



23 August 2023

ASX ANNOUNCEMENT

APA Infrastructure Limited (ASX: AP2)

Financial Report

Attached is the APA Infrastructure Limited Financial Report for the financial year ended 30 June 2023.

Authorised for release by Amanda Cheney

Company Secretary

APA Infrastructure 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, \$22 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, Tasmania with Victoria and New South Wales with Queensland through our investments in electricity transmission assets. We also own and operate renewable 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.



APA INFRASTRUCTURE LIMITED
2023 FINANCIAL REPORT



powering tomorrow

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APA Infrastructure Limited Directors' Report

The Directors of APA Infrastructure Limited ("APAIL") submit their report and the annual financial report of APAIL and its controlled entities (together "Consolidated Entity") for the financial year ended 30 June 2023.

1 Directors

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

Current Directors	First Appointed
Michael Fraser	1 September 2015 and appointed Chairman 27 October 2017
Adam Watson	30 September 2022 appointed Acting Chief Executive Officer and appointed permanent Chief Executive Officer and Managing Director 19 December 2022
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
Steven (Steve) Crane	1 January 2011. Retired 15 September 2022
Robert (Rob) Wheals	6 July 2019 appointed Chief Executive Officer and Managing Director. Resigned 30 September 2022

Nino Ficca has been appointed a Director, effective 1 September 2023.

The Company Secretaries of the Responsible Entity during the year were Amanda Cheney and Bronwyn Weir (who was appointed 19 June 2023).

2 Executive Leadership changes

- On 30 September 2022, Rob Wheals resigned as Chief Executive Officer (CEO)
- On 30 September 2022, Adam Watson was appointed as the Acting Chief Executive Officer (CEO)
- On 19 December 2022, Adam Watson was appointed as the Chief Executive Officer & Managing Director (CEO)
- On 20 August 2022, Julian Peck resigned as Group Executive Strategy & Commercial
- On 25 August 2022, Darren Rogers started secondment as the new Group Executive Strategy & Commercial
- On 17 October 2022, Darren Rogers was appointed as the new Group Executive Strategy & Commercial
- On 1 November 2022, Liz McNamara was appointed to the newly created role of Group Executive Sustainability & Corporate Affairs
- On 2 November 2022, Vin Vassallo was appointed to the newly created role of Group Executive Electricity Transmission Development

With the internal promotion of Adam Watson and Darren Rogers, the following two appointments have been made commencing in FY24.

- Chief Financial Officer (CFO) – Garrick Rollason appointed as CFO effective October 2023, Kynwynn Strong to remain as acting until Garrick's commencement date
- Group Executive Operations – Petrea Bradford appointed as Group Executive of Operations effective 28 August 2023, Stuart Davis to remain as acting until Petrea's commencement date

3 State of Affairs

In the opinion of the Directors, no significant changes in the state of affairs of the Consolidated Entity occurred during the financial year.

4 Subsequent Events

Alinta Energy Pilbara acquisition

On 23 August 2023, APA entered into a Share Sale Agreement with Alinta Power Cat Pty Ltd and Alinta Energy Development Pty Ltd to acquire 100% of Alinta Energy Pilbara Holdings Pty Ltd and its subsidiaries and Alinta Energy (Newman Storage) Pty Ltd (together referred to as Alinta Energy Pilbara). Alinta Energy Pilbara is an energy infrastructure business underpinned by contracted operational assets (gas and solar power generation, gas transmission, battery energy storage systems (BESS) and electricity transmission), together with an extensive development pipeline of projects (wind, solar, gas reciprocating engines, BESS, and associated electricity transmission), located in Western Australia's Pilbara region.

The enterprise value is \$1,722 million excluding stamp duty and other transaction costs (currently estimated to be \$86 million), and will be subject to post-completion adjustments for working capital, net debt and capex as at completion of the acquisition. Completion of the acquisition remains subject to meeting certain conditions precedent and is expected to occur in the fourth quarter of calendar year 2023.

Capital raise

APA also announced its plans to raise \$675 million through a fully underwritten pro-rata institutional placement to partly fund the acquisition. The balance of the purchase price will be funded by new debt facilities established in connection with the acquisition of \$993 million. In addition, a non-underwritten Security Purchase Plan will be undertaken for eligible securityholders to raise \$75 million.

Final dividend declaration

On 23 August 2023, the Directors declared and paid a final dividend of 123.9 cents per share (\$77 million) to the sole equityholder, APA Group Limited as Responsible Entity and Trustee of APA Infrastructure Trust.

Other than noted above and as disclosed elsewhere in this report, in the interval between 30 June 2023 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.

5 Principal activities

The principal activities of the Consolidated Entity during the course of the year were investment in controlled entities and acting as the borrowing entity for APA Group, that comprises APA Infrastructure Trust and APA Investment Trust and their controlled entities (APA).

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

- Energy Infrastructure; comprising gas transmission, compression, storage, processing and electricity generation (gas and renewables) and transmission businesses located across Australia;
- Asset management services for the majority of APA's energy investments and for third parties; and
- Energy investments in unlisted entities.

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

6 Operating Financial Review

The Consolidated Entity reported a profit after tax including significant items of \$280 million (FY22: \$247 million) on total revenue of \$2,911 million (FY22: \$2,730 million).

Capital management

At 30 June 2023, APAIL had 62,127,252 securities on issue. This is unchanged from 30 June 2022.

Debt facilities

At 30 June 2023, APA had \$11,241 million of drawn debt facilities (compared with \$11,146 million at 30 June 2022). 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 5.7 years. APA's Treasury Policy requires interest rate hedging to minimise the potential impacts from adverse movements in interest rates. At year end, 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 FY23, APA raised AUD \$1.6 billion of bilateral facility agreements from leading Australian and overseas banks, replacing \$1.3 billion of the previous existing facilities. The new bilateral facility agreements are comprised of 3 year, 4 year and 5 year tenors which remain undrawn at 30 June 2023. The purpose of the bilateral agreements is to support APA's funding of future organic growth projects and for general corporate purposes.

Interest costs

During the year, net finance costs decreased by \$30 million or 6.1% to \$463 million (FY22: \$493 million). The average interest rate¹, including credit margins, applied to drawn debt was 4.43% for FY23 (FY22: 4.42%). The decrease in net finance costs is due to higher average cash balances and higher market interest rates facilitating higher interest income offsetting interest expense. Most of APA's debt obligations were either issued at fixed rates or hedged at lower interest rates and were issued in the lower interest rate environment prior to 2022.

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 31 January 2023.
- Baa2 long-term corporate credit rating (outlook Stable) assigned by Moody's Investors Service (Moody's) in April 2010, and last confirmed on 20 March 2023.

APA calculates the Funds From Operations (FFO) to Interest to be 3.3 times (FY22: 3.6 times) and FFO to Net Debt to be 10.6% for FY23 (FY22: 11.1%). FFO to Net Debt is the key quantitative measure used by S&P and Moody's to assess APA's credit worthiness and credit rating².

FFO to Interest of 3.3 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.

Dividends

Unfranked dividends of \$77 million were paid to the sole shareholder, APA Infrastructure Trust, during the financial year (FY22: \$67 million).

7 Options Granted

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

8 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	February 2016 to February 2022
	Orora Limited	Since April 2022
Adam Watson	–	–
James Fazzino	Tassal Group Limited	May 2020 to November 2022
Debra Goodin	Senex Energy Limited	May 2014 to November 2020
	Atlas Arteria Limited	Since September 2017, Chair since November 2020
	Ansell Limited	Since December 2022
Shirley In't Veld	Northern Star Resources Limited	September 2016 to June 2021
	Alumina Limited	Since August 2020
	Develop Global Limited (formerly Venturix Resources Limited)	Since July 2021
	Karora Resources Inc	Since December 2021
Rhoda Phillippo	Dexus Funds Management Limited	Since February 2023
Peter Wasow	Oz Minerals Limited	November 2017 to May 2023

1 The average interest rate is now calculated using period end FX and hedged rates to better reflect actual debt outstanding at period end (comparative year has also been restated). Based on the previous methodology, average interest was 4.59% in FY22.

2 The credit metric ratios are now calculated to be more closely aligned with credit rating agency methodology (comparatives have also been restated). Based on the previous methodology, FFO/Net debt was 11.5% for the 12 months to 30 June 2022. FFO/Interest is unchanged at 3.6 times for the 12 months to 30 June 2022.

9 Directors' relevant interests in APA securities

The aggregate number of APA securities held directly, indirectly or beneficially by Directors or their related entities at 30 June 2023 is 282,388. No director holds any securities in APA Infrastructure Limited.

Directors' relevant interests in APA securities

Directors	Fully paid securities at 1 July 2022	Securities acquired	Securities disposed	Fully Paid securities at 30 June 2023
Michael Fraser	102,942	—	—	102,942
Adam Watson ¹	55,556	—	—	55,556
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	10,000	7,960	—	17,960
Robert Wheals ²	108,721	52,213	—	160,934
Steven Crane ²	30,000	—	—	30,000

1 Adam Watson was appointed as a Director effective 19 December 2022 at which time he held 55,556 securities.

2 Balance as at date of ceasing to be a Director.

As at 30 June 2023, Adam Watson held 397,255 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 section 8 of APA's Remuneration Report.

The Directors hold no other rights or options over APA securities or securities in APA Infrastructure Limited. 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 or securities in APA Infrastructure Limited.

10 Indemnification of Officers

During the year, the Responsible Entity of APA Group paid a premium on a contract insuring the directors and officers of any APA Group entity (including APAIL) 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 indemnifies directors, officers and other executives and former executives of APA Group entities (including APAIL) 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 of APA Group Limited considers usual for arrangements of this type.

Under its constitution, APA Infrastructure Limited 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 APA Infrastructure Limited or any APA Group entity against a liability incurred by such an officer or auditor.

11 Remuneration report

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

12 Auditor

Auditor's independence declaration

A copy of the independence declaration of the auditor, Deloitte Touche Tohmatsu ("Auditor") as required under section 307C of the Corporations Act 2001 is included at page 99.

Non-audit Services

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 those non-audit services provided by the Auditor and, in accordance with advice provided by the Audit and Finance Committee (the Committee), is satisfied that the provision of those services by the Auditor is compatible with the general standard of independence for auditors imposed by the Corporations Act 2001 and did not compromise the auditor independence requirements of the Act. The Board 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 impartiality and objectivity of the Auditor.
- The non-audit services provided did not undermine the general principles relating to auditor independence as they did not involve reviewing or auditing the Auditor's own work, acting in a management or decision-making capacity for APA, acting as an advocate for APA or jointly sharing risks and rewards.
- 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.

13 Rounding of amounts

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

14 Authorisation

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

On behalf of the Directors



Michael Fraser
Chairman

SYDNEY, 23 August 2023



Adam Watson
CEO and Managing Director

Remuneration Report



Letter from the Chair of the People and Remuneration Committee

I am pleased to present the Remuneration Report of APA Group (APA or the Company) for financial year 2023.

APA's position as a market leader in the Australian energy infrastructure sector is reflected in our solid FY23 company performance with underlying EBITDA increasing by 2% to \$1,725 million.

Key Management Personnel (KMP) changes in FY23

In FY23 we appointed Adam Watson to the CEO/MD role and Darren Rogers was appointed to the role of Group Executive (GE) Strategy & Commercial.

Ross Gersbach moved into a different leadership team role as the GE Commercial Development, which is not considered to be a KMP role.

Remuneration outcomes for FY23

Reflecting strong financial and non-financial performance, the Short-Term Incentive (STI) outcome was 78.9% of maximum for the CEO/MD and 76.3% of maximum for the GE Strategy & Commercial.

The FY21 Long-Term Incentive (LTI) was tested at the end of FY23. The relative Total Shareholder Return (TSR) metric was not met, however the return on capital (ROC) hurdle was met. This resulted in 50% of LTI becoming available to vest according to APA's LTI vesting schedule.

Remuneration changes for FY23

The sole change made to the remuneration framework in FY23 was the introduction of climate-related metrics for 10% of the STI scorecard, set in-line with meeting the objectives of our Climate Transition Plan.

Upon promotion to their new roles Adam Watson and Darren Rogers' remuneration was increased to reflect their new responsibilities and was made with reference to peer market benchmarking data.

FY24 and beyond

A review was undertaken in FY23 to ensure the executive remuneration framework remains competitive and fit for purpose. As a result of this review the STI maximum opportunity for KMP (excluding the CEO/MD) will increase from 60% of fixed pay to 75% of fixed pay. Even after this change, APA's remuneration mix maintains a significant weighting to long-term performance, while making the short term opportunity more competitive relative to market.

I hope you find this Remuneration Report informative. We look forward to receiving your support at the 2023 AGM.

A handwritten signature in black ink, appearing to read 'Peter Wasow'.

Peter Wasow

People and Remuneration Committee Chair

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1. Individuals covered by the Remuneration Report

The Remuneration Report (the Report) for APA for FY23 has been prepared in accordance with Section 300A of the Corporations Act 2001. The information provided in this Report has been audited, unless indicated otherwise, and forms part of the Directors' Report.

This Report includes the following KMP:

Name	Role	Term As KMP
Non-Executive Directors (NEDS)		
Michael Fraser	Chair	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
Former NEDS		
Steven (Steve) Crane	Director	Part year until 15 September 2022
Executive KMP		
Adam Watson	Chief Executive Officer and Managing Director (CEO/MD)	Full year (CFO until 30 September 2022) (Acting CEO until 19 December 2022)
Darren Rogers	GE Strategy and Commercial	Full year (GE Operations until 24 August 2022) (Acting GE Strategy & Commercial until 16 October 2022)
Former Executive KMP		
Robert Wheals	Former CEO/MD	Part year until 30 September 2022 when ceased employment.
Ross Gersbach ¹	Former President North American Development	Part year KMP until 22 August 2022
Julian Peck	Former GE Strategy and Commercial	Part year KMP until 25 August 2022, and ceased employment 28 October 2022

The Board has considered whether the current Acting Chief Financial Officer (CFO) and Acting GE Operations met the definition of KMP. Both roles have been excluded from disclosure in the Remuneration Report on the basis that they lack the authority and responsibility for planning, directing and controlling the activities of APA Group in their current acting roles.

Nino Ficca has been appointed as an NED commencing 1 September 2023, Petrea Bradford has been appointed as the GE Operations commencing 28 August 2023, and Garrick Rollason has been appointed as CFO and will be commencing in this role on 16 October 2023.

¹ Ross Gersbach's role during the financial year as GE Commercial Development is not deemed to be a KMP role, hence only his remuneration until 22 August 2022 (the date he ceased the role of President, North American Development) has been shown throughout the Remuneration Report.

2. Executive summary

2.1 Remuneration strategy

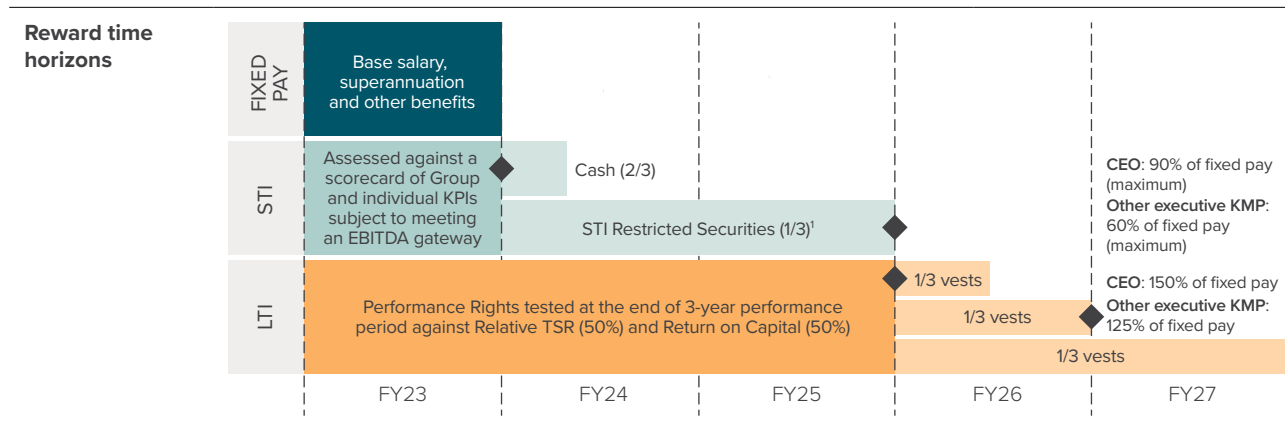
The Board recognises the important role remuneration plays in supporting, implementing and achieving APA's operational strategy over both the short and long-term. The key principles of the remuneration policy and a summary of the executive remuneration framework are outlined below.

 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 and Heritage (HSEH) strategy, caring for our people, communities, the environment and our assets, and demonstrating the APA behaviours.	 SECURITY HOLDER ALIGNMENT Ensure executive performance and behaviours align with the interests of security holders.
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2.2 Executive remuneration snapshot

	Fixed pay	STI	LTI
Purpose	To be market competitive to attract, motivate and retain individuals.	To reward executives for their contribution to APA's annual budget and performance targets, which will enable the achievement of long-term goals.	To focus Executive KMP on the achievement of APA's long-term business strategy and to create alignment with the experience of security holders.
FY23 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 of financial and non-financial measures. Each Executive KMP member has a unique scorecard comprising Group measures and role specific key performance indicators (KPI's), to reflect Group and individual accountabilities.	Performance Rights are assessed against relative TSR (50%) and ROC (50%) over a three year performance period, with vested Performance Rights converting to securities in equal tranches over Years 3, 4 and 5.
FY23 remuneration outcomes	Following the appointment of a new CEO/MD, Adam Watson's fixed pay was set at \$1.6m. Following Darren Rogers' appointment to the GE Strategy & Commercial role, his fixed pay was set at \$920,000, to recognise the increase in responsibilities and reflective of comparator peer remuneration levels.	As the EBITDA gateway was met, the STI pool was funded and outcomes were: - CEO/MD: 78.9% of maximum. - GE, Strategy & Commercial: 76.3% of maximum. Section 3.2 provides details on scorecard outcomes for the CEO/MD.	The FY21 LTI award was tested on 30 June 2023 resulting in an outcome of 50%. 1/3 of Performance Rights will vest based on the assessed outcome in August 2023, with the remaining 2/3 of Performance Rights vesting in equal tranches in 2024 and 2025. Section 3.5 provides details of results against the relative TSR and ROC measures.

	Fixed pay	STI	LTI
Minimum security holding requirement	APA's minimum security holding requirement requires our Executive KMP to continue to hold a material security holding in APA Group. These requirements are: • CEO/MD: 100% of fixed pay; and • 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 to help build individual security holding levels. Executive KMP participants have five years from the date of appointment to their position to accumulate the required securities.		

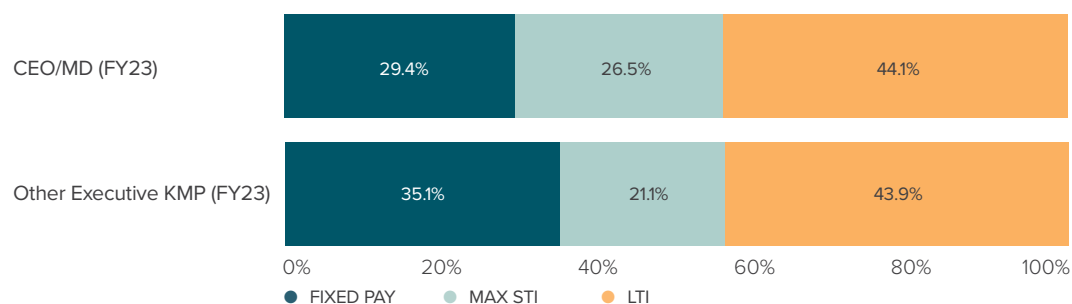


Pay Mix

The pay mix graph below displays the proportion of fixed vs variable remuneration (STI and LTI) at the maximum pay mix.

