APA Group Limited ACN 091 344 704 | APA Infrastructure Trust ARSN 091 678 778 | APA Investment Trust ARSN 115 585 441
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APA Group | apa.com.au

24 August 2022

ASX ANNOUNCEMENT

**APA Group (ASX: APA)**

# ANNUAL FINANCIAL RESULTS

APA Group provides the attached for the financial year ended 30 June 2022:

- APA Infrastructure Trust Appendix 4E
- APA Infrastructure Trust Annual Report
- APA Investment Trust Annual Report

The webcast, which starts at 10.00am today, is accessible via a link here.

**Authorised for release by Amanda Cheney**
Company Secretary
APA Group Limited

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**About APA Group (APA)**

APA is a leading Australian Securities Exchange (ASX) listed energy infrastructure business. We own and/or manage and operate a diverse, $21 billion portfolio of gas, electricity, solar and wind assets. Consistent with our purpose to strengthen communities through responsible energy, we deliver approximately half of the nation's gas usage and connect Victoria with South Australia and New South Wales with Queensland through our investments in electricity transmission assets. We also own and operaterenewable power generation assets in Australia, with wind and solar projects across the country. APA Infrastructure Limited is a wholly owned subsidiary of APA Infrastructure Trust and is the borrowing entity of APA Group. For more information visit APA's website, apa.com.au.

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# APA Infrastructure Trust

## Results for announcement to the market
## For the year ended 30 June 2022
## Appendix 4E

| Results | | Change | | 2022 $'000 | Restated[(a)] 2021 $'000 |
|---|---|---|---|---|---|
| Revenue including share of profits from equity accounted investments | Up | 4.9% | to | 2,732,378 | 2,605,013 |
| Profit after tax including significant items[(b)] | Up | 35,283.0% | to | 259,711 | 734 |
| Profit after tax excluding significant items | Down | 13.9% | to | 240,037 | 278,850 |
| Free cash flow[(c)] | Up | 19.8% | to | 1,080,632 | 901,914 |
| Free cash flow per security | Up | 15.2¢ | to | 91.6¢ | 76.4¢ |
| Earnings per security including significant items | Up | 22.0¢ | to | 22.1¢ | 0.1¢ |
| Earnings per security excluding significant items | Down | 3.3¢ | to | 20.4¢ | 23.7¢ |

(a) Restated for the impact of the provision for payroll review. Refer to note 2 of the financial statements.
(b) Refer to note 2 of the Financial Statements.
(c) Free cash flow is Operating Cash Flow adjusted for strategically significant transformation projects, less stay-in-business (SIB) capex. SIB capex includes operational assets lifecycle replacement costs and technology lifecycle costs.

## Reporting Period

The above results are for the financial year ended 30 June 2022, reference is made to movements from the previous corresponding period being the financial year ended 30 June 2021.

| Distributions paid and proposed | APA Group Amount per security | Franking credits per security |
|---|---|---|
| Final distribution proposed | | |
| profit distribution | 7.45¢ | 2.70¢ |
| capital distribution | 20.55¢ | - |
| | 28.00¢ | 2.70¢ |
| Interim distribution paid | | |
| profit distribution | 10.76¢ | 4.04¢ |
| capital distribution | 14.24¢ | - |
| | 25.00¢ | 4.04¢ |
| | 53.00¢ | 6.74¢ |

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# APA Infrastructure Trust
## Results for announcement to the market
## For the year ended 30 June 2022
## Appendix 4E

Record date for determining entitlements to the unrecognised final distribution in respect of the current financial year is 30 June 2022.

Distribution information is presented on an accounting classification basis. The APA Group Annual Tax Statement and Annual Tax Return Guide to be (released in September 2022) provide the classification of distribution components for the purposes of preparation of security holder income tax returns.

The Directors have reviewed APA Group's financial position and funding requirements and have decided to retain the suspension of the Distribution Reinvestment Plan until further notice.

| Net asset backing per security | 2022 $ | Restated[d] 2021 $ |
|---|---|---|
| Net tangible asset backing per security | (0.73) | (0.61) |
| Net asset backing per security | 2.23 | 2.50 |

(a) Restated for the impact of the provision for payroll review. Refer to note 2 of the financial statements.

## Additional information and commentary on results for the year

For additional disclosures refer to the APA Group annual report for the year ended 30 June 2022 accompanying this Appendix 4E.

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# always powering ahead

Annual Report 2022

Vision:

## What we aspire to.

## To be world class in energy solutions.

Purpose:

## Why we exist.

## We strengthen communities through responsible energy.

## Contents


**Cover images:**

1. Suzanne Shipp
2. Raman Munisamy and Kevin Lomax
3. Peter Chappall, Bryan Morris and Mark Florence
4. Reid Hann
5. Dylan Ungerer
6. Kirrily Hawker
7. Michael Redway
8. Paul Novinetz
9. Gretyl Lunn and Peter Horniblow
10. Hunter Asanuma
11. Julie Mackenzie
12. Reid Hann
13. Gretyl Lunn and Peter Horniblow
14. Bryan Morris and Kristy Oliver
15. Kirrily Hawker and Suzanne Shipp

## Chairman's & Managing Director's Report

# We are APA: Always Powering Ahead.


## For more than two decades, APA has delivered responsible energy solutions to customers and communities across mainland Australia, helping to ensure we deliver energy security for industry, businesses and households.

As a proudly Australian business, with a vision to be world class in energy solutions, we are determined to play our role in helping Australia transition to a low carbon future and to pursue investment opportunities presented by the energy transition in the interests of our securityholders, customers and communities.

### FY22 results

Our solid performance in FY22 underscores both the strength of our business today and the capacity we have to make investments for the future as the energy market transitions.

Total statutory revenue (excluding pass-through revenue) was $2,236.6 million, up 4.3% compared with the previous year (FY21: $2,144.5 million). Earnings before interest, tax, depreciation and amortisation (Reported EBITDA)[1] of $1,630.2 million was down 0.5% on the previous year (FY21: $1,638.8 million). On an underlying EBITDA basis, earnings were up 3.9% to $1,692.3 million on the previous year (FY21: $1,628.8 million).

This performance, together with our confidence in APA's long-term growth outlook, enabled the Board to declare a final distribution of 28.0 cents, taking the FY22 distribution to 53.0 cents per security, consistent with guidance. This represents a 3.9% increase on FY21 and a continuation of 18 years of growth in distributions to securityholders.

### Health safety and wellbeing

There is no doubt that the strength of our performance for the period is, in a very large part, thanks to the hard work and commitment of our employees, who are fundamental to our success. The safety and security of our people, our communities and our assets is always a priority at APA.

Pleasingly, we again made meaningful improvements in our safety record in FY22 with a 43% decrease in our Total Recordable Injury Frequency Rate (TRIFR).

At the same time, our customers' gas transmission nominations were once again delivered 99.9% of the time, underscoring the reliability of our operations.

1. Excludes significant items.

While lockdowns and other COVID-19 measures continued to challenge the businesses during FY22, our employees again displayed resilience, adaptability and flexibility to continue delivering for our customers and communities and we thank them for their commitment.

As we adapt to our 'new normal' ways of working, we are intent on making the right safety decisions and always learning and sharing best practices with our people across all our sites. At the same time, our new Hybrid@APA strategy clarifies our expectations around how APA's office-based employees will work in a post-pandemic world and is grounded in our commitment to maintaining an inclusive and diverse workplace.

### Energy transition

The recent electricity market events on Australia's east coast has underscored the vital role APA plays in delivering energy security for Australians today, the importance of our strategy for the future, as well as the critical role that gas will continue to play in Australia's energy transition.

The challenges we are seeing play out across the east coast is a real-time window into the potential shocks we need to avoid if we are to navigate an orderly transition. As coal is withdrawn from Australia's energy mix, a combination of renewables brought to market by new and augmented electricity transmission and firmed by gas generation, together with batteries, pumped hydro and future technologies, will deliver the most economical and responsible pathway to net zero.

Importantly, gas generation will help to fast-track renewables into Australia's energy mix. That's because gas is the workhorse of the energy grid. It is virtually irreplaceable as an energy source for some industries, and because it is able to be turned on quickly and sustained for extended periods, gas delivers energy security when it's needed most. That's why it is vital that we both continue to invest in new gas supplies and in the infrastructure that will get it to market.

During FY22, APA progressed with ~$270 million investment, ahead of forecast gas shortfalls in the southern states, by expanding the capacity of our East Coast Grid between Queensland and southern markets by 25 per cent. This staged investment, which is underway, will provide a cost effective, safe and reliable means of transporting Australian domestic gas from northern gas producers to southern markets.

**$1.4bn+**

Organic growth capex expected to exceed $1.4bn over FY23-25

**53.0¢**

Distribution per security up 3.9%

**$21bn+**

Assets owned and/or operated by APA Group

## powering towards responsible energy

We are also investing now to increase capacity, reliability and security of supply to Victorian homes and businesses through our Western Outer Ring Main project and the expansion of the South West Pipeline.

By expanding our East Coast Grid today, APA is making responsible investments that serve our customers and communities with the potential for that same infrastructure to play a role in the delivery of the energy solutions of tomorrow, like hydrogen, biogas and synthetic methane.

In Australia's West, our Northern Goldfields Interconnect Pipeline in Western Australia will support mining customers to unlock new investment in battery minerals, which will further support the energy transition.

The need to continue to invest in gas infrastructure and the role this infrastructure will play in the future was acknowledged at the recent G7 meeting in Germany, where leaders from the world's major economies recognised the important role that gas will play in the global energy transition, particularly where projects are "integrated into national strategies for the development of low-carbon and renewable hydrogen".

### Strategy

The accelerating pace of the energy transition presents enormous opportunity for APA. As a leading Australian energy infrastructure business, APA plays a vital role in connecting Australian homes, businesses and communities with responsible energy solutions today, and consistent with our strategy and our vision to be world-class, we are actively investing in the energy solutions of tomorrow.

The Australian Energy Market Operator has identified that to secure Australia's energy future and meet the growing demand for electrification, our nation effectively needs to rebuild the National Electricity Market – nearly doubling the amount of electricity it currently delivers, building out a nine-fold increase in grid-scale renewables, trebling firming capacity, including gas-fired generation, and installing over 10,000 kilometres of new transmission lines.

A core part of our strategy is to leverage our capability and experience to support this important national endeavour.

Consistent with this strategy we continue to grow our renewables portfolio and have commenced construction of an 88-megawatt solar farm in Mount Isa that's a staggering 65 times the size of the Melbourne Cricket Ground's playing surface.

Our research, together with Future Fuels and Wollongong University, to test the ability of a section of the Parmelia Gas Pipeline in Western Australia to carry up to 100% hydrogen continues to achieve promising results. In FY22 we made further hydrogen related investments, including becoming a member of an international consortium undertaking a detailed feasibility study into the development of a large-scale green hydrogen project in Central Queensland. If successful, this project proposes to export green hydrogen to Japan and supply large industrial customers in the Central Queensland region to support emissions reduction for the domestic industry.

### Net zero

Our infrastructure investments will help steer Australia towards a net zero pathway, accelerate the technologies of the future, and support our own net zero ambitions.

In FY22, we advanced our climate change transformation program and set interim 2030 emission reductions commitments that not only embed a pathway in our strategy to achieve our net zero ambition, but it also firmly positions APA to drive our growth agenda.

You can read more about our plan on our website.

### Conclusion

As the energy transition accelerates, APA is well placed to continue our leading role in delivering responsible energy solutions for Australians.

We are proud of our track record of maintaining financial discipline in the execution of our strategy and of consistently creating and growing value for our securityholders. Our objective is to continue to deliver strong distributions while maintaining an appropriate level of funding for growth.

That focus will remain when Adam Watson steps into the role of Acting CEO, following Rob's decision to resign and finish at APA at the end of September 2022.

On behalf of the Board and Management, we thank our securityholders, customers, communities and employees for their ongoing support and our commitment to keep APA Always Powering Ahead.

**Michael Fraser**
Chairman

**Rob Wheals**
Chief Executive Officer and Managing Director

## 2022 Summary

# We are APA: delivering responsible energy


**Free Cash Flow**

**$1,081m**

STRONG FREE CASH FLOW GENERATION

UP **20%**

**Distribution**

**53.0¢**

**18** YEARS

OF CONSISTENT INCREASE

Established pathways to achieve

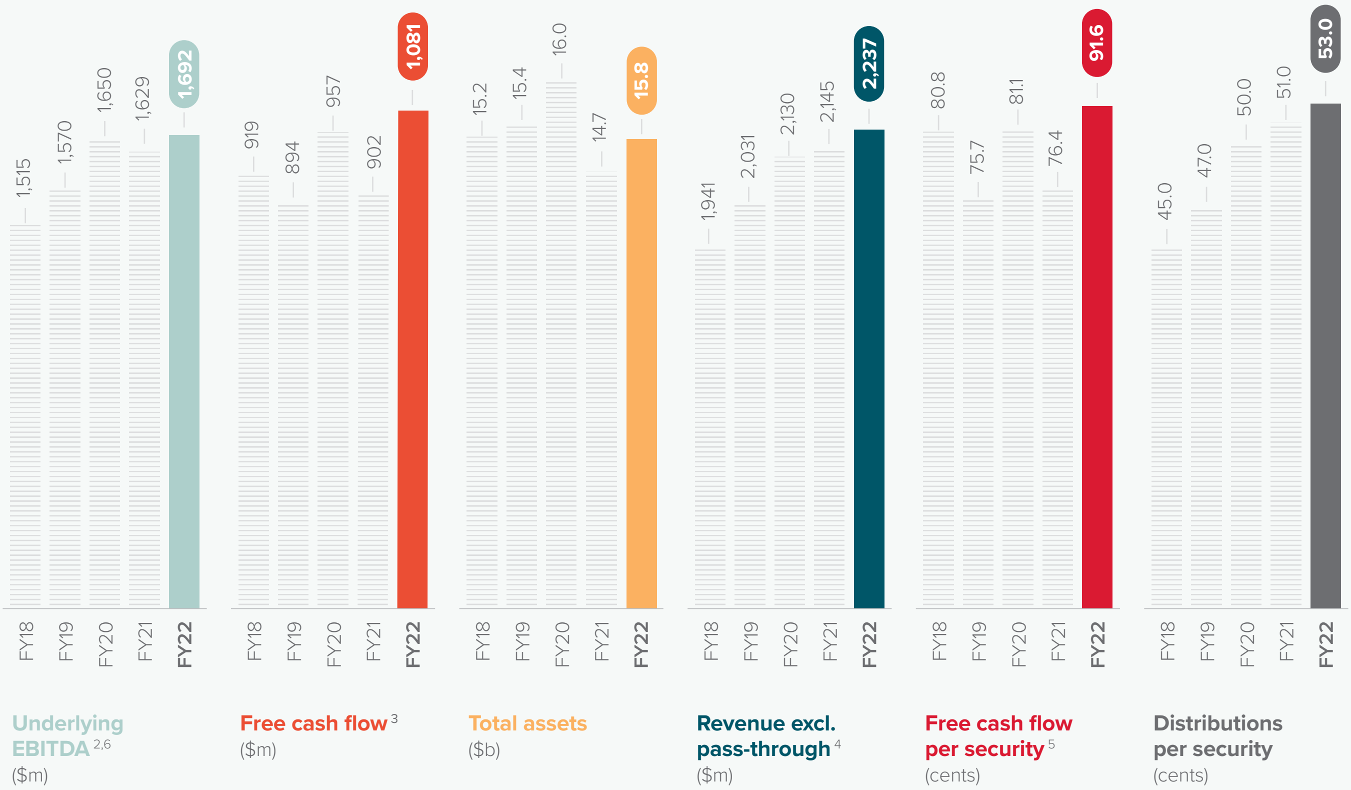
**NET ZERO**

OPERATIONAL EMISSIONS

**43% ↓**

DECREASE IN OUR TOTAL RECORDABLE INJURY FREQUENCY RATE (TRIFR)

## Underlying Business Performance




## Financial results

| | 30 June 2022 | 30 June 2021[6] | Changes |
|---|---|---|---|
| Revenue | **2,732.4** | 2,605.0 | 4.9% |
| Revenue excluding pass-through[4] | **2,236.6** | 2,144.5 | 4.3% |
| Underlying EBITDA[2] | **1,692.3** | 1,628.8 | 3.9% |
| Total reported EBITDA | **1,630.2** | 1,638.8 | (0.5%) |
| Profit after tax including significant items | **259.7** | 0.7 | 35283.0% |
| Profit after tax excluding significant items | **240.0** | 278.9 | (13.9%) |
| Free cash flow[3] | **1,080.6** | 901.9 | 19.8% |
| **Financial position** | | | |
| Total assets | **15,836.3** | 14,742.9 | 7.4% |
| Total drawn debt[5] | **10,668.1** | 9,665.8 | 10.4% |
| Total equity | **2,628.4** | 2,951.0 | (10.9%) |
| **Financial ratios** | | | |
| Free cash flow per security (cents) | **91.6** | 76.4 | 19.9% |
| Earnings per security (cents) including significant items | **22.1** | 0.1 | 22000.0% |
| Earnings per security (cents) excluding significant items | **20.4** | 23.7 | (13.9%) |
| Distribution per security (cents) | **53.0** | 51.0 | 3.9% |
| Distribution payout ratio (%)[7] | **57.9** | 66.7 | (13.4%) |
| FFO/Debt (%) | **11.5** | 11.0 | 4.5% |
| FFO/Interest (times) | **3.6** | 3.1 | 16.1% |

1. Financial results exclude significant items.
2. Underlying Earnings before interest, tax, depreciation, and amortisation (EBITDA) excludes recurring items arising from other activities, transactions that are not directly attributable to the performance of APA Group's business operations and significant items.
3. Free cash flow is Operating Cash Flow adjusted for strategically significant transformation projects, less stay-in-business (SIB) capex. SIB capex includes operational assets lifecycle replacement costs and technology lifecycle costs.
4. Pass-through revenue is offset by pass-through expense within underlying EBITDA. Any management fee earned for the provision of these services is recognised as part of asset management revenues.
5. APA's liability to repay debt at relevant due dates of the drawn facilities. This amount represents current and non-current borrowings as per balance sheet and is adjusted for deferred borrowing costs, the effect of unwinding of discount, unrealised foreign exchange differences reported in equity and deducting other financial liabilities that are reported as part of borrowings in the balance sheet differences reported in equity and deducting other financial liabilities that are reported as part of borrowings in the balance sheet.
6. The financial years prior to FY22 have been restated as a result of the provision for payroll review.
7. Distribution payout ratio = total distribution applicable to the financial year as a percentage of free cash flow.

# APA Group Board

**Michael Fraser**
BCom FCPA MAICD
**Independent Chairman**
Appointed 1 September 2015
Appointed Chairman 27 October 2017

Michael has more than 35 years' experience in the Australian energy industry. He has held various executive positions at AGL Energy culminating in his role as Managing Director and Chief Executive Officer for 7 years until February 2015.

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

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

**Robert (Rob) Wheals**
BCom CA GAICD
**Chief Executive Officer and Managing Director**
Appointed 6 July 2019 to end of September 2022

Rob has more than 25 years' experience in Australia and internationally in energy infrastructure and telecommunications, across roles in operations, finance, commercial, strategy, infrastructure investments and M&A, as well as regulatory.

Rob joined APA in 2008 as General Manager Commercial to manage the commercial function of APA's transmission business, which includes over 15,000 km of gas transmission pipelines, storage and processing facilities.

In 2012, Rob was appointed Group Executive Transmission, responsible for approximately 85% of APA's earnings before interest, tax and depreciation. In this role, Rob was responsible for the commercial, operational and safety performance of APA Group's transmission and gas storage assets.

Rob has a deep understanding of the Australian energy market and the challenges facing Australia today and into the future, in particular the challenge of balancing sustainable lower emissions energy with reliable and affordable energy for end users.

Prior to joining APA, Rob was General Manager of Strategy at AAPT in Sydney.

Rob has a Bachelor of Commerce Degree. He is a Chartered Accountant and a Graduate Member of the Australian Institute of Company Directors.

**Debra (Debbie) Goodin**
BEc FCA MAICD
**Independent Director**
Appointed 1 September 2015

Debbie is an experienced Non-Executive Director and Chairman of both listed and unlisted corporates. She is currently Chairman of Atlas Arteria Limited. She was formerly a Director of oOh!media Limited, Senex Energy Limited, Ten Network Holdings Limited and Australia Pacific Airports Corporation Limited.

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

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

**James Fazzino**
BEc (Hons) FCPA
**Independent Director**
Appointed 21 February 2019

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

James is currently the Chair of Manufacturing Australia and Tassal Group Limited, and a Director of Rabobank Australia Limited. He is also a convenor of the Champions of Change Coalition.

He was formerly the Chairman of Osteon Medical, Managing Director and Chief Executive Officer of Incitec Pivot Limited and before that its Finance Director and Chief Financial Officer.

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

# APA Group Board continued

**Peter Wasow**
BCom GradDip (Management) Fellow (CPA Australia)
**Independent Director**
Appointed 19 March 2018

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

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

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

**Rhoda Phillippo**
MSc telecommunications Business GAICD
**Independent Director**
Appointed 1 June 2020

Rhoda has considerable experience in the telecommunications, IT and energy sectors.

She is currently Chairperson of Kinetic IT Pty Ltd, and a Non-Executive Director with Pacific Hydro. She is also an advisor to the Board of Tally Group, an energy billing solutions provider. She was formerly a Non-Executive Director of Datacom Group Limited, Vocus Group Ltd and LINQ, the Chairman of Snapper Services in New Zealand and Deputy Chair of Kiwibank in New Zealand.

Rhoda spent much of her career in the telecommunications industry in the United Kingdom, New Zealand and Australia in senior management positions before joining Optimation, in New Zealand, as Chief Executive Officer. Rhoda later joined HRL Morrison & Co and, during this time, was Managing Director of Lumo Energy for 2 years.

Rhoda is a member of the Health, Safety, Environment and Heritage Committee and a member of the People and Remuneration Committee.

**Shirley In't Veld**
BCom LLB (Hons)
**Independent Director**
Appointed 19 March 2018

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

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

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

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

**Steven (Steve) Crane**
BCom FAICD SF Fin
**Independent Director**
Appointed 1 January 2011

Steve has more than 40 years' experience in the financial services industry. His background is in investment banking, having previously been Chief Executive Officer of AB AMRO Australia and BZW Australia.

Steve has experience as a non-executive Director of listed entities. He is currently Chairman of Global Valve Technology Limited and a Director of SCA Property Group.

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

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

# APA Executive Leadership

**Adam Watson**
BBus FCPA GAICD
**Chief Financial Officer**

Adam is responsible for APA's financial, risk and technology functions. He joined APA in 2020. Adam has more than 20 years' global experience in executive and senior leadership roles in the infrastructure, transport, aviation, energy, heavy manufacturing and industrial services industries, covering finance, corporate development, strategy, technology, joint ventures, mergers and acquisitions, customer experience and operations.

Adam will assume the role as Acting Chief Executive Officer on Rob Wheals' retirement in September 2022.

**Amanda Cheney**
LLB (Hons) BArts FGIA
**Group General Counsel and Company Secretary**

Amanda holds the role of Group General Counsel and Company Secretary.

She joined APA in August 2012. Amanda has 20 years' experience in energy and infrastructure industries, having worked as a senior lawyer in Australia and overseas. She holds a Graduate Diploma of Applied Corporate Governance and is a Fellow of the Governance Institute of Australia.

**Darren Rogers**
BEng MEng MBA GAICD
**Group Executive Operations**

Darren is responsible for the safe operations, maintenance and asset management of APA's portfolio of Transmission, Power, Networks and Midstream infrastructure assets. Darren joined APA Group in 2017 as General Manager Asset Management for Transmission before becoming Group Executive Transmission in 2019. He previously held senior executive roles in commercial, asset management and operations, leading company-wide portfolios.

**Jane Thomas**
BBus LLB (Hons) MPsychol (org) GAICD Fellow AHRI
**Group Executive People, Safety and Culture**

Jane is responsible for managing APA Group's People, Safety and Culture division. She joined APA Group in May 2021. Jane is a highly experienced HR executive and business leader who has driven transformational change in top ASX companies, including Westpac, Newcrest Mining and AGL, and in industries spanning energy, mining, banking and finance, fast moving consumer goods, retail and manufacturing.

**Julian Peck**
BCom
**Group Executive Strategy and Commercial**

Julian is responsible for delivering APA's corporate development and investments, customers and contract management, energy solutions, strategy and markets, economic regulation and policy development, and APA's net zero 2050 ambition.

Julian joined APA in August 2020. He has more than 20 years' experience in investment banking, specialising in the infrastructure, utility and power sectors.

Julian has announced his intention to retire from APA in late 2022, but will continue in his executive capacity as Group Executive Strategy and Commercial until his cessation with APA Group.

**Kevin Lester**
BEng MIEAust CPEng EngExec GAICD
**Group Executive Infrastructure Development**

Kevin is responsible for delivering APA Group's infrastructure expansion and growth projects and APA's Pathfinder program, which pursues innovation, technology and new energy opportunities. Kevin joined APA Group in August 2012, continuing a career in managing major infrastructure projects, including energy infrastructure. He is a Director and a past President of the Australian Pipelines and Gas Association.

**Ross Gersbach**
BBus
**President North American Development**

Ross is responsible for progressing APA Group's investment strategy in North America, based in Houston, Texas. He was a director of APA Group from 2004 and joined the management team in April 2008. Ross has more than 25 years' experience in senior positions across a range of energy related sectors, including infrastructure investments, mergers and acquisitions, and strategic developments.

# Directors' Report

APA Infrastructure Trust and its Controlled Entities

**The Directors of APA Group Limited (the Responsible Entity) submit their financial report of APA Infrastructure Trust (APA Infra) and its controlled entities (together, APA or Consolidated Entity) for the year ended 30 June 2022. This report refers to the consolidated results of APA and APA Investment Trust (APA Invest).**

## 1. Directors

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

| Current Directors | First appointed |
|---|---|
| **Michael Fraser** | 1 September 2015 / Chairman: 27 October 2017 |
| **Robert (Rob) Wheals** | Chief Executive Officer and Managing Director: 6 July 2019 |
| **Steven (Steve) Crane** | 1 January 2011 |
| **James Fazzino** | 21 February 2019 |
| **Debra (Debbie) Goodin** | 1 September 2015 |
| **Shirley In't Veld** | 19 March 2018 |
| **Rhoda Phillippo** | 1 June 2020 |
| **Peter Wasow** | 19 March 2018 |

The Company Secretaries of the Responsible Entity during the year were Nevenka Codevelle (until 22 October 2021) and Amanda Cheney.

## 2. State of affairs

On 22 October 2021, Hannah McCaughey resigned as Group Executive Transformation and Technology.

On 22 October 2021, Nevenka Codevelle resigned as Group Executive of Governance and External Affairs.

Shirley Chowdhary held the position of Interim Group Executive, Governance and External Affairs from 18 October 2021 to 20 December 2021.

Amanda Cheney was appointed to the new Executive Leadership Team position of Group General Counsel and Company Secretary on 30 May 2022 and continues to hold this role.

On 6 May 2022, APA Group changed its group entity names to better reflect its renewed focus on energy infrastructure, with a portfolio of gas, electricity, solar and wind assets across Australia. The naming conventions, now harmonised across the APA Group, are:

– Australian Pipeline Limited changed to APA Group Limited (APA)
– Australian Pipeline Trust changed to APA Infrastructure Trust (APA Infra)
– APT Investment Trust changed to APA Investment Trust (APA Invest)

Kirrily Hawker and Suzanne Shipp

# Directors' Report continued

APA Infrastructure Trust and its Controlled Entities

Gretyl Lunn and Peter Horniblow

## 3. Subsequent events

On Thursday, 28 July 2022 APA completed the sale of Orbost Gas Processing Plant to Cooper Energy Limited (ASX:COE). APA continues to operate the plant and will do so until the Major Hazard Facility Licence is transferred to COE. APA expects to receive cash consideration of between $270.0 million and $330.0 million. The total consideration to be received is subject to post-completion plant performance.

On 19 August 2022, APA announced that following an APA-initiated independent review of payroll, it found system errors relating to seven Enterprise Agreements, which has resulted in the identification of payment errors to employees over a seven year-period. APA has commenced a process to remediate the errors for affected employees and has included a provision of $32.4 million in its financial statements for the year ended 30 June 2022.

On 22 August 2022, APA announced that CEO and Managing Director, Rob Wheals, would be stepping down at the end of September 2022. Adam Watson, APA's Chief Financial Officer, was appointed as acting CEO while the Board undertakes a full search process for a new CEO. APA's General Manager of Investor Relations, Kynwynn Strong, was appointed as acting CFO.

On 24 August 2022, the Directors declared a final distribution of 28.0 cents per security ($330.4 million) for APA Group, an increase of 3.7%, or 1.0 cent per security over the previous corresponding period (30 June 2021: 27.0 cents). This comprises a distribution of 21.71 cents per security from APA Infra and a distribution of 6.29 cents per security from APA Invest.

The APA Infra Trust distribution represents 6.31 cents per security profit distribution and 15.40 cents per security capital distribution. The APA Invest distribution represents a 1.14 cent per security unfranked profit distribution and 5.15 cents capital distribution. Franking credits of 2.70 cents per security will be allocated to the APA Infra Trust franked profit distribution. The distribution will be paid on 14 September 2022.

Subsequent to 30 June 2022, APA Group entered into a series of bilateral facilities that provide an additional $900.0 million of undrawn liquidity facilities. These bilateral agreements have been put in place to replace aging credit lines of $750.0 million that have been cancelled since 30 June 2022.

At the time of reporting, the uncertain situation in respect of the COVID-19 pandemic continues to be closely monitored by APA Group's management and directors. Nothing has come to the attention of APA Group that would require adjustment or additional disclosure in these financial statements as a result of any recent COVID-19, global and domestic political developments.

Other than noted above, and as disclosed elsewhere in this report, in the interval between 30 June 2022 and the date of this report, no matter or circumstance has significantly affected or may significantly affect, the Group's operations, the results of those operations, or the Group's state of affairs in future financial years.

## 4. About APA

### Principal activities

In FY22, APA's principal activities continued without significant change being:

- **Energy infrastructure** – gas transmission, gas storage and processing, and gas-fired and renewable energy power generation across Australia
- **Asset management** – services for most of APA's energy investments, and for third parties
- **Energy investments** – in unlisted entities.

### APA overview

APA is a leading Australian Securities Exchange (ASX) listed energy infrastructure business. APA owns and/or manages and operates a diverse, $21 billion portfolio of gas, electricity, solar and wind assets. Consistent with APA's purpose to strengthen communities through responsible energy, APA delivers about half of the nation's gas use and connects Victoria with South Australia and New South Wales with Queensland through investments in electricity transmission assets. APA also owns and operates renewable power generation assets in Australia, with wind and solar projects across the country.

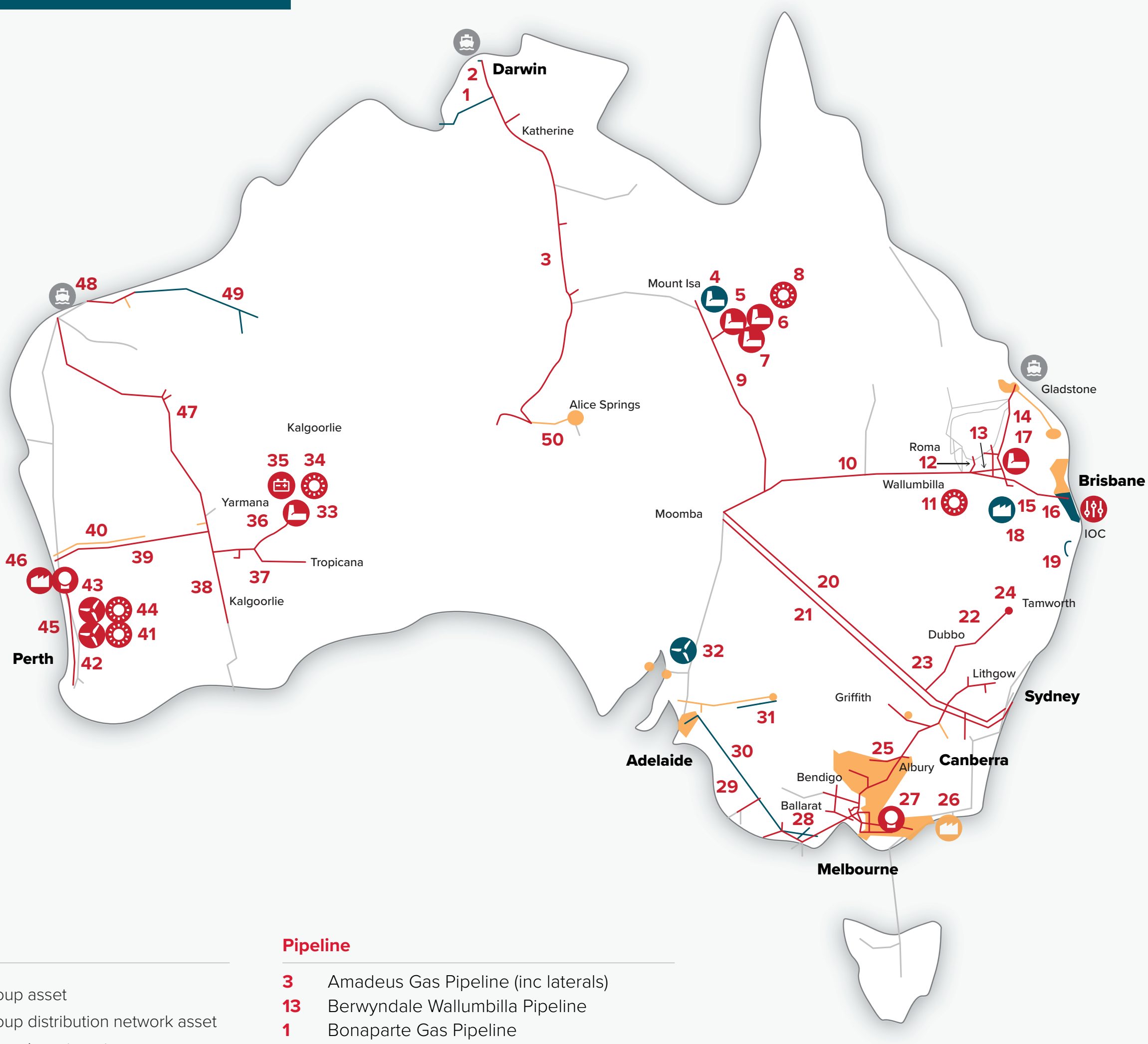
Since listing on 13 June 2000, APA's market capitalisation has increased more than 27-fold to around $14 billion. At 30 June 2022, APA had achieved a total securityholder return (TSR) of 16.4%[1] per annum on an annual compounding basis since listing to 30 June 2022.

1. Total securityholder return is the capital appreciation of APA's security price, adjusted for capital management actions (such as security splits and consolidations) and assuming distributions are reinvested at the ex-distribution rate per security. The figures quoted are sourced from Bloomberg.

# Directors' Report continued

APA Infrastructure Trust and its Controlled Entities

## APA's portfolio of assets and investments




### Key

- APA Group asset
- APA Group distribution network asset
- APA Group investment
- Investment distribution network
- APA Group managed asset (not owned)
- Managed distribution network
- Other natural gas pipelines

- Wind farm
- Solar farm
- LNG plant
- Battery storage
- Gas storage facility
- Gas processing plant
- Gas power station
- Integrated Operations Centre

### Pipeline

| | |
|---|---|
| 3 | Amadeus Gas Pipeline (inc laterals) |
| 13 | Berwyndale Wallumbilla Pipeline |
| 1 | Bonaparte Gas Pipeline |
| 9 | Carpentaria Gas Pipeline |
| 22 | Central Ranges Pipelines |
| 23 | Central West Pipeline |
| 37 | Eastern Goldfields Pipeline |
| 47 | Goldfields Gas Pipeline |
| 38 | Kalgoorlie Kambalda Pipeline |
| 40 | Mid West Pipeline |
| 20 | Moomba Sydney Pipeline |
| 21 | Moomba to Sydney Ethane Pipeline |
| 28 | Mortlake Gas Pipeline |
| 39 | Northern Goldfields Interconnect[1] |
| 45 | Parmelia Gas Pipeline |
| 48 | Pilbara Pipeline System |
| 12 | Reedy Creek Wallumbilla Pipeline |
| 15 | Roma Brisbane Pipeline (inc Peat lateral) |
| 30 | SEA Gas Pipeline |
| 29 | SESA Pipeline |
| 10 | South West Queensland Pipeline |
| 49 | Telfer/Nifty Gas Pipelines and lateral |
| 25 | Victorian Transmission System |
| 14 | Wallumbilla Gladstone Pipeline (inc laterals) |
| 2 | Wickham Point Pipeline |
| 36 | Yamarna Gas Pipeline |

### Gas processing and storage

| | |
|---|---|
| 27 | Dandenong (680TJ / 12000t) |
| 35 | Gruyere Battery Station (4.4 MW/MWh) |
| 18 | Kogan North (12TJ/d) |
| 46 | Mondarra (18PJ) |
| 26 | Orbost (49TJ/d)[2] |

### Gas Distribution

| | |
|---|---|
| 16 | Allgas Gas Network |
| 50 | Australian Gas Networks |
| 24 | Tamworth Gas Network |

### Electricity transmission

| | |
|---|---|
| 19 | Directlink |
| 31 | Murraylink |

### Generation

| | |
|---|---|
| 17 | Daandine (30 MW) |
| 6 | Diamantina (242 MW) |
| 33 | Gruyere (45 MW) |
| 7 | Leichhardt (60 MW) |
| 5 | Thomson (22 MW) |
| 4 | X41 (41 MW) |

### Solar Farm

| | |
|---|---|
| 43 | Badgingarra (19 MW) |
| 11 | Darling Downs (110 MW) |
| 41 | Emu Downs (20 MW) |
| 34 | Gruyere Solar Farm (13.2 MW) |
| 8 | Mica Creek (88 MW)[1] |

### Wind Farm

| | |
|---|---|
| 44 | Badgingarra (130 MW) |
| 42 | Emu Downs (80 MW) |
| 32 | North Brown Hill (132 MW) |

1. Under construction.
2. Average rate as reported by Cooper Energy Limited (ASX:COE) on 2 August 2022.

# Directors' Report continued

APA Infrastructure Trust and its Controlled Entities

**Strategy**

APA's strategy is to:

– Respond to the changing needs of its customers and communities and deliver services they value
– Invest in energy infrastructure (contracted and regulated)
– Leverage its energy infrastructure capabilities into next generation energy technologies through the Pathfinder Program
– Pursue disciplined investments, deliver growing securityholder returns and maintain a strong balance sheet

As the energy market transitions to deliver net zero by 2050, significant investment opportunities in energy infrastructure will arise across gas pipelines, electricity transmission infrastructure, renewable energy, electricity firming and storage, and clean fuels such as hydrogen and renewable methane.

APA's strategy enables it to participate in these opportunities by investing in contracted and regulated energy infrastructure.

APA is well-positioned in Australia to play a key role in developing and deploying energy solutions. Its natural gas assets are strategically integrated into the national energy market and will remain a critical part of the future energy mix, helping to unlock the expansion of renewable energy required to replace retiring coal power stations and support an electrified economy. Natural gas is currently irreplaceable for powering hard-to-abate and hard-to-electrify industrial sectors and provides essential heating in colder climates. APA's assets will help to ensure Australia continues to have access to secure, reliable and cost-efficient energy.

# Directors' Report continued

APA Infrastructure Trust and its Controlled Entities

## Climate Transition Plan

### APA's Climate Transition Plan

In August 2022, APA published its inaugural Climate Transition Plan. The plan represents an important step in APA's commitment to actively participate in and support Australia's energy transition and fulfils our commitment to provide an update on our interim emissions reduction goals and targets to 2030 on our pathway to achieve net zero.

*APA's updated net zero commitments and interim goals and targets*

APA has sought to set interim commitments that align with the Paris goal to limit warming to well below 2.0°C. The commitments, summarised in the table, are fit-for-purpose, based on currently available technologies and are tailored to reflect the different rates of decarbonisation of our diversified energy infrastructure portfolio.

APA has prioritised structural abatement where reasonable to do so and will use high-quality offsets that meet clearly defined responsibility criteria to ensure credibility.

Reflecting this tailored approach, APA has revised its headline net zero goal and increased the level of ambition for the power generation and electricity transmission components of our portfolio with a revised goal to 2040.

APA's interim target for gas infrastructure of 30% emissions reduction by 2030 will be achieved by a focus on compressor and site methane emissions, operational efficiency and compressor electrification. APA has evaluated the cost of our gas infrastructure reduction initiatives, on a P50 basis, as approximately $150–$170 million (nominal) for FY23 to FY30.

| | |
|---|---|
| **Goal:** gas infrastructure – net zero operational emissions by 2050 [1] | **Goal:** power generation and electricity transmission infrastructure – net zero operational emissions by 2040 [2] |

**Interim Commitments for 2030**

| | |
|---|---|
| **Target:** | 30% emissions reduction for gas infrastructure (FY21 base year) |
| **Target:** | 100% renewable electricity procurement from FY23 onwards |
| **Goal:** | 100% zero direct emission fleet by 2030 |
| **Commitment:** | Responsible criteria applied when offsets are required |

| | |
|---|---|
| **Goal:** | 35% reduction in emissions intensity for power generation (FY21 base year) |
| **Goal:** | Contribute positively to grid decarbonisation measured by MW of enabled renewable infrastructure |
| **Commitment:** | Active program to reduce emissions we can control and apply best practice management techniques to managing line losses |

| Total nominal expenditure to 2030 | Investment |
|---|---|
| Approximately $150M-$170M | Growth capital investment |

**Key Supporting Commitments**

1. Incorporation of the Methane Guiding Principles
2. Hold a non-binding securityholder vote on our Climate Transition Plan (starting at 2022 Annual Meeting)
3. Report annually on progress against the targets, goals and commitments in our Climate Transition Plan
4. Link executive remuneration to climate-related performance from FY23
5. Scope 3 emissions goal to be finalised before or in conjunction with next Climate Transition Plan

When setting goals and targets APA has been careful to provide clarity to stakeholders on APA's commitments, distinguishing by the level of uncertainty of the pathway to get there:

**Target**: an intended outcome where we have identified one or more pathways for delivering that outcome, subject to certain assumptions or conditions.

**Goal**: an ambition to seek an outcome for which there is no current pathway but for which efforts will be pursued towards addressing that challenge, subject to certain assumptions or conditions.

1. Includes transmission, distribution, gas processing, storage and corporate.
2. Includes power generation and interconnectors.

# Directors' Report continued

APA Infrastructure Trust and its Controlled Entities

*Ensuring strategy supports APA's net zero ambition*

APA's energy infrastructure assets play a critical enabling role in Australia's decarbonisation journey, supporting reliable and least cost decarbonisation of the electricity sector. This demands a wider perspective and a whole of economy approach. As such, some investments may, on their own, increase APA's short-term emissions, but facilitate overall system emissions reductions by supporting higher renewable energy penetration.

APA is committed to strengthening its approach so it can achieve the highest standards of transparency and accountability and evolve in accordance with stakeholder expectations.

The APA corporate scorecard for executive remuneration now incorporates a dedicated and specific component of the short-term incentive (STI) scheme directly linked to implementing this plan. The component will be 10% of the STI. From FY23 onwards, it will apply to relevant members of the executive.

APA has committed to undertaking a non-binding shareholder advisory vote on adopting this *Climate Transition Plan* and from FY23, will provide an annual performance report against progress made on the targets, goals and commitments made in the plan.

*Scenario analysis and resilience planning*

APA continued to evolve its approach to scenario analysis and resilience testing. APA evaluated the resilience of four APA assets to climate transition (or stranded asset) risk under several Paris-aligned scenarios to identify potential implications if they eventuated.

The assets selected were the: Moomba to Sydney Pipeline (MSP) and the South West Queensland Pipeline (SWQP), the Victorian Transmission System (VTS) and the Diamantina Power Station Complex (DPSC).

Scenarios are not forecasts and there are inherent limitations on their use, including the use of a range of assumptions. APA encourages the reading of the sections in the Climate Transition Plan explaining the purpose and limitations.

*Under the modelled climate scenarios:*

- MSP and SWQP, grouped together for this analysis, are considered resilient to climate risk (particularly until 2040), assuming northern gas supplies are sufficient to supply demand. In practice, this may require new basin development. Beyond 2040, the assets are more exposed to lower export and domestic demand, eroding value compared to APA's current BAU Case.
- For the DPSC, all three climate scenarios present value erosion compared to APA's BAU Case. This represents both risk and opportunity, as DPSC value is highly sensitive to customer contracting behaviour and its operating response.
- The VTS is effectively protected against stranded asset risk by the functioning of the regulatory regime hence financial implications have not been presented in the plan.

APA's interim net zero goals and targets are now in place and we enter a twelve month embed phase from October 2022.

**Financial implications insights – for MSP/SWQP relative to the BAU Case**

| Climate scenario | 1.5°C | | | 2.0°C | | | 2.0°C Disorderly | | |
|---|---|---|---|---|---|---|---|---|---|
| FY | 2030 | 2040 | 2050 | 2030 | 2040 | 2050 | 2030 | 2040 | 2050 |
| EBITDA (weighted average for period up to financial year ended) | | | | | | | | | |
| NPV for cashflows (over the period) | | | | | | | | | |

**Financial implications insights – for DPSC relative to the BAU Case**

| Climate scenario | 1.5°C | | | 2.0°C | | | 2.0°C Disorderly | | |
|---|---|---|---|---|---|---|---|---|---|
| FY | 2030 | 2040 | 2050 | 2030 | 2040 | 2050 | 2030 | 2040 | 2050 |
| EBITDA (weighted average for period up to financial year ended) | | | | | | | | | |
| NPV for cashflows (over the period) | | | | | | | | | |

**KEY** BAU Case = EBITDA or Valuation

+/- 5% of BAU Case   somewhat (5-15%) below BAU Case   materially (15%+) below BAU Case

**Sustainability Roadmap**

Introduced in FY21, APA's Sustainability Roadmap is a 3-year framework for building sector-leading sustainability performance. It is based on the issues identified in the FY21 materiality assessment, which classified each issue according to its maturity:

- **Build** – Priority issues to be grown into strengths
- **Accelerate** – Fundamental issues that require strengthening
- **Maintain and evolve** – Issues where APA already has existing plans and processes, with opportunities for incremental improvements.

In FY22, APA focused on areas classified as 'build' and 'deliver' as these will deliver the most positive impact for APA and highest value for its stakeholders. Many initiatives addressed cross-functional or business-wide material issues, such as Climate Change Transition and Risk, Community and Social Performance, and First Nations Peoples.

More detail on APA's sustainability efforts can be found in the FY22 Sustainability Report and Section 9.

# Directors' Report continued

APA Infrastructure Trust and its Controlled Entities

## 5. Financial performance

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

In FY22, APA delivered a solid result, as shown in the table below. Profit after tax including significant items of $259.7 million increased significantly (FY21 $0.7 million) due to a non-cash impairment of $249.3 million recognised in FY21 against the Orbost Gas Processing Plant and one-off finance costs of $148.0 million. Excluding significant items, APA generated a FY22 profit after tax of $240.0 million (FY21: $278.9).

Underlying EBITDA was $63.5 million or 3.9% higher than FY21, representing solid growth in the underlying operations of the business. Free cash flow was 19.8% higher than FY21 owing to a stronger operating performance, lower tax payments and lower interest costs.

On 24 August 2022, the Directors announced a final distribution of 28.0 cents per security, taking APA's FY22 total distributions to 53.0 cents per security and in line with guidance. This represents an increase of 3.9%, or 2.0 cents, over the FY21 distributions of 51.0 cents per security.

**Key financial data for FY22**

| | 30 June 2022 | 30 June 2021[1] | Changes | |
|---|---|---|---|---|
| | $000 | $000 | $000 | % |
| **Statutory Revenue** | | | | |
| Total revenue | **2,732,378** | 2,605,013 | 127,365 | 4.9% |
| Pass-through revenue[2] | **495,733** | 460,465 | 35,268 | 7.7% |
| **Total revenue excluding pass-through** | **2,236,645** | 2,144,548 | 92,097 | 4.3% |
| **Underlying EBITDA**[3] | **1,692,261** | 1,628,761 | 63,500 | 3.9% |
| – Fair value (losses)/gains on contract for difference | **(30,462)** | 18,018 | (48,480) | (269.1%) |
| – Technology transformation projects | **(21,192)** | (7,957) | (13,235) | 166.3% |
| – Wallumbilla Gas Pipeline hedge accounting unwind | **(15,156)** | — | (15,156) | — |
| – Interest income on Basslink debt investment | **12,198** | — | 12,198 | — |
| – Payroll review | **(7,465)** | — | (7,465) | — |
| **Total reported EBITDA**[3] | **1,630,184** | 1,638,822 | (8,638) | (0.5%) |
| Depreciation and amortisation expenses | **(735,178)** | (674,370) | (60,808) | 9.0% |
| **Total reported EBIT**[3] | **895,006** | 964,452 | (69,446) | (7.2%) |
| Net finance costs and interest income | **(483,022)** | (504,779) | 21,757 | (4.3%) |
| Significant items | | | | |
| – Reversal of impairment/(impairment of) property, plant and equipment | **28,106** | (249,322) | 277,428 | (111.3%) |
| – Interest charge on bond note redemption | **—** | (147,987) | 147,987 | — |
| Profit before income tax | **440,090** | 62,364 | 377,726 | 605.7% |
| Income tax expense | **(180,379)** | (61,630) | (118,749) | 192.7% |
| **Profit after tax including significant items** | **259,711** | 734 | 258,977 | 35,283.0% |
| **Profit after tax excluding significant items** | **240,037** | 278,850 | (38,813) | (13.9%) |
| Free cash flow[4] | **1,080,632** | 901,914 | 178,718 | 19.8% |
| Free cash flow per security (cents) | **91.6** | 76.4 | 15.2 | 19.9% |
| Earnings/(loss) per security including significant items (cents) | **22.1** | 0.1 | 22.0 | 22,000.0% |
| Earnings per security excluding significant items (cents) | **20.4** | 23.7 | (3.3) | (13.9%) |
| Distribution per security (cents) | **53.0** | 51.0 | 2.0 | 3.9% |
| Distribution payout ratio (%)[5] | **57.9** | 66.7 | (8.8) | (13.2%) |
| Weighted average number of securities (000) | **1,179,894** | 1,179,894 | — | — |

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

1. FY21 is restated as a result of the provision for payroll review.
2. Pass-through revenue is offset by pass-through expense within EBITDA. Any management fee earned for the provision of these services is recognised as part of asset management revenues.
3. Excludes significant items.
4. Free cash flow is Operating Cash Flow adjusted for strategically significant transformation projects, less stay-in-business (SIB) capex. SIB capex includes operational assets lifecycle replacement costs and technology lifecycle costs.
5. Distribution payout ratio = total distribution applicable to the financial year as a percentage of free cash flow.

# Directors' Report continued

APA Infrastructure Trust and its Controlled Entities

**Business segment performance and operational review**

APA reports across 3 business segments:

– **Energy Infrastructure** – APA's wholly or majority owned energy infrastructure assets across all categories – transmission and compression, processing, generation (gas and renewables) and storage.

– **Asset Management** – The provision of asset management and operating services for third parties and the majority of APA's investments.

– **Energy Investments** – APA's interests in energy infrastructure investments.

