.

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 interests in Ethane Pipeline Income Fund and HDF (up to 9 October 2012).

EBITDA in this segment increased by 22.6% to \$51.2 million, up from \$41.8 million last year, mainly due to an increase in Envestra's profitability, as well as increases across all APA's investments, and partially offset by the reduced distributions received from HDF (one quarter's distributions in 2013 compared with four quarter's in the 2012 financial year).

APA participated in Envestra's dividend reinvestment plan in October 2012 and April 2013, with the total value of dividends reinvested of \$31.6 million. APA also participated in Envestra's equity placement in April 2013, purchasing 34.2 million Envestra shares for \$33.9 million. At 30 June 2013 APA's interest in Envestra was 33.0%.

PROJECT UNDER DEVELOPMENT – DIAMANTINA AND LEICHHARDT POWER STATIONS

APA and AGL Energy are jointly developing the Diamantina and Leichardt power stations 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 Leichardt Power Station is 60 MW open-cycle gas-fired power station which will provide back-up generation for Mount Isa. The power stations will be supplied with gas via APA's Carpentaria Gas Pipeline.

The power stations are underpinned by 17-year energy supply agreements with Mount Isa Mines Limited, a wholly owned subsidiary of 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.

On 20 December 2012, APA and AGL Energy completed limited-recourse project financing for the project. The total capital expenditure, including the back-up generation, is expected to be approximately \$570 million (before financing costs). APA's equity contribution is expected to be about \$100 million and will be funded from available cash and committed facilities, after completion of construction.

The Diamantina and Leichardt power stations are being constructed under a turn-key contract with Forge Group Power Pty Limited and Leighton Contractors Pty Limited respectively, and are expected to be operational in the first half of calendar 2014.

ACQUISITION OF HASTINGS DIVERSIFIED UTILITIES FUND AND SALE OF MOOMBA ADELAIDE PIPELINE SYSTEM

In December 2012 APA completed the takeover of HDF. HDF was an ASX listed investment vehicle whose assets included Epic Energy's three natural gas transmission pipeline systems – the South West Queensland Pipeline, MAPS and the Pilbara Pipeline System – and was managed by Hastings Funds Management Limited.

On 14 December 2011, APA announced an off-market takeover offer for HDF through APT Pipelines Limited for all the HDF securities which APA did not then own. At that time APA owned 20.7% of HDF securities.

On 9 October 2012, APA declared its offer unconditional, at the time that APA's interest in HDF exceeded 50%. On 16 November 2012, APA announced that its interest in HDF exceeded 90% and it would proceed to compulsorily acquire the remaining HDF securities. Compulsory acquisition of the remaining securities in HDF was completed on 24 December 2012.

The takeover consideration, consisting of \$0.775 cash and 0.39 APA securities for each HDF security which APA did not own, totalled \$1,234 million (the value of the scrip component is based on the market price of APA at the time new securities were issued). APA arranged for the repayment of all HDF debt facilities totalling \$1,325 million by 24 December 2012.

On 19 July 2012, the Australian Competition and Consumer Commission announced that it would not oppose the proposed acquisition by APA of HDF on the basis of an undertaking from APA to divest MAPS following APA obtaining effective control of HDF. Australian Pipeline Limited, the responsible entity of APA, became the responsible entity of HDF on 17 December 2012.

On 1 May 2013, APA completed the divestment of MAPS to QIC Global Infrastructure for \$400.6 million.

MERGER PROPOSAL FOR ENVESTRA

On 16 July 2013, APA proposed an all-share merger with Envestra. Under the proposal, Envestra shareholders would receive 0.1678 new APA securities for each Envestra share they owned, and would be entitled to any final Envestra dividend for the 2013 financial year of up to 3.0 cents per share. As at 30 June 2013 APA held 33.0% of Envestra shares and is its largest shareholder.

The APA proposal was subject to a number of pre-conditions, including satisfactory completion of limited due diligence, finalising financing arrangements that address Envestra's resultant and ongoing debt requirements and the unanimous recommendation of Envestra's Board of Directors.

On 5 August 2013, Envestra announced that its independent Board committee had decided to reject APA's proposal.

TOTAL SECURITYHOLDER RETURNS

During the year APA's market capitalisation increased by 55.7% to \$5.01 billion at 30 June 2013. Distributions declared during the year amounted to \$0.355 per APA security. APA's total securityholder returns for the year, which accounts for the capital appreciation of APA's security price and assumes the reinvestment of distributions at the declared time, was 30.5%, placing APA in the top 39th percentile of one-year total shareholder returns for the year and top 10th percentile of three-year total shareholder returns for ASX 100 listed companies.

REGULATORY MATTERS

Key regulatory matters addressed during the current period included:

Roma Brisbane Pipeline access arrangement

On 12 October 2011, APA submitted a revised access arrangement proposal for the Roma Brisbane Pipeline for the period September 2012 to June 2017 to the AER. The AER issued its final decision on 10 August 2012 in which it determined to approve and publish its own access arrangement for the pipeline.

The AER's decision provides for an initial 8.75% increase in the reference tariff followed by annual increases thereafter. This decision has minimal impact on APA's revenue. The majority of APA's Roma Brisbane Pipeline revenue is derived from haulage contracts which have set terms, including pricing for the life of the contract, and therefore is not impacted by the AER's decision.

Victorian Transmission System access arrangement

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

DIRECTORS' REPORT

CONTINUED

The AER's final decision includes a 21.5% nominal reduction in revenue in the first year of the new access arrangement period compared to revenue for the final year of the previous access arrangement, followed by a further two nominal reductions of 14% and 3% respectively in the second and third year of the new access arrangement period. These reductions resulted from a number of matters, including a lower capital base reflecting lower actual capital expenditure in the previous access arrangement period and a significantly lower allowed rate of return.

APA has lodged an application to the Australian Competition Tribunal to appeal four matters in the AER's final decision, including the indexation of regulated asset base and the AER's allowed rate of return. A decision on these matters is expected later in 2013.

Proposed changes to the National Gas Rules

In October 2011, the AER proposed amendments to the National Gas Rules that would change the process and methodology to determine the allowed rate of return. APA, together with other industry participants, opposed the proposed amendments and proposed an alternate approach incorporating a wide range of relevant market information. The Australian Energy Market Commission, the rule making authority, undertook an extensive review of the proposed amendments prior to making a final determination in November 2012. The Australian Energy Market Commission rejected the AER's proposal and made its own preferred rule amendments, which largely adopted APA's recommendations. In summary, the new Rules require the AER, and the Economic Regulation Authority ("ERA") in Western Australia, to assess the rate of return by having regard to the cost of capital in the marketplace, rather than mere application of the Capital Asset Pricing Model. The AER and ERA must publish a cost of capital guideline every three years outlining how they propose to assess the rate of return. This guideline is not binding and service providers in their access arrangements proposals to the AER and ERA can argue for departure from the guideline. The AER and ERA have commenced the consultative process as an initial step in developing the first guideline, which is required to be published by 29 November 2013.

SCER Review of Limited Merits Review

In December 2012, the Standing Council on Energy and Resources ("SCER") advanced its scheduled review of the Limited Merits Review framework applicable to regulated gas and electricity assets. It appointed a panel of experts to review the matter and conduct an extensive consultation process, and in June 2013, released its policy conclusion, retaining the existing grounds for merits review and the Australian Competition Tribunal as the review body, and adding a new requirement for the applicant to demonstrate, and the Tribunal to agree, that there is a prima facie case that a materially preferable decision could result from the review. As at June 2013, the amending legislation to give effect to this policy amendment was in the consultation stage.

HEALTH, SAFETY AND ENVIRONMENT

Health and safety reporting

The Lost Time Injury Frequency Rate ("LTIFR")³ for APA employees was 2.1 for the year, down from 2.2 last year. There were five reportable lost time injuries during the year. For contractors there were four reportable lost time injuries, down from seven reported in 2012.

APA continues to aim to be a zero harm workplace for its employees, contractors and the broader communities in which it operates. In the reporting year, APA's Safety Management System (Safeguard) was implemented ahead of plan. This system sets the minimum standards required to effectively manage safety and the environment in APA, and has been complemented by the development of a three-year Safety Improvement Strategy.

Key components of the strategy focus on 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. There are 17 specific focus areas to build on this risk, control, assure foundation. For example, the strategy focuses on the leadership behaviours needed to drive towards a zero safety culture and this is being supported by a survey of employees on safety leadership. This survey interviewed, either one-on-one or in focus groups, more than 500 employees. The results will provide further focus for APA's health and safety efforts and guide its leadership development plans.

From July 2013, APA has also adopted a new suite of safety performance measures. These are a combination of current lag frequency measures, which capture the number of injuries, and a range of new lead indicators, which measure performance against the pro-active things we say we will do to improve safety. One example of this would be the number of safety audits completed compared to plan. These measures provide additional good data against which to measure APA's health and safety performance and to focus attention on areas for further improvement.

APA encourages healthy living and for the fifth year sponsored employees are participating in the Global Corporate challenge. 46 teams (322 APA people) have commenced a 16 week walking challenge with the aim of increasing the number of steps they take and improving overall physical fitness. Health initiatives also include an annual flu vaccination programme and a confidential employee assistance programme which provides services to employees and their immediate family.

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.

Environmental management plans satisfying Part A of the Australian Pipeline Industry Association Code of Environmental Practice are prepared and independently audited for construction activities. In accordance with Part 3 of AS 2885, environmental management plans satisfying Part B 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.

The Board reviews external audit reports and, on a monthly basis, the internal reports prepared relating to environmental issues. No breaches have been reported during the year and APA has managed its assets in accordance with the environmental management plans that are in place.

Environmental reporting

In October 2012, APA complied with Australia's National Greenhouse and Energy Reporting obligations for the 2012 financial year. Energy reporting for financial year 2013 will be submitted in October 2013.

³ 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

APA's performance on two key measures for the 2012 financial year is set out in the following table:

FINANCIAL YEAR	2012	2011		CHANGE
Scope 1 CO ₂ emissions (tonnes)	327,239	297,099	30,140	10.1%
Energy consumption (GJ)	3,675,398	3,361,679	313,719	9.3%

Introduction of carbon legislation

A major element of the Clean Energy Act 2011, passed by the Senate on 8 November 2011, is the introduction of legislation to reduce carbon emissions. The legislation put a price on carbon emissions from 1 July 2012. It is intended that this carbon price mechanism will act as an incentive for major emitters to switch to less carbon intensive ways of doing business, such as switching from coal-fired generation to gas-fired and renewable generation.

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. APA compiles National Greenhouse and Energy Reporting Scheme compliance reporting for assets under its operational control which include the following assets impacted by the new carbon legislation: Roma Brisbane Pipeline, Moomba Sydney Pipeline, South-West Queensland Pipeline, Goldfields Gas Pipeline (88.2% ownership), the Victorian Transmission System and Allgas (20% equity ownership).

APA's carbon costs exposure is immaterial. APA expects to recover all carbon related costs from its regulated assets under the access arrangement review process. For unregulated assets, APA has implemented changes to its contracts with carbon pass-through clauses included in all new contracts. APA has also implemented changes to systems and processes across the business to meet the requirements of the new legislation.

RISK OVERVIEW

APA identifies risks to the business and puts in place mitigation actions to remove or minimise the negative impact of these risks. Risks are reviewed regularly 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 of the risk occurring and the severity of its impact if it occurs. Listed below are the key risks identified that could materially affect APA. 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, amongst other matters, of 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.

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 materially 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 materially and 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, 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.

DIRECTORS' REPORT

CONTINUED

Construction and development risk

APA develops new assets and undertakes expansion to 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 2014 FINANCIAL YEAR

Based on available information, APA Group expects EBITDA for the full year to 30 June 2014 to be in a range of \$715 million to \$730 million, which represents an increase of approximately 11% to 13% over the 2013 financial year EBITDA adjusted to remove the contribution of MAPS during the 2013 financial year.

Net interest cost is expected to be in a range of \$330 million to \$340 million.

Distribution per security for the 2014 year is expected to be at least equal to those paid in respect of the 2013 financial year, that is, at least 35.5 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 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 <i>Independent Chairman</i> Appointed 28 August 2007 <i>Appointed Chairman</i> 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 a Director of O'Connell Street Associates Pty Limited and Chairman of the Taronga Conservation Society Australia and the Advisory Council for CIMB Securities International (Australia) Pty Limited. 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.
Michael McCormack BSurv GradDipEng MBA FAICD <i>Chief Executive Officer and Managing Director</i> 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. 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. Mick is a Director of Envestra Limited and formerly a Director of the Australian Pipeline Industry Association.
Steven Crane BComm FAICD SF Fin <i>Independent Director</i> Appointed 1 January 2011	Steven Crane has over 30 years' experience in the financial services industry. Steven's background is in investment banking, having previously been Chief Executive Officer of ABN AMRO Australia and BZW Australia. He has considerable experience as a non-executive Director of listed entities. He is currently Chairman of nib holdings limited, a Director of Bank of Queensland Limited, Transfield Services Limited and Taronga Conservation Society Australia and a member of the Advisory Council for CIMB Securities International (Australia) Pty Limited, and was formerly Chairman of Adelaide Managed Funds Limited and Investa Property Group Limited, a Director of Adelaide Bank Limited, Foodland Associated Limited and APA Ethane Limited, the responsible entity of Ethane Pipeline Income Fund, and a member of the Advisory Council for RBS Group (Australia) Pty Limited. Steven is a member of the Audit and Risk Management Committee and the Remuneration Committee.

DIRECTORS' REPORT

CONTINUED

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 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. He is a Director of Sydney Water Corporation.

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, Leighton Holdings Limited, the St James Ethics Foundation and Chairman of the CSIRO Energy Transformed Flagship Advisory Committee.

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

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 a Director of Macquarie Generation and was formerly a Director of Australian Energy Market Operator Limited (AEMO), the national energy market operator for electricity and gas, and the Chief Executive Officer of Gas Market Company Limited, the market administrator for retail competition in the gas industry in New South Wales and the Australian Capital Territory. Patricia is also a Director of Healthdirect (National Health Call Centre Network Limited).

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

Robert Wright
BComm 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 SAI Global Limited, Super Retail Group Limited and APA Ethane Limited, the responsible entity of Ethane Pipeline Income Fund, and was previously Chairman of Dexion Limited and RCL Group Limited.

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

Mark Knapman
BComm LLB FCSA FCIS
Company Secretary
 Appointed 16 July 2008

In addition to being responsible for the secretariat function, Mark 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 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 year are as follows:

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

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

OPTIONS GRANTED

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 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 year as a result of the exercise of an option over unissued APA securities.

INDEMNIFICATION OF OFFICERS AND EXTERNAL AUDITOR

During the 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 year, indemnified or agreed to indemnify an officer or external auditor of the Responsible Entity or any APA Group entity against a liability incurred as such an officer or auditor.

DIRECTORS' REPORT

CONTINUED

DIRECTORS' MEETINGS

During the 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:

DIRECTORS	BOARD		REMUNERATION COMMITTEE		AUDIT AND RISK MANAGEMENT COMMITTEE		HEALTH SAFETY AND ENVIRONMENT COMMITTEE	
	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	19	-	-	4	4	3	3
Patricia McKenzie	20	19	3	3	-	-	3	3
Robert Wright	20	20	-	-	4	4	3	2

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

B: Number of meetings attended.

(1) The Chairman is entitled to attend 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 2013 is 979,426 (2012: 937,239).

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

DIRECTORS	FULLY PAID SECURITIES AS AT 1 JULY 2012	SECURITIES ACQUIRED	SECURITIES DISPOSED	FULLY PAID SECURITIES AS AT 30 JUNE 2013
Leonard Bleasel AM	443,093	17,571	-	460,664
Michael McCormack	195,264	13,326	-	208,590
Steven Crane	100,000	-	-	100,000
John Fletcher	63,298	2,890	-	66,188
Russell Higgins AO	86,160	5,880	-	92,040
Patricia McKenzie	12,500	-	-	12,500
Robert Wright	36,924	2,520	-	39,444
	937,239	42,187	-	979,426

The Directors hold no 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 99.

NON-AUDIT SERVICES

Non-audit services have been provided during the year by the Auditor. A description of those services and the amounts paid or payable to the Auditor for the services are set out in Note 44 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 year are disclosed in Note 47 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 year, and the number of APA securities at the end of the year, are disclosed in Note 29 to the financial statements.

The value of APA's assets as at the end of the 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

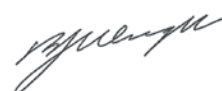
APA is an entity of the kind referred to in ASIC Class Order 98/0100 dated 10 July 1998 and, in accordance with that Class Order, amounts in the Directors' report and the financial report are rounded to the nearest thousand dollars, unless otherwise indicated.

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
Chairman



Robert Wright
Director

SYDNEY, 21 August 2013

REMUNERATION REPORT

INTRODUCTION

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

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

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

DIRECTORS OF THE RESPONSIBLE ENTITY

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

KEY MANAGEMENT PERSONNEL

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

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

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

HAVE THERE BEEN ANY CHANGES TO THE EXECUTIVE REMUNERATION STRUCTURE DURING FY2013?

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

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

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

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

There have been no other changes to the remuneration structure during FY2013.

REMUNERATION COMMITTEE

WHAT IS THE ROLE OF THE REMUNERATION COMMITTEE?

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

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

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

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

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

REMUNERATION REPORT

CONTINUED

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

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

OUR APPROACH TO NON-EXECUTIVE DIRECTOR REMUNERATION

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

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

Non-executive Director remuneration comprises:

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

Board approved fees and committee fees

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

Base Board fees and committee fees are outlined below:

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

(1) Excludes superannuation guarantee levy.

Actual payments for period

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

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

(1) The remuneration for the Chief Executive Officer and Managing Director, Michael McCormack, is included with the actual remuneration disclosures for key management personnel for FY2013 on page 24.

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

REMUNERATION REPORT

CONTINUED

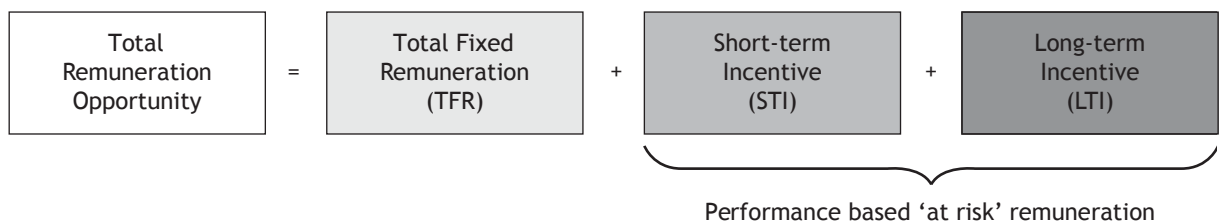
OUR APPROACH TO EXECUTIVE REMUNERATION

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").

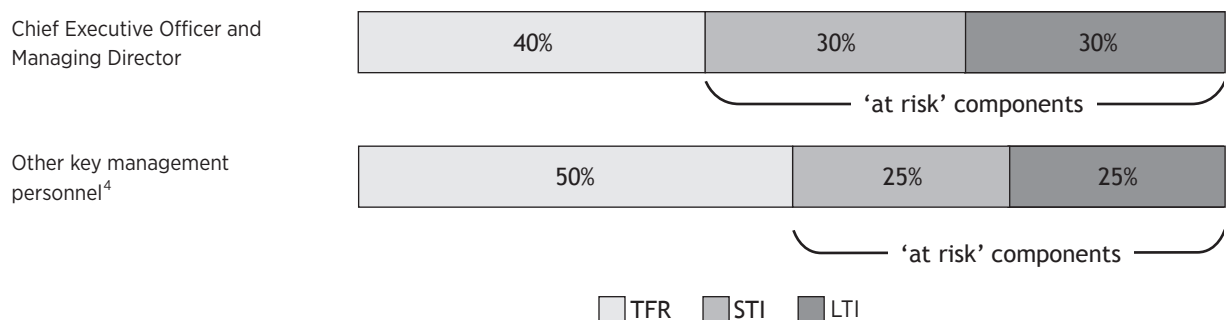


Each individual's TRO is dependent on their level in the organisation and their capacity to influence outcomes.

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.

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

REMUNERATION REPORT

CONTINUED

TOTAL FIXED REMUNERATION ("TFR")

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

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

'AT RISK' REMUNERATION

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

SHORT-TERM INCENTIVE ("STI")

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

What is the key performance hurdle of the STI plan?

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

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

How is the STI reward delivered?

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

For FY2013, the STI outcomes are shown in the table below for all key management personnel:

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

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

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

What is the purpose of the STI plan?

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

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

How is performance measured?

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

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

What is the value of the STI opportunity?

The STI amount payable is capped at the STI Maximum Possible amount. The Chief Executive Officer's STI is capped at 150% of 30% of TRO and for his direct reports at 150% of 25% of TRO⁵.

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

REMUNERATION REPORT

CONTINUED

LONG-TERM INCENTIVE ("LTI")

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

What are the key performance hurdles of the LTI plan?

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

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

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

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

What is the purpose of the LTI?

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

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

What form does the LTI take?

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

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

What is the value of the LTI opportunity?

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

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

How are the LTI allocations delivered?

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

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

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

For FY2013, the actual LTI performance achieved was 83.14% for TSR against S&P ASX 100 and 150% for EBITDA/FE growth. LTI allocations are shown in the table below for all key management personnel:

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

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

(2) Stephen Ohi 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.