The LTI component has been calculated at face value assuming 100% vesting.

APA Executive KMP Maximum Pay Mix



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

3. FY23 performance and executive incentive outcomes

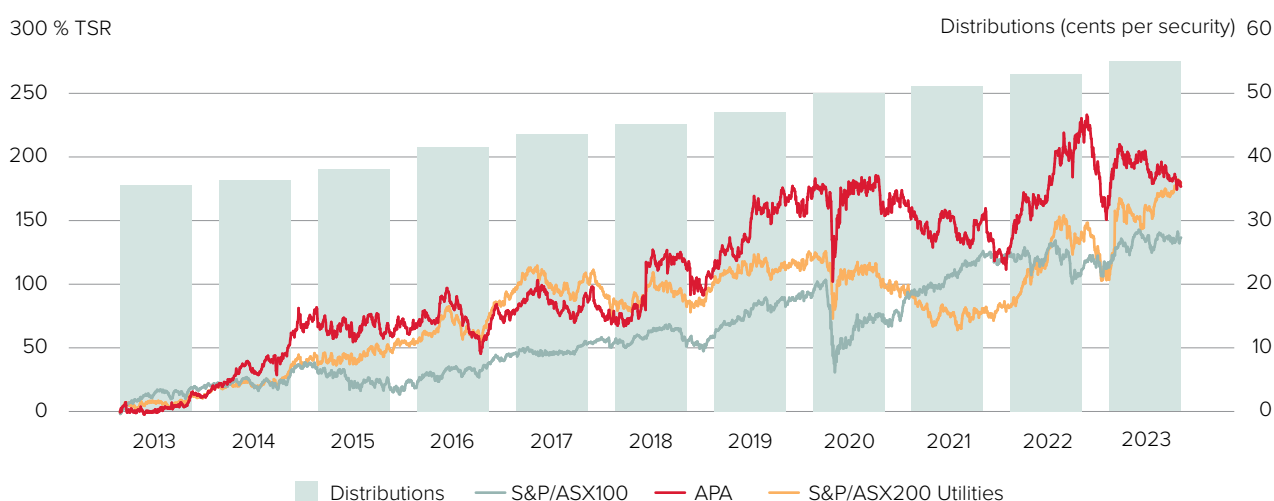
3.1 Company performance

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

Measure	FY23	FY22	FY21 ¹	FY20 ¹	FY19 ^{1,4}
Underlying EBITDA (\$m) ²	1,725	1,692	1,629	1,650	1,570
Profit after tax including significant items (\$m) ³	287	260	1	309	282
Profit after tax excluding significant items (\$m)	287	240	279	309	282
Free cash flow per security (cents)	90.7	91.6	76.4	81.1	75.7
Distribution per security (cents)	55.0	53.0	51.0	50.0	47.0
Closing security price at 30 June (\$)	9.69	11.27	8.90	11.13	10.80
CEO/MD STI outcome (% of maximum)	78.9	66.1	66.4	37.0	73.1

Since listing in 2000, APA has paid an interim and full year distribution every year. Our distribution per security of 55.0 cents for FY23 represents a 3.8% increase on FY22.

APA 10-year TSR and distributions



Source: Eikon's Refinitiv platform

3.2 FY23 STI scorecard outcomes – CEO/MD

The Board reviewed the CEO/MD's performance considering his performance against the KPI's in his STI scorecard.

The Board assesses business performance against the STI scorecard and the CEO/MD's individual contribution to these results. As part of the assessment the Board considers overall the behaviours demonstrated in delivering against the scorecard and any other performance throughout the year (not already reflected in the STI scorecard).

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 of the Financial Statements.

³ Includes an impairment gain on the Orbest Gas Processing Plant in FY22 and a once-off interest charge associated with bond note redemption in FY21.

⁴ The opening price of APA securities on 2 July 2018 was \$9.82.

APA Infrastructure Trust and its Controlled Entities Remuneration Report

Based on the Board's assessment, it deemed the scorecard outcome to be a holistic reflection of the CEO/MD's FY23 performance and there was no exercise of discretion over the final outcome.

Scorecard measures and rationale	FY23 outcome			Further detail
Financial – Underlying EBITDA (12.5% weighting)				
Underlying EBITDA is our key financial metric to assess the financial health of our business. We aim to maintain financial strength through solid underlying EBITDA.	THRESHOLD	TARGET	MAXIMUM	Underlying EBITDA outcome was \$1,725 million against a target of \$1,666 million and stretch of \$1,691 million. The Board considered adjusting the underlying EBITDA result for an estimate of the benefit from CPI exceeding our budget estimates. This would also have resulted in achievement at maximum.
Financial – Free Cash Flow (12.5% weighting)				
Strong free cash flow ensures our business' profitability by considering changes in working capital, interest and tax.	THRESHOLD	TARGET	MAXIMUM	Free cash flow was \$1,070 million against a target of \$981 million and stretch of \$1,021 million. The Board considered adjusting the Free Cash Flow result for an estimate of the benefit from CPI exceeding our budget estimates. This also would have resulted in an above stretch result
Financial – Organic Revenue Growth from deploying CAPEX (10% weighting)				
Assesses our ability to grow revenue streams organically.	THRESHOLD	TARGET	MAXIMUM	Actual outcome of \$293.5 million against a target of \$325 million and stretch of \$475 million.
Financial – Execution of growth strategy (25% weighting)				
Assesses our ability to identify and delivery on growth opportunities.	THRESHOLD	TARGET	MAXIMUM	Basslink was successfully acquired and the integration was delivered to plan and budget; Electricity Transmission capability was developed strengthening our offering for future Renewable Energy Zone opportunities; and key business transformation projects (e.g. ERP implementation) are all on track.
Non-financial – Deliver Climate Transition Plan Objectives (10% weighting)				
Ensure progress against our Climate Transition Plan objectives.	THRESHOLD	TARGET	MAXIMUM	This objective measured APA performance against the priorities set for FY23 in the Climate Transition Plan. The priorities set were delivered at the target level of expectation. Further information on APA's progress against the Climate Transition Plan will be set out in our Climate Report which will be released in September 2023.
Non-financial – Health, Safety, Environment and Heritage (10% weighting)				
To improve safety, wellbeing and environmental performance and safety culture through delivery of the HSEH Strategy so that our employees return home safely each day.	THRESHOLD	TARGET	MAXIMUM	Safety performance against our scorecard (including HSEH Interactions, HSEH Strategy delivery, TRIFR, Actual Serious Harm Incidents) was between threshold and target.
Non-financial – Inclusion & Diversity (10% weighting)				
Leverage diversity and build an inclusive culture so all our people feel safe, valued and trusted to do their best every day.	THRESHOLD	TARGET	MAXIMUM	Strong performance in meeting or exceeding our targets for improved female representation in senior leadership, extended leadership and our talent pipeline offset by total female representation falling short of our target for FY23.
Non-financial - Stakeholder Engagement (10% weighting)				
Maintain APA's reputation across internal and external stakeholders.	THRESHOLD	TARGET	MAXIMUM	Reputation measured by Reprtrack improved year on year and exceeded our target.
Scorecard outcome	78.9% of Maximum			

3.3 FY23 STI performance scorecard outcomes – Other Executive KMP

The GE Strategy & Commercial had KPIs aligned to the CEO/MD, with additional focus on economic and regulatory engagement, and on customer satisfaction. The STI achieved was 76.3% of Maximum.

3.4 STI outcomes

The table below provides an overview of the STI outcomes for FY23 for current Executive KMP, delivered in a mix of cash and restricted securities.

Executive KMP	STI earned				STI forfeited	
	Cash	Restricted securities (deferred)	Total	% of maximum	Foregone	% of maximum
A Watson ¹	\$765,377	\$201,359	\$966,736	78.9%	\$258,064	21.1%
D Rogers	\$415,576	–	\$415,576	76.3%	\$129,323	23.7%

3.5 LTI outcomes

Equity LTI plan

The FY21 LTI plan was tested as at 30 June 2023.

The relative TSR was not met, whilst the ROC hurdle was met, resulting in an LTI outcome of 50% achieved.

Performance measure	Weighting	Threshold	Maximum	Actual	Vesting outcome	Amount forfeited
Relative TSR	50%	50 th percentile	82.5 th percentile	23.6%	Nil	100%
ROC	50%	11.6%	11.9%	12.1%	100%	Nil
Final Outcome					50%	50%

The original ROC targets set were 11.1% (threshold) and 11.4% (maximum). This was based on an assumption that a M&A transaction would be executed. Given the transaction did not occur and another transaction (Basslink) did occur, the Board exercised its discretion and adjusted the targets. The ROC targets were increased to 11.6% (threshold) and 11.9% (maximum).

Performance Rights that do not vest are forfeited automatically following performance assessment. Vested Performance Rights will convert to APA securities as follows:

- 1/3 in August 2023,
- 1/3 in August 2024, and
- 1/3 in August 2025.

For further details of how the Board assess performance for the purposes of the LTI, please see section 4.3.

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 tested and made in FY20. Vesting of the final third tranche of the legacy cash awards in FY23 are summarised in section 3.6 below and is due to be paid in September 2023. Further details on the Legacy cash LTI plan can be found in the 2020 Annual Report.

¹ The CEO/MD's STI outcome is based on the STI opportunities applicable through the three distinct periods as CFO, acting CEO/MD and CEO/MD through the year and applying the total scorecard outcome of 78.9% of maximum. In the role of CFO the minimum security holding requirement was met and as such no STI deferral was applied. The portion applicable to the permanent period as CEO/MD has had 1/3 deferral applied.

3.6 FY23 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 is included in the table:

- Fixed pay and Cash STI – as received which relates to FY23.
- STI deferred equity – awards from prior years which have vested in FY23.
- Legacy cash LTI plan – awards vested from the legacy cash LTI plan vesting at the end of FY23 and payable in September 2023.
- LTI equity released – FY20 LTI (Tranche 2) and FY21 LTI (Tranche 1) that have met performance and time restrictions as at 30 June 2023 and will vest in August 2023.

Given this is not a statutory disclosure, we have only included Executive KMP as at 30 June 2023.

Executive KMP	Fixed Pay ¹ \$	Cash STI ² \$	STI Deferred Equity Released ³ \$	Legacy Cash LTI Vested ⁴ \$	LTI Equity Vested & Released ⁵ \$	Total \$
A Watson	1,466,647	765,377	–	N/A	177,515	2,409,539
D Rogers	908,413	415,576	126,615	78,919	242,064	1,771,587

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.

4.2 STI plan

In addition to the information covered in section 2, further detail on the operation of the FY23 STI plan is provided below:

Feature	Description									
Opportunity	<table><tr><th>Role</th><th>STI target (% of fixed pay)</th><th>STI maximum (% of fixed pay)</th></tr><tr><td>CEO/MD</td><td>60%</td><td>90%</td></tr><tr><td>Other Executive KMP</td><td>40%</td><td>60%</td></tr></table>	Role	STI target (% of fixed pay)	STI maximum (% of fixed pay)	CEO/MD	60%	90%	Other Executive KMP	40%	60%
	Role	STI target (% of fixed pay)	STI maximum (% of fixed pay)							
	CEO/MD	60%	90%							
Other Executive KMP	40%	60%								
Performance period	One year.									
Delivery	Cash (2/3) paid at the end of FY23 (in September 2023) and deferred equity (1/3) delivered as Restricted Securities which vest after 2-years (in September 2025) 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.									

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

2 Cash STI refers to the cash portion of the STI relating to performance in FY23. Payment will be made in September 2023.

3 Awards from prior years which have vested in the year. Valued based on the average price of securities on the date of purchase.

4 Refers to cash amount to be paid in September 2023 under the legacy LTI plan, based on the VWAP of \$9.7939 (as determined by the plan rules) and number of reference units that vested in August 2023.

5 Relates to rights vesting and converting to securities for Tranche 2 of the FY20 Performance Rights plan and Tranche 1 of FY21 Performance Rights plan which vested in August 2023. Valued based on a VWAP of \$10.0076 (being the 20 trading days leading up to 30 June 2023).

4.3 LTI plan

In addition to the information covered in section 2, further detail on the operation of the FY23 LTI plan is provided below:

Feature	Description											
Opportunity	<table><tr><th>Role</th><th>LTI maximum (% of fixed pay)</th></tr><tr><td>CEO/MD</td><td>150%</td></tr><tr><td>Other Executive KMP</td><td>125%</td></tr></table>	Role	LTI maximum (% of fixed pay)	CEO/MD	150%	Other Executive KMP	125%					
	Role	LTI maximum (% of fixed pay)										
	CEO/MD	150%										
Other Executive KMP	125%											
Performance period	Three years, commencing on 1 July 2022.											
Grant date	16 December 2022											
Delivery	Performance Rights are tested at the end of year three. Vested Performance Rights convert to securities and are released from restrictions in equal tranches at the end of year three, four and five. Performance Rights which do not vest are forfeited automatically unless the Board determines otherwise.											
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 2022). No amount is payable on the grant or vesting of Performance Rights.											
Performance measures	Relative TSR (50%)											
	Relative TSR measures the Group's TSR over a three-year period against a group of ASX 100 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											
	The peer group comprises of the following companies:											
	AGL Energy	Transurban	Mirvac Group									
	Atlas Arteria Group	Aurizon Holdings	Scentre Group									
	TPG Telecom	Qube Holdings	Stockland									
	Origin Energy	Dexus	Vicinity Centres									
	GPT Group	Goodman Group	Telstra Corporation									
	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.											
	APA sets challenging LTI hurdles to ensure that the LTI plan only vests where our executive team meet stretching targets.											
The relative TSR component vests in accordance with the following scale:												
<table><tr><th>Hurdle</th><th>Vesting outcome</th></tr><tr><td>Below 50th percentile</td><td>Nil</td></tr><tr><td>At 50th percentile</td><td>50%</td></tr><tr><td>Between 50th and 82.5th percentile</td><td>Straight line pro-rata vesting between 50% and 100%</td></tr><tr><td>At 82.5th percentile or above</td><td>100%</td></tr></table>			Hurdle	Vesting outcome	Below 50 th percentile	Nil	At 50 th percentile	50%	Between 50 th and 82.5 th percentile	Straight line pro-rata vesting between 50% and 100%	At 82.5 th percentile or above	100%
Hurdle	Vesting outcome											
Below 50 th percentile	Nil											
At 50 th percentile	50%											
Between 50 th and 82.5 th percentile	Straight line pro-rata vesting between 50% and 100%											
At 82.5 th percentile or above	100%											

Feature	Description										
	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. ROC is calculated as an average over three 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. 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 the vesting outcomes are appropriate. The ROC component vests in according with the following scale: <table> <tr> <th>Hurdle</th><th>Vesting outcome</th></tr> <tr> <td>Less than 12.20%</td><td>0%</td></tr> <tr> <td>Equal to 12.20%</td><td>33%</td></tr> <tr> <td>Greater than 12.20% up to 12.50%</td><td>Straight line pro-rata vesting between 33% and 100%</td></tr> <tr> <td>At or above 12.50%</td><td>100%</td></tr> </table>	Hurdle	Vesting outcome	Less than 12.20%	0%	Equal to 12.20%	33%	Greater than 12.20% up to 12.50%	Straight line pro-rata vesting between 33% and 100%	At or above 12.50%	100%
Hurdle	Vesting outcome										
Less than 12.20%	0%										
Equal to 12.20%	33%										
Greater than 12.20% up to 12.50%	Straight line pro-rata vesting between 33% and 100%										
At or above 12.50%	100%										
Retesting	Re-testing of LTI awards is not permitted.										

4.4 Additional provisions

The table below summarises additional provisions as they relate to the remuneration of Executive KMP for FY23.

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, in accordance with provisions that are included within the STI and LTI plans and offer documentation to Executive KMP's.	
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: - 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. - Where employment ceases for any other reason, a pro-rated STI award may be paid based on the performance period served and restricted securities awarded in prior years are generally released from dealing restrictions at the end of the restriction period in the ordinary course.	Subject to Board discretion: - Where the participant is terminated summarily or resigns having breached their terms of employment, all Performance Rights will automatically lapse. - 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. 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 Performance Rights vest. Where the Board does not make a determination, all Performance 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/MD 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.

Given the recent promotion of Adam Watson his new role, he remains within the five-year timeframe to meet the MSR. Darren Rogers has met the MSR requirement. Details of Executive KMP security holdings may be found in Section 8.

5. Executive KMP contract and severance 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.

	Total Fixed Remuneration (as at 30 June 2023)	Notice period
CEO/MD	\$1,600,000	• 9 months' notice by either APA or CEO/MD. • APA may provide payment in lieu of notice. • No notice is required by APA for termination for cause.
GE Strategy & Commercial	\$920,000	• 6 months' notice by either APA or the individual. • APA may provide payment in lieu of notice. • No notice is required by APA for termination for cause.

5.2 Outgoing arrangements of Rob Wheals (former CEO/MD)

Rob Wheals resigned on 22 August 2022 and continued to serve out a portion of his notice period until 30 September 2022 to ensure a smooth transition of the CEO/MD role.

In addition to the statutory entitlements and payment in lieu of notice to Rob Wheals, in accordance with the plan rules, his LTI awards were left on-foot and will be tested in the ordinary course, with no accelerated vesting of awards. Rob Wheals did not receive an LTI grant in FY23 and his FY23 STI has been pro-rated to 30 September 2022 to reflect his period of employment for the financial year. His FY23 STI outcome was 66.6% of maximum and will be delivered in cash, based on APA performance and individual contribution in the period employed.

5.3 Outgoing arrangements of Julian Peck (former GE Strategy & Commercial)

Julian Peck resigned in June 2022, ceased to be KMP on 25 August 2022 when Darren Rogers commenced as the GE Strategy & Commercial, and then ceased employment on 28 October 2022 following the completion of the handover period.

In addition to the statutory entitlements paid to Julian Peck, in accordance with the plan rules, his LTI awards were left on-foot and will be tested in the ordinary course, with no accelerated vesting of awards. Julian Peck did not receive an LTI grant in FY23 and his FY23 STI has been pro-rated to 28 October 2022 to reflect his period of employment. His FY23 STI outcome was 70% of maximum and will be delivered in cash, based on APA performance and individual contribution in the period employed.

6. Non-executive Director 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:

- 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 Committees.

One-off 'per diems' may be paid in exceptional circumstances. No per-diem payments were made in FY23.

6.2 Aggregate NED fee pool

The aggregate NED fee pool as at 30 June 2023 was \$2,500,000.

6.3 Director fees

During FY23, the Board reviewed the roles and responsibilities of the Board and its Committees and made the following changes:

- The Health, Safety, Environment & Heritage Committee was renamed the Safety & Sustainability Committee.
- The Audit & Risk Management Committee was divided into the Audit & Finance Committee and Risk Management Committee.

The following table sets out the FY23 NED fee policy.

	FY23 Before Review Of Committee Structure		FY23 Following Review Of Committee Structure	
	Chair \$	Member \$	Chair \$	Member \$
Board	513,735	182,806	513,735	182,806
Audit Finance Committee	N/A	N/A	40,883	20,391
Risk Management Committee	N/A	N/A	40,883	20,391
Audit & Risk Management Committee	60,300	24,488	N/A	N/A
Safety & Sustainability Committee	40,883	20,391	40,883	20,391
People & Remuneration Committee	40,833	20,391	40,833	20,391
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 2023, all NEDs met this requirement. Details of NED security holdings may be found in section 8.

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 frameworks to reflect APA's behaviours, 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)
- Shirley In't Veld
- Rhoda Phillippo

Audit & Finance, Safety & Sustainability and Risk Management Committees

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

External advisors

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

In FY23, external advisors were 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 provided in FY23.

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 NED.

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

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

Given Adam Watson and Darren Rogers were promoted to their new roles in FY23, their FY22 and FY23 remuneration levels differ significantly as they refer to two different roles.