FY22 statutory reported revenue and underlying EBITDA performance of each segment

| | 30 June 2022 $000 | 30 June 2021 $000[1] | Changes $000 | Changes % |
|---|---|---|---|---|
| **Revenue** [2] | | | | |
| Energy Infrastructure | | | | |
| – East Coast Gas | **805,958** | 768,638 | 37,320 | 4.9% |
| – West Coast Gas | **341,825** | 328,795 | 13,030 | 4.0% |
| – Wallumbilla Gladstone Pipeline | **580,602** | 552,307 | 28,295 | 5.1% |
| – Power Generation | **354,271** | 339,564 | 14,707 | 4.3% |
| **Energy Infrastructure total** | **2,082,656** | 1,989,304 | 93,352 | 4.7% |
| Asset Management | **114,541** | 113,755 | 786 | 0.7% |
| Energy Investments | **28,194** | 30,921 | (2,727) | (8.8%) |
| Other non-contract revenue | **13,219** | 7,438 | 5,781 | 77.7% |
| **Total segment revenue** | **2,238,610** | 2,141,418 | 97,192 | 4.5% |
| Pass-through revenue | **495,733** | 460,465 | 35,268 | 7.7% |
| Wallumbilla Gas Pipeline hedge accounting unwind | **(15,156)** | — | (15,156) | — |
| Interest revenue on Basslink debt investment | **12,198** | — | 12,198 | — |
| Unallocated revenue [3] | **993** | 3,130 | (2,137) | (68.3%) |
| **Total revenue** | **2,732,378** | 2,605,013 | 127,365 | 4.9% |
| **EBITDA** | | | | |
| Energy Infrastructure | | | | |
| – East Coast Gas | **648,174** | 627,468 | 20,706 | 3.3% |
| – West Coast Gas | **287,802** | 270,824 | 16,978 | 6.3% |
| – Wallumbilla Gladstone Pipeline | **577,869** | 549,651 | 28,218 | 5.1% |
| – Power Generation | **196,293** | 174,622 | 21,671 | 12.4% |
| Energy Infrastructure total | **1,710,138** | 1,622,565 | 87,573 | 5.4% |
| Asset Management | **73,608** | 80,337 | (6,729) | (8.4%) |
| Energy Investments | **28,194** | 30,921 | (2,727) | (8.8%) |
| Corporate costs | **(119,679)** | (105,062) | (14,617) | 13.9% |
| **Underlying EBITDA** | **1,692,261** | 1,628,761 | 63,500 | 3.9% |
| Fair value gains/losses on contract for difference | **(30,462)** | 18,018 | (48,480) | (269.1%) |
| Technology transformation projects | **(21,192)** | (7,957) | (13,235) | 166.3% |
| Wallumbilla Gas Pipeline hedge accounting unwind | **(15,156)** | — | (15,156) | — |
| Interest revenue on Basslink debt investment | **12,198** | — | 12,198 | — |
| Payroll review | **(7,465)** | — | (7,465) | — |
| **Total reported EBITDA** [4] | **1,630,184** | 1,638,822 | (8,638) | (0.5%) |

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

1. FY21 is restated as a result of the provision for payroll review.
2. Refer to revenue note 4 for additional disclosure on revenue streams from contracts with customers disaggregated by geographical location and major sources.
3. Interest income is not included in calculation of EBITDA but nets off against interest expense in calculating net interest cost.
4. Excludes significant items.

# **Directors' Report** continued

APA Infrastructure Trust and its Controlled Entities

**Energy Infrastructure**

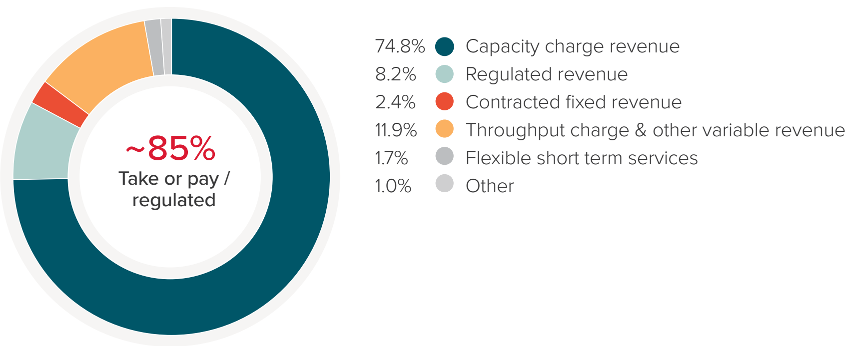
In FY22, Energy Infrastructure is the largest business segment contributor to group revenue at 93.6% (excluding pass-through) and 94.4% of underlying EBITDA (before corporate costs).

Of this revenue:

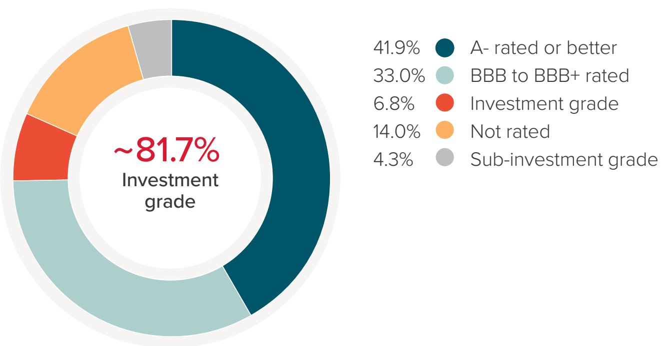
– 85.4% was derived from either long-term, take-or-pay contracts or regulated assets, as shown below, providing predictability and cash flow stability.

– 81.7% was derived from investment grade counterparties with a diversified customer base across the energy, utility, resources and industrial sectors.

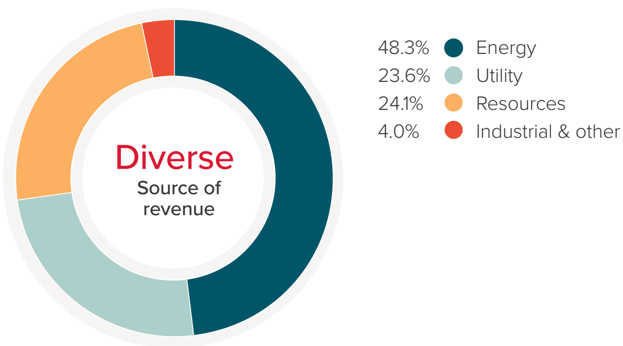
**FY22 Energy Infrastructure by Revenue Type**




**FY22 Energy Infrastructure Revenues By Counterparty Credit Rating**




**FY22 Energy Infrastructure Revenues by Customer Industry Segment**




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

# Directors' Report continued

APA Infrastructure Trust and its Controlled Entities

**Comparing FY22 performance to FY21:**

East Coast Gas

Underlying EBITDA benefited from higher inflation linked revenues, stronger demand from the Victorian Transmission System and a full year contribution from the Orbost Gas Processing Plant.

West Coast Gas

Underlying EBITDA benefited from newly commissioned laterals connecting into the Goldfields Gas Pipeline mainline for new customers that include Kalium Lakes, Capricorn Metals, Salt Lake Potash and RED5.

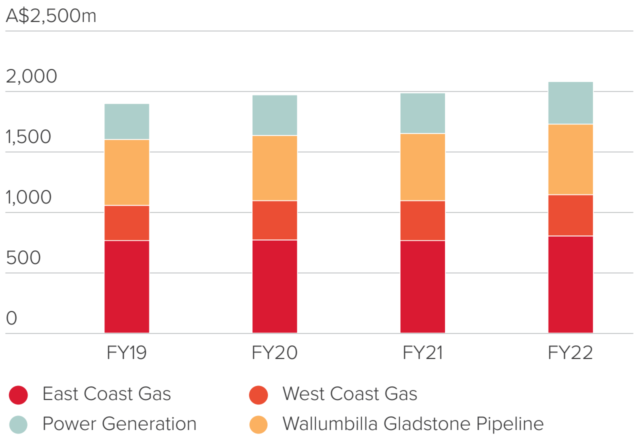
Wallumbilla Gladstone Pipeline

Underlying EBITDA benefited from a 7.5% increase in tariffs from 1 Jan 2022.

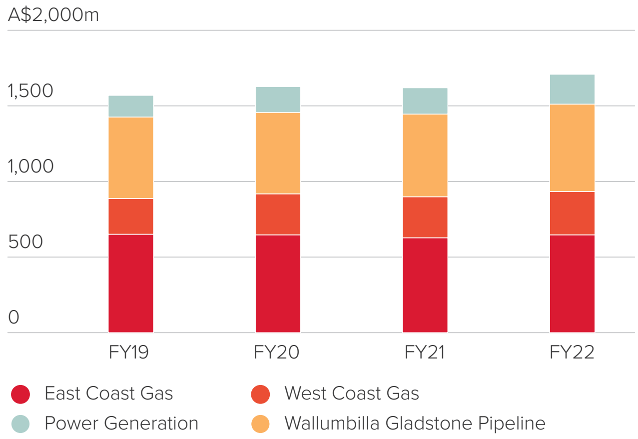
Power Generation

Diamantina Power Station and Badgingarra Renewables drove higher underlying EBIDA in power generation.

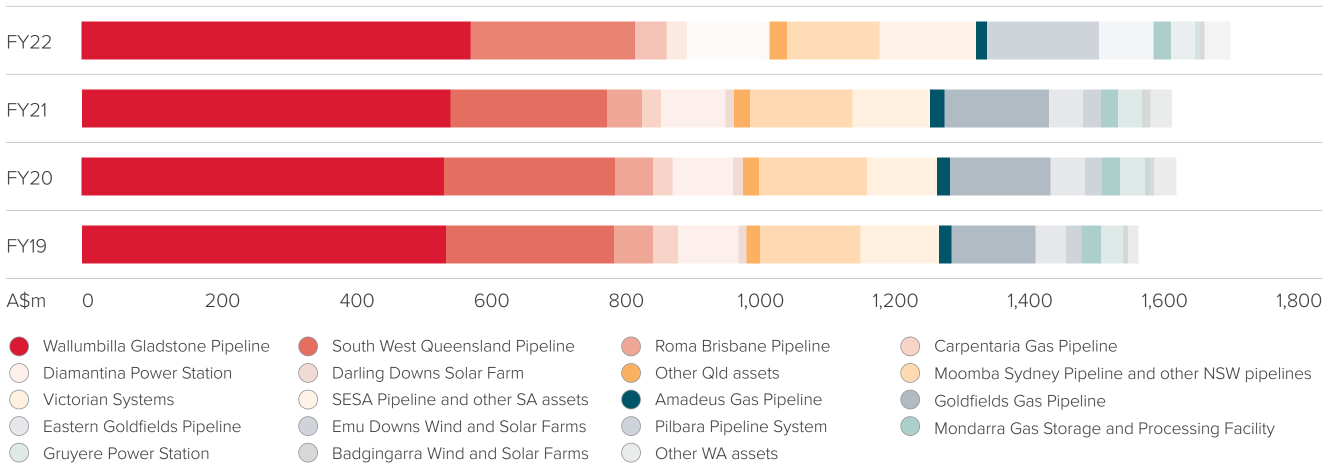
**Energy Infrastructure Revenue by segment**




**Energy Infrastructure EBITDA by segment**




**Energy Infrastructure EBITDA by asset**



# Directors' Report continued

APA Infrastructure Trust and its Controlled Entities

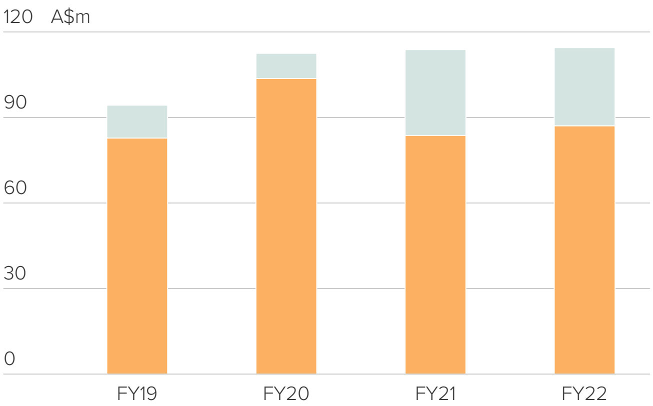
### Asset Management

In FY22, Asset Management contributed 5.1% to group revenue (excluding pass-through) and 4.1% of underlying EBITDA (before corporate costs).

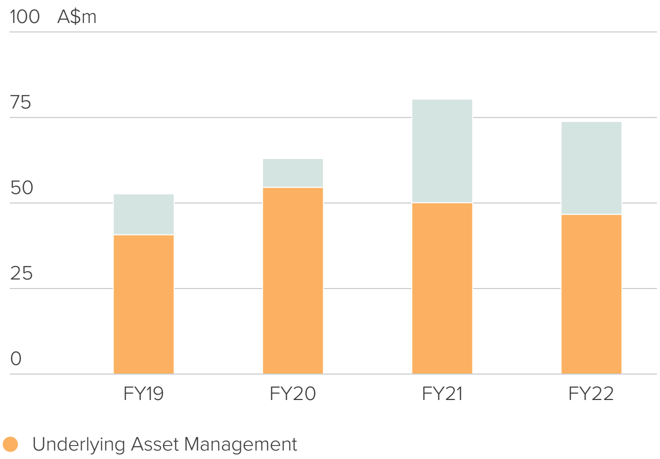
APA's major third-party customers are Australian Gas Networks Limited (AGN), Energy Infrastructure Investments (EII) and GDI, who receive asset management services under long-term contracts.

The decrease in Asset Management EBITDA in FY22 compared to FY21 was driven by a combination of lower margin activities relative to FY21 and reduced customer contributions which fluctuate from one period to the next. Customer contributions for FY22 were $27.4 million.

**Asset Management Revenue**

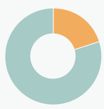
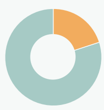
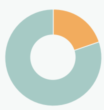



**Asset Management EBITDA**




### Energy Investments

In FY22, Energy Investments contributed 1.3% to group revenue (excluding pass-through) and 1.6% of underlying EBITDA (before corporate costs). FY22 EBITDA was lower than in FY21 due to reduced equity income from SEAGAS as a result of contract changes.

| Asset and ownership interests | | | Asset details and APA services | Partners |
|---|---|---|---|---|
| Mortlake Gas Pipeline |  | **50%** SEA Gas (Mortlake) Partnership | **83 km** gas pipeline connecting the Otway Gas Plant to the Mortlake Power Station MAINTENANCE | REST |
| SEA Gas Pipeline |  | **50%** South East Australia Gas Pty Ltd | **687 km** gas pipeline from Iona and Port Campbell in Victoria to Adelaide MAINTENANCE | REST |
| North Brown Hill Wind Farm |  | **20.2%** EII2 | **132 MW** wind farm in South Australia CORPORATE SERVICES | Infrastructure Capital Group Osaka Gas |
| Allgas Gas Distribution Network |  | **20%** GDI (EII) | **~3,900 km** Allgas gas distribution network in Queensland with **~119,000** connections CORPORATE SERVICES | Marubeni Corporation State Super OPERATIONAL MANAGEMENT |
| X41 Power Station<br>Kogan North Processing Plant<br>Directlink and Murraylink Electricity Interconnectors<br>Nifty and Telfer Gas Pipelines<br>Wickham Point and Bonaparte Gas Pipelines |  | **19.9%** Energy Infrastructure Investments | Gas-fired power generation **41 MW**<br>Gas processing facilities **12 TJ/day**<br>Electricity transmission cables **243 km**<br>Gas pipelines totalling **786 km**<br>CORPORATE SERVICES | MM Midstream Investments Osaka Gas<br>OPERATIONAL MANAGEMENT |

### Corporate Costs

Corporate costs excluding significant items for FY22 were higher than FY21 largely due to investment in strategic growth opportunities and capability.

# Directors' Report continued

APA Infrastructure Trust and its Controlled Entities

## 6 Capital expenditure

In FY22, total capital expenditure of $1,276.5 million was $844.0 million higher than in FY21, driven by the investment in the senior secured debt of Basslink, higher growth capex, and transformation and technology expenditure to ensure systems and processes are secure and reliable and support APA's net zero ambition.

**Capital and investment expenditure for FY22**

| Capital and investment expenditure [1] | Description of major projects | 30 June 2022 $ million | 30 June 2021 $ million |
|---|---|---|---|
| Growth expenditure | | | |
| **Regulated** | Western Outer Ring Main (WORM); Victorian Transmission System, Roma Brisbane Pipeline and Goldfields Gas Pipeline Access Arrangement allowed expenditure | **68.4** | 50.2 |
| **Non-regulated** | | | |
| East Coast Gas | South West Queensland Pipeline and Moomba Sydney Pipeline capacity expansion, upgrade of Orbost Gas Processing Plant, Kurri Kurri Gas Lateral | **129.3** | 47.9 |
| West Coast Gas | Northern Goldfields Interconnect, Lake Way Gas Pipeline, Murrin Murrin Lateral Looping, Karlawinda Gas Pipeline, King of the Hills Gas Lateral | **217.4** | 106.5 |
| Power generation | Thomson Power Station and Gruyere Hybrid Energy Microgrid | **75.7** | 51.0 |
| Customer contribution projects and others | Channel Island Bridge Pipeline Replacement Project and Thornlie Link Parmelia Pipeline re-location Project and Wilton property development | **33.2** | 28.3 |
| **Sub-total non-regulated capex** | | **455.6** | 233.7 |
| **Total growth capex** | | **524.0** | 283.9 |
| **SIB capex** | | | |
| Asset lifecycle capex [2] | | **122.9** | 134.6 |
| IT lifecycle capex | | **7.3** | 14.4 |
| **Total SIB capex** | | **130.2** | 149.0 |
| **Foundation capex** | | | |
| Technology and other capex | | **17.9** | — |
| Corporate Real Estate | | **17.0** | — |
| **Total Foundation capex** | | **34.9** | 432.9 |
| **Total capital expenditure** | | **689.1** | 432.9 |
| Investment and acquisitions – Basslink debt | | **587.4** | — |
| **Total capital and investment expenditure** | | **1,276.5** | 432.9 |

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

1. The capital expenditure shown in this table represents net cash used in investing activities as disclosed in the cash flow statement, and excludes accruals brought forward from the prior period and carried forward to next period.
2. Represents stay-in-business capital expenditure not recoverable from customers and/or regulatory frameworks.

Diamantina Power Station, Mount Isa

**Regulated growth capital expenditure**

- **Western Outer Ring Main (WORM) project** – Engineering and approvals work, including landholder liaison, continued during the year. In January 2022, an Environmental Effects Statement determination deemed the project's environmental impacts acceptable, conditional on APA implementing the project in accordance with the Minister's assessment. The Pipeline License was issued in May 2022 and approval under the EPBC Act received in June 2022. Construction, which began in early August 2022, is expected to be complete in late Q4 FY23. The Australian Energy Regulator (AER) included growth capital expenditure for the WORM in the draft access arrangement decision. The final decision is expected in December 2022. The project will enhance gas security of supply by supporting higher withdrawals in summer and injections in winter from the Iona Underground Storage Facility in Victoria's west.
- **Winchelsea Compressor Station** – In April 2022, APA reached a Final Investment Decision for a $60 million expansion of the South-West Pipeline in the Victorian Transmission System. The project, to install an additional compressor facility at Winchelsea Compressor Station, is expected to enable additional capacity ahead of winter 2023 gas supply shortfalls highlighted by the Australian Energy Market Operator (AEMO) in its 2022 Gas Statement of Opportunities (GSOO). Recognising the critical importance of natural gas to Victoria's energy system, APA has worked with the Australian Energy Regulator and the Victorian Government to expedite the project. Approvals, engineering and procurement is underway. The project is scheduled to complete and become operational in Q4 FY23.

**Unregulated growth capital expenditure**

*East Coast Gas*

- **East Coast Grid Expansion** – Stage 1 of the expansion works, increasing Wallumbilla to Wilton capacity by 12%, is scheduled for commissioning in late Q3 FY23. This will help mitigate the forecast 2023 southern state winter supply risks identified in the 2022 AEMO GSOO. Approvals are complete, engineering and procurement are well advanced, with earthworks started on both the Queensland and New South Wales Stage 1 sites. Confirmation of Stage 2, which will add a further 13% of capacity, was announced in May 2022. APA's decision to begin the Stage 2 expansion is driven by strong confidence in Stage 1 contracting and continuing customer demand for transportation capacity. Approvals for Stage 2 are well advanced, and engineering and procurement are underway, with works currently targeted for commissioning ahead of the forecast potential winter 2024 shortfalls.
- **Kurri Kurri Lateral Pipeline** – On 20 June 2022, APA executed a Gas Transportation and Storage Agreement and a Development Agreement with Snowy Hydro Limited to develop a 20 km Kurri Kurri Lateral gas pipeline connection. APA will build, own and operate the Kurri Kurri Lateral, connecting the Sydney to Newcastle Pipeline to the Hunter Power Project at Kurri Kurri in New South Wales. The project includes a 70 TJ gas storage facility to service the Hunter Power Project. The development is subject to APA obtaining third-party approvals to develop and operate the facilities, including obtaining a pipeline licence, and various development matters being agreed with Snowy Hydro. During the year, APA submitted an environmental impact statement (EIS) to the New South Wales Government and worked closely with Snowy Hydro to ensure the Kurri Kurri Lateral will be hydrogen-blend ready. Electric drive compressors will be used to minimise the emissions intensity of operations. A final investment decision is expected in 2H FY23.
- **Orbost Gas Processing Plant (OGPP)** – On 28 July 2022, APA completed the sale of the OGPP to Cooper Energy. APA will remain the OGPP operator on behalf of Cooper Energy until the Major Hazard Facilities Licence is transferred to the new owner.

*West Coast Gas*

- **Northern Goldfields Interconnect (NGI)** – The NGI pipeline will connect the Perth Basin to APA's Goldfields Gas Pipeline and APA's Eastern Goldfields network. During the year, all remaining approvals, including the EIS, were received and all 35,000 tonnes of coated line pipe arrived on site. Construction of the pipeline and compressor station is well underway. Project completion is expected in Q3 FY2023.

*Power Generation*

- **Gruyere Power Station Expansion and Hybrid Energy Microgrid** – APA's first hybrid energy microgrid investment, will expand the existing reciprocating gas-fired power station, with a 13MWp solar farm backed up by a 4.4MW/4.4MWh battery energy storage system (BESS). The microgrid uses a hybrid control system to monitor and react to cloud movements, battery control and the existing reciprocating engine control systems to optimise efficiency and maximise the use of renewable generation. During the year, the expansion to the existing reciprocating gas-fired power station was completed and commissioned, and the solar farm and BESS constructed. Commissioning and performance testing was completed on 31 July 2022 after delays due to interface issues with the existing Gruyere processing plant. Total installed capacity of the microgrid is 64MW (60 MW of power generation and 4.4 MW of battery storage).
- **Mica Creek Solar Farm** – Construction of the $150 million 88MW Mica Creek Solar Farm was approved in March 2022. The project is underpinned by two offtake agreements – a new 15-year solar offtake agreement to supply renewable energy to MMG Dugald River mine and a variation to an existing agreement with existing APA customer, Mount Isa Mines Limited to supply renewable energy for 15 years. As part of the project, APA entered into a 32-year lease agreement with the Queensland Government to locate the Mica Creek Solar Farm near the Diamantina Power Station Complex. The solar farm is expected to be complete and operational in late FY23.

# Directors' Report continued

APA Infrastructure Trust and its Controlled Entities

**Prospective projects**

In FY22, APA progressed preliminary work on several other large projects including:

- **Central West Orana Renewable Energy Zone, New South Wales** – APA and its consortium partners, CIMIC Group companies Pacific Partnerships, CPB Contractors and UGL, have been shortlisted to progress to the Request For Proposal phase for this project, which will be New South Wales' first Renewable Energy Zone.
- **Western Slopes Pipeline, New South Wales** – APA plans to build, own and operate the proposed ~460km Western Slopes Pipeline (WSP) in northern New South Wales. The pipeline will connect the Narrabri Gas Project to APA's Moomba Sydney Pipeline and subsequently the East Coast domestic gas market. The development owner has recently announced the acquisition of a competing alternative pipeline route. Should the development owner provide approval for the WSP, APA will move to the next phase of project as agreed under the Project Development Agreement.
- **Bowen and Galilee Basins, Queensland** – A non-binding MOU remains in place with Blue Energy to investigate pipeline route options in both the Bowen and Galilee Basins. During the year, APA continued to engage resource holders in the Bowen and Galilee Basin, and the Queensland and Federal Governments, to progress the efficient development of infrastructure to deliver future gas supply to the East Coast Gas Grid. Specifically, in the Bowen Basin, concepts were progressed for a pipeline to efficiently connect the northern Bowen Basin to APA's East Coast Gas Grid, leveraging its existing network of Surat Basin pipelines. APA commenced its own assessment of a high volume pipeline from the northern Bowen Basin to Wallumbilla, prior to the Queensland Government's Bowen Basin Concept Study, and continues to progress this independently of that study.
- **Beetaloo and McArthur Basins, Northern Territory** – In FY22, APA entered a non-binding MOU with Empire Energy to progress feasibility studies on APA providing processing and transportation infrastructure for Empire Energy's Beetaloo and McArthur Basins Project. APA continued to engage with other Northern Territory resource holders to promote capital efficient, staged and common user gas transportation solutions to both Darwin and the east coast, leveraging existing gas transmission infrastructure.
- **Gabanintha Vanadium Project, Western Australia** – During the year, APA progressed the non-binding MOU with a customer for gas transportation services along a proposed ~152km new pipeline to supply gas to the Gabanintha Vanadium Project. In June 2022, APA entered into an Early Works Agreement to progress early work activities for the proposed pipeline, including confirming the pipeline route, preparing appropriate licences, initial engineering design and identifying long lead procurement items.

During the year, as part of its Pathfinder program, APA continued to explore new opportunities in emerging energy infrastructure markets, including clean molecules, energy storage and new technologies.

- **Hydrogen transport** – The Parmelia Gas Pipeline (PGP) conversion project continued to provide insights into the potential role natural gas transmission pipelines can play in transporting hydrogen. Phase 1 findings indicated the PGP should be able to transport 100% hydrogen without reducing operating pressures. Phase 2 commenced in late CY21, including laboratory testing of the pipeline material in gaseous hydrogen conditions. APA signed an MOU with Wesfamers Chemical, Energy and Fertilisers (WesCEF) on 4 May 2022 for a pre-feasibility study. The study will assess the viability of producing and transporting green hydrogen via APA's PGP for delivery to WesCEF's ammonia production facility in Kwinana.
- **Green hydrogen** – In September 2021, APA joined an Australian and Japanese energy consortium to establish Queensland's largest proposed green hydrogen project – Central Queensland Hydrogen Project. APA has been working closely with Stanwell and the Japanese companies Iwatani Corporation, Kawasaki Heavy Industries, Kansai Electric Power Company and Marubeni to complete a detailed feasibility study of the technical and commercial viability of an export scale liquified hydrogen project from Central Queensland to Japan. Target first production is mid-2020s, scaling up to more than 3GW of electrolysis capacity by the early 2030s.
- **Blue hydrogen** – APA continued to investigate opportunities for incorporating hydrogen production with carbon capture and storage in Western Australia. APA completed a pre-feasibility study with Pilot Energy Limited and Warrego Energy Limited, assessing the potential use of the Cliff Head oil project and other reservoirs across the broader Perth Basin to store captured carbon dioxide.
- **Renewable methane** – APA is working with Southern Green Gas on a renewable methane technology demonstration project, with funding support from the Australian Renewable Energy Agency (ARENA). The project aims to better understand the technical and commercial benefits of integrating CO2 direct air capture, solar PV and hydrogen electrolysis to produce renewable methane. The project will generate cost and technical data, which will be used to assess the feasibility of a larger, commercial scale renewable methane concept system.

| Hydrogen Transport | Green Hydrogen | Blue Hydrogen | Renewable Methane |
|---|---|---|---|
| **PGP Conversion**<br>Phase 1 completed Aug 21, Phase 2 due to be completed Dec 22, Phase 3 due to commence Q3 FY23 | **Central Queensland Hydrogen**<br>MoU signed Sept 21, Feasibility Study commenced Sept 21, FS completed June 22, FEED expected to be completed Q2 FY24 | **Mid West Blue H2**<br>MoU signed Oct 21, Pre- Feasibility Study commenced Oct 21, PFS completed August 22 | **Wallumbilla Renewable Methane**<br>Completion of laboratory based demonstration Q2 FY23, Completion of site based testing Q4 FY23 |
| **Parmelia Green H2 (WesCEF)**<br>MoU signed May 22, Pre-Feasibility Study commenced July 22, PF Study due to be completed Q2 FY23 | | | |

# **Directors' Report** continued

APA Infrastructure Trust and its Controlled Entities

## 7. Financing activities

### Capital management

During the year, the trust constitutions for APA Infra and APA Invest were updated to authorise the purchase and cancellation of APA Group stapled securities. This gives APA Group the flexibility to buyback securities if deemed appropriate from a capital management perspective.

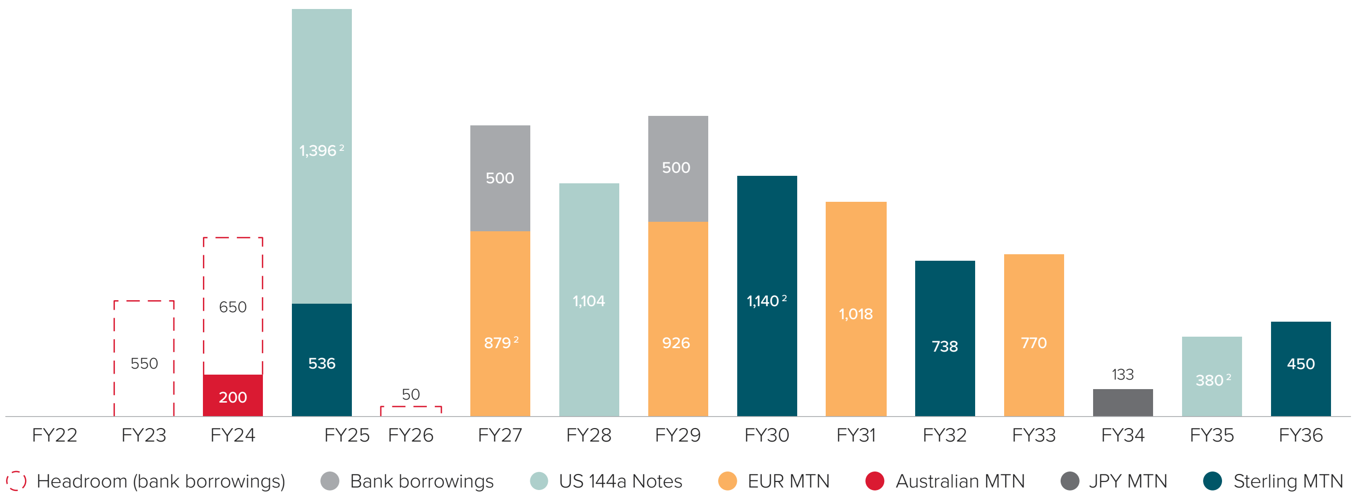
At 30 June 2022, APA had 1,179,893,848 securities on issue. This is unchanged from 30 June 2021.

### Debt facilities

At 30 June 2022, APA had $10,668.1 million (compared with $9,665.8 million at 30 June 2021) of committed drawn debt facilities, with an additional $1,250 million of undrawn committed bank facilities. APA's debt portfolio has a broad spread of maturities across the global debt capital markets extending out to FY36, with an average maturity of drawn debt of 6.7 years.

**APA Debt Maturity Profile and Diversity of Funding Sources**[1]

A$m




1. A debt maturity profile as at 30 June 2022.
2. USD denominated obligations translated to AUD at the prevailing rate at inception (USD144A – AUD/USD=0.7879, EMTN and Sterling AUD/USD=0.7772).

APA's treasury policy requires high levels of interest rate hedging to minimise the potential impacts from adverse movements in interest rates. At year end, 100% (30 June 2021: 100%) of interest obligations on gross drawn borrowings was either hedged into or issued at fixed interest rates for varying periods extending out to 2036.

In June 2022, APA raised AUD $1.0 billion of senior unsecured debt via a syndicated loan facility from leading Australian and Asian banks. The new facility comprises two equal tranches of 5 and 7-year tenors, both swapped into fixed rates, with the overall cost broadly in line with APA's existing average cost of debt. The proceeds were variously used to refinance the short term debt used to fund the acquisition of Basslink debt, to contribute to APA's future growth projects and for general corporate purposes.

### Foreign exchange hedging

In June 2015, APA acquired the Wallumbilla Gladstone Pipeline (WGP), which receives revenues in USD. To minimise the foreign exchange volatility of the cash inflows and cash outflows, APA entered into a range of AUD:USD Forward Exchange Contracts (FECs) up to March 2022.

In addition, debt borrowed to support the acquisition was also fixed in USD to support the natural hedge against the USD cash inflows over the life of the WGP contract. At 30 June 2022, around US$3.0 billion of the original debt was fixed in USD at an all-in annual interest rate of 4.6%. For accounting purposes, this USD debt is considered a 'designated hedge' to manage foreign currency exposure for WGP revenues.

The average AUD to USD FX rate on realised revenue cash flows from WGP was 0.72 in FY21 and 0.71 from July 2021 to March 2022. From March 2022 through December 2025, APA has secured:

- FECs for the monthly revenue cash flows at an AUD:USD rate of ~0.72
- FECs for the bi-annual interest payment at an AUD:USD rate of ~0.72
- A FEC to repay the US$1.1 billion 144A Notes due March 2025 at an AUD:USD rate of 0.71.

APA has commenced recording an additional revenue adjustment (affecting EBITDA) for the impact of exiting the portion of the original natural hedging relationship attributed to the period the new FECs have been entered into. This will result in a non-cash ~A$130 million FX accounting loss to be brought to account over the period February 2022 through October 2025. The resulting outcome is that revenue is recognised at a blended rate of ~0.76 between 2022 and 2025. The impact of the non-cash adjustment to revenue and EBITDA for FY22 is~A$15 million. The annualised impact of the non-cash adjustment to revenue and EBITDA is ~A$36 million per annum.

The impact on operating cash flows (revenue less interest) from entering into the new FECs is expected to be immaterial because the FECs were entered into at similar AUD:USD rates as those in place for recent previous reporting periods.

# Directors’ Report continued

APA Infrastructure Trust and its Controlled Entities

### Interest costs

During the year, net finance costs decreased by $21.8 million or 4.3%, to $483.0 million (FY21 $504.8 million). The decrease relative to FY21 is primarily due to lower average interest rates on borrowings as a result of the Liability Management exercise undertaken in 2021.

The average interest rate, including credit margins, applying to drawn debt was 4.59% for FY22 (FY21: 5.09%). This reflects the full-year impact of the new lower interest cost attributable to the EUR 1,100 million and GBP 250 million senior unsecured Euro Medium Term Notes as part of the Liability Management exercise.

### Credit ratings

During the year, APA Infrastructure Limited, the borrowing entity of APA, maintained two investment grade credit ratings:

- BBB long-term corporate credit rating (outlook Stable) assigned by Standard & Poor’s (S&P) in June 2009, and last confirmed on 25 November 2021
- Baa2 long-term corporate credit rating (outlook Stable) assigned by Moody’s Investors Service (Moody’s) in April 2010, and last confirmed on 28 February 2022.

APA calculates the Funds From Operations (FFO) to Interest to be 3.6 times (FY21: 3.1 times) and FFO to Net Debt to be 11.5% for FY22 (FY21: 11.0%). FFO to Net Debt is the key quantitative measure used by S&P and Moody’s to assess APA’s credit worthiness and credit rating.

FFO to Interest of 3.6 times is at the stronger end of BBB/Baa2 rating metric guidelines. APA therefore continues to have confidence that its balance sheet can support both organic growth and longer-term growth in securityholder distributions.

### Capital management strategy

APA’s 5-pillar capital management strategy, which was reviewed during the year, positions APA for its next phase of growth. It comprises:

- **Securityholder returns** – focus on maximising available free cash flow and distributions
- **Access to capital** – maintain investment grade credit metrics and a diverse source of funding
- **Capital allocation** – make disciplined investments aligned to strategy and investment hurdles that drive long-term value
- **Risk management** – use a funding strategy focused on diversification, tenor and maturities, with Treasury policies that support strong liquidity and reduce volatility
- **Market engagement** – implement a proactive investor relations program.

### Income tax

During the year, income tax expense of $180.4 million included a $8.4 million accounting income tax expense from reversing the impairment of Orbost (significant item). Income tax expense, excluding significant items, for FY22 of $171.9 million resulted in an effective income tax rate of 41.7%, compared with 39.3% in the previous year. The high effective rate is due to significant amortisation charges relating to contract intangibles acquired with the Wallumbilla Gladstone Pipeline, which are not tax deductible.

After using available tax losses and research & development and imputation credit tax offsets, income tax of $85.6 million will be payable for the year ended 30 June 2022 (FY21: $48.3 million). The cash tax payable results in an effective tax paid rate of 20.3% in FY22, compared with 17.7% in FY21.

APA has published a Tax Transparency Report, including a reconciliation of profit to income tax payable, on its website.

To assist APA securityholders who wish to submit their annual tax return before receiving their annual APA Tax Statement in mid-September, APA has developed an indicative online tax estimator tool which will be available in the Investor page on APA’s website.

### Distributions

| | Final FY21 distribution paid 15 September 2021 | | Interim FY22 distribution paid 17 March 2022 | |
|---|---|---|---|---|
| | Cents per security | Total distribution $000 | Cents per security | Total distribution $000 |
| APA Infrastructure Trust franked profit distribution | — | — | 9.43 | 111,304 |
| APA Infrastructure Trust unfranked profit distribution | — | — | — | — |
| APA Infrastructure Trust capital distribution | 18.63 | 219,820 | 10.69 | 126,137 |
| APA Investment Trust profit distribution | 1.67 | 19,742 | 1.33 | 15,647 |
| APA Investment Trust capital distribution | 6.7 | 79,010 | 3.55 | 41,886 |
| **Total** | **27** | **318,572** | **25** | **294,974** |
| Franking credits allocated | | | 4.04 | 47,701.71 |

# Directors' Report continued

APA Infrastructure Trust and its Controlled Entities

**Distributions** continued

| | Final FY22 distribution payable 14 September 2022 | |
|---|---|---|
| | Cents per security | Total distribution $000 |
| APA Infrastructure Trust franked profit distribution | 6.31 | 74,437 |
| APA Infrastructure Trust unfranked profit distribution | — | — |
| APA Infrastructure Trust capital distribution | 15.40 | 181,750 |
| APA Investment Trust profit distribution | 1.14 | 13,502 |
| APA Investment Trust capital distribution | 5.15 | 60,682 |
| **Total** | **28.00** | **330,371** |
| Franking credits allocated | 2.70 | 31,857 |

The Distribution Reinvestment Plan remans suspended.

**Distribution outlook**

APA anticipates a FY23 distribution of 55.0 cents per security, representing a 3.8% increase on the prior period.

As part of the energy supply chain, APA can be impacted by economic downturns and reductions in energy demand. Given market conditions are not certain, APA's revenues will continue to be subject to customer recontracting and investment decisions.

Looking ahead, APA is in a strong position to continue executing its growth program, investing for the long-term energy needs of its customers.

## 8. Economic regulatory matters

**Regulatory overview**

Gas pipelines in Australia are regulated under the National Gas Rules (NGR) by the Australian Energy Regulator (AER) or the Economic Regulation Authority of Western Australia (ERA). The NGR presides over 2 regulatory pipeline frameworks:

1) **Scheme pipelines** (NGR Parts 8-12) subject to either:
- Full regulation with regulator approved tariffs and terms and conditions; or
- Light regulation where pipeline owners publish services and prices and comply with information provision requirements.

2) **Non-Scheme pipelines** (NGR Part 23) where tariffs and terms are negotiated between parties.

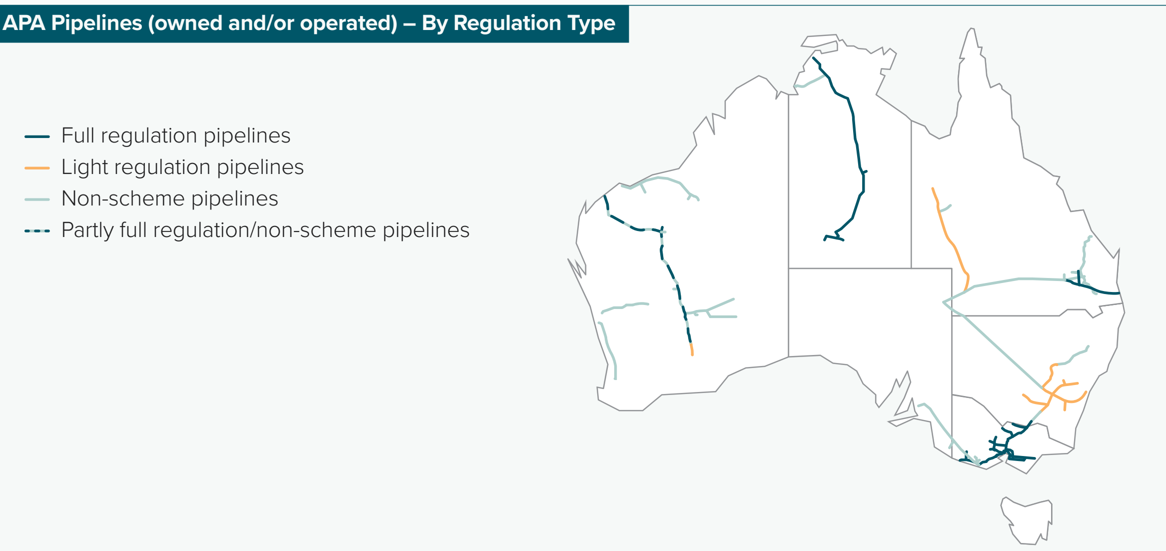
On 31 March 2022, Energy Ministers agreed to a final package of legislative amendments that propose to discontinue the current form of light regulation and transition to a:
- 'Heavier' form of regulation, based on the current full regulation; or
- 'Lighter' form of regulation, based on the current Part 23 regime for non-scheme pipelines.

At 23 August 2022, the approved legislative package had not yet been published or introduced into the South Australian parliament for implementation. However, pipelines currently subject to full regulation are not expected to experience much change. APA's non-scheme pipelines and pipelines currently subject to light regulation will transition to the new 'lighter' form of regulation.

# Directors' Report continued

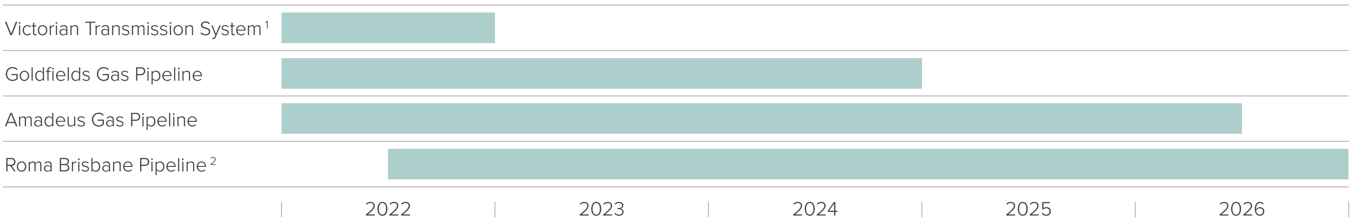
APA Infrastructure Trust and its Controlled Entities

**APA Pipelines (owned and/or operated) – By Regulation Type**




### Regulatory resets

The diagram below shows the scheduled regulatory reset dates for pipelines owned and operated by APA. During FY22, approximately 8.2% of APA's Energy Infrastructure revenues were subject to regulated outcomes.




1. Victorian Transmission System access arrangement from 31 December 2017 to 31 December 2022.
2. Roma Brisbane Pipeline access arrangement from 1 July 2022 to 30 June 2027.

Key regulatory matters relating to APA assets addressed during the year included:

– **Roma Brisbane Pipeline (RBP) 2022-2027 access arrangement** – On 6 May 2022, the AER published its final decision on the RBP access arrangement from 1 July 2022 to 30 June 2027, approving a real increase in FY23 tariffs of 4.85% for both eastbound and westbound pipeline services on the RBP.

– **Victorian Transmission System (VTS) 2023-2027 access arrangement** – On 30 June 2022, the AER published its draft decision on the 2023-27 VTS access arrangement. The decision recognised the importance of continued investment in the VTS to maintain reliability and system security for Victorian gas users. The AER is expected to release a final decision in December 2022, which will have effect for 5 years from 1 January 2023.

– **Murraylink 2023-2028 revenue proposal** – On 31 January 2022, APA submitted its 5-year revenue proposal for the Murraylink electricity transmission interconnector between South Australia and Victoria. The AER is expected to publish a draft decision in September 2022 and a final decision in April 2023.

### Energy industry policy developments

In FY22, APA continued to actively engage in national and jurisdictional policy processes focused on gas industry development and the decarbonisation of the economy, including:

– **Victorian Gas Substitution Roadmap** – APA submitted that gas infrastructure will play a key role in supporting renewables and supporting reliability as coal power retires. The Victorian Government's final roadmap, released on 2 July 2022, recognises that many consumers continue to choose gas for domestic uses. The roadmap therefore proposes incentives to make electricity more attractive to consumers, making more gas available for commercial customers where electrification is more difficult.

– **National Gas Infrastructure Plan**– APA submitted that incremental expansion of existing infrastructure, along with developing new gas supplies, is the most efficient way to ensure gas security and reliability.

– **Hydrogen and renewable gas reforms** – APA supports a gradual approach to hydrogen and renewable gases regulation, which should only be imposed if there is clear evidence of enduring market failure.

## 9. Sustainability

This section of the Director's Report contains highlights of APA's FY22 sustainability outcomes, and key metrics for APA's FY22 emissions, health, safety, and environment performance. For more information on APA's sustainability outcomes and performance please refer to APA's separate Sustainability Report and the new FY22 Sustainability Data Book available on APA's website.

### Climate Change and energy transition

In FY22, APA maintained momentum towards net zero and managing climate change risk and opportunity. Significant milestones includes evaluating and disclosing interim targets and goals and the accompanying TCFD-aligned Climate Transition Plan. For information on this strategic progress please refer to page 13 of this report.

### Strategy

Emissions footprint

Under the National Greenhouse and Energy Reporting Act 2007 (NGER Act), APA provides the Australian Clean Energy Regulator with a performance report every October. APA's FY21 NGER submission was lodged in October 2021. The FY22 NGER submission is currently being prepared and will be lodged with the Regulator by 31 October 2022.

In FY21, APA's total emissions footprint increased on the prior year with gross Scope 1 and Scope 2 emissions in aggregate, rising 7.2% from FY20.

- **Scope 1 emissions** increased by 8.1%, from 1,322,294 t $CO_2e$ in FY20 to 1,429,954 t $CO_2e$ in FY21. This was primarily due to increased emissions from APA's Diamantina Power station due to higher demand for electricity.
- **Scope 2 emissions** decreased by 6.8%, from 87,765 t $CO_2e$ in FY20 to 81,792 t $CO_2e$ in FY21. This was due to reduced demand on APA's electricity interconnector assets, which resulted in reduced line losses.

| Year end 30 June | | FY21 | FY20 | FY19 | FY18 | FY17 |
|---|---|---|---|---|---|---|
| Total Scope 1 emissions [1,2] | t-$CO2_2e$ | 1,429,978 | 1,322,249 | 1,229,923 | 1,205,766 | 1,241,632 |
| Total Scope 2 emissions [1,3] | t-$CO2_2e$ | 81,790 | 87,765 | 176,980 | 178,445 | 367,387 |
| Energy consumption [4] | GJ | 41,935,935 | 32,078,649 | 27,831,008 | 25,777,203 | 26,793,268 |

1. Assets APA does not have operational control over are Gruyere and X41 power stations; the Wallumbilla Gladstone pipeline, Victorian Transmission System (VTS) (except maintenance), SEAGAS and Mortlake transmission pipelines; CNG supply to the Perth Bus Network, North Brown Hill Windfarm and Tipton West Gas processing plant.
2. Scope 1: are direct emissions such as company vehicles, 'fuel combustion' and fugitive emissions from gas pipelines from facilities that APA has operational control over.
3. Scope 2: are indirect emissions such as the consumption of electricity or electricity line losses from facilities that APA has operational control over.
4. Energy Consumption is referring to the total calculation of energy consumed across all facilities within APA's operational control

### Community & Social Performance (CSP)

To continue delivering energy responsibly, APA's goal is to build strong, respectful and mutually valuable relationships with all stakeholders, especially in the communities adjacent to energy assets. In FY22, APA moved from developing its CSP Strategy (2022–25) to implementation. The strategy has two key elements:

**1. Community and stakeholder engagement**

In FY22, APA developed and implemented targeted community consultation programs for several key projects, including the Northern Goldfields Interconnect, East Coast Grid Expansion, Kurri Kurri Lateral Pipeline and the Central Queensland Hydrogen Project.

APA also continued to run the annual APA Landholder Contact Program in FY22, completing 10,848 landholder contact visits.

**2. Focusing investment on sustainable development outcomes**

APA developed a new Sustainable Development Investment Framework to guide community investment, including defining 4 investment priority areas and objectives for APA across:

- Regional and remote communities
- First Nations peoples involvement and relationships
- Climate transition
- Natural environments

During the year, APA focused on gaining a better understanding and awareness of First Nations peoples across the business, building the foundations for developing a Reconciliation Action Plan (RAP) in FY23. The RAP will recognise and formalise APA's responsibilities towards reconciliation and support outcomes for First Nations peoples. APA also continued to increase consideration for First Nations peoples and businesses in its workforce and supply chain and became a member of Indigenous business register, Supply Nation.

### People and culture

In FY22, APA continued to build on its Inclusion and Diversity Strategy 2020–2025, which aims to embrace diversity and build an inclusive culture where everyone feels safe and valued. This included, launching a Hybrid@APA Strategy to balance employee choice with business needs and leverage the benefits of successfully implementing remote working during the pandemic. APA also enhanced parental leave benefits for both primary and secondary carers, aligning it with industry benchmarks.

# Directors' Report continued

APA Infrastructure Trust and its Controlled Entities

### Diversity performance

Under APA's Gender Target Action Plan, female representation in the Senior Leaders category reached 30.4% in FY22, surpassing the 2025 goal of 30%. APA's female representation among total employees rose slightly to 29.5% compared with 29.3% in FY21.

In FY22, APA's challenge to increase its gender balance in operational divisions continued. These areas have a large proportion of roles requiring science, technology, engineering and mathematics (STEM) disciplines, in which women are generally underrepresented across the industry.

In operational divisions, 24% of employees identified as female, compared with 47% in APA's corporate divisions. Looking at age diversity, 92% of employees were aged 30 years and older.

APA continued to address this disparity with programs targeting younger talent, such as internships and traineeships, APA's Graduate Program and its National Apprenticeship Program.

### Investing in APA's future

APA continued to develop its employees' core compliance, technical and leadership skills, with its workforce completing 39,913 hours of training, averaging 17 hours per workforce member.

### Leadership training and capability

Despite COVID-19 disruptions, online and face-to-face leadership and professional development continued. Initiatives included the Digital Learning Library, Percipo, which gives employees access to thousands of courses, videos, e-books and audiobooks. The 'Leading at APA' course was delivered through virtual workshops, equipping leaders to have quality conversations. More than 70% of APA's people leaders completed this program during the year.

### Technical training

APA further increased the accredited programs offered to its employees by adding a Certified Locator qualification training program.

APA's training programs for technical and compliance skills continued to run in FY22, regardless of COVID lockdowns. A significant number of programs moved to virtual classroom delivery wherever practical, keeping the APA workforce skilled and compliant throughout the year.

### Health and safety

In FY22, APA's health and safety focus was to close the gap between employee and contractor safety performance lag indicators and improve visible leadership through management interactions and hazard identification. Focusing on visible leadership helped leaders to understand the challenges workers face and identify opportunities to improve safety performance for the whole workforce.

### Safety lag indicators

APA's lag indicators for safety performance are Total Recordable Injury Frequency Rate (TRIFR), Lost Time Injury Frequency Rate (LTIFR).