REMUNERATION REPORT

CONTINUED

Movements in LTI and current LTI reference units outstanding

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

KEY MANAGEMENT PERSONNEL	GRANT DATE	OPENING BALANCE AT 1 JULY 2012	ALLOCATED	PAID	FORFEITED	CLOSING BALANCE AT 30 JUNE 2013	REFERENCE UNITS SUBJECT TO ALLOCATION BY THE BOARD IN AUGUST 2013 ⁽¹⁾	BALANCE OF REFERENCE UNITS ⁽²⁾	REFERENCE UNITS ALLOCATED THAT HAVE NOT YET VESTED OR BEEN PAID AND THE YEARS IN WHICH THEY WILL VEST ⁽²⁾			
									2013 ⁽³⁾	2014	2015	2016
Michael McCormack	2009	84,995	-	(84,995)	-	-	-	-	-	-	-	-
	2010	132,454	-	(66,227)	-	66,227	-	66,227	66,227	-	-	-
	2011	208,119	-	(69,373)	-	138,746	-	69,373	69,373	69,373	-	-
	2012	-	191,016	-	-	191,016	-	63,672	63,672	63,672	63,672	-
	2013	-	-	-	-	-	177,390	59,130	-	59,130	59,130	59,130
								573,379	199,272	192,175	122,802	59,130
Peter Fredricson	2010	53,844	-	(26,921)	-	26,923	-	26,923	26,923	-	-	-
	2011	85,962	-	(28,654)	-	57,308	-	28,654	28,654	28,654	-	-
	2012	-	76,029	-	-	76,029	-	25,343	25,343	25,343	25,343	-
	2013	-	-	-	-	-	64,944	21,648	-	21,648	21,648	21,648
								225,204	80,920	75,645	46,991	21,648
Ross Gersbach	2009	40,212	-	(40,212)	-	-	-	-	-	-	-	-
	2010	61,382	-	(30,690)	-	30,692	-	30,692	30,692	-	-	-
	2011	98,027	-	(32,675)	-	65,352	-	32,676	32,676	32,676	-	-
	2012	-	86,067	-	-	86,067	-	28,689	28,689	28,689	28,689	-
	2013	-	-	-	-	-	71,343	23,781	-	23,781	23,781	23,781
								253,454	92,057	85,146	52,470	23,781
Robert Wheals	2009	11,419	-	(11,419)	-	-	-	-	-	-	-	-
	2010	22,614	-	(11,307)	-	11,307	-	11,307	11,307	-	-	-
	2011	33,254	-	(11,084)	-	22,170	-	11,085	11,085	11,085	-	-
	2012	-	32,723	-	-	32,723	-	10,907	10,907	10,908	10,908	-
	2013	-	-	-	-	-	40,227	13,409	-	13,409	13,409	13,409
								106,427	33,299	35,402	24,317	13,409

REMUNERATION REPORT

CONTINUED

Movements in LTI and current LTI reference units outstanding

Continued

KEY MANAGEMENT PERSONNEL	GRANT DATE	OPENING BALANCE AT 1 JULY 2012	ALLOCATED	PAID	FORFEITED	CLOSING BALANCE AT 30 JUNE 2013	REFERENCE UNITS SUBJECT TO ALLOCATION BY THE BOARD IN AUGUST 2013 ⁽¹⁾	BALANCE OF REFERENCE UNITS ⁽²⁾	REFERENCE UNITS ALLOCATED THAT HAVE NOT YET VESTED OR BEEN PAID AND THE YEARS IN WHICH THEY WILL VEST ⁽²⁾				
									2013 ⁽³⁾	2014	2015	2016	2016
John Ferguson	2009	14,379	-	(14,379)	-	-	-	-	-	-	-	-	-
	2010	22,126	-	(11,063)	-	11,063	-	11,063	-	-	-	-	-
	2011	32,381	-	(10,793)	-	21,588	-	10,794	10,794	-	-	-	-
	2012	-	31,965	-	-	31,965	-	10,655	10,655	10,655	-	-	-
	2013	-	-	-	-	-	37,125	-	-	12,375	12,375	12,375	12,375
								101,741	32,512	33,824	23,030	12,375	12,375
Kevin Lester ⁽⁴⁾	2013	-	-	-	-	-	30,492	-	-	10,164	10,164	10,164	10,164
								30,492	-	10,164	10,164	10,164	10,164
Stephen Ohl ⁽⁵⁾	2009	29,245	-	(29,245)	-	-	-	-	-	-	-	-	-
	2010	44,690	-	(22,344)	-	22,346	-	22,346	-	-	-	-	-
	2011	67,864	-	(22,621)	-	45,243	-	22,621	22,622	-	-	-	-
	2012	-	58,967	-	-	58,967	-	19,655	19,656	19,656	-	-	-
	2013	-	-	-	-	-	47,496	-	-	15,832	15,832	15,832	15,832
								174,052	64,622	58,110	35,488	15,832	15,832
Mark Knapman	2009	18,280	-	(18,280)	-	-	-	-	-	-	-	-	-
	2010	29,243	-	(14,621)	-	14,622	-	14,622	-	-	-	-	-
	2011	43,683	-	(14,561)	-	29,122	-	14,561	14,561	-	-	-	-
	2012	-	37,794	-	-	37,794	-	12,598	12,598	12,598	-	-	-
	2013	-	-	-	-	-	30,603	-	-	10,201	10,201	10,201	10,201
								112,141	41,781	37,360	22,799	10,201	10,201
Peter Wallace	2011	10,913	-	(3,637)	-	7,276	-	3,638	3,638	-	-	-	-
	2012	-	39,332	-	-	39,332	-	13,111	13,111	-	13,111	-	-
	2013	-	-	-	-	-	35,865	-	-	11,955	11,955	11,955	11,955
								82,473	16,748	28,704	25,066	11,955	11,955

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

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

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

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

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

REMUNERATION REPORT

CONTINUED

REMUNERATION DURING FY2013

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 FY2013. This table differs from the information provided below which reflects the total remuneration earned by key management personnel in a year some of which will only be paid in later years.

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

The table below does not show LTI allocations in FY2013 or previous years that are still subject to performance or employment conditions because those LTI allocations are still at-risk of forfeiture.

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

The following table outlines the actual remuneration received by key management personnel during FY2013:

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

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

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

(3) Kevin Lester joined APA as Group Executive Infrastructure Development on 6 August 2012. A Sign-On/Enticement payment of \$100,000 was not paid in FY2013. The payment will be made in future years and is disclosed in the financial report.

(4) Stephen Ohl retired with effect from 1 July 2013. The termination payment of \$353,716 (representing the termination benefit of \$245,000 plus statutory entitlements) was not paid in FY2013. The payment will be made in future years and is disclosed in the financial report.

REMUNERATION REPORT

CONTINUED

TOTAL REMUNERATION EARNED

The following table outlines the total remuneration earned by key management personnel during FY2013, calculated in accordance with accounting standards:

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

(1) Cash settled share-based payments.

(2) Other payments include the first instalment of Loyalty Payment. Refer to "Executive contracts" section for more information.

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

(4) Stephen Ohi retired with effect from 1 July 2013. A termination payment of \$353,716 (representing the termination benefit of \$245,000 plus statutory entitlements) was not paid in FY2013. The payment will be made in future years and is disclosed in the financial report.

REMUNERATION REPORT

CONTINUED

LINK BETWEEN REMUNERATION AND APA'S PERFORMANCE

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

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

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

EXECUTIVE CONTRACTS

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

NAME AND TITLE AND COMMENCEMENT DATE	TERM AND TERMINATION PROVISIONS/BENEFITS
Michael McCormack Managing Director since 1 July 2006	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.
Chief Executive Officer 1 July 2005 to 30 June 2006 Commenced 1 March 2000	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 over the next three years with regard to the growth, integration and financial challenges facing APA, Mr Fredricson was placed on a loyalty and performance bonus for three years and became entitled to the payment of the first instalment in April 2013.
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 over the next three years with regard to the growth, integration and financial challenges facing APA, Mr Gersbach was placed on a loyalty and performance bonus for three years and became entitled to the first instalment in April 2013.
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.

REMUNERATION REPORT

CONTINUED

NAME AND TITLE AND COMMENCEMENT DATE	TERM AND TERMINATION PROVISIONS/BENEFITS
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 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 for two years and became entitled to the first instalment in April 2013.
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.
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.
Stephen Ohl Group Executive Strategic Projects Commenced 2 May 2005 Retired 1 July 2013	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 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 Ohl was required to give APA six months' notice.

REMUNERATION ADVISERS

During FY2013, the following remuneration information was obtained:

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

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

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”) companies are required to provide a statement in their annual report disclosing the extent to which they have followed the recommendations in the reporting period and, where companies have not followed all the recommendations, they must identify which ones they have not followed and give reasons for not following them.

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 2013.

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 web site.

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:

- Audit and Risk Management Committee;
- Remuneration Committee; and
- Health Safety and Environment Committee.

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 web site. The charters for the Board and its committees are reviewed by the Board annually, and were last reviewed in July 2013.

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, Chief Financial Officer and other senior management 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.

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.

CORPORATE GOVERNANCE STATEMENT

CONTINUED

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 web site) 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.

The Responsible Entity advises Securityholders of all candidates who have been validly nominated and presents its nominations to the annual meeting of Securityholders.

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 web site).

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.

Selection and appointment of Directors

The former Nominations and Remuneration Committee of the Board became the Remuneration Committee in early 2008 so that the functions with respect to selection and appointment of new Directors and related matters previously handled by that committee then reverted to the Board. 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 Nominations Committee.

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. Having regard to the nature of APA's business, that mix includes financial, strategic, operational, legal, regulatory and general commercial expertise.

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 Board recognises that an experienced search firm with a clear brief from the Board as to the required characteristics of candidates can assist in identifying potentially suitable candidates from diverse backgrounds.

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 before the new Director is appointed.

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 October 2012 and the review for the Reporting Period will be completed in October 2013.

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 to discuss the review and the Director's own 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 records and 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 relevant senior management personnel. They receive regular detailed reports on financial and operational aspects of APA's business and may request elaboration or explanation of those reports.

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 and to inspect APA's assets and facilities.

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 web site.

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 web site, 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":

CORPORATE GOVERNANCE STATEMENT

CONTINUED

- in 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
- in 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

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 (2013)

While the APA workforce gender profile is consistent with organisations within APA's industry and similar male dominated sectors, APA is committed to increasing the participation of women in the workforce in order to broaden the talent pool from which leaders can be drawn and strengthen the diversity of APA.

In 2012 APA's key objectives for diversity and inclusion were to focus on attracting and retaining a diversity of talented employees and providing opportunities for women. Outlined below is a status update for each objective and progress towards implementation of relevant initiatives (the sections in *italics* being the objectives and initiatives stated in the 2012 corporate governance statement).

Attraction – focus on attracting new talent into APA

A review of APA's current recruitment process and procedures has been commenced, an objective of the review being to attract a more diverse candidate pool into the organisation.

The following developments are part of the review:

- *Wherever possible, include at least one woman on the shortlist of applicants for all management roles.* Generally, senior roles have been recruited using employment agencies and APA has been working with the agencies to ensure that women are included in long and short lists of applicants. In some cases, where women have not been identified initially, a more detailed search has been undertaken. During the past 12 months, five women have been employed in leadership roles⁶ in APA.
- *Include at least one woman in the selection panel for all leadership roles.* Since July 2012 it has been standard practice to have at least one woman included on the selection panel for all leadership roles in APA.
- *Expand recruitment training materials to include diversity awareness and the value of a diverse workforce.* No formal internal recruitment training has taken place since the last reporting period. A component of the recruitment project is to refresh the training module to include diversity and inclusion awareness. Training materials will be updated prior to a course being scheduled.

Retention – focus on retaining talent in APA

- *Continue to offer flexible work arrangements through part time hours, job sharing, flexible start and finish times and purchase of additional annual leave.* Over 90% of all flexible work arrangement requests have been approved during the Reporting Period. This includes a job share arrangement approved for two senior women in leadership roles. APA will continue to support such requests, where possible and appropriate.

During the Reporting Period, 27 women either commenced or returned from maternity leave. Six worked part time prior to taking maternity leave and returned to part time work; six returned to full time work; two returned with flexible work arrangements; and two returned on flexible work arrangements and progressively returned to full time work.

- *Maintain breastfeeding accreditation in relevant APA offices.* APA's application for re-accreditation as a breastfeeding friendly work environment was approved in March 2013.

Opportunities – provide both career and development opportunities for women

- *Implement an APA Women in Leadership seminar at least annually.* APA held the first Women in Leadership seminar in November 2012. A second seminar will be held in 2013.
- *Maintain or improve women's participation rates in leadership and management development programmes.* Women's participation in leadership and management development remains high. 27% of the participants were women, compared to 19% for the previous year.
- *All nominees in the talent pool, both male and female, to have a completed development plan.* At the time of reporting, a 77% completion rate has been achieved.

The following initiatives were also implemented during the Reporting Period:

- a Diversity and Inclusion Committee was established to identify, review and develop ways of improving diversity and inclusion at APA. Committee members will sponsor and champion diversity initiatives within the business;
- a pay equity review was completed and, where appropriate, anomalies were rectified. A further equity review will be completed as part of the annual salary review process in 2013; and
- a Transition to Retirement Workshop was designed and rolled out to support employees who are preparing for retirement. APA has an ageing workforce with over 23% of employees over the age of 55, and APA intends to continue to support those transitioning to retirement.

In 2014, as well as embedding the above initiatives across the organisation, APA will focus its diversity and inclusion efforts on:

- 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 that will be attended by 110 conference delegates;
- implementing a graduate programme with a target of at least 50% female participants by March 2014;
- designing an employee value proposition, with an element on attracting women to APA into non-traditional roles, by December 2013; and
- 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.

In 2014 APA will report on progress in achieving these objectives and, where appropriate, will implement additional initiatives to support gender diversity and inclusion in APA.

6 Leadership roles are defined as being those in the top three levels of management.

CORPORATE GOVERNANCE STATEMENT

CONTINUED

APA workforce gender profile (2013)

The following table sets out APA's current workforce gender profile:

Percentage of workforce who are women	27%
Percentage of Directors who are women	17%
Percentage of leadership roles ⁷ filled by women	15%
Percentage of technical roles filled by women	3%

Diversity aspirations

In addition to the above objectives and consistent with its policy on diversity, APA will continue to explore its workforce and identify opportunities for improvement with regard to age profile, workforce demographics, equity of pay and benefits and broader community demographics. These will be analysed and, where specific initiatives are undertaken, reported in subsequent reporting periods.

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 web site.

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.

Audit functions and independence of external auditor

Apart from reviewing the integrity of APA's financial reporting, the committee receives reports from the external and internal auditors, monitors their effectiveness and the independence of the external auditor, 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 web site) 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. APA's auditor is Deloitte Touche Tohmatsu and Greg Couttas of that firm was appointed the lead audit partner

for the APA audit in December 2009, so it is expected he will be replaced after finalisation of the audit of APA's June 2014 financial statements.

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.

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 \$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 web site, 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 web site 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 statutory 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 released to ASX;
- the Investor Centre section of APA's web site on which the reports, ASX and media releases, presentations and other documents referred to above are posted;
- the annual meeting of Securityholders; and
- webcasting of half year and full year results presentations, the annual meeting and announcements of major events.

⁷ Leadership roles are defined as being those in the top three levels of management.

CORPORATE GOVERNANCE STATEMENT

CONTINUED

Securityholders and others may elect on APA's web site to receive ASX and media announcements and newsletters by email.

Annual meeting of Securityholders

APA encourages Securityholders to participate in its annual meetings. A notice of annual meeting setting out the agenda for the 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 a meeting in person may appoint a proxy and may also read the Chairman and Managing Directors' addresses that are sent to ASX and posted on APA's web site, and listen to a web cast of the meeting available through the web site.

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. In the interests of clarity, 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 the 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 2013 annual meeting of Securityholders will be held in Sydney on 24 October 2013. 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 web site.

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.

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 activities to its Audit and Risk Management Committee, the charter for which is published on APA's web site. 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 updated risk profile, and 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 identification 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 control solutions.

The Head of Risk and Insurance, who reports to the Chief Financial Officer and usually attends meetings 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 regularly to the Audit and Risk Management Committee on APA's risk profile and the implementation and effectiveness of risk management plans;
- contributing leadership and facilitation of the implementation of group-wide risk control solutions; 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 as to its assessment of the effectiveness of management by APA of its material risks.

In the course of approving the financial statements 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 statements give a true and fair view in all material respects of APA's financial position and comply 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.

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 web site.

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

CORPORATE GOVERNANCE STATEMENT

CONTINUED

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 also describes the APA long term incentive ("LTI") 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 LTI plan is to align the interests of the LTI participants with the interests of APA Securityholders. APA recognises that the use of arrangements such as hedging or derivative financial products that operate to limit for LTI participants the economic risk of their unvested LTI benefits are likely to reduce the intended alignment of those interests. Consequently, it is APA policy that LTI participants must not use, nor allow to be used, any such arrangements in relation to their unvested LTI benefits.

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

(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".

CORPORATE GOVERNANCE STATEMENT

CONTINUED

		COMPLY YES/NO
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
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 2013

	Note	2013 \$000	2012 \$000
CONTINUING OPERATIONS			
Revenue	6	1,227,399	1,032,398
Share of net profits of associates and jointly controlled entities accounted for using the equity method	6	44,868	28,263
		1,272,267	1,060,661
Gain on previously held interest in HDF on obtaining control		142,333	-
Asset operation and management expenses		(96,903)	(75,522)
Depreciation and amortisation expense	7	(130,461)	(110,409)
Other operating costs - pass-through	7	(352,743)	(302,633)
Finance costs	7	(302,613)	(240,643)
Employee benefit expense	7	(169,323)	(132,913)
Other expenses	7	(15,133)	(17,451)
Profit before tax		347,424	181,090
Income tax expense	9	(51,421)	(50,435)
Profit for the year		296,003	130,655
Other comprehensive income, net of income tax			
Items that will not be reclassified subsequently to profit or loss:			
Actuarial gain/(loss) on defined benefit plan		13,166	(32,677)
Income tax relating to items that will not be reclassified subsequently		(3,950)	9,803
		9,216	(22,874)
Items that may be reclassified subsequently to profit or loss:			
Gain on available-for-sale investments taken to equity		25,519	93,189
Gain on available-for-sale investment reclassified to profit or loss		(142,333)	-
Transfer of gain on cash flow hedges to profit or loss		91,438	48,983
Loss on cash flow hedges taken to equity		(144,702)	(116,624)
Gain/(Loss) on associate hedges taken to equity		14,316	(22,666)
Income tax relating to items that may be reclassified subsequently		46,382	(538)
		(109,380)	2,344
Other comprehensive income for the year (net of tax)		(100,164)	(20,530)
Total comprehensive income for the year		195,839	110,125
Profit attributable to:			
Equityholders of the parent		260,624	84,693
Non-controlling interest - APT Investment Trust equityholders		38,143	45,957
APA stapled Securityholders		298,767	130,650
Non-controlling interest - other		(2,764)	5
		296,003	130,655
Total comprehensive income attributable to:			
Equityholders of the parent		161,617	63,073
Non-controlling interest - APT Investment Trust equityholders		36,986	47,047
APA stapled Securityholders		198,603	110,120
Non-controlling interest - other		(2,764)	5
		195,839	110,125
EARNINGS PER SECURITY			
Basic and diluted (cents per security)	36	38.7	20.4

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 2013

	Note	2013 \$000	2012 \$000
CURRENT ASSETS			
Cash and cash equivalents	37	80,955	329,934
Trade and other receivables	11	164,569	238,519
Other financial assets	12	16,469	420
Inventories	13	12,726	11,504
Other	14	5,662	4,134
Total current assets		280,381	584,511
NON-CURRENT ASSETS			
Receivables	15	34,318	22,244
Other financial assets	16	168,540	299,070
Investments accounted for using the equity method	17	589,131	512,948
Property, plant and equipment	18	5,280,411	3,472,198
Goodwill	19	1,150,500	411,883
Other intangible assets	20	177,015	183,659
Other	21	18,632	9,541
Total non-current assets		7,418,547	4,911,543
Total assets		7,698,928	5,496,054
CURRENT LIABILITIES			
Trade and other payables	22	190,062	173,445
Borrowings	23	80,910	-
Other financial liabilities	24	126,385	59,307
Provisions	25	81,943	67,466
Other	26	12,921	761
Total current liabilities		492,221	300,979
NON-CURRENT LIABILITIES			
Trade and other payables	22	3,749	1,068
Borrowings	27	4,233,242	2,905,946
Other financial liabilities	28	177,256	286,592
Deferred tax liabilities	9	213,238	319,282
Provisions	25	50,242	64,067
Other	26	16,669	4,078
Total non-current liabilities		4,694,396	3,581,033
Total liabilities		5,186,617	3,882,012
Net assets		2,512,311	1,614,042

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 2013

	Note	2013 \$000	2012 \$000
EQUITY			
Australian Pipeline Trust equity:			
Issued capital	29	1,820,516	1,138,205
Reserves	30	(52,070)	56,153
Retained earnings	31	145,144	32,785
Equity attributable to Securityholders of the parent		1,913,590	1,227,143
Non-controlling interests:			
APT Investment Trust:			
Issued capital	32	578,780	364,066
Reserves	32	467	1,624
Retained earnings	32	19,424	21,160
Equity attributable to Securityholders of APT Investment Trust		598,671	386,850
Other non-controlling interest	32	50	49
Total non-controlling interests		598,721	386,899
Total equity		2,512,311	1,614,042