	Short-Term Employment Benefits				Other ⁴	Post-Employment	Security-based payments		Total
	Salary ¹	Awarded Cash STI ²	STI Deferral	Termination ³		Super-annuation	Legacy LTI Plan	Equity settled Security Based ^{5,6}	
A Watson									
2023	1,441,355	765,377	201,359	–	–	25,292	–	608,563	3,041,946
2022	898,752	670,422	–	–	–	26,667	–	343,992	1,939,833
D Rogers									
2023	883,120	415,576	–	–	–	25,292	59,189	480,030	1,863,207
2022	776,153	272,578	136,289	–	3,676	27,500	70,948	347,011	1,634,155
Former Executive KMP									
R Wheals ⁷									
2023	412,427	253,361	–	1,645,153	–	12,646	104,077	2,120,475	4,548,139
2022	1,647,500	664,171	332,086	–	9,910	27,500	229,988	1,077,997	3,989,152
R Gersbach ⁸									
2023	152,437	63,747	–	–	36,778	3,673	16,726	76,953	350,315
2022	949,856	350,433	–	–	231,397	23,568	255,706	392,223	2,203,183
J Peck ⁹									
2023	136,213	58,755	–	62,763	–	5,951	–	–	263,682
2022	821,918	361,644	–	–	–	82,192	–	780,082	2,045,836
Total Remuneration									
2023	3,025,552	1,556,816	201,359	1,707,919	36,778	72,854	179,993	3,286,022	10,067,289
2022	5,094,179	2,319,248	468,375	–	244,983	187,427	556,642	2,941,305	11,812,159

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 the financial year (or for the relevant period that they were KMP as set out in the Report).

3 Reflects the payment in lieu of notice and other statutory entitlements required to be paid on termination.

4 This includes expatriate housing and a cost of living allowance in relation Ross Gersbach's secondment to the USA.

5 For equity settled security-based payments, an expense is recognised equal to the portion of service received based on the fair value of the equity instrument at grant date.

6 Security-based payment for R Wheals in 2023 represents accelerated accounting value on cessation of employment for retained LTI awards. Further detail provided in section 5.2.

7 Ceased employment on 30 September 2022.

8 Ceased as KMP on 22 August 2022. Remuneration is shown until this date.

9 Ceased as KMP on 25 August 2022. Remuneration is shown until this date.

APA Infrastructure Trust and its Controlled Entities Remuneration Report

8.2 NED statutory remuneration disclosure

Financial Year	Short-term employment benefits	Post- employment benefits	Total \$
	Fees \$	Superannuation \$	
M Fraser			
FY23	488,443	25,292	513,735
FY22	467,032	46,703	513,735
J Fazzino			
FY23	230,276	24,179	254,455
FY22	204,214	20,421	224,635
D Goodin			
FY23	239,191	25,115	264,306
FY22	231,451	23,145	254,596
S In't Veld			
FY23	207,490	21,786	229,276
FY22	218,972	21,897	240,869
R Phillippo			
FY23	229,256	24,072	253,328
FY22	200,525	20,052	220,577
P Wasow			
FY23	235,377	24,715	260,092
FY22	222,661	22,266	244,927
<i>Former NEDs</i>			
S Crane¹			
FY23	43,868	4,512	48,380
FY22	204,214	20,421	224,635
Total			
FY23	1,673,901	149,671	1,823,572
FY22	1,749,069	174,905	1,923,974

¹ Ceased in his role on 15 September 2022.

8.3 Outstanding awards under current LTI plan

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

	Opening balance at 1 Jul 2022	Performance Rights granted in FY23 as remuneration	Grant date	Vested in FY23	Forfeited / lapsed or other change in FY23	Closing balance on 30 Jun 2023	Fair value of Performance Rights at grant date \$ ¹
A Watson							
FY21 LTI	106,426	-	12/11/2020	-	-	106,426	682,723
FY22 LTI	128,367	-	10/11/2021	-	-	128,367	683,340
FY23 LTI	-	162,462	16/12/2022	-	-	162,462	1,050,588
D Rogers							
FY20 LTI	51,064	-	13/12/2019	12,238	14,350	24,476	342,895
FY21 LTI	71,698	-	12/11/2020	-	-	71,698	459,943
FY22 LTI	108,098	-	10/11/2021	-	-	108,098	575,442
FY23 LTI	-	100,990	16/12/2022	-	-	100,990	653,069
R Wheals²							
FY20 LTI	217,872	-	13/12/2019	52,213	61,233	104,426	1,463,010
FY21 LTI	215,094	-	12/11/2020	-	-	215,094	1,379,828
FY22 LTI	270,362	-	10/11/2021	-	-	270,362	1,439,227
R Gersbach³							
FY20 LTI	65,975	-	13/12/2019	15,812	18,539	31,624	443,022
FY21 LTI	65,133	-	12/11/2020	-	-	65,133	417,829
FY22 LTI	130,934	-	10/11/2021	-	-	130,934	697,006
FY23 LTI	-	109,526	16/12/2022	-	-	109,526	708,268
J Peck⁴							
FY21 LTI	82,179	-	12/11/2020	-	-	82,179	527,179
FY22 LTI	121,610	-	10/11/2021	-	-	121,610	647,371

The fair value of performance rights in the above is calculated based on fair value, grant date, vesting date and individual vesting conditions for the relative TSR and ROC hurdle vesting conditions as set out in the table below.

Grant year		TSR			ROC		
		Tranche 1	Tranche 2	Tranche 3	Tranche 1	Tranche 2	Tranche 3
FY20	Fair value	\$4.47	\$4.27	\$4.08	\$9.57	\$9.15	\$8.75
	Grant date		13/12/2019			13/12/2019	
	Vesting date	August 2022	August 2023	August 2024	August 2022	August 2023	August 2024
FY21	Fair value	\$4.17	\$3.97	\$3.79	\$9.28	\$8.85	\$8.43
	Grant date		12/11/2020			12/11/2020	
	Vesting date	August 2023	August 2024	August 2025	August 2023	August 2024	August 2025
FY22	Fair value	\$3.58	\$3.40	\$3.23	\$7.62	\$7.24	\$6.87
	Grant date		10/11/2021			10/11/2021	
	Vesting date	August 2024	August 2025	August 2026	Vesting date	August 2024	August 2025
FY23	Fair value	\$4.19	\$3.98	\$3.79	\$9.40	\$8.94	\$8.50
	Grant date		16/12/2022			16/12/2022	
	Vesting date	August 2025	August 2026	August 2027	August 2025	August 2026	August 2027

1 This 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 2023 satisfied all vesting conditions.

2 Ceased employment on 30 September 2022.

3 Ceased as KMP on 22 August 2022.

4 Ceased as KMP on 25 August 2022.

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 1 Jul 2022	Units allocated in FY23	Cash settled reference units paid	Closing balance at 30 Jun 2023	Reference units allocated that have not yet vested or been paid and the months in which they will vest
						Aug-23
D Rogers	2020	16,116		(8,058)	8,058	8,058
Total						8,058
<i>Former Executive KMP</i>	2019	12,654		(12,654)	–	–
R Wheals¹	2020	28,338		(14,169)	14,169	14,169
Total						14,169
R Gersbach²	2019	14,069		(14,069)	–	–
	2020	31,364		(15,682)	15,682	15,682
Total						15,682

8.5 Security holdings

The following table sets out APA Group stapled securities held by KMP or their closely related parties, directly, indirectly or beneficially.

Year ended 30 June 2023	Opening Balance at 1 Jul 2022	Securities Acquired	Securities Disposed	Closing Balance at 30 Jun 2023	Meets minimum security holding requirement as at 30 June 2023
NEDS					
M Fraser	102,942			102,942	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	10,000	7,960		17,960	Yes
P Wasow	26,000			26,000	Yes
<i>Former NEDs</i>					
S Crane ³	30,000			30,000	N/A
Executive KMP					
A Watson ⁴	55,556			55,556	No
D Rogers	25,750	23,847		49,597	Yes
<i>Former Executive KMP</i>					
R Wheals ⁵	108,721	52,213		160,934	N/A
R Gersbach ⁶	44,691			44,691	N/A
J Peck ⁷	53,428			53,428	N/A

1 Ceased employment on 30 September 2022.

2 Ceased as KMP on 22 August 2022.

3 Ceased in role on 15 September 2022. Closing balance is shown as at this date.

4 Appointed as CEO on 19 December 2022 and is now subject to a higher MSR of 100% of fixed pay within 5 years of appointment.

5 Ceased employment on 30 September 2022. Closing balance is shown as at this date.

6 Ceased as on 22 August 2022. Closing balance is shown as at this date.

7 Ceased as KMP on 25 August 2022. Closing balance is shown as at this date.

8.6 Loans to KMP and other transaction of KMP and personally related entities

During FY23, there were no transactions between KMP or their close family members and APA Group other than as described in this report.

There are no loans with any KMP.

A number of KMP have control or joint control of other entities (outside APA Group). During the year, there have been no transactions between those entities and APA Group, and no amounts were owed by or to APA Group from those entities.

Consolidated Statement of Profit or Loss and Other Comprehensive Income

	Note	2023 \$m	2022 \$m
Revenue		2,890	2,705
Share of net profits of associates and joint ventures using the equity method		21	25
	4	2,911	2,730
Asset operation and management expenses		(227)	(229)
Depreciation and amortisation expenses	5	(750)	(735)
Other operating costs – pass-through	5	(512)	(496)
Finance costs	5	(483)	(493)
Employee benefit expense	5	(398)	(323)
Other expenses		(82)	(24)
Fair value gains/(losses) on contracts for difference	19	12	(30)
Reversal of impairment of property, plant and equipment ⁽¹⁾	2	–	28
Profit before tax		471	428
Income tax expense	6	(191)	(181)
Profit for the year		280	247
Other comprehensive income, net of income tax			
Items that will not be reclassified subsequently to profit or loss:			
Actuarial gain on defined benefit plan		5	7
Income tax relating to items that will not be reclassified subsequently		(1)	(2)
		4	5
Items that may be reclassified subsequently to profit or loss:			
Transfer of gain on cash flow hedges to profit or loss		167	160
Loss on cash flow hedges taken to equity		(705)	(152)
Gain on associate hedges taken to equity		4	18
Income tax relating to items that may be reclassified subsequently		160	(8)
		(374)	18
Other comprehensive (loss)/income for the year (net of tax)		(370)	23
Total comprehensive (loss)/income for the year		(90)	270
Profit attributable to:			
Equityholders of the parent		260	227
Non-controlling – other		20	20
		280	247
Total comprehensive (loss)/income attributable to:			
Equityholders of the parent		(110)	250
Non-controlling – other		20	20
		(90)	270

(1) The impairment reversal in FY22 relates to the Orbest 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

	Note	2023 \$m	2022 \$m
Current assets			
Cash and cash equivalents	18	512	940
Trade and other receivables	8	374	309
Receivables from related parties	8	227	179
Other financial assets	20	49	32
Inventories		55	45
Other		42	31
Assets classified as held for sale ⁽¹⁾	10	–	295
Current assets		1,259	1,831
Non-current assets			
Trade and other receivables	8	27	608
Other financial assets	20	430	362
Investments accounted for using the equity method	23	252	244
Property, plant and equipment	11	10,755	9,420
Goodwill	12	1,184	1,184
Other intangible assets	12	2,130	2,312
Other	15	34	32
Non-current assets		14,812	14,162
Total assets		16,071	15,993
Current liabilities			
Trade and other payables	9	471	397
Payables to related parties	9	1,523	1,929
Lease liabilities	17	17	15
Borrowings	18	202	3
Other financial liabilities	20	207	206
Provisions	14	159	138
Unearned revenue		13	13
Liabilities directly associated with assets classified as held for sale ⁽¹⁾	10	–	31
Current liabilities		2,592	2,732
Non-current liabilities			
Trade and other payables	9	9	11
Payables to related parties	9	506	546
Lease liabilities	17	50	47
Borrowings	18	11,321	10,902
Other financial liabilities	20	452	422
Deferred tax liabilities	6	1,109	959
Provisions	14	113	94
Unearned revenue		52	51
Non-current liabilities		13,612	13,032
Total liabilities		16,204	15,764
Net (liabilities)/assets		(133)	229

(1) On 20 June 2022, the Consolidated Entity announced that it had entered into binding agreements with Cooper Energy Limited for the sale of the Orbest Gas Processing Plant resulting in the recognition of assets and liabilities held for sale as at 30 June 2022. On 28 July 2022 APA completed the sale of Orbest Gas Processing Plant to Cooper Energy Limited for an initial upfront consideration of \$210 million. Refer to note 10 for further details.

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

Consolidated Statement of Financial Position (continued)

	Note	2023 \$m	2022 \$m
Equity			
APA Infrastructure Limited equity:			
Issued capital	21	117	117
Reserves		(705)	(333)
Retained earnings		336	326
Equity attributable to equityholders of the parent		(252)	110
Non-controlling interest	22	119	119
Total equity		(133)	229

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

Consolidated Statement of Changes in Equity

	APA Infrastructure Limited					Non-controlling interest				Total \$m
	Issued capital \$m	Asset revaluation reserve ⁽¹⁾ \$m	Share-based payments reserve ⁽²⁾ \$m	Hedging reserve ⁽³⁾ \$m	Retained earnings \$m	Attributable to owners of the parent \$m	Issued capital \$m	Retained earnings \$m	Non- controlling interest \$m	
Balance at 1 July 2021	117	9	3	(366)	200	(37)	119	–	119	82
Profit for the year	–	–	–	–	227	227	–	20	20	247
Other comprehensive income	–	–	–	26	7	33	–	–	–	33
Income tax relating to components of other comprehensive income	–	–	–	(8)	(2)	(10)	–	–	–	(10)
Total comprehensive income for the year	–	–	–	18	232	250	–	20	20	270
Payment of dividends (note 7)	–	–	–	–	(106)	(106)	–	(20)	(20)	(126)
Equity settled long-term incentives (net of tax)	–	–	3	–	–	3	–	–	–	3
Balance at 30 June 2022	117	9	6	(348)	326	110	119	–	119	229
Balance at 1 July 2022	117	9	6	(348)	326	110	119	–	119	229
Profit for the year	–	–	–	–	260	260	–	20	20	280
Other comprehensive (loss)/income	–	–	–	(534)	5	(529)	–	–	–	(529)
Income tax relating to components of other comprehensive income	–	–	–	160	(1)	159	–	–	–	159
Total comprehensive (loss)/income for the year	–	–	–	(374)	264	(110)	–	20	20	(90)
Payment of dividends (note 7)	–	–	–	–	(254)	(254)	–	(20)	(20)	(274)
Equity settled long-term incentives (net of tax)	–	–	2	–	–	2	–	–	–	2
Balance at 30 June 2023	117	9	8	(722)	336	(252)	119	–	119	(133)

(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.

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

Consolidated Statement of Cash Flows

	Note	2023 \$m	2022 \$m
Cash flows from operating activities			
Receipts from customers		3,126	2,963
Payments to suppliers and employees		(1,479)	(1,311)
Dividends received from associates and joint ventures		16	24
Proceeds from repayments of finance leases		1	1
Interest received		21	4
Interest and other costs of finance paid		(463)	(453)
Net cash provided by operating activities		1,222	1,228
Cash flows from investing activities			
Payments for property, plant and equipment ⁽¹⁾		(1,166)	(661)
Proceeds from sale of property, plant and equipment ⁽²⁾		211	6
Payments for intangible assets		(14)	(28)
Payments for debt purchase		–	(588)
Net cash used in investing activities		(969)	(1,271)
Cash flows from financing activities			
Proceeds from borrowings		–	1,000
Repayments of borrowings		(3)	(3)
Repayments of lease liabilities		(17)	(15)
Transaction costs related to borrowings		(7)	(8)
Dividends paid to:			
Equityholders of APA Infrastructure Limited		(254)	(106)
Equityholders of the non-controlling interest		(20)	(20)
Advances to related parties		(380)	(518)
Net cash (used in)/provided by financing activities		(681)	330
Net (decrease)/increase in cash and cash equivalents		(428)	287
Cash and cash equivalents at beginning of financial year		940	652
Effect of exchange rate changes on cash and cash equivalents		–	1
Cash and cash equivalents at end of financial year	18	512	940

(1) Included in payments for property, plant and equipment is the net consideration paid of \$110 million to acquire Basslink. Refer to note 25 for further details.

(2) Included in the proceeds from the sale of property, plant and equipment is the \$210 million upfront component of the proceeds from the sale of the Orbest Gas Processing Plant on 28 July 2022.

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

Consolidated Statement of Cash Flows (continued)

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

	Note	2023 \$m	2022 \$m
Profit for the year		280	247
Reversal of impairment of property, plant and equipment	2	–	(28)
Profit on disposal of property, plant and equipment ⁽¹⁾		–	(2)
Share of net profits of joint ventures and associates using the equity method		(21)	(25)
Dividends/distributions received from equity accounted investments		16	24
Depreciation and amortisation expenses		750	735
Finance costs		2	65
Effect of exchange rate changes		3	(1)
Amortisation of hedging loss		4	9
Wallumbilla Gas Pipeline hedge accounting discontinuation ⁽²⁾		37	15
Equity settled long-term incentives		2	3
Changes in assets and liabilities:			
Trade and other receivables		(51)	(42)
Inventories		(9)	(6)
Other assets		(13)	(9)
Trade and other payables		21	22
Provisions		16	26
Other liabilities		(8)	11
Income tax balances		193	184
Net cash provided by operating activities		1,222	1,228

(1) On 28 July 2022 APA completed the sale of Orbost Gas Processing Plant to Cooper Energy Limited resulting in a \$nil pre-tax profit on sale.

(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.

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

Basis of Preparation

1. About this report

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

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Notes to the consolidated financial statements (continued)

Basis of Preparation (continued)

2. General information

APA Infrastructure Limited is a subsidiary of APA Infrastructure Trust. APA Infrastructure Trust is one of two stapled trusts of APA Group, the other being APA Investment Trust. APA Group is listed on the Australian Securities Exchange (trading under the code “APA”), registered in Australia and operating in Australia.

The financial report represents the consolidated financial statements of APA Infrastructure Limited, its respective subsidiaries and their share of joint arrangements, associates and joint ventures (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 Infrastructure Entity’s registered office and principal place of business are as follows:

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

The consolidated general purpose financial report for the year ended 30 June 2023 was authorised for issue in accordance with a resolution of the directors on 23 August 2023.

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 including prior year comparatives is presented in Australian dollars and all values are rounded to the nearest million dollars (\$million) 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 the APA Group.

Foreign currency transactions

Both the functional and presentation currency of the Consolidated Entity 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.

Notes to the consolidated financial statements (continued)

Basis of Preparation (continued)

2. General information (continued)

Critical accounting judgements and key sources of estimation uncertainty

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

- Property, plant and equipment (note 11)
- Carrying value of non-financial assets (note 13)
- Provision for payroll review (note 14)
- Fair value of financial instruments (note 19(c))
- Equity accounted investments (note 24)
- Commitments and contingencies (note 26)

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.

Working Capital

As at 30 June 2023, the Consolidated Entity's current liabilities exceeded current assets by \$1,333 million (2022: current assets exceeded current liabilities by \$901 million). Excluding current related party loan balances held with APA Infrastructure Trust, the Consolidated Entity's current liabilities exceed current assets by \$50 million (2022: current assets exceed current liabilities by \$850 million).

The Consolidated Entity has access to sufficient available cash and committed undrawn bank facilities of \$2,111 million as at 30 June 2023 (2022: \$2,190 million) to meet the repayment of current borrowings on the due date and to assist in the ongoing funding of the business. The Consolidated Entity continues to fund its growth with appropriate levels of equity, cash retained in the business, and debt in order to maintain strong BBB/Baa2 credit ratings.