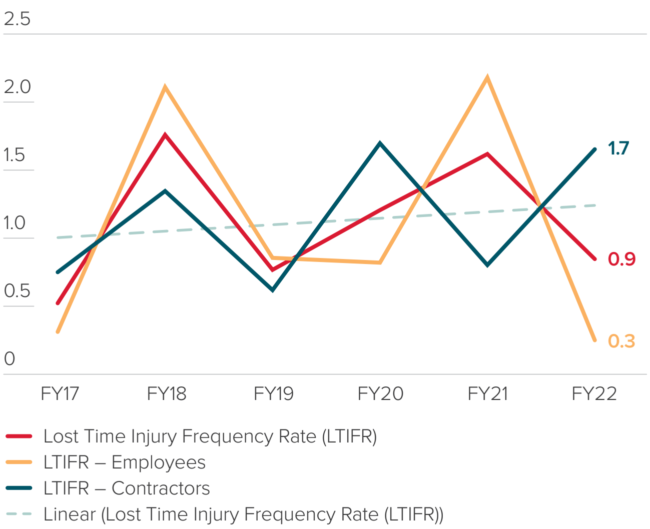
At year end, APA's combined employee and contractor TRIFR met APA's target of <4.60. The combined TRIFR was 3.25 per million hours worked, equating to 23 persons injured requiring medical intervention. This represented a significant improvement of 43% on the FY21 figure of 5.7 (39 people).

The reduced TRIFR was driven by an improvement in employee TRIFR, which fell from 4.63 per million hours worked at year end FY21 to 0.99 at year end FY22.

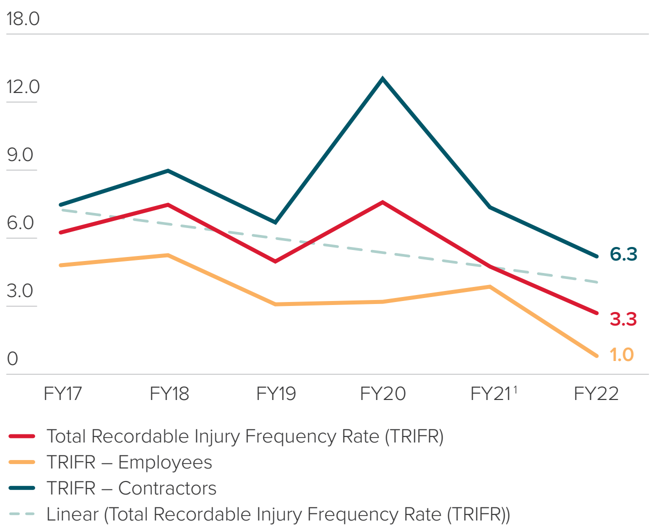
APA ended the year with a combined employee/contractor LTIFR of 0.85, below the year-end target of <1.0 and a decrease from the FY21 LTIFR of 1.62.

No employee or contractor fatalities occurred in FY22.

**Lost Time Injury Frequency Rate (LTIFR)**




**Total Recordable Injury Frequency Rate (TRIFR)**




1. The FY21 Actual Total Recordable Injury Frequency Rate (TRIFR) was amended from 6.3 to 5.7 in response to receiving additional contractor hours post the FY21 result.

# **Directors' Report** continued

APA Infrastructure Trust and its Controlled Entities

### Safety lead indicators

APA's leaders completed 3,842 management interactions during the year, an increase of 10% on FY21. These interactions help to keep safety front of mind for everyone.

APA personnel and contractors collectively identified and reported 3,954 hazards. At a rate of 546.2 per million hours worked, this was a slight decrease on FY21.

### Environment and heritage

*Environment Management Plan inductions*

In FY22, APA implemented its updated Environment Management Plans (EMPs), which were refreshed as part of APA's 4-year EMP Improvement Program (FY18–21). This included transforming EMP inductions into structured digital learning packages, with 8 packages currently in production. These online modules ensure employees learn about the environmental risks, responsibilities and requirements specific to their state. The modules are due to be launched across the business in early FY23.

*Embedding heritage management across the business*

To support the implementation of its new Heritage Procedure, in FY22 APA systematically identified heritage-listed premises serviced by distribution networks under APA's management. This involved comparing existing gas supply points to the relevant state, territory and local government heritage requirements and creating automated alert notifications as part of APA's work order process.

*Environment compliance*

During the year, APA had 4 notifiable incidents, a significant decrease from 9 in FY21. These were reported to the appropriate regulatory authorities.

Two incidents were related to unauthorised vegetation removal in Queensland. In both instances APA conducted investigations and applied learnings.

The remaining 2 incidents were minor licence non-compliances in Western Australia. Both incidents have been remediated and additional actions are underway for the second.

### Customers and suppliers

APA continued to take a customer-centred approach to new products and services, ask its customers for their input into decarbonisation options and make sure it understood the impact of market changes on customers exposed to higher prices.

As in previous years, APA's customer-driven approach included an annual feedback survey and an action plan to respond to any concerns.

### Decarbonisation and hydrogen readiness

In April 2022, to keep its priorities customer-led, APA's account managers had in-depth discussions with key customers covering decarbonisation, carbon offsets and hydrogen readiness. The survey focused on understanding customers' decarbonisation priorities and their requirements around potential new products, such as hydrogen blends and carbon offsets.

The information will ensure APA develops lower carbon products and services that are of most value to customers.

### Energy Charter

In FY22, APA submitted its second disclosure report under the Energy Charter. A copy of this report is published on the APA website.

APA also contributed to the Energy Charter's Better Practice Guide to Landholder and Community Engagement. This collaborative effort between industry and landholder representative groups will help to drive the respectful engagement required to design, develop, deliver, operate and maintain APA's new and existing energy assets.

### Customer complaints

In FY22, APA received 10 complaints across its commercial customer base compared with 8 complaints in FY21. The complaints spanned power outages, reporting and invoicing issues, system set-up errors, delays in completing new connections and infrastructure builds, processes around planned pipeline maintenance works and misallocation of gas injections.

As well as resolving each complaint, APA conducted 'lessons learned' reviews to ensure underlying issues have been identified and can be improved.

# Directors' Report continued

APA Infrastructure Trust and its Controlled Entities

### Combatting modern slavery

APA's Modern Slavery Roadmap is based on a continuous improvement model, so the business can readily respond to changing regulatory requirements and market expectations while maturing its approach to reducing supply chain risk. In FY22, APA updated its Procurement Policy and Standard to reflect its approach to identifying and mitigating modern slavery risk. We also updated our Supplier onboarding process to require new suppliers to formally accept APA's Code of Conduct and commit to upholding fundamental human rights.

APA also appointed a dedicated Responsible Sourcing Manager to oversee the Procurement function to ensure APA considers modern slavery in all of its sourcing initiatives.

### Striving to improve supply chain sustainability performance

In FY22, 238 suppliers participated in APA's Supplier Prequalification Program, which plays a vital role in maintaining supply chain sustainability by tracking supplier commitments and performance in health, safety and environment, modern slavery, social and community performance. Key suppliers are invited to join the Program based on contract size, supply category, lack of readily available alternative sources and the risk to APA operations from an asset and employee perspective.

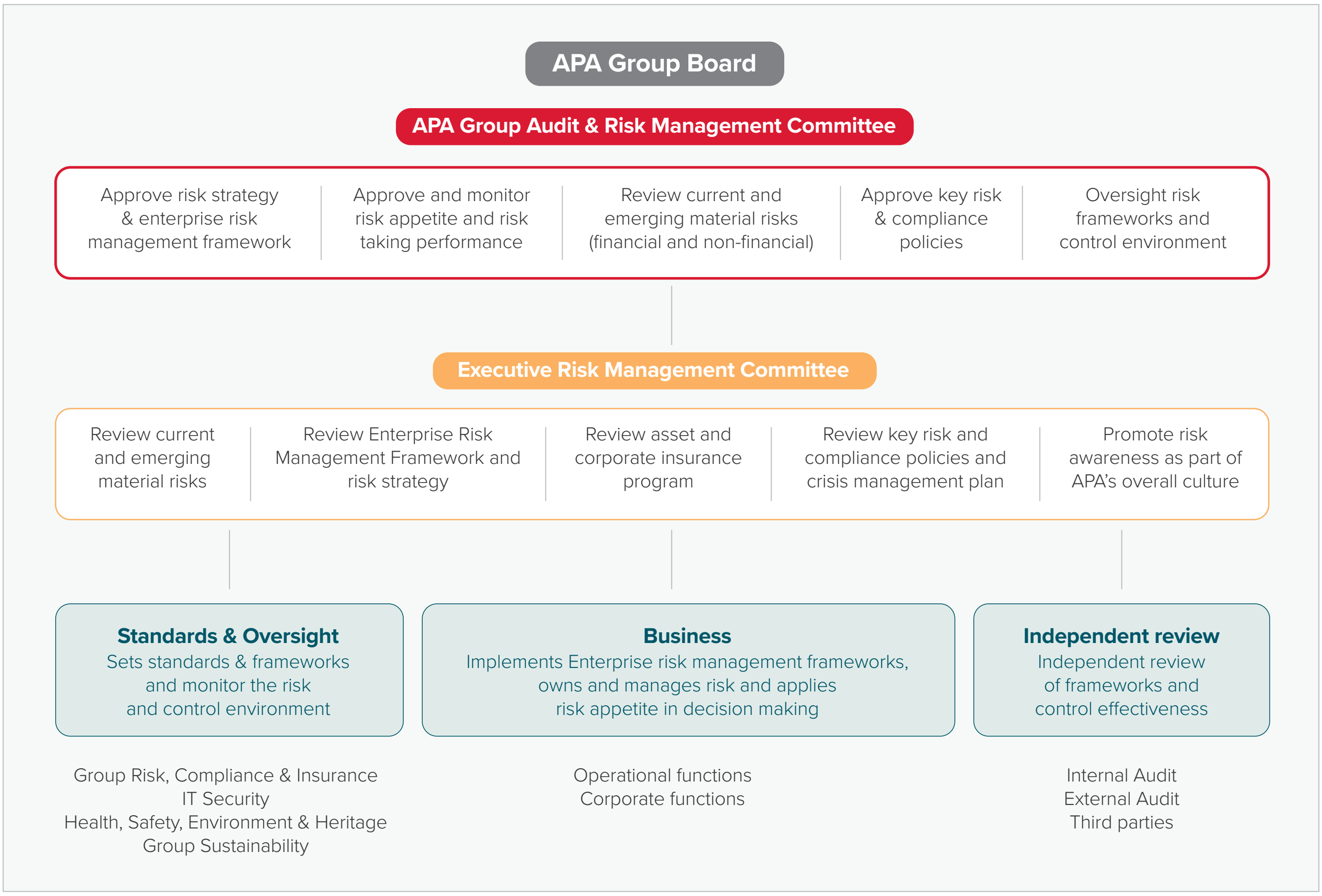
## 10. Risk management

APA's Risk Management System comprises 3 elements covering:

- Risk Management Policy and Risk Appetite
- Enterprise Risk Management Framework which sets the approach for identifying, assessing, managing and escalating risks to ensure material risks are managed appropriately and in line with risk appetite. All risk assessments consider a combination of likelihood and consequence based on the Enterprise Risk Management Framework
- Risk Management Enablers providing governance, risk awareness in line with APA's culture, technology support, and ongoing training and communication

APA's approach to risk management aligns to the international risk standard ISO 31000, considering the internal and external environment, and with coverage of both financial and non-financial risks. All functional risk frameworks align to the Risk Management System to provide consistency and a common language for discussing risk in business decisions. For further information on this process, see APA's Corporate Governance Statement Principle 7.

During the year, APA refreshed its risk register ensuring that strategies to manage the potential opportunities and threats arising were in place. APA's Executive Leadership Team, the Board's Audit and Risk Management Committee and the relevant business divisions reviewed material risks regularly, with the support of internal and external experts.



# Directors' Report continued

APA Infrastructure Trust and its Controlled Entities

APA currently considers the following key material risks. This list is not exhaustive and subject to change as new risks emerge.

| Type of Risk | Description | Key Management Actions to Manage Risks |
|---|---|---|
| **Strategic risks** – risks arising from APA's industry and geography, including its markets, customers, brand and reputation, and regulatory policy. | | |
| **Economic regulation** | APA has a number of significant assets and investments in its portfolio subject to economic regulation, including the regulation of prices that APA is permitted to charge for certain services. Government policy in relation to the Australian domestic gas market also continues to develop, with policy uncertainty as to which assets are regulated and the settings applicable for regulated assets affecting what APA can recover for capital or operating expenditure necessary to operate price regulated assets. | – Maintain strong regulatory and policy functions, active in regulatory management and policy development.<br>– Assess key policy change proposals for potential impacts on APA's business. |
| **Bypass and competition risk** | APA's future earnings may be reduced if customers purchase gas transportation services for new pipelines that by-pass or compete with APA's pipelines, rather than from APA's existing pipelines. New gas development projects that supply export markets may also compete with domestic markets, reducing demand for gas transportation services within Australia. | – Offer structured and flexible services that leverage APA's capability and infrastructure.<br>– Engage with customers and pro-actively manage business development opportunities, including renewable options.<br>– Ensure costs and pricing associated with the provision of services remains competitive and provides value to the market.<br>– Align asset management plans with capacity contracting strategy. |
| **Gas demand risk** | Reduced end user demand for gas driven by its price (in Australia versus other countries), relative to competing energy sources and new technologies or gas swap contracts, may reduce demand levels for services on APA's assets and may adversely affect APA's contracted revenue and the carrying value of APA's assets. | – Monitor commodity markets, export outlook and gas market developments for throughput impacts.<br>– Offer flexible services to support the needs of customers, including gas fired generators.<br>– Use long-term gas storage / transportation agreements.<br>– Develop new and innovative services that provide flexibility.<br>– Competitor analysis. |
| **Gas supply risk** | A long-term shortage of competitively priced gas, either as a result of gas reserve depletion, allocation of gas to other markets, or the unwillingness or inability of gas production companies to produce gas, may adversely affect APA's contracted revenue and the carrying value of APA's assets. | – Use a recontracting strategy and market monitoring.<br>– Maintain knowledge and monitoring of gas reserves to identify potential opportunities. |
| **Alignment with future energy transition needs** | Shift in consumer, investor and government sentiment due to community and environmental focus on gas being unacceptable as a fossil fuel rather than viewed as a fuel to support a cleaner energy future. This may adversely affect APA's contracted revenue and the carrying value of APA's assets. | – Identify different "energy futures" to drive strategic direction with diversification in asset class and geography to manage risk exposure.<br>– Understand advances in the transportation of alternate fuels utilising existing gas infrastructure.<br>– Extend and refine strategies on alternate fuel / infrastructure consistent with APA's outlook on future energy mix and decarbonisation including innovation projects under the Pathfinder Program. |

# Directors' Report continued

APA Infrastructure Trust and its Controlled Entities

| Type of Risk | Description | Key Management Actions to Manage Risks |
|---|---|---|
| **Counterparty risk** | The failure of a counterparty to meet its contractual commitments to APA, in whole or in part, could reduce future anticipated revenue, unless and until APA is able to secure an alternative customer. | – Maintain a portfolio of investment grade credit rated customers.<br>– Engage in counterparty credit due diligence and monitoring, including contractual credit support arrangements put in place where appropriate. |
| **Customer contract renewal risk** | Due to a range of factors, APA may not be successful in recontracting available pipeline capacity or power generation capacity when it comes due for contract renewal or may only be able to recontract at reduced prices or for shorter periods. | – Use a recontracting strategy with close monitoring of contract renewal portfolio.<br>– Monitor emerging gas supply alternatives and power generation market developments to identify new opportunities.<br>– Offer structured and flexible service options. |
| **Reputation risk** | APA relies on a level of public acceptance for the development and operation of its assets. Changing societal and community sentiment in relation to the energy industry, as well as APA's business, may impact APA's commercial opportunities, its ability to develop new projects and operate its assets. | – Engage with key stakeholders (landowners, producers, customers, government etc) to identify focus areas.<br>– Monitor community and stakeholder feedback impacting reputation.<br>– Continue sustainable development initiatives.<br>– Strengthen industry engagement and implement Energy Charter initiatives.<br>– Use stakeholder engagement forums and panels to identify broader community areas of focus. |
| **Financial risks** - risks arising from the management of APA's financial resources, accounting, tax and financial disclosure. | | |
| **Interest rates and refinancing risks** | APA is exposed to movements in interest rates where floating interest rate funds are not effectively hedged. It also remains exposed to refinancing risk if it is unable to replace an existing loan with a new one at a critical time. | – Set risk limits approved by the Board and manage in line with APA's Treasury Risk Management Policy.<br>– Structure debt to spread maturities over a number of years.<br>– Define and manage maximum and minimum interest rate hedging levels using derivatives and debt issued at fixed interest rates through to maturity.<br>– Maintain liquidity though cash on hand and credit lines with banks, including refinancing of maturing loan facilities.<br>– Maintain access to broad range of global banking and debt capital markets. |
| **Foreign exchange risks** | APA is subject to currency fluctuations in relation to the purchase, supply and installation of goods and services revenue, and borrowings, in a currency other than Australian dollars. There can be no assurance that APA will be able to effectively hedge its foreign currency exposure, particularly in periods of significant currency volatility, and/or that APA's hedges will prove effective. | – Set risk limits approved by the Board and manage in line with APA's Treasury Risk Management Policy.<br>– Use derivative instruments to hedge non-AUD denominated revenue and expenses.<br>– Fully hedge foreign currency borrowings. |
| **Investment and integration risk** | Assumptions and forecasts used to make investment decisions or acquire assets, may not be realised. This may result in lower-than-expected returns, unanticipated costs, new skillsets or capabilities needing to be acquired, new types of regulatory approvals being needed where APA has limited experience. | – Conduct regular, independent reviews of corporate and asset models underpinning investment decisions.<br>– Ensure all material investment transactions are overseen by APA's Due Diligence Committee.<br>– Incorporate integration risk management for new asset types into APA's asset portfolio considering people, skills, technology, regulatory approvals and costs. |
| **Credit rating risks** | Any downgrade in APA's credit rating could harm its ability to obtain financing, could increase its financing costs or cause the instruments governing APA's future debt to contain more restrictive covenants. | – Formulate APA's Capital Management strategy to ensure APA's credit ratings are maintained at target levels.<br>– Risk-assess counterparties, monitoring credit ratings and obtaining credit support to limit risk exposure. |

# Directors' Report continued

APA Infrastructure Trust and its Controlled Entities

| Type of Risk | Description | Key Management Actions to Manage Risks |
|---|---|---|
| **Operational Risks** – risks arising from inadequate or failed internal processes, people or systems or from external events including construction and corporate projects, technology, environment and cultural heritage, and health and safety. | | |
| **Asset operations risks** | APA is exposed to a number of risks affecting asset operations including those resulting in equipment failures or breakdowns, pipeline ruptures, employee or equipment shortages, workplace health and safety issues, environmental and cultural heritage damage, poor relationships with local communities, contractor defaults, damage by third parties, integration incidents from acquired or newly constructed assets and damage from natural hazards, sabotage or terrorist attacks including the physical risks associated with climate change. | – Ensure operations are subject to operational, process safety, cultural heritage and environment management programs.<br>– Use asset management and maintenance of engineering standards, including integrity monitoring and maintenance programs, as part of risk-based asset life cycle management.<br>– Conduct asset operational monitoring through control rooms to manage assets within design parameters and coordinate asset maintenance issues.<br>– Provide comprehensive insurance arrangements as part of the asset protection program. |
| **Information technology and cyber risk** | APA's operations rely on a number of information technology systems, applications and business processes utilised in the delivery of business functions, including APA's customer management system, grid network and integrated operations centre. | – Manage APA's information and technology assets in accordance with recognised industry standards across hardware, software, applications and communication systems.<br>– Apply cyber security standards across APA information and technology systems, including those managed by third party vendors, with standards continually assessed against new threats and vulnerabilities.<br>– Make information and technology systems, including SCADA control systems, subject to regular reviews and independent testing. |
| **People and culture risk** | APA is dependent on its ability to attract, engage, develop and retain the right employees within a market where there is varying supply of skilled workers. Expectations on the levels of behaviour expected for employees aligned to APA's values drive the culture on which leaders are held to account. | – Use a performance management standard.<br>– Set out expectations of behaviour in the APA's Code of Conduct.<br>– Put leadership development and capability programs in place.<br>– Put recruitment practices in place.<br>– Use talent management programs to identify and develop technical and leadership personnel.<br>– Maintain diversity and inclusion programs.<br>– Put comprehensive training programs in place to maintain and develop competencies. |
| **Construction and development risk** | APA's business strategy includes the development of new pipeline capacity, renewable, battery and gas-fired power generation plants, gas storage and gas processing assets. This involves typical construction risks, including potential failure to obtain necessary approvals, employee or equipment shortages, third party contractor failure, weather risk, and higher than budgeted construction costs impacting liquidated damages and project delays. | – Use access and approvals management for new construction projects.<br>– Stand up a dedicated construction project management capability and governance to manage efficient, safe and quality delivery of construction projects. |
| **Sustainability risk** | Inadequate management and disclosure of sustainability (including climate and ESG matters) impacting APA performance and reputation. | – Monitor the status of actions against a 3-year Sustainability Roadmap covering climate change, community and social performance (including First Nations), sustainable development (social investment) and environmental management.<br>– Develop an ESG scorecard.<br>– Continue annual climate reporting and disclosures.<br>– Continue commitment to TCFD. |

# Directors' Report continued

APA Infrastructure Trust and its Controlled Entities

| Type of Risk | Description | Key Management Actions to Manage Risks |
|---|---|---|
| **Compliance risks** – legal or regulatory risks arising in respect of laws, regulations, licences and recognised practising codes including health, safety, environment, cultural heritage, payroll, asset construction and operation, and other corporate compliance requirements. | | |
| **Compliance and operating licences** | APA is subject to a range of asset and site level operational legal and regulatory requirements, including climate change, environment and heritage, occupational health and safety requirements and technical and safety standards.<br>Additional obligations, including payroll, security of critical infrastructure, modern slavery, and other corporate legal and regulatory requirements, also apply to APA.<br>Changes in any such laws, regulations or policies may increase compliance requirements and costs. | – Put a comprehensive Enterprise Compliance Management Framework in place with regulations identified, controls monitored and assurance operating.<br>– Monitor regulatory and economic policy changes.<br>– Maintain a comprehensive safety and environment management system and compliance monitoring.<br>– Use dedicated specialist teams to provide asset level assurance for technical, safety and environment compliance. |

Key emerging risks including threats and opportunities for APA identified in FY2022 include:

| Risk (threats and opportunities) | Approach |
|---|---|
| **Threat**: Extending electrification capability to align with strategic electrification opportunities to meet changes as the energy market moves to decarbonise and transitions to a cleaner energy future. | – Focus actions on capability development for electrification skills.<br>– Align employee value proposition to overall strategy considering electrification development. |
| **Threat**: Global economic slowdown impacts financial markets and customer demand, potentially reducing gas contract capacity demand and recontracting revenue, access to new debt markets and liquidity and commodity prices. | – Harness strong capital management, including hedging arrangements and customer credit monitoring.<br>– Actively monitor commodity pricing impacting sourcing of overseas sourced items utilised in large construction projects and domestic demand.<br>– Closely monitor potential changes in energy demand including substitution. |
| **Threat**: Geopolitical uncertainty with rising tensions in the region and further escalation of the Russia/Ukraine conflict impacting changes in sanctions regimes, international energy demand, rising national security interests and worsening supply chain disruption. | – Investigate options for alternative sources of supply for international construction procurement.<br>– Conduct resilience updates for information technology infrastructure, including cyber resilience.<br>– Focus on gas reserving management, including increases in gas linepack to meet to meet high demand periods. |
| **Opportunity**: Introduction of carbon offsets as part of decarbonisation and climate change requirements to support energy infrastructure development and growth. | – To investigate acquiring offsets that we need via a mix of direct procurement and investment opportunities. |

# Directors' Report continued

APA Infrastructure Trust and its Controlled Entities

## 11. Directors

### Information on Directors and Company Secretaries

See Section 3 for information relating to the qualifications and experience of Directors and Company Secretary.

### Directorships of other listed companies

Directorships of other listed companies held by Directors at any time in the 3 years immediately before the end of the financial year:

| Name | Company | Period of directorship |
|---|---|---|
| **Michael Fraser** | Aurizon Holdings Limited<br>Orora Limited | Since February 2016 to February 2022<br>Since April 2022 |
| **Robert Wheals** | — | — |
| **Steven Crane** | nib holdings limited<br>SCA Property Group | September 2010 to July 2021<br>Since December 2018 |
| **James Fazzino** | Tassal Group Limited | Since May 2020, Chair since October 2021 |
| **Debra Goodin** | Senex Energy Limited<br>oOh!media Limited<br>Atlas Arteria Limited | May 2014 to November 2020<br>November 2014 to February 2020<br>Since September 2017, Chair since November 2020 |
| **Shirley In't Veld** | Northern Star Resources Limited<br>Alumina Limited<br>Develop Global Limited<br>(formerly Venturex Resources Limited)<br>Karora Resources Inc | September 2016 to June 2021<br>Since August 2020<br><br>Since July 2021<br>Since December 2021 |
| **Rhoda Phillippo** | — | — |
| **Peter Wasow** | Oz Minerals Limited | Since November 2017 |

### Directors Meetings

During the year, 13 Board meetings, 4 Audit and Risk Management Committee meetings, 4 People and Remuneration Committee meetings, 4 Health, Safety, Environment and Heritage Committee meetings and 3 Nomination Committee meetings were held.

| | Board | | People & Remuneration Committee | | Audit & Risk Management Committee | | Health Safety Environment & Heritage Committee | | Nomination Committee | |
|---|---|---|---|---|---|---|---|---|---|---|
| Directors | A | B | A | B | A | B | A | B | A | B |
| **Michael Fraser** | 13 | 13 | — | — | 4 | 4 | — | — | 3 | 3 |
| **Robert Wheals** | 13 | 13 | — | — | — | — | — | — | — | — |
| **Steven Crane** | 13 | 13 | 4 | 4 | 4 | 4 | — | — | 3 | 3 |
| **James Fazzino** | 13 | 13 | — | — | 4 | 4 | 4 | 4 | — | — |
| **Debra Goodin** | 13 | 13 | — | — | 4 | 4 | 4 | 3 | 3 | 3 |
| **Shirley Int'd Veld** | 13 | 13 | 4 | 4 | — | — | 4 | 4 | — | — |
| **Peter Wasow** | 13 | 13 | 4 | 4 | 4 | 4 | — | — | — | — |
| **Rhoda Phillippo** | 13 | 13 | 4 | 4 | — | — | 4 | 4 | — | — |

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

B. Number of meetings attended.

# Directors' Report continued

APA Infrastructure Trust and its Controlled Entities

### Directors' Security Holdings

The aggregate number of APA securities held directly, indirectly or beneficially by Directors or their related entities at 30 June 2022 was 357,593 (FY21: 318,468).

*Directors' relevant interests in APA securities*

| Directors | Fully paid securities at 1 July 2021 | Securities acquired | Securities disposed | Fully paid securities at 30 June 2022 |
|---|---|---|---|---|
| Michael Fraser | 102,942 | — | — | 102,942 |
| Robert Wheals | 74,596 | 34,125 | — | 108,721 |
| Debra Goodin | 24,179 | — | — | 24,179 |
| James Fazzino | 30,751 | — | — | 30,751 |
| Peter Wasow | 26,000 | — | — | 26,000 |
| Rhoda Phillippo [1] | 5,000 | 5,000 | — | 10,000 |
| Shirley In't Veld | 25,000 | — | — | 25,000 |
| Steven Crane | 30,000 | — | — | 30,000 |
| | **318,468** | **39,125** | **—** | **357,593** |

1. Appointed on 1 June 2020.

At 30 June 2022, Robert Wheals held 703,328 performance rights granted under APA Group's long-term incentive plan. Each performance right is a right to receive one ordinary stapled security in APA, subject to the satisfaction of certain performance hurdles. Further information can be found in APA's Remuneration Report on pages 38 to 53.

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

### 12. Options granted

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

### 13. Indemnification of officers

During the year, the Responsible Entity paid a premium on a contract insuring the directors and officers of any APA Group entity against certain liability incurred in performing those roles. The contract of insurance prohibits disclosure of the specific nature of the liability and the amount of the premium.

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

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

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

# Directors' Report continued

APA Infrastructure Trust and its Controlled Entities

## 14. Remuneration report

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

## 15. Auditor

### Auditor's independence

A copy of the independence declaration of the auditor, Deloitte Touche Tohmatsu, as required under section 307C of the Corporations Act 2001 is included at page 114.

### Non-audit Services

A description of any non-audit services provided during the financial year by the Auditor and the amounts paid or payable to the Auditor for these services are set out in note 28 to the financial statements.

The Board has considered the non-audit services provided by the Auditor. In accordance with advice provided by the Audit and Risk Management Committee (the Committee), the Board is satisfied that this provision is compatible with the general standard of independence for auditors imposed by the Corporations Act 2001 and does not compromise the auditor independence requirements of the Act. The Board concluded that the non-audit services provided did not compromise the Auditor's independence because:

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

## 16. Information required for registered schemes

Fees paid to the Responsible Entity and its associates (including Directors and Secretaries of the Responsible Entity, related bodies corporate and Directors and Secretaries of related bodies corporate) out of APA scheme property during the financial year are disclosed in Note 27 to the financial statements.

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

The number of APA securities issued during the financial year, and the number of APA securities on issue at the end of the financial year, are disclosed in Note 22 to the financial statements.

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

## 17. Rounding of amounts

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

## 18. Corporate governance statement

The Corporate Governance Statement for the financial year is available at APA's website.

## 19. Authorisation and signatures

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

On behalf of the Directors

**Michael Fraser**
Chairman
Sydney, 24 August 2022

**Robert Wheals**
CEO and Managing Director

# Remuneration Report

APA Infrastructure Trust and its Controlled Entities

## Letter from the Chair of the People and Remuneration Committee

I am pleased to present APA Group's (APA or the Company) Remuneration Report for financial year 2022.

As Australia's energy transition accelerates and in light of recent global geopolitical developments, the year has reinforced APA's pivotal role in supporting the energy transition and providing stable and crucial supply in Australia.

APA's position as a market leader in the Australian energy infrastructure sector has been reflected in our solid FY22 company performance with underlying EBITDA increasing by 3.9% to $1,692.3 million and free cash flow increasing by 19.8% to $1,080.6 million.

We have delivered a total security holder return (TSR) of 33% in FY22 and pleasingly, we have also paid our highest ever distribution this year, increasing by 4% to 53.0 cents per security. This is the 18th consecutive year distributions have grown year-on-year, displaying our commitment to financial discipline and generating long-term returns for security holders.

### Remuneration outcomes for FY22

Solid financial and non-financial performance translated into a short-term incentive (STI) outcome of 66% of maximum for the CEO and 60-94% of maximum for other Executive Key Management Personnel (KMP).

In FY20, APA introduced a new long-term incentive (LTI) plan (to replace the legacy cash plan) for which the first grant was tested this year. Based on 3-year performance, the threshold for the relative TSR and return on capital targets was exceeded and an LTI outcome of 71.9% was determined.

### Remuneration changes for FY22

While there have been no significant changes in FY22, we have made the following adjustments to ensure our remuneration framework remains fit-for-purpose:

- A re-weighting of our executive team's pay mix to the long-term, by reducing STI opportunity and increasing LTI opportunity, which aims to drive executives' focus on APA's long-term success.
- An increase to the CFO's STI opportunity following an internal management restructure which resulted in the IT and Operations Technology functions, the Enterprise Program Management Office and the Risk, Compliance and Insurance functions forming part of an expanded portfolio.
- For the FY22 LTI grant, changing our relative TSR peer group from a subset of the S&P/ASX100 to a bespoke group of peers whose businesses are more relevant to the nature of APA's operations.
- An increase in NED fees for the first time since 2019, to ensure fees remain competitive and enable us to attract and retain high calibre Directors.

More detail on each of these changes are provided throughout the Report.

### FY23 and beyond

To align our Net Zero strategy to executive remuneration outcomes, we are introducing climate related metrics into our framework, with more disclosure to follow in FY23.

In addition, to ensure we continue to build a diverse workforce, we expect to place increased attention on gender pay equity in the coming year. Whilst our industry has historically had a greater representation of males, as Australia progresses its energy transition, we believe a diverse workforce and improved pay equity will place us in the best position to achieve our vision to be world class in energy solutions.

I hope you find this Remuneration Report informative. We look forward to receiving your support at the 2022 AGM.

**Peter Wasow**
People and Remuneration Committee Chair

# Remuneration Report continued

APA Infrastructure Trust and its Controlled Entities



## 1. Individuals covered by the Remuneration Report

The Remuneration Report (the Report) for APA FY22 has been prepared in accordance with Section 300A of the Corporations Act 2001. The information provided in this Report has been audited as prepared by Section 308(3C) of the Corporations Action 2001, unless indicated otherwise, and forms part of the Directors' Report.

This Report includes the following Key Management Personnel (KMP):

| Name | Role | Term |
|---|---|---|
| **Non-Executive Directors (NEDS)** | | |
| Michael Fraser | Chair | Full year |
| Steven (Steve) Crane | Director | Full year |
| James Fazzino | Director | Full year |
| Debra (Debbie) Goodin | Director | Full year |
| Shirley In't Veld | Director | Full year |
| Rhoda Phillippo | Director | Full year |
| Peter Wasow | Director | Full year |
| **Executive KMP** | | |
| Robert (Rob) Wheals | Chief Executive Officer and Managing Director (CEO/MD) | Full year |
| Adam Watson | Chief Financial Officer (CFO) | Full year |
| Ross Gersbach | President North American Development | Full year |
| Julian Peck | Group Executive (GE) Strategy and Commercial | Full year |
| Darren Rogers | Group Executive Operations | Full year |

On 15 June 2022, Julian Peck announced his intention to resign from APA Group later in 2022. However, he continues to be engaged in his executive capacity as Group Executive Strategy and Commercial until his cessation with APA Group.

## 2. Executive Summary

### 2.1 Remuneration strategy

The Board recognises the important role remuneration plays in supporting and implementing the achievement of APA's operational strategy over both the short and long-term. The key principles of the remuneration policy and a summary of the executive remuneration framework is outlined below.

**Market competitive**
Provide competitive rewards to attract, motivate and retain highly skilled executives.

**Business strategy**
Drive delivery of APA's growth strategy, while maintaining its financial strength.

**Behaviours**
Drive delivery of Health, Safety & Environment (HSE) strategy; caring for people, communities, the environment and our assets; living the APA values.

**Securityholder alignment**
Ensure executive performance and behaviours align with the interests of securityholders.

# Remuneration Report continued

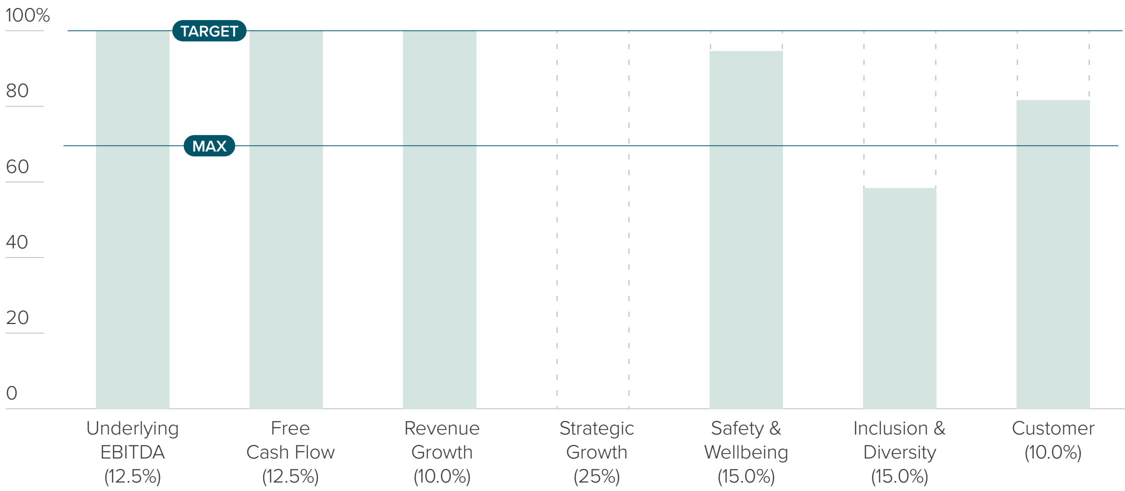
APA Infrastructure Trust and its Controlled Entities

## 2.2 Executive remuneration snapshot

| | Fixed pay | Short-term incentive (STI) | Long-term incentive (LTI) |
|---|---|---|---|
| **Purpose** | To be market competitive to attract, motivate and retain individuals. | To reward executives for their contribution to APA's short-term performance, which will enable the achievement of long-term goals. | To focus executives on the achievement of APA's long-term business strategy and to create alignment with security holders. |
| **FY22 approach** | Executive KMP roles are benchmarked against external positions in companies with a comparable market capitalisation, operate in a similar industry and/or are key competitors. | Subject to meeting the EBITDA gateway, performance is assessed against a scorecard.<br>Each Executive KMP member has a unique scorecard comprising of Group measures and role specific key performance indicators (KPIs), to ensure differentiation of STI outcomes. | Performance Rights are assessed against relative TSR (50%) and return on capital (ROC) (50%), with equal tranche vesting occurring over Years 3, 4 5. |
| **FY22 remuneration outcomes** | A fixed pay increase of 4.7% was provided to the CEO to ensure ongoing market competitiveness. Benchmarking data against ASX peers indicates the CEO is paid below the median of his peers. | As the EBITDA gateway was met, the STI pool was funded and outcomes were:<br>– CEO: 66% of maximum.<br>– Other Executive KMP: 60-94% of maximum.<br>Section 3.2-3.3 provides details on scorecard outcomes for each Executive KMP. | The FY20 LTI award was tested on 30 June 2021 resulting in a 71.9% outcome, after the exercise of discretion to increase the ROC target.<br>Section 3.5 provides details on results against the relative TSR and ROC measures. |

**FY22 STI performance**

**CEO/MD Scorecard Outcomes at Maximum**




**Minimum security holding requirement**

**CEO/MD**: 100% of fixed pay.

**Other Executive KMP**: 50% of fixed pay.

Where the minimum security holding requirement has not been met, 1/3 of the STI payable will be deferred into Restricted Securities.

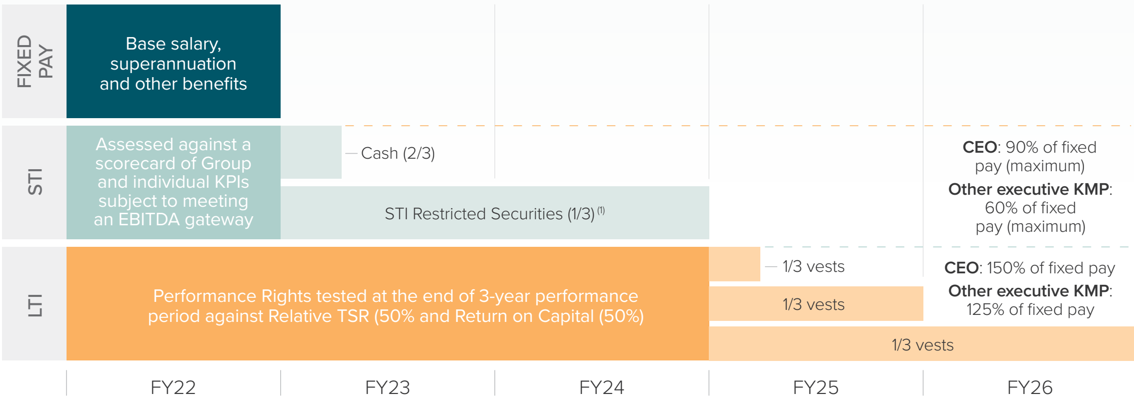
# **Remuneration Report** continued

APA Infrastructure Trust and its Controlled Entities

## 2.2 Executive remuneration snapshot continued

**Fixed pay** | **Short-term incentive (STI)** | **Long-term incentive (LTI)**

**Executive remuneration framework**




1) Release of Restricted Securities is subject to whether the minimum security holding requirement is met.

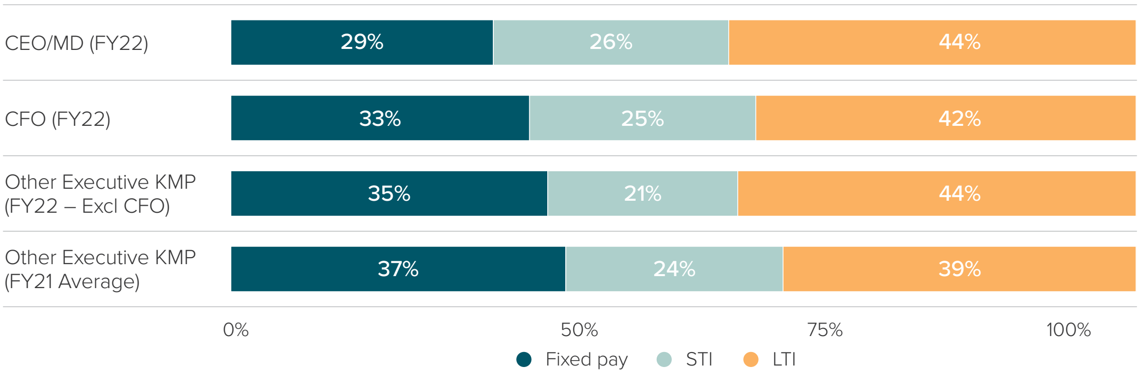
**FY22 framework changes**

- **The pay mix of Executive KMP (excluding the CEO) has been re-weighted towards the long-term.** STI maximum opportunity has been reduced (from up to 75% of fixed pay to a consistent 60% of fixed pay for all KMP) and LTI opportunity has increased (from 75-125% to a consistent 125% of fixed pay) resulting in the same pay mix across all Executive KMP (excluding the CEO and CFO).
- **An increase to the CFO's STI opportunity to recognise an expansion in the scope of his role**. Due to an expanded portfolio which saw elements of the IT and Risk, Compliance and Insurance functions fall under his remit, STI opportunity was increased from 60% to 75% of fixed pay.
- **A new relative TSR peer group more aligned to our "real assets" business has been introduced** (see section 4.3 for more detail). This replaces the broad S&P/ASX100 peer group previously used.

The pay mix graph below displays the proportion of fixed vs variable remuneration (STI and LTI) at the maximum pay mix, displaying our re-weighting of executive packages towards the long-term in FY22 (excluding the CEO and CFO).

The LTI component is based on the maximum award value, and assumes 100% vesting.

**APA Executive KMP Maximum Pay Mix**



# Remuneration Report continued

APA Infrastructure Trust and its Controlled Entities

## 3. FY22 performance and executive incentive outcomes

### 3.1 Company performance

The table below summarises APA's financial performance for the past 5 years.

| Measure | FY22 | FY21[1] | FY20[1] | FY19[1] | FY18[1] |
|---|---|---|---|---|---|
| Underlying EBITDA ($m)[2] | **1,692.3** | 1,628.8 | 1,649.9 | 1,570.0 | 1,514.8 |
| Profit after tax including significant items ($m)[3] | **259.7** | 0.7 | 309.0 | 282.1 | 260.9 |
| Profit after tax excluding significant items ($m) | **240.0** | 278.9 | 309.0 | 282.1 | 260.9 |
| Free cash flow per security (cents) | **91.6** | 76.4 | 81.1 | 75.7 | 80.8 |
| Distribution per security (cents) | **53.0** | 51.0 | 50.0 | 47.0 | 45.0 |
| Closing security price at 30 June ($) | **11.27** | 8.90 | 11.13 | 10.80 | 9.85 |
| CEO STI outcome (% of maximum) | **66.1%** | 66.4 | 37.0 | 73.1 | 79.0 |

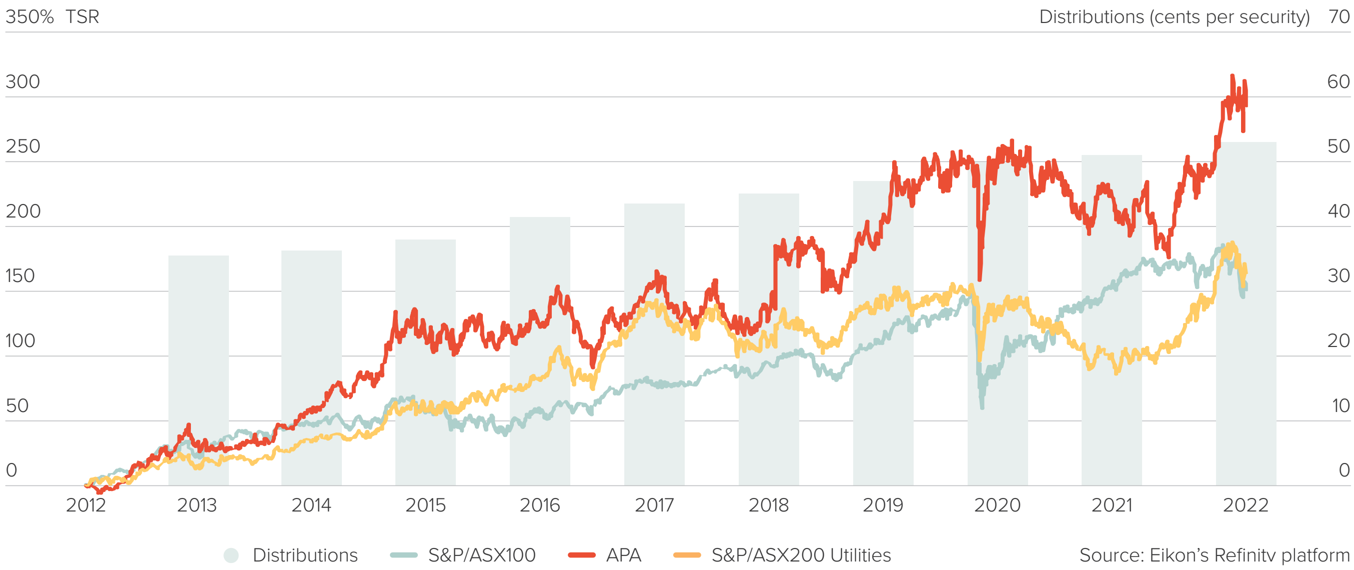
1. Restated for the impact of the provision for payroll review.
2. Statutory EBITDA excluding non-recurring items arising from other activities, transactions that are not directly attributable to the performance of APA Group's business operations and significant items. The Board considers this to best reflect the core earnings of APA. Refer to note 3 to the Financial Statements.
3. Includes an impairment gain on Orbost Gas Processing Plant in FY22, and a once-off interest charge associated with bond note redemption in FY21.

Since listing in 2000, APA has paid an interim and full year distribution every year and distributions have grown for 18 consecutive years. Our distribution per security of 53.0 cents for FY22 represents a 4% increase on FY21.

Against the S&P/ASX100 Index, we have delivered a TSR of 293% against the Index's return of 151% over the past 10 years.

Beyond our immediate financial performance, we have also made significant capital investments to support energy markets and invest in future energy technologies.

**APA 10-year TSR and distributions**




Source: Eikon's Refinitv platform

| Project | Mica Creek Solar Farm | East Coast Grid Expansion | Kurri Kurri Lateral Pipeline | Northern Goldfields Interconnect |
|---|---|---|---|---|
| **Purpose** | To help meet the energy needs of our customers while reducing their operational emissions. | To increase winter peak capacity by up to 25%. | Development of gas pipeline to the Hunter Power Project and to deliver blended hydrogen to the receipt station. | A new 580km pipeline increasing capacity to the Goldfields region. |
| **Capital Investment** | ~$150m | ~$270m | ~$250m | ~$460m |

# **Remuneration Report** continued

APA Infrastructure Trust and its Controlled Entities

### 3.2 FY22 STI scorecard outcomes – CEO/MD

The Board reviewed the CEO/MD's performance taking into account achievement against the KPIs in his STI scorecard.

Based on the Board's assessment, it deemed the scorecard outcome to be a holistic reflection of FY22 performance and there was no exercise of discretion over the final outcome.

| Scorecard measures | FY22 outcome | Weighted outcome | Further detail |
|---|---|---|---|
| **Financial – Underlying EBITDA (12.5% weighting)** | | | |
| Maintain financial strength through solid EBITDA. | THRESHOLD – TARGET – MAXIMUM | 12.5% | Underlying EBITDA outcome was $1,692 million against a target of $1,614 million and stretch of $1,638 million. The target set for FY22 was slightly lower than the actual result for FY21, due to the conditions faced at the time, which included extensive COVID-19 restrictions remaining in force, and a significant increase in recontracting exposure. |
| **Financial – Free Cash Flow (12.5%)** | | | |
| Maintain financial strength through Free Cash Flow. | THRESHOLD – TARGET – MAXIMUM | 12.5% | Free cash flow was $1,081 million against a target of $958 million and stretch of $996 million. |
| **Financial – Revenue Growth (10% weighting)** | | | |
| Organic revenue growth from deploying growth capex, and maintaining customer satisfaction. | THRESHOLD – TARGET – MAXIMUM | 10.0% | Actual outcome of $473 million against a target of $300 million and stretch of $450 million. |
| **Financial – Strategic Growth (25% weighting)** | | | |
| Execute growth strategy | THRESHOLD – TARGET – MAXIMUM | 0.0% | Whilst APA was active in the market (eg Basslink and Renewable Energy Zones) it was unsuccessful in key transactions, hence below threshold performance was assessed. |
| **Operational Excellence (including Health, Safety and Environment) (15% weighting)** | | | |
| Improve safety, wellbeing and environmental performance and safety culture through delivery of HSE Strategy. No fatalities. | THRESHOLD – TARGET – MAXIMUM | 14.2% | Stretch performance was achieved for most metrics which included lead and lag indicators. For example, TRIFR was 3.47, which exceeded stretch. |
| **Inclusion & Diversity (15% weighting)** | | | |
| Leverage diversity and build an inclusive culture so all of our people feel safe, valued and trusted"to do their best everyday, to deliver on our APA vision. | THRESHOLD – TARGET – MAXIMUM | 8.7% | Performance assessed against 3 metrics:<br>– Successful delivery and impact of culture program assessed with a culture survey result at 125% of target.<br>– Delivery of Gender Target Action Plan initiatives including leadership succession planning, Early Talent Program 50:50 gender balance, new parental leave policy and Hybrid@APA strategy. At target performance assessed.<br>– Reducing attrition of top female talent against the Gender Target Action Plan scorecard did not meet our threshold target. |
| **Customer Centricity & Stakeholder Management (10% weighting)** | | | |
| Maintain customer satisfaction. | THRESHOLD – TARGET – MAXIMUM | 8.2% | Overall customer survey satisfaction survey score of 7.45 falls between target and stretch performance. |
| **Scorecard outcome (% of maximum)** | | **66.1%** | |

# Remuneration Report continued

APA Infrastructure Trust and its Controlled Entities

### 3.3 FY22 performance scorecard outcomes – Other Executive KMP

Detailed below are the individual scorecard outcomes for Other Executive KMP. A number of group-wide KPIs (outlined in the CEO/MD's STI scorecard above) apply as well as individual-specific KPIs, to reflect the nature of their role and contribution to APA's business outcomes.

Other Executive KMP outcomes ranged from 60-94% of maximum with individual KPIs allowing for meaningful differentiation between each member.

