BASIS OF PREPARATION

1. About this report

The content and format of the financial statements has been streamlined to present the financial information in a more meaningful manner to securityholders. Note disclosures have been grouped into six sections being Basis of Preparation, Financial Performance, Operating Assets and Liabilities, Capital Management, Group Structure and Other. Each note sets out the accounting policies applied in producing the results along with any key judgements and estimates used. The purpose of the revised format is to provide readers with a clearer understanding of what are the key drivers of financial performance for APA Group.

2. General information

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

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

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

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

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

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

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

BASIS OF PREPARATION

2. General information (continued)

The consolidated general purpose financial report for the year ended 30 June 2015 was authorised for issue in accordance with a resolution of the directors on 26 August 2015.

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

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

Working capital position

The working capital position as at 30 June 2015 for APA Group is that current liabilities exceed current assets by $87.5 million ($170.2 million for 30 June 2014) primarily as a result of $145.8 million (AUD equivalent) of cash flow hedge liabilities, current borrowings of $164.4 million and accrued transaction costs of $137.2 million.

APA Group has access to sufficient available committed, un-drawn bank facilities of $1,175.0 million as at 30 June 2015 ($835.5 million for 30 June 2014).

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

Foreign currency transactions

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

3. Significant items and events

Individually significant items included in profit after income tax expense are as follows:

	2015 $000	2014 $000
Significant items impacting EBITDA		
Net profit on sale of equity accounted investment [a]	**430,039**	–
Recovery of fees paid to HDF by Hastings Funds Management Limited [b]	**17,201**	–
Total significant items impacting EBITDA	**447,240**	–
Income tax related to significant items above	**(91,222)**	–
Income tax benefit on tax cost base step up [c]	**–**	144,060
Profit from significant items after income tax	**356,018**	144,060

a) During August 2014, APA Group sold its investment in Envestra Limited to Cheung Kong Group consortium for $1.32 per share amounting to $783.8 million in gross proceeds which realised a net pre-tax profit of $430.0 million.

b) In November 2014, APA Group successfully appealed the NSW Supreme Court decision in a matter regarding performance fees previously paid by Hastings Diversified Utility Fund (HDF) to Hastings Funds Management Limited (HFML).

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

Acquisition of the Wallumbilla Gladstone Pipeline

APA Group completed the acquisition of the Wallumbilla Gladstone Pipeline (formerly QCLNG Pipeline) on 3 June 2015 from a member of the BG Group for US$4,596.6 million (A$5,834.6 million) net of a refund of A$15.2 million received on 20 July 2015, relating to the adjusted acquisition price.

The acquisition was funded through the issuance of US$3,705 million of fixed rate debt (achieved through USD placements and a combination of GBP and Euro Medium Term Note placements, swapped to USD through cross currency interest rate swaps). The remainder was funded by an accelerated renounceable entitlement offer completed in January 2015 when APA Group issued 278,556,562 new stapled securities at a total value of $1,807.9 million, net of transaction costs.

The acquisition resulted in an increase in property, plant and equipment of $2,562.0 million, contract intangibles of $3,413.8 million, line pack gas of $4.0 million and other net assets of $18.6 million.

FINANCIAL PERFORMANCE

4. Segment information

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

APA Group comprises the following reportable segments:

— **Energy Infrastructure**, which includes all wholly or majority owned pipelines, gas storage assets and the Emu Downs Wind Farm;

— **Asset Management**, which provides commercial, operating services and/or asset maintenance services to APA Group's energy investments and Australian Gas Networks Limited (formerly Envestra Limited) for appropriate fees; and

— **Energy Investments**, which includes APA Group's strategic stakes in a number of investment entities that house energy infrastructure assets, generally characterised by long term secure cashflows, with low capital expenditure requirements.

APA Group has reported the segment Earnings before interest, tax, depreciation and amortisation ("EBITDA") exclusive of corporate costs for the current year. The reporting provides a clearer picture of the performance of the underlying assets within the business. The comparative year has been restated to this effect.

Reportable segments

2015	Energy Infrastructure $000	Asset Management [a] $000	Energy Investments [a] $000	Other $000	Consolidated $000
Segment revenue [b]					
External sales revenue	**984,184**	**85,056**	**-**	**-**	**1,069,240**
Equity accounted net profits	**-**	**-**	**13,921**	**-**	**13,921**
Pass-through revenue	**13,514**	**420,868**	**-**	**-**	**434,382**
Finance lease and investment interest income	**2,896**	**-**	**8,308**	**-**	**11,204**
Distribution – other entities	**-**	**-**	**546**	**-**	**546**
Total segment revenue	**1,000,594**	**505,924**	**22,775**	**-**	**1,529,293**
Other interest income					**24,322**
Consolidated revenue					**1,553,615**
Segment result					
Earnings before interest, tax, depreciation and amortisation ("EBITDA")	**838,462**	**39,448**	**440,584**	**-**	**1,318,494**
Share of net profits of joint ventures and associates using the equity method	**-**	**-**	**13,921**	**-**	**13,921**
Finance lease and investment interest income	**2,896**	**-**	**8,308**	**-**	**11,204**
Corporate costs	**-**	**-**	**-**	**(74,129)**	**(74,129)**
Total EBITDA	**841,358**	**39,448**	**462,813**	**(74,129)**	**1,269,490**
Depreciation and amortisation	**(195,635)**	**(12,565)**	**-**	**-**	**(208,200)**
Earnings before interest and tax ("EBIT")	**645,723**	**26,883**	**462,813**	**(74,129)**	**1,061,290**
Net finance costs [c]					**(324,162)**
Profit before tax					**737,128**
Income tax expense					**(177,198)**
Profit for the year					**559,930**

a) During August 2014, APA Group sold its investment in Envestra Limited to Cheung Kong Group consortium for $1.32 per share. This has resulted in a $440.0 million gain in Energy Investments being the gross proceeds less the carrying value of the equity accounted investment affected by a reassessment of the carrying value of the asset management business to reflect future growth opportunities, resulting in a reduction of goodwill ($10.0 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.

2015	Energy Infrastructure $000	Asset Management $000	Energy Investments $000	Consolidated $000
Segment assets and liabilities				
Segment assets	**13,146,538**	**239,798**	**110,874**	**13,497,210**
Carrying value of investments using the equity method	**-**	**-**	**257,425**	**257,425**
Unallocated assets [a]				**898,251**
Total assets				**14,652,886**
Segment liabilities	**507,565**	**71,521**	**-**	**579,086**
Unallocated liabilities [b]				**9,691,150**
Total liabilities				**10,270,236**

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

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

FINANCIAL PERFORMANCE

4. Segment information (continued)

Reportable segments (continued)

2014	Energy Infrastructure $000	Asset Management $000	Energy Investments $000	Other $000	Consolidated $000
Segment revenue [a]					
External sales revenue	820,478	99,171	–	–	919,649
Equity accounted net profits	–	–	64,289	–	64,289
Pass-through revenue	8,925	394,552	–	–	403,477
Finance lease and investment interest income	3,591	–	3,311	–	6,902
Distribution – other entities	–	–	533	–	533
Total segment revenue	832,994	493,723	68,133	–	1,394,850
Other interest income					1,142
Consolidated revenue					1,395,992

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

2014	Energy Infrastructure $000 (Restated)	Asset Management $000 (Restated)	Energy Investments $000 (Restated)	Other $000 (Restated)	Consolidated $000 (Restated)
Segment result					
Earnings before interest, tax, depreciation and amortisation ("EBITDA")	678,364	67,552	533	–	746,449
Share of net profits of joint ventures and associates using the equity method	–	–	64,289	–	64,289
Finance lease and investment interest income	3,591	–	3,311	–	6,902
Corporate costs	–	–	–	(70,306)	(70,306)
Total EBITDA	681,955	67,552	68,133	(70,306)	747,334
Depreciation and amortisation	(151,610)	(4,618)	–	–	(156,228)
Earnings before interest and tax ("EBIT")	530,345	62,934	68,133	(70,306)	591,106
Net finance costs [a]					(325,084)
Profit before tax					266,022
Income tax benefit					77,684
Profit for the year					343,706

2014	Energy Infrastructure $000	Asset Management $000	Energy Investments $000	Consolidated $000
Segment assets and liabilities				
Segment assets	6,877,648	248,972	151,690	7,278,310
Carrying value of investments using the equity method	–	–	593,325	593,325
Unallocated assets [b]				100,875
Total assets				7,972,510
Segment liabilities	273,654	75,792	–	349,446
Unallocated liabilities [c]				5,126,575
Total liabilities				5,476,021

a) 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.

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

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

Information about major customers

Included in revenues arising from energy infrastructure of $984.2 million (2014: $820.5 million) are revenues of approximately $437.4 million (2014: $384.4 million) which arose from sales to APA Group's top three customers.