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

Further to this APA Group Limited, as the responsible entity for APA Infrastructure Trust and APA Investment Trust has agreed to provide financial support, to enable the Consolidated Entity to pay its debts as and when they fall due. The financial support is valid for a period of not less than twelve months from the date of signing the financial statements. Based on these factors the financial statements of the Consolidated Entity have been prepared on a going concern basis.

Significant items

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

	2023 \$m	2022 \$m
Significant items impacting profit before tax		
Reversal of impairment/(impairment of) property, plant and equipment ⁽¹⁾	–	28
Total significant items impacting profit before tax	–	28
Income tax related to significant items above	–	(8)
Profit from significant items after income tax	–	20

(1) In FY22, immediately prior to the reclassification of the Orbest Gas Processing Plant as held for sale, the recoverable amount was determined and an impairment reversal of \$28 million before tax was recognised to reflect the consideration estimated to be realised from the sale of the plant.

Notes to the consolidated financial statements (continued)

Financial Performance

3. Segment information

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

The Consolidated Entity comprises the following reportable segments:

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

Reportable segments

2023	Energy Infrastructure \$m	Asset Management \$m	Energy Investments \$m	Other \$m	Consolidated \$m
Segment revenue ⁽¹⁾					
Revenue from contracts with customers	2,208	114	–	–	2,322
Equity accounted net profits	–	–	21	–	21
Pass-through revenue	51	461	–	–	512
Other income	6	1	–	–	7
Finance lease and investment interest income	1	–	–	–	1
Total segment revenue	2,266	576	21	–	2,863
Wallumbilla Gas Pipeline hedge accounting discontinuation ⁽²⁾	(37)	–	–	–	(37)
Income on Basslink debt investment ⁽³⁾	–	–	50	–	50
Basslink AEMC market compensation ⁽⁴⁾	15	–	–	–	15
Other interest income	–	–	–	20	20
Total revenue	2,244	576	71	20	2,911

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

(2) 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 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) Income including accrued interest and the revaluation gain up until the date of acquisition of Basslink Pty Ltd and its subsidiary on 20 October 2022. As part of the net consideration, APA was repaid the face value of its 100% interest in Basslink's senior secured debt of \$648 million. Refer to Note 25 for further details.

(4) On 15 December 2022, the Australian Energy Market Commission (AEMC) approved Basslink's compensation claim of \$15 million for direct costs following the application of the administered price cap during an administered price period in Queensland, New South Wales, Victoria and South Australia in June 2022.

Notes to the consolidated financial statements (continued)

Financial Performance (continued)

3. Segment information (continued)

Reportable segments (continued)

2023	Energy Infrastructure \$m	Asset Management \$m	Energy Investments \$m	Other \$m	Consolidated \$m
Segment result					
Segment underlying EBITDA ⁽¹⁾	1,792	56	–	–	1,848
Share of net profits of joint ventures and associates using the equity method	–	–	21	–	21
Finance lease and investment interest income	1	–	–	–	1
Corporate costs	–	–	–	(147)	(147)
Total underlying EBITDA ⁽¹⁾	1,793	56	21	(147)	1,723
Fair value gain on contracts for difference ⁽²⁾	12	–	–	–	12
Technology transformation projects ⁽³⁾	–	–	–	(67)	(67)
Wallumbilla Gas Pipeline hedge accounting discontinuation ⁽⁴⁾	(37)	–	–	–	(37)
Basslink debt revaluation, interest and integration costs ⁽⁵⁾	–	–	47	–	47
Basslink AEMC market compensation ⁽⁶⁾	15	–	–	–	15
Payroll review ⁽⁷⁾	–	–	–	(9)	(9)
Total reported EBITDA ⁽⁸⁾	1,783	56	68	(223)	1,684
Depreciation and amortisation	(733)	(17)	–	–	(750)
Total reported EBIT ⁽⁷⁾	1,050	39	68	(223)	934
Net interest cost ⁽¹⁰⁾					(463)
Profit before tax					471
Income tax expense					(191)
Profit after tax					280

- (1) Earnings before interest, tax, depreciation, and amortisation ("EBITDA") excludes recurring items arising from other activities and transactions that are not directly attributable to the performance of APA Group's business operations.
- (2) The amount represents a net gain arising from electricity contracts for difference that economically hedge the future cash flows of the electricity contracts for which hedge accounting is not applicable.
- (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.
- (4) 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 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) Income including accrued interest and the revaluation gain up until the date of acquisition of Basslink Pty Ltd and its subsidiary on 20 October 2022, net of integration costs of \$3 million incurred in the full year to 30 June 2023. As part of the net consideration to acquire Basslink, the Consolidated Entity was repaid the face value of its 100% interest in Basslink's senior secured debt of \$648 million. Refer to Note 25 for further details.
- (6) On 15 December 2022, the Australian Energy Market Commission (AEMC) approved Basslink's compensation claim of \$15 million for direct costs following the application of the administered price cap during an administered price period in Queensland, New South Wales, Victoria and South Australia in June 2022.
- (7) Estimated payment shortfalls for the year ended 30 June 2023 are included within underlying EBITDA. Interest and other related costs are included within reported EBITDA.
- (8) Earnings before interest, tax, depreciation, and amortisation ("EBITDA").
- (9) Earnings before interest and tax ("EBIT").
- (10) Excluding finance lease and investment interest income, any gains or losses on revaluation of derivatives included as part of EBIT for segment reporting purposes, but including other interest income.

Notes to the consolidated financial statements (continued)

Financial Performance (continued)

3. Segment information (continued)

Reportable segments (continued)

2023	Energy Infrastructure \$m	Asset Management \$m	Energy Investments \$m	Other \$m	Consolidated \$m
Segment assets and liabilities					
Segment assets	14,422	177	11	–	14,610
Carrying value of investments using the equity method	–	–	252	–	252
Unallocated assets ⁽¹⁾	–	–	–	1,209	1,209
Total assets	14,422	177	263	1,209	16,071
Segment liabilities	659	94	–	–	753
Unallocated liabilities ⁽²⁾	–	–	–	15,451	15,451
Total liabilities	659	94	–	15,451	16,204

(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.

2022	Energy Infrastructure \$m	Asset Management \$m	Energy Investments \$m	Other \$m	Consolidated \$m
Segment revenue ⁽¹⁾					
Revenue from contracts with customers	2,082	115	–	–	2,197
Equity accounted net profits	–	–	25	–	25
Pass-through revenue	65	431	–	–	496
Other income ⁽²⁾	12	–	–	–	12
Finance lease and investment interest income	1	–	1	–	2
Total segment revenue	2,160	546	26	–	2,732
Wallumbilla Gas Pipeline hedge accounting discontinuation ⁽³⁾	(15)	–	–	–	(15)
Interest income on Basslink debt investment ⁽⁴⁾	–	–	12	–	12
Other interest income	–	–	–	1	1
Total revenue	2,145	546	38	1	2,730

(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 \$5 million, resulting in a pre tax profit on sale of \$4 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)

Financial Performance (continued)

3. Segment information (continued)

Reportable segments (continued)

2022	Energy Infrastructure \$m	Asset Management \$m	Energy Investments \$m	Other \$m	Consolidated \$m
Segment result					
Segment underlying EBITDA ⁽¹⁾	1,706	73	–	–	1,779
Share of net profits of joint ventures and associates using the equity method	–	–	25	–	25
Finance lease and investment interest income	1	–	1	–	2
Corporate costs	–	–	–	(116)	(116)
Total underlying EBITDA ⁽¹⁾	1,707	73	26	(116)	1,690
Fair value gains on contract for difference ⁽²⁾	(30)	–	–	–	(21)
Technology transformation projects ⁽³⁾	–	–	–	(21)	(21)
Wallumbilla Gas Pipeline hedge accounting discontinuation ⁽⁴⁾	(15)	–	–	–	(15)
Interest income on Basslink debt investment ⁽⁵⁾	–	–	12	–	12
Payroll review ⁽⁶⁾	–	–	–	(8)	(8)
Total reported EBITDA ⁽⁷⁾	1,662	73	38	(145)	1,628
Depreciation and amortisation	(718)	(17)	–	–	(735)
Total reported EBIT ⁽⁸⁾	944	56	38	(145)	893
Net interest cost ⁽⁹⁾					(493)
Reported Profit before tax					400
Income tax expense excluding significant items					(173)
Reported Profit after tax					227
Significant items before tax ⁽⁹⁾					28
Reported profit before tax					428
Significant items after tax					20
Reported profit after tax ⁽¹⁰⁾					247

(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 the Consolidated Entity'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 19.

(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 the Consolidated Entity during the year ended 30 June 2022.

(6) Estimated payment shortfalls for the year ended 30 June 2022 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)

Financial Performance (continued)

3. Segment information (continued)

Reportable segments (continued)

2022	Energy Infrastructure \$m	Asset Management \$m	Energy Investments \$m	Other \$m	Consolidated \$m
Segment assets and liabilities					
Segment assets	13,452	186	609	–	14,247
Carrying value of investments using the equity method	–	–	244	–	244
Unallocated assets ⁽¹⁾	–	–	–	1,502	1,502
Total assets	13,452	186	853	1,502	15,993
Segment liabilities	675	96	–	–	771
Unallocated liabilities ⁽²⁾	–	–	–	14,993	14,993
Total liabilities	675	96	–	14,993	15,764

(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.

4. Revenue

Disaggregation of revenue

Revenue is disaggregated below by business unit and region.

2023	2023 \$m	2022 \$m
Energy Infrastructure		
Wallumbilla Gladstone Pipeline ⁽¹⁾	622	581
East Coast	808	805
West Coast	369	342
Electricity Generation and Transmission ⁽²⁾	409	354
Energy Infrastructure revenue from contracts with customers	2,208	2,082
Asset Management revenue from contracts with customers	114	115
Energy Investments	21	26
Other non-contract revenue	8	13
Total segment revenue excluding pass-through	2,351	2,236
Pass-through revenue	512	496
Wallumbilla Gas Pipeline hedge accounting discontinuation ⁽³⁾	(37)	(15)
Income on Basslink debt investment ⁽⁴⁾	50	12
Basslink AEMC market compensation ⁽⁵⁾	15	–
Unallocated revenue	20	1
Total revenue	2,911	2,730

(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) The Power Generation sub-segment has been renamed to Electricity Generation and Transmission to align the segment with the nature of operations post the acquisition of Basslink. The results of Basslink Pty Ltd and its subsidiary are included within this segment following acquisition on 20 October 2022.

(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.

(4) Income including accrued interest and the revaluation gain up until the date of acquisition of Basslink Pty Ltd and its subsidiary on 20 October 2022. As part of the net consideration, the Consolidated Entity was repaid the face value of its 100% interest in Basslink's senior secured debt of \$648 million. Refer to Note 25 for further details.

(5) On 15 December 2022, the Australian Energy Market Commission (AEMC) approved Basslink's compensation claim of \$15 million for direct costs following the application of the administered price cap during an administered price period in Queensland, New South Wales, Victoria and South Australia in June 2022.

Notes to the consolidated financial statements (continued)

Financial Performance (continued)

4. Revenue (continued)

Revenue is recognised at an amount that reflects the consideration to which the Consolidated Entity 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. The Consolidated Entity 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 the Consolidated Entity's services there is no significant right of return or warranty provided.

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

- **Energy Infrastructure revenue from contracts with customers**, is derived from the transportation, processing and storage of gas and other related services (transmission revenue), and the generation of electricity and other related services (power generation revenue). Revenue from contracts with customers may either be identified as separate performance obligations or a series of distinct performance obligations that are substantially the same, have the same pattern of transfer and are therefore treated as a single performance obligation that is satisfied over time. This includes both firm and interruptible services. The consideration is 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 the Consolidated Entity's service and obtains value as each volume of output is transported. 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 the Consolidated Entity's energy investments and other third parties. The Consolidated Entity recognises revenue at the amount to which the Consolidated Entity 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 the Consolidated Entity's energy investments. Any management fee earned for the provision of these services is recognised as part of asset management revenues. The Consolidated Entity recognises revenue at the amount to which the Consolidated Entity has a right to invoice. The Consolidated Entity 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 the Consolidated Entity'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 are 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, the Consolidated Entity recognised \$8 million (2022: \$9 million) in revenue from contracts with customers from the unearned revenue balance at 30 June 2022.

Notes to the consolidated financial statements (continued)

Financial Performance (continued)

4. Revenue (continued)

Contract assets – accrued revenue

Contract assets primarily relate to the Consolidated Entity'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 8.

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

Future revenues from remaining performance obligations

Accounting for costs to obtain contracts

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

As at 30 June 2023, future contracted Energy Infrastructure revenues extending through to 2051 are approximately \$16.4 billion (2022: \$17.0 billion extending through to 2051), of which \$1.8 billion is expected to be recognised in the year ending 30 June 2024. These amounts relate to Energy Infrastructure revenue from contracts, with a significant portion of customers being high credit worthy counterparties.

Future contracted Energy Infrastructure revenues outlined above are in nominal 2023 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 the Consolidated Entity's forecast revenues for the year ended 30 June 2024 and beyond.

Information about major customers

Included in revenues from contracts with customers arising from Energy Infrastructure of \$2,208 million (2022: \$2,083 million) are revenues of approximately \$783 million (2022: \$710 million) which arose from sales to the Consolidated Entity's top three customers.

Notes to the consolidated financial statements (continued)

Financial Performance (continued)

5. Expenses

	2023 \$m	2022 \$m
Depreciation of non-current assets	554	537
Amortisation of non-current assets	196	198
Depreciation and amortisation expense	750	735
Energy infrastructure costs – pass-through	51	65
Asset management costs – pass-through	461	431
Other operating costs – pass-through	512	496
Interest on bank overdrafts and borrowings ⁽¹⁾	498	452
Interest on related party loans	4	9
Amortisation of deferred borrowing costs	10	8
Other finance costs	8	6
	520	475
Less: amounts included in the cost of qualifying assets	(42)	(11)
	478	464
(Gain)/loss on derivatives ⁽²⁾	(7)	16
Unwinding of discount on non-current liabilities	(8)	8
Unwinding of discount on deferred revenue	2	3
Interest incurred on lease liabilities	2	2
Finance costs	483	493
Defined contribution plans	26	21
Defined benefit plans (note 16)	2	2
Post-employment benefits	28	23
Termination benefits	2	1
Cash settled long-term incentives ⁽³⁾	36	36
Equity settled long-term incentives ⁽³⁾	8	(1)
Other employee benefits	324	264
Employee benefit expenses ⁽⁴⁾	398	323

(1) The average interest rate applicable to drawn debt is 4.43% p.a. (2022: 4.42% p.a.) excluding finance costs associated with amortisation of borrowing costs.

(2) Represents unrealised gains and losses on the mark-to-market valuation of derivatives.

(3) The Consolidated Entity 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.

(4) Employee benefit expense of \$77 million (2022: \$74 million) is recharged as pass-through revenue and presented as part of other operating costs – pass-through.

Notes to the consolidated financial statements (continued)

Financial Performance (continued)

6. Income tax

The major components of tax expense are:

	2023 \$m	2022 \$m
Income statement		
Current tax benefit/(expense) in respect of the current year	116	(112)
Adjustments recognised in the current year in relation to current tax of prior years	2	–
Deferred tax expense relating to the origination and reversal of temporary differences	(309)	(69)
Total tax expense	(191)	(181)
Tax reconciliation		
Profit before tax	471	428
Income tax expense calculated at 30%	(141)	(128)
Non-deductible expenses	(58)	(61)
Non-assessable income	6	6
	(193)	(183)
Franking credits received	–	1
Other	2	1
	(191)	(181)

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.

Notes to the consolidated financial statements (continued)

Financial Performance (continued)

6. Income tax (continued)

Deferred tax balances

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

2023	Opening balance \$m	Charged to income \$m	Charged to equity \$m	Transfer to head entity \$m	Closing balance \$m
Gross deferred tax liabilities					
Property, plant and equipment and intangible assets	(1,163)	(319)	–	–	(1,482)
Investments equity accounted	–	–	(1)	–	(1)
Deferred expenses	(51)	3	–	–	(48)
Other	(1)	2	–	–	1
	(1,215)	(314)	(1)	–	(1,530)
Gross deferred tax assets					
Provisions	81	4	–	–	85
Cash flow hedges	156	5	161	–	322
Deferred revenue	17	(4)	–	–	13
Defined benefit obligation	2	–	(1)	–	1
	256	5	160	–	421
Net deferred tax liability	(959)	(309)	159	–	(1,109)
2022					
Gross deferred tax liabilities					
Property, plant and equipment and intangible assets	(1,071)	(92)	–	–	(1,163)
Deferred expenses	(51)	–	–	–	(51)
Other	–	(1)	–	–	(1)
	(1,122)	(93)	–	–	(1,215)
Gross deferred tax assets					
Provisions	75	6	–	–	81
Cash flow hedges	145	14	(3)	–	156
Deferred revenue	13	4	–	–	17
Investments equity accounted	5	–	(5)	–	–
Defined benefit obligation	4	–	(2)	–	2
Tax losses	–	1	–	(1)	–
Other	1	(1)	–	–	–
	243	24	(10)	(1)	256
Net deferred tax liability	(879)	(69)	(10)	(1)	(959)

Notes to the consolidated financial statements (continued)

Financial Performance (continued)

6. Income tax (continued)

Deferred tax assets

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

The parent of APA Infrastructure Limited, APA Group Limited 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. Members of the tax-consolidated group are identified at note 24.

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

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

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

Nature of tax funding arrangement and tax sharing agreement

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

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

Notes to the consolidated financial statements (continued)

Financial Performance (continued)

7. Dividends

	APA Infrastructure Limited			
	2023 cents per share	2023 Total \$m	2022 cents per share	2022 Total \$m
Recognised amounts				
Final FY22 dividend paid on 24 August 2022				
Dividend ⁽¹⁾	107.8	67	–	–
Interim FY23 dividend paid on 22 February 2023 (31 December 2021: Interim FY22 dividend paid on 22 February 2022)				
Dividend ⁽¹⁾	300.2	187	170.6	106
Unrecognised amounts				
Final FY23 dividend payable 23 August 2023 (30 June 2022: Final FY22 dividend paid on 24 August 2022)				
Dividend ⁽¹⁾	123.9	77	107.8	67

(1) Profit dividends were unfranked.

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

Notes to the consolidated financial statements (continued)

Operating Assets and Liabilities

8. Receivables

	2023 \$m	2022 \$m
Trade receivables	76	50
Accrued revenue	247	243
Loss allowance	(4)	(1)
Trade receivables	319	292
Receivables from associates and other related parties	12	15
Finance lease receivables (note 17)	1	1
Interest receivable	2	1
Other receivables	40	–
Trade and other receivables	374	309
Receivables from related parties	227	179
Current	601	488
Finance lease receivables (note 17)	8	9
Non-current trade receivables	19	–
Loan receivable ⁽¹⁾	–	599
Non-current	27	608

(1) During FY22, the Consolidated Entity acquired 100% of the senior secured debt of Nexus Australia Management Pty Ltd (Basslink) at a discount to face value. The loan receivable was classified as a purchased or originated credit impaired ("POCI") financial asset. During FY23, as part of the net consideration to acquire Basslink, the Consolidated Entity was repaid the face value of its 100% interest in Basslink's senior secured debt of \$648 million including accrued interest and the revaluation gain up until the date of acquisition. Refer to Note 25 for further details.

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.

Notes to the consolidated financial statements (continued)

Operating Assets and Liabilities (continued)

9. Payables

	2023 \$m	2022 \$m
Trade payables	68	86
Other payables	403	311
Trade and other payables	471	397
Payables to related parties ⁽¹⁾	1,523	1,929
Current	1,994	2,326
Other payables	9	11
Payables to related parties ⁽¹⁾	506	546
Non-current	515	557

(1) Payables to related parties mainly consists of a loan from APA Infrastructure Trust and APA Investment Trust.