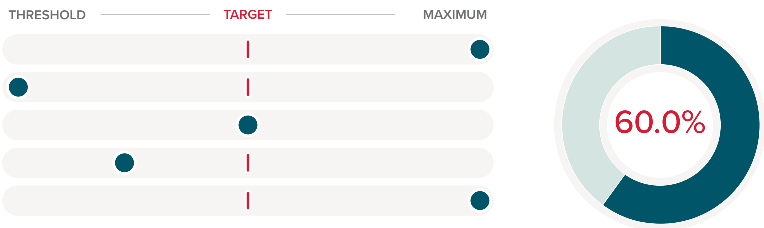
| Scorecard measures | FY21 outcome | Scorecard outcome (% of maximum) |
|---|---|---|

**A Watson**

Financial Strength (25%)
Cost Savings (15%)
People & Culture (15%)
Operational Excellence (20%)
Other non-financial measures (25%)


**R Gersbach**

Financial strength (15%)
Strategic Growth (30%)
Grow Market Capability (20%)
People & Culture (20%)
Stakeholder Management (15%)

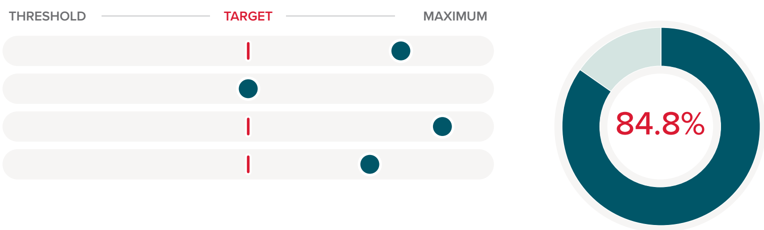



**J Peck**

Financial Strength (20%)
Revenue Growth (15%)
Strategic Growth (30%)
People & Culture (10%)
Customer Satisfaction (10%)
Climate Plan(15%)


**D Rogers**

Financial Strength (30%)
Growth & Innovation (20%)
Operational Excellence (35%)
Customer Satisfaction (15%)



# Remuneration Report continued

APA Infrastructure Trust and its Controlled Entities

### 3.4 STI outcomes

The table below provides an overview of the STI outcomes for FY22.

| | STI earned | | | | STI forfeited | |
|---|---|---|---|---|---|---|
| Executive KMP | Cash $ | Deferred $ | Total $ | % of maximum opportunity | Foregone $ | % of maximum opportunity |
| R Wheals | 664,171 | 332,086 | 996,257 | 66.1% | 511,243 | 33.9% |
| A Watson | 670,422 | — | 670,422 | 93.7% | 45,332 | 6.3% |
| R Gersbach | 350,433 | — | 350,433 | 60.0% | 233,622 | 40.0% |
| J Peck | 361,644 | — | 361,644 | 66.7% | 180,822 | 33.3% |
| D Rogers | 272,578 | 136,289 | 408,867 | 84.8% | 73,325 | 15.2% |

### 3.5 LTI outcomes

*Equity LTI plan (introduced FY20)*

Following the introduction of a new LTI plan in FY20 to replace our previous legacy cash LTI, the first grant of awards was due for testing on 30 June 2022.

A portion of the LTI targets under the relative TSR and ROC measure were met, resulting in a final outcome of 71.90%. 1/3 of the LTI will vest at the end of FY22 and the remaining 2/3 will vest in equal tranches in the next two years.

| Performance measure | Weighting | Threshold | Maximum | Actual | Vesting outcome (before discretion) | Vesting outcome (after discretion) |
|---|---|---|---|---|---|---|
| Relative TSR | 50% | 50th percentile | 82.5th percentile | 66th percentile | 75.06% | 75.06% |
| ROC | 50% | 11.90% | 12.20% | 12.06% | 100.00% | 68.73% |
| **Final outcome** | | | | | | **71.90%** |

Whilst the original ROC targets set were 11.00% (threshold) and 11.30% (maximum), this was based on an assumption that an M&A transaction would be executed, which would have reduced ROC. Given an M&A transaction did not occur in the performance period (1 July 2019-30 June 2022), the Board has exercised its discretion to assess the ROC component against a more challenging target range of 11.9-12.2%. Instead of 100% vesting under the ROC component's original targets, the exercise of discretion resulted in a lower level of vesting.

*Legacy cash LTI plan*

Under the legacy LTI plan arrangements (cash settled), the awards vest in 3 equal tranches over three years following performance assessment. The final awards under the legacy LTI plan were performance tested at the end of FY20 hence a number of awards allocated in FY20, as well as prior years, vested in FY22. The remaining legacy LTI awards will vest in FY23.

### 3.6 FY22 actual remuneration

The actual remuneration detailed in the table below differs from the statutory remuneration disclosed in section 8 which is subject to requirements under the Accounting Standards and Corporations Act.

The following calculations have been applied to equity awards:

– STI deferred equity – awards from prior years which restrictions have been released during the year.

– LTI vested – awards which have vested under the legacy LTI plan and the FY20 Performance Rights plan.

| Executive KMP | Fixed Pay $ | Other $ | Cash STI $ | STI Deferred Equity $ | LTI Vested[1] $ | Other Equity Awards $ | Total $ |
|---|---|---|---|---|---|---|---|
| R Wheals | 1,675,000 | 9,910 | 664,171 | 246,006 | 389,168 | — | 3,057,204 |
| A Watson | 954,338 | — | 670,422 | — | — | — | 1,642,760 |
| R Gersbach | 973,424 | 231,397 | 350,433 | — | 437,065 | — | 1,992,319 |
| J Peck | 904,109 | — | 361,644 | — | — | — | 1,265,754 |
| D Rogers | 803,653 | 3,676 | 272,578 | 70,539 | 159,858 | — | 1,355,072 |

1. LTI vested refers to the cash amount to be paid in September 2022, based on the VWAP of $11.7396 and number of reference units that vested in August 2022 as outlined in section 8.4.

# Remuneration Report continued

APA Infrastructure Trust and its Controlled Entities

## 4. Executive remuneration policy and framework

APA's remuneration objective is to reward executives at the median of observed total remuneration for selected comparable companies when performance is at target and up to the 75th percentile for above target performance.

### 4.1 Fixed pay

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

In FY22, a fixed pay increase from $1,600,000 to $1,675,000 (4.7%) was provided to the CEO to increase the competitiveness of his package, as benchmarking data against an ASX peer group indicated he was paid below the median of his peers. The level of FY22 fixed pay positions him closer to the 40th percentile.

Minor adjustments were made to Other Executive KMP roles to recognise a change in the superannuation guarantee contribution rate, consistent with the approach undertaken for our broader employee population. Executives will not receive the increase in the superannuation guarantee contribution rate in FY23.

| Position | FY22 contractual fixed pay |
|---|---|
| CEO/MD | $1,675,000 |
| CFO | $954,338 |
| President North American Development | $973,424 |
| GE Strategy & Commercial | $904,109 |
| GE Operations | $803,653 |

### 4.2 STI plan

In addition to the information covered in section 2, further detail on the operation of the FY22 STI plan is provided below:

| Feature | Description | | |
|---|---|---|---|
| Opportunity | **Role** | **STI target (% of fixed pay)** | **STI maximum (% of fixed pay)** |
| | CEO/MD | 60% | 90% |
| | CFO | 50% | 75% |
| | All other Executive KMP | 40% | 60% |
| | The CFO received an increase to his STI opportunity to recognise an expansion in his portfolio. Following an internal restructure, the IT and Operations Technology functions, the Enterprise Program Management Office and the Risk, Compliance and Insurance functions fell under the CFO's remit. | | |
| Performance period | One year. | | |
| Delivery | Cash (2/3) paid at the end of Year one and deferred equity (1/3) delivered as Restricted Securities where the minimum security holding requirement is not met. | | |
| Allocation methodology of deferred STI | Restricted Securities are allocated at face value using a volume weighted average price (VWAP) of the 30 trading days ending 7 working days before the People & Remuneration Committee meeting to consider APA's full year financial results. | | |

### 4.3 LTI plan

In addition to the information covered in section 2, further detail on the operation of the FY22 LTI plan is provided below:

| Feature | Description | |
|---|---|---|
| Opportunity | **Role** | **LTI maximum (% of fixed pay)** |
| | CEO/MD | 150% |
| | Other Executive KMP | 125% |
| Performance period | Three years. | |
| Delivery | Performance Rights vest in equal tranches at the end of Year three, four and five subject to continued employment. | |

# Remuneration Report continued

APA Infrastructure Trust and its Controlled Entities

**4.3 LTI plan** continued

| Feature | Description |
|---|---|
| **Allocation methodology** | Performance Rights are allocated at face value using a VWAP of the 20 trading days prior to the start of the performance period (1 July 2021). |
| **Performance measures** | **Relative TSR (50%)**<br>Relative TSR measures the Group's TSR over a three-year period against a group of ASX100 bespoke peers in the infrastructure and gas sectors. Relative TSR has been selected to align executives with the experience of security holders and to ensure executives are only rewarded for outperformance against our peers.<br>In selecting the new peer group for the FY22 LTI award (and replacing the previous S&P/ASX100 peer group), the Board considered the following factors:<br>– Alignment with APA's status as a "real assets" business;<br>– Inclusion within the S&P/ASX100 Index; and<br>– Ensuring a meaningful number of companies in the peer group to ensure performance can be assessed appropriately.<br>The new peer group comprises of the following companies:<br>AGL Energy; Transurban; Mirvac Group<br>Atlas Arteria Group; Aurizon Holdings; Scentre Group<br>AusNet Services; Qube Holdings; Stockland<br>Origin Energy; Dexus; Vicinity Centres<br>Spark Infrastructure; Goodman Group; Telstra Corporation<br>Sydney Airports; GPT Group; TPG Telecom<br>The Board retains discretion to vary the relative TSR peer group at the end of the performance period to reflect de-listings, mergers and other corporate actions.<br>The relative TSR component vests in accordance with the following scale:<br>**Hurdle** – **Vesting outcome**<br>Below 50th percentile – Nil<br>At 50th percentile – 50%<br>Between 50th and 82.5th percentile – Straight line pro-rata vesting between 50% and 100%<br>At 82.5th percentile or above – 100% |
| **Return on capital (50%)** | The ROC hurdle measures APA Group's operating earnings achieved relative to operating assets over a three-year performance period. It has been selected to ensure management balances earnings improvements with prudent capital management.<br>ROC is calculated as an average over 3 years by dividing underlying EBITDA by Funds Employed (FE). FE is determined by adjusting total assets per the balance sheet by excluding capital work in progress, excluding current and non-current portion of other financial assets (excluding redeemable preference shares), including working capital relating to assets under construction and normalised cash balances. Underlying EBITDA is the average for the current and following two financial years and FE is the average of seven data points as at the June and December half year ends for the current financial year and following two financial years, including the opening balance for the first year.<br>Calculation of ROC will be determined by the Board and the Board retains discretion to adjust EBITDA and FE to account for extraordinary items, acquisitions, organisational changes or otherwise ensure that inappropriate outcomes are avoided.<br>The ROC component vests in according with the following scale:<br>**Hurdle** – **Vesting outcome**<br>Less than 11.20% – 0%<br>Equal to 11.20% – 33%<br>Greater than 11.20% up to 11.50% – Straight line pro-rata vesting between 33% and 100%<br>At or above 11.50% – 100% |
| **Retesting** | Re-testing of LTI awards is not permitted. |

# Remuneration Report continued

APA Infrastructure Trust and its Controlled Entities

### 4.4 Additional provisions

The table below summarises additional provisions as they relate to the remuneration of Executive KMP for FY22.

| Provision | STI | LTI |
|---|---|---|
| **Malus / Clawback** | The Board in its discretion may determine that some, or all, of an Executive KMP's STI and/or LTI awards be forfeited (malus) or recouped (clawback) in the event of misconduct or of a material misstatement in the year-end financial statements, as per APA's Executive Clawback and Malus Policy. | |
| **Distribution and voting rights** | Restricted Securities carry the same distribution and voting rights as ordinary securities. | Unvested Performance Rights do not carry distribution and voting rights. |
| **Cessation of employment** | Subject to Board discretion:<br>– Where the participant is terminated summarily or resigns having breached their terms of employment, they will not be eligible for a STI payment for the relevant financial year.<br>– Where employment ceases for any other reason, a pro-rated STI award may be paid based on the performance period served. | Subject to Board discretion:<br>– Where the participant is terminated summarily or resigns having breached their terms of employment, all Rights will automatically lapse.<br>– Where employment ceases for any other reason, Unvested Performance Rights will remain on-foot subject to the original terms of grant and tested against performance hurdles in the ordinary course. |
| **Change of control** | Subject to Board discretion, if a change of control occurs, an STI award will be paid out based on the proportion of the period that has passed at the time of change of control to the extent to which performance conditions have been met.<br>The Board has absolute discretion to determine whether any or all Restricted Securities are released from restrictions. Where the Board does not make a determination, all Restricted Securities will be released from dealing restrictions. | The Board has absolute discretion to determine whether any or all Rights vest. Where the Board does not make a determination, all Rights will vest. |

### 4.5 Executive KMP minimum security holding requirement

The minimum security holding requirement aligns the interests of Executive KMP and security holders.

Within five years from the date of appointment to their role:

- The CEO is required to hold securities to the value of 100% of fixed pay; and
- Other Executive KMP are required to hold securities to the value of 50% of fixed pay.

All Executive KMP have met the requirement or remain within the five-year timeframe to do so. Details of Executive KMP security holdings may be found in section 8.5.

## 5. Executive KMP contractual arrangements

### 5.1 Executive KMP service agreements

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

| | Contract type | Notice period | Additional payments on termination |
|---|---|---|---|
| **CEO/MD** | Permanent | – 9 months' notice by either APA or CEO/MD.<br>– APA may provide payment in lieu of notice.<br>– No notice is required by APA for termination for cause. | – 9 months fixed pay (instead of a notice period or payment in lieu of notice), where CEO/MD terminates employment due to his redeployment to another role within APA Group or a reduction in his fixed pay. |
| **Other Executive KMP** | Permanent | – 6 months' notice by either APA or the individual.<br>– APA may provide payment in lieu of notice.<br>– No notice is required by APA for termination for cause. | – Termination by APA: termination payment of 13 weeks[1] fixed pay<br>– Termination by KMP: Nil |

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

## 6. Non-executive Director (NED) remuneration

### 6.1 Determination of NED fees

The Board seeks to attract and retain high calibre NEDs who are equipped with the diverse skills needed to oversee all functions of APA in an increasingly complex environment. NED fees comprise of:

– A Board fee; and

– An additional fee for serving as a Chair or member of a Board Committee.

NED fees are inclusive of superannuation contributions which are provided in accordance with the statutory requirements under the Superannuation Guarantee Act. NEDs do not receive incentive payments nor participate in incentive plans.

The Board Chair does not receive additional fees for his membership on other Committees.

One-off "per diems" may be paid in exceptional circumstances. No per-diem payments were made in FY22.

### 6.2 Aggregate NED fee pool

The aggregate NED fee pool as at 30 June 2022 was $2,500,000.

### 6.3 Director fees

The following table sets out NED fees for FY22 and FY21.

From 1 January 2022, NED fees were increased, informed by benchmarking data and noting that the last increase occurred in 2019. With the exception of the Board chair, all roles were increased by approximately 2.5% and the Chair of the Audit & Risk Management Committee received a larger increase to recognise the significant time commitment and workload of this role.

| | FY22 | | FY21 | |
|---|---|---|---|---|
| | Chair $ | Member $ | Chair $ | Member $ |
| Board | **513,735** | **181,979** | 511,400 | 177,600 |
| Audit & Risk Management Committee | **60,300** | **24,488** | 47,900 | 23,900 |
| Health, Safety & Environment Committee | **40,883** | **20,391** | 39,900 | 19,900 |
| People & Remuneration Committee | **40,833** | **20,391** | 39,900 | 19,900 |
| Nomination Committee | **Nil** | **Nil** | Nil | Nil |

### 6.4 NED minimum security holding requirement

The minimum security holding requirement helps to ensure the alignment of the interests of NEDs and security holders.

NEDs are expected to hold securities to a value not less than their annual Board fee (before tax and excluding fees payable for their membership on Committees). This level of security holding is to be held throughout their tenure as a NED and the requirement is to be met within three years of their appointment.

As at 30 June 2022, all NEDs met this requirement, with the exception of Rhoda Phillippo who was appointed on 1 June 2020 and remains within the three year timeframe to meet this requirement. Details of NED security holdings may be found in section 8.5.

# Remuneration Report continued

APA Infrastructure Trust and its Controlled Entities

## 7. Remuneration governance

The diagram below outlines the remuneration governance framework in place at APA.

### BOARD

The Board has overarching responsibility for the approval of the Executive KMP and NED remuneration framework, pay outcomes, policies and procedures, based on the recommendations of the People & Remuneration Committee.

### PEOPLE & REMUNERATION COMMITTEE

The Committee has been established by the Board to oversee Executive KMP and NED remuneration.

The purpose of the Committee is to oversee the development of APA's performance and remuneration strategy and frameworks to reflect APA's core values, purpose, strategic direction and risk appetite.

Specifically, the Committee ensures there is a robust remuneration and reward system that aligns employee, investor and customer interests, promotes a positive culture and facilitates the effective attraction, retention and development of a diverse and talented workforce. The full responsibilities of the Committee can be found in APA's People & Remuneration Committee Charter available on APA's website.

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

- Peter Wasow (Chair)
- Steve Crane
- Shirley In't Veld
- Rhoda Phillippo

### AUDIT & RISK MANAGEMENT COMMITTEE

In considering whether a robust performance assessment process is in place, the People & Remuneration Committee consults with the Audit & Risk Management Committee on whether proposed remuneration outcomes are appropriate in light of relevant risk outcomes and corporate culture.

### MANAGEMENT

Management is responsible for providing relevant information and analysis to the Board and the People & Remuneration Committee. This advice is used as a guide, and does not serve as a substitute for the thorough consideration of the issues by each Director.

Management may also be required to communicate with external advisors as required, to ensure the People & Remuneration Committee receives all the relevant factual information.

### EXTERNAL ADVISORS

The People & Remuneration Committee seeks external professional advice from time-to-time on matters within its terms of reference.

In FY21, KPMG was engaged to provide market practice information and benchmarking data.

Where a remuneration recommendation is provided, as defined by the Corporations Act 2001, all advice is provided directly to the Committee to ensure it is free from the influence of management. No remuneration recommendations were made in FY22.

# Remuneration Report continued

APA Infrastructure Trust and its Controlled Entities

## 8. Statutory tables

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

### 8.1 Executive KMP statutory remuneration

| | Short-Term Employment Benefits | | | | | Post-Employment | Security-based payments | | |
|---|---|---|---|---|---|---|---|---|---|
| | Salary [1] | Awarded Cash STI [2] | STI Deferral | Other Equity Awards [3] | Other | Superannuation | Legacy LTI Plan | Equity settled Security Based payments [4] | Total |
| **R Wheals** | | | | | | | | | |
| **2022** | **1,647,500** | **664,171** | **332,086** | **—** | **9,910** | **27,500** | **229,988** | **1,077,997** | **3,989,152** |
| 2021 | 1,575,000 | 637,910 | 318,955 | — | — | 25,000 | 232,375 | 715,473 | 3,504,713 |
| **A Watson** [5] | | | | | | | | | |
| **2022** | **898,752** | **670,422** | **—** | **—** | **—** | **26,667** | **—** | **343,992** | **1,939,833** |
| 2021 | 499,383 | 268,052 | — | 585,288 | — | 22,482 | — | 171,867 | 1,547,072 |
| **R Gersbach** | | | | | | | | | |
| **2022** | **949,856** | **350,433** | **—** | **—** | **231,397** | **23,568** | **255,706** | **392,223** | **2,203,183** |
| 2021 | 947,306 | 336,427 | — | — | 969,431 [6] | 21,694 | 260,975 | 216,656 | 2,752,489 |
| **J Peck** [7] | | | | | | | | | |
| **2022** | **821,918** | **361,644** | **—** | **—** | **—** | **82,192** | **—** | **780,082** | **2,045,836** |
| 2021 | 675,328 | 329,261 | — | 547,081 | — | 64,156 | — | 132,711 | 1,748,537 |
| **D Rogers** | | | | | | | | | |
| **2022** | **776,153** | **272,578** | **136,289** | **—** | **3,676** | **27,500** | **70,948** | **347,011** | **1,634,155** |
| 2021 | 775,000 [9] | 236,614 | 118,307 | — | — | 25,000 | 56,485 | 202,064 | 1,413,470 |
| **Former KMP** | | | | | | | | | |
| **P Fredricson** [8] | | | | | | | | | |
| **2022** | **—** | **—** | **—** | **—** | **—** | **—** | **—** | **—** | **—** |
| 2021 | 462,500 | 191,562 | — | — | 270,516 | 12,500 | 567,948 | 531,551 | 2,036,577 |
| **Total Remuneration** | | | | | | | | | |
| **2022** | **5,094,179** | **2,319,248** | **468,375** | **—** | **244,983** | **187,427** | **556,642** | **2,941,305** | **11,812,159** |
| 2021 | 4,934,517 | 1,999,826 | 437,262 | 1,132,369 | 1,239,947 | 170,832 | 1,117,783 | 1,970,322 | 13,002,858 |

1. Salary includes both fixed pay and any salary sacrificed items, such as motor vehicles or car parking (including any applicable fringe benefits tax). It is exclusive of any superannuation contributions.
2. Awarded STI relates to that element of remuneration which is earned by the Executive KMP in respect of performance during each financial year (or for the relevant period that they were KMP as set out in the Report).
3. Other Equity Awards relate to once-off buy-out awards provided to Adam Watson and Julian Peck.
4. For equity settled security-based payments, an expense is recognised equal to the portion of services received based on the fair value of the equity instrument at grant date.
5. Commenced on 16 November 2020.
6. This includes the value of benefits relating to Mr. Gersbach's secondment to the USA and includes a one-off project award, relocation allowances and assistance as well as cost of living adjustment. Costs are inclusive of USA tax impacts and are split between ongoing costs of $211,118 (2.2%), a one-off project award of $750,000, as well as foreign exchange rate differences for USD fixed pay and a portion of FY20 STI paid in USD.
7. Commenced on 20 August 2020.
8. Ceased employment on 31 December 2020.
9. Mr Roger's salary was restated for FY21 to reflect that the novated lease is included.

# Remuneration Report continued

APA Infrastructure Trust and its Controlled Entities

### 8.2 NED statutory remuneration disclosure

| Financial Year | Short-term employment benefits<br>Fees<br>$ | Post-employment benefits<br>Superannuation<br>$ | Total<br>$ |
|---|---|---|---|
| **M Fraser** | | | |
| **FY22** | **467,032** | **46,703** | **513,735** |
| FY21 | 467,032 | 44,368 | 511,400 |
| **S Crane** | | | |
| **FY22** | **204,214** | **20,421** | **224,635** |
| FY21 | 202,192 | 19,208 | 221,400 |
| **J Fazzino** | | | |
| **FY22** | **204,214** | **20,421** | **224,635** |
| FY21 | 202,192 | 19,208 | 221,400 |
| **D Goodin** | | | |
| **FY22** | **231,451** | **23,145** | **254,596** |
| FY21 | 224,110 | 21,290 | 245,400 |
| **S In't Veld** | | | |
| **FY22** | **218,972** | **21,897** | **240,869** |
| FY21 | 216,804 | 20,596 | 237,400 |
| **R Phillippo** | | | |
| **FY22** | **200,525** | **20,052** | **220,577** |
| FY21 | 215,084 | 20,433 | 235,517 |
| **P Wasow** | | | |
| **FY22** | **222,661** | **22,266** | **244,927** |
| FY21 | 220,457 | 20,943 | 241,400 |
| **Total** | | | |
| **FY22** | **1,749,069** | **174,905** | **1,923,974** |
| FY21 | 1,747,869 | 166,047 | 1,913,916 |

### 8.3 Outstanding awards under current LTI plan

The following table sets out the movements in the number of Performance Rights granted to executives, and any amounts vested or forfeited during the financial year.

| | Allocation Date | Opening balance at 1 Jul 2021 | Performance Rights granted in FY22 | Grant date | Vested in FY22 | Forfeited in FY22 | Closing balance on 30 Jun 2022 | Fair value of Performance Rights at grant date[1] $ | Face value of Performance Rights at grant date[2] $ |
|---|---|---|---|---|---|---|---|---|---|
| R Wheals | 2022 | 432,966 | 270,362 | 12/11/2021 | — | — | 703,328 | 1,439,227 | 2,512,500 |
| A Watson | 2022 | 106,426 | 128,367 | 12/11/2021 | — | — | 234,793 | 683,340 | 1,192,923 |
| R Gersbach | 2022 | 131,108 | 130,934 | 12/11/2021 | — | — | 262,042 | 697,006 | 730,069 |
| J Peck | 2022 | 82,179 | 121,610 | 12/11/2021 | — | — | 203,789 | 647,371 | 1,130,138 |
| D Rogers | 2022 | 122,762 | 108,098 | 12/11/2021 | — | — | 230,860 | 575,442 | 803,653 |

1. Calculated based on fair value of the individual vesting conditions being $3.58, $3.40, and $3.23 for the relative TSR and $7.62, $7.24, and $6.87 for the ROC hurdle vesting conditions for each of the vesting dates being August 2024, August 2025 and August 2026 respectively. This also represents the maximum value of the employee benefit expense as based on the grant date that would be recorded if all Rights which remain outstanding at 30 June 2022 satisfied all vesting conditions.
2. Based on a VWAP of $11.74. VWAP is calculated for the period of 30 trading days on the Australian Stock Exchange seven working days immediately prior to the Audit and Risk Management Committee meeting.

# Remuneration Report continued

APA Infrastructure Trust and its Controlled Entities

### 8.4 Outstanding awards under legacy LTI plan

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

| | Allocation Date | Opening balance at Jul 2021 | Units allocated | Cash settled reference units paid | Closing balance at 30 Jun 2022 | Reference units allocated that have not yet vested or been paid and the months in which they will vest | |
|---|---|---|---|---|---|---|---|
| | | | | | | Aug 2022 | Aug 2023 |
| **R Wheals** | 2019 | 25,308 | — | (12,654) | 12,654 | 12,654 | — |
| | 2020 | 42,507 | — | (14,169) | 28,338 | 14,169 | 14,169 |
| **Total** | | | | | | **26,823** | **14,169** |
| **R Gersbach** | 2019 | 28,138 | — | (14,069) | 14,069 | 14,069 | — |
| | 2020 | 47,046 | — | (15,682) | 31,364 | 15,682 | 15,682 |
| **Total** | | | | | | **29,751** | **15,682** |
| **D Rogers** | 2020 | 24,174 | — | (8,058) | 16,116 | 8,058 | 8,058 |
| **Total** | | | | | | **8,058** | **8,058** |
| **Former KMP** | | | | | | | |
| **P Fredricson** | 2019 | 27,572 | — | (13,786) | 13,786 | 13,786 | — |
| | 2020 | 46,125 | — | (15,375) | 30,750 | 15,375 | 15,375 |
| **Total** | | | | | | **29,161** | **15,375** |

### 8.5 Security holdings

| Year ended 30 June 2022 | Opening Balance at 1 Jul 2021 | Securities Acquired | Securities Disposed | Closing Balance at 30 Jun 2022 | Meets minimum security holding requirement |
|---|---|---|---|---|---|
| **NEDS** | | | | | |
| M Fraser | 102,942 | — | — | 102,942 | Yes |
| S Crane | 30,000 | — | — | 30,000 | Yes |
| J Fazzino | 30,751 | — | — | 30,751 | Yes |
| D Goodin | 24,179 | — | — | 24,179 | Yes |
| S In't Veld | 25,000 | — | — | 25,000 | Yes |
| R Phillippo [1] | 5,000 | 5,000 | — | 10,000 | No |
| P Wasow | 26,000 | — | — | 26,000 | Yes |
| **Executive KMP** | | | | | |
| R Wheals | 74,596 | 34,125 | — | 108,721 | No |
| A Watson [2] | 55,556 | — | — | 55,556 | Yes |
| R Gersbach | 44,691 | — | — | 44,691 | Yes |
| J Peck [3] | 53,428 | — | — | 53,428 | Yes |
| D Rogers | 13,092 | 12,658 | — | 25,750 | No |

1. Appointed on 1 June 2020.
2. Commenced on 16 November 2020.
3. Commenced on 20 August 2020.

During FY22, APA acquired 212,819 securities on market in connection with its General Employee Securities Plan and the deferred component of certain employees' STI. The weighted average price for those securities was $9.9422 per security.

# Consolidated Statement of Profit or Loss and Other Comprehensive Income

APA Infrastructure Trust and its Controlled Entities
For the financial year ended 30 June 2022

| | Note | 2022 $000 | Restated 2021 $000 |
|---|---|---|---|
| Revenue | | **2,705,040** | 2,575,236 |
| Share of net profits of associates and joint ventures using the equity method | | **27,338** | 29,777 |
| | 4 | **2,732,378** | 2,605,013 |
| Asset operation and management expenses | | **(227,557)** | (214,065) |
| Depreciation and amortisation expenses | 5 | **(735,178)** | (674,370) |
| Other operating costs – pass-through | 5 | **(495,733)** | (460,465) |
| Finance costs [1] | 5 | **(484,015)** | (655,896) |
| Employee benefit expense [2] | 5 | **(323,442)** | (290,763) |
| Other expenses | | **(24,007)** | (15,786) |
| Fair value (losses)/gains on contract for difference | 20 | **(30,462)** | 18,018 |
| Reversal of impairment/(impairment of) property, plant and equipment [3] | 2 | **28,106** | (249,322) |
| **Profit before tax** | | **440,090** | 62,364 |
| Income tax expense [2] | 6 | **(180,379)** | (61,630) |
| **Profit for the year** | | **259,711** | 734 |
| **Other comprehensive income, net of income tax** | | | |
| **Items that will not be reclassified subsequently to profit or loss:** | | | |
| Actuarial gain on defined benefit plan | | **7,337** | 23,582 |
| Income tax relating to items that will not be reclassified subsequently | | **(2,201)** | (7,075) |
| | | **5,136** | 16,507 |
| **Items that may be reclassified subsequently to profit or loss:** | | | |
| Transfer of gain on cash flow hedges to profit or loss | | **160,485** | 28,916 |
| (Loss)/gain on cash flow hedges taken to equity | | **(152,370)** | 435,895 |
| Gain on associate hedges taken to equity | | **25,018** | 12,420 |
| Income tax relating to items that may be reclassified subsequently | | **(9,940)** | (143,169) |
| | | **23,193** | 334,062 |
| Other comprehensive income for the year (net of tax) | | **28,329** | 350,569 |
| **Total comprehensive income for the year** | | **288,040** | 351,303 |
| **Profit/(loss) attributable to:** | | | |
| Unitholders of the parent | | **230,562** | (42,167) |
| Non-controlling interest – APA Investment Trust unitholders | | **29,149** | 42,901 |
| APA stapled securityholders | | **259,711** | 734 |
| **Total comprehensive income attributable to:** | | | |
| Unitholders of the parent | | **258,891** | 308,402 |
| Non-controlling interest – APA Investment Trust unitholders | | **29,149** | 42,901 |
| APA stapled securityholders | | **288,040** | 351,303 |

| Earnings per security | | 2022 | Restated 2021 |
|---|---|---|---|
| Basic (cents per security) [2] | 7 | **22.1** | 0.1 |

1. In FY21, this includes a once-off interest charge of $148.0 million reflecting swap termination costs, realised net foreign exchange movements and make-whole charges associated with bond note redemptions completed during the year. Refer to note 2 for further details.
2. Refer to note 2 for details regarding the restatement for payroll review.
3. The impairment reversal in FY22 and the impairment in FY21 relates to the Orbost Gas Processing Plant. Refer to note 2 for further details.

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

# Consolidated Statement of Financial Position

APA Infrastructure Trust and its Controlled Entities
As at 30 June 2022

| | Note | 2022 $000 | Restated 2021 $000 |
|---|---|---|---|
| **Current assets** | | | |
| Cash and cash equivalents | 19 | **940,129** | 652,352 |
| Trade and other receivables | 9 | **308,542** | 298,574 |
| Other financial assets | 21 | **31,573** | 56,717 |
| Inventories | | **46,262** | 41,066 |
| Other | | **31,335** | 26,978 |
| Assets classified as held for sale [1] | 11 | **294,651** | 343 |
| **Current assets** | | **1,652,492** | 1,076,030 |
| **Non-current assets** | | | |
| Trade and other receivables | 9 | **607,818** | 10,375 |
| Other financial assets | 21 | **362,176** | 217,684 |
| Investments accounted for using the equity method | 24 | **265,636** | 240,201 |
| Property, plant and equipment | 12 | **9,420,335** | 9,500,772 |
| Goodwill | 13 | **1,183,604** | 1,183,604 |
| Other Intangible assets | 13 | **2,311,628** | 2,481,336 |
| Other | 16 | **32,598** | 31,650 |
| **Non-current assets** | | **14,183,795** | 13,666,838 |
| **Total assets** | | **15,836,287** | 14,742,868 |
| **Current liabilities** | | | |
| Trade and other payables | 10 | **416,998** | 314,560 |
| Lease liabilities | 18 | **14,094** | 13,828 |
| Borrowings | 19 | **2,507** | 2,721 |
| Other financial liabilities | 21 | **205,691** | 169,031 |
| Provisions [2] | 15 | **138,232** | 115,885 |
| Unearned revenue | | **13,040** | 10,750 |
| Liabilities directly associated with assets classified as held for sale [1] | 11 | **31,156** | 258 |
| **Current liabilities** | | **821,718** | 627,033 |
| **Non-current liabilities** | | | |
| Trade and other payables | 10 | **11,450** | 13,390 |
| Lease liabilities | 18 | **43,081** | 49,228 |
| Borrowings | 19 | **10,901,813** | 9,921,317 |
| Other financial liabilities | 21 | **422,134** | 260,901 |
| Deferred tax liabilities [2] | 6 | **862,651** | 753,117 |
| Provisions | 15 | **94,079** | 102,352 |
| Unearned revenue | | **50,916** | 63,336 |
| **Non-current liabilities** | | **12,386,124** | 11,164,857 |
| **Total liabilities** | | **13,207,842** | 11,791,890 |
| **Net assets** | | **2,628,445** | 2,950,978 |

1. On 20 June 2022, the APA Group announced that it had entered into binding agreements with Cooper Energy Limited for the sale of the Orbost Gas Processing Plant. The asset is held for sale as at 30 June 2022. Refer to note 11 for further details.
   The APA Group's 50% ownership in Mid West Pipeline was classified as held for sale as at 30 June 2021. Financial close was reached on 6 May 2022 for consideration of $4.6 million, resulting in a pre-tax profit on sale of $3.6 million.
2. Refer to note 2 for details regarding the restatement for payroll review.

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

# Consolidated Statement of Financial Position continued

APA Infrastructure Trust and its Controlled Entities
As at 30 June 2022

| | Note | 2022 $000 | Restated 2021 $000 |
|---|---|---|---|
| **Equity** | | | |
| APA Infrastructure Trust equity: | | | |
| Issued capital | 22 | **2,225,463** | 2,571,420 |
| Reserves | | **(329,374)** | (355,540) |
| Retained earnings/(Accumulated deficit)[1] | | **74,437** | (49,957) |
| Equity attributable to unitholders of the parent | | **1,970,526** | 2,165,923 |
| **Non-controlling interests** | | | |
| APA Investment Trust: | | | |
| Issued capital | | **644,417** | 765,313 |
| Retained earnings | | **13,502** | 19,742 |
| Equity attributable to unitholders of APA Investment Trust | 23 | **657,919** | 785,055 |
| **Total equity** | | **2,628,445** | 2,950,978 |

1. Refer to note 2 for details regarding the restatement for payroll review.

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

# Consolidated Statement of Changes in Equity

APA Infrastructure Trust and its Controlled Entities
For the financial year ended 30 June 2022

| | APA Infrastructure Trust | | | | | | APA Investment Trust | | | |
|---|---|---|---|---|---|---|---|---|---|---|
| | Issued capital $000 | Asset revaluation reserve[1] $000 | Share-based payments reserve[2] $000 | Hedging reserve[3] $000 | (Accumulated deficit)/ retained earnings $000 | Attributable to owners of the parent $000 | Issued capital $000 | Retained earnings $000 | APA Investment Trust $000 | Total $000 |
| Balance at 1 July 2020 | 2,902,123 | 8,669 | 652 | (700,786) | 91,669 | 2,302,327 | 887,845 | 24,686 | 912,531 | 3,214,858 |
| Adjustment for payroll review restatement[4] | — | — | — | — | (15,300) | (15,300) | — | — | — | (15,300) |
| Restated Balance at 1 July 2020 | 2,902,123 | 8,669 | 652 | (700,786) | 76,369 | 2,287,027 | 887,845 | 24,686 | 912,531 | 3,199,558 |
| (Loss)/Profit for the year | — | — | — | — | (42,167) | (42,167) | — | 42,901 | 42,901 | 734 |
| Other comprehensive income | — | — | — | 477,231 | 23,582 | 500,813 | — | — | — | 500,813 |
| Income tax relating to components of other comprehensive income | — | — | — | (143,169) | (7,075) | (150,244) | — | — | — | (150,244) |
| Total comprehensive income for the year | — | — | — | 334,062 | (25,660) | 308,402 | — | 42,901 | 42,901 | 351,303 |
| Payment of distributions (note 8) | (330,703) | — | — | — | (100,666) | (431,369) | (122,532) | (47,845) | (170,377) | (601,746) |
| Equity settled long-term incentives (net of tax) | — | — | 1,863 | — | — | 1,863 | — | — | — | 1,863 |
| Balance at 30 June 2021 | 2,571,420 | 8,669 | 2,515 | (366,724) | (49,957) | 2,165,923 | 765,313 | 19,742 | 785,055 | 2,950,978 |
| Balance at 1 July 2021 | **2,571,420** | **8,669** | **2,515** | **(366,724)** | **(49,957)** | **2,165,923** | **765,313** | **19,742** | **785,055** | **2,950,978** |
| Profit for the year | **—** | **—** | **—** | **—** | **230,562** | **230,562** | **—** | **29,149** | **29,149** | **259,711** |
| Other comprehensive income | **—** | **—** | **—** | **33,133** | **7,337** | **40,470** | **—** | **—** | **—** | **40,470** |
| Income tax relating to components of other comprehensive income | **—** | **—** | **—** | **(9,940)** | **(2,201)** | **(12,141)** | **—** | **—** | **—** | **(12,141)** |
| Total comprehensive income for the year | **—** | **—** | **—** | **23,193** | **235,698** | **258,891** | **—** | **29,149** | **29,149** | **288,040** |
| Payment of distributions (note 8) | **(345,957)** | **—** | **—** | **—** | **(111,304)** | **(457,261)** | **(120,896)** | **(35,389)** | **(156,285)** | **(613,546)** |
| Equity settled long-term incentives (net of any tax) | **—** | **—** | **2,973** | **—** | **—** | **2,973** | **—** | **—** | **—** | **2,973** |
| **Balance at 30 June 2022** | **2,225,463** | **8,669** | **5,488** | **(343,531)** | **74,437** | **1,970,526** | **644,417** | **13,502** | **657,919** | **2,628,445** |

1. The asset revaluation reserve arose on the revaluation of the existing interest in a pipeline as a result of a business combination. Where revalued pipelines are sold, the portion of the asset revaluation reserve which relates to that asset is effectively realised and is transferred directly to retained earnings. The reserve can be used to pay distributions only in limited circumstances.
2. The share-based payments reserve represents the expenses recognised in the Consolidated Statement of Profit or Loss equal to the portion of the services received based on the fair value of the equity instrument at grant date.
3. The hedging reserve represents the effective portion of the cumulative net change in the fair value of cash flow hedging instruments related to hedged transactions that have not yet occurred. The cumulative deferred gain or loss on the hedge is recognised in the Consolidated Statement of Profit or Loss when the hedged transaction impacts profit or loss, consistent with the applicable accounting policy.
4. Refer to note 2 for details regarding the restatement for payroll review.

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

# Consolidated Statement of Cash Flows

APA Infrastructure Trust and its Controlled Entities
For the financial year ended 30 June 2022

| | Note | 2022 $000 | 2021 $000 |
|---|---|---|---|
| **Cash flows from operating activities** | | | |
| Receipts from customers | | **2,963,590** | 2,868,751 |
| Payments to suppliers and employees | | **(1,310,887)** | (1,272,027) |
| Dividends received from associates and joint ventures | | **26,921** | 28,376 |
| Proceeds from repayments of finance leases | | **1,264** | 1,155 |
| Interest received | | **3,513** | 6,629 |
| Interest and other costs of finance paid | | **(444,418)** | (481,903) |
| Income taxes paid | | **(42,715)** | (100,023) |
| **Net cash provided by operating activities** | | **1,197,268** | 1,050,958 |
| **Cash flows from investing activities** | | | |
| Payments for property, plant and equipment | | **(660,765)** | (422,170) |
| Proceeds from sale of property, plant and equipment[1] | | **5,780** | 908 |
| Payments for intangible assets | | **(28,280)** | (10,758) |
| Payments for debt purchases | 9 | **(587,414)** | — |
| **Net cash used in investing activities** | | **(1,270,679)** | (432,020) |
| **Cash flows from financing activities** | | | |
| Proceeds from borrowings | | **1,000,000** | 2,358,421 |
| Repayments of borrowings | | **(2,721)** | (2,866,999) |
| Repayments of lease liabilities | | **(15,355)** | (16,046) |
| Transaction costs related to borrowings | | **(7,572)** | (13,798) |
| (Repayments)/proceeds from early settlement of derivatives | | **(149)** | 1,085 |
| Distributions paid to: | | | |
| – Unitholders of APA Infrastructure Trust | | **(457,261)** | (431,369) |
| – Unitholders of non-controlling interests – APA Investment Trust | | **(156,285)** | (170,377) |
| **Net cash provided by/(used in) financing activities** | | **360,657** | (1,139,083) |
| **Net increase/(decrease) in cash and cash equivalents** | | **287,246** | (520,145) |
| Cash and cash equivalents at beginning of financial year | | **652,352** | 1,172,771 |
| Effect of exchange rate changes on cash and cash equivalents | | **531** | (274) |
| Cash and cash equivalents at end of financial year | 19 | **940,129** | 652,352 |

1. Included in the proceeds from the sale of property, plant and equipment is the proceeds from the sale of Mid West Pipeline on 6 May 2022 for consideration of $4.6 million.

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

# Consolidated Statement of Cash Flows continued

APA Infrastructure Trust and its Controlled Entities
For the financial year ended 30 June 2022

### Reconciliation of profit for the year to the net cash provided by operating activities

| | Note | 2022 $000 | Restated 2021 $000 |
|---|---|---|---|
| Profit for the year [1] | | **259,711** | 734 |
| (Reversal of impairment)/impairment of property, plant and equipment [1] | 2 | **(28,106)** | 249,322 |
| Profit on disposal of property, plant and equipment [2] | | **(1,915)** | (606) |
| Share of net profits of joint ventures and associates using the equity method | | **(27,339)** | (29,777) |
| Dividends/distributions received from equity accounted investments | | **26,921** | 28,374 |
| Depreciation and amortisation expenses | | **735,178** | 674,370 |
| Finance costs [1] | | **64,936** | 138,023 |
| Effect of exchange rate changes | | **(866)** | 14,439 |
| Amortisation of hedging loss | | **8,995** | 8,297 |
| Wallumbilla Gas Pipeline hedge accounting discontinuation [3] | | **15,156** | — |
| Equity settled long-term incentives | | **2,973** | 1,863 |
| Changes in assets and liabilities: | | | |
| – Trade and other receivables | | **(42,428)** | (13,166) |
| – Inventories | | **(6,062)** | (6,885) |
| – Other assets | | **(8,719)** | (4,291) |
| – Trade and other payables | | **22,141** | 6,076 |
| – Provisions [1] | | **26,593** | 9,961 |
| – Other liabilities | | **11,212** | 11,847 |
| – Income tax balances [1] | | **138,887** | (37,623) |
| **Net cash provided by operating activities** | | **1,197,268** | 1,050,958 |

1. Refer to note 2 regarding details for significant items and the restatement for payroll review.
2. On 8 October 2021, APA Group entered into an Asset Sale and Purchase Agreement to divest the Group's 50% ownership in Mid West Pipeline. Financial close was reached on 6 May 2022 for consideration of $4.6 million, resulting in a pre-tax profit on sale of $3.6 million.
3. In February 2022, following entry into a series of forward exchange contracts, hedge accounting was discontinued for WGP revenues to be generated from early calendar year 2022 to late calendar year 2025. The revenues were previously hedged by USD denominated 144A notes. WGP hedge accounting discontinuation reflects the non-cash amortisation of the amount deferred in the hedging reserve over the same period relating to the discontinued hedge relationship.

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

# Notes to the consolidated financial statements

APA Infrastructure Trust and its Controlled Entities
For the financial year ended 30 June 2022

## Basis of Preparation

### 1. About this report

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

# Notes to the consolidated financial statements continued

APA Infrastructure Trust and its Controlled Entities
For the financial year ended 30 June 2022

## Basis of Preparation

### 2. General information

During the financial year, APA Group announced the following changes to the parent entity name:

– Australian Pipeline Trust ("APT") has changed its name to APA Infrastructure Trust ("APA Infra")

Other related entities disclosed in these financial statements:

– APT Investment Trust ("APTIT") changed its name to APA Investment Trust ("APA Invest")
– APT Pipelines Limited ("APTPL") changed its name to APA Infrastructure Limited ("APAIL")
– Australian Pipeline Limited ("APL") changed its name to APA Group Limited ("APA")

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

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

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

Total comprehensive income attributable to non-controlling interests is reported as disclosed in the separate financial statements of APA Investment Trust. Comprehensive income arising from transactions between the parent (APA Infrastructure Trust) group entities and the non-controlling interest (APA Investment Trust) 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.

APA Infrastructure Trust's registered office and principal place of business is as follows:

Level 25,. 580 George Street
Sydney NSW 2000

Telephone: (02) 9693 0000

The consolidated general purpose financial report for the year ended 30 June 2022 was authorised for issue in accordance with a resolution of the directors on 24 August 2022.

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

The financial report has been prepared on the basis of historical cost, except for the revaluation of financial instruments. Assets classified as held for sale are measured at the lower of their carrying amount and fair value less costs to sell. The financial report is presented in Australian dollars and all values are rounded to the nearest thousand dollars ($000) in accordance with ASIC Corporations Instrument 2016/191, unless otherwise stated.

Certain comparative amounts have been re-presented to conform with the current period's presentation to better reflect the nature of the financial position and performance of APA Group.

**Foreign currency transactions**

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

**Critical accounting judgements and key sources of estimation uncertainty**

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

– Provision for payroll review (note 2)
– Measurement of Basslink loan receivable (note 9)
– Property, plant and equipment (note 12)
– Impairment of non-financial assets (note 14)
– Fair value of financial instruments (note 20(c))
– Commitments and contingencies (note 26)

# Notes to the consolidated financial statements continued

APA Infrastructure Trust and its Controlled Entities
For the financial year ended 30 June 2022

## Basis of Preparation

### 2. General information continued

**Critical accounting judgements and key sources of estimation uncertainty** continued

Judgements and estimates require assumptions to be made about highly uncertain external factors such as: discount rates; probability factors; the effects of inflation within the Reserve Bank of Australia's guidance range; the outlook for global and regional gas market supply-and-demand conditions; contract renewals; asset useful lives; and climate-related risks. As such the actual outcomes may differ as a result of change in these judgements and assumptions.

These judgements, estimates and assumptions are based on the most current facts and circumstances and are reassessed on an ongoing basis, the results of which form the basis of the reported amounts that are not readily apparent from other sources. Actual results may differ from these estimates under different assumptions and conditions in respect of laws, regulations, climate change, licences and recognised practising codes including health, safety and environment, employee entitlements, environmental laws and regulations and asset construction and operation. This may materially affect the financial results and the financial position to be reported in future periods.

**COVID-19**

As a supplier of an essential service of gas transportation and energy generation, APA Group has the benefit of stable operating cash flows. APA Group has been affected by labour shortages and supply chain impacts during this period, however, there have been no material impacts on APA Group's ability to safely and reliably operate its assets and deliver services to its customers as a result of the COVID-19 pandemic, global and domestic political issues.

Despite the relative stability of the business, APA Group has continued to ensure it maintains an appropriate level of liquidity in response to the uncertainty created by COVID-19, global and domestic political issues.

**Working capital**

As at 30 June 2022, APA Group had $2,190.0 million in cash and committed un-drawn bank facilities available (2021: $1,902.4 million) to assist in the ongoing funding of the business. Subsequent to 30 June 2022, APA Group entered into a series of bilateral facilities that provide an additional $900.0 million of undrawn funding capacity and replaces canceled $750.0 million of aging credit lines. APA Group continues to fund its growth with appropriate levels of equity, cash retained in the business, and debt in order to maintain strong Baa2/BBB credit ratings.

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

**Significant items**

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

| | 2022 $000 | 2021 $000 |
|---|---|---|
| Significant items impacting profit before tax | | |
| – Reversal of impairment/(impairment of) property, plant and equipment [1] | **28,106** | (249,322) |
| – Finance costs associated with bond note redemptions [2] | **—** | (147,987) |
| **Total significant items impacting profit before tax** | **28,106** | (397,309) |
| Income tax related to significant items above | **(8,432)** | 119,193 |
| **Profit from significant items after income tax** | **19,674** | (278,116) |

1. In FY21, APA Group impaired the carrying value of the Orbost Gas Processing Plant. The impairment charge reflected the continuation of production levels and expenditure based on the performance of the asset following reconfiguration and resumption of the processing plant, where production was expected to achieve 45 TJ/day, and contracted renewal terms were based on management's expectations.

   In FY22, immediately prior to the reclassification of the plant as held for sale, the recoverable amount was determined and an impairment reversal of $28.1 million before tax was recognised to reflect the consideration estimated to be realised from the sale of the Orbost Gas Processing Plant.

2. In April 2021, APA Group refinanced all of APA Group's debt that was due to mature in calendar year 2022 and terminated the associated hedges. The facilities refinanced and their terminated hedged position included:
   - EUR MTN 700m swapped into A$1,132m at a fixed rate of 4.45%
   - USPP Notes US$124m swapped into A$154m at a fixed rate of 7.39%
   - USPP Notes A$81m at a fixed rate of 7.45%
   - USPP Notes A$62m at a fixed rate of 7.45%
   - US 144A Notes US$750m swapped into A$735m at a fixed rate of 6.68%

   A once-off interest charge was recognised in the year, reflecting swap termination costs, realised net foreign exchange movements and make-whole charges associated with the bond note redemptions. APA Group discontinued the application of hedge accounting, as the debt no longer existed and the associated hedges were terminated. The interest charge, cumulative gain or loss and deferred costs of hedging were immediately recognised as a finance cost in the statement of profit or loss.

# Notes to the consolidated financial statements continued

APA Infrastructure Trust and its Controlled Entities
For the financial year ended 30 June 2022

## Basis of Preparation

### 2. General information continued

**Restatement for payroll review**

The first stage of a historical payroll review has recently been completed and has identified certain employees across the Group were not paid in full compliance with the Group's obligations under APA's enterprise agreements ("EA's"). The review has identified payment errors to employees subject to these EA's. The calculations of the employee payment errors involve a substantial volume of data, a high degree of complexity, interpretation, estimation assumptions, will be the subject of review by the Fair Work Ombudsman and are subject to further detailed analysis of an additional six annual periods not covered by the initial twelve month review. Determining the historical employee payment errors requires consideration of numerous clauses of the EA's and related payroll source documentation, across each year, for every current and former employee who may have been impacted. While the review is in its early stages, an estimate of the employee payment errors has been made for the impacted period of seven years. A provision of $32.4 million has been recorded as at 30 June 2022 for the estimated employee payment errors.

The provision comprises estimated one-off costs as a result of the review, of which $26.4 million relates to employee payment errors and $6.0 million to interest and other related costs. A further $1.5 million in other related costs were incurred for the year ended 30 June 2022, which do not form part of the provision.

As described above, critical accounting estimates and judgements have been made in the calculations to determine the extent of the provision required. Changes to any of these estimates and judgements have the potential to result in a future adjustment to the provision in subsequent periods as the review process continues.

As a consequence of the employee payment errors, employee benefit expense, provisions, and deferred tax balances were understated in prior periods, and notwithstanding the annual amounts were not material to the performance of the Group in any of the individual periods to which they related, management considered the cumulative understatement to be material. As such, the understatement was corrected by restating each of the affected financial statement line items for prior periods in accordance with *AASB 108 Accounting Policies, Changes in Accounting Estimates and Errors*.

After adjusting for the restatement, employee benefit expense has increased by $11.8 million for the year ended 30 June 2022 (30 June 2021: $4.2 million). Of the $11.8 million recorded for the year ended 30 June 2022, $4.3 million (30 June 2021: $4.2 million) has been included in underlying EBITDA of the segment result with interest and other related costs of $7.5 million (30 June 2021: nil) included in reported EBITDA.

As part of this review, the impact on historical short-term incentive (STI) and long-term incentive (LTI) payments resulting from prior period payment shortfalls have been reviewed and there is no material impact on STI and LTI payments in prior periods.