FINANCIAL PERFORMANCE

5. Revenue

An analysis of APA Group's revenue for the year is as follows:

Continuing operations

	2015 $000	2014 $000
Energy infrastructure revenue	**983,587**	819,899
Pass-through revenue	**13,514**	8,925
Energy infrastructure revenue	**997,101**	828,824
Asset management revenue	**85,056**	99,171
Pass-through revenue	**420,868**	394,552
Asset management revenue	**505,924**	493,723
Operating revenue	**1,503,025**	1,322,547
Interest	**24,322**	1,142
Interest income on redeemable ordinary shares (EII), redeemable preference shares (GDI) and loans to related parties (DPS)	**8,308**	3,311
Finance lease income	**2,896**	3,591
Finance income	**35,526**	8,044
Dividends	**546**	533
Rental income	**597**	579
Total revenue	**1,539,694**	1,331,703
Share of net profits of joint ventures and associates using the equity method	**13,921**	64,289
	1,553,615	1,395,992

Revenue is recognised to the extent that it is probable that the economic benefits will flow to APA Group and 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:

Operating revenue, which is earned for the transportation of gas, generation of electricity and other related services and is recognised when the services are provided net of goods and services tax ("GST"), except where the amount of GST incurred is not recoverable from the taxation authority;

Pass-through revenue, for which no margin is earned, is recognised when the services are provided and offset by corresponding pass-through costs;

Interest revenue, which is recognised as it accrues and is determined using the effective interest method;

Dividend revenue, which is recognised when the right to receive the payment has been established; and

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

FINANCIAL PERFORMANCE

6. Expenses

	2015 $000	2014 $000
Depreciation of non-current assets	**182,084**	151,132
Amortisation of non-current assets	**26,116**	5,096
Depreciation and amortisation expense	**208,200**	156,228
Gas pipeline costs	**13,514**	8,925
Management, operating and maintenance costs	**420,868**	394,552
Other operating costs – pass-through	**434,382**	403,477
Interest on bank overdrafts and borrowings [a]	**357,255**	324,122
Amortisation of deferred borrowing costs	**14,978**	9,245
Other finance costs	**14,641**	9,031
	386,874	342,398
Less: amounts included in the cost of qualifying assets	**(20,002)**	(18,069)
	366,872	324,329
(Gain)/loss on derivatives	**(19,643)**	787
Unwinding of discount on non-current liabilities	**1,255**	1,110
Finance costs	**348,484**	326,226
Defined contribution plans	**10,116**	9,648
Defined benefit plans (Note 17)	**4,146**	4,468
Post-employment benefits	**14,262**	14,116
Termination benefits	**2,172**	1,004
Cash settled security-based payments [b]	**23,629**	22,452
Other employee benefits	**136,111**	131,043
Employee benefit expense	**176,174**	168,615

a) The average interest rate on funds borrowed is 7.12% p.a. (2014: 7.44% p.a.) including amortisation of borrowing costs and other finance costs.
b) APA Group provides benefits to certain employees in the form of cash settled security-based payments. For cash settled security-based payments, a liability equal to the portion of services received is recognised at the current fair value determined at each reporting date.

7. Income tax

The major components of tax expense are:

	2015 $000	2014 $000
Income statement (continuing operations)		
Current tax expense in respect of the current year	**(8,734)**	(1,063)
Adjustments recognised in the current year in relation to current tax of prior years	**1,516**	1,061
Deferred tax expense relating to the origination and reversal of temporary differences	**(169,980)**	77,686
Total tax (expense)/benefit	**(177,198)**	77,684
Tax reconciliation (continuing operations)		
Profit before tax	**737,128**	266,022
Income tax expense calculated at 30%	**(221,138)**	(79,807)
Non-assessable trust distribution	**13,904**	11,611
Non deductible expenses	**(13,567)**	(3,054)
Non assessable income	**4,278**	15,034
Excess of equity accounted book value over tax base of Envestra shares	**12,149**	–
Unfranked dividends from associates	**(4,530)**	(11,221)
	(208,904)	(67,437)
Tax benefit on tax cost base step up	**–**	144,060
Previously unbooked losses now recognised	**30,190**	–
Adjustment recognised in the current year in relation to the current tax of prior years	**1,516**	1,061
	(177,198)	77,684

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

FINANCIAL PERFORMANCE

7. Income tax (continued)

Income tax expense for the 2015 year is $177.2 million. An income tax provision of $7.2 million has been recognised after utilisation of all available group tax losses and partial utilisation of available transferred tax losses (refer to Note 11).

Deferred tax balances

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

2015	Opening balance $000	Charged to income $000	Charged to equity $000	Closing balance $000
Gross deferred tax liabilities				
Intangible assets	**(3,437)**	**769**	**–**	**(2,668)**
Property, plant and equipment	**(486,629)**	**(99,478)**	**–**	**(586,107)**
Deferred expenses	**(49,683)**	**(1,986)**	**–**	**(51,669)**
Defined benefit obligation	**4,328**	**171**	**(5,506)**	**(1,007)**
Available for sale investments	**(157)**	**–**	**(482)**	**(639)**
	(535,578)	**(100,524)**	**(5,988)**	**(642,090)**
Gross deferred tax assets				
Provisions	**37,448**	**7,603**	**–**	**45,051**
Cash flow hedges	**52,516**	**193**	**74,765**	**127,474**
Security issue costs	**186**	**(1,982)**	**9,057**	**7,261**
Deferred revenue	**2,465**	**4,264**	**–**	**6,729**
Investments equity accounted	**(990)**	**2,945**	**8,237**	**10,192**
Other	**32**	**1,389**	**–**	**1,421**
Tax losses	**333,138**	**(83,868)**	**–**	**249,270**
	424,795	**(69,456)**	**92,059**	**447,398**
Net deferred tax liability	**(110,783)**	**(169,980)**	**86,071**	**(194,692)**
2014				
Gross deferred tax liabilities				
Intangible assets	(3,975)	538	–	(3,437)
Property, plant and equipment	(497,925)	11,296	–	(486,629)
Deferred expenses	(47,535)	(2,148)	–	(49,683)
Investments equity accounted	(3,445)	295	2,160	(990)
Available for sale investments	(746)	–	589	(157)
	(553,626)	9,981	2,749	(540,896)
Gross deferred tax assets				
Provisions	36,361	1,087	–	37,448
Cash flow hedges	27,527	236	24,753	52,516
Defined benefit obligation	6,225	142	(2,039)	4,328
Security issue costs	368	(182)	–	186
Deferred revenue	467	1,998	–	2,465
Other	59	(27)	–	32
Tax losses	268,687	64,451	–	333,138
	339,694	67,705	22,714	430,113
Net deferred tax liability	(213,932)	77,686	25,463	(110,783)

Unrecognised deferred tax assets

	2015 $000	2014 $000
The following deferred tax assets have not been brought to account as assets:		
Tax losses – capital	**2,012**	32,069

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:

i) initial recognition of goodwill;

ii) initial recognition of assets or liabilities that affect neither accounting nor taxable profit; and

iii) differences relating to investments in wholly-owned entities to the extent that they will probably not reverse in the foreseeable future.

FINANCIAL PERFORMANCE

7. Income tax (continued)

Unrecognised deferred tax assets (continued)

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

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

Tax consolidation

APT and its wholly-owned Australian resident entities formed a tax-consolidated group with effect from 1 July 2003 and are therefore taxed as a single entity from that date. The head entity within the tax-consolidated group is APT. The members of the tax-consolidated group are identified at Note 26.

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

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

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

Nature of tax funding arrangement and tax sharing agreement

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

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

8. Earnings per security

	2015	2014 (Restated)
Basic and diluted earnings per security (cents)	**56.3**	39.7

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

	2015 $000	2014 $000
Net profit attributable to securityholders for calculating basic and diluted earnings per security	**559,929**	343,705

	2015 No. of securities 000	2014 (Restated) No. of securities 000
Adjusted weighted average number of ordinary securities used in the calculation of basic and diluted earnings per security	**995,245**	865,977

On the 23 December 2014, APA Group issued 145,164,302 new ordinary securities on completion of the institutional component and early acceptance period of the retail component for the fully underwritten rights issue. The remaining allocation of the retail component being 133,392,260 was completed on 28 January 2015. The issue was offered at $6.60 per security, a discount to APA Group's closing market price of $7.67 per security on 9 December 2014, the last trading day before the record date of the entitlement offer of 15 December 2014. The number of securities used for the current and prior period calculation of earnings per security have been adjusted for the discounted rights issue. An adjustment factor of 1.036 has been calculated, being the closing market price per security on 9 December 2014, divided by the theoretical ex-rights value (TERV) of $7.40 per security.

FINANCIAL PERFORMANCE

9. Distributions

	2015 cents per security	2015 Total $000	2014 cents per security	2014 Total $000
Recognised amounts				
Final distribution paid on 10 September 2014				
(2014: 11 September 2013)				
Profit distribution – APT [a]	**16.42**	**137,239**	16.02	133,877
Profit distribution – APTIT [a] (Note 24)	**2.33**	**19,465**	2.32	19,424
Capital distribution – APT (Note 23)	**–**	**–**	–	–
Capital distribution – APTIT (Note 24)	**–**	**–**	0.16	1,313
	18.75	**156,704**	18.50	154,614
Interim distribution paid on 18 March 2015 [b]				
(2014: 12 March 2014)				
Profit distribution – APT [a]	**15.12**	**126,396**	14.56	121,663
Profit distribution – APTIT [a] (Note 24)	**2.38**	**19,860**	2.30	19,241
Capital distribution – APT (Note 23)	**–**	**–**	0.49	4,057
Capital distribution – APTIT (Note 24)	**–**	**–**	0.15	1,295
	17.50	**146,256**	17.50	146,256
Total distributions recognised				
Profit distributions [a]	**36.25**	**302,960**	35.20	294,205
Capital distributions	**–**	**–**	0.80	6,665
Unrecognised amounts				
Final distribution payable on 16 September 2015 [c]				
(2014: 10 September 2014)				
Profit distribution – APT [a]	**18.12**	**201,945**	16.42	137,239
Profit distribution – APTIT [a]	**2.38**	**26,488**	2.33	19,464
	20.50	**228,433**	18.75	156,703

a) Profit distributions were unfranked (2014: unfranked).
b) New securities issued under the entitlement offer were not eligible for the FY2015 interim distribution.
c) Record date 30 June 2015.