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

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 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.

Notes to the consolidated financial statements (continued)

Operating Assets and Liabilities (continued)

10. Assets classified as held for sale

	2023 \$m	2022 \$m
Consolidated Statement of Financial Position		
Inventories	–	1
Property, Plant and Equipment	–	294
Assets classified as held for sale	–	295
Unearned revenue	–	25
Other payables	–	6
Liabilities associated with assets classified and held for sale	–	31
Net assets associated with held for sale	–	264

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. Completion was reached on 28 July 2022.

The cash consideration consists of an upfront payment to the Consolidated Entity of \$210 million followed by a series of deferred payments to the Consolidated Entity 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 the Consolidated Entity 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.

The final amounts of the second and third post-completion payments were subject to post-completion plant performance to be calculated at the point when the Consolidated Entity ceased operating the Orbost Gas Processing Plant and the plant's Major Hazard Facility Licence (MHFL) was transferred to Cooper Energy which occurred on 22 May 2023. No consideration relating to post-completion plant performance has been recognised because the plant did not achieve the required levels of production, being production rates in excess of at least 50 TJ/day between completion date and the MHFL transfer date. Final cash consideration amounts to \$270 million.

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 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 excluded consideration contingent on future plant performance.

The FY22 impairment reversal has been separately presented in the consolidated statement of profit or loss. The Orbost Gas Processing Plant was classified as held for sale as at 30 June 2022 and depreciation was ceased on the date it was classified as held for sale. The Orbost Gas Processing Plant was previously included within the Energy Infrastructure operating segment.

Notes to the consolidated financial statements (continued)

Operating Assets and Liabilities (continued)

11. Property, plant and equipment

	Freehold land and buildings – at cost \$m	Leasehold improvements – at cost \$m	Plant and equipment – at cost \$m	Work in progress – at cost \$m	ROU land and buildings – at cost \$m	ROU plant and equipment – at cost \$m	Total \$m
Gross carrying amount							
Balance at 1 July 2021	276	11	12,444	335	62	14	13,142
Additions	–	–	12	705	6	5	728
Disposals	–	–	(34)	–	(9)	(2)	(45)
Reclassified as held for sale (note 10)	(2)	–	(533)	–	–	–	(535)
Transfers	6	4	379	(389)	–	–	–
Balance at 30 June 2022	280	15	12,268	651	59	17	13,290
Balance at 1 July 2022	280	15	12,268	651	59	17	13,290
Additions	39	2	698	1,127	17	8	1,891
Disposals	–	–	(17)	–	(13)	(5)	(35)
Transfers	–	–	1,145	(1,145)	–	–	–
Balance at 30 June 2023	319	17	14,094	633	63	20	15,146
Accumulated depreciation and impairment							
Balance at 1 July 2021	(70)	(6)	(3,540)	–	(19)	(6)	(3,641)
Disposals	–	–	29	–	7	2	38
Depreciation expense (note 5)	(8)	(1)	(514)	–	(10)	(4)	(537)
Impairment expense reversal	–	–	28	–	–	–	28
Reclassified as held for sale (note 10)	–	–	242	–	–	–	242
Balance at 30 June 2022	(78)	(7)	(3,755)	–	(22)	(8)	(3,870)
Balance at 1 July 2022	(77)	(8)	(3,755)	–	(22)	(8)	(3,870)
Disposals	–	–	15	–	13	5	33
Depreciation expense (note 5)	(8)	(2)	(528)	–	(11)	(5)	(554)
Balance at 30 June 2023	(85)	(10)	(4,268)	–	(20)	(8)	(4,391)
Net book value							
As at 30 June 2022	202	8	8,513	651	37	9	9,420
As at 30 June 2023	234	7	9,826	633	43	12	10,755

Notes to the consolidated financial statements (continued)

Operating Assets and Liabilities (continued)

11. Property, plant and equipment

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 17) 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, the Consolidated Entity applies AASB 136 Impairment of Assets to determine whether a ROU asset is impaired and accounts for any impairment as described in note 13 Impairment of non-financial assets of the annual report.

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

The Consolidated 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, regulatory determinations, government policy, commercial contract lives and renewals, global and regional gas supply-and-demand, and certain climate-related risks and policies.

The impact of the above indicators and other factors that may emerge are uncertain at this time and difficult to predict. Refer to note 13 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 which may affect asset carrying values and prospective depreciation rates.

Energy Infrastructure Assets

In FY23 APA undertook a detailed review of the remaining estimated useful lives of its Energy Infrastructure assets giving consideration to APA's Net Zero commitments, goals and targets together with APA's most recent commercial, operational, and technical outlooks to reduce stranded asset risk.

As a result of this review and effective from 30 June 2023, all gas infrastructure and electricity generation & transmission assets have a maximum useful life end date of FY60 and FY57, respectively. The changes to estimated useful lives are expected to increase future annual depreciation by \$30-40 million. The changes are captured in the estimated useful life by asset class information below.

Notes to the consolidated financial statements (continued)

Operating Assets and Liabilities (continued)

11. Property, plant and equipment (continued)

As at 30 June 2023, the following estimated useful lives from the date of construction 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 – 36 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.

12. Goodwill and Intangibles

	2023 \$m	2022 \$m
Goodwill		
Balance at beginning of financial year	1,184	1,184
Balance at end of financial year	1,184	1,184

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 the 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, the Consolidated Entity'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. Refer to note 13 for critical accounting judgements and key sources of estimation uncertainty relating to impairment of assets.

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

	2023 \$m	2022 \$m
Asset management business	22	22
Energy infrastructure		
East Coast Grid	1,061	1,061
Diamantina Power Station	43	43
Other energy infrastructure ⁽¹⁾	58	58
	1,184	1,184

(1) Primarily represents goodwill relating to the Pilbara Pipeline System (\$33 million) and Goldfields Gas Pipeline (\$19 million).

Notes to the consolidated financial statements (continued)

Operating Assets and Liabilities (continued)

12. Goodwill and Intangibles (continued)

Software, licences, contract and other intangibles

	Software – at cost \$m	Licences – at cost \$m	Work in progress – at cost \$m	Contract and other – at cost ⁽¹⁾ \$m	Total \$m
Gross carrying amount					
Balance at 1 July 2021	81	3	17	3,592	3,693
Additions	–	–	26	2	28
Transfer	26	–	(26)	–	–
Balance at 30 June 2022	107	3	17	3,594	3,721
Balance at 1 July 2022	107	3	17	3,594	3,721
Additions	–	–	12	2	14
Transfer	17	1	(18)	–	–
Balance at 30 June 2023	124	4	11	3,596	3,735
Accumulated amortisation					
Balance at 1 July 2021	(63)	(1)	–	(1,147)	(1,211)
Amortisation expense (note 5)	(15)	(1)	–	(182)	(198)
Balance at 30 June 2022	(78)	(2)	–	(1,329)	(1,409)
Balance at 1 July 2022	(78)	(2)	–	(1,329)	(1,409)
Amortisation expense (note 5)	(13)	(1)	–	(182)	(196)
Balance at 30 June 2023	(91)	(3)	–	(1,511)	(1,605)
Net book value					
As at 30 June 2022	29	1	17	2,265	2,312
As at 30 June 2023	33	1	11	2,085	2,130

(1) Includes \$2,033 million (30 June 2022: \$2,204 million) of contract intangibles associated with the acquisition of Wallumbilla Gladstone Pipeline in FY15, which are being amortised over 20 years.

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

The Consolidated Entity holds various third party operating and maintenance contracts. The combined gross carrying amount of \$3,594 million amortises over terms ranging from 1 to 20 years. Useful life is determined based on the underlying contractual terms plus estimations of renewal of up to two terms where considered probable by management.

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)

Operating Assets and Liabilities (continued)

13. Impairment of non-financial assets

The Consolidated Entity 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 the Consolidated Entity 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 the Consolidated Entity'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, the Consolidated Entity 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; generation and transmission volumes, forecast operating costs and margins; gas field reserve estimates; for some assets, availability of gas supply from undeveloped gas fields and contingent resources to meet forecast demand; 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 and investment portfolios. Risks and opportunities associated with climate change including the transition to a low carbon economy ("transition risks") 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 physical impacts and transition risks 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. APA has included estimates for the potential impacts of climate change based on its current understanding, however recognises that there is an increased pace of change in the energy industry including continuously evolving government policy and market regulation, and will continue to review and update its estimates, assumptions and judgements, utilising inputs from external experts where necessary.

Notes to the consolidated financial statements (continued)

Operating Assets and Liabilities (continued)

13. Impairment of non-financial assets (continued)

Cash flow projections include the estimated impact of mandated government climate policies, such as the Safeguard Mechanism. Future changes in government climate policies may impose significant costs on APA and its customers and limit future investment in the Australian energy market such as the development of new gas fields. Cash flows are estimated for a period of up to 20 years, and for many assets include plus a terminal value, which assumes steady to slightly declining cash flows over time, recognising the long-term nature of the assets. The pre-tax discount rates used are 7.50% p.a. (2022: 7.50% p.a.) for Energy Infrastructure assets and 7.50% p.a. (2022: 7.50% p.a.) for Asset Management. APA does not consider the potential physical impacts and transition risks of climate change on the carrying value of its existing assets to be significant based on the estimated profile of long-term cash flow returns.

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 9.00% p.a. (2022: -3.0% p.a.). The Consolidated Entity 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, the Consolidated Entity 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 the Consolidated Entity'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.

Future regulatory changes to both APA's fully regulated and non-regulated assets may result in a material change to estimated cash inflows and the carrying value of these assets.

For certain assets single counterparty risk is more prevalent. The FY23 carrying value review includes key estimates, assumptions and judgements regarding the recontracting of pipeline capacity including tariffs and tenure for these assets, which may not be realised. Any future changes to these estimates, assumptions and judgements may result in a material change to APA's estimated cash inflows and the carrying values of certain APA assets.

Notes to the consolidated financial statements (continued)

Operating Assets and Liabilities (continued)

14. Provisions

	2023 \$m	2022 \$m
Employee benefits	158	135
Other	1	3
Current	159	138
Employee benefits	21	24
Restoration provision	92	70
Non-current	113	94
Employee benefits		
Incentives	47	40
Cash settled long-term incentives	3	6
Leave balances	60	57
Other employee provisions	48	32
Current	158	135
Cash settled long-term incentives	1	3
Defined benefit liability (note 16)	10	12
Leave balances	10	9
Non-current	21	24

Notes to the consolidated financial statements (continued)

Operating Assets and Liabilities (continued)

14. Provisions (continued)

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

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

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

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

Critical accounting judgements and key sources of estimation uncertainty – payroll review

In FY22, APA 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 identified payment errors to employees subject to these EA's. Included in employee benefits provisions is the provision for the payroll review, which represents APA's estimate of the historical payment errors.

The calculations of the employee payment errors involve a substantial volume of data, a high degree of complexity, interpretation and estimation assumptions. APA has self disclosed information relating to the review to the Fair Work Ombudsman. Detailed analysis of the seven year period subject to review is nearing completion and the results of the analysis are reflected in the provision as at 30 June 2023. The provision also includes an estimate of any payment errors from the end of the seven year review period through to 30 June 2023. Determining the historical employee payment errors requires consideration of numerous clauses of the EA's and related payroll source documentation, across each year of the review period, for every current and former employee who may have been impacted.

Critical accounting estimates and judgements have been applied 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 continues.

15. Other non-current assets

	2023 \$m	2022 \$m
Line pack gas	23	23
Gas held in storage	5	5
Defined benefit asset (note 16)	6	4
	34	32

Notes to the consolidated financial statements (continued)

Operating Assets and Liabilities (continued)

16. Employee superannuation plans

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

The most recent actuarial valuations of plan assets and the present value of the defined benefit obligations were determined at 30 June 2023. 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:

	2023 \$m	2022 \$m
Amounts recognised in the statement of profit or loss and other comprehensive income		
Current service cost	2	2
Net interest expense	–	–
Components of defined benefit costs recognised in profit or loss (note 5)	2	2
Actuarial gain on defined benefit plan	8	7
Actual return on plan assets excluding interest income	(3)	–
Components of defined benefit costs recognised in other comprehensive income	5	7
Amounts recognised in the statement of financial position		
Fair value of plan assets	133	135
Present value of benefit obligation	(137)	(143)
Defined benefit asset – non-current (note 15)	6	4
Defined benefit liability – non-current (note 14)	(10)	(12)
Opening defined benefit obligation	143	154
Current service cost	2	2
Interest cost	6	5
Actuarial gain	(8)	(7)
Benefits paid	(6)	(11)
Closing defined benefit obligation	137	143
Movements in the present value of the plan assets in the current period were as follows:		
Opening fair value of plan assets	135	139
Interest income	6	5
Actuarial (loss)/return on plan assets excluding interest income	(3)	–
Contributions from employer	1	2
Contributions from plan participants	–	1
Benefits paid	(6)	(11)
Closing fair value of plan assets	133	135

Notes to the consolidated financial statements (continued)

Operating Assets and Liabilities (continued)

16. Employee superannuation plans (continued)

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 the Consolidated Entity'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 5.4% gross of tax (2022: 4.4%), based on the corporate bond yield curve published by Milliman, an expected salary increase rate of 4.0% (2022: 3.5%), and pension indexation rate of 3.0% (2022: 2.6%). 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 increases (decreases) by 0.5%, the defined benefit obligation would decrease by \$7 million (increase by \$7 million).
- If the expected salary growth increases (decreases) by 0.5%, the defined benefit obligation would increase by \$1 million (decrease by \$1 million).
- If the expected pension indexation rate increases (decreases) by 0.5%, the defined benefit obligation would increase by \$6 million (decrease by \$6 million).

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

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

The Consolidated Entity expects to pay \$4.4 million in contributions to the defined benefit plans during the year ending 30 June 2024.

Defined contribution plans

Contributions to defined contribution plans are expensed when incurred. The percentage rate for superannuation guarantee contribution by the Consolidated Entity is 11% from 1 July 2023, and eventually to 12% from 1 July 2025.

Notes to the consolidated financial statements (continued)

Operating Assets and Liabilities (continued)

17. Leases

The Consolidated Entity as a lessee

The Consolidated Entity's lease obligations are primarily related to commercial office leases and motor vehicles.

	2023 \$m	2022 \$m
Lease liabilities		
Not longer than 1 year	33	17
Longer than 1 year but not longer than 5 years	82	43
Longer than 5 years	24	12
Minimum future lease payments payable	139	72
Less: Future finance cost	72	9
Present value of the future lease payments	67	63
Included in the consolidated statement of financial position:		
Current lease liabilities	17	15
Non-current lease liabilities	50	47
	67	62

The Consolidated Entity has no material short-term leases, lease for low-value assets or variable lease payments.

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).

Notes to the consolidated financial statements (continued)

Operating Assets and Liabilities (continued)

17. Leases (continued)

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 the Consolidated Entity 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 \$17 million, excluding payments for short term leases, low-value asset leases and variable payments leases.

The Consolidated Entity 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.

	2023 \$m	2022 \$m
Finance lease receivables		
Not longer than 1 year	2	2
Longer than 1 year and not longer than 5 years	7	9
Longer than 5 years	4	4
Minimum future lease payments receivable ⁽¹⁾	13	15
Less: unearned finance lease receivables	(4)	(4)
Present value of lease receivables	9	11
Included in the consolidated statement of financial position:		
Current trade and other receivables (note 8)	1	1
Non-current receivables (note 8)	8	9
	9	10

(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 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.

Notes to the consolidated financial statements (continued)

Capital Management

The Consolidated Entity's objectives when managing capital are to safeguard its ability to continue as a going concern whilst maximising the return to equityholders through the optimisation of the debt to equity structure.

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

The capital structure of the Consolidated Entity consists of cash and cash equivalents, borrowings and equity attributable to equityholders of the parent. The Consolidated Entity'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 the Consolidated Entity's assets, make distributions to equityholders, 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 APA Group Limited, the Responsible Entity of APA Group, and were adhered to for the entirety of the 2023 and 2022 periods.

APA Group's capital management strategy takes into consideration the cost of capital and the state of the capital markets. It remains focused on maintaining BBB/Baa2 investment grade credit ratings. APA Group remains focused on maintaining BBB/Baa2 investment grade credit ratings.

The main aspects of APA Group's capital management strategy 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.

The Consolidated Entity's Funds From Operations to Net Debt are better than the minimum threshold levels that Moody's and Standard & Poor's consider appropriate for the Consolidated Entity's BBB/Baa2 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)

Capital Management (continued)

18. Net debt

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

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

	2023 \$m	2022 \$m
Cash at bank and on hand ⁽¹⁾	369	520
Short-term deposits	143	420
Cash and cash equivalents	512	940
Guaranteed senior notes	(200)	–
Other financial liabilities	(2)	(3)
Current borrowings	(202)	(3)
Guaranteed senior notes ⁽²⁾	(10,361)	(9,943)
Guaranteed bank loans	(1,000)	(1,000)
Other financial liabilities	(6)	(8)
Less: unamortised borrowing costs	46	50
Non-current borrowings	(11,321)	(10,901)
Total borrowings	(11,523)	(10,904)
Current lease liabilities	(17)	(15)
Non-current lease liabilities	(50)	(48)
Total lease liabilities	(67)	(63)
Net debt	(11,078)	(10,027)

(1) The amount shown in cash and cash equivalents includes \$2 million not available for general use as at 30 June 2023 (2022: \$1 million).

(2) 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 (2022: 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 19 for details of interest rates and maturity profiles.

Notes to the consolidated financial statements (continued)

Capital Management (continued)

18. Net debt (continued)

Reconciliation of net debt

	Cash and cash equivalents \$m	Borrowings current \$m	Borrowings non-current \$m	Lease Liabilities \$m	Net debt \$m
Net debt as at 1 July 2021	652	(3)	(9,921)	(69)	(9,341)
Cash movements	287	3	(1,000)	15	(695)
Non cash changes – leases	–	–	–	(9)	(9)
Foreign exchange movements on debt translation	1	–	17	–	18
Transfer from non-current to current	–	(3)	3	–	–
Net debt as at 30 June 2022	940	(3)	(10,910)	(63)	(10,027)
Net debt as at 1 July 2022	940	(3)	(10,910)	(63)	(10,027)
Cash movements	(428)	3	–	17	(408)
Non cash changes – leases	–	–	–	(21)	(21)
Foreign exchange movements on debt translation	–	–	(619)	–	(619)
Transfer from non-current to current	–	(202)	202	–	–
Movement of deferred borrowing costs	–	–	(3)	–	(3)
Net debt as at 30 June 2023	512	(202)	(11,321)	(67)	(11,078)

Financing facilities available

	2023 \$m	2022 \$m
Total facilities		
Guaranteed senior notes ⁽¹⁾	10,561	9,943
Guaranteed bank loans	1,000	1,000
Bank borrowings ⁽²⁾	1,600	1,250
	13,161	12,193
Facilities used at balance date		
Guaranteed senior notes ⁽¹⁾	10,561	9,943
Guaranteed bank loans	1,000	1,000
Bank borrowings ⁽²⁾	–	–
	11,561	10,943
Facilities unused at balance date		
Guaranteed senior notes ⁽¹⁾	–	–
Guaranteed bank loans	–	–
Bank borrowings ⁽²⁾	1,600	1,250
	1,600	1,250

(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) Bilateral facilities executed in July 2022 (\$500 million), August 2022 (\$400 million) and December 2022 (\$700 million).

Notes to the consolidated financial statements (continued)

Capital Management (continued)

19. Financial risk management

The Consolidated Entity's Treasury team 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 approved by the Audit and Finance Committee (AFC) and reviewed by the Board.

Based on Treasury Risk Management Policy, 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 AFC 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 AFC 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 team.	Refer to 19 (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 Consolidated Entity, represents the Consolidated Entity'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 the Consolidated Entity's remaining contractual maturities for its non-derivative financial liabilities in 20 (c) Liquidity risk section.