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 2013

	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 \$000	ATTRIBUTABLE TO OWNER OF THE PARENT \$000	ISSUED CAPITAL \$000	AVAILABLE- FOR-SALE INVESTMENT REVALUATION RESERVE \$000	RETAINED EARNINGS \$000	INVESTMENT TRUST \$000	APT \$000	ISSUED CAPITAL \$000	OTHER \$000	RETAINED EARNINGS \$000	CONTROLLING INTEREST \$000	OTHER NON- \$000	TOTAL \$000
Balance at 1 July 2011	1,192,779	8,669	18,227	28,003	-	19,054	1,266,732	382,001	534	18,295	400,830	4	1	278	283	1,667,845		
Profit for the year	-	-	-	-	-	84,693	84,693	-	-	45,957	45,957	-	-	5	5	130,655		
Other comprehensive income	-	-	64,469	(63,215)	-	(22,874)	(21,620)	-	1,090	-	1,090	-	-	-	-	(20,530)		
Total comprehensive income for the year	-	-	64,469	(63,215)	-	61,819	63,073	-	1,090	45,957	47,047	-	-	5	5	110,125		
Payment of distributions	-	-	-	-	-	(48,088)	(48,088)	-	-	(43,092)	(43,092)	-	-	(239)	(239)	(91,419)		
Issued under distribution reinvestment plan	33,879	-	-	-	-	-	33,879	10,733	-	-	10,733	-	-	-	-	44,612		
Issue cost of securities	(53)	-	-	-	-	-	(53)	(18)	-	-	(18)	-	-	-	-	(71)		
Tax relating to security issue costs	16	-	-	-	-	-	16	-	-	-	-	-	-	-	-	16		
Capital return to Securityholders	(88,416)	-	-	-	-	-	(88,416)	(28,650)	-	-	(28,650)	-	-	-	-	(117,066)		
Balance at 30 June 2012	1,138,205	8,669	82,696	(35,212)	-	32,785	1,227,143	364,066	1,624	21,160	386,850	4	1	44	49	1,614,042		
Balance at 1 July 2012	1,138,205	8,669	82,696	(35,212)	-	32,785	1,227,143	364,066	1,624	21,160	386,850	4	1	44	49	1,614,042		
Profit for the year	-	-	-	-	-	260,624	260,624	-	-	38,143	38,143	-	-	(2,764)	(2,764)	296,003		
Other comprehensive income	-	-	(80,960)	(27,263)	-	9,216	(99,007)	-	(1,157)	-	(1,157)	-	-	-	-	(100,164)		
Total comprehensive income for the year	-	-	(80,960)	(27,263)	-	269,840	161,617	-	(1,157)	38,143	36,986	-	-	(2,764)	(2,764)	195,839		
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)	-	145,144	1,913,590	578,780	467	19,424	598,671	4	1	45	50	2,512,311		

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 2013

	Note	2013 \$000	2012 \$000
CASH FLOWS FROM OPERATING ACTIVITIES			
Receipts from customers		1,347,848	1,104,107
Payments to suppliers and employees		(703,790)	(604,786)
Payments by HDF to Hastings Funds Management for management and performance fees		(31,590)	-
Payments by HDF for takeover defense costs		(26,668)	-
Dividends received		54,615	51,294
Proceeds from repayment of finance leases		4,724	3,131
Interest received		19,335	7,198
Interest and other costs of finance paid		(289,952)	(225,375)
Income tax paid		(141)	-
Net cash provided by operating activities	37(c)	374,381	335,569
CASH FLOWS FROM INVESTING ACTIVITIES			
Payments for property, plant and equipment		(397,451)	(249,112)
Proceeds from sale of property, plant and equipment		605	522
Payments for available-for-sale investments	37(b)	-	(11,665)
Payments for equity accounted investments	37(b)	(65,451)	(28,548)
Payments for controlled entities net of cash acquired	41	(265,321)	(5,714)
Payments for intangible assets		(1,107)	(443)
Proceeds from sale of businesses	42	411,364	475,523
Net cash (used in)/provided by investing activities		(317,361)	180,563
CASH FLOWS FROM FINANCING ACTIVITIES			
Proceeds from borrowings		2,822,243	1,999,697
Repayments of borrowings		(2,872,000)	(2,103,500)
Proceeds from issue of securities		83,166	44,612
Payment of debt issue costs		(25,867)	(13,819)
Payments of security issue costs		(8,717)	(72)
Payments for early settlement of loans and derivatives		(34,919)	-
Distributions paid to:			
Securityholders of APT		(201,898)	(136,504)
Securityholders of non-controlling - APTIT		(54,758)	(71,741)
Securityholders of other non-controlling interests		(13,249)	(239)
Net cash used in financing activities		(305,999)	(281,566)
Net (decrease)/increase in cash and cash equivalents		(248,979)	234,566
Cash and cash equivalents at beginning of financial year		329,934	95,368
Cash and cash equivalents at end of financial year	37(a)	80,955	329,934

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 2013

1. GENERAL INFORMATION

Australian Pipeline Trust ("APT") is one of two stapled entities of APA Group ("APA"). The other stapled entity is APT Investment Trust ("APTIT"). APA is listed on the Australian Securities Exchange (trading under the code 'APA'), registered in Australia and operating in Australia.

The financial statements represent the consolidated financial results of the two stapled entities Australian Pipeline Trust and APT Investment Trust, together "APA".

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

- Energy infrastructure businesses located across Australia;
- Energy investments, including 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'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. Details of other Standards and Interpretations adopted in these financial statements but that have had no effect on the amounts reported are set out in part b.

Standards affecting presentation and disclosure

STANDARD	IMPACT
– Amendments to AASB 101 'Presentation of Financial Statements'	The amendments (part of AASB 2011-9 'Amendments to Australian Accounting Standards - Presentation of Items of Other Comprehensive Income') introduce new terminology for the statement of comprehensive income and income statement. Under the amendments to AASB 101, the statement of comprehensive income is renamed as a statement of profit or loss and other comprehensive income and the income statement is renamed as a statement of profit or loss. The amendments to AASB 101 retain the option to present profit or loss and other comprehensive income in either a single statement or in two separate but consecutive statements. However, the amendments to AASB 101 require items of other comprehensive income to be grouped into two categories in the other comprehensive income section: (a) items that will not be reclassified subsequently to profit or loss and (b) items that may be reclassified subsequently to profit or loss when specific conditions are met. Income tax on items of other comprehensive income is required to be located on the same basis – the amendments do not change the option to present items of other comprehensive income either before tax or net of tax. The amendments have been applied retrospectively, and hence the presentation of items of other comprehensive income has been modified to reflect the changes. Other than the above mentioned presentation changes, the application of the amendments to AASB 101 does not result in any impact on profit or loss, other comprehensive income and total comprehensive income.
– Amendments to AASB 101 'Presentation of Financial Statements'	The amendments (part of AASB 2012-5 'Further Amendments to Australian Accounting Standards arising from Annual Improvements 2009-2011 Cycle') requires an entity that changes accounting policies retrospectively, or makes a retrospective restatement or reclassification to present a statement of financial position as at the beginning of the preceding period (third statement of financial position), when the retrospective application, restatement or reclassification has a material effect on the information in the third statement of financial position. The related notes to the third statement of financial position are not required to be disclosed.

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

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

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

CONTINUED

For the financial year ended 30 June 2013

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

(c) Standards and Interpretations issued not yet adopted

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

STANDARD/INTERPRETATION	EFFECTIVE FOR ANNUAL REPORTING PERIODS BEGINNING ON OR AFTER	EXPECTED TO BE INITIALLY APPLIED IN THE FINANCIAL YEAR ENDING
– AASB 9 'Financial Instruments', and the relevant amending standards	1 January 2015	30 June 2016
– AASB 10 'Consolidated Financial Statements' and AASB 2011-7 'Amendments to Australian Accounting Standards arising from the consolidation and Joint Arrangements standards'	1 January 2013	30 June 2014
– AASB 11 'Joint Arrangements' and AASB 2011-7 'Amendments to Australian Accounting Standards arising from the consolidation and Joint Arrangements standards'	1 January 2013	30 June 2014
– AASB 12 'Disclosure of Interests in Other Entities' and AASB 2011-7 'Amendments to Australian Accounting Standards arising from the consolidation and Joint Arrangements standards'	1 January 2013	30 June 2014
– AASB 127 'Separate Financial Statements' (2011) and AASB 2011-7 'Amendments to Australian Accounting Standards arising from the consolidation and Joint Arrangements standards'	1 January 2013	30 June 2014
– AASB 128 'Investments in Associates and Joint Ventures' (2011) and AASB 2011-7 'Amendments to Australian Accounting Standards arising from the consolidation and Joint Arrangements standards'	1 January 2013	30 June 2014
– AASB 13 Fair Value Measurement and AASB 2010-8 'Amendments to Australian Accounting Standards arising from AASB 13'	1 January 2013	30 June 2014
– AASB 119 'Employee Benefits' (2011) and AASB 2011-10 'Amendments to Australian Accounting Standards arising from AASB 119 (2011)'	1 January 2013	30 June 2014
– AASB 2011-4 'Amendments to Australian Accounting Standards to Remove Individual Key Management Personnel Disclosure Requirements'	1 July 2013	30 June 2014
– AASB 2012-2 'Amendments to Australian Accounting Standards – Disclosures – Offsetting Financial Assets and Financial Liabilities'	1 January 2013	30 June 2014
– AASB 2012-3 'Amendments to Australian Accounting Standards – Offsetting Financial Assets and Financial Liabilities'	1 January 2014	30 June 2015
– AASB 2012-5 'Amendments to Australian Accounting Standards arising from Annual Improvements 2009–2011 Cycle'	1 January 2013	30 June 2014
– AASB 2012-10 'Amendments to Australian Accounting Standards – Transition Guidance and Other Amendments'	1 January 2013	30 June 2014
– AASB 2013-3 'Amendments to AASB 136 - Recoverable Amount Disclosures for Non-Financial Assets'	1 January 2014	30 June 2015

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

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

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

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

CONTINUED

For the financial year ended 30 June 2013

3. SIGNIFICANT ACCOUNTING POLICIES

Statement of compliance

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

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

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

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

Basis of preparation

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

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

(a) Working Capital Position

The working capital position as at 30 June 2013 for the Consolidated Entity is a surplus of current liabilities over current assets of \$211.8 million primarily as a result of \$80.9 million (AUD equivalent) of USD denominated private placement notes due to mature on 9 September 2013 and \$126.4 million of cash flow hedge liabilities. APA's refinancing strategies have ensured the Group has access to available committed, un-drawn bank facilities and a broad cross section of global debt capital markets out of which to achieve refinancing of its financing facilities.

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

(b) Basis of consolidation

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

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

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

All intra-group transactions, balances, income and expenses are eliminated in full on consolidation. Where the transaction value of common control transactions differs from their consolidated book value, the difference is recognised as a contribution by or distribution to equity participants by the transaction entities.

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

(c) Business combinations

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

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

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

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

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

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

CONTINUED

For the financial year ended 30 June 2013

3. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

(c) Business combinations (continued)

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

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

(d) Joint venture arrangements

Jointly controlled operations

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

Jointly controlled entities

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

(e) Investments in associates

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

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

(f) Financial assets and liabilities

Available-for-sale financial assets

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

Loans and receivables

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

Trade and other payables

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

Impairment of financial assets

Financial assets, other than those at fair value through profit or loss, are assessed for indicators of impairment at the end of each reporting period. Financial assets are impaired where there is objective evidence that as a result of one or more events that occurred after the initial recognition of the financial asset the estimated future cash flows of the investments have been impacted.

For financial assets carried at amortised cost, the amount of the impairment is the difference between the asset's carrying amount and the present value of estimated future cash flows, discounted at the original effective interest rate. The carrying amount of financial assets including uncollectible trade receivables is reduced by the impairment loss through the use of an allowance account. Subsequent recoveries of amounts previously written off are credited against the allowance account. Changes in the carrying amount of the allowance account are recognised in profit or loss.

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

In respect of available-for-sale equity instruments, any subsequent increase in fair value after an impairment loss is recognised in other comprehensive income.

(g) Cash and cash equivalents

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

(h) Acquisition of assets

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

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

(i) Borrowings

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

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

CONTINUED

For the financial year ended 30 June 2013

3. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

(j) Borrowing costs

Borrowing costs directly attributable to the acquisition, construction or production of qualifying assets, which are assets that necessarily take a substantial period of time to get ready for their intended use or sale, are added to the cost of those assets, until such time as the assets are substantially ready for their intended use or sale. Investment income earned on the temporary investment of specific borrowings pending their expenditure on qualifying assets is deducted from the borrowing costs eligible for capitalisation.

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

(k) Property, plant and equipment

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

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

(l) Depreciation

Depreciation is provided on property, plant and equipment, including freehold buildings but excluding land. Depreciation is calculated on either a straight-line or throughput basis depending on the nature of the asset so as to write off the net cost of each asset over its estimated useful life. Leasehold improvements are depreciated over the period of the lease or estimated useful life, whichever is the shorter, using the straight-line method. The estimated useful lives and depreciation methods are reviewed at the end of each reporting period, with the effect of any changes recognised on a prospective basis. The following estimated useful lives are used in the calculation of depreciation:

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

(m) Employee benefits

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

Defined contribution plans

Contributions to defined contribution plans are expensed when incurred.

Defined benefit plans

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

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

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

(n) Intangible assets

Intangible assets acquired separately

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

Intangible assets acquired in a business combination

Intangible assets acquired in a business combination are identified and recognised separately from goodwill and are initially recognised at their fair value at the acquisition date. Subsequent to initial recognition, intangible assets acquired in a business combination are reported at cost less accumulated amortisation and accumulated impairment losses, on the same basis as intangible assets acquired separately.

(o) Derivative financial instruments

The Group enters into a variety of derivative financial instruments to manage its exposure to interest rate and foreign exchange rate risk, including foreign exchange forward contracts and interest rate swaps. Further details of derivative financial instruments are disclosed in Note 38.

Derivatives are initially recognised at fair value at the date a derivatives contract is entered into and subsequently remeasured to their fair value at each reporting period. The resulting gain or loss is recognised in profit or loss immediately unless the derivative is designated and effective as a hedging instrument, in which event the timing of the recognition in profit or loss depends on the nature of the hedge relationship. The Consolidated Entity designates certain derivatives as hedges of the fair value of recognised assets or liabilities or firm commitments (fair value hedges) or, hedges of highly probable forecast transactions or of foreign currency risk of firm commitments (cash flow hedges).

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

Embedded derivatives

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

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

CONTINUED

For the financial year ended 30 June 2013

3. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

(o) Derivative financial instruments (continued)

Hedge accounting

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

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

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

Note 38 contains details of the fair values of the derivative instruments used for hedging purposes. Movements in the hedging reserve in equity are also detailed in Note 30.

Fair value hedges

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

Cash flow hedges

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

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

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

(p) Financial instruments issued by the Consolidated Entity

Debt and equity instruments

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

Financial guarantee contract liabilities

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

Transaction costs arising on the issue of equity instruments

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

Interest and distributions

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

(q) Foreign currency transactions

Both the functional and presentation currency of the Consolidated Entity and the Trust 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.

(r) Goods and services tax

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

- where the amount of GST incurred is not recoverable from the taxation authority, it is recognised as part of the cost of acquisition of an asset or as part of an item of expense; or
- for receivables and payables which are recognised inclusive of GST, except for accrued revenue and accrued expense at balance dates which exclude GST.

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

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

(s) Goodwill

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

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

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

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

CONTINUED

For the financial year ended 30 June 2013

3. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

(t) Impairment of assets

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

(u) Distributions

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

(v) Inventories

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

(w) Security-based payments

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

(x) Income tax

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

Deferred tax is provided using the balance sheet liability method, providing for temporary differences between the carrying amounts of assets and liabilities for financial reporting purposes and the amounts used for taxation purposes. The following temporary differences are not provided for: initial recognition of goodwill, initial recognition of assets or liabilities that affect neither accounting nor taxable profit, and differences relating to investments in wholly-owned entities to the extent that they will probably not reverse in the foreseeable future. The amount of deferred tax provided is based on the expected manner of realisation or settlement of the carrying amount of assets and liabilities, using the tax rates enacted or substantively enacted by the end of the reporting period.

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

Tax consolidation

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

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

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

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

(y) Leased assets

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

Group as lessor

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

Group as lessee

Assets held under finance leases are initially recognised at their fair value or, if lower, at amounts equal to the present value of the minimum lease payments, each determined at the inception of the lease. The corresponding liability to the lessor is included in the consolidated statement of financial position as a finance lease obligation.

Lease payments are allocated between finance charges and reduction of the lease obligation so as to achieve a constant rate of interest on the remaining balance of the liability.

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

Operating lease payments are recognised as an expense on a straight-line basis over the lease term, except where another systematic basis is more representative of the time patterns in which economic benefits from the leased asset are consumed.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

CONTINUED

For the financial year ended 30 June 2013

3. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

(z) Provisions

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

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

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

(aa) Revenue recognition

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

Sales revenue

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

Pass-through revenue

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

Interest revenue

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

Sale of non-current assets

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

Dividend revenue

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

Finance lease income

Finance lease income is allocated to accounting periods so as to reflect a constant periodic rate of return on the Group's net investment outstanding in respect of the leases.

4. CRITICAL ACCOUNTING JUDGEMENTS AND KEY SOURCES OF ESTIMATION UNCERTAINTY

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

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

Impairment of assets

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

Estimates and assumptions used are reviewed on an ongoing basis.

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

Useful lives of non-current assets

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

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

CONTINUED

For the financial year ended 30 June 2013

5. SEGMENT INFORMATION

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

(a) Description of reportable segments

The Consolidated Entity comprises the following reportable segments:

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

(b) Reportable segments

	ENERGY INFRASTRUCTURE ^(a) \$000	ASSET MANAGEMENT \$000	ENERGY INVESTMENTS ^(f) \$000	CONSOLIDATED \$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")	526,022	45,447	145,573	717,042
Share of net profits of associates and jointly controlled entities accounted for using the equity method	-	-	44,868	44,868
Finance lease and investment interest income	3,822	-	3,069	6,891
Total EBITDA	529,844	45,447	193,510	768,801
Depreciation and amortisation	(125,671)	(4,790)	-	(130,461)
Earnings before interest and tax ("EBIT")	404,173	40,657	193,510	638,340
Net finance costs ^(c)				(290,916)
Profit before tax				347,424
Income tax expense				(51,421)
Profit for the year				296,003
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	284,700	70,885	-	355,585
Unallocated liabilities ^(e)				4,831,032
Total liabilities				5,186,617

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

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

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

(d) Unallocated assets consist of cash and cash equivalents, 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.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

CONTINUED

For the financial year ended 30 June 2013

5. SEGMENT INFORMATION (CONTINUED)

(b) Reportable segments (continued)

	ENERGY INFRASTRUCTURE \$000	ASSET MANAGEMENT \$000	ENERGY INVESTMENTS \$000	CONSOLIDATED \$000
2012				
SEGMENT REVENUE ^(b)				
External sales revenue	637,851	69,296	-	707,147
Equity accounted net profits	-	-	28,263	28,263
Pass-through revenue	6,626	296,007	-	302,633
Finance lease and investment interest income	2,817	-	2,331	5,148
Distribution - other entities	-	-	11,153	11,153
Total segment revenue	647,294	365,303	41,747	1,054,344
Other interest income				6,317
Consolidated revenue				1,060,661
SEGMENT RESULT				
Earnings before interest, tax, depreciation and amortisation ("EBITDA")	449,347	31,910	11,157	492,414
Share of net profits of associates and jointly controlled entities accounted for using the equity method	-	-	28,263	28,263
Finance lease and investment interest income	2,817	-	2,331	5,148
Total EBITDA	452,164	31,910	41,751	525,825
Depreciation and amortisation	(105,620)	(4,789)	-	(110,409)
Earnings before interest and tax ("EBIT")	346,544	27,121	41,751	415,416
Net finance costs ^(c)				(234,326)
Profit before tax				181,090
Income tax expense				(50,435)
Profit for the year				130,655
SEGMENT ASSETS AND LIABILITIES				
Segment assets	4,016,910	244,106	391,737	4,652,753
Carrying value of investments accounted for using the equity method			512,948	512,948
Unallocated assets ^(d)				330,353
Total assets				5,496,054
Segment liabilities	229,613	81,272	-	310,885
Unallocated liabilities ^(e)				3,571,127
Total liabilities				3,882,012

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

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

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

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

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

(c) Other segment information

Revenue from major products and services

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

Information about major customers

Included in revenues arising from energy infrastructure of \$770.5 million (2012: \$637.9 million) are revenues of approximately \$373.8 million (2012: \$266.6 million) which arose from sales to the Consolidated Entity's top three customers.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

CONTINUED

For the financial year ended 30 June 2013

6. REVENUE

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

Continuing operations

	2013 \$000	2012 \$000
OPERATING REVENUE		
Energy infrastructure revenue:		
– energy infrastructure revenue	769,895	637,316
– pass-through revenue	8,449	6,626
	778,344	643,942
Asset management revenue:		
– asset management revenue	82,293	69,296
– pass-through revenue	344,294	296,007
	426,587	365,303
	1,204,931	1,009,245
FINANCE INCOME		
Interest	11,697	6,317
Redeemable ordinary shares (EII) and redeemable preference shares (GDI) interest income	3,069	2,331
Finance lease income	3,822	2,817
	18,588	11,465
OTHER INCOME		
Dividends	3,243	11,153
Rental income	637	535
	1,227,399	1,032,398
Share of net profits of associates and jointly controlled entities accounted for using the equity method	44,868	28,263
	1,272,267	1,060,661

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

CONTINUED

For the financial year ended 30 June 2013

7. EXPENSES

Profit before tax includes the following expenses:

	2013 \$000	2012 \$000
DEPRECIATION AND AMORTISATION EXPENSE		
Depreciation of non-current assets	124,787	104,459
Amortisation of non-current assets	5,674	5,950
	130,461	110,409
OTHER OPERATING COSTS - PASS-THROUGH		
Gas pipeline costs	8,449	6,626
Management, operating and maintenance costs	344,294	296,007
	352,743	302,633
FINANCE COSTS		
Interest on bank overdrafts and borrowings	316,438	225,517
Amortisation of deferred borrowing costs	9,257	16,013
Other finance costs	9,378	9,061
	335,073	250,591
Less: amounts included in the cost of qualifying assets	(25,020)	(11,136)
	310,053	239,455
(Gain)/loss on derivatives	(8,179)	507
Unwinding of discount on non-current liabilities	739	681
	302,613	240,643
The average interest rate on funds borrowed is 7.77% p.a. (2012: 8.14% p.a.) including amortisation of borrowing costs and other finance costs.		
EMPLOYEE BENEFIT EXPENSE		
Post-employment benefits:		
Defined contribution plans	9,176	6,863
Defined benefit plans	(45)	1,145
	9,131	8,008
Termination benefits	4,941	1,384
Cash settled share-based payments	26,568	17,843
Other employee benefits	128,683	105,678
	169,323	132,913
OTHER EXPENSES		
Doubtful debts	805	-
Impairment of intangibles	2,075	473
Impairment of goodwill ^(a)	1,867	-
Loss on disposal of property, plant and equipment	480	278
Other	9,906	16,700
	15,133	17,451

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

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

CONTINUED

For the financial year ended 30 June 2013

8. SIGNIFICANT ITEMS

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

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

9. INCOME TAX

Income tax recognised in profit or loss

TAX EXPENSE/(INCOME) COMPRISES:

Current tax expense/(income) in respect of the current year	7,313	(1,418)
Adjustments recognised in the current year in relation to current tax of prior years	(7,518)	482
	(205)	(936)
Deferred tax expense relating to the origination and reversal of temporary differences	51,626	51,371
Total tax expense	51,421	50,435

ATTRIBUTABLE TO:

Profit from continuing operations	51,421	50,435
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The prima facie income tax expense on pre-tax accounting profit from operations reconciles to the income tax expense in the financial statements as follows:

Profit before tax	347,424	181,090
Income tax expense calculated at 30%	104,227	54,327
Non-assessable trust distribution	(11,443)	(13,787)
Non deductible expenses	15,629	7,185
Non assessable income	(58,939)	(6,400)
Unfranked dividends from associates	9,465	8,626
Other	-	2
	58,939	49,953
Adjustment recognised in the current year in relation to the current tax of prior years	(7,518)	482
	51,421	50,435

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.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

CONTINUED

For the financial year ended 30 June 2013

9. INCOME TAX (CONTINUED)

Income tax recognised directly in equity

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

	2013 \$000	2012 \$000
DEFERRED INCOME TAX		
Revaluation of financial instruments treated as cash flow hedges	(11,685)	(27,091)
Actuarial movements on defined benefit plans	3,950	(9,803)
Revaluation of available-for-sale financial assets	(34,697)	27,631
Security issue costs	(32)	(16)
Income tax (benefit)/expense reported in equity	(42,464)	(9,279)
DEFERRED TAX BALANCES		
Deferred tax liabilities		
Temporary differences	(553,626)	(512,520)
	(553,626)	(512,520)
Deferred tax assets		
Temporary differences	71,701	43,004
Tax losses	268,687	150,234
	340,388	193,238
	(213,238)	(319,282)

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
2013					
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	12,389	(1,520)	(3,950)	-	6,919
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
	198,570	1,695	11,062	129,061	340,388
	(319,282)	(51,626)	42,464	115,206	(213,238)

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

CONTINUED

For the financial year ended 30 June 2013

9. INCOME TAX (CONTINUED)

Deferred tax balances (continued)

	2013 \$000	2012 \$000
Presented in the statement of financial position as follows:		
Deferred tax liabilities attributable to:		
Continuing operations	(213,238)	(319,282)
	(213,238)	(319,282)
Deferred tax assets attributable to:		
Continuing operations	-	-
	-	-
	(213,238)	(319,282)

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
2012					
GROSS DEFERRED TAX LIABILITIES					
Intangible assets	(4,740)	142	-	-	(4,598)
Property, plant and equipment	(442,189)	(34,840)	-	58,790	(418,239)
Deferred revenue	(892)	381	-	-	(511)
Deferred expenses	(41,243)	(18,079)	-	190	(59,132)
Cash flow hedges	(7,875)	(449)	20,734	-	12,410
Investments equity accounted	(6,533)	(264)	6,357	-	(440)
Available for sale investments	(7,812)	-	(27,631)	-	(35,443)
Other	(4,298)	(2,269)	-	-	(6,567)
	(515,582)	(55,378)	(540)	58,980	(512,520)
GROSS DEFERRED TAX ASSETS					
Provisions	26,928	3,156	-	-	30,084
Defined benefit obligation	3,770	(1,185)	9,804	-	12,389
Security issue costs	659	(144)	16	-	531
Tax losses	148,054	2,180	-	-	150,234
	179,411	4,007	9,820	-	193,238
	(336,171)	(51,371)	9,280	58,980	(319,282)

Unrecognised deferred tax assets

	2013 \$000	2012 \$000
The following deferred tax assets have not been brought to account as assets:		
Tax losses - capital	30,044	16,875

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

CONTINUED

For the financial year ended 30 June 2013

9. INCOME TAX (CONTINUED)

Tax consolidation

Relevance of tax consolidation to the Group

The Trust and its wholly-owned Australian resident entities formed a tax-consolidated group with effect from 1 July 2003 and are therefore taxed as a single entity from that date. The head entity within the tax-consolidated group is Australian Pipeline Trust. The members of the tax-consolidated group are identified at Note 40.

Nature of tax funding arrangement and tax sharing agreement

Entities within the tax-consolidated group have entered into a tax funding arrangement and a tax sharing agreement with the head entity. Under the terms of the tax funding arrangement, Australian Pipeline Trust and each of the

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

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

10. DISTRIBUTIONS

	APT AND APTIT			
	2013 CENTS PER SECURITY	2013 TOTAL \$000	2012 CENTS PER SECURITY	2012 TOTAL \$000
RECOGNISED AMOUNTS				
Final distribution paid on 14 September 2012				
(2011: 15 September 2011)				
Profit distribution - APT ^(a)	5.09	32,786	3.42	19,054
Profit distribution - APTIT ^(a) (Note 32)	3.28	21,160	3.41	18,295
Capital distribution - APT (Note 29)	7.32	47,182	8.41	46,761
Capital distribution - APTIT (Note 32)	2.31	14,879	2.66	15,449
Interim distribution paid on 13 March 2013				
(2011: 15 March 2012)				
Profit distribution - APT ^(a)	14.74	121,930	4.54	29,034
Profit distribution - APTIT ^(a) (Note 32)	2.26	18,719	3.88	24,797
Capital distribution - APT (Note 29)	-	-	6.52	41,655
Capital distribution - APTIT (Note 32)	-	-	2.06	13,201
	35.00	256,656	34.90	208,246
UNRECOGNISED AMOUNTS				
Final distribution payable on 11 September 2013				
(2012: 14 September 2012)				
Profit distribution - APT ^(a)	16.02	133,877	5.09	32,786
Profit distribution - APTIT ^(a)	2.32	19,424	3.28	21,160
Capital distribution - APT	-	-	7.32	47,182
Capital distribution - APTIT	0.16	1,313	2.31	14,879
	18.50	154,614	18.00	116,007

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

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

	2013 \$000	2012 \$000
Adjusted franking account balance (tax paid basis)	3,609	3,522

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

CONTINUED

For the financial year ended 30 June 2013

11. TRADE AND OTHER RECEIVABLES

	2013 \$000	2012 \$000
Trade receivables	104,483	90,747
Allowance for doubtful debts	(805)	-
	103,678	90,747
Receivables from associates and related parties	55,931	143,922
Finance lease receivables (Note 33)	4,744	3,590
Interest receivable	146	239
Other debtors	70	21
	164,569	238,519

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

Ageing of past due but not impaired

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

Movement in the allowance for doubtful debts

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

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

Ageing of impaired receivables

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

12. OTHER CURRENT FINANCIAL ASSETS

Derivatives at fair value:

Equity forward contracts	1,927	9
Foreign exchange contracts - cash flow hedges	1,788	126
Cross currency interest rate swaps - cash flow hedges	12,469	-

Financial assets carried at amortised cost:

Redeemable preference share interest	285	285
	16,469	420

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

CONTINUED

For the financial year ended 30 June 2013

13. INVENTORIES

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

14. OTHER CURRENT ASSETS

Prepayments	5,662	4,134
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15. NON-CURRENT RECEIVABLES

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

16. OTHER NON-CURRENT FINANCIAL ASSETS

Available-for-sale investments carried at fair value:

Ethane Pipeline Income Fund	7,394	9,564
Hastings Diversified Utilities Fund	-	263,441

Financial assets carried at amortised cost:

Redeemable ordinary shares	17,264	15,339
Redeemable preference shares	10,400	10,400

Derivatives - at fair value:

Equity forward contracts	1,894	326
Cross currency interest rate swaps - cash flow hedges	131,588	-

	168,540	299,070
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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.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

CONTINUED

For the financial year ended 30 June 2013

17. INVESTMENTS ACCOUNTED FOR USING THE EQUITY METHOD

			OWNERSHIP INTEREST %	
NAME OF ENTITY	PRINCIPAL ACTIVITY	COUNTRY OF INCORPORATION	2013	2012
Jointly Controlled entities:				
SEA Gas	Gas transmission	Australia	50.00	50.00
GDI (EII)	Gas distribution	Australia	20.00	20.00
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:				
Envestra Limited ^(a)	Gas distribution	Australia	33.05	33.44
			2013 \$000	2012 \$000
Investments in jointly controlled entities and associates			589,131	512,948

Reconciliation of movements in investments accounted for using the equity method:

Balance at 1 July	512,948	479,409
Acquisitions during the year	65,451	67,768
Share of net profit for the year	44,868	28,263
Disposal	-	-
Movement in reserves	14,316	(22,666)
	637,583	552,774
Dividends	(48,452)	(39,826)
Balance at 30 June	589,131	512,948

Summarised financial information in respect of the jointly controlled entities and associates is set out below:

	2013 \$000	2012 \$000
FINANCIAL POSITION		
Total assets	5,745,562	5,415,250
Total liabilities	4,824,283	4,558,821
Net assets	921,279	856,429
Consolidated Entity's share of jointly controlled entities and associates net assets	285,719	257,824
FINANCIAL PERFORMANCE		
Total revenue	862,778	725,723
Total profit for the year	147,606	102,732
Consolidated Entity's share of jointly controlled entities and associates profit	44,868	28,263

(a) APA participated in Envestra's Distribution Reinvestment Plan for Envestra's October 2012 and April 2013 Distributions. APA purchased further securities in the April 2013 Envestra share placement equivalent to its interest at the time however APA's interest has diluted over the financial year due to non-participation in the May 2013 share purchase plan issue.

Contingent liabilities and capital commitments

The Consolidated Entity's share of the contingent liabilities, capital commitments and other expenditure commitments of joint venture entities is disclosed in Notes 49 and 43 respectively.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

CONTINUED

For the financial year ended 30 June 2013

18. PROPERTY, PLANT AND EQUIPMENT

	FREEHOLD LAND AND BUILDINGS - AT COST \$000	LEASEHOLD IMPROVEMENTS - AT COST \$000	PLANT AND EQUIPMENT - AT COST \$000	WORK IN PROGRESS - AT COST \$000	TOTAL \$000
GROSS CARRYING AMOUNT					
Balance at 1 July 2011	119,251	2,431	4,039,560	125,832	4,287,074
Additions	-	-	6,877	273,198	280,075
Disposals	(9)	(15)	(15,876)	-	(15,900)
Derecognised on disposal of subsidiary	(4,363)	(227)	(520,891)	(1,868)	(527,349)
Transfers	2,716	33	69,363	(72,113)	(1)
Balance at 1 July 2012	117,595	2,222	3,579,033	325,049	4,023,899
Additions	8,537	2,717	4,562	368,231	384,047
Disposals	(7,573)	-	(4,597)	-	(12,170)
Derecognised on disposal of subsidiary (Note 42)	(3,648)	-	(372,380)	(327)	(376,355)
Acquisitions through business combinations (Note 41)	16,190	-	1,896,192	20,972	1,933,354
Transfers	-	-	216,777	(219,571)	(2,794)
Balance at 30 June 2013	131,101	4,939	5,319,587	494,354	5,949,981
ACCUMULATED DEPRECIATION					
Balance at 1 July 2011	(15,537)	(1,840)	(501,355)	-	(518,732)
Disposals	1	15	15,131	-	15,147
Derecognised on disposal of subsidiary	270	206	55,867	-	56,343
Depreciation expense	(2,126)	(308)	(102,025)	-	(104,459)
Balance at 1 July 2012	(17,392)	(1,927)	(532,382)	-	(551,701)
Disposals	200	-	3,470	-	3,670
Derecognised on disposal of subsidiaries (Note 42)	19	-	3,108	-	3,127
Depreciation expense	(2,376)	(233)	(122,178)	-	(124,787)
Transfers	473	-	(352)	-	121
Balance at 30 June 2013	(19,076)	(2,160)	(648,334)	-	(669,570)
NET BOOK VALUE					
As at 30 June 2012	100,203	295	3,046,651	325,049	3,472,198
As at 30 June 2013	112,025	2,779	4,671,253	494,354	5,280,411

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

CONTINUED

For the financial year ended 30 June 2013

19. GOODWILL

	2013 \$000	2012 \$000
GROSS CARRYING AMOUNT		
Balance at beginning of financial year	411,883	515,344
Acquisitions (Note 41)	765,476	802
Disposals (Note 42)	(24,992)	(104,263)
Goodwill impairment	(1,867)	-
Balance at end of financial year	1,150,500	411,883

ALLOCATION OF GOODWILL TO CASH-GENERATING UNITS

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

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

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

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

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

The recoverable amounts of cash-generating units are determined based on value-in-use calculations. These calculations use cash flow projections based on a five year financial business plan and thereafter a further 15 year financial model, being the basis of the Group's forecasting and planning processes.

For fully regulated assets, cash flows have been extrapolated on the basis of existing transportation contracts and government policy settings, and expected contract renewals with a resulting average annual growth rate of 1.8% p.a. These expected cash flows are factored into the regulated asset base and do not exceed management's expectations of the long-term average growth rate for the market in which the CGU operates.

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

As contracts mature, given ongoing demand for capacity, it is assumed that capacity is resold.

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

Cash flow projections are estimated for a period of up to 20 years, with a terminal value, recognising the long term nature of the assets. The pre-tax discount rates used are 8.25% p.a. (2012: 8.5% p.a.) for energy infrastructure assets and 8.25% p.a. (2012: 8.5% p.a.) for asset management.

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

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

CONTINUED

For the financial year ended 30 June 2013

20. OTHER INTANGIBLE ASSETS

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

The Consolidated Entity holds various third party operating and maintenance contracts. The combined gross carrying amount of \$206.061 million amortises over terms ranging from one to 60 years. Useful life is determined based on the underlying contractual terms plus estimations of renewal of up to two terms where considered probable by management. Amortisation expense is included in the line item of depreciation and amortisation expense in the statement of profit or loss and other comprehensive income.

21. OTHER NON-CURRENT ASSETS

Line pack gas	10,922	4,356
Gas held in storage	5,085	4,993
Other assets	2,625	192
	18,632	9,541

22. TRADE AND OTHER PAYABLES**CURRENT**

Trade payables ^(a)	28,427	14,347
Other payables ^(b)	161,635	159,098
	190,062	173,445

NON-CURRENT

Other payables	3,749	1,068
	3,749	1,068

(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.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

CONTINUED

For the financial year ended 30 June 2013

23. CURRENT BORROWINGS

	2013 \$000	2012 \$000
UNSECURED - AT AMORTISED COST		
Bank borrowings	-	-
Guaranteed Senior Notes ^(a)	80,910	-
SECURED - AT AMORTISED COST		
Bank Borrowings	-	-
	-	-
	80,910	-

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

24. OTHER CURRENT FINANCIAL LIABILITIES**Derivatives**

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

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

25. PROVISIONS

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

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

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

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

CONTINUED

For the financial year ended 30 June 2013

26. OTHER LIABILITIES**CURRENT**

Unearned revenue - other	12,921	761
	12,921	761

NON-CURRENT

Unearned revenue - other	16,669	4,078
	16,669	4,078

27. NON-CURRENT BORROWINGS

	2013 \$000	2012 \$000
UNSECURED - AT AMORTISED COST		
Bank borrowings ^(a)	525,000	1,123,667
Guaranteed Senior Notes ^(b)	3,227,340	1,801,175
Subordinated Notes ^(c)	515,000	-
Less: unamortised borrowing costs	(34,098)	(18,896)
	4,233,242	2,905,946

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

(b) Represents USD denominated private placement notes of US\$725 million (2012: US\$799 million) measured at the exchange rate at reporting date, A\$314.9 million of AUD denominated private placement notes (2012: A\$314.9 million), AUD medium term notes (MTN) of A\$300 million, CAD MTN of C\$300 million, GBP MTN of £350 million, JPY MTN of ¥10,000 million and US notes issued under 144a of US\$750 million. Refer to Note 38 for details of interest rates and maturity profiles.

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

28. OTHER NON-CURRENT FINANCIAL LIABILITIES**Derivatives**

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

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

29. ISSUED CAPITAL**Securities**

835,750,807 securities, fully paid (2012: 644,485,583 securities, fully paid) ^(a)	1,820,516	1,138,205
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	2013 NO. OF SECURITIES 000	2013 \$000	2012 NO. OF SECURITIES 000	2012 \$000
Movements				
Balance at beginning of financial year	644,486	1,138,205	634,116	1,192,779
Issue of securities under Distribution Reinvestment Plan	15,548	63,503	10,370	33,879
Issue of securities in business combination	175,717	672,630	-	-
Capital return to Securityholders (Note 10)	-	(47,182)	-	(88,416)
Issue cost of securities	-	(6,672)	-	(53)
Tax relating to security issue costs	-	32	-	16
Balance at end of financial year	835,751	1,820,516	644,486	1,138,205

(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 2013

30. RESERVES

	2013 \$000	2012 \$000
Hedging	(62,475)	(35,212)
Asset revaluation	8,669	8,669
Available-for-sale investment revaluation	1,736	82,696
	(52,070)	56,153

HEDGING RESERVE

Balance at beginning of financial year	(35,212)	28,003
Gain/(loss) recognised:		
Interest rate swaps/currency swaps	(144,702)	(116,624)
Deferred tax related to gains/losses recognised	43,411	34,987
Transferred to profit or loss:		
Interest rate swaps/currency swaps	91,438	48,983
Deferred tax related to amounts transferred to profit or loss	(27,431)	(14,695)
Share of hedge reserve of associate	14,316	(22,666)
Deferred tax related to share of hedge reserve	(4,295)	6,800
Balance at end of financial year	(62,475)	(35,212)

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

ASSET REVALUATION RESERVE

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

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

AVAILABLE-FOR-SALE INVESTMENT REVALUATION RESERVE

Balance at beginning of financial year	82,696	18,227
Revaluation gain recognised	26,676	92,099
Gain transferred to profit or loss	(142,333)	-
Deferred tax related to gains/losses recognised	34,697	(27,630)
Balance at end of financial year	1,736	82,696

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

OTHER RESERVES

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

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

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

CONTINUED

For the financial year ended 30 June 2013

31. RETAINED EARNINGS

	2013 \$000	2012 \$000
Balance at beginning of financial year	32,785	19,054
Net profit attributable to Securityholders	260,624	84,693
Distributions paid (Note 10)	(154,716)	(48,088)
Transfer from reserves on acquisition of non-controlling interest in HDF	(2,765)	-
Actuarial gain/(loss) on defined benefit plans recognised directly to retained earnings after tax	9,216	(22,874)
	145,144	32,785

32. NON-CONTROLLING INTERESTS

APT Investment Trust	598,671	386,850
Other non-controlling interest	50	49
	598,721	386,899

APT INVESTMENT TRUST**Issued capital:**

Balance at beginning of financial year	364,066	382,001
Issue of securities under distribution reinvestment plan	19,663	10,733
Issue of securities in business combination	212,035	-
Distribution - capital return (Note 10)	(14,879)	(28,650)
Issue cost of securities	(2,105)	(18)
Tax relating to security issue costs	-	-
Balance at end of financial year	578,780	364,066

Reserves:

Available for sale investment revaluation reserve:		
Balance at beginning of financial year	1,624	534
Valuation gain recognised	(1,157)	1,090
	467	1,624

Retained earnings:

Balance at beginning of financial year	21,160	18,295
Net profit attributable to APTIT equityholders	38,143	45,957
Distributions paid (Note 10)	(39,879)	(43,092)
Balance at end of financial year	19,424	21,160

OTHER NON-CONTROLLING INTEREST

Issued capital	4	4
Reserves	1	1
Retained earnings	45	44
	50	49

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

CONTINUED

For the financial year ended 30 June 2013

33. LEASES**Leasing arrangements - receivables**

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

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

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

NON-CANCELLABLE OPERATING LEASES - OTHER

Not longer than 1 year	9,120	7,435
Longer than 1 year and not longer than 5 years	23,200	20,238
Longer than 5 years	25,066	11,285
	57,386	38,958

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

CONTINUED

For the financial year ended 30 June 2013

34. PROVISIONS

	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 25)	-	10,845	10,845
Non-current (Note 25)	4,935	-	4,935
	4,935	10,845	15,780
Balance at 30 June 2011	4,015	6,452	10,467
Additional provisions recognised	57	6,599	6,656
Unwinding of discount	282	-	282
Reductions arising from payments/other sacrifices of future economic benefits	-	(656)	(656)
Balance at 30 June 2012	4,354	12,395	16,749
Current (Note 25)	-	12,349	12,349
Non-current (Note 25)	4,354	46	4,400
	4,354	12,395	16,749

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

(b) Includes rectification works due to Queensland floods.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

CONTINUED

For the financial year ended 30 June 2013

35. EMPLOYEE SUPERANNUATION PLANS

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

The most recent actuarial valuations of plan assets and the present value of the defined benefit obligation were carried out at 30 June 2013 by Mercer (Australia) Pty Ltd and Russell Investments (2012: Mercer (Australia) Pty Ltd and Russell Investments). The present value of the defined benefit obligation, and the related current service cost and past service cost, were measured using the projected unit credit method.