The impact to the Group's Consolidated Financial Statements in the reporting periods to which they relate, are outlined in the table below.

| | Restatement | | Current Period | |
|---|---|---|---|---|
| | FY21 Opening Retained Earnings $000 | FY21 Profit for the period $000 | FY22 Profit for the period $000 | Total $000 |
| Pre-FY21 employee payment errors | (17,912) | — | — | (17,912) |
| FY21 employee payment errors | — | (4,214) | — | (4,214) |
| FY22 employee payment errors | — | — | (10,262) | (10,262) |
| **Employee payment errors provision as at 30 June 2022** | **(17,912)** | **(4,214)** | **(10,262)** | **(32,388)** |
| Other costs relating to employee payment errors | — | — | (1,526) | (1,526) |
| **Total pre-tax impact of employee payment errors** | **(17,912)** | **(4,214)** | **(11,788)** | **(33,914)** |
| Income tax benefit | 2,612 | 1,264 | 3,159 | 6,577 |
| **Total employee payment errors, net of tax** | **(15,300)** | **(2,950)** | **(9,087)** | **(27,337)** |

**Consolidated Statement of Profit or Loss (extract)**

| | Impact of restatement | | |
|---|---|---|---|
| 2021 | Previously reported $000 | Adjustments $000 | Restated $000 |
| Employee benefits expenses | (286,549) | (4,214) | (290,763) |
| **Profit before tax** | **66,578** | **(4,214)** | **62,364** |
| Income tax expense | (62,894) | 1,264 | (61,630) |
| **Profit/(loss) for the period** | **3,684** | **(2,950)** | **734** |

# Notes to the consolidated financial statements continued

APA Infrastructure Trust and its Controlled Entities
For the financial year ended 30 June 2022

## Basis of Preparation

### 2. General information continued

**Consolidated Statement of Financial Position (extract)**

| 2021 | Impact of restatement: Previously reported $000 | Adjustments $000 | Restated $000 |
|---|---|---|---|
| Provisions (current) | (93,759) | (22,126) | (115,885) |
| Net deferred tax liabilities | (756,993) | 3,876 | (753,117) |
| **Net assets** | **2,969,228** | **(18,250)** | **2,950,978** |
| Retained earnings | (31,707) | (18,250) | (49,957) |
| **Total equity** | **2,969,228** | **(18,250)** | **2,950,978** |

Basic and diluted earnings per share for the prior year have also been restated. The amount of the correction for basic and diluted earnings per share was a decrease of $0.2 cents per security for the year ended 30 June 2021.

The results of the review further affected some of the amounts disclosed in note 5 and note 15.

## Financial Performance

### 3. Segment information

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

APA Group comprises the following reportable segments:

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

**Reportable segments**

| 2022 | Energy Infrastructure $000 | Asset Management $000 | Energy Investments $000 | Other $000 | Consolidated $000 |
|---|---|---|---|---|---|
| **Segment revenue** [1] | | | | | |
| Revenue from contracts with customers | 2,082,656 | 114,541 | — | — | 2,197,197 |
| Equity accounted net profits | — | — | 27,338 | — | 27,338 |
| Pass-through revenue | 64,611 | 431,122 | — | — | 495,733 |
| Other income [2] | 12,066 | 181 | — | — | 12,247 |
| Finance lease and investment interest income | 972 | — | 856 | — | 1,828 |
| **Total segment revenue** | 2,160,305 | 545,844 | 28,194 | — | 2,734,343 |
| Wallumbilla Gas Pipeline hedge accounting discontinuation [3] | (15,156) | — | — | — | (15,156) |
| Interest income on Basslink debt investment [4] | — | — | 12,198 | — | 12,198 |
| Other interest income | — | — | — | 993 | 993 |
| **Total revenue** | 2,145,149 | 545,844 | 40,392 | 993 | 2,732,378 |

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

2) On 8 October 2021, APA Group entered into an Asset Sale and Purchase Agreement to divest the Group's 50% ownership in Mid West Pipeline. Financial close was reached on 6 May 2022 for consideration of $4.6 million, resulting in a pre-tax profit on sale of $3.6 million.

3) In February 2022, following the entry into a series of forward exchange contracts, hedge accounting was discontinued for WGP revenues to be generated from early calendar year 2022 to late calendar year 2025 that were hedged by USD denominated 144A notes. The segment result reflects the hedged rate for revenues in this period, while the WGP hedge accounting unwind reflects the non-cash amortisation of the amount deferred in hedging reserve over the same period relating to the discontinued hedge relationship.

4) Interest income accrued on the 100% interest in the senior secured debt of Nexus Australia Management Pty Ltd (Basslink) acquired by APA Group during the year ended 30 June 2022.

# Notes to the consolidated financial statements continued

APA Infrastructure Trust and its Controlled Entities
For the financial year ended 30 June 2022

## Financial Performance

### 3. Segment information continued

**Reportable segments** continued

| 2022 | Energy Infrastructure $000 | Asset Management $000 | Energy Investments $000 | Other $000 | Consolidated $000 |
|---|---|---|---|---|---|
| **Segment result** | | | | | |
| Segment underlying EBITDA [1] | 1,709,166 | 73,608 | — | — | 1,782,774 |
| Share of net profits of joint ventures and associates using the equity method | — | — | 27,338 | — | 27,338 |
| Finance lease and investment interest income | 972 | — | 856 | — | 1,828 |
| Corporate costs [6] | — | — | — | (119,679) | (119,679) |
| **Total underlying EBITDA** [1] | 1,710,138 | 73,608 | 28,194 | (119,679) | 1,692,261 |
| Fair value loss on contract for difference [2] | (30,462) | — | — | — | (30,462) |
| Technology transformation projects [3] | — | — | — | (21,192) | (21,192) |
| Wallumbilla Gas Pipeline hedge accounting discontinuation [4] | (15,156) | — | — | — | (15,156) |
| Interest income on Basslink debt investment [5] | — | — | 12,198 | — | 12,198 |
| Payroll review [6] | — | — | — | (7,465) | (7,465) |
| **Total reported EBITDA** [7] | 1,664,520 | 73,608 | 40,392 | (148,336) | 1,630,184 |
| Depreciation and amortisation | (718,372) | (16,806) | — | — | (735,178) |
| **Total reported EBIT** [8] | 946,148 | 56,802 | 40,392 | (148,336) | 895,006 |
| Net interest cost [9] | | | | | (483,022) |
| **Profit before tax excluding significant items** | | | | | 411,984 |
| Income tax expense [6] | | | | | (171,947) |
| **Profit after tax excluding significant items** | | | | | 240,037 |
| Significant items before tax [10] | | | | | 28,106 |
| **Reported profit before tax** | | | | | 440,090 |
| Significant items after tax | | | | | 19,674 |
| **Reported profit after tax** [10] | | | | | 259,711 |

1. Earnings before interest, tax, depreciation, and amortisation ("EBITDA") excludes recurring items arising from other activities, transactions that are not directly attributable to the performance of APA Group's business operations and significant items.
2. The amount represents a net loss arising from a contract for difference in an electricity sales agreement with a customer that economically hedges the fair value of the electricity sales agreement for which hedge accounting is not applicable. Refer to note 20.
3. The amount represents costs associated with technology and transformation projects to develop and uplift organisation capabilities, including SaaS customisation and configuration costs incurred during implementation, which were previously capitalised prior to the publication of the iFRIC Agenda decision in April 2021.
4. In February 2022, following entry into a series of forward exchange contracts, hedge accounting was discontinued for WGP revenues to be generated from early calendar year 2022 to late calendar year 2025. The revenues were previously hedged by USD denominated 144A notes. WGP hedge accounting discontinuation reflects the non-cash amortisation of the amount deferred in the hedging reserve over the same period relating to the discontinued hedge relationship.
5. Interest income accrued on the 100% interest in the senior secured debt of Nexus Australia Management Pty Ltd (Basslink) acquired by APA Group during the year ended 30 June 2022.
6. Refer to note 2 for details regarding the restatement for payroll review. Estimated payment shortfalls for FY22 of $4.3 million are included within underlying EBITDA. Interest and other related costs are included within reported EBITDA.
7. Earnings before interest, tax, depreciation, and amortisation ("EBITDA") excluding significant items.
8. Earnings before interest and tax ("EBIT") excluding significant items.
9. Excluding finance lease and investment interest income, any gains or losses on revaluation of derivatives included as part of EBIT for segment reporting purposes.
10. Refer to note 2 significant items section for details.

# Notes to the consolidated financial statements continued

APA Infrastructure Trust and its Controlled Entities
For the financial year ended 30 June 2022

## Financial Performance

### 3. Segment information continued

**Reportable segments** continued

| 2022 | Energy Infrastructure $000 | Asset Management $000 | Energy Investments $000 | Other $000 | Consolidated $000 |
|---|---|---|---|---|---|
| **Segment assets and liabilities** | | | | | |
| Segment assets | **13,452,101** | **186,069** | **609,158** | **—** | **14,247,328** |
| Carrying value of investments using the equity method | **—** | **—** | **265,636** | **—** | **265,636** |
| Unallocated assets [1] | | | | **1,323,323** | **1,323,323** |
| **Total assets** | **13,452,101** | **186,069** | **874,794** | **1,323,323** | **15,836,287** |
| **Segment liabilities** | **562,238** | **88,976** | **—** | **—** | **651,214** |
| Unallocated liabilities [2, 3] | | | | **12,556,628** | **12,556,628** |
| **Total liabilities** | **562,238** | **88,976** | **—** | **12,556,628** | **13,207,842** |

1. Unallocated assets consist of cash and cash equivalents, fair value of cross currency swaps, foreign currency forward exchange contracts and equity forwards.
2. Unallocated liabilities consist of current and non-current borrowings, deferred tax liabilities, fair value of cross currency swaps, foreign currency forward exchange contracts and equity forwards.
3. Refer to note 2 for details regarding the restatement for payroll review.

| 2021 | Energy Infrastructure $000 | Asset Management $000 | Energy Investments $000 | Other $000 | Consolidated $000 |
|---|---|---|---|---|---|
| **Segment revenue** [1] | | | | | |
| Revenue from contracts with customers | 1,989,304 | 113,755 | — | — | 2,103,059 |
| Equity accounted net profits | — | — | 29,777 | — | 29,777 |
| Pass-through revenue | 52,982 | 407,483 | — | — | 460,465 |
| Other income | 3,610 | 2,750 | — | — | 6,360 |
| Finance lease and investment interest income | 1,078 | — | 1,144 | — | 2,222 |
| **Total segment revenue** | 2,046,974 | 523,988 | 30,921 | — | 2,601,883 |
| Other interest income | — | — | — | 3,130 | 3,130 |
| **Total revenue** | 2,046,974 | 523,988 | 30,921 | 3,130 | 2,605,013 |

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

# Notes to the consolidated financial statements continued

APA Infrastructure Trust and its Controlled Entities
For the financial year ended 30 June 2022

## Financial Performance

### 3. Segment information continued

**Reportable segments** continued

| 2021 (Restated) | Energy Infrastructure $000 | Asset Management $000 | Energy Investments $000 | Other $000 | Consolidated $000 |
|---|---|---|---|---|---|
| **Segment result** | | | | | |
| Segment underlying EBITDA [1] | 1,621,487 | 80,337 | — | — | 1,701,824 |
| Share of net profits of joint ventures and associates using the equity method | — | — | 29,777 | — | 29,777 |
| Finance lease and investment interest income | 1,078 | — | 1,144 | — | 2,222 |
| Corporate costs [2] | — | — | — | (105,062) | (105,062) |
| **Total underlying EBITDA** [1] | 1,622,565 | 80,337 | 30,921 | (105,062) | 1,628,761 |
| Fair value gains on contract for difference [3] | 18,018 | — | — | — | 18,018 |
| Technology transformation projects [4] | — | — | — | (7,957) | (7,957) |
| **Total reported EBITDA** [5] | 1,640,583 | 80,337 | 30,921 | (113,019) | 1,638,822 |
| Depreciation and amortisation | (657,781) | (16,589) | — | — | (674,370) |
| **Total reported EBIT** [6] | 982,802 | 63,748 | 30,921 | (113,019) | 964,452 |
| Net interest cost [7] | | | | | (504,779) |
| **Profit before tax excluding significant items** | | | | | 459,673 |
| Income tax expense | | | | | (180,823) |
| **Profit after tax excluding significant items** | | | | | 278,850 |
| Significant items before tax [8] | | | | | (397,309) |
| **Reported profit before tax** | | | | | 62,364 |
| Significant items after tax | | | | | (278,116) |
| **Reported profit after tax** [8] | | | | | 734 |

1. Earnings before interest, tax, depreciation, and amortisation ("EBITDA") excludes recurring items arising from other activities, transactions that are not directly attributable to the performance of APA Group's business operations and significant items.
2. Refer to note 2 for details regarding the restatement for payroll review.
3. The amount represents a net gain arising from a contract for difference in an electricity sales agreement with a customer that economically hedges the fair value of the electricity sales agreement for which hedge accounting is not applicable. Refer to note 20.
4. The amount represents costs associated with technology and transformation projects to develop and uplift organisation capabilities, including SaaS customisation and configuration costs incurred during implementation, which were previously capitalised prior to the publication of the iFRIC Agenda decision in April 2021.
5. Earnings before interest, tax, depreciation, and amortisation ("EBITDA") excluding significant items.
6. Earnings before interest and tax ("EBIT") excluding significant items.
7. Excluding finance lease and investment interest income, any gains or losses on revaluation of derivatives included as part of EBIT for segment reporting purposes, and interest charge on bond note redemption disclosed as a significant item, but including other interest income.
8. Refer to note 2 significant items section for details.

| 2021 (Restated) | Energy Infrastructure $000 | Asset Management $000 | Energy Investments $000 | Other $000 | Consolidated $000 |
|---|---|---|---|---|---|
| **Segment assets and liabilities** | | | | | |
| Segment assets | 13,343,202 | 210,228 | 10,685 | — | 13,564,115 |
| Carrying value of investments using the equity method | — | — | 240,201 | — | 240,201 |
| Unallocated assets [1] | — | — | — | 938,552 | 938,552 |
| **Total assets** | 13,343,202 | 210,228 | 250,886 | 938,552 | 14,742,868 |
| Segment liabilities | 423,008 | 90,007 | — | — | 513,015 |
| Unallocated liabilities [2,3] | — | — | — | 11,278,875 | 11,278,875 |
| **Total liabilities** | 423,008 | 90,007 | — | 11,278,875 | 11,791,890 |

1. Unallocated assets consist of cash and cash equivalents, fair value of cross currency swaps, foreign currency forward exchange contracts and equity forwards.
2. Unallocated liabilities consist of current and non-current borrowings, deferred tax liabilities, fair value of cross currency swaps, foreign currency forward exchange contracts and equity forwards.
3. Refer to note 2 for details regarding the restatement for payroll review.

# Notes to the consolidated financial statements continued

APA Infrastructure Trust and its Controlled Entities
For the financial year ended 30 June 2022

## Financial Performance

### 4. Revenue

**Disaggregation of revenue**

Revenue is disaggregated below by business unit and region.

| | 2022 $000 | Restated 2021 $000 |
|---|---|---|
| **Energy Infrastructure** | | |
| – Wallumbilla Gladstone Pipeline [1] | **580,602** | 552,307 |
| – East Coast | **805,958** | 768,638 |
| – West Coast | **341,825** | 328,795 |
| – Power Generation | **354,271** | 339,564 |
| **Energy Infrastructure revenue from contracts with customers** | **2,082,656** | 1,989,304 |
| Asset Management revenue from contracts with customers | **114,541** | 113,755 |
| Energy Investments | **28,194** | 30,921 |
| Other non-contract revenue | **13,219** | 7,438 |
| **Total segment revenue excluding pass-through** | **2,238,610** | 2,141,418 |
| Pass-through revenue | **495,733** | 460,465 |
| Wallumbilla Gas Pipeline hedge accounting discontinuation [2] | **(15,156)** | — |
| Interest income on Basslink debt investment [3] | **12,198** | — |
| Unallocated revenue | **993** | 3,130 |
| **Total revenue** | **2,732,378** | 2,605,013 |
| **Underlying EBITDA** [4] | | |
| — Wallumbilla Gladstone Pipeline [1] | **577,869** | 549,651 |
| — East Coast | **648,174** | 627,468 |
| — West Coast | **287,802** | 270,824 |
| — Power Generation | **196,293** | 174,622 |
| **Energy Infrastructure revenue from contracts with customers** | **1,710,138** | 1,622,565 |
| Asset Management revenue from contracts with customers | **73,608** | 80,337 |
| Energy Investments | **28,194** | 30,921 |
| Corporate costs [4] | **(119,679)** | (105,062) |
| **Total underlying EBITDA** [5] | **1,692,261** | 1,628,761 |

1. Wallumbilla Gladstone Pipeline is separated from East Coast Grid in this note as a result of the significance of its revenue and EBITDA in the Group. It is categorised as part of the East Coast Grid cash-generating unit for impairment assessment purposes in note 13.
2. In February 2022, following entry into a series of forward exchange contracts, hedge accounting was discontinued for WGP revenues to be generated from early calendar year 2022 to late calendar year 2025. The revenues were previously hedged by USD denominated 144A notes. WGP hedge accounting discontinuation reflects the non-cash amortisation of the amount deferred in the hedging reserve over the same period relating to the discontinued hedge relationship.
3. Interest income accrued on the 100% debt interest from Nexus Australia Management Pty Ltd (Basslink) acquired by APA Group.
4. Refer to note 2 for details regarding the restatement for payroll review.
5. Earnings before interest, tax, depreciation, and amortisation ("EBITDA") excludes recurring items arising from other activities, transactions that are not directly attributable to the performance of APA Group's business operations and significant items (refer to note 3).

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

# Notes to the consolidated financial statements continued

APA Infrastructure Trust and its Controlled Entities
For the financial year ended 30 June 2022

## Financial Performance

### 4. Revenue continued

**Disaggregation of revenue** continued

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

- **Energy Infrastructure revenue from contracts with customers**, is derived from the transportation, processing and storage of gas and other related services (transmission revenue), and the generation of electricity and other related services (power generation revenue). Revenue from contracts with customers may either be identified as separate performance obligations or a series of distinct performance obligations that are substantially the same, have the same pattern of transfer and are therefore treated as a single performance obligation that is satisfied over time. This includes both firm and interruptible services. The consideration is primarily volume based and is recognised as revenue in a manner that depicts the transfer based on output to the customer. This method most accurately depicts the progress towards satisfaction of the performance obligation of the services provided, as the customer simultaneously receives and consumes the benefits of APA Group's service and obtains value as each volume of output is transported by APA Group. The amount billed corresponds directly to the value of the performance to date;
- **Asset Management revenue from contracts with customers**, is derived from the provision of commercial services, operating services, asset management services and/or asset maintenance services to APA Group's energy investments and other third parties. APA Group recognises revenue at the amount to which APA Group has a right to invoice; and
- **Pass-through revenue**, is revenue from contracts with customers for the provision of commercial services, operating services, asset management services and/or asset maintenance services to APA Group's energy investments. Any management fee earned for the provision of these services is recognised as part of asset management revenues. APA Group recognises revenue at the amount to which APA Group has a right to invoice. APA Group is determined to be the principal in these relationships.

Other types of revenue is recognised as follows:

- **Other non-contract revenue**: includes dividend income, which is recognised when the right to receive the payment has been established; and
- **Unallocated revenue**: interest income, which is recognised as it accrues and is determined using the effective interest method and finance lease income, which is allocated to accounting periods so as to reflect a constant periodic rate of return on APA Group's net investment outstanding in respect of the leases.

**Contract liabilities – unearned revenue**

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

Included in the unearned revenue are customer upfront contributions on contracts with customers and government grants received in advance. During the year, APA Group recognised $9.4 million (2021: $8.2 million) in revenue from contracts with customers from the unearned revenue balance at 30 June 2021.

**Contract assets – accrued revenue**

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

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

**Accounting for costs to obtain contracts**

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

**Future revenues from remaining performance obligations**

As at 30 June 2022, future contracted Energy Infrastructure revenues extending through to 2051 are approximately $17.0 billion (2022: $17.6 billion extending through to 2049), of which $1.7 billion is expected to be recognised in 2023. These amounts relate to Energy Infrastructure revenue from contracts, with the bulk of the customers being high credit worthy counterparties.

Future contracted Energy Infrastructure revenues outlined above are in nominal 2022 dollars escalated by CPI. Variable revenues, potential future revenues from new contracts, contract renewals or extensions, and revenues from potential new assets or expansions where a contract does not currently exist with a customer are not included. As such, the future contract revenues described above represent only part of APA Group's forecast revenues for FY23 and beyond.

**Information about major customers**

Included in revenues from contracts with customers arising from Energy Infrastructure of $2,082.7 million (2021: $1,989.3 million) are revenues of approximately $710.3 million (2021: $720.1 million) which arose from sales to APA Group's top three customers.

# Notes to the consolidated financial statements continued

APA Infrastructure Trust and its Controlled Entities
For the financial year ended 30 June 2022

## Financial Performance

### 5. Expenses

| | 2022 $000 | Restated 2021 $000 |
|---|---|---|
| Depreciation of non-current assets | **537,190** | 474,978 |
| Amortisation of non-current assets | **197,988** | 199,392 |
| **Depreciation and amortisation expense** | **735,178** | 674,370 |
| Energy infrastructure costs – pass-through | **64,611** | 52,982 |
| Asset management costs – pass-through | **431,122** | 407,483 |
| **Other operating costs – pass-through** | **495,733** | 460,465 |
| Interest on bank overdrafts and borrowings [1] | **452,253** | 500,424 |
| Finance costs associated with bond note redemptions [2] | **—** | 147,987 |
| Amortisation of deferred borrowing costs | **7,718** | 9,545 |
| Other finance costs | **6,492** | 7,792 |
| | **466,463** | 665,748 |
| Less: amounts included in the cost of qualifying assets | **(11,275)** | (16,330) |
| | **455,188** | 649,418 |
| Loss/(gain) on derivatives [3] | **15,949** | (5,389) |
| Unwinding of discount on non-current liabilities | **8,108** | 6,869 |
| Unwinding of discount on deferred revenue | **2,685** | 2,603 |
| Interest incurred on lease liabilities | **2,085** | 2,395 |
| **Finance costs** | **484,015** | 655,896 |
| Defined contribution plans | **20,979** | 18,128 |
| Defined benefit plans (note 16) | **1,972** | 3,027 |
| Post-employment benefits | **22,951** | 21,155 |
| Termination benefits | **956** | 1,728 |
| Cash settled long-term incentive payments [4] | **36,423** | 25,322 |
| Equity settled long-term incentive payments [4] | **(518)** | 3,802 |
| Other employee benefits [2] | **263,630** | 238,756 |
| **Employee benefit expense [5]** | **323,442** | 290,763 |

1. The average interest rate applying to drawn debt is 4.59% p.a. (2021: 5.09% p.a.) excluding finance costs associated with amortisation of borrowing costs, other finance costs with bond note redemption in FY21 only.
2. Refer to note 2 regarding details for significant items and the restatement for payroll review.
3. Represents unrealised gains and losses on the mark-to-market valuation of derivatives.
4. APA Group provides benefits to certain employees in the form of long-term incentive payments. For cash settled long-term incentive payments, a liability equal to the portion of services received is recognised at the current fair value determined at each reporting date. For equity settled long-term incentive payments, a reserve is recognised equal to the portion of services received based on the fair value of the equity instrument at grant date.
5. Employee benefit expense of $74.0 million (2021: $69.0 million) is recharged as pass-through revenue and presented as part of other operating costs – pass-through.

# Notes to the consolidated financial statements continued

APA Infrastructure Trust and its Controlled Entities
For the financial year ended 30 June 2022

## Financial Performance

### 6. Income tax

The major components of tax expense are:

| | 2022 $000 | Restated[1] 2021 $000 |
|---|---|---|
| **Income statement** | | |
| Current tax expense in respect of the current year | **(83,103)** | (47,211) |
| Adjustments recognised in the current year in relation to current tax of prior years | **117** | 90 |
| Deferred tax expense relating to the origination and reversal of temporary differences | **(97,393)** | (14,509) |
| **Total tax expense** | **(180,379)** | (61,630) |
| **Tax reconciliation** | | |
| Profit before tax | **440,090** | 62,364 |
| Income tax expense calculated at 30% | **(132,027)** | (18,709) |
| Non-assessable trust distribution | **8,745** | 12,870 |
| Non-deductible expenses | **(60,790)** | (58,447) |
| Non-assessable income/(loss) | **63** | (100) |
| | **(184,009)** | (64,386) |
| Franking credits received | **1,769** | 1,043 |
| Previously unbooked losses now recognised | **1,026** | 603 |
| Adjustments recognised in the current year in relation to the current tax of prior years | **117** | 90 |
| R&D tax incentive | **718** | 1,020 |
| | **(180,379)** | (61,630) |

1. Refer to note 2 for details regarding the restatement for payroll review.

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

Income tax expense for the year is $180.4 million (2021: $61.6 million). An income tax payable of $20.2 million (2021: $21.3 million receivable) has been recognised after instalments made during the year and partial utilisation of available transferred tax losses (refer to note 10).

# Notes to the consolidated financial statements continued

APA Infrastructure Trust and its Controlled Entities
For the financial year ended 30 June 2022

## Financial Performance

### 6. Income tax continued

**Deferred tax balances**

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

| | Opening balance $000 | Charged to income $000 | Charged to equity $000 | Closing balance $000 |
|---|---|---|---|---|
| **2022** | | | | |
| **Gross deferred tax liabilities** | | | | |
| Property, plant and equipment and intangibles | (1,079,855) | (96,052) | — | (1,175,907) |
| Deferred expenses | (51,033) | (29) | — | (51,062) |
| Other | — | (931) | — | (931) |
| | (1,130,888) | (97,012) | — | (1,227,900) |
| **Gross deferred tax assets** | | | | |
| Provisions [1] | 73,553 | 7,572 | — | 81,125 |
| Cash flow hedges | 145,253 | 13,882 | (3,184) | 155,951 |
| Security issue costs | 528 | (516) | — | 12 |
| Deferred revenue | 12,634 | 3,902 | — | 16,536 |
| Investments equity accounted | 5,714 | 167 | (6,756) | (875) |
| Defined benefit obligation | 4,442 | 84 | (2,201) | 2,325 |
| Tax losses | 134,811 | (24,636) | — | 110,175 |
| Other | 836 | (836) | — | — |
| | 377,771 | (381) | (12,141) | 365,249 |
| **Net deferred tax liability** | (753,117) | (97,393) | (12,141) | (862,651) |
| **2021 (Restated)** | | | | |
| **Gross deferred tax liabilities** | | | | |
| Property, plant and equipment and intangibles | (1,079,875) | 20 | — | (1,079,855) |
| Deferred expenses | (53,711) | 2,678 | — | (51,033) |
| Other | (131) | 131 | — | — |
| | (1,133,717) | 2,829 | — | (1,130,888) |
| **Gross deferred tax assets** | | | | |
| Provisions [1] | 69,120 | 4,433 | — | 73,553 |
| Cash flow hedges | 292,350 | (6,698) | (140,399) | 145,253 |
| Security issue costs | 1,045 | (517) | — | 528 |
| Deferred revenue | 13,669 | (1,035) | — | 12,634 |
| Investments equity accounted | 8,082 | 402 | (2,770) | 5,714 |
| Defined benefit obligation | 11,555 | (38) | (7,075) | 4,442 |
| Tax losses | 149,532 | (14,721) | — | 134,811 |
| Other | — | 836 | — | 836 |
| | 545,353 | (17,338) | (150,244) | 377,771 |
| **Net deferred tax liability** | (588,364) | (14,509) | (150,244) | (753,117) |

1. Refer to note 2 for details regarding the restatement for payroll review.

# Notes to the consolidated financial statements continued

APA Infrastructure Trust and its Controlled Entities
For the financial year ended 30 June 2022

## Financial Performance

### 6. Income tax continued

**Deferred tax**

Deferred tax is provided using the balance sheet liability method, providing for temporary differences between the carrying amounts of assets and liabilities for financial reporting purposes and the amounts used for taxation purposes. The following temporary differences are not provided for:

– Initial recognition of goodwill;
– Initial recognition of assets or liabilities that affect neither accounting nor taxable profit; and
– Differences relating to investments in wholly-owned entities to the extent that they will probably not reverse in the foreseeable future.

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

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

**Tax consolidation**

APA Infrastructure Trust and its wholly-owned Australian resident entities formed a tax-consolidated group with effect from 1 July 2003 and are therefore taxed as a single entity from that date. The head entity within the tax-consolidated group is APA Infrastructure Trust. The members of the tax-consolidated group are identified at note 25.

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

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

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

**Nature of tax funding arrangement and tax sharing agreement**

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

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

### 7. Earnings per security

| | 2022 cents | Restated 2021 cents |
|---|---|---|
| **Earnings per security** | | |
| Basic and diluted earnings/(loss) per unit attributable to the parent[1, 2] | **19.6** | (3.5) |
| Basic and diluted earnings per unit attributable to the non-controlling interest | **2.5** | 3.6 |
| **Basic and diluted earnings per security** | **22.1** | 0.1 |
| **Earnings per security excluding significant items** | | |
| Basic and diluted earnings excluding significant items per unit attributable to the parent | **17.9** | 20.0 |
| Basic and diluted earnings excluding significant items per unit attributable to the non-controlling interest | **2.5** | 3.7 |
| **Basic and diluted earnings per security excluding significant items** | **20.4** | 23.7 |
| **Underlying earnings per security[3]** | | |
| Underlying basic and diluted earnings per unit attributable to the parent | **21.6** | 19.5 |
| Underlying basic and diluted earnings per unit attributable to the non-controlling interest | **2.5** | 3.6 |
| **Underlying basic and diluted earnings per security** | **24.1** | 23.1 |

1. There is no dilutive effect of the performance rights granted under long-term incentive plan as a result of the loss after tax in FY21.
2. Refer to Note 2 for details regarding the restatement for payroll review.
3. Excludes recurring items arising from other activities and transactions that are not directly attributable to the performance of APA Group's business operations, and significant items.

# Notes to the consolidated financial statements continued

APA Infrastructure Trust and its Controlled Entities
For the financial year ended 30 June 2022

## Financial Performance

### 7. Earnings per security continued

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

| | 2022 $000 | Restated 2021 $000 |
|---|---|---|
| **Net profit/(loss)** | | |
| Net profit/(loss) attributable to unitholders of the parent [1, 2] | **230,562** | (42,167) |
| Net profit attributable to unitholders of the non-controlling interest | **29,149** | 42,901 |
| Net profit attributable to stapled securityholders for calculating basic and diluted earnings per security (note 3) | **259,711** | 734 |
| **Underlying net profit** | | |
| Net profit/(loss) attributable to unitholders of the parent | **230,562** | (42,167) |
| Significant items, net of tax | **(19,674)** | 278,116 |
| Net profit excluding significant items attributable to unitholders of the parent | **210,888** | 235,949 |
| Fair value losses/(gains) on contract for difference, net of tax | **21,323** | (12,613) |
| Technology transformation projects, net of tax | **14,834** | 5,570 |
| Wallumbilla Gas Pipeline hedge accounting discontinuation, net of tax | **10,609** | — |
| Interest income on Basslink debt investment, net of tax | **(8,539)** | — |
| Payroll review [2] | **5,226** | — |
| Underlying net profit attributable to unitholders of the parent | **254,341** | 228,906 |
| Underlying net profit attributable to unitholders of the non-controlling interest | **29,149** | 42,901 |
| Underlying net profit attributable to stapled securityholders for calculating basic and diluted earnings per security | **283,490** | 271,807 |

1. There is no dilutive effect of the performance rights granted under long-term incentive plan as a result of the loss after tax in FY21.
2. Refer to note 2 for details regarding the restatement for payroll review.

| | 2022 No. of securities 000 | 2021 No. of securities 000 |
|---|---|---|
| Adjusted weighted average number of ordinary securities used in the calculation of; | | |
| Basic earnings per security | **1,179,894** | 1,179,894 |
| Diluted earnings per security [1] | **1,181,517** | 1,180,723 |

1. Includes 2.2 million (2021: 1.3 million) performance rights granted under long-term incentive plan. Each performance right is a right to receive one ordinary stapled security in APA Group subject to satisfaction of certain performance hurdles and board approval. Further information can be found in the most recent annual report. APA Group has historically instructed Link Market Services to acquire securities on-market to minimise dilution of existing securityholders.

### 8. Distributions

| | 2022 cents per security | 2022 Total $000 | 2021 cents per security | 2021 Total $000 |
|---|---|---|---|---|
| **Recognised amounts** | | | | |
| **Final FY21 distribution paid on 15 September 2021** | | | | |
| (30 June 2020: FY20 distribution paid on 16 September 2020) | | | | |
| Profit distribution – APA Infrastructure Trust [1] | — | — | 8.53 | 100,666 |
| Capital distribution – APA Infrastructure Trust | **18.63** | **219,820** | 11.74 | 138,528 |
| Profit distribution – APA Investment Trust [2] | **1.67** | **19,742** | 2.09 | 24,686 |
| Capital distribution – APA Investment Trust | **6.70** | **79,010** | 4.64 | 54,692 |
| | **27.00** | **318,572** | 27.00 | 318,572 |

1. 30 June 2020: APA Infrastructure Trust profit distributions were fully franked resulting in franking credits of 3.66 cents per security.
2. APA Investment Trust profit distributions were unfranked.

# Notes to the consolidated financial statements continued

APA Infrastructure Trust and its Controlled Entities
For the financial year ended 30 June 2022

## Financial Performance

### 8. Distributions continued

| | 2022 cents per security | 2022 Total $000 | 2021 cents per security | 2021 Total $000 |
|---|---|---|---|---|
| **Interim FY22 distribution paid on 17 March 2022** | | | | |
| (31 December 2020: FY21 distribution paid on 17 March 2021) | | | | |
| Profit distribution – APA Infrastructure Trust [1] | **9.43** | **111,304** | — | — |
| Capital distribution – APA Infrastructure Trust | **10.69** | **126,137** | 16.29 | 192,175 |
| Profit distribution – APA Investment Trust [2] | **1.33** | **15,647** | 1.97 | 23,159 |
| Capital distribution – APA Investment Trust | **3.55** | **41,886** | 5.74 | 67,840 |
| | **25.00** | **294,974** | 24.00 | 283,174 |
| **Total distributions recognised** | | | | |
| Profit distributions | **12.43** | **146,693** | 24.93 | 294,192 |
| Capital distributions | **39.57** | **466,853** | 23.57 | 278,057 |
| | **52.00** | **613,546** | 48.50 | 572,249 |

1. 31 December 2021: APA Infrastructure Trust profit distributions were fully franked and resulted in franking credits of 4.04 cents per security.
2. APA Investment Trust profit distributions were unfranked.

| | 2022 cents per security | 2022 Total $000 | 2021 cents per security | 2021 Total $000 |
|---|---|---|---|---|
| **Unrecognised amounts** | | | | |
| **Final FY22 distribution payable on 14 September 2022** [1] | | | | |
| (30 June 2021: Final FY21 distribution paid on 15 September 2021) | | | | |
| Profit distribution – APA Infrastructure Trust [2] | **6.31** | **74,437** | — | — |
| Capital distribution – APA Infrastructure Trust | **15.40** | **181,750** | 18.63 | 219,820 |
| Profit distribution – APA Investment Trust [3] | **1.14** | **13,502** | 1.67 | 19,742 |
| Capital distribution – APA Investment Trust | **5.15** | **60,682** | 6.70 | 79,010 |
| | **28.00** | **330,371** | 27.00 | 318,572 |

1. Record date 30 June 2022.
2. 30 June 2022: APA Infrastructure Trust profit distributions were fully franked and resulted in franking credits of 2.70 cents per security.
3. APA Investment Trust profit distributions are unfranked.

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

| | 2022 $000 | 2021 $000 |
|---|---|---|
| Franking account balance | **54,699** | 58,189 |
| Income tax payable/(receivable) | **20,229** | (21,271) |
| **Adjusted franking account balance** | **74,928** | 36,918 |

# Notes to the consolidated financial statements continued

APA Infrastructure Trust and its Controlled Entities
For the financial year ended 30 June 2022

## Operating Assets and Liabilities

### 9. Receivables

| | 2022 $000 | 2021 $000 |
|---|---|---|
| Trade receivables | **49,931** | 41,235 |
| Accrued revenue | **242,950** | 223,337 |
| Loss allowance | **(1,393)** | (500) |
| Trade receivables | **291,488** | 264,072 |
| Income tax receivable | **—** | 21,271 |
| Receivables from associates and related parties | **15,097** | 11,689 |
| Finance lease receivables (note 18) | **1,171** | 1,275 |
| Interest receivable | **508** | 62 |
| Other debtors | **278** | 205 |
| **Current** | **308,542** | 298,574 |
| Finance lease receivables (note 18) | **9,214** | 10,375 |
| Loan receivable (note 20)[1] | **598,604** | — |
| **Non-current** | **607,818** | 10,375 |

1. During the financial year, APA Group acquired 100% of the senior secured debt of Nexus Australia Management Pty Ltd (Basslink) at a discount to face value. The face value is $634.9 million including capitalised interest. The loan receivable is classified as a purchased or originated credit impaired ("POCI") financial asset.

Trade receivables are non-interest bearing and are generally on 14 to 30 day terms. There are no material trade receivables past due and not provided for.

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

POCI financial assets are initially recognised at fair value plus any directly attributable acquisition costs and as such embeds the expectation of lifetime expected credit losses ("ECL") and therefore, no loss allowance is recognised. Subsequent to initial recognition, they are measured at amortised cost using the credit-adjusted effective interest method, adjusted for any impairment gains or losses. A credit-adjusted effective interest rate is calculated by discounting the estimated future cash flows, including expected credit losses, to the amortised cost of the debt instrument on initial recognition. Where the carrying amount exceeds the present value of the estimated future cash flows discounted at the asset's credit adjusted effective interest rate, an impairment loss is recognised. Favourable changes in lifetime expected credit losses are recognised as an impairment gain. For POCI financial assets, interest income is recognised by applying the credit-adjusted effective interest rate to the amortised cost of the financial asset. The calculation does not revert to the gross basis even if the credit risk of the financial asset subsequently improves so that the financial asset is no longer credit-impaired.

The impact of COVID-19 has been considered in assessing the loss allowance. No material impact has been identified to the date of the issuance of these financial statements.

**Critical accounting judgements and key sources of estimation uncertainty – Loan receivable**

The key estimates and assumptions used in assessing the carrying value of the loan receivable primarily include credit and market risk. These estimates have been determined with reference to the recoverability of forecast future cash flows, current performance and other external factors such as the status of the ongoing receiver process. As at 30 June 2022, based on information currently available, management has not forecast the receipt of any cash flows within 12 months and as such the loan is classified as non-current in APA's FY22 financial statements.

# Notes to the consolidated financial statements continued

APA Infrastructure Trust and its Controlled Entities
For the financial year ended 30 June 2022

## Operating Assets and Liabilities

### 10. Payables

| | 2022 $000 | 2021 $000 |
|---|---|---|
| Trade payables | **85,782** | 59,296 |
| Income tax payable | **20,229** | — |
| Other payables | **310,987** | 255,264 |
| **Current** | **416,998** | 314,560 |
| Other payables | **11,450** | 13,390 |
| **Non-current** | **11,450** | 13,390 |

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

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

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

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

### 11. Assets classified as held for sale

| | 2022 $000 |
|---|---|
| **Consolidated Statement of Financial Position** | |
| Inventories | **866** |
| Property, Plant and Equipment | **293,785** |
| **Assets classified as held for sale** | **294,651** |
| Unearned revenue | **24,859** |
| Other payables | **6,297** |
| **Liabilities associated with assets classified as held for sale** | **31,156** |
| **Net assets associated with held for sale** | **263,495** |

Non-current assets classified as held for sale are measured at the lower of their carrying amount and fair value less costs of disposal if their carrying amount will be recovered principally through a sale transaction. They are not depreciated or amortised once classified as held for sale. This condition is regarded as met only when the sale is highly probable and the asset is available for immediate sale in its present condition.

**Orbost Gas Processing Plant**

On 20 June 2022, APA Group announced that it had entered into binding agreements with Cooper Energy Limited for the sale of the Orbost Gas Processing Plant for cash consideration of between $270 million and $330 million. The agreement was conditional on completion of a fully underwritten equity capital raising by Cooper Energy Limited, for which the institutional component was completed on 23 June 2022 and the retail component completed on 12 July 2022. Completion was reached on 28 July 2022.

The cash consideration consists of an upfront payment to APA of $210 million followed by a series of deferred payments to APA as follows:

– A first post-completion payment of $40 million within 12 months of completion (being the date on which ownership of the Orbost Gas Processing Plant transfers from APA to Cooper Energy);

– A second post-completion payment of between $20 million and $40 million within 24 months of completion, and

– A third post-completion payment of up to $40 million within 36 months of completion.

# Notes to the consolidated financial statements continued

APA Infrastructure Trust and its Controlled Entities
For the financial year ended 30 June 2022

## Operating Assets and Liabilities

### 11. Assets classified as held for sale continued

**Orbost Gas Processing Plant** continued

The amounts of the second and third post-completion payments are subject to post-completion plant performance and will be calculated at the point when APA ceases operating the Orbost Gas Processing Plant which will occur when the plant's Major Hazard Facility Licence is transferred to Cooper Energy. This is expected to take up to 12 months. The financial impact of the sale will be determined over a number of future periods.

In FY21, APA Group impaired the carrying value of the Orbost Gas Processing Plant by $249.3 million, reflecting the continuation of production levels and expenditure based on performance of the asset at the time. In FY22, immediately prior to the reclassification of the plant as held for sale, the recoverable amount was determined and an impairment reversal of $28.1 million before tax was recognised to reflect the consideration estimated to be realised from the sale of the Orbost Gas Processing Plant. The measurement of the recoverable amount excludes consideration contingent on future plant performance on the basis that the plant is yet to achieve the required levels of performance, being production rates in excess of at least 50 TJ/day, for sustained periods of time.

The impairment reversal and prior year loss have been separately presented in the consolidated statement of profit or loss. The Orbost Gas Processing Plant has been classified as held for sale as at 30 June 2022 and depreciation was ceased on the date it was classified as held for sale. Orbost Gas Processing Plant sits within the Energy Infrastructure Operating Segment.

### 12. Property, plant and equipment

| | Freehold land and buildings – at cost $000 | Leasehold improve-ments – at cost $000 | Plant and equipment – at cost $000 | Work in progress – at cost $000 | ROU land and buildings – at cost $000 | ROU plant and equipment – at cost $000 | Total $000 |
|---|---|---|---|---|---|---|---|
| **Gross carrying amount** | | | | | | | |
| Balance at 1 July 2020 | 267,218 | 10,787 | 11,653,120 | 688,094 | 57,981 | 10,773 | 12,687,973 |
| Additions | — | — | 34,064 | 415,932 | 4,166 | 5,216 | 459,378 |
| Disposals | — | — | (2,639) | — | (81) | (1,680) | (4,400) |
| Reclassified as held for sale [1] | — | — | (104) | (229) | — | — | (333) |
| Transfers | 9,184 | 52 | 759,322 | (768,558) | — | — | — |
| Balance at 30 June 2021 | 276,402 | 10,839 | 12,443,763 | 335,239 | 62,066 | 14,309 | 13,142,618 |
| Balance at 1 July 2021 | **276,402** | **10,839** | **12,443,763** | **335,239** | **62,066** | **14,309** | **13,142,618** |
| Additions | **—** | **—** | **11,689** | **704,422** | **5,897** | **4,232** | **726,240** |
| Disposals | **—** | **—** | **(32,577)** | **—** | **(8,790)** | **(1,957)** | **(43,324)** |
| Reclassified as asset held for sale (note 11) | **(2,115)** | **—** | **(533,203)** | **(125)** | **—** | **—** | **(535,443)** |
| Transfers | **5,464** | **4,437** | **378,821** | **(388,722)** | **—** | **—** | **—** |
| **Balance at 30 June 2022** | **279,751** | **15,276** | **12,268,493** | **650,814** | **59,173** | **16,584** | **13,290,091** |
| **Accumulated depreciation and impairment** | | | | | | | |
| Balance at 1 July 2020 | (61,839) | (5,719) | (2,841,501) | — | (9,057) | (3,446) | (2,921,562) |
| Disposals | — | — | 2,337 | — | 81 | 1,605 | 4,023 |
| Depreciation expense (note 5) | (7,741) | (802) | (451,935) | — | (10,447) | (4,053) | (474,978) |
| Impairment expense (note 14) | — | — | (249,322) | — | — | — | (249,322) |
| Reclassified as held for sale [1] | — | — | 26 | — | — | — | 26 |
| Amounts included in the cost of other assets | — | — | — | — | — | (33) | (33) |
| Balance at 30 June 2021 | (69,580) | (6,521) | (3,540,395) | — | (19,423) | (5,927) | (3,641,846) |
| Balance at 1 July 2021 | **(69,580)** | **(6,521)** | **(3,540,395)** | **—** | **(19,423)** | **(5,927)** | **(3,641,846)** |
| Disposals | **—** | **—** | **29,634** | **—** | **7,985** | **1,897** | **39,516** |
| Depreciation expense (note 5) | **(7,589)** | **(1,077)** | **(514,030)** | **—** | **(10,202)** | **(4,292)** | **(537,190)** |
| Impairment reversal (note 11) | **—** | **—** | **28,106** | **—** | **—** | **—** | **28,106** |
| Reclassified as asset held for sale (note 11) | **2** | **—** | **241,656** | **—** | **—** | **—** | **241,658** |
| **Balance at 30 June 2022** | **(77,167)** | **(7,598)** | **(3,755,029)** | **—** | **(21,640)** | **(8,322)** | **(3,869,756)** |
| **Net book value** | | | | | | | |
| As at 30 June 2021 | 206,822 | 4,318 | 8,903,368 | 335,239 | 42,643 | 8,382 | 9,500,772 |
| **As at 30 June 2022** | **202,584** | **7,678** | **8,513,464** | **650,814** | **37,533** | **8,262** | **9,420,335** |

1. Relates to APA Group's 50% ownership in Mid West Pipeline which was disposed of during the current financial year.

# Notes to the consolidated financial statements continued

APA Infrastructure Trust and its Controlled Entities
For the financial year ended 30 June 2022

## Operating Assets and Liabilities

### 12. Property, plant and equipment continued

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

The right-of-use ("ROU") asset is initially measured at cost comprising the initial measurement of the lease liability (as outlined in note 18) adjusted for any lease payments made before the commencement date and reduced by any lease incentives received plus initial direct costs incurred in obtaining the lease. Any make good requirements are recognised and measured under AASB 137 Provisions, Contingent Liabilities and Contingent Assets and to the extent that the costs relate to a ROU asset these are included in the related ROU asset.

A ROU asset is subsequently measured using the cost model less any accumulated depreciation and any accumulated impairment losses, and adjusted for any remeasurement of the lease liability. The ROU asset is depreciated over the term of the lease.

Subsequently, APA Group applies AASB 136 Impairment of Assets to determine whether a ROU asset is impaired and accounts for any impairment as described in note 14 Impairment of non-financial assets of the annual report.

Where the ROU is adjusted due to changes in the lease liability, the depreciation for the ROU asset is adjusted on a prospective basis.

Depreciation is provided on property, plant and equipment excluding land. Depreciation is calculated on a straight-line 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.

Where the ROU asset is adjusted due to changes in the lease liability, the depreciation for the ROU asset is adjusted on a prospective basis.

The depreciation charge for each period is recognised in profit or loss unless it is included in the cost of another asset.

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

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

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

APA Group reviews the estimated useful lives of property, plant and equipment at the end of each annual reporting period. Physical, economic, climate and environmental factors are taken into consideration in assessing the useful lives of the assets, including but not limited to asset condition and obsolescence, technology changes, commercial contract lives and renewals, global and regional gas supply-and-demand, and certain climate-related risks. Refer to note 14 for additional critical judgements that underpin APA's assessments in relation to the potential impact of climate transition risks on APA Group's portfolio of assets.

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

| | |
|---|---|
| – Buildings | 30 – 50 years; |
| – Compressors | 10 – 50 years; |
| – Gas transportation systems | 10 – 80 years; |
| – Meters | 20 – 30 years; |
| – Power generation facilities | 3 – 25 years; |
| – Gas processing facilities | 10 – 25 years; |
| – Other plant and equipment | 3 – 20 years; |
| – ROU land and buildings | 1 – 40 years; and |
| – ROU property, plant and equipment | 1 – 4 years. |

# Notes to the consolidated financial statements continued

APA Infrastructure Trust and its Controlled Entities
For the financial year ended 30 June 2022

## Operating Assets and Liabilities

### 13. Goodwill and intangibles

| | 2022 $000 | 2021 $000 |
|---|---|---|
| **Goodwill** | | |
| Balance at beginning of financial year | **1,183,604** | 1,183,604 |
| **Balance at end of financial year** | **1,183,604** | 1,183,604 |

**Allocation of goodwill to cash-generating units**

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

The East Coast Grid is an interconnected pipeline network that includes, inter alia, the Wallumbilla Gladstone, Moomba Sydney, Roma Brisbane, Carpentaria Gas and South West Queensland pipelines and the Victorian Transmission System. Since the acquisition of the South West Queensland Pipeline to complete the formation of APA's East Coast Grid in December 2012, APA has installed facilities to enable bi-directional transportation of gas to meet the demand of our major customers who now typically operate portfolios of gas supply and demand. Through the provision of multi-asset services, bi-directional transportation, capacity trading and gas storage and parking facilities, APA's East Coast Grid delivers options for customers to choose from, and move gas between, more than 60 receipt points and over 170 delivery points on the east coast of Australia. The East Coast Grid is categorised as an individual cash-generating unit.

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

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

| | 2022 $000 | 2021 $000 |
|---|---|---|
| Asset Management business | **21,456** | 21,456 |
| **Energy Infrastructure** | | |
| – East Coast Grid | **1,060,681** | 1,060,681 |
| – Diamantina Power Station | **43,104** | 43,104 |
| – Other energy infrastructure [1] | **58,363** | 58,363 |
| | **1,183,604** | 1,183,604 |

1. Primarily represents goodwill relating to the Pilbara Pipeline System ($32.6 million) and the Goldfields Gas Pipeline ($18.5 million).

**Software, licences, contract and other intangibles**

| | Software – at cost $000 | Licences – at cost $000 | Work in progress – at cost $000 | Contract and other – at cost $000 | Total $000 |
|---|---|---|---|---|---|
| **Gross carrying amount** | | | | | |
| Balance at 1 July 2020 | 74,584 | 2,151 | 13,492 | 3,591,531 | 3,681,758 |
| Additions | 1,122 | 144 | 9,101 | 391 | 10,758 |
| Transfer | 5,510 | — | (5,510) | — | — |
| Balance at 30 June 2021 | 81,216 | 2,295 | 17,083 | 3,591,922 | 3,692,516 |
| Balance at 1 July 2021 | **81,216** | **2,295** | **17,083** | **3,591,922** | **3,692,516** |
| Additions | **—** | **—** | **26,284** | **1,996** | **28,280** |
| Transfer | **25,562** | **352** | **(25,914)** | **—** | **—** |
| **Balance at 30 June 2022** | **106,778** | **2,647** | **17,453** | **3,593,918** | **3,720,796** |

# Notes to the consolidated financial statements continued

APA Infrastructure Trust and its Controlled Entities
For the financial year ended 30 June 2022

## Operating Assets and Liabilities

### 13. Goodwill and intangibles continued

**Software, licences, contract and other intangibles** *continued*

| | Software – at cost $000 | Licences – at cost $000 | Work in progress – at cost $000 | Contract and other – at cost $000 | Total $000 |
|---|---|---|---|---|---|
| **Accumulated amortisation** | | | | | |
| Balance at 1 July 2020 | (46,871) | (665) | — | (964,252) | (1,011,788) |
| Amortisation expense (note 5) | (16,359) | (551) | — | (182,482) | (199,392) |
| Balance at 30 June 2021 | (63,230) | (1,216) | — | (1,146,734) | (1,211,180) |
| Balance at 1 July 2021 | **(63,230)** | **(1,216)** | **—** | **(1,146,734)** | **(1,211,180)** |
| Amortisation expense (note 5) | **(14,878)** | **(555)** | | **(182,555)** | **(197,988)** |
| **Balance at 30 June 2022** | **(78,108)** | **(1,771)** | **—** | **(1,329,289)** | **(1,409,168)** |
| **Net book value** | | | | | |
| As at 30 June 2021 | 17,986 | 1,079 | 17,083 | 2,445,188 | 2,481,336 |
| **As at 30 June 2022** | **28,670** | **876** | **17,453** | **2,264,629** | **2,311,628** |

Intangible assets acquired separately are carried at cost less accumulated amortisation and 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 impairment losses.