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.

	2015 $000	2014 $000
Adjusted franking account balance (tax paid basis)	**6,811**	5,107

OPERATING ASSETS

10. Receivables

	2015 $000	2014 $000
Trade receivables	**223,806**	96,644
Allowance for doubtful debts	**(4,411)**	(1,790)
Trade receivables	**219,395**	94,854
Receivables from associates and related parties	**15,630**	56,936
Finance lease receivables (Note 18)	**4,005**	4,575
Interest receivable	**688**	63
Other debtors	**15,222**	11
Current	**254,940**	156,439
Finance lease receivables (Note 18)	**18,968**	29,747
Loan receivable – related party	**73,502**	118,088
Non-current	**92,470**	147,835

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

There are no material trade receivables past due and not provided for.

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

11. Payables

	2015 $000	2014 $000
Trade payables [a]	**29,615**	27,037
Income tax payable	**7,216**	–
Other payables [b]	**368,715**	158,951
Payables to associates	**139**	–
Current	**405,685**	185,988
Other payables	**3,261**	3,599
Non-current	**3,261**	3,599

a) Trade payables are non-interest bearing and are normally settled on 15 – 30 day terms.
b) Other payables include $137.2m of transaction costs on the acquisition of the Wallumbilla Gladstone Pipeline (formerly QCLNG Pipeline), other expenditure accruals and external interest payable accruals.

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

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

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

OPERATING ASSETS

12. 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 2013	131,101	4,939	5,319,587	494,354	5,949,981
Additions	–	–	32,129	413,985	446,114
Disposals	(33)	–	(6,126)	–	(6,159)
Transfers	8,366	76	421,036	(429,478)	–
Balance at 30 June 2014	139,434	5,015	5,766,626	478,861	6,389,936
Additions	**78,679**	**–**	**2,501,924**	**386,406**	**2,967,009**
Disposals	**(165)**	**(571)**	**(17,367)**	**(52)**	**(18,155)**
Transfers	**11,103**	**–**	**686,038**	**(697,141)**	**–**
Balance at 30 June 2015	**229,051**	**4,444**	**8,937,221**	**168,074**	**9,338,790**
Accumulated depreciation					
Balance at 1 July 2013	(19,076)	(2,160)	(648,334)	–	(669,570)
Disposals	7	–	5,240	–	5,247
Depreciation expense	(2,785)	(128)	(148,219)	–	(151,132)
Balance at 30 June 2014	(21,854)	(2,288)	(791,313)	–	(815,455)
Disposals	**75**	**571**	**13,296**	**–**	**13,942**
Depreciation expense	**(3,257)**	**(486)**	**(178,341)**	**–**	**(182,084)**
Balance at 30 June 2015	**(25,036)**	**(2,203)**	**(956,358)**	**–**	**(983,597)**
Net book value					
As at 30 June 2014	117,580	2,727	4,975,313	478,861	5,574,481
As at 30 June 2015	**204,015**	**2,241**	**7,980,863**	**168,074**	**8,355,193**

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

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

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

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

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

Critical accounting judgements and key sources of estimation uncertainty – useful lives of non-current assets
APA Group reviews the estimated useful lives of property, plant and equipment at the end of each annual reporting period. Any reassessment of useful lives in a particular year will affect the depreciation expense.

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

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

OPERATING ASSETS

13. Goodwill and intangibles

	2015 $000	2014 $000
Goodwill		
Balance at beginning of financial year	**1,150,500**	1,150,500
Goodwill impairment	**(10,000)**	–
Balance at end of financial year	**1,140,500**	1,150,500

Allocation of goodwill to cash-generating units
Goodwill has been allocated for impairment testing purposes to individual cash-generating units. The carrying amount of goodwill allocated to cash-generating units that are significant individually or in aggregate is as follows:

	2015 $000	2014 $000
Asset Management business	**21,456**	31,456
Energy Infrastructure		
New South Wales pipelines	**146,008**	146,008
Victorian Transmission System	**105,061**	105,061
South West Queensland Pipeline	**707,843**	707,843
Other energy infrastructure [a]	**160,132**	160,132
	1,140,500	1,150,500

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

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

	2015 $000	2014 $000
Contract and other intangibles		
Gross carrying amount		
Balance at beginning of financial year	**206,738**	206,061
Acquisitions/additions	**3,414,122**	677
Disposals	**(397)**	–
Balance at end of financial year	**3,620,463**	206,738
Accumulated amortisation and impairment		
Balance at beginning of financial year	**(35,934)**	(29,046)
Amortisation expense	**(26,116)**	(5,096)
Impairment	**(2,564)**	(1,792)
Disposals	**397**	–
Balance at end of financial year	**(64,217)**	(35,934)
Net book value	**3,556,246**	170,804

APA Group holds various third party operating and maintenance contracts. The combined gross carrying amount of $3,620.5 million amortises over terms ranging from one to 20 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.

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

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

During the period, APA Group reassessed the amortisation period for intangible contracts. This resulted in a change in estimate for the amortisation period, with additional amortisation of approximately $7.8 million per annum recognised effective from 1 July 2014.

OPERATING ASSETS

14. Impairment of non-financial assets

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

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

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

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

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

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

For fully regulated assets, cash flows have been extrapolated on the basis of existing transportation contracts and government policy settings, and expected contract renewals with a resulting average annual growth rate of 1.6% p.a. These expected cash flows are factored into the regulated asset base and do not exceed management's expectations of the long-term average growth rate for the market in which the cash generating unit operates.

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

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

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. (2014: 8.25% p.a.) for Energy Infrastructure assets and 8.25% p.a. (2014: 8.25% p.a.) for Asset Management.

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

During August 2014, APA Group sold its investment in Envestra Limited to Cheung Kong Group consortium which resulted in a reassessment of the carrying value of the asset management business to reflect future growth opportunities, resulting in a reduction of goodwill ($10.0 million).

15. Provisions

	2015 $000	2014 $000
Employee benefits	**76,953**	73,899
Other	**8,499**	7,104
Current	**85,452**	81,003
Employee benefits	**30,484**	38,833
Other	**29,926**	8,609
Non-current	**60,410**	47,442
Employee benefits		
Incentives	**25,556**	25,217
Cash settled security-based payments	**10,009**	9,263
Leave balances	**39,608**	37,310
Termination benefits	**1,780**	2,109
Current	**76,953**	73,899
Cash settled security-based payments	**17,215**	15,818
Defined benefit liability (Note 17)	**4,425**	14,426
Leave balances	**8,844**	8,589
Non-current	**30,484**	38,833

OPERATING ASSETS

15. Provisions (continued)

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

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

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

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

16. Other non-current assets

	2015 $000	2014 $000
Line pack gas	**20,200**	16,152
Gas held in storage	**5,085**	5,085
Defined benefit asset (Note 17)	**7,784**	–
Other assets	**192**	192
	33,261	21,429

17. Employee superannuation plans

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

The most recent actuarial valuations of plan assets and the present value of the defined benefit obligation were determined at 30 June 2015. 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:

Amounts recognised in the statement of profit or loss and other comprehensive income		
Current service cost	**3,730**	3,901
Net interest expense	**416**	567
Components of defined benefit costs recognised in profit or loss (Note 6)	**4,146**	4,468

OPERATING ASSETS

17. Employee superannuation plans (continued)

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

	2015 $000	2014 $000
Amounts recognised in the statement of financial position		
Fair value of plan assets	**140,500**	130,195
Present value of benefit obligation	**(137,141)**	(144,621)
Defined benefit asset – non-current (Note 16)	**7,784**	–
Defined benefit liability – non-current (Note 15)	**(4,425)**	(14,426)
Opening defined benefit obligation	**144,621**	139,153
Current service cost	**3,730**	3,901
Interest cost	**4,909**	4,520
Contributions from plan participants	**1,388**	1,627
Actuarial gains and losses arising from changes in demographic assumptions	**-**	(96)
Actuarial gains and losses arising from changes in financial assumptions	**(9,747)**	(878)
Actuarial gains and losses arising from experience adjustments	**(1,181)**	5,048
Benefits paid	**(6,579)**	(8,654)
Closing defined benefit obligation	**137,141**	144,621
Movements in the present value of the plan assets in the current period were as follows:		
Opening fair value of plan assets	**130,195**	118,404
Interest income	**4,493**	3,953
Actual return on plan assets excluding interest income	**7,426**	10,870
Contributions from employer	**3,577**	3,995
Contributions from plan participants	**1,388**	1,627
Benefits paid	**(6,579)**	(7,891)
Taxes and premiums paid	**-**	(763)
Closing fair value of plan assets	**140,500**	130,195

Defined contribution plans

Contributions to defined contribution plans are expensed when incurred.

Defined benefit plans

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

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

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

For the year ended 30 June 2014 the discount rate was based on Government bond yields as it was widely assumed that Australia did not have a deep market in high-quality corporate bonds. More recently, the Group of 100 and the Actuaries Institute commissioned a research project that concluded that the Australian high quality corporate bond market is sufficiently large and liquid for the purpose of deriving a discount rate for reporting under AASB119 – Employee Benefits. During the current year, APA Group has adopted the discount rate based on the corporate bond yield curve published by Milliman.

Key actuarial assumptions used in the determination of the defined obligation is a discount rate of 4.3% and an expected salary increase rate of 4.0%. The sensitivity analysis below has been determined based on reasonable possible changes of the respective assumptions occurring at the end of the reporting period, while holding all other assumptions constant:

- If the discount rate is 50 basis points higher (lower), the defined benefit obligation would decrease by $5,229,000 (increase by $5,853,000); and
- If the expected salary growth increases (decreases) by 0.5%, the defined benefit obligation would increase by $3,030,000 (decrease by $2,777,000).