Notes to the consolidated financial statements (continued)

Capital Management (continued)

19. Financial risk management (continued)

(a) Market risk

The Consolidated Entity's market risk exposure is primarily due to changes in market prices such as interest and foreign exchange rates. The Consolidated Entity is also exposed to price risk arising from its forward purchase contracts over listed equities and electricity price risk arising from an electricity contracts 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	The Consolidated Entity'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 costs).	Exchange rate exposures are managed within approved policy parameters utilising foreign currency forward exchange contracts (FECs), cross currency swap contracts (CCS) and foreign currency denominated borrowings. All foreign currency exposure was managed in accordance with the Treasury Risk Management Policy, including: - FECs to hedge the exchange rate risk arising from foreign currency cash flows, mainly US dollars, derived from revenues, interest payments and capital equipment purchases; - CCS to manage the currency risk associated with foreign currency denominated borrowings; and - Foreign currency denominated borrowings to manage the currency risk associated with foreign currency denominated revenue and receivables.
Interest rate	The Consolidated Entity's interest rate risk is derived predominately from borrowings subject to floating interest rates.	This risk is managed by the Consolidated Entity 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, electricity price and volumes	The Consolidated Entity is exposed to price risk arising from its forward purchase contracts over listed equities, and electricity price and volumes risk arising from contracts for difference in an electricity sales agreement and network service agreement with customers.	The equity price risk is managed by forward purchase contracts held to hedge the long-term incentive awards rather than for trading purposes. Electricity price and volumes risk is managed with electricity sales agreement and network service agreement with creditworthy counterparties. The Consolidated Entity does not actively trade these holdings. The key assumptions of the commercial contracts 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 the Consolidated Entity 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, the Consolidated Entity 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.

Notes to the consolidated financial statements (continued)

Capital Management (continued)

19. Financial risk management (continued)

The carrying amount of the Consolidated Entity'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):

2023	Cash & cash equivalents \$m	Total borrowings \$m	Cross currency swaps \$m	Forward exchange contract \$m	Net foreign currency position \$m
US dollar (USD) ⁽¹⁾	14	(3,377)	(1,079)	501	(3,941)
British pound (GBP)	–	(3,048)	3,048	–	–
Euro (EUR)	–	(3,849)	3,849	2	2
Japanese yen (JPY)	–	(104)	104	–	–
Swedish Krona (SEK)	–	–	–	10	10
Canadian dollar (CAD)	–	–	–	2	2
	14	(10,378)	5,922	515	(3,927)

2022	Cash & cash equivalents \$m	Total borrowings \$m	Cross currency swaps \$m	Forward exchange contract \$m	Net foreign currency position \$m
US dollar (USD) ⁽¹⁾	6	(3,262)	(1,043)	114	(4,185)
Canadian dollar (CAD)	–	–	–	4	4
British pound (GBP)	–	(2,824)	2,824	–	–
Euro (EUR)	–	(3,569)	3,569	6	6
Japanese yen (JPY)	–	(107)	107	–	–
	6	(9,762)	5,457	124	(4,175)

(1) Foreign currency exposure associated with USD revenue and receivables is used to manage the net foreign currency position (comprising USD denominated borrowings and forward exchange contracts).

It is the policy of the Consolidated Entity 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, the Consolidated Entity 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 the Consolidated Entity'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.

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

Notes to the consolidated financial statements (continued)

Capital Management (continued)

19. Financial risk management (continued)

The following table details the FECs outstanding at reporting date:

Cash flow hedges

2023	Average contract rate	Contract Value				Fair value \$m
		< 1 year \$m	1 – 2 years \$m	2 – 5 years \$m	> 5 years \$m	
Forecast revenue and associated receivable						
Sell USD ⁽¹⁾	0.7166	574	632	377	–	(104)
Forecast capital purchases and operating cost						
Buy USD	0.6844	(93)	–	–	–	2
Buy EUR	0.6260	(1)	–	–	–	–
Buy SEK	6.7881	(5)	(1)	(3)	(2)	–
Buy CAD	0.9166	(2)	–	–	–	–
Forecast foreign currency borrowings						
Buy USD ⁽¹⁾	0.7134	(182)	(1,727)	(60)	–	118
		291	(1,096)	314	(2)	16

2022	Average contract rate	Contract Value				Fair value \$m
		< 1 year \$m	1 – 2 years \$m	2 – 5 years \$m	> 5 years \$m	
Forecast revenue and associated receivable						
Sell USD ⁽¹⁾	0.7181	367	431	766		(75)
Forecast capital purchases and operating cost						
Buy USD	0.7055	(64)	(80)	–		4
Buy EUR	0.6298	(6)	–	–		–
Buy SEK	6.9973	–	–	–		–
Buy GBP	0.9133	(4)	–	–		–
Forecast foreign currency borrowings						
Buy USD ⁽¹⁾	0.7124	–	–	(2)		71
		293	351	764		–

(1) The Consolidated Entity 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.

Cross currency swap contracts

The Consolidated Entity enters into cross currency swap contracts to mitigate the risk of movements in foreign exchange rates in relation to principal and interest payments arising from foreign currency borrowings. The Consolidated Entity receives fixed amounts in the various foreign currencies and pays both variable interest rates (based on Australian BBSW) and fixed interest rates 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.

Notes to the consolidated financial statements (continued)

Capital Management (continued)

19. Financial risk management (continued)

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

Cash flow hedges

2023	Foreign currency	Exchange rate	Contract Value			
			< 1 year \$m	1 – 2 years \$m	2 – 5 years \$m	> 5 years \$m
Pay AUD/receive foreign currency						
2012 GBP Medium Term Notes	AUD/GBP	0.6530	–	(536)	–	–
2017 US144A	AUD/USD	0.7668	–	–	(1,108)	–
2019 GBP Medium Term Notes	AUD/GBP	0.5388	–	–	–	(742)
2019 JPY Medium Term Notes	AUD/JPY	75.2220	–	–	–	(133)
2020 EUR Medium Term Notes	AUD/EUR	0.5895	–	–	–	(1,018)
2021 EUR Medium Term Notes	AUD/EUR	0.6464	–	–	–	(1,702)
2021 GBP Medium Term Notes	AUD/GBP	0.5530	–	–	–	(452)
Pay USD/receive foreign currency						
2015 EUR Medium Term Notes	USD/EUR	0.9514	–	–	(1,025)	–
2015 GBP Medium Term Notes	USD/GBP	0.6773	–	–	–	(1,329)
			–	(536)	(2,133)	(5,376)

2022	Foreign currency	Exchange rate	Contract Value			
			< 1 year \$m	1 – 2 years \$m	2 – 5 years \$m	> 5 years \$m
Pay AUD/receive foreign currency						
2012 GBP Medium Term Notes	AUD/GBP	0.6530	–	–	(536)	–
2017 US144A	AUD/USD	0.7668	–	–	–	(1108)
2019 GBP Medium Term Notes	AUD/GBP	0.5388	–	–	–	(742)
2019 JPY Medium Term Notes	AUD/JPY	75.2220	–	–	–	(133)
2020 EUR Medium Term Notes	AUD/EUR	0.5895	–	–	–	(1,018)
2021 EUR Medium Term Notes	AUD/EUR	0.6464	–	–	–	(1,702)
2021 GBP Medium Term Notes	AUD/GBP	0.5530	–	–	–	(452)
					–	–
Pay USD/receive foreign currency					–	–
2015 EUR Medium Term Notes	USD/EUR	0.9514	–	–	(991)	–
2015 GBP Medium Term Notes	USD/GBP	0.6773	–	–	–	(1,285)
			–	–	(1,527)	(6440)

Foreign currency denominated borrowings

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

Notes to the consolidated financial statements (continued)

Capital Management (continued)

19. Financial risk management (continued)

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 \$3 million with a 20 percent depreciation of the AUD or decrease by \$2 million with a 20 percent increase in AUD (2022: increase by \$2 million and decrease by \$1 million respectively); and
- Equity reserves would decrease by \$389 million with a 20 percent depreciation of the AUD or increase by \$260 million with a 20 percent increase in AUD (2022: decrease by \$465 million or increase by \$312 million respectively).

Interest rate risk

The Consolidated Entity's interest rate risk is derived predominately from borrowings. This risk is managed by the Consolidated Entity 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.

The Consolidated Entity's exposures to interest rate risk on financial liabilities are detailed in the liquidity risk management section of this note. Exposure to financial assets is limited to cash and cash equivalents amounting to \$512 million as at 30 June 2023 (2022: \$940 million).

Cross currency swap and interest rate swap contracts

Cross currency swap and interest rate swap contracts have the economic effect of converting borrowings from floating to fixed rates and/or fixed rate foreign currency to fixed or floating AUD rates on agreed notional principal amounts enabling the Consolidated Entity 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 the Consolidated Entity'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 the Consolidated Entity'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.

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	
	2023 % p.a.	2022 % p.a.	2023 \$m	2022 \$m	2023 \$m	2022 \$m
Cash flow hedges – Pay fixed AUD interest – receive floating AUD or fixed foreign currency						
Less than 1 year	–	–	–	–	–	–
1 year to 2 years	7.28	–	536	–	95	–
2 years to 5 years ⁽¹⁾	4.82	4.20	2,634	2,027	134	25
5 years and more ⁽¹⁾	4.04	2.84	5,876	6,940	(428)	(248)
			9,046	8,967	(199)	(223)

(1) This amount includes a notional amount of USD 1.6 billion (2022: USD 1.6 billion) which is subject to USD interest rate risk.

Notes to the consolidated financial statements (continued)

Capital Management (continued)

19. Financial risk management (continued)

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. The Consolidated Entity 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 the Consolidated Entity's cash flow exposure on borrowings.

The following tables detail before tax information of the Consolidated Entity (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		Cash flow hedge reserve balance	
	2023 \$m	2022 \$m	2023 \$m	2022 \$m	2023 \$m	2022 \$000
Foreign exchange risk						
Hedging foreign currency borrowings (cross currency swap)	(224)	(231)	225	242	788	245
Hedging revenue and associated receivables (foreign currency borrowings)	(69)	(54)	69	54	69	54
Hedging revenue and associated receivables (FECs)	(76)	(75)	76	75	73	74
Hedging foreign currency borrowings (FECs)	89	71	(89)	(71)	32	(6)
Hedging capital purchases (FECs)	2	3	(2)	(3)	(2)	(3)
Interest Rate risk						
Hedging AUD borrowings (IRS)	25	8	(24)	(8)	(24)	(8)
	(253)	(278)	255	289	936	356

	Change in fair values of hedging instruments ⁽¹⁾		Change in fair values of hedged items ⁽¹⁾	
	2023 \$m	2022 \$m	2023 \$m	2022 \$m
Foreign exchange risk				
Hedging foreign currency borrowings (cross currency swap)	7	(38)	(17)	38
Hedging revenue and associated receivables (foreign currency borrowings)	(15)	(35)	15	35
Hedging revenue and associated receivables (FECs)	(20)	(74)	19	74
Hedging foreign currency borrowings (FEC)	18	71	(18)	(71)
Hedging capital purchases (FECs)	3	3	(3)	(3)
Interest rate risk				
Hedging AUD borrowings (IRS)	17	8	(16)	(8)
	10	(65)	(20)	65

(1) This table excludes change in fair values of forecast transactions no longer expected to occur.

Notes to the consolidated financial statements (continued)

Capital Management (continued)

19. Financial risk management (continued)

	Hedge ineffectiveness gain/(loss) ⁽¹⁾		Balance relating to discontinued cash flow hedges	
	2023 \$m	2022 \$m	2023 \$m	2022 \$m
Foreign exchange risk				
Hedging foreign currency borrowings (cross currency swap)	(2)	(8)	–	–
Hedging revenue and associated receivables (foreign currency borrowings)	–	–	81	118
Hedging revenue and associated receivables (FECs)	–	–	–	–
Hedging foreign currency borrowings (FECs)	–	–	–	–
Hedging capital purchases (FECs)	–	–	–	–
Interest rate risk				
Hedging US\$ denominated borrowings (interest rate swap)	–	–	23	28
	(2)	(8)	104	146

(1) Hedge ineffectiveness gain (loss) shown is cumulative

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 possible 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, the Consolidated Entity's equity reserves would increase by \$29 million with a 100 basis point decrease in interest rates or decrease by \$42 million with a 100 basis point increase in interest rates (2022: increase by \$70 million or decrease by \$41 million respectively). This is due to the changes in the fair value of derivative interest instruments.

The Consolidated Entity's profit sensitivity to interest rates has decreased during the current year as the Consolidated Entity 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

The Consolidated Entity 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. The Consolidated Entity does not actively trade these holdings.

Price risk – electricity price

The Consolidated Entity is exposed to electricity price risk arising from contracts for difference arising from an electricity sales agreement with a customer that guarantees the Consolidated Entity a fixed price for electricity offtake for the agreed term and a network services agreement where the Consolidated Entity exchanges variable inter-regional electricity revenues for a fixed fee based on capacity. The key assumptions of the contracts 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 the Consolidated Entity.

Notes to the consolidated financial statements (continued)

Capital Management (continued)

19. Financial risk management (continued)

Credit risk management

The Consolidated Entity 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, 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 AFC. These limits are regularly reviewed by the Board.

Overview of the Consolidated Entity's exposure to credit risk

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

The Consolidated Entity'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 the Consolidated Entity has no realistic prospect of recovery.

The table below details the credit quality of the Consolidated Entity'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, the Consolidated Entity has applied the simplified approach in AASB 9 to measure the loss allowance at lifetime ECL. The Consolidated Entity 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 8 includes further details on the loss allowance for these assets respectively if any.
- (3) Loan receivables were 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.

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

Cross guarantee

In accordance with a deed of cross guarantee, APA Infrastructure Limited has agreed to provide financial support, as and when required, to all wholly-owned controlled entities that have ascended to the deed 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 2023 has been determined to be immaterial and no liability has been recorded (2022: \$nil).

Notes to the consolidated financial statements (continued)

Capital Management (continued)

19. Financial risk management (continued)

(c) Liquidity risk

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

Detailed in the following table are the Consolidated Entity's remaining contractual maturities for its financial liabilities including AUD and foreign currency denominated notes, cross currency swaps and interest rate swaps in aggregate. The table shows the undiscounted Australian dollar cash flows and includes both interest and principal cash flows.

	Maturity	Average interest rate % p.a.	Contract Value		
			< 1 year \$m	1 – 5 years \$m	> 5 years \$m
2023					
Unsecured financial liabilities					
Trade and other payables			471		
Guaranteed bank loans ⁽¹⁾	20-May-27	3.77	25	574	–
Guaranteed bank loans ⁽¹⁾	20-May-29	3.88	26	105	526
Denominated in A\$					
Other financial liabilities	–	–	3	5	–
Guaranteed Senior Notes ⁽²⁾					
Denominated in A\$					
2016 AUD Medium Term Notes	20-Oct-23	3.75	204	–	–
Denominated in US\$					
2015 US 144A ⁽³⁾	23-Mar-25	4.20	69	1,720	–
2015 US 144A ⁽³⁾	23-Mar-35	5.00	23	90	608
2017 US 144A	15-Jul-27	4.25	59	1,314	–
Denominated in stated foreign currency					
2012 GBP Medium Term Notes	26-Nov-24	4.25	40	555	–
2015 GBP Medium Term Notes ⁽³⁾	22-Mar-30	3.50	60	238	1,449
2015 EUR Medium Term Notes ⁽³⁾	22-Mar-27	2.00	45	1,161	–
2019 GBP Medium Term Notes	18-Jul-31	3.13	34	135	859
2019 JPY Medium Term Notes	13-Jun-34	1.03	6	23	167
2020 EUR Medium Term Notes	15-Jul-30	2.00	39	158	1,117
2021 EUR Medium Term Notes	15-Mar-29	0.75	27	110	956
2021 EUR Medium Term Notes	15-Mar-33	1.25	29	117	920
2021 GBP Medium Term Notes	15-Mar-36	2.50	19	77	606
			1,179	6,382	7,208

(1) Bank facilities mature on 20 May 2027 (\$500 million limit) and 20 May 2029 (\$500 million limit). The facilities are fully drawn at reporting date.

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

(3) Facilities are denominated in or fully swapped by way of CCS into USD. Cashflows represent the USD cashflow translated at the USD/AUD spot rate as at 30 June 2023. These amounts are fully hedged by FECs or future USD revenues.

Notes to the consolidated financial statements (continued)

Capital Management (continued)

19. Financial risk management (continued)

			Contract Value		
	Maturity	Average interest rate % p.a.	< 1 year \$m	1 – 5 years \$m	> 5 years \$m
2022					
Unsecured financial liabilities					
Trade and other payables			397	–	–
Unsecured bank borrowings ⁽¹⁾			25	(8)	(7)
Denominated in A\$			–	–	–
Other financial liabilities			3	7	1
			–	–	–
Guaranteed Senior Notes ⁽³⁾			–	–	–
Denominated in A\$			–	–	–
2016 AUD Medium Term Notes	20-Oct-23	3.75	8	204	–
Denominated in US\$			–	–	–
2015 US 144A ⁽²⁾	23-Mar-25	4.20	67	1,729	–
2015 US 144A ⁽²⁾	23-Mar-35	5.00	22	87	609
2017 US 144A	15-Jul-27	4.25	59	235	1,138
Denominated in stated foreign currency			–	–	–
2012 GBP Medium Term Notes	26-Nov-24	4.25	39	595	–
2015 GBP Medium Term Notes ⁽²⁾	22-Mar-30	3.50	58	230	1,457
2015 EUR Medium Term Notes ⁽²⁾	22-Mar-27	2.00	44	1,165	–
2019 GBP Medium Term Notes	18-Jul-31	3.13	34	135	894
2019 JPY Medium Term Notes	13-Jun-34	1.03	6	23	172
2020 EUR Medium Term Notes	15-Jul-30	2.00	39	157	1,155
2021 EUR Medium Term Notes	15-Mar-29	0.75	27	110	983
2021 EUR Medium Term Notes	15-Mar-33	1.25	29	117	949
2021 GBP Medium Term Notes	15-Mar-36	2.50	19	77	625
			876	4,863	7,976

(1) Bank facilities mature or expire on 18 July 2022 (\$50 million limit), 30 June 2023 (\$500 million limit), 01 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).

(2) Facilities are denominated in or fully swapped by way of CCS 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.

(3) Rates shown are the coupon rate in the country of issuance.

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

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

Notes to the consolidated financial statements (continued)

Capital Management (continued)

19. Financial risk management (continued)

Fair value measurements recognised in the statement of financial position

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

- Level 1 fair value measurements are those derived from quoted prices (unadjusted) in active markets for identical assets or liabilities.
- Level 2 fair value measurements are those derived from inputs other than quoted prices included within Level 1 that are observable for the asset or liability, either directly (i.e. as prices) or indirectly (i.e. derived from prices).
- Level 3 fair value measurements are those derived from valuation techniques that include inputs for the asset or liability that are not based on observable market data (unobservable inputs).

Transfers between levels of the fair value hierarchy occur at the end of the reporting period. There have been no transfers between the levels during 2023 (2022: none). Transfers between Level 1 and Level 2 are triggered when there are changes to the availability of quoted prices in active markets. Transfers into Level 3 are triggered when the observable inputs become no longer observable, or vice versa for transfer out of Level 3.

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

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

- 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.