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

	2013 \$000	2012 \$000
AMOUNTS RECOGNISED IN THE STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME		
Current service cost	3,376	2,980
Interest cost on benefit obligation	3,356	4,889
Expected return on plan assets	(6,777)	(6,724)
Total included in superannuation costs which form part of employee benefit expense	(45)	1,145
Actual return on plan assets	16,824	1
Actuarial gains/(losses) incurred during the year and recognised in the statement of profit or loss and other comprehensive income	13,166	(32,677)

AMOUNTS RECOGNISED IN THE STATEMENT OF FINANCIAL POSITION

Fair value of plan assets	118,404	100,658
Present value of benefit obligation	(141,465)	(141,953)
Net liability - non-current (Note 25)	(23,061)	(41,295)

MOVEMENTS IN LIABILITY DURING THE YEAR

Balance at beginning of year	(41,295)	(12,567)
Gain/(expense) recognised in profit or loss	45	(1,145)
Amount recognised in retained earnings (prior to tax effect)	13,166	(32,677)
Contributions from employer	5,023	5,094
Balance at end of year ^(a)	(23,061)	(41,295)

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

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

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

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

CONTINUED

For the financial year ended 30 June 2013

35. EMPLOYEE SUPERANNUATION PLANS (CONTINUED)

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

	2013 \$000	2012 \$000
Opening fair value of plan assets	100,658	98,758
Expected return on plan assets	6,777	6,724
Actuarial gains/(losses)	10,047	(6,722)
Contributions from employer	5,023	5,094
Contributions from plan participants	1,442	1,563
Benefits paid	(4,786)	(4,046)
Taxes and premiums paid	(757)	(713)
Closing fair value of plan assets	118,404	100,658

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

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

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

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

The history of experience adjustments is as follows:

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

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

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

CONTINUED

For the financial year ended 30 June 2013

36. EARNINGS PER SECURITY

	2013	2012
Basic and diluted earnings per security (cents)	38.7	20.4

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)	298,767	130,650
	NO. OF SECURITIES	
Adjusted weighted average number of ordinary securities used in the calculation of basic and diluted earnings per security (000)	772,314	639,743

37. NOTES TO THE STATEMENT OF CASH FLOWS**(a) Reconciliation of cash and cash equivalents**

For the purposes of the statement of cash flows, cash and cash equivalents includes cash on hand and in banks and investments in money market instruments, net of outstanding bank overdrafts. Cash and cash equivalents at the end of the financial year as shown in the statement of cash flows is reconciled to the related items in the statement of financial position as follows:

	2013 \$000	2012 \$000
Cash at bank and on hand ^(a)	79,931	88,944
Short-term deposits	1,024	240,990
	80,955	329,934

Restricted cash

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

(b) Investments acquired and disposed of***Equity accounted investments***

\$31,551,000 has been invested in Envestra through the Dividend Reinvestment Plan and an additional amount of \$33,900,000 was invested in Envestra through a share placement.

In the prior financial year, \$28,755,000 was invested in Envestra through the Dividend Reinvestment Plan, \$5,000 was invested in Diamantina Power Station and \$211,800 was recovered from the finalisation of fees recoverable from REST following the SEA Gas transaction in the preceding year.

Available-for-sale investments

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

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

CONTINUED

For the financial year ended 30 June 2013

37. NOTES TO THE STATEMENT OF CASH FLOWS (CONTINUED)**(c) Reconciliation of profit for the year to the net cash provided by operating activities**

	2013 \$000	2012 \$000
Profit for the year	296,003	130,655
Gain on on previously held interest in HDF on obtaining control	(142,333)	-
Acquisition costs on business combinations	12,408	-
Profit on sale of Allgas Distribution Network before transaction costs	-	(12,032)
(Write back)/transaction costs on sale of Allgas Distribution Network	(18,483)	21,695
Impairment of intangible	-	473
Loss on disposal of property, plant and equipment	480	278
Impairment of goodwill	1,867	-
Share of net profits of jointly controlled entities accounted for using the equity method	(44,868)	(28,263)
Dividends/distributions received	48,452	39,826
Depreciation and amortisation expense	130,461	110,409
Finance costs	1,481	16,919
Changes in assets and liabilities:		
Trade and other receivables	4,248	(19,669)
Inventories	706	(428)
Other assets	(1,605)	25,168
Trade and other payables	(5,407)	8,078
Provisions	12,093	12,416
Other liabilities	27,141	(23,038)
Income tax balances	51,737	53,082
Net cash provided by operating activities	374,381	335,569

(d) Financing facilities**UNSECURED FACILITIES****Bank borrowings ^(a)**

Amounts used	525,000	1,123,667
Amounts unused	891,667	776,333
	1,416,667	1,900,000

Guaranteed Senior Notes ^(b)

Amounts used	3,308,250	1,801,175
Amounts unused	-	-
	3,308,250	1,801,175

Subordinated Notes ^(c)

Amounts used	515,000	-
Amounts unused	-	-
	515,000	-

SECURED FACILITIES**Bank borrowings**

Amounts used	-	-
Amounts unused	-	-
	-	-

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

(b) Represents USD denominated private placement notes of US\$725 million (2012: US\$799 million) measured at the exchange rate at reporting date, A\$314.9 million of AUD denominated private placement notes (2012: A\$314.9 million), A\$ medium term notes (MTN) of A\$300 million, CAD MTN of C\$300 million, GBP MTN of £350 million, JPY MTN of ¥10,000 million and US notes issued under US144a of US\$ 750 million. Refer to Note 38 for details of interest rates and maturity profiles.

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

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

CONTINUED

For the financial year ended 30 June 2013

38. FINANCIAL INSTRUMENTS

(a) Capital risk management

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

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

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

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

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

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

Controlled entities are subject to externally imposed capital requirements. These relate to the Australian Financial Services Licence held by Australian Pipeline Limited, the Responsible Entity of the Consolidated Entity and were adhered to for the entirety of the 2012 and 2013 periods.

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

Gearing ratio

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

(b) Financial risk management objectives

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

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

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

(c) Market risk management

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

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

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

The Consolidated Entity 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 the Consolidated Entity's investment in Ethane Pipeline Income Fund which is publicly traded on the Australian Securities Exchange (ASX).

(d) Foreign currency risk management

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

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

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

CONTINUED

For the financial year ended 30 June 2013

38. FINANCIAL INSTRUMENTS (CONTINUED)**(d) Foreign currency risk management (continued)**

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

Forward foreign exchange contracts

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

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

OUTSTANDING CONTRACTS	AVERAGE EXCHANGE RATE	FOREIGN CURRENCY US\$000	CONTRACT VALUE \$000	FAIR VALUE \$000
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
2012				
Buy US dollars				
Less than 3 months	0.9480	4,675	4,931	(350)
3 to 6 months	1.0297	3,660	3,555	75
6 to 12 months	1.0257	1,485	1,448	36
		9,820	9,934	(239)

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

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

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

CONTINUED

For the financial year ended 30 June 2013

38. FINANCIAL INSTRUMENTS (CONTINUED)**(d) Foreign currency risk management (continued)****Cross currency swap contracts**

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

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

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

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

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

CONTINUED

For the financial year ended 30 June 2013

38. FINANCIAL INSTRUMENTS (CONTINUED)

(d) Foreign currency risk management (continued)

	EXCHANGE RATE		AMOUNT	
	2013 \$	2012 \$	2013 \$000	2012 \$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	(4,629)	(4,629)
5 years and more	-	79.4502	-	(1,543)
			(7,715)	(9,258)
Buy Japanese yen - principal				
2 years to 5 years	79.4502	-	(125,865)	-
5 years and more	-	79.4502	-	(125,865)
2012 CAD MTN ISSUE				
Buy Canadian dollars - interest				
Less than 1 year	1.0363	1.0363	(12,289)	(12,289)
1 year to 2 years	1.0363	1.0363	(12,289)	(12,289)
2 years to 5 years	1.0363	1.0363	(36,867)	(36,867)
5 years and more	1.0363	1.0363	(18,434)	(30,723)
			(79,879)	(92,168)
Buy Canadian dollars - principal				
5 years and more	1.0363	1.0363	(289,494)	(289,494)
2012 US144A ISSUE				
Buy US dollars - interest				
Less than 1 year	1.0198	-	(28,498)	-
1 year to 2 years	1.0198	-	(28,498)	-
2 years to 5 years	1.0198	-	(85,495)	-
5 years and more	1.0198	-	(128,242)	-
			(270,733)	-
Buy US dollars - principal				
5 years and more	1.0198	-	(735,438)	-
2012 GBP MTN ISSUE				
Buy British pounds - interest				
Less than 1 year	0.6530	-	(22,779)	-
1 year to 2 years	0.6530	-	(22,779)	-
2 years to 5 years	0.6530	-	(68,338)	-
5 years and more	0.6530	-	(159,456)	-
			(273,352)	-
Buy British pounds - principal				
5 years and more	0.6530	-	(535,988)	-

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

CONTINUED

For the financial year ended 30 June 2013

38. FINANCIAL INSTRUMENTS (CONTINUED)**(d) Foreign currency risk management (continued)***Foreign currency sensitivity analysis*

The Consolidated Entity is exposed to movements in the USD, JPY, CAD and GBP through its fully hedged borrowings from global debt capital markets and its current obligations for future purchases of capital equipment. The entire foreign currency cash flows arising from the USPP, US144A and MTN issues have been swapped; as such, the Consolidated Entity has no currency risk associated with those note issues. Therefore, the sensitivity analysis has only been performed on the forward foreign exchange contracts. The following table

details the Consolidated Entity's sensitivity to a 10% decrease and increase in the Australian dollar against the relevant foreign currencies. The sensitivity rate used is 10% and represents management's assessment of the greatest possible change in foreign exchange rates. The sensitivity analysis includes only outstanding foreign currency denominated monetary items and adjusts their translation at the period end for a 10% change in foreign currency rates.

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

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

(e) Interest rate risk management

The Consolidated Entity is exposed to interest rate risk as it borrows funds at both fixed and floating interest rates. This risk is managed by the Consolidated Entity by maintaining an appropriate mix between fixed and floating rate borrowings, and through the use of interest rate swap contracts. Hedging activities are evaluated regularly to align with interest rate views and defined policy, ensuring appropriate hedging strategies are applied. Hedging activity is complemented by "natural hedges" from regulatory resets and CPI adjusted revenues.

The Consolidated Entity's exposures to interest rate risk on financial liabilities are detailed in the liquidity risk management section of this note. Exposure to financial assets is limited to cash and cash equivalents amounting to \$80.6 million as at 30 June 2013 (2012: \$329.9 million).

Interest rate swap contracts

Under interest rate swap contracts, the Consolidated Entity agrees to exchange the difference between fixed and floating rate interest amounts calculated on agreed notional principal amounts. Such contracts enable the Consolidated Entity to mitigate the risk of cash flow exposures on the issued variable rate debt held. The fair value of interest rate swaps at the reporting date is determined by discounting the future cash flows using the yield curves at reporting date. The average interest rate is based on the outstanding balances at the end of the financial year.

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

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

CONTINUED

For the financial year ended 30 June 2013

38. FINANCIAL INSTRUMENTS (CONTINUED)

(e) Interest rate risk management (continued)

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

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

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

Interest rate sensitivity analysis

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

- net profit would decrease by \$2,250,000 or increase by \$2,250,000 (2012: decrease by \$6,237,000 or increase by \$6,237,000). This is mainly attributable to the Consolidated Entity's exposure to interest rates on its variable rate borrowings; and
- equity reserves would increase by \$13,360,000 with a 100 basis point decrease in interest rates or decrease by \$10,972,000 with a 100 basis point increase in interest rates (2012: decrease by \$17,960,000 or increase by \$17,387,000 respectively). This is due to the changes in the fair value of derivative interest instruments.

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

(f) Price risk management

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

Equity price sensitivity

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

- 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 (2012: \$nil); and
- equity reserves would decrease/increase by \$219,000 (2012: \$5,947,000), due to the changes in the fair value of available-for-sale shares.

The Consolidated Entity'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 full acquisition of Hastings Diversified Utilities Fund thereby removing the sensitivity to price variations on APA's prior year holdings.

(g) Credit risk management

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

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

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

Cross guarantee

In accordance with a deed of cross guarantee, APT Pipelines Limited, a subsidiary of APA Group, has agreed to provide financial support, when and as required, to certain wholly-owned controlled entities with either a deficit in shareholders' funds or an excess of current liabilities over current assets. The fair value of the financial guarantee as at 30 June 2013 has been determined to be immaterial and no liability has been recorded (2012: \$nil). Refer to Note 40 for details of entities included in the guarantee.

(h) Liquidity risk management

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

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

CONTINUED

For the financial year ended 30 June 2013

38. FINANCIAL INSTRUMENTS (CONTINUED)**(h) Liquidity risk management (continued)**

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

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

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

CONTINUED

For the financial year ended 30 June 2013

38. FINANCIAL INSTRUMENTS (CONTINUED)

(h) Liquidity risk management (continued)

Liquidity and interest risk table

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

All foreign currency note exposures (both principal and interest) have been fully hedged back into Australian dollars at fixed interest rates for the entire duration of the note exposure. Therefore the table below shows the undiscounted Australian dollar cash flows associated with the foreign currency notes, cross currency interest rate swaps and fixed interest rate swaps in aggregate.

	AVERAGE INTEREST RATE % p.a.	LESS THAN 1 YEAR \$000	1 - 5 YEARS \$000	MORE THAN 5 years \$000
2013				
FINANCIAL LIABILITIES				
Trade and other payables	-	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 ^(c)	7.33	367	6,100	-
2007 Series C ^(c)	7.38	7,318	121,111	-
2007 Series E ^(d)	7.40	5,045	20,178	73,215
2007 Series G ^(e)	7.45	6,002	24,008	104,590
2007 Series H ^(e)	7.45	4,617	18,468	80,454
2010 AUD Medium Term Note ^(f)	7.75	23,250	93,000	358,125
Denominated in US\$ (rates shown are the coupon rate of the US dollar notes)				
2003 Series B ^(g)	5.67	116,813	-	-
2003 Series C ^(h)	5.77	14,175	206,948	-
2003 Series D ⁽ⁱ⁾	6.02	6,911	27,721	99,359
2007 Series B ^(c)	5.89	13,986	232,837	-
2007 Series D ^(d)	5.99	11,111	44,442	162,325
2007 Series F ^(e)	6.14	11,354	45,416	199,142
2009 Series A ^(j)	8.35	9,752	110,127	-
2009 Series B ^(k)	8.86	11,761	47,075	116,558
2012 US 144a ^(l)	3.88	49,123	196,627	956,694
Denominated in stated foreign currency				
2012 JPY Medium Term Note ^(m)	1.23	8,535	160,100	-
2012 CAD Medium Term Note ⁽ⁿ⁾	4.25	19,529	78,171	318,708
2012 GBP Medium Term Note ^(o)	4.25	39,351	158,159	792,524
		609,820	2,302,660	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 June 2018.

(n) Matures on 24 July 2019.

(o) Matures on 26 November 2024.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

CONTINUED

For the financial year ended 30 June 2013

38. FINANCIAL INSTRUMENTS (CONTINUED)

(h) Liquidity risk management (continued)

Liquidity and interest risk table (continued)

	AVERAGE INTEREST RATE % p.a.	LESS THAN 1 YEAR \$000	1 - 5 YEARS \$000	MORE THAN 5 YEARS \$000
2012				
FINANCIAL LIABILITIES				
Trade and other payables	-	173,445	-	-
Unsecured bank borrowings ^(a)	5.24	55,246	1,179,453	-
Interest Rate Swaps (Net Settled)	-	11,624	17,123	-
Guaranteed Senior Notes:				
Denominated in A\$				
2007 Series A ^(b)	7.33	367	6,466	-
2007 Series C ^(b)	7.38	7,318	128,428	-
2007 Series E ^(c)	7.40	5,045	20,178	78,260
2007 Series G ^(d)	7.45	6,002	24,008	110,592
2007 Series H ^(d)	7.45	4,617	18,468	85,071
2010 AUD Medium Term Note ⁽ⁱ⁾	7.75	23,250	93,000	381,375
Denominated in US\$ (rates shown are the coupon rate of the US dollar notes)				
2003 Series B ^(e)	5.67	8,532	116,813	-
2003 Series C ^(f)	5.77	14,292	221,123	-
2003 Series D ^(g)	6.02	6,968	27,702	106,290
2007 Series B ^(b)	5.89	13,986	246,824	-
2007 Series D ^(c)	5.99	11,111	44,442	173,436
2007 Series F ^(d)	6.14	11,354	45,416	210,496
2009 Series A ^(h)	8.35	9,752	119,879	-
2009 Series B ⁽ⁱ⁾	8.86	11,761	47,108	128,286
Denominated in stated foreign currency				
2012 JPY Medium Term Note ^(k)	1.23	8,606	34,212	134,424
2012 CAD Medium Term Note ^(l)	4.25	11,248	78,171	338,237
		394,523	2,468,814	1,746,466

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

(b) Matures on 15 May 2017.

(c) Matures on 15 May 2019.

(d) Matures on 15 May 2022.

(e) Matures on 9 September 2013.

(f) Matures on 9 September 2015.

(g) Matures on 9 September 2018.

(h) Matures on 1 July 2016.

(i) Matures on 1 July 2019.

(j) Matures on 22 July 2020.

(k) Matures on 22 June 2018.

(l) Matures on 24 July 2019.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

CONTINUED

For the financial year ended 30 June 2013

38. FINANCIAL INSTRUMENTS (CONTINUED)

(i) Fair value of financial instruments

Fair value of financial instruments carried at amortised cost

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

- the fair values of financial assets and financial liabilities with standard terms and conditions and traded on active liquid markets are determined with reference to quoted market prices;
- the fair values of other financial assets and financial liabilities (excluding derivative instruments) are determined in accordance with generally accepted pricing models based on discounted cash flow analysis using prices from observable current markets;
- the fair values of derivative instruments, included in hedging assets and liabilities, are calculated using quoted prices. Where such prices are not available, use is made of discounted cash flow analysis using the applicable yield curve for the duration of the instruments; and
- the fair value of financial guarantee contracts is determined using option

pricing models where the main assumptions are the probability of default by the specified counterparty extrapolated from market-based credit information and the amount of loss, given the default.

Fair value measurements recognised in the statement of financial position

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

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

	LEVEL 1 \$000	LEVEL 2 \$000	LEVEL 3 \$000	TOTAL \$000
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
Forward foreign exchange contracts used for hedging	-	1,788	-	1,788
Total	7,394	5,609	-	13,003
Financial liabilities measured at fair value				
Interest rate swaps used for hedging	-	47,088	-	47,088
Cross Currency Interest Rate Swaps used for hedging	-	106,947	-	106,947
Total	-	154,035	-	154,035

2012

Financial assets measured at fair value

Available-for-sale listed equity securities

Hastings Diversified Utilities Fund	263,442	-	-	263,442
Ethane Pipeline Income Fund	9,564	-	-	9,564
Equity forwards designated as fair value through profit and loss	-	259	-	259
Forward foreign exchange contracts used for hedging	-	126	-	126
Total	273,005	385	-	273,390

Financial liabilities measured at fair value

Interest rate swaps used for hedging	-	62,699	-	62,699
Cross Currency Interest Rate Swaps used for hedging	-	270,844	-	270,844
Forward foreign exchange contracts used for hedging	-	365	-	365
Total	-	333,909	-	333,909

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

CONTINUED

For the financial year ended 30 June 2013

38. FINANCIAL INSTRUMENTS (CONTINUED)

(i) Fair value of financial instruments (continued)

Derivatives

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

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

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

The carrying value of financial assets and liabilities recorded at amortised cost in the financial statements approximate their fair value having regard to the specific terms of the agreements underlying those assets and liabilities.

Fair value measurements of financial instruments measured at amortised cost

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

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

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

39. JOINTLY CONTROLLED OPERATIONS AND ASSETS

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

NAME OF VENTURE	PRINCIPAL ACTIVITY	OUTPUT INTEREST	
		2013 %	2012 %
Goldfields Gas Transmission	Gas pipeline operation - Western Australia	88.2 ^(a)	88.2 ^(a)
Mid West Pipeline	Gas pipeline operation - Western Australia	50.0 ^(b)	50.0 ^(b)

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

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

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

CONTINUED

For the financial year ended 30 June 2013

39. JOINTLY CONTROLLED OPERATIONS AND ASSETS (CONTINUED)

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

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

Contingent liabilities and capital commitments

Contingent liabilities and capital commitments arising from the Consolidated Entity's interest in jointly controlled operations are disclosed in Notes 49 and 43 respectively.