Amortisation is recognised on a straight-line basis over the estimated useful life of each asset. The estimated useful life and amortisation method are reviewed at the end of each annual reporting period, with the effects of any changes in estimate being accounted for on a prospective basis. Amortisation expense is not a cash item, and is included in the line item of depreciation and amortisation expense in the statement of profit or loss and other comprehensive income.

The following useful lives are used in the calculation of amortisation:

- Contract and other intangibles 1 – 20 years;
- Software 4 – 7 years; and
- Licences 4 years.

**Contract and other intangibles**

APA Group holds various third party operating and maintenance contracts. The combined gross carrying amount of $3,593.9 million amortises over terms ranging from 1 to 20 years. Useful life is determined based on the underlying contractual terms.

**Software**

Software is measured at cost less accumulated amortisation and impairment losses. Cost includes expenditure that is directly attributable to the acquisition or development of software.

**Licences**

Licences are carried at cost less any accumulated amortisation and impairment losses.

# Notes to the consolidated financial statements continued

APA Infrastructure Trust and its Controlled Entities
For the financial year ended 30 June 2022

## Operating Assets and Liabilities

### 14. Impairment of non-financial assets

APA Group tests goodwill for impairment at least annually or whenever there is an indication that the asset may be impaired. Other non-financial assets with finite useful lives are assessed for indicators of impairment at least annually. Assets other than goodwill that have previously reported an impairment are reviewed for possible reversal of the impairment at each reporting period.

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

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

Determining whether identifiable intangible assets and goodwill are impaired requires an estimation of the value-in-use or fair value of the cash-generating units. The calculations require APA Group to estimate the future cash flows expected to arise from cash- generating units and apply 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 the higher of value-in-use calculations and fair value less costs of disposal. Value-in-use calculations use cash flow projections based on a three year financial business plan and thereafter a further 17 year financial model inclusive of appropriate terminal values. This is the basis of APA Group's forecasting and planning processes which represents the underlying long term nature of associated customer contracts on these assets. Fair value less costs to dispose calculations, utilise comparable market transactions less estimated costs of disposal.

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

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

The key estimates and assumptions used in the assessment of impairment include but are not limited to: asset capacity; asset lives; forecast operating costs and margins; gas field reserve estimates; the effect of inflation; discount rates; customer contract terms and renewals; residual value; and asset construction costs. Where the key assumptions for the assessment of new assets such as expected construction costs, expected time to commissioning, expected revenues, expected operating and capital costs at the time of investment differs from the final outcomes, significant variances to the key assumptions may cause triggers for impairment.

These assumptions have been determined with reference to historic information, current performance and expected changes taking into account external information such as market inputs on discount rates, the effects of inflation within Reserve Bank of Australia's guidance range, the outlook for global and regional gas market supply-and-demand conditions, internal information such as contract renewals and forecast input costs. Such estimates may change as new information becomes available.

APA is exposed to a range of climate-related risks and opportunities across its energy infrastructure portfolio. Risks and opportunities associated with climate change are assessed and considered as part of APA's policy, strategy, and commercial management practices. APA is committed to embedding consideration of its climate-related goals, targets and commitments as outlined in its Climate Transition Plan, as well as climate risks, into its business strategy, processes and decision-making. APA will disclose progress against its commitments and Climate Transition Plan in accordance with the Taskforce for Climate Related Financial Disclosures.

APA continues to develop its assessment of the potential impacts of climate change which may have a material impact on the Australian energy market and may result in a material change to APA's estimated cash inflows and the carrying values of APA's asset portfolio. During FY22, APA engaged an external consultant to perform scenario analysis to understand the resilience of a selection of APA assets to climate transition (or stranded asset) risk under a series of scenarios. There are inherent limitations with such scenario analysis, however the work performed did not indicate any material stranded asset risk at this time.

Cash flow projections are estimated for a period of up to 20 years, plus a terminal value, recognising the long term nature of the assets. The pre-tax discount rates used are 7.50% p.a. (2021: 7.00% p.a.) for Energy Infrastructure assets and 7.50% p.a. (2021: 7.00% p.a.) for Asset Management.

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 -3.0% p.a. (2021: -0.1% p.a.). APA Group has assumed prudent capital and operating expenditure, appropriate regulated rates of return, and forecast inflation over the existing and renewal contract terms. 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 Group has assumed no capacity expansion and firming costs beyond installed and committed levels; utilisation of capacity is based on existing contracts and renewals, government policy settings and APA Group's expected market outcomes.

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

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

# Notes to the consolidated financial statements continued

APA Infrastructure Trust and its Controlled Entities
For the financial year ended 30 June 2022

## Operating Assets and Liabilities

### 15. Provisions

| | 2022 $000 | Restated 2021 $000 |
|---|---|---|
| Employee benefits [1] | **134,941** | 107,280 |
| Other | **3,291** | 8,605 |
| **Current** | **138,232** | 115,885 |
| Employee benefits | **24,429** | 35,267 |
| Restoration provision | **69,650** | 67,085 |
| **Non-current** | **94,079** | 102,352 |
| **Employee benefits** | | |
| Incentives | **39,677** | 25,986 |
| Cash settled long-term incentives | **6,369** | 5,447 |
| Leave balances | **56,507** | 53,721 |
| Other employee provisions [1] | **32,388** | 22,126 |
| **Current** | **134,941** | 107,280 |
| Cash settled long-term incentives | **2,739** | 4,587 |
| Defined benefit liability (note 17) | **12,262** | 19,686 |
| Leave balances | **9,428** | 10,994 |
| **Non-current** | **24,429** | 35,267 |

1. Refer to note 2 for details regarding the restatement for payroll review.

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

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

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

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

Provisions for the costs to restore leased assets to their original condition, as required by the terms and conditions of the lease, are recognised when the obligation is incurred, at the best estimate of the expenditure that would be required to restore the assets.

### 16. Other non-current assets

| | 2022 $000 | 2021 $000 |
|---|---|---|
| Line pack gas | **23,133** | 20,571 |
| Gas held in storage | **4,763** | 6,010 |
| Defined benefit asset (Note 17) | **4,510** | 4,877 |
| Other assets | **192** | 192 |
| | **32,598** | 31,650 |

# Notes to the consolidated financial statements continued

APA Infrastructure Trust and its Controlled Entities
For the financial year ended 30 June 2022

## Operating Assets and Liabilities

### 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 obligations were determined at 30 June 2022. The present value of the defined benefit obligations, and the related current service cost and past service cost, were measured using the projected unit credit method.

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

| | 2022 $000 | 2021 $000 |
|---|---|---|
| **Amounts recognised in the statement of profit or loss and other comprehensive income** | | |
| Current service cost | **1,562** | 2,032 |
| Net interest expense | **410** | 995 |
| **Components of defined benefit costs recognised in profit or loss (note 5)** | **1,972** | 3,027 |
| **Amounts recognised in the statement of financial position** | | |
| Fair value of plan assets | **135,003** | 139,336 |
| Present value of benefit obligation | **(142,755)** | (154,145) |
| **Defined benefit asset – non-current (note 16)** | **4,510** | 4,877 |
| **Defined benefit liability – non-current (note 15)** | **(12,262)** | (19,686) |
| Opening defined benefit obligation | **154,145** | 162,876 |
| Current service cost | **1,562** | 2,032 |
| Interest cost | **4,738** | 4,613 |
| Contributions from plan participants | **587** | 572 |
| Actuarial gain | **(6,952)** | (4,554) |
| Benefits paid | **(10,925)** | (10,748) |
| Administrative expenses, taxes and premiums paid | **(400)** | (646) |
| **Closing defined benefit obligation** | **142,755** | 154,145 |

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

| | 2022 $000 | 2021 $000 |
|---|---|---|
| Opening fair value of plan assets | **139,336** | 124,358 |
| Interest income | **4,328** | 3,618 |
| Actual return on plan assets excluding interest income | **384** | 19,028 |
| Contributions from employer | **1,693** | 3,154 |
| Contributions from plan participants | **587** | 572 |
| Benefits paid | **(10,925)** | (10,748) |
| Administrative expenses, taxes and premiums paid | **(400)** | (646) |
| **Closing fair value of plan assets** | **135,003** | 139,336 |

# Notes to the consolidated financial statements continued

APA Infrastructure Trust and its Controlled Entities
For the financial year ended 30 June 2022

## Operating Assets and Liabilities

### 17. Employee superannuation plans continued

**Defined contribution plans**

Contributions to defined contribution plans are expensed when incurred. The percentage rate for superannuation guarantee contribution by APA Group is 10.5% from 1 July 2022, and eventually to 12% from 1 July 2025.

**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.

Key actuarial assumptions used in the determination of the defined benefit obligation include a discount rate of 4.4% gross of tax (2021: 3.2%), based on the corporate bond yield curve published by Milliman, an expected salary increase rate of 3.5% (2021: 2.7%), and pension indexation rate of 2.6% (2021: 1.8%). The sensitivity analysis below has been determined based on reasonable possible changes of the respective assumptions occurring at the end of the reporting period, while holding all other assumptions constant:

- If the discount rate is 50 basis points higher (lower), the defined benefit obligation would decrease by $7,619,000 (increase by $8,457,000).
- If the expected salary growth increases (decreases) by 0.5%, the defined benefit obligation would increase by $1,207,000 (decrease by $1,161,000).
- If the expected pension indexation rate increases (decreases) by 0.5%, the defined benefit obligation would increase by $6,858,000 (decrease by $7,033,000).

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

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

APA Group expects to pay $1.5 million in contributions to the defined benefit plans during the year ending 30 June 2023.

### 18. Leases

**APA Group as a lessee**

The APA Group lease obligations are primarily related to commercial office leases and motor vehicles.

| | 2022 $000 | 2021 $000 |
|---|---|---|
| **Lease liabilities** | | |
| Not longer than 1 year | **15,914** | 16,265 |
| Longer than 1 year but not longer than 5 years | **37,853** | 40,033 |
| Longer than 5 years | **11,615** | 16,827 |
| **Minimum future lease payments** | **65,382** | 73,125 |
| Less: Future finance cost | **8,207** | 10,069 |
| **Present value of the future lease payments** | **57,175** | 63,056 |
| Included in the consolidated statement of financial position as part of: | | |
| Current lease liabilities | **14,094** | 13,828 |
| Non-current lease liabilities | **43,081** | 49,228 |
| | **57,175** | 63,056 |

# Notes to the consolidated financial statements continued

APA Infrastructure Trust and its Controlled Entities
For the financial year ended 30 June 2022

## Operating Assets and Liabilities

### 18. Leases continued

**APA Group as a lessee** continued

APA Group has no material short-term leases, lease for low-value assets or variable lease payments.

At inception of a contract, APA Group assesses whether a lease has been entered into if:

- The contract involves the use of an identified asset – the asset may be explicitly or implicitly specified in the contract. Capacity portions of larger assets would be considered an identified asset if the portion is physically distinct or if the portion represents substantially all of the capacity of the asset. An asset is not considered an identified asset if the supplier has the substantive right to substitute the asset throughout the period of use;
- APA Group has the right to obtain substantially all of the economic benefits from the use of the asset throughout the period of use; and
- APA Group has the right to direct the use of the asset throughout the period of use. APA Group considers itself to have the right to direct the use of the asset only if either:
  - i) APA Group has the right to direct how and for what purpose the identified asset is used throughout the period of use; or
  - ii) The relevant decisions about how and for what purposes the asset is used are predetermined and APA Group has the right to operate the asset, or APA Group designed the asset in a way that predetermines how and for what purpose the asset will be used throughout the period of use.

Where APA Group has determined that a lease exists, a right-of-use asset (disclosed in note 12) and a corresponding lease liability is recognised at the commencement date of the lease for all leases other than short-term or low-value asset leases.

The lease liability is initially measured at the present value of future lease payments at the commencement date, comprising the following:

- Fixed payments, including in-substance fixed payments;
- Variable lease payments that depend on an index or a rate, initially measured using the index or rate as at the commencement date (e.g. payments which vary due to changes in CPI, or commodity prices);
- Amounts expected to be payable by the lessee under residual value guarantees, purchase options and termination penalties (where relevant); and
- Extension options (or periods after termination options) are only included in the lease term if the lease is reasonably certain to be extended (or not terminated).

To calculate the present value, the future lease payments are discounted using the interest rate implicit in the lease (IRIL), if the rate is readily determinable. If the IRIL cannot be readily determined, the incremental borrowing rate (IBR) at the commencement date is used. The IBR is calculated based on the prevailing swap rate for a tenor that closely aligns with the term of the lease and then adjusted for APA Group credit spreads in a currency that matches the currency of the liability.

Subsequently, the lease liability is measured in a manner similar to other financial liabilities, at amortised cost using the effective interest rate method. The liability is remeasured to reflect any reassessment of lease payments or lease modifications, or to reflect revised in-substance fixed lease payments.

Variable payments other than those included in the measurement of the lease liability above (i.e. those not based on an index or rate) are recognised in the statement of profit or loss in the period in which the event or condition that triggers those payments occur.

Short term leases (i.e. where the lease term is less than 12 months) and low-value asset leases are recognised as an expense in the statement of profit or loss on a straight-line basis.

Total cash outflow for leases amounted to $15.4 million, excluding payments for short term leases, low-value asset leases and variable payments leases.

# Notes to the consolidated financial statements continued

APA Infrastructure Trust and its Controlled Entities
For the financial year ended 30 June 2022

## Operating Assets and Liabilities

### 18. Leases continued

**APA Group as a lessor**

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.

| | 2022 $000 | 2021 $000 |
|---|---|---|
| **Finance lease receivables** | | |
| Not longer than 1 year | **1,883** | 2,237 |
| Longer than 1 year and not longer than 5 years | **8,554** | 7,016 |
| Longer than 5 years | **4,278** | 7,699 |
| **Minimum future lease payments receivable** [1] | **14,715** | 16,952 |
| Less: unearned finance lease receivables | **(4,330)** | (5,302) |
| **Present value of lease receivables** | **10,385** | 11,650 |
| Included in the consolidated statement of financial position as part of: | | |
| Current trade and other receivables (note 9) | **1,171** | 1,275 |
| Non-current receivables (note 9) | **9,214** | 10,375 |
| | **10,385** | 11,650 |

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

APA Group does not have any operating leases where it is the 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's objectives when managing capital are to safeguard its ability to continue as a going concern whilst maximising the return to securityholders through the optimisation of the debt to equity structure.

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

The capital structure of APA Group consists of cash and cash equivalents, borrowings and equity attributable to securityholders of APA. APA Group's policy is to maintain balanced and diverse funding sources through raising funds locally and from overseas from a variety of capital markets including bank loan facilities, to meet anticipated funding requirements. This funding plus operating cash flows are used to maintain and expand APA Group's assets, make distributions to securityholders, repay maturing debt and meet anticipated funding requirements.

Controlled entities are subject to externally imposed capital requirements. These relate to the Australian Financial Services Licence held by Australian Pipeline Limited, the Responsible Entity of APA Group, and were adhered to for the entirety of the 2022 and 2021 periods.

APA Group's capital management strategy has been refreshed during the year, taking into consideration the cost of capital and the state of the capital markets. It remains focused on maintaining Baa2/BBB investment grade credit ratings.

The main aspects are:

– Distribution policy balances organic growth capex funding with strong investor returns;
– Lower cost of capital and competitive investment hurdle rates;
– Investment grade credit metrics provides prudent levels of gearing and access to capital markets;
– Treasury policies ensures strong levels of liquidity and minimises risk; and
– Insightful communications ensuring strong investor engagement.

APA Group's Funds From Operations to Net Debt are better than the minimum threshold levels that Moody's and Standard & Poor's consider appropriate for APA Group's Baa2/BBB credit ratings. Funds From Operations to Net Debt is a leverage metric that measures cash flows generated by the business that are available to service debt (note: each rating agency calculates credit metrics slightly differently using their own proprietary methods). The ability to service debt and therefore creditworthiness, improves as the percentage of Funds From Operations to Net Debt increases (and vice versa).

# Notes to the consolidated financial statements continued

APA Infrastructure Trust and its Controlled Entities
For the financial year ended 30 June 2022

## Capital Management

### 19. Net debt

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

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

| | 2022 $000 | 2021 $000 |
|---|---|---|
| Cash at bank and on hand | **520,083** | 212,938 |
| Short-term deposits | **420,046** | 439,414 |
| **Cash and cash equivalents** | **940,129** | 652,352 |
| Other financial liabilities | **(2,507)** | (2,721) |
| **Current borrowings** | **(2,507)** | (2,721) |
| Guaranteed senior notes [1] | **(9,943,309)** | (9,960,728) |
| Guaranteed bank loans [2] | **(1,000,000)** | — |
| Other financial liabilities | **(7,959)** | (10,467) |
| Less: unamortised borrowing costs | **49,455** | 49,878 |
| **Non-current borrowings** | **(10,901,813)** | (9,921,317) |
| **Total borrowings** | **(10,904,320)** | (9,924,038) |
| Current lease liabilities | **(14,094)** | (13,828) |
| Non-current lease liabilities | **(43,081)** | (49,228) |
| **Total lease liabilities** | **(57,175)** | (63,056) |
| **Net debt** | **(10,021,366)** | (9,334,742) |

1. Represents JPY MTN of ¥10,000 million, GBP MTN of £1,600 million, EUR MTN of €2,350 million and USD denominated 144a notes of US$2,250 million measured at the exchange rate at reporting date, and AUD MTN of A$200 million (2021: Represents JPY MTN of ¥10,000 million, GBP MTN of £1,600 million, EUR MTN of €2,350 million and USD denominated 144a notes of US$2,250 million measured at the exchange rate at reporting date, and AUD MTN of A$200 million). Refer to note 20 for details of interest rates and maturity profiles.
2. Represents new Syndicated Facility of A$1,000 million executed in June 2022.

#### Reconciliation of net debt

| | Cash and cash equivalents $000 | Borrowings due within 1 year $000 | Borrowings due after 1 year $000 | Lease Liabilities $000 | Net debt $000 |
|---|---|---|---|---|---|
| Net debt as at 1 July 2020 | 1,172,771 | (310,613) | (10,607,382) | (69,877) | (9,815,101) |
| Cash movements | (520,145) | 2,866,999 | (2,358,421) | 16,046 | 4,479 |
| Non cash changes — leases | — | — | — | (9,225) | (9,225) |
| Foreign exchange movements due to fair value changes | (274) | (354,168) | 829,520 | — | 475,078 |
| Transfer from due after 1 year to due within 1 year | — | (2,204,939) | 2,204,939 | — | — |
| Movement of deferred borrowing costs | — | — | 10,027 | — | 10,027 |
| Net debt as at 30 June 2021 | 652,352 | (2,721) | (9,921,317) | (63,056) | (9,334,742) |
| **Net debt as at 1 July 2021** | **652,352** | **(2,721)** | **(9,921,317)** | **(63,056)** | **(9,334,742)** |
| Cash movements | **287,246** | **2,721** | **(1,000,000)** | **15,355** | **(694,678)** |
| Non cash changes — leases | **—** | **—** | **—** | **(9,474)** | **(9,474)** |
| Foreign exchange movements due to fair value changes | **531** | **—** | **17,420** | **—** | **17,951** |
| Transfer from due after 1 year to due within 1 year | **—** | **(2,507)** | **2,507** | **—** | **—** |
| Movement of deferred borrowing costs | **—** | **—** | **(423)** | **—** | **(423)** |
| **Net debt as at 30 June 2022** | **940,129** | **(2,507)** | **(10,901,813)** | **(57,175)** | **(10,021,366)** |

# Notes to the consolidated financial statements continued

APA Infrastructure Trust and its Controlled Entities
For the financial year ended 30 June 2022

## Capital Management

### 19. Net debt continued

| | 2022 $000 | 2021 $000 |
|---|---|---|
| **Financing facilities available** | | |
| **Total facilities** | | |
| Guaranteed senior notes [1] | **9,943,309** | 9,960,728 |
| Guaranteed bank loans [2] | **1,000,000** | — |
| Bank borrowings | **1,250,000** | 1,250,000 |
| | **12,193,309** | 11,210,728 |
| Facilities used at balance date | | |
| Guaranteed senior notes [1] | **9,943,309** | 9,960,728 |
| Guaranteed bank loans [2] | **1,000,000** | — |
| Bank borrowings | **—** | — |
| | **10,943,309** | 9,960,728 |
| Facilities unused at balance date | | |
| Guaranteed senior notes [1] | **—** | — |
| Guaranteed bank loans [2] | **—** | — |
| Bank borrowings | **1,250,000** | 1,250,000 |
| | **1,250,000** | 1,250,000 |

1. Represents JPY MTN of ¥10,000 million, GBP MTN of £1,600 million, EUR MTN of €2,350 million and USD denominated 144a notes of US$2,250 million measured at the exchange rate at reporting date, and AUD MTN of A$200 million (2021: Represents JPY MTN of ¥10,000 million, GBP MTN of £1,600 million, EUR MTN of €2,350 million and USD denominated 144a notes of US$2,250 million measured at the exchange rate at reporting date, and AUD MTN of A$200 million). Refer to note 20 for details of interest rates and maturity profiles.
2. Represents new Syndicated Facility of A$1,000 million executed in June 2022.

### 20. Financial risk management

APA Group's Capital Markets team 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 approved by the Audit and Risk Committee ("ARMC") and reviewed by the Board.

Based on Treasury Risk Management Policy, 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.

| Risk | Sources | Risk management framework | Financial exposure |
|---|---|---|---|
| **Market** | Commercial transactions in foreign currency and funding activities | The ARMC approves written principles for overall risk management, as well as policies covering specific areas such as liquidity risk, funding risk, foreign currency risk, interest rate risk and credit risk. APA Group's ARMC ensures there is an appropriate Risk Management Policy for the management of treasury risk and compliance with the policy through the review of monthly reporting to the Board from the Capital Markets department. | Refer to 20 (a) Market risk section. |
| **Credit** | Cash, receivables, interest bearing liabilities and hedging | | The carrying amount of financial assets recorded in the financial statements, net of any collateral held or bank guarantees held by the Group, represents APA Group's maximum exposure to credit risk in relation to those assets. |
| **Liquidity** | Ongoing business operations, financial market disruptions and new investment opportunities | | A detailed table shows APA Group's remaining contractual maturities for its non- derivative financial liabilities at the end of this section. |

# Notes to the consolidated financial statements continued

APA Infrastructure Trust and its Controlled Entities
For the financial year ended 30 June 2022

## Capital Management

### 20. Financial risk management continued

#### 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 is also exposed to price risk arising from its forward purchase contracts over listed equities and electricity price risk arising from an electricity contract for difference. The table below summarises these risks by nature of exposure and provides information about the risk mitigation strategies being applied:

| Nature | Sources of financial exposure | Risk management strategy |
|---|---|---|
| **Foreign exchange** | 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 operating cost). | Exchange rate exposures are managed within approved policy parameters utilising foreign currency forward exchange contracts (FECs), cross currency swap contracts (CCIRS) and foreign currency denominated borrowings.<br>All foreign currency exposure was managed in accordance with the Treasury Risk Management Policy, including:<br>– FECs to hedge the exchange rate risk arising from foreign currency cash flows, mainly US dollars, derived from revenues, interest payments and capital equipment purchases;<br>– CCIRS to manage the currency risk associated with foreign currency denominated borrowings; and<br>– Foreign currency denominated borrowings to manage the currency risk associated with foreign currency denominated revenue and receivables. |
| **Interest rate** | APA Group's interest rate risk is derived predominately from borrowings subject to floating interest rates. | This risk is managed by APA Group by maintaining an appropriate mix between fixed and floating rate borrowings, through the use of interest rate swap contracts. Hedging activities are evaluated regularly to align with interest rate views and defined policy, ensuring appropriate hedging strategies are applied. |
| **Equity price and electricity price** | APA Group is exposed to price risk arising from its forward purchase contracts over listed equities and electricity price risk arising from a contract for difference in an electricity sales agreement with a customer. | The equity price risk is managed by forward purchase contracts held to hedge the long term incentive awards rather than for trading purposes. APA Group does not actively trade these holdings. Electricity price risk is managed with electricity sales agreements with creditworthy counterparties. The key assumptions of the commercial contract for difference are provided in the fair value of financial instrument section. |

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

#### Foreign currency risk

*Foreign currency forward exchange contracts*

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

The carrying amount of APA Group's foreign currency denominated monetary assets, monetary liabilities and derivative notional amounts at the reporting date is as follows (converted to AUD at the spot rate at reporting date):

| 2022 | Cash & cash equivalents $000 | Total borrowings $000 | Cross currency swaps $000 | Forward exchange contract $000 | Net foreign currency position $000 |
|---|---|---|---|---|---|
| US Dollar (USD)[1] | 6,289 | (3,262,524) | (1,042,725) | 114,229 | (4,184,731) |
| Japanese Yen (JPY) | — | (106,929) | 106,929 | — | — |
| Canadian Dollar (CAD) | — | — | — | 3,864 | 3,864 |
| British Pound (GBP) | — | (2,823,925) | 2,823,925 | — | — |
| Euro (EUR) | — | (3,569,042) | 3,569,042 | 5,522 | 5,522 |
| Swedish Krona (SEK) | — | — | — | 368 | 368 |
| | 6,289 | (9,762,420) | 5,457,171 | 123,983 | (4,174,977) |

1. The net foreign currency position (comprising USD denominated borrowings and forward exchange contracts) are used to manage foreign currency risk associated with USD revenue and receivables.

# Notes to the consolidated financial statements continued

APA Infrastructure Trust and its Controlled Entities
For the financial year ended 30 June 2022

## Capital Management

### 20. Financial risk management continued

*Foreign currency forward exchange contracts* continued

| 2021 | Cash & cash equivalents $000 | Total borrowings $000 | Cross currency swaps $000 | Forward exchange contract $000 | Net foreign currency position $000 |
|---|---|---|---|---|---|
| US Dollar (USD)[1] | 3,139 | (3,001,400) | (959,268) | (105,014) | (4,062,543) |
| Japanese Yen (JPY) | — | (120,079) | 120,079 | — | — |
| British Pound (GBP) | — | (2,945,695) | 2,945,695 | 75 | 75 |
| Euro (EUR) | — | (3,715,047) | 3,715,047 | 4,313 | 4,313 |
| Swedish Krona (SEK) | — | — | — | 1,767 | 1,767 |
| | 3,139 | (9,782,221) | 5,821,553 | (98,859) | (4,056,388) |

1. The net foreign currency position (comprising USD denominated borrowings and forward exchange contracts) are used to manage foreign currency risk associated with USD revenue and receivables.

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

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

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

The following table details the FECs outstanding at reporting date:

**Cash flow hedges**

| | | Contract Value | | | |
|---|---|---|---|---|---|
| 2022 | Average contract rate $ | < 1 year $000 | 1-2 years $000 | 2-5 years $000 | Fair value $000 |
| **Forecast revenue and associated receivable** | | | | | |
| Sell USD[1] | **0.7181** | **367,150** | **431,501** | **765,901** | **(74,731)** |
| **Forecast capital purchases and operating cost** | | | | | |
| Buy USD[1] | **0.7055** | **(64,705)** | **(80,351)** | **—** | **3,408** |
| Buy EUR | **0.6298** | **(5,773)** | **—** | **—** | **(224)** |
| Buy SEK | **6.9973** | **(371)** | **—** | **—** | **(3)** |
| Buy CAD | **0.9133** | **(3,760)** | **—** | **—** | **100** |
| **Forecast foreign currency borrowings** | | | | | |
| Buy USD[1] | **0.7124** | **—** | **—** | **(1,544,025)** | **71,109** |
| | | **292,541** | **351,150** | **(778,124)** | **(341)** |

1. APA entered into a series of FEC's in February 2022 to manage FX exposure from March 2022 to December 2025 on WGP monthly revenue, the bi-annual interest payments on the USD denominated debt, and the USD denominated debt repayment in 2025.

# Notes to the consolidated financial statements continued

APA Infrastructure Trust and its Controlled Entities
For the financial year ended 30 June 2022

## Capital Management

### 20. Financial risk management continued

**Cash flow hedges** continued

| 2021 | Average contract rate $ | Contract Value < 1 year $000 | Contract Value 1-2 years $000 | Contract Value 2-5 years $000 | Fair value $000 |
|---|---|---|---|---|---|
| **Forecast revenue and associated receivable** | | | | | |
| Sell USD | 0.7103 | 204,710 | 698 | — | 10,876 |
| **Forecast capital purchases and operating cost** | | | | | |
| Buy USD | 0.7646 | (87,464) | (42) | (42) | 2,032 |
| Buy EUR | 0.6197 | (4,402) | — | — | (79) |
| Buy SEK | 5.7152 | (1,984) | — | — | (216) |
| Buy GBP | 0.4054 | (74) | — | — | 1 |
| | | 110,786 | 656 | (42) | 12,614 |

As at the reporting date, APA Group has entered into FECs to hedge the foreign currency exposure arising from anticipated future transactions, which are designated in cash flow hedge relationships.

**Cross currency swap contracts**

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

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

**Cash flow hedges**

| 2022 | 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** | | | | | | |
| 2012 GBP Medium Term Notes | AUD/GBP | **0.6530** | **—** | **—** | **(535,988)** | **—** |
| 2017 US144A | AUD/USD | **0.7668** | **—** | **—** | **—** | **(1,108,503)** |
| 2019 GBP Medium Term Notes | AUD/GBP | **0.5388** | **—** | **—** | **—** | **(742,390)** |
| 2019 JPY Medium Term Notes | AUD/JPY | **75.2220** | **—** | **—** | **—** | **(132,940)** |
| 2020 EUR Medium Term Notes | AUD/EUR | **0.5895** | **—** | **—** | **—** | **(1,017,812)** |
| 2021 EUR Medium Term Notes | AUD/EUR | **0.6464** | **—** | **—** | **—** | **(1,701,733)** |
| 2021 GBP Medium Term Notes | AUD/GBP | **0.5530** | **—** | **—** | **—** | **(452,080)** |
| **Pay USD / receive foreign currency** | | | | | | |
| 2015 EUR Medium Term Notes | USD/EUR | **0.9514** | **—** | **—** | **(990,669)** | **—** |
| 2015 GBP Medium Term Notes | USD/GBP | **0.6773** | **—** | **—** | **—** | **(1,284,565)** |
| | | | **—** | **—** | **(1,526,657)** | **(6,440,023)** |

# Notes to the consolidated financial statements continued

APA Infrastructure Trust and its Controlled Entities
For the financial year ended 30 June 2022

## Capital Management

### 20. Financial risk management continued

**Cash flow hedges** continued

| 2021 | 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** | | | | | | |
| 2012 GBP Medium Term Notes | AUD/GBP | 0.6530 | — | — | (535,988) | — |
| 2017 US144A | AUD/USD | 0.7668 | — | — | — | (1,108,503) |
| 2019 GBP Medium Term Notes | AUD/GBP | 0.5388 | — | — | — | (742,390) |
| 2019 JPY Medium Term Notes | AUD/JPY | 75.2220 | — | — | — | (132,940) |
| 2020 EUR Medium Term Notes | AUD/EUR | 0.5895 | — | — | — | (1,017,812) |
| 2021 EUR Medium Term Notes | AUD/EUR | 0.6464 | — | — | — | (1,701,733) |
| 2021 GBP Medium Term Notes | AUD/GBP | 0.5530 | — | — | — | (452,080) |
| **Pay USD / receive foreign currency** | | | | | | |
| 2015 EUR Medium Term Notes | USD/EUR | 0.9514 | — | — | — | (911,379) |
| 2015 GBP Medium Term Notes | USD/GBP | 0.6773 | — | — | — | (1,181,751) |
| | | | — | — | (535,988) | (7,248,588) |

**Foreign currency denominated borrowings**

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

**Foreign currency sensitivity analysis**

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

- Net profit would increase by $1.6 million with a 20 percent depreciation of the A$ or decrease by $1.0 million with a 20 percent increase in A$ (2021: nil); and
- Equity reserves would decrease by $465.4 million with a 20 percent depreciation of the A$ or increase by $311.7 million with a 20 percent increase in A$ (2021: decrease by $1,028.0 million or increase by $685.6 million respectively).

**Interest rate risk**

APA Group's interest rate risk is derived predominately from borrowings. This risk is managed by APA Group 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. Interest rate risk relating to APA Group's financial assets is limited to cash and cash equivalents amounting to $940.1 million as at 30 June 2022 (2021: $652.4 million), and to the loan receivable amounting to $598.6 million as at 30 June 2022 (2021: nil).

**Cross currency swap and interest rate swap contracts**

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

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

# Notes to the consolidated financial statements continued

APA Infrastructure Trust and its Controlled Entities
For the financial year ended 30 June 2022

## Capital Management

### 20. Financial risk management continued

**Cross currency swap and interest rate swap contracts** continued

The following table details the notional principal amounts and remaining terms of the cross currency swap contracts outstanding as at the end of the financial year:

| | Weighted average interest rate | | Notional principal amount | | Fair value | |
|---|---|---|---|---|---|---|
| | 2022 % p.a. | 2021 % p.a. | 2022 $000 | 2021 $000 | 2022 $000 | 2021 $000 |
| **Cash flow hedges – Pay fixed AUD interest – receive floating AUD or fixed foreign currency** | | | | | | |
| Less than 1 year | **—** | — | **—** | — | **—** | — |
| 1 year to 2 years | **—** | — | **—** | — | **—** | — |
| 2 years to 5 years[1] | **4.20** | 4.25 | **2,026,657** | 535,988 | **25,153** | 69,513 |
| 5 years and more[1] | **2.84** | 2.94 | **6,940,023** | 7,248,588 | **(248,442)** | (262,750) |
| | | | **8,966,680** | 7,784,576 | **(223,289)** | (193,237) |

1. This amount includes a notional amount of USD 1.6 billion (2021: USD 1.6 billion) which is subject to USD interest rate risk.

The cross currency swap and interest rate swap contracts 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 cross currency swap and 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 on borrowings.

The following tables detail before tax information of APA Group (excluding share of hedge reserves of associates) regarding derivative financial instruments outstanding at the end of the reporting period, their related hedged items and the effectiveness of the hedging relationships.

| | Fair value of hedge instrument | | Fair value of hedge item | | Reserve balance | |
|---|---|---|---|---|---|---|
| | 2022 $000 | 2021 $000 | 2022 $000 | 2021 $000 | 2022 $000 | 2021 $000 |
| **Foreign exchange risk** | | | | | | |
| Hedging foreign currency borrowings (cross currency swap) | **(231,643)** | (193,237) | **242,494** | 204,225 | **245,054** | 398,468 |
| Hedging revenue and associated receivables (foreign currency borrowings) | **(54,244)** | (90,663) | **54,244** | 90,663 | **54,244** | 90,663 |
| Hedging revenue and associated receivables (FECs) | **(74,731)** | 10,876 | **74,731** | (10,789) | **73,826** | (10,423) |
| Hedging foreign currency borrowings (FEC) | **71,109** | — | **(71,109)** | — | **(5,681)** | — |
| Hedging capital purchases (FECs) | **3,281** | 1,738 | **(3,281)** | (1,739) | **(3,281)** | (1,738) |
| Hedging AUD borrowings (IRS) | **8,353** | — | **(8,087)** | — | **(8,087)** | — |
| | **(277,875)** | (271,286) | **288,992** | 282,360 | **356,076** | 476,970 |

| | Change in fair values of hedge instruments[1] | | Change in fair values of hedged items[1] | |
|---|---|---|---|---|
| | 2022 $000 | 2021 $000 | 2022 $000 | 2021 $000 |
| Hedging foreign currency borrowings (cross currency swap) | **(38,406)** | 114,389 | **38,269** | (137,314) |
| Hedging revenue and associated receivables (foreign currency borrowings) | **(34,816)** | 162,624 | **34,816** | (162,624) |
| Hedging revenue and associated receivables (FECs) | **(74,731)** | 33,160 | **74,731** | (33,115) |
| Hedging foreign currency borrowings (FEC) | **71,109** | — | **(71,109)** | — |
| Hedging capital purchases (FECs) | **3,271** | 4,830 | **(3,271)** | (4,831) |
| Hedging AUD borrowings (IRS) | **8,353** | — | **(8,087)** | — |
| | **(65,220)** | 315,003 | **65,349** | (337,884) |

1. This table excludes change in fair values of forecast transactions no longer expected to occur.

# Notes to the consolidated financial statements continued

APA Infrastructure Trust and its Controlled Entities
For the financial year ended 30 June 2022

**Capital Management**

## 20. Financial risk management continued

| | Hedge ineffectiveness gain / (loss) | | Balance relating to discontinued cash flow hedges | |
|---|---|---|---|---|
| | **2022 $000** | **2021 $000** | **2022 $000** | **2021 $000** |
| **Foreign exchange risk** | | | | |
| Hedging foreign currency borrowings (CCIRS) | **(8,616)** | (926) | **—** | 2,349 |
| Interest rate risk – Hedging AUD borrowings (IRS) | **266** | — | **—** | — |
| Hedging revenue and associated receivables (FEC) | **—** | 87 | **—** | — |
| Hedging revenue and associated receivables (foreign currency borrowings) | **—** | — | **118,312** | — |
| | **(8,350)** | (839) | **118,312** | 2,349 |
| **Interest rate risk** | | | | |
| Hedging US$ denominated borrowings (interest rate swap) | **—** | — | **28,084** | 33,108 |
| | **—** | — | **28,084** | 33,108 |

### 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 change in interest rates over the short term. At reporting date, if interest rates had been 100 basis points lower or higher and all other variables were held constant, APA Group's equity reserves would increase by $69,768,000 with a 100 basis point decrease in interest rates or decrease by $41,240,000 with a 100 basis point increase in interest rates (2021: increase by $46,784,000 or decrease by $4,943,000 respectively). This is due to the changes in the fair value of derivative interest instruments.

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

### Price risk – equity price

APA Group is exposed to price risk arising from its forward purchase contracts over listed equities. The forward purchase contracts are held to hedge long term incentive awards rather than for trading purposes. APA Group does not actively trade these holdings.

### Price risk – electricity price

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

### b) Credit risk

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

### Credit risk management

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

# Notes to the consolidated financial statements continued

APA Infrastructure Trust and its Controlled Entities
For the financial year ended 30 June 2022

## Capital Management

### 20. Financial risk management continued

**Overview of APA Group's exposure to credit risk**

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

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

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

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

| | External credit rating | Internal credit rating | ECL method [1] |
|---|---|---|---|
| Cash and cash equivalents and cash on deposit | A- (Standard & Poor's)/ A3 (Moody's) or higher | Performing | 12-month ECL |
| Trade receivables | N/A | — [2] | Lifetime ECL (simplified approach) |
| Finance lease receivables | N/A | — [2] | Lifetime ECL (simplified approach) |
| Contract assets | N/A | — [2] | Lifetime ECL (simplified approach) |
| Loan receivable | N/A | — [3] | Lifetime ECL |
| Loans advanced to related parties | N/A | Performing | 12-month ECL |
| Redeemable preference shares (GDI) | N/A | Performing | 12-month ECL |

1. Lifetime ECL represents the expected credit losses (ECL) that will result from possible default events over the expected life of a financial instrument. In contrast, 12-month ECL represents the portion of lifetime ECL that is expected to result from default events on a financial instrument that are possible within 12 months after the reporting date.
2. For trade receivables, finance lease receivables and contract assets, APA Group has applied the simplified approach in AASB 9 to measure the loss allowance at lifetime ECL. APA Group determines the expected credit losses on these items by using a provision matrix, estimated based on historical credit loss experience based on the past due status of the debtors, adjusted as appropriate to reflect current conditions and estimates of future economic conditions. Accordingly, the credit risk profile of these assets is presented based on their past due status in terms of the provision matrix. Note 9 includes further details on the loss allowance for these assets respectively if any.
3. Loan receivable considered credit-impaired at initial recognition and classified as purchased or originated credit impaired ("POCI") assets. Accordingly, lifetime expected credit losses (ECLs) are included in the estimated cash flows when calculating the credit-adjusted effective interest rate (EIR) on initial recognition and no loss allowance is recognised. APA continues to inspect any indication of deterioration of debt subsequent to the acquisition date in determining whether any objective evidence exists to be impaired. There has been no movement in expected credit losses since the date of acquisition. Refer to Note 9 for further detail.

**Cross guarantee**

In accordance with a deed of cross guarantee, APA Infrastructure 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 2022 has been determined to be immaterial and no liability has been recorded (2021: $nil).

# Notes to the consolidated financial statements continued

APA Infrastructure Trust and its Controlled Entities
For the financial year ended 30 June 2022

## Capital Management

### 20. Financial risk management continued

#### c) Liquidity risk

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

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

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

| 2022 | Maturity | Average interest rate % p.a. | Less than 1 year $000 | 1-5 years $000 | More than 5 years $000 |
|---|---|---|---|---|---|
| **Unsecured financial liabilities** | | | | | |
| Trade and other payables | | | 416,998 | — | — |
| Unsecured bank borrowings [1] | | | 24,620 | (7,827) | (6,766) |
| **Denominated in A$** | | | | | |
| Other financial liabilities | | | 2,842 | 7,219 | 1,351 |
| **Denominated in US$** | | | | | |
| **Guaranteed Senior Notes [2]** | | | | | |
| **Denominated in A$** | | | | | |
| 2016 AUD Medium Term Notes | 20 Oct 23 | 3.75 | 7,500 | 203,750 | — |
| **Denominated in US$** | | | | | |
| 2015 US 144A [3] | 23 Mar 25 | 4.20 | 66,991 | 1,729,179 | — |
| 2015 US 144A [3] | 23 Mar 35 | 5.00 | 21,750 | 87,001 | 609,246 |
| 2017 US 144A | 15 Jul 27 | 4.25 | 58,523 | 234,508 | 1,137,587 |
| **Denominated in stated foreign currency** | | | | | |
| 2012 GBP Medium Term Notes | 26 Nov 24 | 4.25 | 39,459 | 595,445 | — |
| 2015 GBP Medium Term Notes [3] | 22 Mar 30 | 3.50 | 57,602 | 230,408 | 1,457,371 |
| 2015 EUR Medium Term Notes [3] | 22 Mar 27 | 2.00 | 43,544 | 1,164,847 | — |
| 2019 GBP Medium Term Notes | 18 Jul 31 | 3.13 | 33,687 | 134,933 | 893,843 |
| 2019 JPY Medium Term Notes | 13 Jun 34 | 1.03 | 5,606 | 22,533 | 172,292 |
| 2020 EUR Medium Term Notes | 15 Jul 30 | 2.00 | 39,235 | 157,263 | 1,155,458 |
| 2021 EUR Medium Term Notes | 15 Mar 29 | 0.75 | 27,388 | 109,627 | 983,069 |
| 2021 EUR Medium Term Notes | 15 Mar 33 | 1.25 | 29,249 | 117,075 | 949,168 |
| 2021 GBP Medium Term Notes | 15 Mar 36 | 2.50 | 19,184 | 76,789 | 625,000 |
| | | | 894,178 | 4,862,750 | 7,977,619 |

1. Bank facilities mature or expire on 18 July 2022 ($50 million limit), 30 June 2023 ($500 million limit), 1 July 2023 ($50 million limit), 18 July 2023 ($100 million limit), 31 December 2023 ($500 million limit), 19 December 2025 ($50 million limit), 20 May 2027 ($500 million limit) and 20 May 2029 ($500 million limit). Additionally, undrawn bank facilities are maturing or expiring in FY23 and FY24.
2. Rates shown are the coupon rate in the currency of issuance.
3. Facilities are denominated in or fully swapped by way of CCIRS into US$. Cashflows represent the US$ cashflow translated at the USD/AUD spot rate as at 30 June 2022. These amounts are fully hedged by FECs or future US$ revenues.

# Notes to the consolidated financial statements continued

APA Infrastructure Trust and its Controlled Entities
For the financial year ended 30 June 2022

## Capital Management

### 20. Financial risk management continued

#### c) Liquidity risk continued

| 2021 | Maturity | Average interest rate % p.a. | Less than 1 year $000 | 1-5 years $000 | More than 5 years $000 |
|---|---|---|---|---|---|
| **Unsecured financial liabilities** | | | | | |
| Trade and other payables | | | 314,560 | — | — |
| Unsecured bank borrowings [1] | | | — | — | — |
| **Denominated in A$** | | | | | |
| Other financial liabilities | | | 3,146 | 9,349 | 2,063 |
| **Denominated in US$** | | | | | |
| **Guaranteed Senior Notes** [2] | | | | | |
| **Denominated in A$** | | | | | |
| 2016 AUD Medium Term Notes | 20 Oct 23 | 3.75 | 7,500 | 211,250 | — |
| **Denominated in US$** | | | | | |
| 2015 US 144A [3] | 23 Mar 25 | 4.20 | 61,629 | 1,652,409 | — |
| 2015 US 144A [3] | 23 Mar 35 | 5.00 | 20,009 | 80,037 | 580,493 |
| 2017 US 144A | 15 Jul 27 | 4.25 | 59,037 | 234,380 | 1,196,239 |
| **Denominated in stated foreign currency** | | | | | |
| 2012 GBP Medium Term Notes | 26 Nov 24 | 4.25 | 39,459 | 634,904 | — |
| 2015 GBP Medium Term Notes [3] | 22 Mar 30 | 3.50 | 52,992 | 212,073 | 1,393,824 |
| 2015 EUR Medium Term Notes [3] | 22 Mar 27 | 2.00 | 40,059 | 160,237 | 951,438 |
| 2019 GBP Medium Term Notes | 18 Jul 31 | 3.13 | 33,595 | 135,026 | 927,438 |
| 2019 JPY Medium Term Notes | 13 Jun 34 | 1.03 | 5,606 | 22,518 | 177,913 |
| 2020 EUR Medium Term Notes | 15 Jul 30 | 2.00 | 39,666 | 157,155 | 1,194,801 |
| 2021 EUR Medium Term Notes | 15 Mar 29 | 0.75 | 27,388 | 109,702 | 1,010,382 |
| 2021 EUR Medium Term Notes | 15 Mar 33 | 1.25 | 29,249 | 117,155 | 978,336 |
| 2021 GBP Medium Term Notes | 15 Mar 36 | 2.50 | 19,184 | 76,842 | 644,132 |
| | | | 753,079 | 3,813,037 | 9,057,059 |

1. Bank facilities mature or expire on 16 May 2022 ($50 million limit), 18 July 2022 ($150 million limit), 30 June 2023 ($500 million limit), 31 December 2023 ($500 million limit) and 19 December 2025 ($50 million limit).
2. Rates shown are the coupon rate in the currency of issuance.
3. Facilities are denominated in or fully swapped by way of CCIRS into US$. Cashflows represent the US$ cashflow translated at the USD/AUD spot rate as at 30 June 2021. These amounts are fully hedged by FECs or future US$ revenues.

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

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

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

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

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

Transfers between levels of the fair value hierarchy occur at the end of the reporting period. There have been no transfers between the levels during 2022 (2021: none). Transfers between Level 1 and Level 2 are triggered when there are changes to the availability of quoted prices in active markets. Transfers into Level 3 are triggered when the observable inputs become no longer observable, or vice versa for transfer out of Level 3.

# Notes to the consolidated financial statements continued

APA Infrastructure Trust and its Controlled Entities
For the financial year ended 30 June 2022

## Capital Management

### 20. Financial risk management continued

#### c) Liquidity risk

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

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

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

**Contract for difference**

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

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

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

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

**Fair value hierarchy**

| 2022 | Level 1 $000 | Level 2 $000 | Level 3 $000 | Total $000 |
|---|---|---|---|---|
| **Financial assets measured at fair value** | | | | |
| Equity forwards designated as fair value through profit or loss | — | 4,615 | — | 4,615 |
| Interest rate swaps used for hedging | — | 12,392 | — | 12,392 |
| Cross currency interest rate swap contracts used for hedging | — | 235,200 | — | 235,200 |
| Foreign currency forward exchange contracts used for hedging | — | 104,204 | — | 104,204 |
| Contract for difference | — | — | 9,260 | 9,260 |
| | — | 356,411 | 9,260 | 365,671 |
| **Financial liabilities measured at fair value** | | | | |
| Interest rate swaps used for hedging | — | 4,039 | — | 4,039 |
| Cross currency interest rate swap contracts used for hedging | — | 466,843 | — | 466,843 |
| Foreign currency forward exchange contracts used for hedging | — | 104,545 | — | 104,545 |
| Indexed revenue contract | — | 11,671 | — | 11,671 |
| Contract for difference | — | — | 11,196 | 11,196 |
| | — | 587,098 | 11,196 | 598,294 |

# Notes to the consolidated financial statements continued

APA Infrastructure Trust and its Controlled Entities
For the financial year ended 30 June 2022

## Capital Management

### 20. Financial risk management continued

**Fair value hierarchy** continued

| 2021 | Level 1 $000 | Level 2 $000 | Level 3 $000 | Total $000 |
|---|---|---|---|---|
| **Financial assets measured at fair value** | | | | |
| Cross currency interest rate swap contracts used for hedging | — | 193,004 | — | 193,004 |
| Foreign currency forward exchange contracts used for hedging | — | 22,724 | — | 22,724 |
| Contract for difference | — | — | 29,742 | 29,742 |
| | — | 215,728 | 29,742 | 245,470 |
| **Financial liabilities measured at fair value** | | | | |
| Equity forwards designated as fair value through profit or loss | — | 2,211 | — | 2,211 |
| Cross currency interest rate swap contracts used for hedging | — | 386,241 | — | 386,241 |
| Foreign currency forward exchange contracts used for hedging | — | 10,110 | — | 10,110 |
| Indexed revenue contract | — | 3,365 | — | 3,365 |
| Contract for difference | — | — | 1,216 | 1,216 |
| | — | 401,927 | 1,216 | 403,143 |

**Reconciliation of Level 3 fair value measurements**

| | 2022 $000 | 2021 $000 |
|---|---|---|
| Opening balance | **28,526** | 10,508 |
| Revaluation | **(27,160)** | 13,943 |
| Settlement | **(3,302)** | 4,075 |
| **Closing balance** | **(1,936)** | 28,526 |

**Fair value measurements of financial instruments measured at amortised cost**

For financial assets measured at amortised cost, the measurement is deemed to approximate their fair values (refer note 9). 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)[1] | |
|---|---|---|---|---|
| | 2022 $000 | 2021 $000 | 2022 $000 | 2021 $000 |
| **Financial liabilities** | | | | |
| Unsecured Australian Dollar Medium Term Notes | **200,000** | 200,000 | **197,715** | 212,150 |
| Unsecured Japanese Yen Medium Term Notes | **106,929** | 120,079 | **100,310** | 123,105 |
| Unsecured US Dollar 144A Medium Term Notes | **3,262,524** | 3,001,400 | **3,212,952** | 3,405,782 |
| Unsecured British Pound Medium Term Notes | **2,823,925** | 2,945,695 | **2,492,879** | 3,173,349 |
| Unsecured Euro Medium Term Notes | **3,569,042** | 3,715,047 | **2,874,233** | 3,790,914 |
| | **9,962,420** | 9,982,221 | **8,878,089** | 10,705,300 |

1. 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 APA Group's credit risk. These instruments are classified in the fair value hierarchy at Level 2.