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

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

APA Group expects $2.4 million in contributions to be paid to the defined benefit plans during the year ending 30 June 2016.

OPERATING ASSETS

18. Leases

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

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

	2015 $000	2014 $000
Finance lease receivables		
Not longer than 1 year	**5,317**	7,668
Longer than 1 year and not longer than 5 years	**12,347**	20,724
Longer than 5 years	**19,183**	26,181
Minimum future lease payments receivable [a b]	**36,847**	54,573
Gross finance lease receivables	**36,847**	54,573
Less: unearned finance lease receivables	**(13,874)**	(20,251)
Present value of lease receivables	**22,973**	34,322
Included in the financial statements as part of:		
Current trade and other receivables (Note 10)	**4,005**	4,575
Non-current receivables (Note 10)	**18,968**	29,747
	22,973	34,322

a) Minimum future lease payments receivable include the aggregate of all lease payments receivable and any guaranteed residual.
b) X41 power station expansion was disposed of during the 2015 financial year.

APA Group as a lessor

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

APA Group as a lessee

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

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

Non-cancellable operating leases

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

Not longer than 1 year	**11,270**	9,927
Longer than 1 year and not longer than 5 years	**29,418**	21,776
Longer than 5 years	**21,115**	22,808
	61,803	54,511

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

CAPITAL MANAGEMENT

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

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

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

Controlled entities are subject to externally imposed capital requirements. These relate to the Australian Financial Services Licence held by Australian Pipeline Limited, the Responsible Entity of the APA Group and were adhered to for the entirety of the 2015 and 2014 periods.

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

APA Group's Board of Directors reviews the capital structure on a regular basis. As part of the review, the Board considers the cost of capital and the state of the markets. APA Group targets gearing in a range of 65% to 68%. Gearing is determined as the proportion of net debt to net debt plus equity. Based on recommendations of the Board, APA Group balances its overall capital structure through equity issuances, new debt or the redemption of existing debt and through a disciplined distribution payment policy.

19. Cash and cash equivalents

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

	2015 $000	2014 $000
Cash at bank and on hand	**190,834**	5,954
Short-term deposits	**221,087**	1,055
	411,921	7,009

APA Group had no restricted cash as at 30 June 2015 and 30 June 2014.

20. Borrowings

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

	2015 $000	2014 $000
Unsecured – at amortised cost		
Guaranteed senior notes [a]	**158,134**	–
Other financial liabilities [b]	**6,219**	–
Current	**164,353**	–
Guaranteed senior notes [a]	**8,481,768**	3,214,082
Other financial liabilities [b]	**70,630**	–
Bank borrowings [c]	**125,000**	1,014,500
Subordinated notes [d]	**515,000**	515,000
Less: unamortised borrowing costs	**(50,901)**	(35,299)
Non-current	**9,141,497**	4,708,283
	9,305,850	4,708,283

a) Represents USD denominated private placement notes of US$725 million, CAD medium term notes (MTN) of C$300 million, JPY MTN of ¥10,000 million, GBP MTN of £950 million, EUR MTN of €1,350 million and USD denominated 144A notes of US$2,150 million measured at the exchange rate at reporting date, and A$315 million of AUD denominated private placement notes and AUD MTN of A$300 million. Refer to Note 21 for details of interest rates and maturity profiles.

b) Represents fixed rate US$59.3 million notional liability measured at the spot exchange rate at reporting date.

c) Relates to the non-current portion of long-term borrowings. Refer to Note 21 for details of interest rates and maturity profiles.

d) Represents AUD denominated subordinated notes. Refer to Note 21 for details of interest rates and maturity profiles.

CAPITAL MANAGEMENT

20. Borrowings (continued)

Financing facilities available

	2015 $000	2014 $000
Total facilities		
Guaranteed senior notes [a]	**8,639,902**	3,214,082
Bank borrowings [c]	**1,300,000**	1,850,000
Subordinated notes [d]	**515,000**	515,000
	10,454,902	5,579,082
Facilities used at balance date		
Guaranteed senior notes [a]	**8,639,902**	3,214,082
Bank borrowings [c]	**125,000**	1,014,500
Subordinated notes [d]	**515,000**	515,000
	9,279,902	4,743,582
Facilities unused at balance date		
Guaranteed senior notes [a]	**-**	–
Bank borrowings [c]	**1,175,000**	835,500
Subordinated notes [d]	**-**	–
	1,175,000	835,500

a) Represents USD denominated private placement notes of US$725 million, CAD medium term notes (MTN) of C$300 million, JPY MTN of ¥10,000 million, GBP MTN of £950 million, EUR MTN of €1,350 million and USD denominated 144A notes of US$2,150 million measured at the exchange rate at reporting date, and A$315 million of AUD denominated private placement notes and AUD MTN of A$300 million. Refer to Note 21 for details of interest rates and maturity profiles.

c) Relates to the non-current portion of long-term borrowings. Refer to Note 21 for details of interest rates and maturity profiles.

d) Represents AUD denominated subordinated notes. Refer to Note 21 for details of interest rates and maturity profiles.

21. Financial risk management

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

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

a) Market risk including currency risk, interest rate risk and price risk;

b) Credit risk; and

c) Liquidity risk.

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

a) Market risk

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

— forward exchange contracts to hedge the exchange rate risk arising from foreign currency cash flows, mainly US dollars, derived from revenues, interest payments and capital equipment purchases;

— cross currency interest rate swaps to manage the currency risk associated with foreign currency denominated borrowings;

— foreign currency denominated borrowings to manage the currency risk associated with foreign currency denominated revenue and receivables; and

— interest rate swaps to mitigate the risk of rising interest rates.

A change in the nature of APA Group's exposure to foreign currency has originated this year with the acquisition of the Wallumbilla Gladstone Pipeline (formerly QCLNG Pipeline) in June 2015 in the form of US dollar denominated revenues and borrowings either directly or through the use of derivatives.

APA Group is also exposed to price risk arising from its investment in and forward purchase contracts over listed equities.

CAPITAL MANAGEMENT

21. Financial risk management (continued)
a) Market risk (continued)

Foreign currency risk

APA Group's foreign exchange risk arises from future commercial transactions (including revenue, interest payments and principal debt repayments on long-term borrowings and the purchases of capital equipment), and the recognition of assets and liabilities (including foreign receivables and borrowings). Exchange rate exposures are managed within approved policy parameters utilising forward exchange contracts, cross currency swap contracts and foreign currency denominated borrowings. All foreign currency exposure was managed in accordance with the Treasury Risk Management Policy in both 2015 and 2014.

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

2015	Cash & cash equivalents $000	Total borrowings $000	Cross currency swaps $000	Foreign exchange contract $000	Other $000	Net foreign currency position $000
US dollar [a]	**1,723**	**38,639**	**(3,726,507)**	**(1,261,850)**	**2,216**	**(4,945,779)**
Japanese yen	**-**	**-**	**(106,005)**	**106,005**	**-**	**-**
Canadian dollar	**-**	**-**	**(311,394)**	**311,394**	**-**	**-**
British pound	**-**	**-**	**(1,937,372)**	**1,937,372**	**-**	**-**
Euro	**-**	**-**	**(1,950,107)**	**1,950,107**	**-**	**-**
	1,723	**38,639**	**(8,031,385)**	**3,043,028**	**2,216**	**(4,945,779)**
2014						
US dollar	–	–	(1,564,655)	1,564,655	1,246	1,246
Japanese yen	–	–	(104,681)	104,681	–	–
Canadian dollar	–	–	(298,378)	298,378	–	–
British pound	–	–	(635,268)	635,268	–	–
	–	–	(2,602,982)	2,602,982	1,246	1,246

a) Net US$ foreign currency position of $4,945.8 million is hedging part of the committed US$ revenue arising from the acquisition of the Wallumbilla Gladstone Pipeline.

Forward foreign exchange contracts

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

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

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

			Contract value			
Cash flow hedges 2015	**Average exchange rate**	**Foreign currency US$000**	**Less than 1 year $000**	**1-2 years $000**	**2-5 years $000**	**Fair value $000**
Pay USD/receive AUD						
Forecast revenue and associated receivable	**0.7574**	**(193,837)**	**255,913**	**-**	**-**	**1,845**
Pay AUD/receive USD						
Forecast capital purchases	**0.9011**	**1,969**	**(2,185)**	**-**	**-**	**371**
		(191,868)	**253,728**	**-**	**-**	**2,216**
2014						
Pay AUD/receive USD						
Forecast capital purchases	0.8716	15,671	(17,980)	–	–	(1,246)
		15,671	(17,980)	–	–	(1,246)

As at reporting date, APA Group has entered into forward contracts to hedge net US exchange rate risk arising from anticipated future transactions with an aggregate notional principal amount of $253.7 million (2014: $18.0 million) which are designated in cash flow hedge relationships. The hedged anticipated transactions denominated in US dollars are expected to occur at various dates between one month to one year from reporting date.