40. SUBSIDIARIES

NAME OF ENTITY	COUNTRY OF REGISTRATION/ INCORPORATION	OWNERSHIP INTEREST	
		2013 %	2012 %
PARENT ENTITY			
Australian Pipeline Trust ^(a)			
SUBSIDIARIES			
APT Pipelines Limited ^{(b),(c)}	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

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

CONTINUED

For the financial year ended 30 June 2013

40. SUBSIDIARIES (CONTINUED)

NAME OF ENTITY	COUNTRY OF REGISTRATION/ INCORPORATION	OWNERSHIP INTEREST	
		2013 %	2012 %
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
GasNet B Trust ^(b)	Australia	100	100
GasNet Australia Investments Trust	Australia	100	100
Allgas Pipelines Operations Pty Limited ^(d)	Australia	-	100
APA Operations Pty Limited ^{(b),(c)}	Australia	100	100
APT AM Holdings Pty Limited ^{(b),(c)}	Australia	100	100
APT O&M Holdings Pty Ltd ^{(b),(c)}	Australia	100	100
APT O&M Services Pty Ltd ^{(b),(c)}	Australia	100	100
APT O&M Services (QLD) Pty Ltd ^{(b),(c)}	Australia	100	100
APT Water Management Pty Ltd ^{(b),(c)}	Australia	100	100
APT Water Management Holdings Pty Ltd ^{(b),(c)}	Australia	100	100
APT AM (Stratus) Pty Limited ^{(b),(c)}	Australia	100	100
APT Facility Management Pty Limited ^{(b),(c)}	Australia	100	100
APT AM Employment Pty Limited ^{(b),(c)}	Australia	100	100
APT Sea Gas Holdings Pty Limited ^{(b),(c)}	Australia	100	100
APT SPV2 Pty Ltd ^(b)	Australia	100	100
APT SPV3 Pty Ltd ^(b)	Australia	100	100
APT Pipelines (SA) Pty Limited ^{(b),(c)}	Australia	100	100
APT (MIT) Services Pty Limited ^{(b),(c)}	Australia	100	100
APA Operations (EII) Pty Limited ^{(b),(c)}	Australia	100	100
APA Pipelines (QNSW) Pty Limited ^{(b),(c)}	Australia	100	100
Central Ranges Pipeline Pty Ltd ^{(b),(c)}	Australia	100	100
APA Country Pipelines Pty Limited ^{(b),(c)}	Australia	100	100
North Western Natural Gas Company Pty Limited ^{(b),(c)}	Australia	100	100
APA Facilities Management Pty Limited ^{(b),(c)}	Australia	100	100

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

CONTINUED

For the financial year ended 30 June 2013

40. SUBSIDIARIES (CONTINUED)

NAME OF ENTITY	COUNTRY OF REGISTRATION/ INCORPORATION	OWNERSHIP INTEREST	
		2013 %	2012 %
APA (NBH) Pty Limited ^{(b),(c)}	Australia	100	100
APA Pipelines Investments (BWP) Pty Limited ^{(b),(c)}	Australia	100	100
APA Power Holdings Pty Limited ^{(b),(c)}	Australia	100	100
APA (EDWF Holdco) Pty Ltd ^{(b),(c)}	Australia	100	100
APA (BWF Holdco) Pty Ltd ^{(b),(c)}	Australia	100	100
EDWF Holdings 1 Pty Ltd ^{(b),(c)}	Australia	100	100
EDWF Holdings 2 Pty Ltd ^{(b),(c)}	Australia	100	100
EDWF Manager Pty Ltd ^{(b),(c)}	Australia	100	100
Wind Portfolio Pty Ltd ^{(b),(c)}	Australia	100	100
Griffin Windfarm 2 Pty Ltd ^(b)	Australia	100	100
APA AM (Allgas) Pty Limited ^{(b),(c)}	Australia	100	100
APA DPS Holdings Pty Limited ^{(b),(c)}	Australia	100	100
APA Power PF Pty Limited ^{(b),(c)}	Australia	100	100
APA Sub Trust No 1 ^(b)	Australia	100	-
APA Sub Trust No 2 ^(b)	Australia	100	-
APA Sub Trust No 3 ^(b)	Australia	100	-
APA (Pilbara Pipeline) Pty Ltd ^{(b),(c)}	Australia	100	-
APA (Sub No 3) International Holdings 1 Pty Ltd ^{(b),(c)}	Australia	100	-
APA (Sub No 3) International Holdings 2 Pty Ltd ^{(b),(c)}	Australia	100	-
APA (Sub No 3) International Nominees Pty Ltd ^{(b),(c)}	Australia	100	-
APA (SWQP) Pty Limited ^{(b),(c)}	Australia	100	-
APA (WA) One Pty Limited ^{(b),(c)}	Australia	100	-
APA AIS 1 Pty Limited ^{(b),(c)}	Australia	100	-
APA AIS 2 Pty Ltd ^{(b),(c)}	Australia	100	-
APA AIS Pty Limited ^{(b),(c)}	Australia	100	-
APA Biobond Pty Limited ^{(b),(c)}	Australia	100	-
APA East One Pty Limited ^{(b),(c)}	Australia	100	-
APA East Pipelines Pty Limited ^{(b),(c)}	Australia	100	-
APA EE Pty Limited ^{(b),(c)}	Australia	100	-
APA EE Australia Pty Limited ^{(b),(c)}	Australia	100	-
APA EE Corporate Shared Services Pty Limited ^{(b),(c)}	Australia	100	-
APA EE Holdings Pty Limited ^{(b),(c)}	Australia	100	-
Epic Energy East Pipelines Trust ^(b)	Australia	100	-
APA (NT) Pty Limited ^{(b),(c)}	Australia	100	-
Epic Energy South Australia Pty Limited ^(e)	Australia	-	-
MAPS FinCo Pty Limited	Australia	100	-

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

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

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

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

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

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

CONTINUED

For the financial year ended 30 June 2013

41. ACQUISITION OF BUSINESSES

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

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

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

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

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

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

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

CONTINUED

For the financial year ended 30 June 2013

41. 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				PROVISIONAL 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 - current period				257,062
Prior year transaction costs paid				8,259
Total cash outflow on acquisitions				265,321

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

CONTINUED

For the financial year ended 30 June 2013

42. DISPOSAL OF BUSINESSES

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

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

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

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

CONTINUED

For the financial year ended 30 June 2013

43. COMMITMENTS FOR EXPENDITURE**Capital expenditure commitments**

	2013 \$000	2012 \$000
PLANT AND EQUIPMENT		
Not longer than 1 year	119,413	55,087
Longer than 1 year and not longer than 5 years	-	-
Longer than 5 years	-	-
	119,413	55,087
CONSOLIDATED ENTITY'S SHARE OF JOINTLY CONTROLLED OPERATION'S COMMITMENTS		
Not longer than 1 year	45,637	79,806
Longer than 1 year and not longer than 5 years	-	49,655
Longer than 5 years	-	-
	45,637	129,461

44. REMUNERATION OF EXTERNAL AUDITOR

	2013 \$	2012 \$
Amounts received or due and receivable by Deloitte Touche Tohmatsu for:		
Auditing the financial report	765,300	570,300
Compliance plan audit	20,700	20,700
Tax compliance and advice ^(a)	193,305	5,500
Other assurance services ^(a)	505,000	646,400
	1,484,305	1,242,900

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

45. DIRECTOR COMPENSATION**(a) Details of Directors**

The Directors of the APA group of entities during the financial year were:

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

M J McCormack (Managing Director/Chief Executive Officer)

S Crane (Independent Non-Executive Director)

J A Fletcher (Independent Non-Executive Director)

R A Higgins AO (Independent Non-Executive Director)

P M McKenzie (Independent Non-Executive Director)

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

R J Wright (Independent Non-Executive Director)

(b) Director compensation

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

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

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

CONTINUED

For the financial year ended 30 June 2013

45. DIRECTOR COMPENSATION (CONTINUED)

(b) Director compensation (continued)

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

	SHORT-TERM EMPLOYMENT BENEFITS		POST- EMPLOYMENT	LONG-TERM INCENTIVE PLANS	
	SALARY/FEEES \$	SHORT-TERM INCENTIVE SCHEME \$	SUPER- ANNUATION \$	SHARE-BASED PAYMENTS ^(a) \$	TOTAL \$
NON-EXECUTIVE DIRECTORS					
L F Bleasel AM					
2013	317,252	-	24,998	-	342,250
2012	289,000	-	24,400	-	313,400
S Crane					
2013	146,970	-	13,230	-	160,200
2012	134,750	-	12,128	-	146,878
J A Fletcher					
2013	156,723	-	19,012	-	175,735
2012	117,000	-	43,250	-	160,250
R A Higgins AO					
2013	160,223	-	14,427	-	174,650
2012	146,000	-	13,145	-	159,145
P M McKenzie					
2013	143,000	-	12,850	-	155,850
2012	130,000	-	11,675	-	141,675
M Muhammad ^(b)					
2013	43,043	-	-	-	43,043
2012	130,000	-	-	-	130,000
R J Wright					
2013	164,238	-	14,763	-	179,001
2012	150,750	-	13,550	-	164,300
TOTAL REMUNERATION: NON-EXECUTIVE DIRECTORS					
2013	1,131,449	-	99,280	-	1,230,729
2012	1,097,500	-	118,148	-	1,215,648
EXECUTIVE DIRECTORS					
M J McCormack					
2013	1,167,500	1,132,313	25,000	1,165,290	3,490,103
2012	965,000	700,350	50,000	1,021,548	2,736,898
TOTAL REMUNERATION: DIRECTORS					
2013	2,298,949	1,132,313	124,280	1,165,290	4,720,832
2012	2,062,500	700,350	168,148	1,021,548	3,952,546

(a) Cash settled share-based payments.

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

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

CONTINUED

For the financial year ended 30 June 2013

46. KEY MANAGEMENT PERSONNEL COMPENSATION

(a) Details of key management personnel

The members of key management personnel of the APA group of entities during the financial year were:

M J McCormack (Managing Director/Chief Executive Officer)

P J Fredricson (Chief Financial Officer)

R M Gersbach (Chief Executive Strategy and Development)

S P Ohi (Group Executive Strategic Projects, retired 1 July 2013)

M T Knapman (Company Secretary)

P J Wallace (Group Executive Human Resources)

R A Wheals (Group Executive Transmission)

J L Ferguson (Group Executive Networks)

K Lester (Group Executive Infrastructure Development, appointed 6 August 2012)

(b) Key management personnel compensation

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

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

The executive remuneration strategy is to:

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

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

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

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

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

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

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

CONTINUED

For the financial year ended 30 June 2013

46. KEY MANAGEMENT PERSONNEL COMPENSATION (CONTINUED)**(b) Key management personnel compensation (continued)**

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

	SHORT-TERM EMPLOYMENT BENEFITS			POST-EMPLOYMENT	LONG-TERM INCENTIVE PLANS	OTHER PAYMENTS ^(b)	TOTAL
	SALARY/FEES \$	SHORT-TERM INCENTIVE SCHEME \$	NON-MONETARY \$	SUPER-ANNUATION \$	SHARE-BASED PAYMENTS ^(a) \$	\$	\$
KEY MANAGEMENT PERSONNEL							
M J McCormack							
2013	1,167,500	1,132,313	-	25,000	1,165,290	-	3,490,103
2012	965,000	700,350	-	50,000	1,021,548	-	2,736,898
P J Fredricson							
2013	653,530	477,375	-	16,470	462,536	202,000	1,811,911
2012	590,225	292,395	-	15,775	290,755	-	1,189,150
R M Gersbach							
2013	707,608	505,080	11,922	16,470	522,376	228,667	1,992,123
2012	658,303	321,563	11,922	15,775	475,330	-	1,482,893
S P Ohi ^(c)							
2013	465,530	312,375	-	24,470	362,815	245,000	1,410,190
2012	415,377	182,125	4,848	49,775	337,336	-	989,461
M T Knapman							
2013	411,000	215,482	-	25,000	234,415	-	885,897
2012	366,000	132,922	-	50,000	215,843	-	764,765
P J Wallace							
2013	345,149	237,263	-	24,999	129,441	-	736,852
2012	272,243	147,345	-	41,257	60,110	-	520,955
R A Wheals							
2013	390,000	239,663	-	25,000	193,639	60,000	908,302
2012	329,000	117,369	-	25,000	119,753	-	591,122
J L Ferguson ^(e)							
2013	358,130	267,143	-	24,870	185,791	130,000	965,934
2012	295,422	119,747	-	50,578	117,801	-	583,548
K Lester ^(d)							
2013	299,905	180,216	-	20,928	45,835	100,000	646,884
2012	-	-	-	-	-	-	-
TOTAL REMUNERATION							
2013	4,798,352	3,566,910	11,922	203,207	3,302,138	965,667	12,848,196
2012	3,891,570	2,013,816	16,770	298,160	2,638,476	-	8,858,792

(a) Cash settled share-based payments.

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

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

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

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

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

CONTINUED

For the financial year ended 30 June 2013

47. RELATED PARTY TRANSACTIONS**(a) Equity interest in related parties**

Details of the percentage of ordinary securities held in subsidiaries are disclosed in Note 40 and the details of the percentage held in jointly controlled operations are disclosed in Note 39. Details of interests in jointly controlled entities and associates are disclosed in Note 17.

(b) Responsible Entity – Australian Pipeline Limited

The Responsible Entity is wholly owned by APT Pipelines Limited.

(c) Transactions with key management personnel

Details of Directors and key management personnel compensation are disclosed in Note 45 and 46 respectively.

(i) Loans to key management personnel

No loans have been made to key management personnel.

(ii) Key management personnel equity holdings

	FULLY PAID SECURITIES OPENING BALANCE	SECURITIES ACQUIRED DURING THE FINANCIAL YEAR	SECURITIES DISPOSED DURING THE FINANCIAL YEAR	FULLY PAID SECURITIES CLOSING BALANCE
2013				
L F Bleasel AM	443,093	17,571	-	460,664
S Crane	100,000	-	-	100,000
J A Fletcher	63,298	2,890	-	66,188
R A Higgins AO	86,160	5,880	-	92,040
P M McKenzie	12,500	-	-	12,500
M Muhammad ^(a)	42,818	-	-	42,818
R J Wright	36,924	2,520	-	39,444
M J McCormack	195,264	13,326	-	208,590
P J Fredricson	6,216	1,500	-	7,716
R M Gersbach	454	31	-	485
S P Ohl	14,896	-	-	14,896
M T Knapman	7,000	201	-	7,201
P J Wallace	-	6,000	-	6,000
R A Wheals	1,500	-	-	1,500
J L Ferguson	1,967	-	-	1,967

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

2012

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

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

CONTINUED

For the financial year ended 30 June 2013

47. RELATED PARTY TRANSACTIONS (CONTINUED)

(c) Transactions with key management personnel (continued)

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

Other than Directors compensation (Note 45) and key management personnel compensation (Note 46) and equity holdings (Note 47(c)(ii)), there are no other transactions with key management personnel of the Group and the Responsible Entity.

(d) Transactions with related parties within APA Group

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

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

(e) Transactions with other related parties

Transactions with associates and jointly controlled entities

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

	PURCHASES SALES TO RELATED PARTIES \$	AMOUNT FROM RELATED PARTIES \$	AMOUNT OWED BY RELATED PARTIES \$	OWED TO RELATED PARTIES \$
2013				
SEA Gas	3,121,756	4,844	106,596	-
Energy Infrastructure Investments	23,316,649	-	5,910,899	-
EII 2	654,438	-	40,197	-
APA Ethane Ltd	200,000	-	-	-
Diamantina Power Station	4,392,146	-	142,617	-
GDI (EII)	39,626,374	-	5,077,118	-
Envestra Limited	326,934,622	1,255,441	35,644,118	-
	398,245,985	1,260,285	46,921,545	-

Interest income on a shareholder loan to Diamantina during the year was \$3,630,160. At year end, APA had receivables with other related parties of \$9,009,417.

2012

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

Interest income on a shareholder loan to Diamantina during the year was \$2,265,286. At year end, APA had receivables with other related parties of \$6,744,692.

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

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

CONTINUED

For the financial year ended 30 June 2013

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.

	2013 \$000	2012 \$000
FINANCIAL POSITION		
Assets		
Current assets	902,410	402,383
Non-current assets	1,029,610	846,475
Total assets	1,932,020	1,248,858
Liabilities		
Current liabilities	98,473	98,427
Non-current liabilities	-	-
Total liabilities	98,473	98,427
Net Assets	1,833,547	1,150,431
Equity		
Issued capital	1,820,516	1,138,205
Retained earnings	11,294	9,881
Reserves		
Available-for-sale investment revaluation reserve	1,737	2,345
Total equity	1,833,547	1,150,431
FINANCIAL PERFORMANCE		
Profit for the year	156,128	49,363
Other comprehensive income	(607)	1,583
Total comprehensive income	155,521	50,946

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

	2013 \$000	2012 \$000
CONTINGENT LIABILITIES		
Bank guarantees	157,200	31,632
CONTINGENT ASSETS		
	-	-

50. EVENTS OCCURRING AFTER REPORTING DATE

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

On 21 August 2013, the Directors declared a final distribution of 18.5 cents per security (\$154.6 million) for the APA Group (comprising a distribution of

16.02 cents per security from APT and a distribution of 2.48 cents per security from APTIT), made up of 18.34 cents per security profit distribution (unfranked) and 0.16 cents per security capital distribution. The distribution will be paid on 11 September 2013.

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 2013

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 the Consolidated Entity;
- (c) in the Directors' opinion, the financial statements and notes thereto are in accordance with International Financial Reporting Standards as stated in Note 3 to the financial statements; and
- (d) the Directors have been given the declarations by the Managing Director and Chief Financial Officer required by section 295A of the Corporations Act 2001.

Signed in accordance with a resolution of the Directors 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, 21 August 2013

AUDITOR'S INDEPENDENCE DECLARATION

For the financial year ended 30 June 2013

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

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The Directors
Australian Pipeline Limited as responsible entity for
Australian Pipeline Trust
HSBC Building
Level 19, 580 George Street
Sydney NSW 2000

21 August 2013

Dear Directors

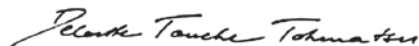
Auditors Independence Declaration to Australian Pipeline Limited as responsible entity for Australian Pipeline Trust

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 2013, I declare that to the best of my knowledge and belief, there have been no contraventions of:

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

Yours sincerely



DELOITTE TOUCHE TOHMATSU



G Couttas
Partner
Chartered Accountants

Liability limited by a scheme approved under Professional Standards Legislation
Member of Deloitte Touche Tohmatsu Limited

INDEPENDENT AUDITOR'S REPORT

For the financial year ended 30 June 2013



Deloitte Touche Tohmatsu
ABN 74 490 121 060

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225 George Street
Sydney NSW 2000
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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 2013, the statement of profit or loss and other comprehensive income, the statement of cash flows and the statement of changes in equity for the year ended on that date, notes comprising a summary of significant accounting policies and other explanatory information, and the directors' declaration of the consolidated entity, comprising the 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 37 to 98.

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.

INDEPENDENT AUDITOR'S REPORT

CONTINUED

For the financial year ended 30 June 2013

Deloitte.

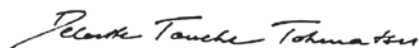
Auditor's Independence Declaration

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 2013 and of its performance for the year ended on that date; and
 - (ii) complying with Australian Accounting Standards and the *Corporations Regulations 2001*; and
- (b) the financial statements also comply with International Financial Reporting Standards as disclosed in Note 3.



DELOITTE TOUCHE TOHMATSU



G Couttas
Partner
Chartered Accountants
Sydney, 21 August 2013

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 2013. 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 year and since the year end are:

Leonard Bleasel AM	Chairman
Michael McCormack	Chief Executive Officer and Managing Director
Steven Crane	
John Fletcher	
Russell Higgins AO	
Patricia McKenzie	
Muri Muhammad (retired 24 October 2012)	
Robert Wright	

DISTRIBUTIONS

Distributions paid to Securityholders during the year were:

	FINAL FY2012 DISTRIBUTION PAID 14 SEPTEMBER 2012		INTERIM FY2013 DISTRIBUTION PAID 13 MARCH 2013	
	Cents per security	Total distribution \$000	Cents per security	Total distribution \$000
APTIT profit distribution	3.28	21,160	2.26	18,719
APTIT capital distribution	2.31	14,879	-	-
Total	5.59	36,039	2.26	18,719

On 21 August 2013, the Directors declared a final distribution for APTIT for the year of 2.48 cents per security which is payable on 11 September 2013 and will comprise the following components:

	FINAL FY2013 DISTRIBUTION PAYABLE 11 SEPTEMBER 2013	
	Cents per security	Total distribution \$000
APTIT profit distribution	2.32	19,424
APTIT capital distribution	0.16	1,313
Total	2.48	20,737

Distribution information is presented on an accounting classification basis. The APA Annual Tax Statement and Annual Tax Return Guide (to be released in September 2013) provide the classification of distribution components for the purposes of preparation of securityholder income tax returns.

DIRECTORS' REPORT

CONTINUED

SUBSEQUENT EVENTS

Except as disclosed elsewhere in this report, the Directors are unaware of any matter or circumstance that has occurred since the end of the year that has significantly affected or may significantly affect the operations of 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 18. 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 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 year, and the number of APA securities at the end of the year, are disclosed in Note 10 to the financial statements.

The value of APA's assets as at the end of the year is disclosed in the balance sheet in total assets, and the basis of valuation is included in Note 3 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 124.

ROUNDING OF AMOUNTS

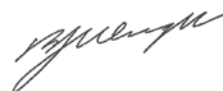
APA is an entity of the kind referred to in ASIC Class Order 98/0100 dated 10 July 1998 and, in accordance with that Class Order, amounts in the Directors' report and the financial report are rounded to the nearest thousand dollars, unless otherwise indicated.