# Notes to the consolidated financial statements continued

APA Infrastructure Trust and its Controlled Entities
For the financial year ended 30 June 2022

## Capital Management

### 21. Other financial instruments

| | Assets | | Liabilities | |
|---|---|---|---|---|
| | 2022 $000 | 2021 $000 | 2022 $000 | 2021 $000 |
| Derivatives at fair value: | | | | |
| – Contract for difference | **—** | 3,885 | **11,196** | — |
| – Equity forward contracts | **646** | — | **—** | 498 |
| Derivatives at fair value designated as hedging instruments: | | | | |
| – Cross currency interest rate swaps – cash flow hedges | **17,527** | 19,463 | **163,304** | 158,433 |
| – Foreign exchange contracts – cash flow hedges | **13,247** | 22,684 | **26,710** | 10,100 |
| – Interest rate swaps – cash flow hedges | **—** | — | **4,481** | — |
| Financial items carried at amortised cost: | | | | |
| – Redeemable preference shares | **—** | 10,400 | **—** | — |
| – Redeemable preference share interest | **153** | 285 | **—** | — |
| **Current** | **31,573** | 56,717 | **205,691** | 169,031 |
| Derivatives at fair value: | | | | |
| – Contract for difference | **9,260** | 24,641 | **—** | — |
| – Equity forward contracts | **3,969** | — | **—** | 1,713 |
| – Indexed revenue contracts | **—** | — | **11,671** | 3,365 |
| Derivatives at fair value designated as hedging instruments: | | | | |
| – Cross currency interest rate swaps – cash flow hedges | **235,200** | 193,004 | **332,629** | 255,813 |
| – Foreign exchange contracts – cash flow hedges | **90,955** | 39 | **77,834** | 10 |
| – Interest rate swaps – cash flow hedges | **12,392** | — | **—** | — |
| Financial items carried at amortised cost: | | | | |
| – Redeemable preference shares | **10,400** | — | **—** | — |
| **Non-current** | **362,176** | 217,684 | **422,134** | 260,901 |

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 were redeemed in December 2021 and new redeemable preference shares were issued. The shares attract periodic interest payments and have a redemption date 10 years from issue.

**Recognition and measurement**

*Classification of financial assets*

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

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

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

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

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

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

Derivatives that APA Group does not elect to apply hedge accounting to or do not meet the hedge accounting criteria, are classified as 'financial assets/liabilities' for accounting purposes and accounted for at FVTPL.

**Fair value measurement**

For information about the methods and assumptions used in determining the fair value of financial instruments refer to note 20.

# Notes to the consolidated financial statements continued

APA Infrastructure Trust and its Controlled Entities
For the financial year ended 30 June 2022

## Capital Management

### 21. Other financial instruments continued

**Hedge accounting**

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

At the inception of the hedge relationship, APA Group formally designates and documents the relationship between the hedging instrument and the hedged item, along with its risk management objectives and its strategy for undertaking various hedge transactions. Furthermore, at the inception of the hedge and on an ongoing basis, APA Group expects the hedging instrument is effective in offsetting changes in fair values or cash flows of the hedged item attributable to the hedged risk, which is when the hedging relationships meet all of the following hedge effectiveness requirements:

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

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

The fair value of hedging derivatives is classified as either current or non-current based on the timing of the underlying discounted cash flows of the instrument. Cash flows due within 12 months of the reporting date are classified as current and cash flows due after 12 months of the reporting date are classified as non-current.

**IBOR Replacement Impact**

AASB 2020-8 Amendments to Australian Accounting Standards – Interest Rate Benchmark Reform Phase 2 was issued in September 2020 and is effective for APA Group from 1 July 2021. APA Group does not have any debt or derivative instruments directly linked to US LIBOR, EURIBOR, GBP LIBOR or JPY LIBOR (collectively 'IBORs'). APA Group only has an indirect exposure to the IBORs in relation to the valuation of Cross Currency Interest Rate Swaps that are designated in hedging relationships. APA will monitor/assess any potential impact on the valuation of derivative instrument in the future.

**Cash flow hedges**

The effective portion of changes in the fair value of derivatives and other qualifying hedging instruments that are designated and qualify as cash flow hedges is recognised in other comprehensive income and accumulated under the cash flow hedge reserve, limited to the cumulative change in fair value of the hedged item from inception of the hedge. The gain or loss relating to the ineffective portion is recognised immediately in profit or loss, and is included in the 'finance costs' line item.

Amounts previously recognised in other comprehensive income and accumulated in equity are reclassified to profit or loss in the periods when the hedged item affects profit or loss, in the same line as the recognised hedged item. However, when the hedged forecast transaction results in the recognition of a non-financial asset or a non-financial liability, the gains and losses previously recognised in other comprehensive income and accumulated in equity are removed from equity and included in the initial measurement of the cost of the non-financial asset or non-financial liability. This transfer does not affect other comprehensive income. Furthermore, if APA Group expects that some or all of the loss accumulated in the cash flow hedging reserve will not be recovered in the future, that amount is immediately reclassified to profit or loss.

APA Group discontinues hedge accounting only when the hedging relationship (or a part thereof) ceases to meet the qualifying criteria (after rebalancing, if applicable). This includes instances when the hedging instrument expires or is sold, terminated or exercised. The discontinuation is accounted for prospectively. Any gain or loss recognised in other comprehensive income and accumulated in cash flow hedge reserve at that time remains in equity and is reclassified to profit or loss when the forecast transaction occurs. When a forecast transaction is no longer expected to occur, the gain or loss accumulated in the cash flow hedge reserve is reclassified immediately to profit or loss.

**Accounting for the forward element of foreign currency forward exchange contracts and foreign currency basis spreads of financial instruments**

APA Group designates the full change in the fair value of an FEC (i.e. including the forward elements) as the hedging instrument for all of its hedging relationships involving FECs.

APA Group separates the foreign currency basis spread from a financial instrument and excludes it from the designation of that financial instrument as the hedging instrument. Changes in the value of the undesignated aligned foreign currency basis spread associated with cross currency interest rate swaps are deferred in other comprehensive income.

# Notes to the consolidated financial statements continued

APA Infrastructure Trust and its Controlled Entities
For the financial year ended 30 June 2022

## Capital Management

### 21. Other financial instruments continued

**Cash flow hedge and cost of hedging reserve**

The cash flow hedge reserve represents the cumulative amount of gains and losses on hedging instruments deemed effective in cash flow hedges. The cumulative deferred gain or loss on the hedging instrument is recognised in profit or loss only when the hedged transaction impacts the profit or loss, or is included directly in the initial cost or other carrying amount of the hedged non-financial items.

The cost of hedging reserve represents the effect of the changes in fair value of the forward currency basis spread of a financial instrument when the foreign currency basis spread of a financial instrument is excluded from the designation of that financial instrument as the hedging instrument (consistent with APA Group's accounting policy to recognise non-designated component of foreign currency derivative in equity). The changes in fair value of the foreign currency basis spread of a financial instrument, in relation to a time-period related hedged item accumulated in the cash flow hedging reserve, are amortised to profit or loss on a rational basis over the term of the hedging relationship.

| | 2022 $000 | 2021 $000 |
|---|---|---|
| Balance at beginning of financial year | **(366,724)** | (700,786) |
| **Gain/(loss) recognised taken to equity:** | | |
| Gain/(loss) arising on changes in fair value of hedging instruments | **(200,185)** | 421,547 |
| Changes in fair value of foreign currency basis spread during the year | **47,815** | (46,941) |
| Share of hedge reserve of associate | **25,018** | 12,420 |
| Amount reclassified to P&L for forecast transactions no longer expected to occur | **—** | 61,289 |
| Amount reclassified to P&L for effective hedges | **160,481** | 28,916 |
| Tax effect | **(9,940)** | (143,169) |
| **Balance at end of financial year** | **(343,535)** | (366,724) |

The foreign currency basis spread reserve balance at beginning of financial year is ($70.0 million) and at end of financial year is $12.5 million in 2022 (2021: $58.2 million at beginning of financial year).

**Hedge ineffectiveness**

Hedge effectiveness is determined at the inception of the hedge relationship, and through periodic prospective effectiveness assessments to ensure that an economic relationship exists between the hedged item and hedging instrument.

In hedges of foreign currency capital equipment purchases, ineffectiveness may arise if the timing of the forecast transaction changes from what was originally estimated, or if there are changes in the credit risk of APA Group or the derivative counterparty.

Hedge ineffectiveness for cross currency interest rate swaps is assessed using the same principles as for hedges of foreign currency capital equipment purchases. It may occur due to the credit value/debit value adjustment on the swap contracts which is not matched by the debts.

**Impairment of financial assets**

In relation to the impairment of financial assets, it is no longer necessary for a credit event to have occurred before credit losses are recognised. APA Group applies an ECL model to account for ECL and changes in those ECL at each reporting date to reflect changes in credit risk since initial recognition of a financial asset.

APA Group recognises a loss allowance for ECL on investments in debt instruments that are measured at amortised cost, for example, loans advanced to related parties and trade receivables. No impairment loss is recognised for investments in equity instruments. For trade receivables, finance lease receivables and contract assets, APA Group applies the simplified approach to assessing ECL. Under the simplified approach, ECL on these financial assets is estimated using a provision matrix. This matrix is based on APA Group's historical credit losses and reasonable and supportable information that is available without undue cost.

The amount of ECL under either approach is updated at each reporting date to reflect changes in credit risk since initial recognition of the respective financial instrument.

APA Group recognises an impairment gain or loss in profit or loss for all financial instruments with a corresponding adjustment to their carrying amount through a loss allowance account. Aside from the additional disclosure requirements in note 20, the history of collection rates and forward-looking information that is available without undue cost or effort shows that APA Group does not have an expected loss on collection of debtors or loans.

**Significant increase in credit risk**

An actual or expected significant deterioration in the financial instrument's external (if available) or internal credit rating.

**Definition of default**

When there is a breach of financial covenants by the debtor.

**Write-off policy**

APA Group writes off a financial asset when all reasonable attempts at recovery have been taken and failed e.g. debts that are considered irrecoverable, or where the cost of recovery is uneconomic, must be written off as a bad debt.

# Notes to the consolidated financial statements continued

APA Infrastructure Trust and its Controlled Entities
For the financial year ended 30 June 2022

## Capital Management

### 22. Issued capital

| | 2022 $000 | 2021 $000 |
|---|---|---|
| **Units** | | |
| 1,179,893,848 securities, fully paid (2021: 1,179,893,848 securities, fully paid)[1] | **2,225,463** | 2,571,420 |

1. Fully paid securities carry one vote per security and carry the right to distributions.

| | 2022 No. of units $000 | 2022 $000 | 2021 No. of units $000 | 2021 $000 |
|---|---|---|---|---|
| **Movements** | | | | |
| Balance at beginning of financial year | **1,179,894** | 2,571,420 | **1,179,894** | 2,902,123 |
| Capital distributions paid (note 8) | **—** | (345,957) | **—** | (330,703) |
| **Balance at end of financial year** | **1,179,894** | 2,225,463 | **1,179,894** | 2,571,420 |

The Trust does not have a limited amount of authorised capital.

## Group Structure

### 23. Non-controlling interests

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

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

| | 2022 $000 | 2021 $000 |
|---|---|---|
| **Financial position** | | |
| Current assets | **936** | 894 |
| Non-current assets | **656,998** | 784,171 |
| **Total assets** | **657,934** | 785,065 |
| Current liabilities | **15** | 10 |
| **Total liabilities** | **15** | 10 |
| **Net assets** | **657,919** | 785,055 |
| **Equity attributable to non-controlling interests** | **657,919** | 785,055 |
| **Financial performance** | | |
| Revenue | **29,161** | 42,914 |
| Expenses | **(12)** | (13) |
| **Profit for the year** | **29,149** | 42,901 |
| **Total comprehensive income allocated to non-controlling interests for the year** | **29,149** | 42,901 |
| **Cash flows** | | |
| **Net cash provided by operating activities** | **30,051** | 43,741 |
| **Net cash provided by investing activities** | **126,236** | 126,637 |
| Distributions paid to non-controlling interests | **(156,285)** | (170,377) |
| **Net cash used in financing activities** | **(156,285)** | (170,377) |

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

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

# Notes to the consolidated financial statements continued

APA Infrastructure Trust and its Controlled Entities
For the financial year ended 30 June 2022

## Group Structure

### 23. Non-controlling interests continued

| | 2022 $000 | 2021 $000 |
|---|---|---|
| APA Investment Trust | **657,919** | 785,055 |
| | **657,919** | 785,055 |
| **APA Investment Trust** | | |
| **Issued capital:** | | |
| Balance at beginning of financial year | **765,313** | 887,845 |
| Distribution – capital return (note 8) | **(120,896)** | (122,532) |
| | **644,417** | 765,313 |
| **Retained earnings:** | | |
| Balance at beginning of financial year | **19,742** | 24,686 |
| Net profit attributable to APA Investment Trust unitholders | **29,149** | 42,901 |
| Distributions paid (note 8) | **(35,389)** | (47,845) |
| | **13,502** | 19,742 |

### 24. 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 | 2022 | 2021 |
| **Joint ventures:** | | | | |
| SEA Gas | Gas transmission | Australia | **50.00** | 50.00 |
| SEA Gas (Mortlake) | Gas transmission | Australia | **50.00** | 50.00 |
| Energy Infrastructure Investments | Energy infrastructure | Australia | **19.90** | 19.90 |
| EII 2 | Power generation (wind) | Australia | **20.20** | 20.20 |
| **Associates:** | | | | |
| GDI (EII) | Gas distribution | Australia | **20.00** | 20.00 |

| | 2022 $000 | 2021 $000 |
|---|---|---|
| **Investment in joint ventures and associates using the equity method** | **265,636** | 240,201 |
| **Joint Ventures** | | |
| Aggregate carrying amount of investment | **237,354** | 217,702 |
| APA Group's aggregated share of: | | |
| – Profit from continuing operations | **22,375** | 25,265 |
| – Other comprehensive income | **18,383** | 10,226 |
| **Total comprehensive income** | **40,758** | 35,491 |
| **Associates** | | |
| Aggregate carrying amount of investment | **28,282** | 4,963 |
| APA Group's aggregated share of: | | |
| – Profit from continuing operations | **22,499** | 4,512 |
| – Other comprehensive income | **6,635** | 2,194 |
| **Total comprehensive income** | **11,598** | 6,706 |

# Notes to the consolidated financial statements continued

APA Infrastructure Trust and its Controlled Entities
For the financial year ended 30 June 2022

## Group Structure

### 24. Joint arrangements and associates continued

**Investment in associates**

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

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

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

Carrying value of the investment in joint arrangement and associates are subject to impairment testing if there is objective evidence of impairment. No material indicators were identified in the joint arrangements and associates as at the date of the issuance of these financial statements.

**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 26.

APA Group is a venturer in the following joint operations:

| Name of venture | Principal activity | Ownership interest % 2022 | Ownership interest % 2021 |
|---|---|---|---|
| Goldfields Gas Transmission [1] | Gas pipeline operation – Western Australia | **88.2** | 88.2 |
| Mid West Pipeline [2] | Gas pipeline operation – Western Australia | **—** | 50.0 |

1. On 17 August 2004, APA acquired a direct interest in the Goldfields Gas Transmission joint operations as part of the SCP Gas Business acquisition.
2. APA Group divested it's 50% ownership in Mid West Pipeline during FY22.

**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.

## Group Structure

### 25. Subsidiaries

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

| Name of entity | Country of registration / incorporation | Ownership interest % 2022 | Ownership interest % 2021 |
|---|---|---|---|
| **Parent entity** | | | |
| APA Infrastructure Trust [1] | | | |
| **Subsidiaries** | | | |
| Agex Pty. Ltd. [2, 3] | Australia | **100** | 100 |
| APA (BWF Holdco) Pty Ltd [2, 3] | Australia | **100** | 100 |
| APA (EDWF Holdco) Pty Ltd [2, 3] | Australia | **100** | 100 |
| APA (EPX) Pty Limited [2, 3] | Australia | **100** | 100 |
| APA (NBH) Pty Limited [2, 3] | Australia | **100** | 100 |
| APA (Pilbara Pipeline) Pty Ltd [2, 3] | Australia | **100** | 100 |
| APA (SWQP) Pty Limited [2, 3] | Australia | **100** | 100 |
| APA (WA) One Pty Limited [2, 3] | Australia | **100** | 100 |
| APA AIS 1 Pty Limited [2, 3] | Australia | **100** | 100 |
| APA AIS 2 Pty Ltd [2, 3] | Australia | **100** | 100 |

# Notes to the consolidated financial statements continued

APA Infrastructure Trust and its Controlled Entities
For the financial year ended 30 June 2022

## Group Structure

### 25. Subsidiaries continued

| Name of entity | Country of registration / incorporation | Ownership interest % 2022 | Ownership interest % 2021 |
|---|---|---|---|
| **Subsidiaries** continued | | | |
| APA AIS Pty Limited [2, 3] | Australia | **100** | 100 |
| APA AM (Allgas) Pty Limited [2, 3] | Australia | **100** | 100 |
| APA BIDCO Pty Limited [2, 3] | Australia | **100** | 100 |
| APA Biobond Pty Limited [2, 3] | Australia | **100** | 100 |
| APA Country Pipelines Pty Limited [2, 3] | Australia | **100** | 100 |
| APA DPS Holdings Pty Limited [2, 3] | Australia | **100** | 100 |
| APA DPS2 Pty Limited [2, 3] | Australia | **100** | 100 |
| APA East Pipelines Pty Limited [2, 3] | Australia | **100** | 100 |
| APA EE Australia Pty Limited [2, 3] | Australia | **100** | 100 |
| APA EE Corporate Shared Services Pty Limited [2, 3] | Australia | **100** | 100 |
| APA EE Holdings Pty Limited [2, 3] | Australia | **100** | 100 |
| APA EE Pty Limited [2, 3] | Australia | **100** | 100 |
| APA Electricity T&D Holdings Pty Ltd [2, 3] | Australia | **100** | 100 |
| APA Electricity T&D Pty Ltd [2, 3] | Australia | **100** | 100 |
| APA Ethane Pty Limited [2, 3] | Australia | **100** | 100 |
| APA Facilities Management Pty Limited [2, 3] | Australia | **100** | 100 |
| APA Group Limited [2, 5] | Australia | **100** | 100 |
| APA Infrastructure Limited [2, 3, 5] | Australia | **100** | 100 |
| APA Midstream Holdings Pty Limited [2, 3] | Australia | **100** | 100 |
| APA Northern Goldfields Interconnect Pty Ltd [2, 3] | Australia | **100** | 100 |
| APA Operations (EII) Pty Limited [2, 3] | Australia | **100** | 100 |
| APA Operations Pty Limited [2, 3] | Australia | **100** | 100 |
| APA Orbost Gas Plant Pty Ltd [2, 3] | Australia | **100** | 100 |
| APA Pipelines Investments (BWP) Pty Limited [2, 3] | Australia | **100** | 100 |
| APA Power Holdings Pty Limited [2, 3] | Australia | **100** | 100 |
| APA Power PF Pty Limited [2, 3] | Australia | **100** | 100 |
| APA Reedy Creek Wallumbilla Pty Limited [2, 3] | Australia | **100** | 100 |
| APA SEA Gas (Mortlake) Holdings Pty Ltd [2, 3] | Australia | **100** | 100 |
| APA SEA Gas (Mortlake) Pty Ltd [2] | Australia | **100** | 100 |
| APA Services (Int) Inc. | United States | **100** | 100 |
| APA Sub Trust No 1 [2, 4] | — | **100** | 100 |
| APA Sub Trust No 2 [2, 4] | — | **100** | 100 |
| APA Sub Trust No 3 [2, 4] | — | **100** | 100 |
| APA Transmission Pty Limited [2, 3] | Australia | **100** | 100 |
| APA US Investments | United States | **100** | 100 |
| APA VTS A Pty Limited [2, 3] | Australia | **100** | 100 |
| APA VTS Australia (Holdings) Pty Limited [2, 3] | Australia | **100** | 100 |
| APA VTS Australia (NSW) Pty Limited [2, 3] | Australia | **100** | 100 |
| APA VTS Australia (Operations) Pty Limited [2, 3] | Australia | **100** | 100 |
| APA VTS Australia Pty Limited [2, 3] | Australia | **100** | 100 |
| APA VTS B Pty Limited [2, 3] | Australia | **100** | 100 |
| APA Western Slopes Pipeline Pty Limited [2, 3] | Australia | **100** | 100 |
| APA WGP Pty Ltd [2, 3] | Australia | **100** | 100 |
| APT (MIT) Services Pty Limited [2, 3] | Australia | **100** | 100 |
| APT AM (Stratus) Pty Limited [2, 3] | Australia | **100** | 100 |
| APT AM Employment Pty Limited [2, 3] | Australia | **100** | 100 |
| APT AM Holdings Pty Limited [2, 3] | Australia | **100** | 100 |
| APT Facility Management Pty Limited [2, 3] | Australia | **100** | 100 |
| APT Goldfields Pty Ltd [2, 3] | Australia | **100** | 100 |
| APT Management Services Pty Limited [2, 3] | Australia | **100** | 100 |
| APT O&M Holdings Pty Ltd [2, 3] | Australia | **100** | 100 |
| APT O&M Services (QLD) Pty Ltd [2, 3] | Australia | **100** | 100 |
| APT O&M Services Pty Ltd [2, 3] | Australia | **100** | 100 |
| APT Parmelia Holdings Pty Ltd [2, 3] | Australia | **100** | 100 |
| APT Parmelia Pty Ltd [2, 3] | Australia | **100** | 100 |
| APT Parmelia Trust [2, 3] | Australia | **100** | 100 |

# Notes to the consolidated financial statements continued

APA Infrastructure Trust and its Controlled Entities
For the financial year ended 30 June 2022

## Group Structure

### 25. Subsidiaries continued

| Name of entity | Country of registration / incorporation | Ownership interest % 2022 | Ownership interest % 2021 |
|---|---|---|---|
| **Subsidiaries** continued | | | |
| APT Petroleum Pipelines Holdings Pty Limited [2, 3] | Australia | **100** | 100 |
| APT Petroleum Pipelines Pty Limited [2, 3] | Australia | **100** | 100 |
| APT Pipelines (NSW) Pty Limited [2, 3] | Australia | **100** | 100 |
| APT Pipelines (NT) Pty Limited [2, 3] | Australia | **100** | 100 |
| APT Pipelines (QLD) Pty Limited [2, 3] | Australia | **100** | 100 |
| APT Pipelines (SA) Pty Limited [2, 3] | Australia | **100** | 100 |
| APT Pipelines (WA) Pty Limited [2, 3] | Australia | **100** | 100 |
| APT Pipelines Investments (NSW) Pty Limited [2, 3] | Australia | **100** | 100 |
| APT Pipelines Investments (WA) Pty Limited [2, 3] | Australia | **100** | 100 |
| APT Sea Gas Holdings Pty Limited [2, 3] | Australia | **100** | 100 |
| APT SPV2 Pty Ltd [2] | Australia | **100** | 100 |
| APT SPV3 Pty Ltd [2] | Australia | **100** | 100 |
| Central Ranges Pipeline Pty Ltd [2, 3] | Australia | **100** | 100 |
| Darling Downs Solar Farm Pty Ltd [2, 3] | Australia | **100** | 100 |
| Diamantina Holding Company Pty Limited [2, 3] | Australia | **100** | 100 |
| Diamantina Power Station Pty Limited [2, 3] | Australia | **100** | 100 |
| East Australian Pipeline Pty Limited [2, 3] | Australia | **100** | 100 |
| EDWF Holdings 1 Pty Ltd [2, 3] | Australia | **100** | 100 |
| EDWF Holdings 2 Pty Ltd [2, 3] | Australia | **100** | 100 |
| EDWF Manager Pty Ltd [2, 3] | Australia | **100** | 100 |
| Epic Energy East Pipelines Trust [2, 4] | — | **100** | 100 |
| EPX Holdco Pty Limited [2, 3] | Australia | **100** | 100 |
| EPX Member Pty Limited [2, 3] | Australia | **100** | 100 |
| EPX Trust [2, 4] | — | **100** | 100 |
| Ethane Pipeline Income Financing Trust [2, 4] | — | **100** | 100 |
| Ethane Pipeline Income Trust [2, 4] | — | **100** | 100 |
| Gasinvest Australia Pty Ltd [2, 3] | Australia | **100** | 100 |
| GasNet A Trust [4] | — | **100** | 100 |
| GasNet Australia Investments Trust [4] | — | **100** | 100 |
| GasNet Australia Trust [2, 4] | — | **100** | 100 |
| Goldfields Gas Transmission Pty Ltd [2] | Australia | **100** | 100 |
| Gorodok Pty. Ltd. [2, 3] | Australia | **100** | 100 |
| Griffin Windfarm 2 Pty Ltd [4] | Australia | **100** | 100 |
| Moomba to Sydney Ethane Pipeline Trust [2, 4] | — | **100** | 100 |
| N.T. Gas Distribution Pty Limited [2, 3] | Australia | **100** | 100 |
| N.T. Gas Easements Pty. Limited [2, 3] | Australia | **100** | 100 |
| N.T. Gas Pty Limited | Australia | **96** | 96 |
| Roverton Pty. Ltd. [2, 3] | Australia | **100** | 100 |
| SCP Investments (No. 1) Pty Limited [2, 3] | Australia | **100** | 100 |
| SCP Investments (No. 2) Pty Limited [2, 3] | Australia | **100** | 100 |
| SCP Investments (No. 3) Pty Limited [2, 3] | Australia | **100** | 100 |
| Sopic Pty. Ltd. [2, 3] | Australia | **100** | 100 |
| Southern Cross Pipelines (NPL) Australia Pty Limited [2, 3] | Australia | **100** | 100 |
| Southern Cross Pipelines Australia Pty Limited [2, 3] | Australia | **100** | 100 |
| Trans Australia Pipeline Pty Ltd [2, 3] | Australia | **100** | 100 |
| Votraint No. 1606 Pty Limited [2] | Australia | **100** | 100 |
| Votraint No. 1613 Pty Limited [2] | Australia | **100** | 100 |
| Western Australian Gas Transmission Company 1 Pty Ltd [2, 3] | Australia | **100** | 100 |
| Wind Portfolio Pty Ltd [2, 3] | Australia | **100** | 100 |

1. APA Infrastructure Trust is the head entity within the APA tax-consolidated group.
2. These entities are members of the APA tax-consolidated group.
3. These wholly-owned subsidiaries have entered into a deed of cross guarantee with APA Infrastructure Limited pursuant to ASIC Corporations Instrument 2016/785 and are relieved from the requirement to prepare and lodge an audited financial report.
4. These trusts are unincorporated and not required to be registered.
5. The entity's name was changed during the financial year. Refer to note 2 for further details.

# Notes to the consolidated financial statements continued

APA Infrastructure Trust and its Controlled Entities
For the financial year ended 30 June 2022

## Other

### 26. Commitments and contingencies

| | 2022 $000 | 2021 $000 |
|---|---|---|
| **Capital expenditure commitments** | | |
| APA Group – plant and equipment | **549,108** | 231,871 |
| APA Group's share of jointly controlled operations – plant and equipment | **18,734** | 19,708 |
| | **567,842** | 251,579 |
| **Contingent liabilities** | | |
| Bank guarantees | **41,516** | 46,207 |

APA Group is subject to a range of operational matters, which can at times raise exposure to assets and liabilities that are uncertain and cannot be measured reliably. This includes our exposure to matters such as regulatory requirements, changes in law, climate change policy, changes to licencing and recognised practising codes including health, safety and environment, employee entitlements, environmental laws and regulations, occupational health and safety requirements, technical and safety standards and asset construction and operation compliance requirements. The preparation of the financial statements requires management to make judgements and estimates and form assumptions that affect the amounts of contingent assets and liabilities reported in the financial statements.

These judgements, estimates and assumptions are based on the most current facts and circumstances and are reassessed on an ongoing basis, the results of which form the basis of the reported amounts that are not readily apparent from other sources. Actual results may differ from these estimates under different assumptions and conditions. This may materially affect financial results and the financial position to be reported in future periods. APA Group continues to assess these judgements, estimates and assumptions relating to the disclosure of contingent assets and liabilities.

Contingent assets and liabilities relate predominantly to possible benefits or obligations whose existence will only be confirmed by uncertain future events and present obligations where the transfer of economic resources is not probable or cannot be reliably estimated. Therefore such amounts are not recognised in the financial statements.

As at 30 June 2022 and 30 June 2021 APA Group had no material contingent liabilities, other than the bank guarantees disclosed above.

APA Group had nil contingent assets as at 30 June 2022 and 30 June 2021.

### 27. Director and Executive Key Management Personnel remuneration

**Remuneration of Directors**

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

| | 2022 $ | 2021 $ |
|---|---|---|
| Short-term employment benefits | **1,749,069** | 1,747,871 |
| Post-employment benefits | **174,905** | 166,046 |
| **Total remuneration: Non-Executive Directors** | **1,923,974** | 1,913,917 |
| Short-term employment benefits | **2,653,667** | 2,531,865 |
| Post-employment benefits | **27,500** | 25,000 |
| Cash settled security-based payments | **229,988** | 232,375 |
| Equity settled security-based payments | **1,077,997** | 715,473 |
| **Total remuneration: Executive Director** | **3,989,152** | 3,504,713 |
| **Total remuneration: Directors** | **5,913,126** | 5,418,630 |
| **Remuneration of Executive Key Management Personnel** [1] | | |
| The aggregate remuneration of Executive Key Management Personnel of APA Group is set out below: | | |
| Short-term employment benefits | **8,126,785** | 9,769,520 |
| Post-employment benefits | **187,427** | 170,832 |
| Cash settled security-based payments | **556,642** | 1,117,783 |
| Equity settled security-based payments | **2,941,305** | 1,970,322 |
| **Total remuneration: Executive Key Management Personnel** | **11,812,159** | 13,028,457 |

1. In FY21, the remuneration for the former Chief Financial Officer, Peter Fredricson to 31 December 2020, current Chief Financial Officer, Adam Watson from 16 November 2020, and Group Executive Strategy & Commercial, Julian Peck from 20 August 2020, are included in the remuneration disclosure for Executive Key Management Personnel. All existing non-executive directors and executive management personnel served a term of at least 12 months in FY22. Since the end of FY22, Julian Peck has resigned and will be exiting the business during FY23.

# Notes to the consolidated financial statements continued

APA Infrastructure Trust and its Controlled Entities
For the financial year ended 30 June 2022

## Other

### 28. Remuneration of external auditor

| | 2022 $ | 2021 $ |
|---|---|---|
| **Amounts received or due and receivable by Deloitte Touche Tohmatsu for:** | | |
| **Audit or review of the financial reports:** | | |
| Group | **804,000** | 754,900 |
| Subsidiaries | **8,500** | 8,300 |
| **Total audit or review of the financial reports** | **812,500** | 763,200 |
| **Audit or review of the regulatory financial reporting to the Australian Energy Regulator and Economic Regulation Authority** | | |
| Subsidiaries | **564,000** | 911,766 |
| **Total audit or review of the financial reports** | **564,000** | 911,766 |
| **Audit or review of the National Greenhouse and Energy Reporting** [1] | | |
| Group | **78,773** | 224,258 |
| Subsidiaries | **30,000** | 30,000 |
| **Total audit or review of the National Greenhouse and Energy Reporting** | **108,773** | 254,258 |
| **Statutory assurance services required by legislation to be provided by the auditor** | | |
| Agreed-upon procedures in relation to ASIC Regulatory Guide 231 requirements [2] | **11,500** | 11,100 |
| ASIC Compliance plan audit | **21,500** | 21,000 |
| Financial services licence audit | **8,500** | 8,300 |
| **Total statutory assurance services required by legislation to be provided by the auditor** | **41,500** | 40,400 |
| **Other assurance services** [3] | **213,285** | 534,253 |
| Non-audit services [4] | **60,530** | — |
| **Total remuneration of external auditor** | **1,800,588** | 2,503,877 |

1. Service provided includes assurance procedures on the energy and emissions reports and submissions required under the relevant National Greenhouse and Energy Reporting legislations, and review of APA Group's National Greenhouse and Energy Reporting systems and controls.
2. Service provided includes Agreed-upon procedures in relation to ASIC Regulatory Guide 231 requirements.
3. Services provided were in accordance with the external auditor independence policy. Other assurance services mainly comprise assurance services in relation to due diligence processes for potential merger and acquisitions.
4. Services provided were in accordance with the external auditor independence policy. Non-audit services mainly comprise of:
   - The provision of technology licencing and related support services that are provided by an entity acquired by the external auditor during the year ended 30 June 2022; and
   - The provision of modelling services for a consortium of partners, including APA, for a feasibility study into the development of a hydrogen project.

### 29. Related party transactions

#### a) Equity interest in related parties

Details of the percentage of ordinary securities held in subsidiaries are disclosed in note 25 and the details of the percentage held in joint operations, joint ventures and associates are disclosed in note 24.

#### b) Responsible Entity – APA Group Limited

The Responsible Entity is wholly owned by APA Infrastructure 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; and
- Payments of distributions.

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

# Notes to the consolidated financial statements continued

APA Infrastructure Trust and its Controlled Entities
For the financial year ended 30 June 2022

## Other

### 29. Related party transactions continued

**c) Transactions with related parties within APA Group** continued

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

Refer to note 25 for details of the entities that comprise APA Group.

Management fees of $9,947,420 (2021: $8,529,313) 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 27.

APA Group 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 APA Infrastructure Limited, the principal borrowing entity of APA Group.

**d) Transactions with other associates and joint ventures**

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

| | Dividends from related parties $000 | Sales to related parties $000 | Purchases from related parties $000 | Amount owed by related parties $000 | Amount owed to related parties $000 |
|---|---|---|---|---|---|
| **2022** | | | | | |
| SEA Gas | **13,744** | **2,299** | **—** | **20** | **—** |
| Energy Infrastructure Investments | **3,185** | **30,674** | **—** | **8,128** | **—** |
| EII 2 | **4,176** | **838** | **—** | **360** | **—** |
| GDI (EII) | **5,816** | **59,602** | **—** | **6,589** | **—** |
| | **26,921** | **93,413** | **—** | **15,097** | **—** |
| **2021** | | | | | |
| SEA Gas | 14,050 | 2,253 | — | 28 | — |
| Energy Infrastructure Investments | 4,494 | 31,855 | — | 5,506 | — |
| EII 2 | 4,023 | 1,071 | — | 351 | — |
| GDI (EII) | 5,809 | 50,522 | — | 5,804 | — |
| | 28,376 | 85,701 | — | 11,689 | — |

### 30. 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.

| | 2022 $000 | 2021 $000 |
|---|---|---|
| **Financial position** | | |
| **Assets** | | |
| Current assets | **1,605,699** | 1,997,226 |
| Non-current assets | **632,664** | 660,498 |
| **Total assets** | **2,238,363** | 2,657,724 |
| **Liabilities** | | |
| Current liabilities | **5,081** | 76,809 |
| **Total liabilities** | **5,081** | 76,809 |
| **Net assets** | **2,233,282** | 2,580,915 |
| **Equity** | | |
| Issued capital | **2,225,463** | 2,571,420 |
| Retained earnings | **7,819** | 9,495 |
| **Total equity** | **2,233,282** | 2,580,915 |
| **Financial performance** | | |
| Profit for the year | **109,629** | 101,055 |
| **Total comprehensive income** | **109,629** | 101,055 |

# Notes to the consolidated financial statements continued

APA Infrastructure Trust and its Controlled Entities
For the financial year ended 30 June 2022

## Other

### 30. Parent entity information continued

**Guarantees entered into by the parent entity in relation to the debts of its subsidiaries**

APA Group 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 APA Infrastructure Limited, the principal borrowing entity of APA Group.

Due to the contingent nature of these financial guarantees no liability has been recorded (2021: $nil).

**Contingent liabilities of the parent entity**

Refer to note 26 for contingent liabilities. Bank guarantees are issued by the parent entity.

### 31. Adoption of new and revised Accounting Standards

**New and amended Accounting Standards that are effective for the current period**

APA Group has adopted all the new and revised Standards and Interpretations issued by the Australian Accounting Standards Board (AASB) that are relevant to its operations and effective for an accounting period that begins on or after 1 July 2021.

**AASB 2020-8 Amendments to Australian Accounting Standards – Interest Rate Benchmark Reform – Phase 2 Impact of the initial application of Interest Rate Benchmark Reform**

In the prior year, APA Group adopted the Phase 1 amendments AASB 2019-3 Amendments to Australian Accounting Standards – Interest Rate Benchmark Reform. These amendments modify specific hedge accounting requirements to allow hedge accounting to continue for affected hedges during the period of uncertainty before the hedged items or hedging instruments are amended as a result of the interest rate benchmark reform.

In the current year, APA Group also adopted the Phase 2 amendments in AASB 2020-8. Adopting these amendments enables the Group to reflect the effects of transitioning from interbank offered rates (IBOR) to alternative benchmark interest rates (also referred to as 'risk free rates' or RFRs) without giving rise to accounting impacts that would not provide useful information to users of financial statements. The Group has not restated the prior period.

Both the Phase 1 and Phase 2 amendments are relevant to APA Group because it applies hedge accounting to its interest rate benchmark exposures, and in the current period no modifications in response to the reform are required to be made to APA Group's derivative and non-derivative financial instruments that mature post 31 December 2021 (the date IBOR was replaced). There is an indirect impact on the valuation on the cross currency interest rate swaps in relation to the benchmark reform. APA Group will continue to monitor the developments and potential impact on the valuation of derivative instruments in the future.

**Standards and Interpretations issued not yet adopted**

At the date of authorisation of the financial statements, the Standards and Interpretations on issue but not yet effective are not expected to have material impact on APA Group's accounting policies or any of the amounts recognised in the financial statements.

### 32. Events occurring after reporting date

On 28 July 2022, APA completed the sale of Orbost Gas Processing Plant to Cooper Energy Limited (ASX:COE). APA continues to operate the plant and will do so until the Major Hazard Facility licence is transferred to COE. APA expects to receive cash consideration of between $270.0 million and $330.0 million. The total consideration to be received is subject to post-completion plant performance.

On 19 August 2022, APA announced that following an APA-initiated independent review of payroll, it found system errors relating to seven Enterprise Agreements, which has resulted in the identification of payment errors to employees over a seven year-period. APA has commenced a process to remediate the errors for affected employees and has included a provision of $32.4 million in its financial statements for the year ended 30 June 2022.

On 22 August 2022, APA announced that CEO and Managing Director, Rob Wheals, would be stepping down at the end of September 2022. Adam Watson, APA's Chief Financial Officer, was appointed as acting CEO while the Board undertakes a full search process for a new CEO. APA's General Manager of Investor Relations, Kynwynn Strong, was appointed as acting CFO.

On 24 August 2022, the Directors declared a final distribution of 28.00 cents per security ($330.4 million) for APA Group, an increase of 3.7%, or 1.0 cent per security over the previous corresponding period (2H FY2021: 27.0 cents per security). This is comprised of a distribution of 21.71 cents per security from APA Infrastructure Trust and a distribution of 6.29 cents per security from APA Investment Trust. The APA Infrastructure Trust distribution represents a 6.31 cents per security fully franked profit distribution and a 15.40 cents per security capital distribution. The APA Investment Trust distribution represents a 1.14 cent per security profit distribution and a 5.15 cents per security capital distribution. Franking credits of 2.70 cents per security will be allocated to the APA Infrastructure Trust franked profit distribution. The distribution is expected to be paid on 14 September 2022.

Subsequent to 30 June 2022, APA Group entered into a series of bilateral facilities that provide an additional $900.0 million of undrawn funding capacity and replaces canceled $750.0 million of aging credit lines.

As at the time of reporting, the uncertain situation in respect of COVID-19 pandemic continues to be closely monitored by management and the directors of APA Group. Nothing has come to the attention of APA Group that would require adjustment or additional disclosure in these financial statements as a result of any recent COVID-19, global and domestic political developments.

Other than the events disclosed above, there have not been any events or transactions that have occurred subsequent to year end that would require adjustment to or disclosure in the financial statements.

# Declaration by the Directors of APA Group Limited

APA Infrastructure Trust and its Controlled Entities

The Directors declare that:

a) in the Directors' opinion, there are reasonable grounds to believe that APA Infrastructure Trust will be able to pay its debts as and when they become due and payable;

b) in the Directors' opinion, the attached financial statements and notes thereto are in accordance with the Corporations Act 2001, including compliance with Accounting Standards and giving a true and fair view of the financial position and performance of APA Group;

c) in the Directors' opinion, the financial statements and notes thereto are in accordance with International Financial Reporting Standards issued by the International Accounting Standards Board; and

d) the Directors have been given the declarations by the Chief Executive Officer and Chief Financial Officer required by section 295A of the Corporations Act 2001.

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

On behalf of the Directors

**Michael Fraser**
Chairman

**Robert Wheals**
CEO and Managing Director

Sydney, 24 August 2022

# Auditor's Independence Declaration

APA Infrastructure Trust and its Controlled Entities

Deloitte.

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24 August 2022

The Directors
APA Group Limited
as Responsible entity for APA Infrastructure Trust
Level 25, 580 George Street
Sydney NSW 2000

Dear Directors

**Auditor's Independence Declaration to APA Group Limited as Responsible Entity for APA Infrastructure Trust**

In accordance with section 307C of the *Corporations Act 2001*, we are pleased to provide the following declaration of independence to the directors of APA Group Limited (formerly known as Australian Pipeline Limited) as Responsible Entity for APA Infrastructure Trust (formerly known as Australian Pipeline Trust).

As lead audit partners for the audit of the financial statements of APA Infrastructure Trust for the financial year ended 30 June 2022, we declare that to the best of our knowledge and belief, there have been no contraventions of:

(i) the auditor independence requirements of the *Corporations Act 2001* in relation to the audit; and

(ii) any applicable code of professional conduct in relation to the audit.

Yours faithfully

Deloitte Touche Tohmatsu

DELOITTE TOUCHE TOHMATSU

Jon Gatt

Jamie Gatt
Partner
Chartered Accountants

TElliott

Taralyn Elliott
Partner
Chartered Accountants

Deloitte.

Deloitte Touche Tohmatsu
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# Independent Auditor's Report to the Unitholders of APA Infrastructure Trust

## Report on the Audit of the Financial Report

### Opinion

We have audited the financial report of APA Infrastructure Trust, formerly known as Australian Pipeline Trust (the "Trust") and its controlled interests (the "Group") which comprises the consolidated statement of financial position as at 30 June 2022, the consolidated statement of profit or loss and other comprehensive income, the consolidated statement of changes in equity and the consolidated statement of cash flows for the year then ended, and notes to the consolidated financial statements, including a summary of significant accounting policies, and the directors' declaration.

In our opinion, the accompanying financial report of the Group is in accordance with the *Corporations Act 2001*, including:

- Giving a true and fair view of the Group's financial position as at 30 June 2022 and of its financial performance for the year then ended; and
- Complying with Australian Accounting Standards and the *Corporations Regulations 2001*.

### Basis for Opinion

We conducted our audit in accordance with Australian Auditing Standards. Our responsibilities under those standards are further described in the Auditor's Responsibilities for the Audit of the Financial Report section of our report. We are independent of the Group in accordance with the auditor independence requirements of the *Corporations Act 2001* and the ethical requirements of the Accounting Professional & Ethical Standards Board's APES 110 *Code of Ethics for Professional Accountants (including Independence Standards)* (the Code) that are relevant to our audit of the financial report in Australia. We have also fulfilled our other ethical responsibilities in accordance with the Code.

We confirm that the independence declaration required by the *Corporations Act 2001*, which has been given to the directors of APA Group Limited (the "Responsible Entity"), would be in the same terms if given to the directors as at the time of this auditor's report.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

# Independent Auditor's Report continued

APA Infrastructure Trust and its Controlled Entities

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## Key Audit Matters

Key audit matters are those matters that, in our professional judgement, were of most significance in our audit of the financial report for the current period. These matters were addressed in the context of our audit of the financial report as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters.

| Key Audit Matter | How the scope of our audit responded to the Key Audit Matter |
|---|---|
| **Provision arising from payroll review**<br><br>As disclosed in Notes 2 and 15, the Group identified that certain employees were not paid in full compliance with the Group's obligations under its enterprise agreements ("EAs").<br><br>As at 30 June 2022, the Group has estimated the provision required to remediate the payment errors as it relates to current and former employees subject to the Group's EAs for FY22 and prior years, including interest and other associated costs to be $32.4 million before tax.<br><br>As required by the Australian Accounting Standards, $22.1 million has been reflected as a prior period error and the Group has restated each of the affected FY21 line items.<br><br>We consider the evaluation of the provision to be a Key Audit Matter because:<br>• The estimate is based on a significant volume of historical data from multiple different sources;<br>• Involved a high degree of complexity including the consideration of multiple EAs with differing applicable clauses;<br>• Required the evaluation of interpretations applied and assumptions made;<br>• Extends across multiple periods;<br>• Expected to be subject to regulatory review by the Fair Work Ombudsman; and<br>• Will require further detailed analysis. | Our procedures, performed in conjunction with our regulatory and compliance specialists in the field of pay and industrial relations, included, but were not limited to:<br>• Obtained an understanding of the approach and methodology adopted by the Group to estimate the provision.<br>• Evaluated the competence, capabilities and objectivity of the Group's external experts used to assist management in the estimation of the provision and the interpretation of the applicable EAs.<br>• Obtained an understanding of the scope and procedures performed by the Group's external experts and reviewed their reports and legal advice.<br>• Obtained and critically evaluated the data and key assumptions used by management and their external experts in estimating the provision, including the period over which the pay remediation is required.<br>• Tested the valuation and accuracy of the financial model for a sample of EAs, by:<br>  - Sample checking data accuracy to underlying systems; and<br>  - Performing model integrity checks.<br>• Reperformed the remediation estimate and evaluated the results for a sample of employees.<br>• For periods for which detailed calculations have not been performed, assessed the reasonableness of the extrapolation of data and assumptions made.<br>• Assessed the adequacy of the disclosures in Notes 2 and 15 of the financial statements. |

# Independent Auditor's Report continued

APA Infrastructure Trust and its Controlled Entities

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| Key Audit Matter | How the scope of our audit responded to the Key Audit Matter |
|---|---|
| **Derivative transactions and the application of hedge accounting for the Wallumbilla Gladstone Pipeline (WGP)**<br><br>As disclosed in Notes 20 and 21, revenue in respect of the WGP contract is denominated in US dollars and is contracted to be received until 2035.<br><br>The Group manages the currency risk on this US dollar revenue by using:<br><br>• US dollar borrowings (as a natural hedge of future US dollar revenue);<br>• Cross currency interest rate swaps used to convert foreign currency denominated borrowings (in British Pounds and Euros) to US dollars; and<br>• Foreign currency forward contracts to hedge the portion of the exchange rate risk not covered by the US dollar borrowings and cross currency interest rate swaps.<br><br>The hedge relationships for the WGP revenue and borrowings are complex, including discontinuation of a portion of the hedge during the year. Further, the revenue and the instruments used as hedges have different cash flow profiles and the cross-currency interest rate swaps need to be bifurcated into separate currency pairs for the application of hedge accounting. | Our procedures, performed in conjunction with our treasury specialists, included, but were not limited to:<br><br>• Obtained an understanding of management's controls over the recording of derivative transactions and the application of hedge accounting.<br>• Evaluated the appropriateness of the valuation methodologies applied and tested, on a sample basis, the valuation of the derivative financial instruments.<br>• Tested, on a sample basis, the application of hedge accounting and evaluated whether the financial instruments qualified for hedge accounting in accordance with AASB 9 *Financial Instruments*.<br>• Tested the hedge effectiveness assessment, taking into consideration the different cash flow profiles of the US Dollar revenue and hedges and the requirement to apportion the cross-currency interest rate swaps.<br>• Tested whether the effective portion of the fair value movement in the US Dollar borrowings and derivatives was appropriately deferred in reserves.<br>• Tested the amount deferred in reserves on discontinuation of hedge accounting for the US dollar borrowing and the reserve amortisation to the reporting date; and<br>• Reviewed the adequacy of the disclosures in Notes 20 and 21 to the financial statements in accordance with Australian Accounting Standards. |

### Other Information

The directors of the Responsible Entity (the "Directors") are responsible for the other information. The other information comprises the information included in the Group's annual report for the year ended 30 June 2022 but does not include the financial report and our auditor's report thereon.

Our opinion on the financial report does not cover the other information and we do not express any form of assurance conclusion thereon.

In connection with our audit of the financial report, our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the financial report or our knowledge obtained in the audit, or otherwise appears to be materially misstated.

If, based on the work we have performed, we conclude that there is a material misstatement of this other information, we are required to report that fact. We have nothing to report in this regard.

# Independent Auditor's Report continued

APA Infrastructure Trust and its Controlled Entities

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**Responsibilities of the Directors for the Financial Report**

The directors of the Responsible Entity are responsible for the preparation of the financial report that gives a true and fair view in accordance with Australian Accounting Standards and the *Corporations Act 2001* and for such internal control as the directors determine is necessary to enable the preparation of the financial report that gives a true and fair view and is free from material misstatement, whether due to fraud or error.

In preparing the financial report, the directors are responsible for assessing the ability of the Group to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless the directors either intend to liquidate the Group or to cease operations, or has no realistic alternative but to do so.

**Auditor's Responsibilities for the Audit of the Financial Report**

Our objectives are to obtain reasonable assurance about whether the financial report as a whole is free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance but is not a guarantee that an audit conducted in accordance with the Australian Auditing Standards will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of this financial report.

As part of an audit in accordance with the Australian Auditing Standards, we exercise professional judgement and maintain professional scepticism throughout the audit. We also:

- Identify and assess the risks of material misstatement of the financial report, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.

- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Group's internal control.

- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by the directors.

- Conclude on the appropriateness of the directors' use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Group's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the financial report or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Group to cease to continue as a going concern.

- Evaluate the overall presentation, structure and content of the financial report, including the disclosures, and whether the financial report represents the underlying transactions and events in a manner that achieves fair presentation.

- Obtain sufficient appropriate audit evidence regarding the financial information of the entities or business activities within the Group to express an opinion on the financial report. We are responsible for the direction, supervision and performance of the Group's audit. We remain solely responsible for our audit opinion.

We communicate with the directors regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

We also provide the directors with a statement that we have complied with relevant ethical requirements regarding independence, and to communicate with them all relationships and other matters that may reasonably be thought to bear on our independence, and where applicable, actions taken to eliminate threats or safeguards applied.

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From the matters communicated with the directors, we determine those matters that were of most significance in the audit of the financial report of the current period and are therefore the key audit matters. We describe these matters in our auditor's report unless law or regulation precludes public disclosure about the matter or when, in extremely rare circumstances, we determine that a matter should not be communicated in our report because the adverse consequences of doing so would reasonably be expected to outweigh the public interest benefits of such communication.

**Report on the Remuneration Report**

*Opinion on the Remuneration Report*

We have audited the Remuneration Report of APA Group Limited, as Responsible Entity for APA Infrastructure Trust, included on pages 38 to 53 of the Directors' Report for the year ended 30 June 2022.

In our opinion, the Remuneration Report of APA Group Limited for the year ended 30 June 2022 has been prepared in accordance with section 300A of the *Corporations Act 2001*.

*Responsibilities*

The directors have voluntarily presented the Remuneration Report of the APA Group Limited, as Responsible Entity for APA Infrastructure Trust, which has been prepared in accordance with section 300A of the *Corporations Act 2001*. Our responsibility is to express an opinion on the Remuneration Report, based on our audit conducted in accordance with Australian Auditing Standards.

Deloitte Touche Tohmatsu

DELOITTE TOUCHE TOHMATSU

Jamie Gatt
Partner
Chartered Accountants
Sydney, 24 August 2022

T Elliott

Taralyn Elliott
Partner
Chartered Accountants
Sydney, 24 August 2022

# Directors' Report

APA Investment Trust and its Controlled Entities

The Directors of APA Group Limited (the Responsible Entity) submit their report and the annual financial report of APA Investment Trust (APA Invest) and its controlled entities (together the Consolidated Entity) for the financial year ended 30 June 2022. This report refers to the consolidated results of APA Invest, one of the 2 stapled entities of APA Group, with the other stapled entity being APA Infrastructure Trust (together APA).

## 1. Directors

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

| Current Directors | First Appointed |
|---|---|
| **Michael Fraser** | 1 September 2015 / Chairman: 27 October 2017 |
| **Robert (Rob) Wheals** | Chief Executive Officer and Managing Director: 6 July 2019 |
| **Steven (Steve) Crane** | 1 January 2011 |
| **James Fazzino** | 21 February 2019 |
| **Debra (Debbie) Goodin** | 1 September 2015 |
| **Shirley In't Veld** | 19 March 2018 |
| **Rhoda Phillippo** | 1 June 2020 |
| **Peter Wasow** | 19 March 2018 |

The Company Secretaries of the Responsible Entity during the year were Nevenka Codevelle (until 22 October 2021) and Amanda Cheney.