CAPITAL MANAGEMENT

21. Financial risk management (continued)

a) Market risk (continued)

Cross currency swap contracts

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

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

Cash flow hedges 2015	Foreign currency	Exchange rate $	Less than 1 year $000	1-2 years $000	2-5 years $000	More than 5 years $000
Pay AUD/receive foreign currency						
2003 USPP Notes	AUD/USD	**0.6573**	**(185,608)**	**-**	**(95,847)**	**-**
2007 USPP Notes	AUD/USD	**0.8068**	**-**	**(190,877)**	**(151,215)**	**(153,694)**
2009 USPP Notes	AUD/USD	**0.7576**	**-**	**(85,787)**	**(98,997)**	**-**
2012 JPY medium term notes	AUD/JPY	**79.4502**	**-**	**-**	**(125,865)**	**-**
2012 CAD medium term notes	AUD/CAD	**1.0363**	**-**	**-**	**(289,494)**	**-**
2012 US144A	AUD/USD	**1.0198**	**-**	**-**	**-**	**(735,438)**
2012 GBP medium term notes	AUD/GBP	**0.6530**	**-**	**-**	**-**	**(535,988)**
Pay USD/receive foreign currency						
2015 EUR medium term notes	USD/EUR	**0.9515**	**-**	**-**	**-**	**(1,839,073)**
2015 GBP medium term notes	USD/GBP	**0.6773**	**-**	**-**	**-**	**(1,148,283)**
			(185,608)	**(276,664)**	**(761,418)**	**(4,412,476)**
2014						
Pay AUD/receive foreign currency						
2003 USPP Notes	USD	0.6573	–	(185,608)	(95,847)	–
2007 USPP Notes	USD	0.8068	–	–	(342,092)	(153,694)
2009 USPP Notes	USD	0.7576	–	–	(85,787)	(98,997)
2012 JPY medium term notes	JPY	79.4502	–	–	(125,865)	–
2012 CAD medium term notes	CAD	1.0363	–	–	–	(289,494)
2012 US144A	USD	1.0198	–	–	–	(735,438)
2012 GBP medium term notes	GBP	0.6530	–	–	–	(535,988)
			–	(185,608)	(649,591)	(1,813,611)

Foreign currency denominated borrowings

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

Foreign currency sensitivity analysis

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

— There would be no impact on net profit as all foreign currency exposures are fully hedged (2014: nil); and

— Equity reserves would decrease by $1,268.4 million with a 20 percent depreciation of the A$ or increase by $845.1 million with a 20 percent increase in foreign exchange rates (2014: increase by $1.8 million or decrease by $1.5 million respectively). The increase in sensitivity is due to the increase in the notional value of changes in the value of forward exchange contracts that are in a hedging relationship with highly probable forecast transactions.

Interest rate risk

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

APA Group's exposures to interest rate risk on financial liabilities are detailed in the liquidity risk management section of this note. Exposure to financial assets is limited to cash and cash equivalents amounting to $411.9 million as at 30 June 2015 (2014: $7.0 million).

CAPITAL MANAGEMENT

21. Financial risk management (continued)

a) Market risk (continued)

Interest rate swap contracts

Interest rate swap contracts have the economic effect of converting borrowings from floating to fixed rates on agreed notional principal amounts enabling APA Group to mitigate the risk of cash flow exposures on variable rate debt held. The fair value of interest rate swaps at the reporting date is determined by discounting the future cash flows using the yield curves at reporting date. The average interest rate is based on the 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	
	2015 % p.a.	2014 % p.a.	**2015 $000**	2014 $000	**2015 $000**	2014 $000
Cash flow hedges – Pay fixed AUD interest – receive floating AUD or fixed/floating foreign currency						
Less than 1 year	**7.10**	5.90	**310,608**	100,000	**(32,637)**	(1,852)
1 year to 2 years	**8.58**	7.10	**276,664**	310,608	**7,520**	(66,627)
2 years to 5 years	**7.60**	7.75	**761,417**	649,591	**(31,028)**	(130,564)
5 years and more	**4.61**	7.24	**4,412,476**	1,813,611	**352,208**	(16,621)
			5,761,165	2,873,810	**296,063**	(215,664)

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

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

Interest rate sensitivity analysis

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

— net profit would decrease by $5,150,000 or increase by $5,150,000 (2014: decrease by $13,045,000 or increase by $13,045,000). This is mainly attributable to APA Group's exposure to interest rates on its variable rate borrowings, including its Australian Dollar subordinated notes; and

— equity reserves would increase by $14,483,000 with a 100 basis point decrease in interest rates or increase by $38,594,000 with a 100 basis point increase in interest rates (2014 : increase by $6,923,000 or decrease by $6,386,000 respectively). This is due to the changes in the fair value of derivative interest instruments.

APA Group's profit sensitivity to interest rates has decreased during the current period due to the overall decrease in the level of APA Group's unhedged floating rate borrowings. The valuation of the increase/decrease in equity reserves is based on 1.00% p.a. increase/decrease in the yield curve at the reporting date. The increase in sensitivity in equity is due to the increase in the notional value of interest rate and cross currency swaps.

Price risk

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

Price risk sensitivity

The sensitivity analysis below has been determined based on the exposure to price risks at the reporting date. At the reporting date, if the prices of APA Group's investments in Ethane Pipeline Income Fund and forward purchase contracts over listed equities had been 5 percent p.a. higher or lower:

— net profit would have been unaffected as the investment is 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 (2014: $nil); and

— equity reserves would decrease/increase by $4,000 (2014: $96,000), due to the changes in the fair value of available-for-sale investments.

APA Group's analysis of its exposure to price risk has declined during the current period compared to the prior period. This outcome is largely a result of the decrease in the price volatility, relative to the market, of the investment in the stapled security of Ethane Pipeline Income Fund.

b) Credit risk

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

CAPITAL MANAGEMENT

21. Financial risk management (continued)

b) Credit risk (continued)

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

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

Cross guarantee

In accordance with a deed of cross guarantee, APT Pipelines Limited, a subsidiary of APA Group, has agreed to provide financial support, when and as required, to all wholly-owned controlled entities with either a deficit in shareholders' funds or an excess of current liabilities over current assets. The fair value of the financial guarantee as at 30 June 2015 has been determined to be immaterial and no liability has been recorded (2014: $nil).

c) Liquidity risk

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

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

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.

2015	Maturity	Average interest rate % p.a.	Less than 1 year $000	1-5 years $000	More than 5 years $000
Unsecured financial liabilities					
Trade and other payables		-	405,685	-	-
Unsecured bank borrowings [a]		3.09	2,935	125,975	-
2012 Subordinated Notes	1-Oct-72	7.20	34,203	148,917	2,795,775
Interest rate swaps (net settled)		6.28	3,844	1,302	-
Denominated in A$					
Other financial liabilities [b]			7,574	30,296	48,918
Guaranteed Senior Notes [c]					
Denominated in A$					
2007 Series A	15-May-17	7.33	367	5,367	-
2007 Series C	15-May-17	7.38	7,318	106,475	-
2007 Series E	15-May-19	7.40	5,045	83,304	-
2007 Series G	15-May-22	7.45	6,002	24,008	92,586
2007 Series H	15-May-22	7.45	4,617	18,468	71,220
2010 AUD Medium Term Note	22-Jul-20	7.75	23,250	93,000	311,625
Denominated in US$					
2003 Series C	9-Sep-15	5.77	192,773	-	-
2003 Series D	9-Sep-18	6.02	6,949	113,220	-
2007 Series B	15-May-17	5.89	13,986	204,864	-
2007 Series D	15-May-19	5.99	11,111	184,546	-
2007 Series F	15-May-22	6.14	11,354	45,416	176,433
2009 Series A	1-Jul-16	8.35	9,805	90,569	-
2009 Series B	1-Jul-19	8.86	11,825	140,047	-
2012 US 144A	11-Oct-22	3.88	48,989	197,031	857,910
2015 US 144A [b]	23-Mar-25	4.20	59,883	239,533	1,725,377
2015 US 144A [b]	23-Mar-35	5.00	19,443	77,771	680,709
Denominated in stated foreign currency					
2012 JPY Medium Term Note	22-Jun-18	1.23	4,291	147,274	-
2012 CAD Medium Term Note	24-Jul-19	4.25	19,422	357,766	-
2012 GBP Medium Term Note	26-Nov-24	4.25	39,567	157,943	713,823
2015 GBP Medium Term Note [b]	22-Mar-30	3.50	51,894	206,081	1,663,426
2015 EUR Medium Term Note [b]	22-Mar-22	1.38	35,023	139,314	1,023,163
2015 EUR Medium Term Note [b]	22-Mar-27	2.00	39,142	155,699	1,158,040
			1,076,297	3,094,186	11,319,005

a) Facilities mature on 19 September 2016 ($400 million limit), 19 September 2017 ($425 million limit), 19 December 2018 ($200 million limit), and 19 September 2019 ($275 million limit).

b) Facilities are denominated or fully swapped via way of CCIRS into US$. Cashflows represent the US$ cashflow translated at the USD/AUD spot rate as at 30 June 2015. These amounts are fully hedged by forward exchange contracts or future US$ revenues.

c) Rates shown are the coupon rate.