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, 21 August 2013

CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME

For the financial year ended 30 June 2013

	Note	2013 \$000	2012 \$000
CONTINUING OPERATIONS			
Revenue	4	38,155	45,969
Expenses	4	(12)	(12)
Profit before tax		38,143	45,957
Income tax expense		-	-
Profit for the year		38,143	45,957
Other comprehensive income			
Items that may be reclassified to profit and loss:			
(Loss)/gain on available-for-sale investments taken to equity		(1,157)	1,090
Other comprehensive income for the year (net of tax)		(1,157)	1,090
Total comprehensive income for the year		36,986	47,047
Profit Attributable to:			
Equityholders of the parent		38,143	45,957
		38,143	45,957
Total comprehensive income attributable to:			
Equityholders of the parent		36,986	47,047
EARNINGS PER SECURITY			
Basic and diluted earnings per security (cents)	12	4.9	7.2

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 2013

	Note	2013 \$000	2012 \$000
CURRENT ASSETS			
Receivables	6	641	755
NON-CURRENT ASSETS			
Receivables	7	11,260	11,869
Other financial assets	8	586,794	374,236
Total non-current assets		598,054	386,105
Total assets		598,695	386,860
CURRENT LIABILITIES			
Trade and other payables	9	24	10
Total liabilities		24	10
Net assets		598,671	386,850
EQUITY			
Issued capital	10	578,780	364,066
Reserves	11	467	1,624
Retained earnings		19,424	21,160
Total equity		598,671	386,850

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 2013

	Note	ISSUED CAPITAL \$000	RESERVES \$000	RETAINED EARNINGS \$000	TOTAL \$000
Balance at 1 July 2011		382,001	534	18,295	400,830
Profit for the year		-	-	45,957	45,957
Other comprehensive income for the period (net of tax)	11	-	1,090	-	1,090
Total comprehensive income for the year		-	1,090	45,957	47,047
Issue of capital (net of issue costs)	10	10,715	-	-	10,715
Distributions to Securityholders	5	(28,650)	-	(43,092)	(71,742)
Balance at 30 June 2012		364,066	1,624	21,160	386,850
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 period (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

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 2013

	2013 \$000	2012 \$000
CASH FLOWS FROM OPERATING ACTIVITIES		
Trust distribution - related party	25,190	31,270
Capital distribution received - external	271	521
Dividends received	150	152
Interest received - related parties	13,888	9,906
Finance lease receivable repayments	1,167	1,167
Receipts from customers	167	150
Payments to suppliers	(12)	(12)
Net cash provided by operating activities	40,821	43,154
CASH FLOWS FROM INVESTING ACTIVITIES		
(Advances to)/repayment received from related parties	(3,635)	17,873
Net cash (used in)/provided by investing activities	(3,635)	17,873
CASH FLOWS FROM FINANCING ACTIVITIES		
Proceeds from issue of securities	19,663	10,715
Payments of security issue costs	(2,091)	-
Distributions to Securityholders	(54,758)	(71,742)
Net cash used in financing activities	(37,186)	(61,027)
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 2013

1. GENERAL INFORMATION

APT Investment Trust ("APTIT" or "Trust") is one of the two stapled entities of APA Group ("APA"), the other stapled entity being Australian Pipeline Trust ("APT"), listed on the Australian Securities Exchange (trading under the symbol 'APA'), registered in Australia and operating in Australia.

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 and financing entity within the Australian Pipeline Trust stapled group.

2. SIGNIFICANT ACCOUNTING POLICIES

Statement of compliance

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

The financial report represents the consolidated financial statements of the Consolidated Entity. For the purposes of preparing the consolidated financial report, the Consolidated Entity is a for-profit entity. Accounting Standards include Australian equivalents to International Financial Reporting Standards ("A-IFRS"). Compliance with A-IFRS ensures that the financial statements and notes of the Trust and the Consolidated Entity comply with International Financial Reporting Standards ("IFRS").

The financial statements were authorised for issue by the Directors on 21 August 2013.

Basis of preparation

The financial report has been prepared on the basis of historical cost, except for the revaluation of certain non-current assets and financial instruments. Cost is based on the fair values of the consideration given in exchange for assets.

The financial report is presented in Australian dollars and all values are rounded to the nearest thousand dollars (\$000) unless otherwise stated under the option available to APTIT under ASIC Class Order 98/0100. APTIT is an entity to which the class order applies.

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

In the current year, the Consolidated Entity has adopted all of the new and revised Standards and Interpretations issued by the Australian Accounting Standards Board ("AASB") that are relevant to its operations and effective for the current annual reporting period. Details of the impact of the adoption of these new accounting standards are set out in the individual accounting policy notes set out below:

(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. Details of other Standards and Interpretations adopted in these financial statements but that have had no effect on the amounts reported are set out in part b.

Standards affecting presentation and disclosure

STANDARD

- Amendments to AASB 101 'Presentation of Financial Statements'

IMPACT

The amendments (part of AASB 2011-9 'Amendments to Australian Accounting Standards - Presentation of Items of Other Comprehensive Income') introduce new terminology for the statement of comprehensive income and income statement. Under the amendments to AASB 101, the statement of comprehensive income is renamed as a statement of profit or loss and other comprehensive income and the income statement is renamed as a statement of profit or loss. The amendments to AASB 101 retain the option to present profit or loss and other comprehensive income in either a single statement or in two separate but consecutive statements. However, the amendments to AASB 101 require items of other comprehensive income to be grouped into two categories in the other comprehensive income section: (a) items that will not be reclassified subsequently to profit or loss and (b) items that may be reclassified subsequently to profit or loss when specific conditions are met. Income tax on items of other comprehensive income is required to be located on the same basis – the amendments do not change the option to present items of other comprehensive income either before tax or net of tax. The amendments have been applied retrospectively, and hence the presentation of items of other comprehensive income has been modified to reflect the changes. Other than the above mentioned presentation changes, the application of the amendments to AASB 101 does not result in any impact on profit or loss, other comprehensive income and total comprehensive income.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

CONTINUED

For the financial year ended 30 June 2013

2. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

STANDARD	IMPACT
– Amendments to AASB 101 'Presentation of Financial Statements'	The amendments (part of AASB 2012-5 'Further Amendments to Australian Accounting Standards arising from Annual Improvements 2009-2011 Cycle') requires an entity that changes accounting policies retrospectively, or makes a retrospective restatement or reclassification to present a statement of financial position as at the beginning of the preceding period (third statement of financial position), when the retrospective application, restatement or reclassification has a material effect on the information in the third statement of financial position. The related notes to the third statement of financial position are not required to be disclosed.

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

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

(c) Standards and Interpretations issued not yet adopted

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

STANDARD/INTERPRETATION	EFFECTIVE FOR ANNUAL REPORTING PERIODS BEGINNING ON OR AFTER	EXPECTED TO BE INITIALLY APPLIED IN THE FINANCIAL YEAR ENDING
– AASB 9 'Financial Instruments', and the relevant amending standards	1 January 2015	30 June 2016
– AASB 10 'Consolidated Financial Statements' and AASB 2011-7 'Amendments to Australian Accounting Standards arising from the consolidation and Joint Arrangements standards'	1 January 2013	30 June 2014
– AASB 11 'Joint Arrangements' and AASB 2011-7 'Amendments to Australian Accounting Standards arising from the consolidation and Joint Arrangements standards'	1 January 2013	30 June 2014
– AASB 12 'Disclosure of Interests in Other Entities' and AASB 2011-7 'Amendments to Australian Accounting Standards arising from the consolidation and Joint Arrangements standards'	1 January 2013	30 June 2014
– AASB 127 'Separate Financial Statements' (2011) and AASB 2011-7 'Amendments to Australian Accounting Standards arising from the consolidation and Joint Arrangements standards'	1 January 2013	30 June 2014
– AASB 128 'Investments in Associates and Joint Ventures' (2011) and AASB 2011-7 'Amendments to Australian Accounting Standards arising from the consolidation and Joint Arrangements standards'	1 January 2013	30 June 2014
– AASB 13 Fair Value Measurement and AASB 2010-8 'Amendments to Australian Accounting Standards arising from AASB 13'	1 January 2013	30 June 2014
– AASB 119 'Employee Benefits' (2011) and AASB 2011-10 'Amendments to Australian Accounting Standards arising from AASB 119 (2011)'	1 January 2013	30 June 2014
– AASB 2011-4 'Amendments to Australian Accounting Standards to Remove Individual Key Management Personnel Disclosure Requirements'	1 July 2013	30 June 2014
– AASB 2012-2 'Amendments to Australian Accounting Standards – Disclosures – Offsetting Financial Assets and Financial Liabilities'	1 January 2013	30 June 2014
– AASB 2012-3 'Amendments to Australian Accounting Standards – Offsetting Financial Assets and Financial Liabilities'	1 January 2014	30 June 2015
– AASB 2012-5 'Amendments to Australian Accounting Standards arising from Annual Improvements 2009-2011 Cycle'	1 January 2013	30 June 2014
– AASB 2012-10 'Amendments to Australian Accounting Standards – Transition Guidance and Other Amendments'	1 January 2013	30 June 2014
– AASB 2013-3 'Amendments to AASB 136 - Recoverable Amount Disclosures for Non-Financial Assets'	1 January 2014	30 June 2015

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

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

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

CONTINUED

For the financial year ended 30 June 2013

2. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

(a) Basis of consolidation

The consolidated financial statements incorporate the financial statements of the Trust and entities controlled by the Trust (its subsidiaries) (referred to as the Consolidated Entity in these financial statements). Control is achieved where the Trust has the power to govern the financial and operating policies of an entity so as to obtain benefits from its activities. The results of subsidiaries acquired during the financial year are included in the statement of comprehensive income from the effective date of acquisition. Where necessary, adjustments are made to financial statements of subsidiaries to bring their accounting policies into line with those used by other members of the Consolidated Entity. All intra-group transactions, balances, income and expenses are eliminated in full on consolidation.

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

(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) Business combinations

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

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

Where a business combination is achieved in stages, the consolidated entity's previously held interests in the acquired entity are remeasured to fair value at

the acquisition date and the resulting gains or losses, if any, are recognised in profit or loss. Amounts arising from interests in the acquiree prior to the acquisition date that have previously been recognised in other comprehensive income are reclassified to profit or loss, where such treatment would be appropriate if that interest were disposed of.

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

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

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

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

(f) 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 statement of financial position classification of the related debt or equity instruments or component parts of compound instruments.

(g) Goods and services tax

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

- where the amount of GST incurred is not recoverable from the taxation authority, it is recognised as part of the cost of acquisition of an asset or as part of an item of expense; or
- for receivables and payables which are recognised inclusive of GST, except for accrued revenue and accrued expenses at balance dates which exclude GST.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

CONTINUED

For the financial year ended 30 June 2013

2. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

(g) Goods and services tax (continued)

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.

(h) 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.

(i) 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.

(j) 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.

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 impacted.

(k) 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, agreed between the parties at the end of each month and is determined by reference to market rates.

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.

(l) 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.

(m) Segment information

APTIT has one reportable segment being energy infrastructure investment and operation.

APTIT is an investing and financing 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.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

CONTINUED

For the financial year ended 30 June 2013

3. CRITICAL ACCOUNTING JUDGEMENTS AND KEY SOURCES OF ESTIMATION UNCERTAINTY (CONTINUED)**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.

4. PROFIT FROM OPERATIONS

Profit before income tax includes the following items of income and expense:

	2013 \$000	2012 \$000
REVENUE		
Distributions		
Trust distribution - related party	25,190	31,270
Other entities	130	177
	25,320	31,447
FINANCE INCOME		
Interest - related parties	13,541	9,758
(Loss)/gain on financial asset held at fair value through profit and loss	(1,460)	4,000
Finance lease income - related party	587	614
	12,668	14,372
OTHER REVENUE		
Other	167	150
Total revenue	38,155	45,969
EXPENSES		
Audit fees	(12)	(12)
Total expenses	(12)	(12)

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

CONTINUED

For the financial year ended 30 June 2013

5. DISTRIBUTIONS

	2013 CENTS PER SECURITY	2013 TOTAL \$000	2012 CENTS PER SECURITY	2012 TOTAL \$000
RECOGNISED AMOUNTS:				
Final distribution paid on 15 September 2012				
(2012: 15 September 2011)				
Profit distribution ^(a)	3.28	21,160	3.41	18,295
Capital distribution	2.31	14,879	2.66	15,449
	5.59	36,039	6.07	33,744
Interim distribution paid on 13 March 2013				
(2012: 15 March 2012)				
Profit distribution ^(a)	2.26	18,719	3.88	24,797
Capital distribution	-	-	2.06	13,201
	2.26	18,719	5.94	37,998
UNRECOGNISED AMOUNTS:				
Final distribution payable on 11 September 2013 ^(b)				
(2012: 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

(a) Profit distributions unfranked (2012: unfranked).

(b) Record date 28 June 2013.

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

	2013 \$000	2012 \$000
Other debtors	32	175
Finance lease receivable - related party (Note 14)	609	580
	641	755

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

Finance lease receivable - related party (Note 14)	11,260	11,869
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NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

CONTINUED

For the financial year ended 30 June 2013

8. NON-CURRENT OTHER FINANCIAL ASSETS

	2013 \$000	2012 \$000
Advance to related party	442,225	226,556
Investments carried at cost:		
Investment in related party ^(a)	107,379	107,379
	549,604	333,935
Financial assets carried at fair value:		
Redeemable ordinary shares ^(b)	34,807	36,614
Available-for-sale investments carried at fair value ^(c)	2,383	3,687
	586,794	374,236

(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 rights to the income and capital of GasNet A Trust, but hold no voting rights. As such, GAIT neither controls nor has a significant influence over GasNet A Trust. GasNet Australia Trust, a related party wholly owned by APA, owns 100% of the A Class units in GasNet A Trust and, accordingly, GasNet A Trust is included in the consolidation of the APA entities. 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. Capital distributions of \$270,899 were received during the year.

9. TRADE AND OTHER PAYABLES

Other payables	24	10
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10. ISSUED CAPITAL

835,751,807 securities, fully paid (2012: 644,485,583 securities, fully paid) ^(a)	578,780	364,066
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	2013 NO. OF UNITS 000	2013 \$000	2012 NO. OF UNITS 000	2012 \$000
MOVEMENTS				
Balance at beginning of financial year	644,486	364,066	634,116	382,001
Issue of securities under Distribution Reinvestment Plan	15,548	19,663	10,370	10,733
Issue of securities as consideration for related party acquisition ^(b)	175,717	212,035	-	-
Issue cost of securities	-	(2,105)	-	(18)
Capital distributions paid (Note 5)	-	(14,879)	-	(28,650)
Balance at end of financial year	835,751	578,780	644,486	364,066

(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 during the year.

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 2013

11. RESERVES

	2013 \$000	2012 \$000
Available-for-sale investment revaluation reserve		
Balance at beginning of financial year	1,624	534
Valuation (loss)/gain recognised	(1,157)	1,090
Balance at end of financial year	467	1,624

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

Basic and diluted earnings per security (cents)	4.9	7.2
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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)	38,143	45,957
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	NO. OF SECURITIES	
	2013	2012
Weighted average number of ordinary securities on issue used in the calculation (000)	772,314	639,743

13. REMUNERATION OF EXTERNAL AUDITOR

	2013 \$	2012 \$
Amounts received or due and receivable by Deloitte Touche Tohmatsu for:		
Auditing the financial report	11,958	11,958

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

CONTINUED

For the financial year ended 30 June 2013

14. LEASES

	2013 \$000	2012 \$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	10,506	11,673
Minimum future lease payments receivable ^(a)	16,342	17,509
Gross finance lease receivables	16,342	17,509
Less: unearned finance lease receivables	(4,473)	(5,060)
Present value of lease receivables	11,869	12,449
Included in the financial statements as part of:		
Current receivables (Note 6)	609	580
Non-current receivables (Note 7)	11,260	11,869
	11,869	12,449

(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 Consolidated Entity had no derivative instruments in place in the current or prior period.

The Corporate Treasury function, via the CFO, reports regularly to APA Group's Audit and Risk Management independent body that monitors risks and policies implemented to mitigate risk exposures.

(b) 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.

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

(d) 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 majority of the shareholdings rest with one company 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 (2012: \$nil); and
- equity reserves would decrease/increase by \$71,000 (2012: \$173,000), due to the changes in the fair value of available-for-sale shares.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

CONTINUED

For the financial year ended 30 June 2013

15. FINANCIAL INSTRUMENTS (CONTINUED)**(d) Market risk management (continued)**

The Consolidated Entity'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 a significantly lower beta value on Ethane Pipeline Income Fund shares.

(e) Fair values 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 \$000	Level 2 \$000	Level 3 \$000	Total \$000
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 Pty Limited	-	-	34,807	34,807
Total	2,383	-	34,807	37,190

2012**Financial assets measured at fair value**

Available-for-sale listed equity securities

Ethane Pipeline Income Fund	3,685	-	-	3,685
Hastings Diversified Utilities Fund	2	-	-	2
Unlisted Redeemable Ordinary Shares				
Energy Infrastructure Investments Pty Limited	-	-	36,614	36,614
Total	3,687	-	36,614	40,301

Reconciliation of Level 3 fair value measurements of financial assets

	FAIR VALUE THROUGH PROFIT OR LOSS	
	2013 \$000	2012 \$000
Opening balance	36,614	32,761
Total gains or losses:		
– in profit or loss: Interest - related parties	3,949	3,894
– in profit or loss: (Loss)/gain on financial asset held at fair value through profit and loss	(1,460)	4,000
Distributions	(4,296)	(4,041)
Closing balance	34,807	36,614

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

CONTINUED

For the financial year ended 30 June 2013

15. FINANCIAL INSTRUMENTS (CONTINUED)

(e) Fair values of financial instruments (continued)

Significant assumptions used in determining fair value of financial assets and liabilities

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) (2012: \$0.99) and the ordinary price at issuance (\$0.01) (2012: \$0.01) are at their fair value;
- the risk free rate of return is 3.19% (2012: 2.72%) per annum and is based upon an interpolation of the five and ten year Government bond rates at the valuation date;

- the ROS discretionary dividends are estimated based on an internal forecasted cash flow model; and
- the value of the option to convert is deemed to be zero (2012: 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.

(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 \$485,000 or decrease by \$412,000 (2012: decrease by \$709,000 or increase by \$814,000 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 reversed from the prior year 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	
		2013 %	2012 %
Parent entity			
APT Investment Trust			
Controlled entity			
GasNet Australia Investments Trust	Australia	100	100

17. DIRECTOR COMPENSATION

(a) Details of Directors

The Directors of the APA group of entities during the financial year were:

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

M J McCormack (Managing Director/Chief Executive Officer)

S Crane (Independent Non-Executive Director)

J A Fletcher (Independent Non-Executive Director)

R A Higgins AO (Independent Non-Executive Director)

P M McKenzie (Independent Non-Executive Director)

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

R J Wright (Independent Non-Executive Director)

(b) Director compensation

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

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

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

CONTINUED

For the financial year ended 30 June 2013

17. DIRECTOR COMPENSATION (CONTINUED)**(b) Director compensation (continued)**

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

	SHORT-TERM EMPLOYMENT BENEFITS		POST- EMPLOYMENT	INCENTIVE PLANS	
	SALARY/FEEES \$	SHORT-TERM INCENTIVE SCHEME \$	SUPERANNUATION \$	SHARE-BASED PAYMENTS ^(a) \$	TOTAL \$
NON-EXECUTIVE DIRECTORS					
L F Bleasel AM					
2013	317,252	-	24,998	-	342,250
2012	289,000	-	24,400	-	313,400
S Crane					
2013	146,970	-	13,230	-	160,200
2012	134,750	-	12,128	-	146,878
J A Fletcher					
2013	156,723	-	19,012	-	175,735
2012	117,000	-	43,250	-	160,250
R A Higgins AO					
2013	160,223	-	14,427	-	174,650
2012	146,000	-	13,145	-	159,145
P M McKenzie					
2013	143,000	-	12,850	-	155,850
2012	130,000	-	11,675	-	141,675
M Muhammad ^(b)					
2013	43,043	-	-	-	43,043
2012	130,000	-	-	-	130,000
R J Wright					
2013	164,238	-	14,763	-	179,001
2012	150,750	-	13,550	-	164,300
TOTAL REMUNERATION: NON-EXECUTIVE DIRECTORS					
2013	1,131,449	-	99,280	-	1,230,729
2012	1,097,500	-	118,148	-	1,215,648
EXECUTIVE DIRECTOR					
M J McCormack					
2013	1,167,500	1,132,313	25,000	1,165,290	3,490,103
2012	965,000	700,350	50,000	1,021,548	2,736,898
TOTAL REMUNERATION: DIRECTORS					
2013	2,298,949	1,132,313	124,280	1,165,290	4,720,832
2012	2,062,500	700,350	168,148	1,021,548	3,952,546

(a) Cash settled share-based payments.

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

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

CONTINUED

For the financial year ended 30 June 2013

18. KEY MANAGEMENT PERSONNEL COMPENSATION**(a) Details of key management personnel**

The members of key management personnel of the APA group of entities during the financial year were:

M J McCormack (Managing Director/Chief Executive Officer)

P J Fredricson (Chief Financial Officer)

R M Gersbach (Chief Executive Strategy and Development)

S P Ohi (Group Executive Strategic Projects, retired 1 July 2013)

M T Knapman (Company Secretary)

P J Wallace (Group Executive Human Resources)

R A Wheals (Group Executive Transmission)

J L Ferguson (Group Executive Networks)

K Lester (Group Executive Infrastructure Development, appointed 6 August 2012)

(b) Key management personnel compensation

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

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

The executive remuneration strategy is to:

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

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

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

Operating cash flow per security has been chosen by the Board as the key performance measure for 'at risk' remuneration. This is directly linked to the strategic goal of increasing operating cash flows over the medium term thereby improving returns to Securityholders.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

CONTINUED

For the financial year ended 30 June 2013

18. KEY MANAGEMENT PERSONNEL COMPENSATION (CONTINUED)**(b) Key management personnel compensation (continued)**

Compensation for each member of the key management personnel of the Consolidated Entity is set out below.