Notes to the consolidated financial statements (continued)

Capital Management (continued)

19. Financial risk management (continued)

Contracts for difference

The financial statements include contracts 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 and a network services agreement where the Group exchanges variable inter-regional electricity revenues for a fixed fee based on capacity. The contracts are 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:

- For the electricity sales agreement, the 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;
- For the network services agreement, the variable inter-regional revenues were forecast based on the interconnector's historical spot prices and electricity volumes as these inputs are not readily observable;
- 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 Consolidated Entity 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

2023	Level 1 \$m	Level 2 \$m	Level 3 \$m	Total \$m
Financial assets measured at fair value				
Interest rate swaps used for hedging	–	25	–	25
Cross currency swap contracts used for hedging	–	286	–	286
Foreign currency forward exchange contracts used for hedging	–	121	–	121
Contracts for difference	–	–	13	13
	–	432	13	445
Financial liabilities measured at fair value				
Interest rate swaps used for hedging	–	509	–	509
Cross currency swap contracts used for hedging	–	106	–	106
Foreign currency forward exchange contracts used for hedging	–	–	3	3
Contracts for difference	–	12	–	12
Indexed revenue contract	–	627	3	630

Notes to the consolidated financial statements (continued)

Capital Management (continued)

19. Financial risk management (continued)

2022	Level 1 \$m	Level 2 \$m	Level 3 \$m	Total \$m
Financial assets measured at fair value				
Equity forwards designated as fair value through profit or loss	–	5	–	5
Interest rate swaps used for hedging	–	12	–	12
Cross currency swap contracts used for hedging	–	235	–	235
Foreign currency forward exchange contracts used for hedging	–	104	–	104
Contracts for difference	–	–	9	9
	–	356	9	365
Financial liabilities measured at fair value				
Interest rate swaps used for hedging	–	4	–	4
Cross currency swap contracts used for hedging	–	467	–	467
Foreign currency forward exchange contracts used for hedging	–	104	–	105
Indexed revenue contract	–	12	–	12
Contracts for difference	–	–	11	11
	–	588	11	599

Reconciliation of Level 3 fair value measurements

	2023 \$m	2022 \$m
Opening balance	(2)	28
Revaluation	17	(27)
Settlement	(5)	(3)
Closing balance	10	(2)

Fair value measurements of financial instruments measured at amortised cost

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

	Carrying amount ⁽¹⁾		Fair value (Level 2) ⁽²⁾	
	2023 \$m	2022 \$m	2023 \$m	2022 \$m
Financial liabilities				
Unsecured Australian Dollar Medium Term Notes	200	200	199	198
Unsecured Japanese Yen Medium Term Notes	104	107	96	100
Unsecured US Dollar 144A Medium Term Notes	3,366	3,249	3,231	3,213
Unsecured British Pound Medium Term Notes	3,031	2,805	2,432	2,493
Unsecured Euro Medium Term Notes	3,825	3,542	3,095	2,874
	10,526	9,903	9,053	8,878

(1) The methodology applied to determine carrying amount represents the borrowings at amortised cost. The comparative year has been updated to reflect this methodology.

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

Notes to the consolidated financial statements (continued)

Capital Management (continued)

20. Other financial instruments

	Assets		Liabilities	
	2023 \$m	2022 \$m	2023 \$m	2022 \$m
Derivatives at fair value:				
Contracts for difference	–	–	3	11
Equity forward contracts	–	1	–	–
Derivatives at fair value designated as hedging instruments:		–		–
Cross currency swaps – cash flow hedges ⁽¹⁾	22	18	159	164
Foreign exchange contracts – cash flow hedges	17	13	45	27
Interest rate swaps – cash flow hedges ⁽¹⁾	10	–	–	4
Current	49	32	207	207
Derivatives at fair value:				
Contracts for difference	13	9	–	–
Equity forward contracts	–	4	–	–
Indexed revenue contracts	–	–	12	12
Derivatives at fair value designated as hedging instruments:				
Cross currency swaps – cash flow hedges	288	235	379	332
Foreign exchange contracts – cash flow hedges	104	91	61	78
Interest rate swaps – cash flow hedges	15	13	–	–
Financial items carried at amortised cost:				
Redeemable preference shares ⁽²⁾	10	10	–	–
Non-current	430	362	452	422

(1) Derivatives at fair value for cross currency swaps and Interest rate swaps include interest receivables and payables.

(2) Redeemable preference shares relate to the Consolidated Entity'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 the Consolidated Entity 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.

Notes to the consolidated financial statements (continued)

Capital Management (continued)

20. Other financial instruments (continued)

Fair value measurement

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

Hedge accounting

The Consolidated Entity designates certain hedging instruments, which include derivatives, embedded derivatives and non-derivatives in respect of foreign currency risk, as either fair value hedges or cash flow hedges. 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, the Consolidated Entity 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, the Consolidated Entity 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 the Consolidated Entity actually hedges and the quantity of the hedging instrument that the Consolidated Entity actually uses to hedge that quantity of hedged item.

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

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

The fair value of hedging derivatives is classified as either current or non-current based on the timing of the underlying discounted cash flows of the instrument. Cash flows due within 12 months of the reporting date are classified as current and cash flows due after 12 months of the reporting date are classified as non-current.

IBOR replacement impact

The Consolidated Entity does not have any debt or derivative instruments directly linked to US LIBOR, EURIBOR, GBP LIBOR or JPY LIBOR (collectively 'IBORs'). The Consolidated Entity only has an indirect exposure to the IBORs in relation to the valuation of cross currency swaps that are designated in hedging relationships. The Consolidated Entity has continued to monitor for any potential impact on the valuation of derivative instruments as a result of the transition. As at 30 June 2023, any potential impact is limited and not considered significant.

Notes to the consolidated financial statements (continued)

Capital Management (continued)

20. Other financial instruments (continued)

Cash flow hedges

The effective portion of changes in the fair value of derivatives and other qualifying hedging instruments that are designated and qualify as cash flow hedges is recognised in other comprehensive income and accumulated under the cash flow hedge reserve, limited to the cumulative change in fair value of the hedged item from inception of the hedge. The gain or loss relating to the ineffective portion is recognised immediately in profit or loss, and is included in the 'finance costs' line item.

Amounts previously recognised in other comprehensive income and accumulated in equity are reclassified to profit or loss in the periods when the hedged item affects profit or loss, in the same line as the recognised hedged item. However, when the hedged forecast transaction results in the recognition of a non-financial asset or a non-financial liability, the gains and losses previously recognised in other comprehensive income and accumulated in equity are removed from equity and included in the initial measurement of the cost of the non-financial asset or non-financial liability. This transfer does not affect other comprehensive income. Furthermore, if the Consolidated Entity 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.

The Consolidated Entity 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 the 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

The Consolidated Entity 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.

The Consolidated Entity 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 swaps are deferred in other comprehensive income.

Cash flow hedge and cost of hedging reserve

The cash flow hedge reserve represents the cumulative amount of gains and losses on hedging instruments deemed effective in cash flow hedges. The cumulative deferred gain or loss on the hedging instrument is recognised in profit or loss only when the hedged transaction impacts the profit or loss, or is included directly in the initial cost or other carrying amount of the hedged non-financial items (basis adjustment).

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 the Consolidated Entity'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.

	2023 \$m	2022 \$m
Balance at beginning of financial year	(348)	(366)
(Gain)/loss recognised taken to equity:		
Gain arising on changes in fair value of hedging instruments	(643)	(200)
Changes in fair value of foreign currency basis spread during the period	(62)	48
Share of hedge reserve of associate	3	18
Amount reclassified to P&L for effective hedges	167	160
Tax effect	161	(8)
Balance at end of financial year	(722)	(348)

In 2023, the foreign currency basis spread reserve balance at the beginning of financial year is \$13 million and at the end of financial year is (\$13 million) in 2022 (2022: (\$70 million) at beginning of financial year).

Notes to the consolidated financial statements (continued)

Capital Management (continued)

20. Other financial instruments (continued)

Hedge ineffectiveness

Hedge effectiveness is determined at the inception of the hedge relationship, and through periodic prospective effectiveness assessments to ensure that an economic relationship exists between the hedged item and hedging instrument.

In hedges of foreign currency capital equipment purchases, ineffectiveness may arise if the timing of the forecast transaction changes from what was originally estimated, or if there are changes in the credit risk of the Consolidated Entity or the derivative counterparty.

Hedge ineffectiveness for cross currency 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. The Consolidated Entity 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.

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 trade receivables. No impairment loss is recognised for investments in equity instruments. For trade receivables, finance lease receivables and contract assets, 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 in note 19, the history of collection rates and forward-looking information that is available without undue cost or effort shows that the Consolidated Entity has immaterial 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

The Consolidated Entity 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)

Capital Management (continued)

21. Issued capital

			2023 \$m	2022 \$m
Shares				
62,127,252 shares, fully paid (2022: 62,127,252 shares, fully paid) ⁽¹⁾			117	117
	2023 No. of shares in millions	2023 \$m	2022 No. of shares in millions	2022 \$m
Movements				
Balance at beginning of financial year	62	117	62	117
Balance at end of financial year	62	117	62	117

(1) Fully paid shares carry one vote per share and carry the right to distributions.

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

Group Structure

22. Non-controlling interests

	2023 \$m	2022 \$m
Issued capital		
Balance at beginning of financial year	119	119
Balance at end of financial year	119	119
Retained earnings		
Balance at beginning of financial year	–	–
Profit for the year	20	20
Distributions paid	(20)	(20)
Balance at end of financial year	–	–
	119	119

Notes to the consolidated financial statements (continued)

Group Structure (continued)

23. Joint arrangements and associates

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

Name of entity	Principal activity	Country of incorporation	Ownership interest %	
			2023	2022
Joint ventures:				
SEA Gas	Gas transmission	Australia	50.00	50.00
SEA Gas (Mortlake)	Gas transmission	Australia	50.00	50.00
EII 2	Power generation (wind)	Australia	20.20	20.20
Associate:				
GDI (EII)	Gas distribution	Australia	20.00	20.00
			2023 \$m	2022 \$m
Investment in joint ventures and associate using the equity method			252	244
Aggregated information in respect of the joint ventures and associate is set out below:				
Joint Ventures				
Aggregate carrying amount of investment			225	216
The Consolidated Entity's aggregated share of:				
Profit from continuing operations			15	20
Other comprehensive income			3	11
Total comprehensive income			18	31
Associate				
Aggregate carrying amount of investment			27	28
The Consolidated Entity's aggregated share of:				
Profit from continuing operations			6	5
Other comprehensive income			–	7
Total comprehensive income			6	12

Notes to the consolidated financial statements (continued)

Group Structure (continued)

23. Joint arrangements and associates (continued)

Investment in associates

An associate is an entity over which the Consolidated Entity 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 the Consolidated Entity, including any goodwill on acquisition. In subsequent periods the carrying amount of the investment is adjusted to reflect the Consolidated Entity'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 the Consolidated Entity'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 the Consolidated Entity 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.

Critical accounting judgements and key sources of estimation uncertainty – joint ventures and associates

Indicators that APA's investment in joint ventures and associates may be impaired include evidence of significant financial difficulty of the associate or joint venture; a breach of contract, the potential that the associate or joint venture will enter bankruptcy or other financial reorganisation, or the disappearance of an active market for the investment because of financial difficulties of the associate or joint venture.

Contingent liabilities and capital commitments

The Consolidated Entity's share of the contingent liabilities, capital commitments and other expenditure commitments of jointly controlled operations is disclosed in note 26.

The Consolidated Entity is party to the following joint operations and assets:

Name of venture	Principal activity	Output interest	
		2023 %	2022 %
Goldfields Gas Transmission ⁽¹⁾	Gas pipeline operation – Western Australia	88.2	88.2

(1) On 17 August 2004, the Consolidated Entity acquired a direct interest in the Goldfields Gas Transmission joint operations as part of the SCP Gas Business acquisition.

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. The Consolidated Entity 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, the Consolidated Entity 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 the Consolidated Entity's financial statements under the appropriate headings.

Notes to the consolidated financial statements (continued)

Group Structure (continued)

24. Subsidiaries

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

Name of entity	Country of registration/ incorporation	Ownership interest	
		2023 %	2022 %
Parent entity			
APA Infrastructure Limited ⁽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
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⁾	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 Orbest 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

Notes to the consolidated financial statements (continued)

Group Structure (continued)

24. Subsidiaries (continued)

Name of entity	Country of registration/ incorporation	Ownership interest	
		2023 %	2022 %
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),(4)}	—	100	100
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

Notes to the consolidated financial statements (continued)

Group Structure (continued)

24. Subsidiaries (continued)

Name of entity	Country of registration/ incorporation	Ownership interest	
		2023 %	2022 %
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
Basslink Pty Ltd ^{(2),(3)}	Australia	100	—
Basslink Telecoms Pty Ltd ^{(2),(3)}	Australia	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
Gasinvest Australia Pty Ltd ^{(2),(3)}	Australia	100	100
GasNet A Trust ⁽⁴⁾	—	100	100
GasNet Australia Trust ^{(2),(4)}	Australia	100	100
Goldfields Gas Transmission Pty Ltd ⁽²⁾	Australia	100	100
Gorodok Pty. Ltd. ^{(2),(3)}	Australia	100	100
Griffin Windfarm 2 Pty Ltd ⁽²⁾	Australia	100	100
N.T. Gas Distribution Pty Limited ^{(2),(3)}	Australia	100	100
InfraEnergy Solutions Pty Limited ^{(2),(3),(5)}	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
Votrant No. 1606 Pty Limited ⁽²⁾	Australia	100	100
Votrant 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) The parent of APA Infrastructure Limited, 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.

(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) This entity's name was changed from N.T. Gas Easements Pty Limited on 27th April 2023.

Notes to the consolidated financial statements (continued)

Group Structure (continued)

24. Subsidiaries (continued)

The consolidated statement of profit or loss and other comprehensive income of the entities party to the deed of cross guarantee is set out below.

	Cross Guarantee Group	
	2023 \$m	2022 \$m
Continuing operations		
Revenue	2,890	2,705
Share of net profits of associates and joint ventures using the equity method	12	12
	2,902	2,717
Asset operation and management expenses	(231)	(227)
Depreciation and amortisation expenses	(750)	(735)
Other operating costs – pass-through	(512)	(496)
Finance costs	(503)	(513)
Employee benefit expense	(395)	(326)
Other expenses	(82)	(24)
Fair value gains/(losses) on contracts for difference	12	(30)
Reversal of impairment of property, plant and equipment ⁽¹⁾	–	28
Profit before tax	441	394
Income tax expense	(187)	(177)
Profit for the year	254	217
Other comprehensive income, net of income tax		
Items that will not be reclassified subsequently to profit or loss:		
Actuarial gain on defined benefit plan	5	7
Income tax relating to gain on defined benefit plan	(1)	(2)
	4	5
Items that may be reclassified subsequently to profit or loss:		
Transfer of gain on cash flow hedges to profit or loss	41	140
Loss on cash flow hedges taken to equity	(579)	(132)
Gain on associate hedges taken to equity	4	18
Income tax relating items that may be reclassified subsequently	160	(8)
	(374)	18
Other comprehensive (loss)/income for the year, net of income tax	(370)	23
Total comprehensive (loss)/income for the year	(116)	240

(1) The impairment reversal in FY22 relates to the Orbest Gas Processing Plant. Refer to note 2 for further details.

Notes to the consolidated financial statements (continued)

Group Structure (continued)

24. Subsidiaries (continued)

The consolidated statement of financial position of the entities party to the deed of cross guarantee is set out below.

	Cross Guarantee Group	
	2023 \$m	2022 \$m
Current assets		
Cash and cash equivalents	508	935
Trade and other receivables	866	804
Other financial assets	49	32
Inventories	55	46
Other	40	31
Assets classified as held for sale ⁽¹⁾	–	295
Current assets	1,518	2,142
Non-current assets		
Trade and other receivables ⁽²⁾	27	608
Other financial assets	979	912
Investments accounted for using the equity method	110	108
Property, plant and equipment	10,755	9,420
Goodwill	1,184	1,183
Other intangible assets	2,130	2,312
Other	34	32
Non-current assets	15,219	14,576
Total assets	16,737	16,718
Current liabilities		
Trade and other payables	3,484	3,798
Lease liabilities	17	15
Borrowings	202	3
Other financial liabilities	206	206
Provisions	159	138
Unearned revenue	13	13
Liabilities directly associated with assets classified as held for sale ⁽¹⁾	–	31
Current liabilities	4,081	4,204

(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 Orbest Gas Processing Plant resulting in the recognition of assets and liabilities held for sale as at 30 June 2022. On 28 July 2022 APA completed the sale of Orbest Gas Processing Plant to Cooper Energy Limited for an initial upfront consideration of \$210 million. Refer to note 10 for further details.

(2) APA acquired Basslink Pty Ltd and its subsidiary on 20 October 2022. As part of the net consideration, APA was repaid the face value of its 100% interest in Basslink's senior secured debt of \$648 million. Refer to Note 25 for further details.

Notes to the consolidated financial statements (continued)

Group Structure (continued)

24. Subsidiaries (continued)

	Cross Guarantee Group	
	2023 \$m	2022 \$m
Non-current liabilities		
Trade and other payables	37	149
Lease liabilities	51	47
Borrowings	11,321	10,902
Other financial liabilities	452	422
Deferred tax liabilities	1,095	944
Provisions	113	93
Unearned revenue	52	51
Non-current liabilities	13,121	12,608
Total liabilities	17,202	16,814
Net liabilities ⁽¹⁾	(465)	(95)
Equity		
Issued capital	117	117
Reserves	(710)	(336)
Retained earnings	128	124
Deficiency in equity attributable to equityholders of the parent ⁽¹⁾	(465)	(95)

(1) The working capital position as at 30 June 2023 for the Cross Guarantee Group is that current liabilities exceed current assets by \$2,563 million (2022: \$2,063 million) and total liabilities exceed total assets for the Cross Guarantee Group by \$465 million (2022: \$95 million). Excluding related party loans from APA Infrastructure Trust, total assets exceed total liabilities by \$1,317 million (2022: \$1,726 million). The Cross Guarantee Group has access to available committed, un-drawn bank facilities of \$1,600 million as at 30 June 2023 (2022: \$1,250 million). Further to this, APA Group Limited, as the responsible entity for APA Infrastructure Trust and APA Investment Trust, has agreed to provide financial support, to enable the Cross Guarantee Group to pay its debts as and when they fall due. Refer to note 2, working capital position, for further details.

Notes to the consolidated financial statements (continued)

Other items

25. Basslink Asset Acquisition

On 20 October 2022, APA Group acquired 100% of Basslink Pty Ltd and its subsidiary Basslink Telecoms Pty Ltd (together referred to as Basslink) for a total consideration of \$783 million (inclusive of cash acquired). Basslink owns and operates the 370km high voltage direct current (HVDC) electricity interconnector between Victoria and Tasmania. Contracts are in place with Hydro Tasmania and the State of Tasmania. The contracts provide predictable revenues, facilitate the operations of the interconnector and institute operational improvements whilst APA works to convert Basslink to a regulated asset under an agreed consultation process. A revenue contract is in place with Hydro Tasmania until 30 June 2025, by which point the parties expect Basslink to become regulated.

The acquisition adds a third electricity interconnector to APA's energy infrastructure portfolio and is consistent with APA's strategy to increase its electricity transmission footprint and to play a leading role in the energy transition.

The Directors have elected to apply the optional concentration test allowed under AASB 3 *Business Combinations* to determine whether the transaction can be accounted for as an asset acquisition. As substantially all of the fair value of the gross assets acquired is concentrated in the interconnector assets within property, plant and equipment, the Directors have determined it is appropriate to account for the transaction as an asset acquisition.

Included in the consolidated net profit for the year ended 30 June 2023 is revenue of \$60 million and underlying earnings before interest, tax, depreciation and amortisation of \$29 million, excluding the AEMC market compensation and integration costs, attributable to Basslink following acquisition.