CAPITAL MANAGEMENT

21. Financial risk management (continued)

c) Liquidity risk (continued)

2014	Maturity	Average interest rate % p.a.	Less than 1 year $000	1-5 years $000	More than 5 years $000
Unsecured financial liabilities					
Trade and other payables		–	185,988	–	–
2011 Bilateral facilities	12-Oct-16	4.26	11,770	328,162	–
2011 Bilateral facilities	19-Dec-18	4.66	5,069	117,410	–
2011 Syndicated facility C	8-Jul-14	4.49	50,560	–	–
2014 Syndicated facility A	23-Jun-16	3.76	12,784	363,441	–
2014 Syndicated facility B	23-Jun-17	3.81	8,425	243,686	–
2012 Subordinated Notes	1-Oct-72	7.55	36,802	160,229	3,031,374
Interest rate swaps (net settled)		6.11	6,841	4,237	–
Guaranteed Senior Notes [a]					
Denominated in A$					
2007 Series A	15-May-17	7.33	367	5,733	–
2007 Series C	15-May-17	7.38	7,318	113,793	–
2007 Series E	15-May-19	7.40	5,045	88,349	–
2007 Series G	15-May-22	7.45	6,002	24,008	98,588
2007 Series H	15-May-22	7.45	4,617	18,468	75,837
2010 AUD Medium Term Note	22-Jul-20	7.75	23,250	93,000	334,875
Denominated in US$					
2003 Series C	9-Sep-15	5.77	14,175	192,773	–
2003 Series D	9-Sep-18	6.02	6,911	120,169	–
2007 Series B	15-May-17	5.89	13,986	218,851	–
2007 Series D	15-May-19	5.99	11,111	195,657	–
2007 Series F	15-May-22	6.14	11,354	45,416	187,787
2009 Series A	1-Jul-16	8.35	9,752	100,375	–
2009 Series B	1-Jul-19	8.86	11,761	47,075	104,797
2012 US 144A	11-Oct-22	3.88	49,392	196,358	907,571
Denominated in stated foreign currency					
2012 JPY Medium Term Note	22-Jun-18	1.23	8,535	151,565	–
2012 CAD Medium Term Note	24-Jul-19	4.25	19,690	78,010	299,178
2012 GBP Medium Term Note	26-Nov-24	4.25	39,351	158,159	753,173
			560,856	3,064,924	5,793,180

a) Rates shown are the coupon rate.

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

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

Fair value measurements recognised in the statement of financial position

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

— Level 1 fair value measurements are those derived from quoted prices (unadjusted) in active markets for identical assets or liabilities.

— Level 2 fair value measurements are those derived from inputs other than quoted prices included within Level 1 that are observable for the asset or liability, either directly (i.e. as prices) or indirectly (i.e. derived from prices).

— Level 3 fair value measurements are those derived from valuation techniques that include inputs for the asset or liability that are not based on observable market data (unobservable inputs).

There have been no transfers between the levels during 2015 (2014: none). Transfers between levels of the fair value hierarchy occur at the end of the reporting period. Transfers between level 1 and level 2 are triggered when there are quoted prices available in active markets. Transfers into level 3 are triggered when the observable inputs become no longer observable, or vice versa for transfer out of level 3.

CAPITAL MANAGEMENT

21. Financial risk management (continued)

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

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

— the fair values of available-for-sale financial assets and financial liabilities with standard terms and conditions and traded on active liquid markets are determined with reference to quoted market prices, these instruments are classified in the fair value hierarchy at level 1;

— the fair values of forward foreign exchange contracts included in hedging assets and liabilities are calculated using discounted cash flow analysis based on observable forward exchange rates at the end of the reporting period and contract forward rates discounted at a rate that reflects the credit risk of the various counterparties. The instruments are classified in the fair value hierarchy at level 2;

— the fair values of interest rates swaps, cross currency swaps, equity forwards and other derivative instruments included in hedging assets and liabilities are calculated using discounted cash flow analysis using observable yield curves at the end of the reporting period and contract rates discounted at a rate that reflects the credit risk of the various counterparties;

— the fair values of other financial assets and financial liabilities (excluding derivative instruments) are determined in accordance with generally accepted pricing models based on discounted cash flow analysis using prices from observable current markets discounted at a rate that reflects the credit risk of the various counterparties. The instruments are classified in the fair value hierarchy at level 2;

— the fair value of financial guarantee contracts is determined based upon the probability of default by the specified counterparty extrapolated from market-based credit information and the amount of loss, given the default. The instruments are classified in the fair value hierarchy at level 2; and

— the carrying value of financial assets and liabilities recorded at amortised cost in the financial statements approximate their fair value having regard to the specific terms of the agreements underlying those assets and liabilities.

Fair value hierarchy

2015	Level 1 $000	Level 2 $000	Level 3 $000	Total $000
Financial assets measured at fair value				
Available-for-sale listed equity securities				
Ethane Pipeline Income Fund	**7,162**	**–**	**–**	**7,162**
Equity forwards designated as fair value through profit or loss	**–**	**5,199**	**–**	**5,199**
Cross Currency Interest Rate Swaps used for hedging	**–**	**461,484**	**–**	**461,484**
Forward foreign exchange contracts used for hedging	**–**	**4,016**	**–**	**4,016**
	7,162	**470,699**	**–**	**477,861**
Financial liabilities measured at fair value				
Interest rate swaps used for hedging	**–**	**17,885**	**–**	**17,885**
Cross Currency Interest Rate Swaps used for hedging	**–**	**147,537**	**–**	**147,537**
Forward foreign exchange contracts used for hedging	**–**	**1,800**	**–**	**1,800**
	–	**167,222**	**–**	**167,222**
2014				
Financial assets measured at fair value				
Available-for-sale listed equity securities				
Ethane Pipeline Income Fund	4,571	–	–	4,571
Equity forwards designated as fair value through profit or loss	–	4,004	–	4,004
Forward foreign exchange contracts used for hedging	–	77,115	–	77,115
	4,571	81,119	–	85,690
Financial liabilities measured at fair value				
Interest rate swaps used for hedging	–	31,041	–	31,041
Cross Currency Interest Rate Swaps used for hedging	–	261,739	–	261,739
Forward foreign exchange contracts used for hedging	–	1,246	–	1,246
	–	294,026	–	294,026

CAPITAL MANAGEMENT

21. Financial risk management (continued)

Fair value measurements of financial instruments measured at amortised cost

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

	Carrying amount		Fair value (level 2)[a]	
	2015 $000	2014 $000	2015 $000	2014 $000
Financial liabilities				
Unsecured long term private placement notes	**1,254,594**	1,083,934	**1,388,789**	1,227,760
Unsecured Australian Dollar medium term notes	**300,000**	300,000	**351,024**	343,276
Unsecured Japanese Yen medium term note	**106,005**	104,681	**108,594**	107,717
Unsecured Canadian Dollar medium term notes	**311,394**	298,378	**323,954**	322,535
Unsecured Australian Dollar subordinated notes	**515,000**	515,000	**646,661**	570,923
Unsecured US Dollar 144A medium term notes	**2,786,779**	795,587	**3,000,016**	792,363
Unsecured British Pound medium term note	**1,937,372**	635,268	**1,864,624**	643,420
Unsecured Euro medium term notes	**1,950,107**	–	**1,872,050**	–
	9,161,251	3,732,848	**9,555,712**	4,007,994

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

22. Other financial instruments

	Assets		Liabilities	
	2015 $000	2014 $000	2015 $000	2014 $000
Derivatives at fair value:				
Equity forward contracts	**3,527**	2,407	**-**	–
Derivatives at fair value designated as hedging instruments:				
Foreign exchange contracts – cash flow hedges	**4,016**	–	**1,800**	1,246
Interest rate swaps – cash flow hedges	**-**	–	**13,003**	17,712
Cross currency interest rate swaps – cash flow hedges	**16,961**	13,883	**131,012**	71,616
Financial item carried at amortised cost:				
Redeemable preference share interest	**285**	285	**-**	–
Current	**24,789**	16,575	**145,815**	90,574
Available-for-sale investments carried at fair value:				
Ethane Pipeline Income Fund	**7,162**	4,571	**-**	–
Financial items carried at amortised cost:				
Redeemable ordinary shares	**17,152**	18,218	**-**	–
Redeemable preference shares	**10,400**	10,400	**-**	–
Derivatives – at fair value:				
Equity forward contracts	**1,672**	1,597	**-**	–
Derivatives at fair value designated as hedging instruments:				
Interest rate swaps – cash flow hedges	**-**	–	**8,728**	17,377
Cross currency interest rate swaps – cash flow hedges	**460,151**	75,982	**36,065**	199,559
Non-current	**496,537**	110,768	**44,793**	216,936

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.

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

CAPITAL MANAGEMENT

22. Other financial instruments (continued)

Recognition and measurement

Hedge accounting

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

At the inception of the hedge relationship, APA Group formally designates and documents the hedge relationship, including the risk management strategy for undertaking the hedge. This includes identification of the hedging instrument, hedged item or transaction, the nature of there risk being hedged and how the entity will assess the hedging instrument's effectiveness. Hedges are expected to be highly effective in achieving offsetting changes in fair value or cash flows and their effectiveness is regularly assessed to ensure they continue to be so.

Note 21 contains details of the fair values of the derivative instruments used for hedging purposes. Movements in the hedging reserve in equity are detailed in the Consolidated Statement of Changes in Equity.

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.

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

Cash flow hedges

For cash flow hedges, the portion of the gain or loss on the hedging instrument that is effective is recognised directly in equity, while the ineffective portion is recognised in profit or loss.

Amounts recognised in equity are transferred to the profit or loss when the hedged transaction affects profit or loss, such as when the hedged income or expenses are recognised or when a forecast sale occurs. When the hedged item is the cost of a non-financial asset or liability, the amounts taken to equity are transferred to the initial carrying amount of the non-financial asset or liability.

If the forecast transaction is no longer expected to occur, amounts previously recognised in equity are transferred to the profit or loss. If the hedging instrument expires or is sold, terminated or exercised, or if its designation as a hedge is revoked, amounts previously recognised in equity remain in equity until the forecast transaction occurs.

Available-for-sale financial assets

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

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

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.

Impairment of financial assets

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

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

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.