	SHORT-TERM EMPLOYMENT BENEFITS			POST-EMPLOYMENT	LONG-TERM INCENTIVE PLANS		
	SALARY/FEES	SHORT-TERM INCENTIVE SCHEME	NON-MONETARY	SUPER-ANNUATION	SHARE-BASED PAYMENTS ^(a)	OTHER PAYMENTS ^(b)	TOTAL
	\$	\$	\$	\$	\$	\$	\$
KEY MANAGEMENT PERSONNEL							
M J McCormack							
2013	1,167,500	1,132,313	-	25,000	1,165,290	-	3,490,103
2012	965,000	700,350	-	50,000	1,021,548	-	2,736,898
P J Fredricson							
2013	653,530	477,375	-	16,470	462,536	202,000	1,811,911
2012	590,225	292,395	-	15,775	290,755	-	1,189,150
R M Gersbach							
2013	707,608	505,080	11,922	16,470	522,376	228,667	1,992,123
2012	658,303	321,563	11,922	15,775	475,330	-	1,482,893
S P Ohi ^(c)							
2013	465,530	312,375	-	24,470	362,815	245,000	1,410,190
2012	415,377	182,125	4,848	49,775	337,336	-	989,461
M T Knapman							
2013	411,000	215,482	-	25,000	234,415	-	885,897
2012	366,000	132,922	-	50,000	215,843	-	764,765
P J Wallace							
2013	345,149	237,263	-	24,999	129,441	-	736,852
2012	272,243	147,345	-	41,257	60,110	-	520,955
R A Wheals							
2013	390,000	239,663	-	25,000	193,639	60,000	908,302
2012	329,000	117,369	-	25,000	119,753	-	591,122
J L Ferguson ^(e)							
2013	358,130	267,143	-	24,870	185,791	130,000	965,934
2012	295,422	119,747	-	50,578	117,801	-	583,548
K Lester ^(d)							
2013	299,905	180,216	-	20,928	45,835	100,000	646,884
2012	-	-	-	-	-	-	-
TOTAL REMUNERATION							
2013	4,798,352	3,566,910	11,922	203,207	3,302,138	965,667	12,848,196
2012	3,891,570	2,013,816	16,770	298,160	2,638,476	-	8,858,792

(a) Cash settled share-based payments.

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

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

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

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

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

CONTINUED

For the financial year ended 30 June 2013

19. RELATED PARTY TRANSACTIONS**(a) Responsible Entity – Australian Pipeline Limited**

The Responsible Entity is wholly owned by APT Pipelines Limited (2012: 100% owned by APT Pipelines Limited).

(b) Equity interest in related parties

Details of the percentage of ordinary securities held in subsidiaries are disclosed in Note 16.

(c) Transactions with key management personnel

Details of Directors and key management personnel compensation are disclosed in Note 17 and 18 respectively.

(i) Loans to key management personnel

No loans have been made to key management personnel.

(ii) Key management personnel equity holdings in APTIT

	FULLY PAID SECURITIES OPENING BALANCE	SECURITIES ACQUIRED DURING THE FINANCIAL YEAR	SECURITIES DISPOSED DURING THE FINANCIAL YEAR	FULLY PAID SECURITIES CLOSING BALANCE
2013				
L F Bleasel AM	443,093	17,571	-	460,664
S Crane	100,000	-	-	100,000
J A Fletcher	63,298	2,890	-	66,188
R A Higgins AO	86,160	5,880	-	92,040
P M McKenzie	12,500	-	-	12,500
M Muhammad ^(a)	42,818	-	-	42,818
R J Wright	36,924	2,520	-	39,444
M J McCormack	195,264	13,326	-	208,590
P J Fredricson	6,216	1,500	-	7,716
R M Gersbach	454	31	-	485
S P Ohl	14,896	-	-	14,896
M T Knapman	7,000	201	-	7,201
P J Wallace	-	6,000	-	6,000
R A Wheals	1,500	-	-	1,500
J L Ferguson	1,967	-	-	1,967

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

2012

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

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

CONTINUED

For the financial year ended 30 June 2013

19. RELATED PARTY TRANSACTIONS (CONTINUED)**(d) Transaction 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.

(e) 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 the Trust and its other related parties are outstanding at reporting date:

- current receivables totalling \$608,644 are owing from a subsidiary of APT for amounts due under a finance lease arrangement (2012: \$580,065);
- non-current receivables totalling \$11,259,628 are owing from a subsidiary of APT for amounts due under a finance lease arrangement (2012: \$11,868,272); and
- non-current receivables totalling \$442,224,745 (2012: \$226,556,406) are owing from a subsidiary of APT.

Australian Pipeline Limited

Management fees of \$670,741 (2012: \$630,345) 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 \$670,741 (2012: \$630,345) were reimbursed by APT.

20. 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.

	2013 \$000	2012 \$000
FINANCIAL POSITION		
Assets		
Current assets	641	755
Non-current assets	598,054	386,105
Total assets	598,695	386,860
Liabilities		
Current liabilities	24	10
Non-current liabilities	-	-
Total liabilities	24	10
Net Assets	598,671	386,850
Equity		
Issued capital	578,780	364,066
Retained earnings	19,424	21,160
Reserves		
Available-for-sale investment revaluation reserve	467	1,624
Total equity	598,671	386,850
FINANCIAL PERFORMANCE		
Profit for the year	38,143	45,957
Other comprehensive income	(1,157)	1,090
Total comprehensive income	36,986	47,047

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.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

CONTINUED

For the financial year ended 30 June 2013

21. CONTINGENT LIABILITIES AND CONTINGENT ASSETS

At 30 June 2013, there are no material contingent liabilities or contingent assets (2012: \$nil).

22. SUBSEQUENT EVENTS

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

On 21 August 2013, the Directors declared a final distribution for the 2013 financial year of 2.48 cents per security (\$20.7 million). The distribution represents a 2.32 cents per security unfranked profit distribution and 0.16 cents per security capital distribution. The distribution will be paid on 11 September 2013.

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

APT INVESTMENT TRUST AND ITS CONTROLLED ENTITIES

DECLARATION BY THE DIRECTORS OF AUSTRALIAN PIPELINE LIMITED

For the financial year ended 30 June 2013

The Directors declare that:

- (a) in the Directors' opinion, there are reasonable grounds to believe that APT 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, 21 August 2013

AUDITOR'S INDEPENDENCE DECLARATION

For the financial year ended 30 June 2013

Deloitte.

Deloitte Touche Tohmatsu
ABN 74 490 121 060

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225 George Street
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The Directors
Australian Pipeline Limited as responsible entity for
APT Investment Trust
HSBC Building
Level 19, 580 George Street
Sydney NSW 2000

21 August 2013

Dear Directors

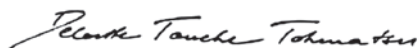
Auditors Independence Declaration to Australian Pipeline Limited as responsible entity for APT Investment Trust

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 2013, I declare that to the best of my knowledge and belief, there have been no contraventions of:

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

Yours sincerely



DELOITTE TOUCHE TOHMATSU



G Couttas
Partner
Chartered Accountants

Liability limited by a scheme approved under Professional Standards Legislation
Member of Deloitte Touche Tohmatsu Limited

INDEPENDENT AUDITOR'S REPORT

For the financial year ended 30 June 2013

Deloitte.

Deloitte Touche Tohmatsu
ABN 74 490 121 060

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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 2013, the statement of profit or loss and other comprehensive income, the statement of cash flows and the statement of changes in equity for the year ended on that date, notes comprising a summary of significant accounting policies and other explanatory information, and the directors' declaration of the consolidated entity, comprising the 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 104 to 123.

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.

INDEPENDENT AUDITOR'S REPORT

CONTINUED

For the financial year ended 30 June 2013



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 2013 and of its performance for the year ended on that date; and
 - (ii) complying with Australian Accounting Standards and the *Corporations Regulations 2001*; and
- (b) the financial statements also comply with International Financial Reporting Standards as disclosed in Note 2.

A handwritten signature in cursive script, reading "Deloitte Touche Tohmatsu".

DELOITTE TOUCHE TOHMATSU

A handwritten signature in cursive script, reading "G. Couttas".

G Couttas
Partner
Chartered Accountants
Sydney, 21 August 2013

ADDITIONAL INFORMATION

Additional information required by the Listing Rules of Australian Securities Exchange Limited and not provided elsewhere in this report (the information is applicable as at 30 August 2013).

TWENTY LARGEST HOLDERS	NO. OF SECURITIES	%
National Nominees Limited	127,588,539	15.27
HSBC Custody Nominees (Australia) Limited	123,941,379	14.83
J P Morgan Nominees Australia Limited	80,336,881	9.61
Citicorp Nominees Pty Limited	31,910,809	3.82
Credit Suisse Securities (Europe) Ltd	16,297,000	1.95
Custodial Services Limited	16,228,161	1.94
Australian Foundation Investment Company Limited	11,643,321	1.39
AMP Life Limited	11,051,086	1.32
BNP Paribas Noms Pty Ltd	9,575,196	1.15
Argo Investments Limited	7,358,455	0.88
Bond Street Custodians Limited	3,833,178	0.46
RBC Dexia Investor Services Australia Nominees Pty Limited	3,097,734	0.37
Djerriwarrh Investments Limited	2,865,000	0.34
QIC Limited	2,405,728	0.29
UBS Nominees Pty Ltd	2,171,948	0.26
Questor Financial Services Limited	1,923,370	0.23
Share Direct Nominees Pty Ltd	1,794,678	0.21
CS Fourth Nominees Pty Ltd	1,741,586	0.21
Navigator Australia Limited	1,624,876	0.19
BKI Investment Company Limited	1,554,452	0.19
Total for top 20	458,943,377	54.91

DISTRIBUTION OF HOLDERS

RANGES	NO. OF HOLDERS	%	NO. OF SECURITIES	%
100,001 and Over	173	0.22	491,082,836	58.76
10,001 to 100,000	8,398	10.45	164,413,738	19.67
5,001 to 10,000	11,854	14.74	85,573,019	10.24
1,001 to 5,000	31,282	38.91	83,612,809	10.01
1 to 1,000	28,688	35.68	11,068,405	1.32
Total	80,395	100.00	835,750,807	100.00

2,694 holders hold less than a marketable parcel of securities (market value less than \$500 or 84 securities based on a market price on 30 August 2013 of \$5.99).

SUBSTANTIAL HOLDERS

No substantial holder notices had been received as at 30 August 2013.

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 FY2013 record date	28 June 2013
Final distribution FY2013 payment date	11 September 2013
Annual meeting	24 October 2013
Interim result announcement	19 February 2014*
Interim distribution FY2014 record date	31 December 2013*
Interim distribution FY2014 payment date	12 March 2014*

*Subject to change

ANNUAL MEETING DETAILS

Date: Thursday 24 October 2013

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: www.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: www.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.

Direct payment can be made to an Australian or New Zealand bank account. If you would like to arrange direct payment, please contact the APA Group registry.

ONLINE INTERACTIVE REPORTS

APA Group's 2013 Annual Report, Annual Review and Sustainability Report are available in an easy to view interactive format at www.apa.com.au.

ONLINE INFORMATION

Further information on APA is available at www.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.

DISCLAIMER APA Group comprises two registered investment schemes, Australian Pipeline Trust (ARSN 091 678 778) and APT Investment Trust (ARSN 115 585 441), the securities of which are stapled together. Australian Pipeline Limited (ACN 091 344 704) is the responsible entity of Australian Pipeline Trust and APT Investment Trust.

Please note that Australian Pipeline Limited is not licensed to provide financial product advice in relation to securities in the APA Group. This publication does not constitute financial product advice and has been prepared without taking into account your objectives, financial situation or particular needs. Before relying on any statements contained in this publication, you should consider the appropriateness of the information, having regard to your own objectives, financial situations and needs and consult an investment adviser if necessary.

Whilst due care and attention have been used in preparing this publication, certain forward looking statements (including forecasts or projections) are made in this publication which are not based on historical fact and necessarily involve assumptions as to future events and analysis, which may or may not be correct. These forward looking statements should not be relied upon as an indication or guarantee of future performance.

APA.COM.AU

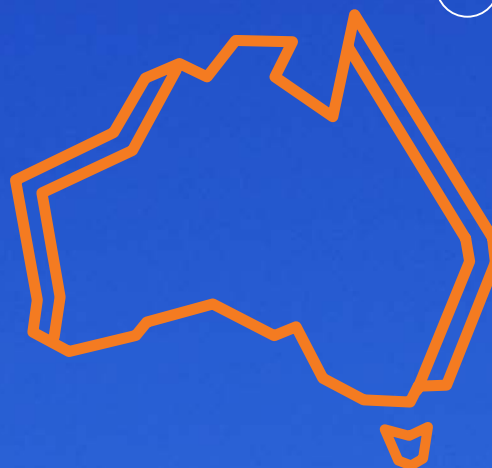


CONNECTING OPPORTUNITIES

SEPTEMBER 2013 IN THE PIPELINE

MORE THAN THE SUM OF OUR PARTS

APA Group
2013 Annual Results
Summary



Dear Securityholders

I am pleased to report that APA has delivered another solid result for the 2013 financial year and increased returns to investors, with a total securityholder return for the year of 30.5 per cent. We have continued to pursue secure and sustainable growth, acquiring and developing energy infrastructure assets and businesses where we're able to earn a fair, commercial return. In June 2013, APA entered the S&P/ASX 50 Index – a result of APA's consistent growth strategy over the year.

SOLID PERFORMANCE

In December 2012, APA completed the acquisition of Hastings Diversified Utilities Fund ("HDF"). Consequently, APA's statutory results were impacted by a number of significant items. Excluding these items, APA's "normalised" results underline the consistent and stable performance of APA's business, notably:

- a 27 per cent increase in net profit after tax and minorities to \$179 million;
- a 25 per cent increase in earnings before interest, tax, depreciation and amortisation (EBITDA) to \$667 million, which includes the nine months' contribution from the HDF assets; and
- a strong and growing cash flow with operating cash flow up 29 per cent to \$433 million, and operating cash flow per security up 7 per cent to 56 cents.

The final distribution of 18.5 cents brings total distributions for the 2013 financial year to 35.5 cents – a 1.4 per cent increase on last year. Distributions continue to be funded out of operating cash flow, with this year's total distribution payout ratio slightly up, to 68.2 per cent of normalised operating cash flow, due to an increase in the number of APA securities on issue.

PROVEN GROWTH STRATEGY

The single biggest achievement in the 2013 financial year was successfully completing the \$2.6 billion acquisition of HDF and the integration of the South West Queensland

Pipeline and Pilbara Pipeline System. We also satisfied the competition regulator's requirements through the sale of the Moomba Adelaide Pipeline System in May 2013.

The most significant strategic outcome of the HDF transaction was establishing APA's 7,000 kilometre gas pipeline grid in eastern Australia, operating across four states, and seamlessly connecting gas supply sources and markets in those states.

This is a transformational step-change for APA, enabling us to better respond to Australia's very dynamic energy market. We can now provide our customers with greater flexibility in sourcing, moving and storing gas through our pipeline grid. The grid also enhances competition between gas basins and producers, which we believe assists the development of the eastern Australian gas market.

Our east coast grid allows us to operate and manage our pipeline assets as one system, providing greater benefits and opportunities than maintaining them as individual assets. This is also the case in the west, where we have the beginnings of an interconnected grid in the Pilbara region.

During the year, we were also busy working on around \$1.5 billion of organic growth projects, which you can see detailed on the map overleaf. In the west, we continued work on the Goldfields Gas Pipeline and we completed the expansion of the Mondarra Gas Storage Facility, which now at 15 petajoules, is five times its original capacity. In Mount Isa Queensland, the development of the Diamantina and Leichhardt Power Stations is well advanced and when completed, will have a significant impact on the security of power supply in the region. In the east we completed expansions on the Roma Brisbane Pipeline, the Moomba Sydney Pipeline and the Victorian Transmission System. We also commenced work on increasing compression capacity at both ends of the South West Queensland Pipeline. As in previous years, all our growth capital expenditure is underpinned by secure regulated or contracted revenue.

ASTUTE CAPITAL MANAGEMENT

Our balance sheet remained strong while funding the acquisition and growth projects. A total of \$2.75 billion in funds was raised through the issue of new equity and debt to fund this year's significant activity and the repayment of all of HDF's outstanding \$1.3 billion debt.

During the year, APA issued a total of 191.2 million securities; 175.7 million new securities were issued as part of the offer consideration for HDF and 15.5 million securities were issued under the Distribution Reinvestment Plan ("DRP"). In June 2013, the Board suspended the DRP until further notice.

During the year, APA completed three major debt financing programs issuing \$1.8 billion of new debt, largely to assist in the acquisition of HDF and the repayment of HDF's debt. This included \$515 million in APA Group Subordinated Notes and \$1,272 million of bonds issued in a number of overseas debt capital markets.

We have the right balance of debt and equity for our capital intensive business and we have retained both our investment grade credit ratings.

OUTLOOK

We will continue to focus on secure and profitable growth, developing the opportunities available and leveraging our extensive portfolio of assets and industry skills. This growth is reflected in our guidance for the 2014 financial year, with EBITDA expected to be in the range of \$715 million to \$730 million, and total distributions to be at least equal to those paid this financial year – that is, at least 35.5 cents per security.

Thank you for your ongoing support and I look forward to reporting the half year results to you in March 2014.

Len Bleasel AM, APA Group Chairman

FINANCIAL ACHIEVEMENTS

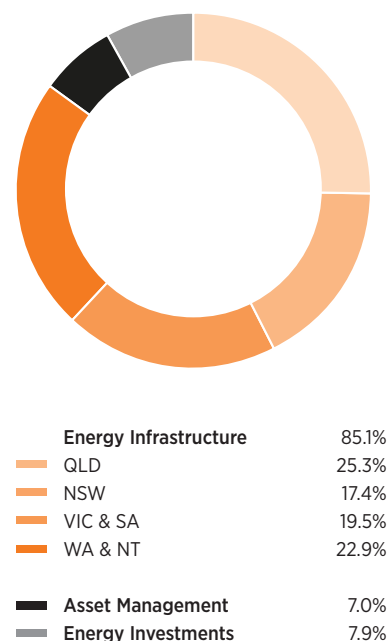
	2013 Normalised ¹ \$ million	2012 Normalised \$ million	Change % Normalised	2013 Statutory \$ million	2012 Statutory \$ million	Change % Statutory
FINANCIAL RESULTS						
Revenue	1,272.3	1,060.7	19.9	1,272.3	1,060.7	19.9
Revenue excluding pass-through ²	919.5	758.0	21.3	919.5	758.0	21.3
EBITDA	667.1	535.5	24.6	768.8	525.8	46.2
Profit after tax and minorities	178.8	140.3	27.4	298.8	130.7	128.7
Operating cash flow	432.6	335.6	28.9	374.4	335.6	11.6
FINANCIAL POSITION						
Total assets				7,699.0	5,496.0	43.7
Debt				4,412.0	3,224.0	36.8
Securityholders' equity				2,512.0	1,614.0	55.6
FINANCIAL RATIOS						
Operating cash flow per security (cents)	56.0	52.5	6.8	48.5	52.5	(7.6)
Earnings per security (cents)	23.1	21.9	5.6	38.7	20.4	89.4
Distribution per security (cents)				35.5	35.0	1.4
Distribution payout ratio	68.2%	67.0%	1.8	78.9%	67.0%	17.8
Gearing (net debt to net debt plus equity)				62.8%	65.0%	
Interest cover ratio				2.3	2.5	

1 Normalised financial results exclude significant items.

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

PORTFOLIO DIVERSITY

Continuing business – 2013 EBITDA



CAPITAL EXPANSION ACHIEVEMENTS - TRANSFORMATIONAL GROWTH OUR PORTFOLIO OF INTERCONNECTED ENERGY INFRASTRUCTURE ASSETS

PILBARA PIPELINE SYSTEM

Acquisition and integration

GOLDFIELDS GAS PIPELINE

2 capacity expansions – compressor stations and compressor upgrades, 20 and 15 year contracts

MONDARRA GAS STORAGE FACILITY

Capacity expansion, 20 year contract

NORTHERN TERRITORY

WESTERN AUSTRALIA

SOUTH AUSTRALIA

QUEENSLAND

NEW SOUTH WALES

VICTORIA

TASMANIA

DIAMANTINA POWER STATION

Joint development (APA/AGL) 242 MW gas-fired generation plus 60 MW back-up generation, 17 year contract

WALLUMBILLA COMPRESSION

Expanded compression capacity and associated services, 15 year contract with a further 5 to 10 year option

ROMA BRISBANE PIPELINE

Capacity expansion completed including Dalby compression station, 2 contracts up to 15 years

SOUTH WEST QUEENSLAND PIPELINE

Acquisition and integration
MOOMBA COMPRESSOR STATION
Capacity expansion, 15 year contract

MOOMBA SYDNEY PIPELINE

Final year of 5 year capacity expansion program

VICTORIAN TRANSMISSION SYSTEM

Upgrade of the Euroa compression station and Longford meter station and Sunbury looping completed, regulated revenue

- APA assets
- APA investments
- Other natural gas pipelines
- Power station
- Gas storage

APA 2013 Annual Report and Annual Review and Sustainability Report are available on our website apa.com.au

APA Group

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