## 2. Principal activities

The Consolidated Entity operates as an investment and financing entity within the APA Group.

## 3. State of affairs

On 22 October 2021, Hannah McCaughey resigned as Group Executive Transformation and Technology.

On 22 October 2021, Nevenka Codevelle resigned as Group Executive of Governance and External Affairs.

Shirley Chowdhary held the position of Interim Group Executive, Governance and External Affairs from 18 October 2021 to 21 December 2021.

Amanda Cheney was appointed to the new Executive Leadership Team position of Group General Counsel and Company Secretary on 30 May 2022 and continues to hold this role.

On 6 May 2022, APA Group changed its group entity names to better reflect its renewed focus on energy infrastructure, with a portfolio of gas, electricity, solar and wind assets across Australia. The naming conventions, now harmonised across the APA Group, are:

- Australian Pipeline Limited changed to APA Group Limited (APA)
- Australian Pipeline Trust changed to APA Infrastructure Trust (APA Infra)
- APT Investment Trust changed to APA Investment Trust (APA Invest)

## 4. Subsequent events

On 22 August 2022, APA announced that CEO and Managing Director, Rob Wheals, would be stepping down at the end of September 2022. Adam Watson, APA's Chief Financial Officer, was appointed as acting CEO while the Board undertakes a full search process for a new CEO. APA's General Manager of Investor Relations, Kynwynn Strong, was appointed as acting CFO.

On 24 August 2022, the Directors declared a final distribution of 28.0 cents per security ($330.4 million) for APA Group, an increase of 3.7%, or 1.0 cent per security over the previous corresponding period (30 June 2021: 27.0 cents). This comprises a distribution of 21.71 cents per security from APA Infrastructure Trust and a distribution of 6.29 cents per security from APA Investment Trust.

The APA distribution represents 6.31 cents per security fully franked profit distribution and 15.40 cents per security capital distribution. The APA Investment Trust distribution represents a 1.14 cent per security unfranked profit distribution and 2.70 cents capital distribution. The distribution is expected to be paid on 14 September 2022.

As at the time of reporting, the uncertain situation in respect of COVID-19 pandemic continues to be closely monitored by management and the directors of APA Group. Nothing has come to the attention of APA Group that would require adjustment or additional disclosure in these financial statements as a result of any recent COVID-19, global and domestic political developments.

Other than noted above and as disclosed elsewhere in this report, in the interval between 30 June 2022 and the date of this report, no matter or circumstance has significantly affected or may significantly affect, the Group's operations, the results of those operations, or the Group's state of affairs, in future financial years.

# **Directors' Report** continued
APA Investment Trust and its Controlled Entities

## 5. Review and results of operations
The Consolidated Entity reported net profit after tax of $29.1 million for the year ended June 30 2022 and total revenue $29.2 million.

## 6. Distributions

| | Final FY21 distribution paid 15 September 2021 | | Interim FY22 distribution paid 17 March 2022 | |
|---|---|---|---|---|
| | Cents per security | Total distribution $000 | Cents per security | Total distribution $000 |
| APA Investment Trust profit distribution | 1.67 | 19,742 | 1.33 | 15,647 |
| APA Investment Trust capital distribution | 6.70 | 79,010 | 3.55 | 41,886 |
| **Total** | 8.37 | **98,752** | **4.88** | **57,533** |

| | Final FY22 distribution payable 14 September 2022 | |
|---|---|---|
| | Cents per security | Total distribution $000 |
| APA Investment Trust profit distribution | 1.14 | 13,502 |
| APA Investment Trust capital distribution | 5.15 | 60,682 |
| **Total** | 6.29 | **74,184** |

## 7. Directors
**Information on Directors and Company Secretary**

See section 3 for information relating to the qualifications and experience of Directors and Company Secretary.

**Directorships of other listed companies**

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

| Name | Company | Period of directorship |
|---|---|---|
| **Michael Fraser** | Aurizon Holdings Limited<br>Orora Limited | Since February 2016 to February 2022<br>Since April 2022 |
| **Robert Wheals** | — | — |
| **Steven Crane** | nib holdings limited<br>SCA Property Group | September 2010 to July 2021<br>Since December 2018 |
| **James Fazzino** | Tassal Group Limited | Since May 2020, Chair since October 2021 |
| **Debra Goodin** | Senex Energy Limited<br>oOh!media Limited<br>Atlas Arteria Limited | May 2014 to November 2020<br>November 2014 to February 2020<br>Since September 2017, Chair since November 2020 |
| **Shirley In't Veld** | Northern Star Resources Limited<br>Alumina Limited<br>Develop Global Limited (formerly Venturex Resources Limited)<br>Karora Resources Inc | September 2016 to June 2021<br>Since August 2020<br>Since July 2021<br>Since December 2021 |
| **Rhoda Phillippo** | — | — |
| **Peter Wasow** | Oz Minerals Limited | Since November 2017 |

# Directors' Report continued

APA Investment Trust and its Controlled Entities

During the year, 13 Board meetings, 4 Audit and Risk Management Committee meetings, 4 People and Remuneration Committee meetings, 4 Health, Safety, Environment and Heritage Committee meetings and 3 Nomination Committee meetings were held.

| | Board | | People & Remuneration Committee | | Audit & Risk Management Committee | | Health Safety Environment & Heritage Committee | | Nomination Committee | |
|---|---|---|---|---|---|---|---|---|---|---|
| Directors | A | B | A | B | A | B | A | B | A | B |
| **Michael Fraser** | 13 | 13 | — | — | 4 | 4 | — | — | 3 | 3 |
| **Robert Wheals** | 13 | 13 | — | — | — | — | — | — | — | — |
| **Steven Crane** | 13 | 13 | 4 | 4 | 4 | 4 | — | — | 3 | 3 |
| **James Fazzino** | 13 | 13 | — | — | 4 | 4 | 4 | 4 | — | — |
| **Debra Goodin** | 13 | 13 | — | — | 4 | 4 | 4 | 3 | 3 | 3 |
| **Shirley Int'd Veld** | 13 | 13 | 4 | 4 | — | — | 4 | 4 | — | — |
| **Peter Wasow** | 13 | 13 | 4 | 4 | 4 | 4 | — | — | — | — |
| **Rhoda Phillippo** | 13 | 13 | 4 | 4 | — | — | 4 | 4 | — | — |

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

B. Number of meetings attended.

### Directors' security holdings

The aggregate number of APA securities held directly, indirectly or beneficially by Directors or their related entities at 30 June 2022 is 357,593 (FY21: 318,468).

*Directors' relevant interests in APA securities*

| Directors | Fully paid securities as at 1 July 2021 | Securities acquired | Securities disposed | Fully paid securities as at 30 June 2022 |
|---|---|---|---|---|
| Michael Fraser | 102,942 | — | — | 102,942 |
| Robert Wheals | 74,596 | 34,125 | — | 108,721 |
| Steven Crane | 30,000 | — | — | 30,000 |
| Debra Goodin | 24,179 | — | — | 24,179 |
| James Fazzino | 30,751 | — | — | 30,751 |
| Shirley In't Veld | 25,000 | — | — | 25,000 |
| Peter Wasow | 26,000 | — | — | 26,000 |
| Rhoda Phillippo | 5,000 | 5,000 | — | 10,000 |
| | **318,468** | **39,125** | **—** | **357,593** |

As at 30 June 2022, Robert Wheals held 703,328 performance rights granted under APA Group's long-term incentive plan. Each performance right is a right to receive one ordinary stapled security in APA subject to satisfaction of certain performance hurdles. Further information can be found in APA's Remuneration Report on pages 38 to 53.

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

### 8. Options granted

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

# Directors' Report continued

APA Investment Trust and its Controlled Entities

### 9. Indemnification of officers

During the year, the Responsible Entity paid a premium on a contract insuring the directors and officers of any APA Group entity against certain liability incurred in performing those roles. The contract of insurance prohibits disclosure of the specific nature of the liability and the amount of the premium.

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

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

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

### 10. Information required for registered schemes

Fees paid to the Responsible Entity and its associates (including Directors and Secretaries of the Responsible Entity, related bodies corporate and Directors and Secretaries of related bodies corporate) out of APA scheme property during the financial year are disclosed in note 18 to the financial statements.

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

The number of APA Investment Trust units issued during the financial year, and the number of APA Investment Trust units on issue at the end of the financial year, are disclosed in note 13 to the financial statements.

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

### 11. Auditor's independence declaration

A copy of the independence declaration of the auditor, Deloitte Touche Tohmatsu, as required under section 307C of the Corporations Act 2001 is included at page 138.

### 12. Rounding of amounts

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

### 13. Authorisation

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

On behalf of the Directors

**Michael Fraser**
Chairman

Sydney, 24 August 2022

**Robert Wheals**
CEO and Managing Director

# Consolidated Statement of Profit or Loss and Other Comprehensive Income

APA Investment Trust and its Controlled Entities
For the financial year ended 30 June 2022

| | Note | 2022 $000 | 2021 $000 |
|---|---|---|---|
| Revenue | 4 | **29,161** | 42,914 |
| Expenses | 4 | **(12)** | (13) |
| **Profit before tax** | | **29,149** | 42,901 |
| Income tax expense | 5 | **—** | — |
| **Profit for the year** | | **29,149** | 42,901 |
| **Other comprehensive income** | | | |
| **Total comprehensive income for the year** | | **29,149** | 42,901 |
| **Profit attributable to:** | | | |
| Unitholders of the parent | | **29,149** | 42,901 |
| | | **29,149** | 42,901 |
| **Total comprehensive income attributable to:** | | | |
| Unitholders of the parent | | **29,149** | 42,901 |

| Earnings per unit | | 2022 | 2021 |
|---|---|---|---|
| Basic and diluted (cents per unit) | 6 | **2.5** | 3.6 |

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

# Consolidated Statement of Financial Position

APA Investment Trust and its Controlled Entities
As at 30 June 2022

| | Note | 2022 $000 | 2021 $000 |
|---|---|---|---|
| **Current assets** | | | |
| Receivables | 8 | **938** | 894 |
| **Non-current assets** | | | |
| Receivables | 8 | **4,239** | 5,177 |
| Other financial assets | 11 | **652,759** | 778,994 |
| **Non-current assets** | | **656,998** | 784,171 |
| **Total assets** | | **657,936** | 785,065 |
| **Current liabilities** | | | |
| Trade and other payables | 9 | **17** | 10 |
| **Total liabilities** | | **17** | 10 |
| **Net assets** | | **657,919** | 785,055 |
| **Equity** | | | |
| Issued capital | 13 | **644,417** | 765,313 |
| Retained earnings | | **13,502** | 19,742 |
| **Total equity** | | **657,919** | 785,055 |

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

# Consolidated Statement of Changes in Equity

APA Investment Trust and its Controlled Entities
For the financial year ended 30 June 2022

| | Note | Issued capital $000 | Retained earnings $000 | Total $000 |
|---|---|---|---|---|
| Balance at 1 July 2020 | | 887,845 | 24,686 | 912,531 |
| Profit for the year | | — | 42,901 | 42,901 |
| Total comprehensive income for the year | | — | 42,901 | 42,901 |
| Distributions to unitholders | 7 | (122,532) | (47,845) | (170,377) |
| Balance at 30 June 2021 | | 765,313 | 19,742 | 785,055 |
| **Balance at 1 July 2021** | | **765,313** | **19,742** | **785,055** |
| Profit for the year | | **—** | **29,149** | **29,149** |
| Total comprehensive income for the year | | **—** | **29,149** | **29,149** |
| Distributions to unitholders | 7 | **(120,896)** | **(35,389)** | **(156,285)** |
| **Balance at 30 June 2022** | | **644,417** | **13,502** | **657,919** |

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

# Consolidated Statement of Cash Flows

APA Investment Trust and its Controlled Entities
For the financial year ended 30 June 2022

| | 2022 $000 | 2021 $000 |
|---|---|---|
| **Cash flows from operating activities** | | |
| Trust distribution – related party | **19,540** | 22,735 |
| Interest received – related parties | **8,938** | 19,513 |
| Proceeds from finance leases | **1,168** | 1,167 |
| Receipts from customers | **410** | 350 |
| Payments to suppliers | **(6)** | (25) |
| **Net cash provided by operating activities** | **30,050** | 43,740 |
| **Cash flows from investing activities** | | |
| Receipts from related parties | **126,235** | 126,637 |
| **Net cash provided by investing activities** | **126,235** | 126,637 |
| **Cash flows from financing activities** | | |
| Distributions to unitholders | **(156,285)** | (170,377) |
| **Net cash used in financing activities** | **(156,285)** | (170,377) |
| **Net movement in cash and cash equivalents** | **—** | — |
| Cash and cash equivalents at beginning of financial year | **—** | — |
| **Cash and cash equivalents at end of financial year** | **—** | — |

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

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

# Notes to the consolidated financial statements

APA Investment Trust and its Controlled Entities
For the financial year ended 30 June 2022

## Basis of Preparation

### 1. About this report

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

# Notes to the consolidated financial statements continued

APA Investment Trust and its Controlled Entities
For the financial year ended 30 June 2022

## Basis of Preparation

### 2. General information

During the financial year, APA Group annouced the following changess to the group entity names:

– APT Investment Trust ("APTIT") changed its name to APA Investment Trust ("APA Invest")

Other related entities disclosed in these financial statements:

– Australian Pipeline Trust ("APT") has changed its name to APA Infrastructure Trust ("APA Infra")
– APT Pipelines Limited ("APTPL") changed its name to APA Infrastructure Limited ("APAIL")
– Australian Pipeline Limited ("APL") changed its name to APA Group Limited ("APA")

APA Investment Trust ("APA Invest" or "Trust") is one of the two stapled trusts of APA Group, the other stapled trust being APA Infrastructure Trust. Each of APA Infrastructure Trust and APA Investment Trust are registered managed investment schemes regulated by the Corporations Act 2001. APA Investment Trust units are "stapled" to APA Infrastructure Trust units on a one-to-one basis so that one APA Investment Trust unit and one APA Infrastructure Trust unit form a single stapled security which trades on the Australian Securities Exchange under the code "APA".

This financial report represents the consolidated financial statements of APA Investment Trust and its controlled entities (together the "Consolidated Entity"). For the purposes of preparing the consolidated financial report, the Consolidated Entity is a for-profit entity.

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

APA Investment Trust's registered office and principal place of business is as follows:

Level 25, 580 George Street
Sydney NSW 2000
Telephone: (02) 9693 0000

APA Investment Trust holds APA Group's investments.

The financial report for the year ended 30 June 2022 was authorised for issue in accordance with a resolution of the directors on 24 August 2022.

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

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

## Financial Performance

### 3. Segment information

The Consolidated Entity has one reportable segment being energy infrastructure investment.

The Consolidated Entity is an investing entity within the APA Infrastructure Trust stapled group. As the Trust only operates in one segment, it has not disclosed segment information separately.

# Notes to the consolidated financial statements continued

APA Investment Trust and its Controlled Entities
For the financial year ended 30 June 2022

## Financial Performance

### 4. Profit from operations

Profit before income tax includes the following items of income and expense:

| | 2022 $000 | 2021 $000 |
|---|---|---|
| **Revenue** | | |
| **Distributions** | | |
| Trust distribution – related party | **19,540** | 22,735 |
| | **19,540** | 22,735 |
| **Finance income** | | |
| Interest – related parties | **8,938** | 19,513 |
| Finance lease income – related party | **273** | 315 |
| | **9,211** | 19,828 |
| **Other revenue** | | |
| Other | **410** | 351 |
| **Total revenue** | **29,161** | 42,914 |
| **Expenses** | | |
| Audit fees | **(12)** | (13) |
| **Total expenses** | **(12)** | (13) |

Revenue is recognised at an amount that reflects the consideration to which the Consolidated Entity expects to be entitled. Amounts disclosed as revenue are net of duties and taxes paid. Revenue is recognised for the major business activities as follows:

- **Interest revenue**, which is recognised as it accrues and is determined using the effective interest method;
- **Distribution revenue**, which is recognised when the right to receive a distribution has been established; and
- **Finance lease income**, which is recognised when receivable.

### 5. Income tax

Income tax expense is not brought to account in respect of APA Investment Trust as, pursuant to Australian taxation laws, APA Investment Trust is not liable for income tax provided that its realised taxable income (including any assessable realised capital gains) is fully distributed to its unitholders each year.

### 6. Earnings per unit

| | 2022 cents | 2021 cents |
|---|---|---|
| Basic and diluted earnings per unit | **2.5** | 3.6 |

The earnings and weighted average number of units used in the calculation of basic and diluted earnings per unit are as follows:

| | 2022 $000 | 2021 $000 |
|---|---|---|
| Net profit attributable to unitholders for calculating basic and diluted earnings per unit | **29,149** | 42,901 |

| | 2022 No. of units 000 | 2021 No. of units 000 |
|---|---|---|
| Adjusted weighted average number of ordinary units used in the calculation of: | | |
| Basic earnings per unit | **1,179,894** | 1,179,894 |
| Diluted earnings per unit[1] | **1,180,907** | 1,180,723 |

1. Includes 2.2 million (2021: 1.3 million) performance rights granted under long-term incentive plan. Each performance right is a right to receive one ordinary stapled security in APA subject to satisfaction of certain performance hurdles and board approval. Further information can be found in the most recent annual report. APA has historically instructed Link Market Services to acquire securities on-market to minimise dilution of existing securityholders.

# Notes to the consolidated financial statements continued

APA Investment Trust and its Controlled Entities
For the financial year ended 30 June 2022

## Financial Performance

### 7. Distributions

| | 2022 cents per unit | 2022 Total $000 | 2021 cents per unit | 2021 Total $000 |
|---|---|---|---|---|
| **Recognised amounts** | | | | |
| **Final FY21 distribution paid on 15 September 2021** | | | | |
| (30 June 2020: Final FY20 distribution paid on 16 September 2020) | | | | |
| Profit distribution[1] | **1.67** | **19,742** | 2.09 | 24,686 |
| Capital distribution | **6.70** | **79,010** | 4.64 | 54,692 |
| | **8.37** | **98,752** | 6.73 | 79,378 |
| **Interim distribution paid on 17 March 2022** | | | | |
| (31 December 2020: Interim distribution paid on 17 March 2021) | | | | |
| Profit distribution[1] | **1.33** | **15,647** | 1.97 | 23,159 |
| Capital distribution | **3.55** | **41,886** | 5.74 | 67,840 |
| | **4.88** | **57,533** | 7.71 | 90,999 |
| **Total distributions recognised** | | | | |
| Profit distribution[1] | **3.00** | **35,389** | 4.06 | 47,845 |
| Capital distributions (note 13) | **10.25** | **120,896** | 10.38 | 122,532 |
| | **13.25** | **156,285** | 14.44 | 170,377 |
| **Unrecognised amounts** | | | | |
| **Final FY22 distribution payable on 14 September 2022**[2] | | | | |
| (30 June 2021: Final FY21 distribution paid on 15 September 2021) | | | | |
| Profit distribution[1] | **1.14** | **13,502** | 1.67 | 19,742 |
| Capital distribution | **5.15** | **60,682** | 6.70 | 79,010 |
| | **6.29** | **74,184** | 8.37 | 98,752 |

1. Profit distributions unfranked (30 June 2020, 31 December 2020, 30 June 2021 and 31 December 2021: unfranked).
2. Record date 30 June 2022.

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 nor publicly confirmed prior to the end of the financial year.

## Operating Assets and Liabilities

### 8. Receivables

| | 2022 $000 | 2021 $000 |
|---|---|---|
| Finance lease receivable – related party (note 10) | **938** | 894 |
| **Current** | **938** | 894 |
| Finance lease receivable – related party (note 10) | **4,239** | 5,177 |
| **Non-current** | **4,239** | 5,177 |

In determining the recoverability of a receivable, the Consolidated Entity considers any change in the credit quality of the receivable from the date the credit was initially granted up to the reporting date. The directors have assessed that there is no expected credit loss for the finance lease receivable.

None of the above receivables is past due.

# Notes to the consolidated financial statements continued

APA Investment Trust and its Controlled Entities
For the financial year ended 30 June 2022

## Operating Assets and Liabilities

### 9. Payables

| | 2022 $000 | 2021 $000 |
|---|---|---|
| Other payables | **17** | 10 |

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

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

### 10. Leases

**Consolidated Entity as lessor**

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

Finance lease receivables relate to the lease of a pipeline lateral.

There are no contingent rental payments due.

| Finance lease receivables | 2022 | 2021 |
|---|---|---|
| Not longer than 1 year | **1,167** | 1,167 |
| Longer than 1 year and not longer than 5 years | **4,669** | 5,837 |
| Longer than 5 years | **—** | — |
| **Minimum future lease payments receivable** [1] | **5,836** | 7,004 |
| Less: Future finance income | **(659)** | (933) |
| **Present value of lease receivables** | **5,177** | 6,071 |
| **Included in the Consolidated Statement of Financial Position as part of:** | | |
| Current receivables (note 8) | **938** | 894 |
| Non-current receivables (note 8) | **4,239** | 5,177 |
| | **5,177** | 6,071 |

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

The Consolidated Entity does not have any operating leases where it is the lessor.

Amounts due from a lessee under a finance lease are recorded as receivables. Finance lease receivables are initially recognised at the amount equal to the present value of the minimum lease payments receivable plus the present value of any unguaranteed residual value expected to accrue at the end of the lease term. Finance lease receipts are allocated between interest revenue and reduction of the lease receivable over the term of the lease in order to reflect a constant periodic rate of return on the net investment outstanding in respect of the lease.

## Capital Management

### 11. Other financial assets

| | 2022 $000 | 2021 $000 |
|---|---|---|
| **Non-current** | | |
| Advance to related party | **545,380** | 671,615 |
| Investment in related party | **107,379** | 107,379 |
| | **652,759** | 778,994 |

# Notes to the consolidated financial statements continued

APA Investment Trust and its Controlled Entities
For the financial year ended 30 June 2022

## Capital Management

### 11. Other financial assets continued

**Investment in related party**

The investment in related party reflects GasNet Australia Investments Trust's ("GAIT") investment in 100% of the B Class units in GasNet A Trust. The B Class units give GAIT preferred rights to the income and invested capital of GasNet A Trust, but hold no voting rights. The A Class unitholder may however suspend for a period or terminate all of the B Class unitholder rights to distributions of income and capital, with the exception of the initial investment. As such, GAIT neither controls nor has a significant influence over GasNet A Trust. GasNet Australia Trust, a related party wholly owned by APA Group, owns 100% of the A Class units in GasNet A Trust and, accordingly, GasNet A Trust is included in the consolidation of the APA Group.

The investment in B Class units is measured at fair value through profit or loss. The measurement of fair value takes into consideration the fact that the A Class unitholders have discretion over the return on the initial capital invested and the instrument can be called on demand. Therefore, fair value is measured based on the amount that can be called on demand, adjusted for the credit and liquidity risk of GasNet A Trust. As the impact of credit and liquidity risk is not significant, the fair value of the B Class units is not materially different to the amount of capital invested.

The Consolidated Entity does not intend to dispose of its interest in GasNet A Trust.

**Classification of financial assets**

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

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

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

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

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

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

Derivatives that the Consolidated Entity does not elect to apply hedge accounting or does not meet the hedge accounting criteria, are classified as 'financial assets/liabilities' for accounting purposes and accounted at FVTPL.

**Effective interest method**

The effective interest method is a method of calculating the amortised cost of a financial asset and of allocating interest income over the relevant period. The effective interest rate is the rate that exactly discounts estimated future cash receipts through the expected life of the financial asset, or where appropriate, a shorter period.

**Receivables and loans**

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

**Impairment of financial assets**

In relation to the impairment of financial assets, it is no longer necessary for a credit event to have occurred before credit losses are recognised. The Consolidated Entity applies an expected credit loss (ECL) model to account for ECL and changes in these ECL at each reporting date to reflect changes in credit risk since initial recognition of a financial asset.

The Consolidated Entity recognises a loss allowance for ECL on investments in debt instruments that are measured at amortised cost, for example, loans advanced to related parties and receivables. For finance lease receivables, the Consolidated Entity applies the simplified approach to assessing ECL. Under the simplified approach, ECL on these financial assets is estimated using a provision matrix. This matrix is based on the Consolidated Entity's historical credit losses and reasonable and supportable information that is available without undue cost.

The amount of ECL under either approach is updated at each reporting date to reflect changes in credit risk since initial recognition of the respective financial instrument.

The Consolidated Entity recognises an impairment gain or loss in profit or loss for all financial instruments with a corresponding adjustment to their carrying amount through a loss allowance account. Aside from the additional disclosure requirements, the history of collection rates and forward-looking information that is available without undue cost or effort shows that the Consolidated Entity does not have an expected loss on collection of debtors or loans.

# Notes to the consolidated financial statements continued

APA Investment Trust and its Controlled Entities
For the financial year ended 30 June 2022

## Capital Management

### 12. Financial risk management

The Consolidated Entity's corporate Treasury department is responsible for the overall management of the Consolidated Entity's capital raising activities, liquidity, lender relationships and engagement, debt portfolio management, interest rate and foreign exchange hedging, credit rating maintenance and third party indemnities (bank guarantees) within risk management parameters reviewed by the Board.

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

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

b) Credit risk; and

c) Liquidity risk.

| Risk | Sources | Risk management framework | Financial exposure |
|---|---|---|---|
| **Market** | Commercial transactions in foreign currency and funding activities | The Audit and Risk Management Committee ("ARMC") approves written principles for overall risk management, as well as policies covering specific areas such as liquidity risk, funding risk, foreign currency risk, interest rate risk and credit risk. The Consolidated Entity's ARMC ensures there is an appropriate Risk Management Policy for the management of treasury risk and compliance with the policy through the review of monthly reporting to the Board from the Treasury department. | Refer to market risk section. |
| **Credit** | Cash, receivables, interest bearing liabilities and hedging | | The carrying amount of financial assets recorded in the financial statements, net of any collateral held or bank guarantees held by the Consolidated Entity, represents the Consolidated Entity's maximum exposure to credit risk in relation to those assets. |
| **Liquidity** | Payables | | Refer to liquidity risk section. |

#### a) Market risk

The Consolidated Entity's exposure is primarily to the financial risk of changes in interest rates. There has been no change to the Consolidated Entity's exposure to market risk or the manner in which it manages and measures the risk from the previous year.

*Interest rate sensitivity analysis*

Sensitivity analysis has been determined based on the exposure to interest rates on loans with related parties. A 100 basis points increase or decrease is used and represents management's assessment of the greatest possible change in interest rates within a given period of time. At reporting date, if interest rates had been 100 basis points higher or lower and all other variables were constant, the Consolidated Entity's net profit would increase by $2,150,000 or decrease by $1,839,000 (2021: increase by $3,656,000 or decrease by $3,618,000 respectively). This is mainly attributable to the Consolidated Entity's exposure to interest rates on its variable rate inter-entity balances. The sensitivity has decreased due to lower inter-entity balances and effective interest rate.

#### b) Credit risk

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

*Credit risk management*

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

*Overview of the Consolidated Entity's exposure to credit risk*

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

#### c) Liquidity risk

The Consolidated Entity's exposure to liquidity risk is limited to other payables of $17,000 (2021: $10,000), all of which are due in less than 1 year (2021: less than 1 year).

# Notes to the consolidated financial statements continued

APA Investment Trust and its Controlled Entities
For the financial year ended 30 June 2022

## Capital Management

### 13. Issued capital

| | 2022 $000 | 2021 $000 |
|---|---|---|
| **Units** | | |
| 1,179,893,848 units, fully paid (2021: 1,179,893,848 units, fully paid)[1] | **644,417** | 765,313 |

1. Fully paid units carry one vote per unit and carry the right to distributions.

| | 2022 No. of units 000 | 2022 $000 | 2021 No. of units 000 | 2021 $000 |
|---|---|---|---|---|
| **Movements** | | | | |
| Balance at beginning of financial year | **1,179,894** | **765,313** | 1,179,894 | 887,845 |
| Capital distributions paid (note 7) | **—** | **(120,896)** | — | (122,532) |
| **Balance at end of financial year** | **1,179,894** | **644,417** | 1,179,894 | 765,313 |

The Trust does not have a limited amount of authorised capital.

## Group Structure

### 14. Subsidiaries

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

| | | Ownership interest | |
|---|---|---|---|
| Name of entity | Country of registration | 2022 % | 2021 % |
| **Parent entity** | | | |
| APA Investment Trust | | | |
| **Subsidiary** | | | |
| GasNet Australia Investments Trust | Australia | **100** | 100 |

## Other

### 15. Commitments and contingencies

The Consolidated Entity had no material contingent assets, liabilities and commitments as at 30 June 2022 and 30 June 2021.

### 16. Director and Executive Key Management Personnel remuneration

**Remuneration of Directors**

The aggregate remuneration of Directors of the Consolidated Entity is set out below:

| | 2022 $ | 2021 $ |
|---|---|---|
| Short-term employment benefits | **1,749,069** | 1,747,871 |
| Post-employment benefits | **174,905** | 166,046 |
| **Total remuneration: Non-Executive Directors** | **1,923,974** | 1,913,917 |
| Short-term employment benefits | **2,653,667** | 2,531,865 |
| Post-employment benefits | **27,500** | 25,000 |
| Cash settled security-based payments | **229,988** | 232,375 |
| Equity settled security-based payments | **1,077,997** | 715,473 |
| **Total remuneration: Executive Director** | **3,989,152** | 3,504,713 |
| **Total Remuneration: Directors** | **5,913,126** | 5,418,630 |

# Notes to the consolidated financial statements continued

APA Investment Trust and its Controlled Entities
For the financial year ended 30 June 2022

## Other

### 16. Director and Executive Key Management Personnel remuneration continued

**Remuneration of Executive Key Management Personnel**

The aggregate remuneration of Executive Key Management Personnel of the Consolidated Entity is set out below:

| | 2022 $ | 2021 $ |
|---|---|---|
| Short-term employment benefits | **8,126,785** | 9,769,520 |
| Post-employment benefits | **187,427** | 170,832 |
| Cash settled security-based payments | **556,642** | 1,117,783 |
| Equity settled security-based payments | **2,941,305** | 1,970,322 |
| **Total remuneration: Executive Key Management Personnel** | **11,812,159** | 13,028,457 |

### 17. Remuneration of external auditor

Amounts received or due and receivable by Deloitte Touche Tohmatsu for:

**Audit or review of the financial reports**

| | 2022 $ | 2021 $ |
|---|---|---|
| Group | **6,125** | 6,400 |
| **Total audit or review of the financial reports** | **6,125** | 6,400 |
| **Statutory assurance services required by legislation to be provided by the auditor** | | |
| ASIC Compliance plan audit | **6,250** | 6,100 |
| **Total statutory assurance services required by legislation to be provided by the auditor** | **6,250** | 6,100 |
| **Total remuneration of external auditor** | **12,375** | 12,500 |

### 18. Related party transactions

**a) Equity interest in related parties**

Details of the percentage of ordinary securities held in subsidiaries are disclosed in note 14.

**b) Responsible Entity – APA Group Limited**

The Responsible Entity is wholly owned by APA Infrastructure Limited (2021: 100% owned by APA Infrastructure Limited).

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

During the financial year, the following transactions occurred between the Trust and its other related parties:

– loans advanced and payments received on long-term inter-entity loans; and
– payments of distributions.

All transactions between the entities that comprise the Consolidated Entity have been eliminated on consolidation.

Refer to note 14 for details of the entities that comprise the Consolidated Entity.

**d) Transactions with other related parties**

APA Investment Trust and its controlled entities have a loan receivable balance with another entity in APA Group. This loan is repayable on agreement between the parties. Interest is recognised by applying the effective interest method, agreed between the parties at the end of each month and is determined by reference to market rates.

The following balances arising from transactions between APA Investment Trust and its other related parties are outstanding at reporting date:

– current receivables totalling $938,000 are owing from a subsidiary of APA Infrastructure Trust for amounts due under a finance lease arrangement (2021: $894,000);
– non-current receivables totalling $4,239,000 are owing from a subsidiary of APA Infrastructure Trust for amounts due under a finance lease arrangement (2021: $5,177,000); and
– non-current receivables totalling $545,380,000 (2021: $671,615,000) are owing from a subsidiary of APA Infrastructure Trust for amounts due under inter-entity loans.

**APA Group Limited**

Management fees of $2,559,000 (2021: $2,025,000) were paid to the Responsible Entity as reimbursement of costs incurred on behalf of APA Investment Trust. No amounts were paid directly by APA Investment Trust to the Directors of the Responsible Entity.

**APA Infrastructure Trust**

Management fees of $2,559,000 (2021: $2,025,000) were reimbursed by APA Infrastructure Trust.

# Notes to the consolidated financial statements continued

APA Investment Trust and its Controlled Entities
For the financial year ended 30 June 2022

## Other

### 19. Parent entity information

The accounting policies of the parent entity, which have been applied in determining the financial information below, are the same as those applied in the consolidated financial statements.

| | 2022 $000 | 2021 $000 |
|---|---|---|
| **Financial position** | | |
| **Assets** | | |
| Current assets | **938** | 894 |
| Non-current assets | **656,998** | 784,171 |
| **Total assets** | **657,936** | 785,065 |
| **Liabilities** | | |
| Current liabilities | **17** | 10 |
| **Total liabilities** | **17** | 10 |
| **Net assets** | **657,919** | 785,055 |
| **Equity** | | |
| Issued capital | **644,417** | 765,313 |
| Retained earnings | **13,502** | 19,742 |
| Reserves | **—** | — |
| **Total equity** | **657,919** | 785,055 |
| **Financial performance** | | |
| Profit for the year | **29,149** | 42,901 |
| Other comprehensive income | **—** | — |
| **Total comprehensive income** | **29,149** | 42,901 |

**Guarantees entered into by the parent entity in relation to the debts of its subsidiaries**

No guarantees have been entered into by the parent entity in relation to the debts of its subsidiaries.

**Contingent liabilities of the parent entity**

No contingent liabilities have been identified in relation to the parent entity.

### 20. Adoption of new and revised Accounting Standards

**Standards and Interpretations issued not yet adopted**

At the date of authorisation of the financial statements, the Standards and Interpretations on issue but not yet effective are not expected to have material impact on the Consolidated Entity's accounting policies or any of the amounts recognised in the financial statements.

### 21. Events occurring after reporting date

On 22 August 2022, APA announced that CEO and Managing Director, Rob Wheals, would be stepping down at the end of September 2022. Adam Watson, APA's Chief Financial Officer, was appointed as acting CEO while the Board undertakes a full search process for a new CEO. APA's General Manager of Investor Relations, Kynwynn Strong, was appointed as acting CFO.

On 24 August 2022, the Directors declared a final distribution for the 2022 financial year of 6.29 cents per unit ($74.2 million). The distribution represents a 1.14 cents per security unfranked profit distribution and a 5.15 cents per security capital distribution. The distribution is expected to be paid on 14 September 2022.

As at the time of reporting, the uncertain situation in respect of COVID-19 pandemic continues to be closely monitored by management and the directors of APA Group. Nothing has come to the attention of APA Group that would require adjustment or additional disclosure in these financial statements as a result of any recent COVID-19, global and domestic political developments.

Other than the events disclosed above, there have not been any events or transactions that have occurred subsequent to year end that would require adjustment to or disclosure in the financial statements.

# Declaration by the Directors of APA Group Limited

APA Investment Trust and its Controlled Entities

The Directors declare that:

a) in the Directors' opinion, there are reasonable grounds to believe that APA Investment Trust will be able to pay its debts as and when they become due and payable;

b) in the Directors' opinion, the attached financial statements and notes thereto are in accordance with the Corporations Act 2001, including compliance with Accounting Standards and giving a true and fair view of the financial position and performance of the Consolidated Entity;

c) in the Directors' opinion, the financial statements and notes thereto are in accordance with International Financial Reporting Standards issued by the International Accounting Standards Board; and

d) the Directors have been given the declarations by the Chief Executive Officer and Chief Financial Officer required by section 295A of the Corporations Act 2001.

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

On behalf of the Directors

**Michael Fraser**
Chairman

**Robert Wheals**
CEO and Managing Director

Sydney, 24 August 2022

# Auditor's Independence Declaration

APA Investment Trust and its Controlled Entities

**Deloitte.**

Deloitte Touche Tohmatsu
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www.deloitte.com.au

24 August 2022

The Directors
APA Group Limited
as Responsible Entity for APA Investment Trust
Level 25, 580 George Street
Sydney NSW 2000

Dear Directors

**Auditor's Independence Declaration to APA Group Limited as Responsible Entity for APA Investment Trust**

In accordance with section 307C of the *Corporations Act 2001*, we are pleased to provide the following declaration of independence to the directors of APA Group Limited (formerly known as Australian Pipeline Limited) as Responsible Entity for APA Investment Trust (formerly known as APT Investment Trust).

As lead audit partners for the audit of the financial statements of APA Investment Trust for the financial year ended 30 June 2022, we declare that to the best of our knowledge and belief, there have been no contraventions of:

(i) the auditor independence requirements of the *Corporations Act 2001* in relation to the audit; and

(ii) any applicable code of professional conduct in relation to the audit.

Yours faithfully

Deloitte Touche Tohmatsu

DELOITTE TOUCHE TOHMATSU

Jamie Gatt
Partner
Chartered Accountants

TElliott

Taralyn Elliott
Partner
Chartered Accountants

# Independent Auditor's Report

APA Investment Trust and its Controlled Entities

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## Independent Auditor's Report to the Unitholders of APA Investment Trust

### Report on the Audit of the Financial Report

#### Opinion

We have audited the financial report of APA Investment Trust (formerly known as APT Investment Trust) (the "Trust") and its controlled interests (the "Consolidated Entity") which comprises the consolidated statement of financial position as at 30 June 2022, the consolidated statement of profit or loss and other comprehensive income, the consolidated statement of changes in equity and the consolidated statement of cash flows for the year then ended, and notes to the financial statements, including a summary of significant accounting policies, and the directors' declaration.

In our opinion, the accompanying financial report of the Consolidated Entity is in accordance with the *Corporations Act 2001*, including:

- Giving a true and fair view of the Consolidated Entity's financial position as at 30 June 2022 and of its financial performance for the year then ended; and
- Complying with Australian Accounting Standards and the *Corporations Regulations 2001*.

#### Basis for Opinion

We conducted our audit in accordance with Australian Auditing Standards. Our responsibilities under those standards are further described in the Auditor's Responsibilities for the Audit of the Financial Report section of our report. We are independent of the Consolidated Entity in accordance with the auditor independence requirements of the Corporations Act 2001 and the ethical requirements of the Accounting Professional & Ethical Standards Board's APES 110 *Code of Ethics for Professional Accountants (including Independence Standards)* (the Code) that are relevant to our audit of the financial report in Australia. We have also fulfilled our other ethical responsibilities in accordance with the Code.

We confirm that the independence declaration required by the *Corporations Act 2001*, which has been given to the directors of the Consolidated Entity, would be in the same terms if given to the directors as at the time of this auditor's report.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

#### Other Information

The directors of the Responsible Entity (the "Directors") are responsible for the other information. The other information comprises the information included in the Group's annual report for the year ended 30 June 2022 but does not include the financial report and our auditor's report thereon.

Our opinion on the financial report does not cover the other information and we do not express any form of assurance conclusion thereon.

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In connection with our audit of the financial report, our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the financial report or our knowledge obtained in the audit, or otherwise appears to be materially misstated.

If, based on the work we have performed, we conclude that there is a material misstatement of this other information, we are required to report that fact. We have nothing to report in this regard.

### Responsibilities of the Directors for the Financial Report

The directors of the Consolidated Entity are responsible for the preparation of the financial report that gives a true and fair view in accordance with Australian Accounting Standards and the Corporations Act 2001 and for such internal control as the directors determine is necessary to enable the preparation of the financial report that gives a true and fair view and is free from material misstatement, whether due to fraud or error.

In preparing the financial report, the directors are responsible for assessing the ability of the Consolidated Entity to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless the directors either intend to liquidate the Consolidated Entity or to cease operations, or has no realistic alternative but to do so.

### Auditor's Responsibilities for the Audit of the Financial Report

Our objectives are to obtain reasonable assurance about whether the financial report as a whole is free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance but is not a guarantee that an audit conducted in accordance with the Australian Auditing Standards will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of this financial report.

As part of an audit in accordance with the Australian Auditing Standards, we exercise professional judgement and maintain professional scepticism throughout the audit. We also:

- Identify and assess the risks of material misstatement of the financial report, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Consolidated Entity's internal control.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by the directors.
- Conclude on the appropriateness of the directors' use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Consolidated Entity's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the financial report or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Consolidated Entity to cease to continue as a going concern.
- Evaluate the overall presentation, structure and content of the financial report, including the disclosures, and whether the financial report represents the underlying transactions and events in a manner that achieves fair presentation.
- Obtain sufficient appropriate audit evidence regarding the financial information of the entities or business activities within the Consolidated Entity to express an opinion on the financial report. We are responsible for the direction, supervision and performance of the Consolidated Entity's audit. We remain solely responsible for our audit opinion.

# Independent Auditor's Report continued

APA Investment Trust and its Controlled Entities

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We communicate with the directors regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

We also provide the directors with a statement that we have complied with relevant ethical requirements regarding independence, and to communicate with them all relationships and other matters that may reasonably be thought to bear on our independence, and where applicable, actions taken to eliminate threats or safeguards applied.

Deloitte Touche Tohmatsu

DELOITTE TOUCHE TOHMATSU

Jamie Gatt
Partner
Chartered Accountants
Sydney, 24 August 2022

Taralyn Elliott
Partner
Chartered Accountants
Sydney, 24 August 2022

# Additional Information

Additional information required by the Listing Rules of the Australian Securities Exchange Limited and not provided elsewhere in this report (the information is applicable as at 19 August 2022).

### Twenty largest shareholders

| | No. of securities | % |
|---|---|---|
| HSBC Custody Nominees (Australia) Limited | 322,341,803 | 27.32 |
| BNP Paribas Nominees Pty Ltd | 148,517,119 | 12.59 |
| J P Morgan Nominees Australia Pty Limited | 143,650,252 | 12.17 |
| Citicorp Nominees Pty Limited | 89,805,509 | 7.61 |
| Custodial Services Limited | 28,002,154 | 2.37 |
| BNP Paribas Noms Pty Ltd | 27,375,809 | 2.32 |
| National Nominees Limited | 17,011,837 | 1.44 |
| Argo Investments Limited | 11,882,525 | 1.01 |
| BKI Investment Company Limited | 8,775,389 | 0.74 |
| HSBC Custody Nominees (Australia) Limited | 6,477,728 | 0.55 |
| BNP Paribas Nominees Pty Ltd Hub24 Custodial Serv Ltd | 4,015,529 | 0.34 |
| Netwealth Investments Limited | 3,323,547 | 0.28 |
| Citicorp Nominees Pty Limited | 2,845,894 | 0.24 |
| BNP Paribas Nominees Pty Ltd Acf Clearstream | 1,649,613 | 0.14 |
| Pacific Custodians Pty Limited | 1,468,439 | 0.12 |
| Navigator Australia Ltd | 1,021,132 | 0.09 |
| Australian Executor Trustees Limited | 953,793 | 0.08 |
| Nulis Nominees (Australia) Limited | 929,909 | 0.08 |
| BNP Paribas Nominees Pty Ltd | 856,994 | 0.07 |
| Netwealth Investments Limited | 838,674 | 0.07 |
| **Total** | **821,743,649** | **69.65** |

### Distribution of holders

| Ranges | No. of holders | % | No. of Securities | % |
|---|---|---|---|---|
| 100,001 and Over | 116 | 0.13 | 843,648,731 | 71.50 |
| 10,001 to 100,000 | 7,679 | 8.78 | 154,259,149 | 13.07 |
| 5,001 to 10,000 | 10,790 | 12.33 | 77,324,649 | 6.55 |
| 1,001 to 5,000 | 35,387 | 40.44 | 91,057,231 | 7.72 |
| 1 to 1,000 | 33,537 | 38.32 | 13,604,088 | 1.15 |
| **Total** | **87,509** | **100.00** | **1,179,893,848** | **100.00** |

### Substantial holders

By notice dated 30 May 2022 UniSuper Limited advised that it had an interest in 147,724,630 stapled securities, as at 26 May 2022.

By notice dated 20 January 2022 State Street Corporation advised that it had an interest in 85,157,130 stapled securities, as at 18 January 2022.

By notice dated 10 November 2021 Vanguard Group advised that it had an interest in 59,430,048 stapled securities, as at 5 November 2021.

### Voting rights

On a show hands, each holder has one vote.

On a poll, each holder has one vote for each dollar of the value of the total interests they have in the scheme.

### On-market buy-back

There is no current on-market buy-back.

# Five Year Summary

| Financial Performance (Statutory) | | 2022 | 2021[1] | 2020[1] | 2019[1] | 2018[1] |
|---|---|---|---|---|---|---|
| Revenue | $m | **2,732.4** | 2,605.3 | 2,590.6 | 2,452.2 | 2,386.7 |
| Revenue excluding pass-through[2] | $m | **2,236.6** | 2,144.5 | 2,129.5 | 2,031.0 | 1,941.4 |
| Underlying EBITDA[3] | $m | **1,692.3** | 1,628.8 | 1,649.9 | 1,570.0 | 1,514.8 |
| Total Report EBITDA[3] | $m | **1,630.2** | 1,638.8 | 1,652.0 | 1,565.2 | 1,514.3 |
| Depreciation and amortisation expense | $m | **(735.2)** | (674.4) | (650.8) | (611.3) | (578.9) |
| Reported EBIT[3] | $m | **895.0** | 964.5 | 1,001.2 | 953.9 | 935.4 |
| Net Interest expense[3] | $m | **(483.0)** | (504.8) | (507.8) | (497.4) | (509.7) |
| Tax (expense) / benefit | $m | **(180.4)** | (61.6) | (184.4) | (174.5) | (164.8) |
| Profit after tax including significant items | $m | **259.7** | 0.7 | 309.0 | 282.1 | 260.9 |
| Significant items – after income tax | $m | **19.7** | (278.1) | — | — | — |
| Profit after tax excluding significant items | $m | **240.0** | 278.9 | 309.0 | 282.1 | 260.9 |
| **Financial Position** | | | | | | |
| Total assets | $m | **15,836.3** | 14,742.9 | 15,994.3 | 15,429.2 | 15,226.7 |
| Total drawn debt[4] | $m | **10,668.1** | 9,665.7 | 9,983.6 | 9,352.1 | 8,810.4 |
| Total equity | $m | **2,628.4** | 2,951.0 | 3,199.6 | 3,583.6 | 4,116.6 |
| **Operating Cash Flow** | | | | | | |
| Operating cash flow[5] | $m | **1,197.3** | 1,051.0 | 1,087.5 | 1,007.3 | 1,031.1 |
| Free cash flow[6] | | **1,080.6** | 901.9 | 956.6 | 893.7 | 919.0 |
| **Key Financial Ratios** | | | | | | |
| Earnings per security including significant items[7] | cents | **22.1** | 0.1 | 26.2 | 23.9 | 22.9 |
| Free cash flow per security[7] | cents | **91.6** | 76.4 | 81.1 | 75.7 | 80.8 |
| Distribution per security | cents | **53.0** | 51.0 | 50.0 | 47.0 | 45.0 |
| Funds From Operations to Net Debt | % | **11.5** | 11.0 | 12.1 | 10.7 | 10.7 |
| Funds From Operations to Interest | times | **3.6** | 3.1 | 3.2 | 3.0 | 3.0 |
| Weighted average number of securities[7] | m | **1,179.9** | 1,179.9 | 1,179.9 | 1,179.9 | 1,136.9 |
| **EBITDA by Segment (Excluding Significant Items)** | | | | | | |
| Underlying EBITDA[3] | | | | | | |
| Energy Infrastructure | | | | | | |
| East Coast Gas | $m | **648.2** | 627.5 | 648.8 | 650.4 | 655.3 |
| West Coast Gas | $m | **287.8** | 270.8 | 271.5 | 236.4 | 214.1 |
| Wallumbilla Gladstone Pipeline | $m | **577.9** | 549.7 | 538.9 | 542.4 | 515.9 |
| Power Generation | $m | **196.3** | 174.6 | 170.6 | 143.3 | 111.8 |
| Asset Management | $m | **73.6** | 80.3 | 63.3 | 53.0 | 66.2 |
| Energy Investments | $m | **28.2** | 30.9 | 35.7 | 28.4 | 23.1 |
| Corporate costs | $m | **(119.7)** | (105.0) | (75.0) | (80.1) | (67.9) |
| Divested businesses | $m | **—** | — | — | — | — |

1) FY21, FY20, FY19 and FY18 is restated as a result of the provision for payroll review.

2) Pass-through revenue is offset by pass-through expenses within underlying EBITDA. Pass-through revenue arises in the asset management operations in respect of costs incurred and passed on to Australian Gas Networks Limited (AGN) and GDI in respect of the operation of the AGN and GDI assets respectively. Any management fee earned for the provision of these services is recognised within total revenue.

3) Excludes significant items.

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

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

6) Free cash flow is Operating Cash Flow adjusted for strategically significant transformation projects, less stay-in-business (SIB) capex. SIB capex includes operational assets lifecycle replacement costs and technology lifecycle costs.

7) On the 23 March 2018, APA Group issued 65,586,479 new ordinary securities on completion of the fully underwritten pro-rata accelerated institutional tradeable renounceable entitlement offer, resulting in total securities on issue as at 30 June 2018 of 1,179,893,848. The entitlement offer was offered at $7.70 per security, a discount to APA Group's closing market price of $8.26 per security on the 23 February 2018, the last trading day before the record date of 26 February 2018. The numbers of securities used for calculation of earnings per security and operating cash flow per security from FY17 to FY18 have been adjusted. An adjustment factor of 1.0038 has been calculated, being the closing market price per security on 23 February 2018, divided by the theoretical ex-rights price (TERP) of $8.23 per security.

# Investor Information

## Calendar of events

| | |
|---|---|
| Final distribution FY22 record date | 30 June 2022 |
| Final distribution FY22 payment date | 14 September 2022 |
| Annual meeting | 19 October 2022 |
| Interim results announcemen | 23 February 2023[1] |
| Interim distribution FY23 record date | 30 December 2022[1] |
| Interim distribution FY23 payment date | 16 March 2023[1] |

1. Subject to change.

### Annual meeting details

**Date**: Wednesday, 19 October 2022
**Time**: 10.30 am (AEDT)

Wesley Conference Centre, 220 Pitt Street, Sydney

Please refer to the APA Group Notice of Meeting or the APA Group website for more information

### ASX listing

In this report, the term 'APA securities' refers to stapled securities each comprising a unit in APA Infrastructure Trust stapled to a unit in APA Investment Trust and traded on the Australian Securities Exchange (ASX) under the code 'APA'. APA Group is the Responsible Entity of those trusts.

### APA group responsible entity and registered office

**APA Group Limited ACN 091 344 704**

Level 25, 580 George Street
Sydney NSW 2000

PO Box R41
Royal Exchange NSW 1225

**Telephone**: +61 2 9693 0000
**Facsimile**: +61 2 9693 0093
**Website**: apa.com.au

### APA Group registry

**Link Market Services Limited**

Level 12, 680 George Street
Sydney NSW 2000

Locked Bag A14
Sydney South NSW 1235

**Telephone**: +61 1800 992 312
**Facsimile**: +61 2 9287 0303
**Email**: apagroup@linkmarketservices.com.au
**Website**: linkmarketservices.com.au

### Securityholder details

Securityholders must notify the APA Group registry immediately of any changes to their address or banking arrangements. Securityholders with enquiries should also contact the APA Group registry.

### Distribution payments

Distributions will be paid semi-annually in March and September. Securityholders will receive annual tax statements with the final distribution in September. Payment to securityholders residing in Australia and New Zealand will be made only by direct credit into an Australian or New Zealand bank account. Securityholders with enquires should contact the APA Group registry.

### Online information

Further information on APA is available at apa.com.au, including:

- Results, market releases and news
- Asset and business information
- Corporate responsibility and sustainability reporting
- Securityholder information, such as the current APA security price, distribution and tax information.

### Electronic communication

Securityholders can elect to receive communication electronically by registering their email address with the APA Group registry. Electing to receive annual reports electronically will reduce APA's adverse impact on the environment.

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