CAPITAL MANAGEMENT

23. Issued capital

	2015 $000	2014 $000
Securities		
1,114,307,369 securities, fully paid (2014: 835,750,807 securities, fully paid) [a]	**3,195,449**	1,816,460

	2015 No. of securities 000	2015 $000	2014 No. of securities 000	2014 $000
Movements				
Balance at beginning of financial year	**835,751**	**1,816,460**	835,751	1,820,516
Capital return to securityholders (Note 10)	**-**	**-**	–	(4,056)
Issue of securities under entitlement offer	**278,556**	**1,400,122**	–	–
Less transaction costs relating to the issue of securities	**-**	**(30,190)**	–	–
Deferred tax on the transaction costs relating to the issue of securities	**-**	**9,057**	–	–
Balance at end of financial year	**1,114,307**	**3,195,449**	835,751	1,816,460

a) Fully paid securities carry one vote per security and carry the right to distributions. New securities issued under the entitlement offer were not eligible for the FY2015 interim distribution, but otherwise rank equally with existing securities from allotment.

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

GROUP STRUCTURE

24. Non-controlling interests

APT is deemed the parent entity of APA Group comprising of the stapled structure of APT and APTIT. Equity attributable to other trusts stapled to the parent is a form of non-controlling interest and represents 100% of the equity of APTIT.

Summarised financial information for APTIT is set out below, the amounts disclosed are before inter-company eliminations.

	2015 $000	2014 $000
Financial position		
Current assets	**701**	670
Non-current assets	**1,031,517**	594,584
Total assets	**1,032,218**	595,254
Current liabilities	**49**	11
Total liabilities	**49**	11
Net assets	**1,032,169**	595,243
Equity attributable to non-controlling interests	**1,032,169**	595,243
Financial performance		
Revenue	**46,359**	38,718
Expenses	**(11)**	(12)
Profit for the year	**46,348**	38,706
Other comprehensive income	**989**	(861)
Total comprehensive income allocated to non-controlling interests for the year	**47,337**	37,845
Cash flows		
Net cash provided by operating activities	**46,672**	39,695
Net cash (used in)/provided by investing activities	**(436,276)**	1,592
Distributions paid to non-controlling interests	**(39,324)**	(41,273)
Net cash used in financing activities	**389,604**	(41,287)

The accounting policies of APTIT are the same as those applied to APA Group.

There are no material guarantees, contingent liabilities or restrictions imposed on APA Group from APTIT's non-controlling interests.

	2015 $000	2014 $000
APT Investment Trust	**1,032,169**	595,243
Other non-controlling interest	**52**	51
	1,032,221	595,294
APT Investment Trust		
Issued capital:		
Balance at beginning of financial year	**576,172**	578,780
Issue of securities under entitlement offer	**438,351**	–
Distribution – capital return (Note 9)	**–**	(2,608)
Less transaction costs relating to the issue of units	**(9,437)**	–
	1,005,086	576,172
Reserves:		
Available for sale investment revaluation reserve:		
Balance at beginning of financial year	**(394)**	467
Valuation loss recognised	**989**	(861)
	595	(394)
Retained earnings:		
Balance at beginning of financial year	**19,465**	19,424
Net profit attributable to APTIT unitholders	**46,348**	38,706
Distributions paid (Note 9)	**(39,325)**	(38,665)
	26,488	19,465

GROUP STRUCTURE

24. Non-controlling interests (continued)
APT Investment Trust (continued)

	2015 $000	2014 $000
Other non-controlling interest		
Issued capital	**4**	4
Reserves	**1**	1
Retained earnings	**47**	46
	52	51

25. Joint arrangements and associates
The table below lists APA Group's interest in joint ventures and associates that are reported as part of the Energy Investments segment. APA Group provides asset management, operation and maintenance services and corporate services, in varying combinations to the majority of energy infrastructure assets housed within these entities.

			Ownership interest %	
Name of entity	**Principal activity**	**Country of incorporation**	**2015**	**2014**
Joint ventures:				
SEA Gas	Gas transmission	Australia	**50.00**	50.00
Diamantina Power Station	Power generation (gas)	Australia	**50.00**	50.00
Energy Infrastructure Investments	Unlisted energy vehicle	Australia	**19.90**	19.90
EII 2	Power generation (wind)	Australia	**20.20**	20.20
Associates:				
GDI (EII)	Gas distribution	Australia	**20.00**	20.00
Envestra Limited [a]	Gas distribution	Australia	**-**	33.05

a) During August 2014, APA Group sold its investment in Envestra Limited to Cheung Kong Group consortium for $1.32 per share amounting to $783.8 million in gross proceeds which realised a net pre-tax profit of $430.0 million.

	2015	2014
Investment in joint ventures and associates using the equity method	**257,425**	593,325
Joint Ventures		
Aggregate carrying amount of investment	**228,556**	179,820
APA Group's aggregated share of:		
Profit from continuing operations	**10,288**	11,973
Other comprehensive income	**(9,786)**	(8,783)
Total comprehensive income	**502**	3,190
Associates		
Aggregate carrying amount of investment	**28,869**	413,505
APA Group's aggregated share of:		
Profit from continuing operations	**3,633**	52,317
Other comprehensive income	**(19,290)**	854
Total comprehensive income	**(15,657)**	53,171

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

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

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

GROUP STRUCTURE

25. Joint arrangements and associates (continued)

Contingent liabilities and capital commitments
APA Group's share of the contingent liabilities, capital commitments and other expenditure commitments of joint operations is disclosed in Note 27.

APA Group is a venturer in the following joint operations:

Name of venture	Principal activity	Output interest 2015 %	Output interest 2014 %
Goldfields Gas Transmission	Gas pipeline operation – Western Australia	**88.2** [a]	88.2 [a]
Mid West Pipeline	Gas pipeline operation – Western Australia	**50.0** [b]	50.0 [b]

a) On 17 August 2004, APA acquired a direct interest in the Goldfields Gas Transmission joint operations as part of the SCP Gas Business acquisition.
b) Pursuant to the joint venture agreement, APA Group receives a 70.8% share of operating income and expenses.

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

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

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

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

Name of entity	Country of registration/ incorporation	Ownership interest 2015 %	Ownership interest 2014 %
Parent entity			
Australian Pipeline Trust [a]			
Subsidiaries			
APT Pipelines Limited [b, c]	Australia	**100**	100
Australian Pipeline Limited [b]	Australia	**100**	100
Agex Pty Ltd [b, c]	Australia	**100**	100
Amadeus Gas Trust	Australia	**96**	96
APT Goldfields Pty Ltd [b, c]	Australia	**100**	100
APT Management Services Pty Limited [b, c]	Australia	**100**	100
APT Parmelia Gas Pty Ltd [e]	Australia	**–**	100
APT Parmelia Holdings Pty Ltd [b, c]	Australia	**100**	100
APT Parmelia Pty Ltd [b, c]	Australia	**100**	100
APT Parmelia Trust [b]	Cayman Islands	**100**	100
APT Petroleum Pipelines Holdings Pty Limited [b, c]	Australia	**100**	100
APT Petroleum Pipelines Pty Limited [b, c]	Australia	**100**	100
APT Pipelines (NSW) Pty Limited [b, c]	Australia	**100**	100
APT Pipelines (NT) Pty Limited [b, c]	Australia	**100**	100
APT Pipelines (QLD) Pty Limited [b, c]	Australia	**100**	100
APT Pipelines (WA) Pty Limited [b, c]	Australia	**100**	100
APT Pipelines Investments (NSW) Pty Limited [b, c]	Australia	**100**	100
APT Pipelines Investments (WA) Pty Limited [b, c]	Australia	**100**	100
East Australian Pipeline Pty Limited [b, c]	Australia	**100**	100
Gasinvest Australia Pty Ltd [b, c]	Australia	**100**	100
Goldfields Gas Transmission Pty Ltd [b]	Australia	**100**	100
N.T. Gas Distribution Pty Limited [b, c]	Australia	**100**	100
N.T. Gas Easements Pty Limited [b, c]	Australia	**100**	100
N.T. Gas Pty Limited	Australia	**96**	96

GROUP STRUCTURE

26. Subsidiaries (continued)

Name of entity	Country of registration/ incorporation	Ownership interest 2015 %	Ownership interest 2014 %
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
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 [e]	Australia	**–**	100
APT Water Management Holdings Pty Ltd [e]	Australia	**–**	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 [e]	Australia	**–**	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 [e]	Australia	**–**	100
APA Facilities Management Pty Limited [b, c]	Australia	**100**	100
APA (NBH) Pty Limited [b, c]	Australia	**100**	100
APA Pipelines Investments (BWP) Pty Limited [b, c]	Australia	**100**	100
APA Power Holdings Pty Limited [b, c]	Australia	**100**	100
APA (EDWF Holdco) Pty Ltd [b, c]	Australia	**100**	100
APA (BWF Holdco) Pty Ltd [b, c]	Australia	**100**	100
EDWF Holdings 1 Pty Ltd [b, c]	Australia	**100**	100
EDWF Holdings 2 Pty Ltd [b, c]	Australia	**100**	100
EDWF Manager Pty Ltd [b, c]	Australia	**100**	100
Wind Portfolio Pty Ltd [b, c]	Australia	**100**	100
Griffin Windfarm 2 Pty Ltd [b]	Australia	**100**	100
APA AM (Allgas) Pty Limited [b, c]	Australia	**100**	100
APA DPS Holdings Pty Limited [b, c]	Australia	**100**	100
APA Power PF Pty Limited [b, c]	Australia	**100**	100