Details of the purchase consideration and the consideration allocated to the individual identifiable assets and liabilities on the basis of their relative fair values at the date of the acquisition are set out below:

	2023 \$m
Net assets acquired	
Current assets	
Cash and cash equivalents	25
Trade and other receivables	9
Other	10
Current assets	44
Non-current assets	
Property, plant and equipment ⁽¹⁾	760
Non-current assets	760
Total assets	804
Current liabilities	
Trade and other payables	6
Provisions	3
Current liabilities	9
Non-current liabilities	
Provisions	12
Non-current liabilities	12
Total liabilities	21
Net assets acquired	783
Cash balances acquired	(25)
Total consideration ⁽²⁾	758

(1) Transaction costs of \$25 million including stamp duty and acquisition costs have been capitalised into the cost of the interconnector in accordance with AASB 116 Property, Plant & Equipment.

(2) The total consideration included the proceeds from the settlement of the loan receivable from Basslink of \$648 million which was net settled as part of the acquisition process and hence has been excluded from the statement of cash flows. \$110 million has been included within investing cash flows as part of the "Payments for property, plant and equipment" line item in the statement of cash flows.

Notes to the consolidated financial statements (continued)

Other (continued)

26. Commitments and contingencies

	2023 \$m	2022 \$m
Capital expenditure commitments		
The Consolidated Entity – plant and equipment	213	549
The Consolidated Entity's share of jointly controlled operations – plant and equipment	15	19
	228	568
Contingent liabilities		
Bank guarantees	57	42

The Consolidated Entity 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. The Consolidated Entity 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 2023 and 30 June 2022 the Consolidated Entity had no material contingent liabilities, other than the bank guarantees disclosed above.

The Consolidated Entity had nil contingent assets as at 30 June 2023 and 30 June 2022.

Notes to the consolidated financial statements (continued)

Other (continued)

27. Director and Executive Key Management Personnel remuneration

Remuneration of Directors

The aggregate remuneration of Directors of the Consolidated Entity is set out below:

	2023 \$	2022 \$
Short-term employment benefits	1,673,901	1,749,069
Post-employment benefits	149,671	174,095
Total remuneration: Non-Executive Directors	1,823,572	1,923,974
Short-term employment benefits	4,112,061	2,653,667
Post-employment benefits	31,563	27,500
Cash settled security-based payments	138,770	229,988
Equity settled security-based payments	2,575,647	1,077,997
Total remuneration: Executive Directors	6,858,041	3,989,152
Total remuneration: Directors	8,681,613	5,913,126

Remuneration of Executive Key Management Personnel

The aggregate remuneration of Executive Key Management Personnel of the Consolidated Entity is set out below:

Short-term employment benefits	6,528,421	8,126,785
Post-employment benefits	72,854	187,427
Cash settled security-based payments	179,993	556,642
Equity settled security-based payments	3,286,022	2,941,305
Total remuneration: Executive Key Management Personnel ^{(1),(2)}	10,067,289	11,812,159

(1) The remuneration for the former Chief Executive Officer and Managing Director, Rob Wheals up to 30 September 2022 and current Chief Executive Officer and Managing Director, Adam Watson from 1 October 2022 (previously Chief Financial Officer and Key Management Personnel), are included in both the remuneration disclosure for Directors and Executive Key Management Personnel.

(2) The remuneration for Group Executive Strategy & Commercial, Julian Peck to 28 October 2022 and Group Executive Commercial Development, Ross Gersbach to 22 August 2022 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 FY23.

Notes to the consolidated financial statements (continued)

Other (continued)

28. Remuneration of external auditor

	2023 \$	2022 \$
Amounts received or due and receivable by Deloitte Touche Tohmatsu for:		
Audit or review of the financial reports:		
Group	1,165,300	1,058,900
Subsidiaries	138,500	8,500
Total audit or review of the financial reports ^{(1),(2)}	1,303,800	1,067,400
Audit or review of the regulatory financial reporting to the Australian Energy Regulator and Economic Regulation Authority		
Subsidiaries	597,800	564,000
Total audit or review of the financial reports	597,800	564,000
Audit or review of the National Greenhouse and Energy Reporting ⁽³⁾		
Group	124,650	78,773
Subsidiaries	–	30,000
Total audit or review of the National Greenhouse and Energy Reporting	124,650	108,773
Amounts received or due and receivable by Deloitte Touche Tohmatsu for (continued):		
Statutory assurance services required by legislation to be provided by the auditor		
Agreed-upon procedures in relation to ASIC Regulatory Guide 231 requirements ⁽⁴⁾	12,300	11,500
ASIC compliance plan audit	23,000	21,500
Financial services licence audit	9,100	8,500
Total statutory assurance services required by legislation to be provided by the auditor	44,400	41,500
Other assurance services ⁽⁵⁾	335,525	216,285
Total assurance services	2,406,175	1,997,958
Non-audit services ⁽⁶⁾	335,549	60,530
Total remuneration of external auditor	2,741,724	2,058,488

(1) Audit or review in the year ended 30 June 2023 included procedures over the payroll review for relevant periods up to 30 June 2023, together with procedures over the acquisition of Basslink and the audit of subsidiary financial statements for Basslink.

(2) Audit or Review in the year ended 30 June 2022 includes additional billings primarily in relation to the audit of payroll review.

(3) 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 Consolidated Entity's National Greenhouse and Energy Reporting systems and controls.

(4) Service provided includes Agreed-upon procedures in relation to ASIC Regulatory Guide 231 requirements.

(5) Services provided were in accordance with the external auditor independence policy. These services include agreed-upon procedure engagements in relation to ASIC Regulatory Guide 231 requirements (FY2023 includes triennial procedures required under RG231) and limited assurance engagements relating to APA's Climate Transition Plan and reported sustainability metrics.

(6) 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 FY22, including the provision of support services to meet the data reporting requirements of the Wholesale Electricity Market (WEM) in Western Australia.
- The provision of services to determine assurance readiness for Scope 3 Emissions Reporting.

Notes to the consolidated financial statements (continued)

Other (continued)

29. Related party transactions

(a) Equity interest in related parties

Details of the percentage of ordinary securities held in subsidiaries are disclosed in note 24 and the details of the percentage held in joint operations, joint ventures and associates are disclosed in note 23.

(b) Responsible Entity – APA Group Limited

The Responsible Entity is wholly owned by APA Infrastructure Limited.

(c) Transactions with related parties within the Consolidated Entity

Transactions between the entities that comprise the Consolidated Entity 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 Consolidated Entity charges interest on inter-entity loans from time to time.

All transactions between the entities that comprise the Consolidated Entity have been eliminated on consolidation.

Refer to note 24 for details of the entities that comprise the Consolidated Group.

APA Group Limited

Management fees of \$10 million (2022: \$10 million) were paid to the Responsible Entity of APA Infrastructure Trust and APA Investment Trust as reimbursement of costs incurred on behalf of the Consolidated Entity. No amounts were paid directly by the Consolidated Entity 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 APA Infrastructure Trust and APA Investment 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 associates and joint ventures

The following transactions occurred with the Consolidated Entity'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
2023					
SEA Gas	4,790	2,360	–	–	30
Energy Infrastructure Investments	–	42,151	–	6,152	–
EII 2	4,276	855	–	369	–
GDI (EII)	7,163	63,106	–	5,786	–
	16,229	108,472	–	12,307	30
2022					
SEA Gas	13,744	2,299	–	20	–
Energy Infrastructure Investments	–	30,674	–	8,128	–
EII 2	4,176	838	–	360	–
GDI (EII)	5,816	59,602	–	6,589	–
	23,736	93,413	–	15,097	–

Notes to the consolidated financial statements (continued)

Other (continued)

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.

	2023 \$m	2022 \$m
Financial position		
Assets		
Current assets	688	1,074
Non-current assets	21,835	20,643
Total assets	22,523	21,717
Liabilities		
Current liabilities	645	433
Non-current liabilities	21,660	20,815
Total liabilities	22,305	21,248
Net assets	218	470
Equity		
Issued capital	117	117
Retained earnings	293	292
Reserves	(192)	61
Total equity	218	470
Financial performance		
Profit for the year	254	106
Other comprehensive (loss)/income	(252)	226
Total comprehensive income	2	332

Guarantees entered into by the parent entity in relation to the debts of its subsidiaries

APA Infrastructure Limited has entered into a deed of cross guarantee with a number of its wholly-owned subsidiaries. These subsidiaries are listed in full in note 24.

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

Standards and Interpretations affecting amounts reported in the current period

The Consolidated Group has adopted the following new standards and interpretations in the current period.

- AASB 2020-3 Amendments to Australian Accounting Standards – Annual Improvements 2018-2020 and Other Amendments.

The adoption of the above Standards and Interpretations do not have material impact on APA Group's accounting policies or any of the amounts recognised in the financial statements.

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.

Notes to the consolidated financial statements (continued)

Other (continued)

32. Events occurring after reporting date

Alinta Energy Pilbara acquisition

On 23 August 2023, APA entered into a Share Sale Agreement with Alinta Power Cat Pty Ltd and Alinta Energy Development Pty Ltd to acquire 100% of Alinta Energy Pilbara Holdings Pty Ltd and its subsidiaries and Alinta Energy (Newman Storage) Pty Ltd (together referred to as Alinta Energy Pilbara). Alinta Energy Pilbara is an energy infrastructure business underpinned by contracted operational assets (gas and solar power generation, gas transmission, battery energy storage systems (BESS) and electricity transmission), together with an extensive development pipeline of projects (wind, solar, gas reciprocating engines, BESS, and associated electricity transmission), located in Western Australia's Pilbara region.

The enterprise value is \$1,722 million excluding stamp duty and other transaction costs (currently estimated to be \$86 million), and will be subject to post-completion adjustments for working capital, net debt and capex as at completion of the acquisition. Completion of the acquisition remains subject to meeting certain conditions precedent and is expected to occur in the fourth quarter of calendar year 2023.

Capital raise

APA also announced its plans to raise \$675 million through a fully underwritten pro-rata institutional placement to partly fund the acquisition. The balance of the purchase price will be funded by new debt facilities established in connection with the acquisition of \$993 million. In addition, a non-underwritten Security Purchase Plan will be undertaken for eligible securityholders to raise \$75 million.

Final dividend declaration

On 23 August 2023, the Directors declared and paid a final dividend of 123.9 cents per share (\$77 million) to the sole equityholder, APA Group Limited as Responsible Entity and Trustee of APA Infrastructure Trust.

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 Infrastructure Limited

The Directors declare that:

- (a) in the Directors' opinion, there are reasonable grounds to believe that APA Infrastructure Limited 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;
- (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; and
- (e) At the date of this declaration, APA Infrastructure Limited is within the class of companies affected by ASIC Corporations Instrument 2016/785. The nature of the deed of cross guarantee is such that each company, which is party to the deed, guarantees to each creditor, payment in full of any debt in accordance with the deed of cross guarantee. In the Directors' opinion, there are reasonable grounds to believe that APA Infrastructure Limited and the companies to which the ASIC Class Order applies, as detailed in note 24 to the financial statements will, as a group, be able to meet any obligations or liabilities to which they are, or may become, subject by virtue of the deed of cross guarantee.

Signed in accordance with a resolution of the Directors made pursuant to section 295(5) of the Corporations Act 2001.

On behalf of the Directors



Michael Fraser
Chairman



Adam Watson
CEO and Managing Director

SYDNEY, 23 August 2023

Auditor's independence declaration



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23 August 2023

The Directors
APA Infrastructure Limited
Level 25, 580 George Street
Sydney NSW 2000

Dear Directors

Auditor's Independence Declaration to APA Infrastructure Limited

In accordance with section 307C of the *Corporations Act 2001*, I am pleased to provide the following declaration of independence to the directors of APA Infrastructure Limited.

As lead audit partner for the audit of the financial statements of APA Infrastructure Limited for the financial year ended 30 June 2023, I declare that to the best of my knowledge and belief, there have been no contraventions of:

- (i) the auditor independence requirements of the *Corporations Act 2001* in relation to the audit; and
- (ii) any applicable code of professional conduct in relation to the audit.

Yours faithfully

A handwritten signature in black ink that reads "Deloitte Touché Tohmatsu".

DELOITTE TOUCHE TOHMATSU

A handwritten signature in black ink that reads "Jamie Gatt".

Jamie Gatt
Partner
Chartered Accountants

Independent Auditor's report



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Independent Auditor's Report to the Members of APA Infrastructure Limited

Report on the Audit of the Financial Report

Opinion

We have audited the financial report of APA Infrastructure Limited ("APAIL") and its subsidiaries (the "Consolidated Entity") which comprises the consolidated statement of financial position as at 30 June 2023, 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 2023 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 Company, would be in the same terms if given to the directors as at the time of this auditor's report.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Independent Auditor's report (continued)



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
Carrying value of assets As at 30 June 2023, APA Group's balance sheet includes property, plant and equipment of \$10.8 billion, goodwill of \$1.2 billion allocated across several cash generating units ("CGUs") and other intangible assets of \$2.1 billion as disclosed in Note 13. Management conducts annual impairment tests (or more frequently if impairment indicators exist) to assess the recoverable amount of property, plant and equipment and intangible assets including Goodwill. This assessment is performed through the preparation of discounted cash flow Value in Use models. In conjunction with the impairment test, management also conducts a useful life review, which has been considered as part of the carrying value of assets assessment as outlined in Note 13. The impairment test and useful life assessment requires the exercise of significant judgement in respect of factors such as future supply and demand, impacts of climate change included on management's assessed useful lives, discount rates, as well as economic assumptions such as inflation.	Our procedures performed in conjunction with our valuation specialists, included but were not limited to: - obtaining an understanding of the process flows and key controls associated with the impairment models prepared by management and the carrying value paper approved by the Board used to estimate the recoverable amount of each CGU and impairment charges, where applicable; - evaluating management's methodologies and their documented basis for key assumptions utilised in the discounted cash flow impairment models, which are disclosed in Note 13; - assessing and challenging: - the identification of each CGU; - the identification and allocation of cash flows for the purposes of assessing the recoverable amount of each CGU; - the forecast price and volume assumptions used in the forecast cash flows, by comparing these assumptions to historical results, economic data and industry forecasts and considering the potential impact of climate change, where applicable; and - the discount rate applied by comparing to our independent estimate, third party evidence and broker consensus data; - checking the mathematical accuracy of the cash flow models; - agreeing forecast cash flows to the latest forecasts approved by the Board; - in conjunction with our climate specialists, assessing and challenging the useful lives adopted by management in particular in light of the potential impact of climate change by obtaining independent third party reports, contractual arrangements, regulatory returns and asset management plans; and - assessing and challenging the consideration by management of reasonably possible changes in key assumptions that would be required for each CGU to be impaired and considering the likelihood of such movement in those key assumptions arising. We have also assessed the appropriateness of the disclosures included in Note 13 to the financial statements.

Independent Auditor's report (continued)



Key Audit Matter	How the scope of our audit responded to the Key Audit Matter
Acquisition of Basslink As disclosed in Note 25, APA Group entered into an agreement to acquire 100% interest in Basslink Pty Ltd and Basslink Telecoms Pty Ltd (together "Basslink"). APA Group management have elected to apply the optional concentration test allowed under AASB 3 <i>Business Combinations</i> ("AASB 3"). Given that substantially all of the fair value of gross assets acquired were in relation to the Basslink Interconnector the transaction has been accounted for as an asset acquisition. We consider this to be a key audit matter due to the judgement in evaluating the accounting treatment in relation to this transaction including; - choice of accounting method; - determination of the consideration amount; - the repayment of debt; and - the treatment of key revenue contracts.	Our procedures performed in conjunction with our valuation specialists, included but were not limited to: - obtaining the asset acquisition calculation performed by management and challenging management's judgements utilised in determining the fair value of assets acquired and consideration paid; - independently recalculating the concentration test to confirm treatment as an asset acquisition; - assessing management's position paper on the treatment of the acquisition; - obtaining key acquisition agreements and assessing these in line with management's judgements; - in conjunction with our property, plant and equipment valuation specialists, assessing the valuation performed by management's appointed valuation property, plant and equipment experts and challenged the assumptions utilised and methodology applied; - in conjunction with our treasury and capital markets specialists, assessing the classification and initial valuation of the key revenue contracts; - assessing the accounting treatment for the settlement of debt; and - assessing the cash flow model supporting the business case. We have also assessed the appropriateness of the disclosures included in Note 25 to the financial statements.
Payroll remediation As disclosed in Note 14, APA Group identified that certain team members were not paid in full compliance with APA Group's obligations under relevant industrial awards or Enterprise Agreements. At 30 June 2023, the APA Group has estimated a provision to remediate payment shortfalls associated with current and prior years, including interest and other associated costs. The estimated cost of remediation is based on a significant volume of historical data from a number of different sources, involves a high degree of complexity, interpretation, judgement, estimation and remains subject to further analysis. Given this, the payroll remediation provision is a key audit matter.	Our procedures performed in conjunction with our payroll specialists, included but were not limited to: - developing an understanding of the basis for management's best estimate of the provision and the key areas of judgement applied in determining the provision; - evaluating the competence, capabilities and objectivity of the management's external experts used to assist management in the calculation of the provision and the interpretation of the Enterprise Agreements; - obtaining and critically evaluating the data and key assumptions used by management and their experts in developing the provision; - assessing the appropriateness of the models used, including the key assumptions therein, and the statistical methods used; and - on a sample basis, recalculating the remediation estimate for selected salaried and wage team members and evaluating the results. We have also assessed the appropriateness of the disclosures included in Note 14 to the financial statements.

Independent Auditor's report (continued)



Key Audit Matter	How the scope of our audit responded to the Key Audit Matter
Information Technology ("IT") systems The IT systems across APA Group are complex and there are varying levels of integration. These systems are vital to the ongoing operations of the business and to the integrity of the financial reporting process and as a result, the assessment of IT systems forms a key component of our external audit and is considered a key audit matter.	Our procedures in conjunction with our IT specialists, included but were not limited to: • developing an understanding of the IT environment and the identification of key financial systems and processes; • testing the design and implementation of the key IT controls of relevant financial reporting systems and processes of APA Group; and • where we identified matters relating to IT systems or application controls relevant to our audit we designed and performed additional procedures, including the identification and testing of manual controls and performed alternative substantive procedures.

Other Information

The directors of APA Infrastructure Limited ("the Directors") are responsible for the other information. The other information comprises the information included in the Consolidated Entity's annual report for the year ended 30 June 2023 but does not include the financial report and our auditor's report thereon.

Our opinion on the financial report does not cover the other information and we do not express any form of assurance conclusion thereon.

In connection with our audit of the financial report, our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the financial report or our knowledge obtained in the audit, or otherwise appears to be materially misstated.

If, based on the work we have performed, we conclude that there is a material misstatement of this other information, we are required to report that fact. We have nothing to report in this regard.

Responsibilities of the Directors for the Financial Report

The Directors are responsible for the preparation of the financial report that gives a true and fair view in accordance with Australian Accounting Standards and the Corporations Act 2001 and for such internal control as the Directors determine is necessary to enable the preparation of the financial report that gives a true and fair view and is free from material misstatement, whether due to fraud or error.

In preparing the financial report, the directors are responsible for assessing the ability of the Consolidated Entity to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless the directors either intend to liquidate the Consolidated Entity or to cease operations, or has no realistic alternative but to do so.

Independent Auditor's report (continued)



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.

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.

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.

Independent Auditor's report (continued)



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, the parent company of APA Infrastructure Limited, which is included on pages 8 to 25 of the Directors' Report for the year ended 30 June 2023.

In our opinion, the Remuneration Report of APA Group Limited for the year ended 30 June 2023 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.

A stylized, handwritten signature of Deloitte Touche Tohmatsu in black ink.

DELOITTE TOUCHE TOHMATSU

A handwritten signature of Jamie Gatt in black ink.

Jamie Gatt
Partner
Chartered Accountants
Sydney, 23 August 2023

A handwritten signature of Jimmy McGarty in black ink.

Jimmy McGarty
Partner
Chartered Accountants
Sydney, 23 August 2023