GROUP STRUCTURE

26. Subsidiaries (continued)

Name of entity	Country of registration/ incorporation	Ownership interest 2015 %	2014 %
APA Sub Trust No 1 [b]	Australia	**100**	100
APA Sub Trust No 2 [b]	Australia	**100**	100
APA Sub Trust No 3 [b]	Australia	**100**	100
APA (Pilbara Pipeline) Pty Ltd [b, c]	Australia	**100**	100
APA (Sub No 3) International Holdings 1 Pty Ltd [b, c, f]	Australia	**100**	100
APA (Sub No 3) International Holdings 2 Pty Ltd [b, c, f]	Australia	**100**	100
APA (Sub No 3) International Nominees Pty Ltd [b, c, f]	Australia	**100**	100
APA (SWQP) Pty Limited [b, c]	Australia	**100**	100
APA (WA) One Pty Limited [b, c]	Australia	**100**	100
APA AIS 1 Pty Limited [b, c]	Australia	**100**	100
APA AIS 2 Pty Ltd [b, c]	Australia	**100**	100
APA AIS Pty Limited [b, c]	Australia	**100**	100
APA Biobond Pty Limited [b, c]	Australia	**100**	100
APA East One Pty Limited [b, c, f]	Australia	**100**	100
APA East Pipelines Pty Limited [b, c]	Australia	**100**	100
APA EE Pty Limited [b, c]	Australia	**100**	100
APA EE Australia Pty Limited [b, c]	Australia	**100**	100
APA EE Corporate Shared Services Pty Limited [b, c]	Australia	**100**	100
APA EE Holdings Pty Limited [b, c]	Australia	**100**	100
Epic Energy East Pipelines Trust [b]	Australia	**100**	100
APA (NT) Pty Limited [b, c, f]	Australia	**100**	100
APA Bid Co Pty Limited [b, c, d]	Australia	**100**	–
APA Hold Co Pty Limited [b, c, d]	Australia	**100**	–
APA WGP Pty Limited [b, c, d]	Australia	**100**	–

a) Australian Pipeline Trust is the head entity within the tax-consolidated group.
b) These entities are members of the tax-consolidated group.
c) These wholly-owned subsidiaries have entered into a deed of cross guarantee with APT Pipelines Limited pursuant to ASIC Class Order 98/1418 and are relieved from the requirement to prepare and lodge an audited financial report.
d) Entity was acquired during the 2015 year.
e) Entity was deregistered during the 2015 year.
f) Entity party to a revocation deed in relation to the APT Pipelines Limited deed of cross guarantee lodged with ASIC on 1 August 2014 which has taken affect in the 2015 year and is therefore no longer a party to the deed.

OTHER ITEMS

27. Commitments and contingencies

	2015 $000	2014 $000
Capital expenditure commitments		
APA Group – plant and equipment	**94,169**	87,835
APA Group's share of jointly controlled operations – plant and equipment	**5,987**	16,458
	100,156	104,293
Contingent liabilities		
Bank guarantees	**49,049**	28,553

APA Group had no contingent assets as at 30 June 2015 and 30 June 2014.

28. Director and senior executive remuneration

Directors remuneration

The aggregate remuneration made to Directors of APA Group is set out below:

	2015 $	2014 $
Short-term employment benefits	**1,268,500**	1,181,281
Post-employment benefits	**132,105**	119,735
Total Remuneration: Non-Executive Directors	**1,400,605**	1,301,016
Short-term employment benefits	**3,109,447**	2,868,962
Post-employment benefits	**35,000**	25,000
Cash settled security-based payments	**1,564,212**	1,301,316
Total Remuneration: Executive Director [a]	**4,708,659**	4,195,278
Total Remuneration: Directors	**6,109,264**	5,496,294

a) The remuneration for the Chief Executive Officer and Managing Director, Michael McCormack, is also included in the remuneration disclosure for senior executives.

Senior executive remuneration [a]

The aggregate remuneration made to senior executives of APA Group is set out below:

Short-term employment benefits	**9,977,891**	9,060,314
Post-employment benefits	**258,778**	192,775
Cash settled security-based payments	**4,242,640**	3,410,484
Retention award	**430,666**	550,667
	14,909,975	13,214,240

a) The remuneration for the Chief Executive Officer and Managing Director, Michael McCormack, is also included in the remuneration disclosure for senior executives.

29. Remuneration of external auditor

Amounts received or due and receivable by Deloitte Touche Tohmatsu for:		
Auditing the financial report	**659,500**	700,000
Compliance plan audit	**18,000**	21,500
Tax compliance and advice [a]	**–**	8,500
Other assurance services [a]	**436,500**	414,000
	1,114,000	1,144,000

a) Services provided were in accordance with the external auditor independence policy. Other assurance services comprise preparation of investigating accountants reports and assurance services in relation to debt raisings, a scheme of arrangement and the entitlement offer.

OTHER ITEMS

30. Related party transactions

a) Equity interest in related parties

Details of the percentage of ordinary securities held in subsidiaries are disclosed in Note 26 and the details of the percentage held in joint operations, joint ventures and associates are disclosed in Note 25.

b) Responsible Entity – Australian Pipeline Limited

The Responsible Entity is wholly owned by APT Pipelines Limited.

c) Transactions with related parties within APA Group

Transactions between the entities that comprise APA Group during the financial year consisted of:

— dividends;

— asset lease rentals;

— loans advanced and payments received on long-term inter-entity loans;

— management fees;

— operational services provided between entities;

— payments of distributions; and

— equity issues.

The above transactions were made on normal commercial terms and conditions. The Group charges interest on inter-entity loans from time to time.

All transactions between the entities that comprise APA Group have been eliminated on consolidation.

Refer to Note 26 for details of the entities that comprise APA Group.

Australian Pipeline Limited

Management fees of $3,451,167 (2014: $3,177,861) were paid to the Responsible Entity as reimbursement of costs incurred on behalf of APA Group. No amounts were paid directly by APA Group to the Directors of the Responsible Entity, except as disclosed at Note 28.

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

d) Transactions with other related parties

Transactions with associates and joint ventures

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

2015	Dividends from related parties $000	Sales to related parties $000	Purchases from related parties $000	Amount owed by related parties $000	Amount owed to related parties $000
SEA Gas	**14,164**	**3,733**	**–**	**181**	**–**
Energy Infrastructure Investments	**3,460**	**27,021**	**139**	**3,074**	**139**
EII 2	**3,105**	**661**	**–**	**–**	**–**
APA Ethane Ltd	**–**	**200**	**–**	**–**	**–**
Diamantina Power Station	**–**	**1,608**	**–**	**–**	**–**
GDI (EII)	**4,479**	**51,190**	**–**	**5,749**	**–**
	25,208	**84,413**	**139**	**9,004**	**139**
2014					
SEA Gas	11,298	3,256	–	98	–
Energy Infrastructure Investments	4,283	22,755	250	1,935	–
EII 2	2,405	641	–	–	–
APA Ethane Ltd	–	200	–	–	–
Diamantina Power Station	–	3,083	–	–	–
GDI (EII)	5,433	49,435	18	4,994	–
Envestra Limited [a]	38,000	369,471	578	40,400	–
	61,419	448,841	846	47,427	–

At year end, APA Group had a shareholder loan receivable from Diamantina Power Station of $75.7 million (2014 $118.1 million).

a) During August 2014, APA Group sold its investment in Envestra Limited to Cheung Kong Group consortium for $1.32 per share amounting to $783.8 million in gross proceeds which realised a net pre-tax profit of $430.0 million.

OTHER ITEMS

31. 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.

	2015 $000	2014 $000
Financial position		
Assets		
Current assets	**2,869,731**	845,650
Non-current assets	**632,553**	1,083,512
Total assets	**3,502,284**	1,929,162
Liabilities		
Current liabilities	**105,763**	98,427
Total liabilities	**105,763**	98,427
Net assets	**3,396,521**	1,830,735
Equity		
Issued capital	**3,195,449**	1,816,460
Retained earnings	**199,587**	13,912
Reserves		
Available-for-sale investment revaluation reserve	**1,485**	363
Total equity	**3,396,521**	1,830,735
Financial performance		
Profit for the year	**449,311**	258,159
Other comprehensive income	**1,122**	(1,373)
Total comprehensive income	**450,433**	256,786

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.

32. Adoption of new and revised Accounting Standards

Standards and Interpretations affecting amounts reported in the current period (and/or prior periods)
There has not been any new or revised Standards and Interpretations issued by the AASB that are relevant to the consolidated entity's operations that would be effective for the current reporting period.

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

Standard/Interpretation	Effective for annual reporting periods beginning on or after	Expected to be initially applied in the financial year ending
— AASB 9 'Financial Instruments', and the relevant amending standards	1 January 2018	30 June 2019
— AASB 15 'Revenue from Contracts with Customers' and AASB 2014-5 'Amendments to Australian Accounting Standards arising from AASB15'	1 January 2017 [a]	30 June 2018 [a]

a) The International Accounting Standards Boards has deferred the implementation to periods commencing on or after 1 January 2018. This deferral is expected to be adopted by the AASB in due course.

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

33. Events occurring after reporting date

On 7 July 2015, APA Group entered into a series of forward exchange contracts for financial years 2017 and 2018 to hedge the forecast net USD cashflows of US$388.1 million (A$528.5 million) associated with the Wallumbilla Gladstone Pipeline. This increased the net value of foreign exchange contracts held on that date to US$581.9 million (A$784.4 million).

On 26 August 2015, the Directors declared a final distribution of 20.50 cents per security ($228.4 million) for APA Group (comprising a distribution of 18.12 cents per security from APT and a distribution of 2.38 cents per security from APTIT), consisting of 20.50 cents per security unfranked profit distribution. The distribution will be paid on 16 September 2015.

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.