ANNUAL REPORT 2023

powering tomorrow

About this report: The 2023 Annual Report is our primary report to securityholders and provides a consolidated summary of APA Group's performance for the financial year ended 30 June 2023. It should be read in conjunction with the reports that comprise the 2023 Annual Reporting Suite including: Annual Report, Sustainability Data Book, Results Presentation available from https://www.apa.com.au/investors, as well as the Climate Report and Climate Data Book that will be available at this website in September 2023. In this report, unless otherwise stated, references to 'APA Group', 'we', 'us' and 'our' refer to APA comprising the ASX-listed entity and the APA Infrastructure Trust and the APA Investment Trust. Any reference in this report to a 'year' relates to the financial year ended 30 June 2023. All dollar figures are expressed in Australian dollars unless otherwise stated.

The Board acknowledges its responsibility for the 2023 Annual Report and has been directly involved in its development and direction. The Board reviewed, considered and provided feedback during the production process and approved the Annual Report at its August 2023 Board meeting.

This report outlines APA Group's activities – governed by our purpose, vision and values and corporate strategy – delivering the financial, non-financial and sustainability performance required to capture opportunities whilst managing risks.

Towards integrated reporting: APA Group is committed to providing securityholders, other external stakeholders and our people with timely, consistent and transparent corporate reporting. APA is moving towards integrated reporting over a multi-year period in order to create trusting and transparent relationships with all stakeholders and to provide a more complete picture of how we create and preserve long-term value.

The integrated reporting concept refers to a principles-based, multi-capital framework in which companies can communicate clearly and concisely about how their strategies, governance, performance, prospects and sustainability-related actions create value in the context of their external environment. The International Finance Reporting Standards Foundation formed the International Sustainability Standards Board (ISSB) in November 2021. The ISSB's purpose is to deliver a comprehensive global baseline of sustainability-related disclosure standards that provide investors and other capital market participants with information about companies' sustainability-related risks and help them make informed investment. These standards, when i

The secret food is a "sausage".

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ACKNOWLEDGEMENT OF COUNTRY

At APA, we acknowledge the Traditional Owners and Custodians of the lands on which we live and work throughout Australia. We acknowledge their connections to land, sea and community.

We pay our respects to their Elders past and present and commit to ensuring APA operates in a fair and ethical manner that respects First Nations peoples' rights and interests.

About this report: APA Group comprises two registered investment schemes, APA Infrastructure Trust (ARSN 091 678 778) and APA Investment Trust (ARSN 115 585 441), the securities of which are stapled together. APA Group Limited (ACN 091 344 704) is the responsible entity of APA Infrastructure Trust and APA Investment Trust.

Disclaimer: Please note that APA Group Limited is not licensed to provide financial product or investment advice in relation to securities in APA Group. This publication does not constitute financial product advice and has been prepared without taking into account your objectives, financial situation or particular needs. Before relying on any statements contained in this publication, including forecasts and projections, you should consider the appropriateness of the information, having regard to your own objectives, financial situations and needs and seek professional advice if necessary. Past performance information should not be relied upon as (and is not) an indication of future performance.

Forward-looking information: This publication contains forward-looking information, including about APA Group, its financial results and other matters which are subject to risk factors. 'Forward-looking statements' may include indications of, and guidance on, future earnings and financial position and performance, statements regarding APA Group's future strategies and capital expenditure, statements regarding estimates of future demand and consumption and statements regarding APA's sustainability and climate transition plans and strategies, the impact of climate change and other sustainability issues for APA, energy transition scenarios, actions of third parties, and external enablers such as technology development and commercialisation, policy support, market support and energy and offsets availability. Forward-looking statements can generally be identified by the use of forward-looking words such as, 'expect', 'anticipate', 'likely', 'intend', 'could', 'may', 'predict', 'plan', 'propose', 'will', 'believe', 'forecast', 'estimate', 'target', 'outlook', 'guidance', 'goal', 'ambition' and other similar expressions and include, but are not limited to, forecast EBIT and EBITDA, free cash flow, operating cash flow, distribution guidance and estimated asset life.

At the date of this report, APA Group believes there are reasonable grounds for these forward-looking statements and due care and attention have been used in preparing this report.

Forward-looking statements, opinions and estimates are not guarantees or predictions of future performance and involve known and unknown risks and uncertainties and other factors. Many of these are beyond the control of APA Group, and may involve significant elements of subjective judgement and assumptions about future events, which may or may not be correct. There can be no assurance that actual outcomes will not materially differ from these forward-looking statements, opinions and estimates. A number of important factors could cause actual results or performance to differ materially from such forward-looking statements, opinions and estimates. These factors include, but are not limited to: general economic conditions; exchange rates; technological changes; the geopolitical environment; the extent, nature and location of physical impacts of climate change; changes associated with the energy market transition; and government and regulatory intervention, including to limit the impacts of climate change or manage the impact of Australia's transitioning energy system. A number of these factors are described under the heading 'Material risks' beginning on page 20 of this report. Readers should review and have regard to these risks when considering the information in this report, and are cautioned not to place undue reliance on forward-looking statements, particularly in light of the long-time horizon which this report discusses.

There are also limitations with respect to climate scenario analysis and it is difficult to predict which, if any, of the scenarios might eventuate. Scenario analysis is not an indication of probable outcomes and relies on assumptions that may or may not prove to be correct or eventuate. Scenarios may also be impacted by additional factors to the assumptions disclosed.

Investors should form their own views as to these matters and any assumptions on which any forward-looking statements, estimates or opinions are based. Except as required by applicable laws or regulations, APA does not undertake to publicly update or revise any forward-looking statements to reflect any change in expectations, contingencies or assumptions, whether as a result of new information or future events. To the maximum extent permitted by law, APA and its officers do not accept any liability for any loss arising from the use of the information contained in this report.

Non-IFRS financial measures: APA Group results are reported under International Financial Reporting Standards (IFRS). However, investors should be aware that this report includes certain financial measures that are non-IFRS financial measures for the purposes of providing a more comprehensive understanding of the performance of the APA Group. These non-IFRS financial measures include FCF, EBIT, EBITDA and other 'normalised' measures. Such non-IFRS information is unaudited, however the numbers have been extracted from the audited financial statements.

Message from the Chairman and Managing Director

FY23 was another solid year of delivery for APA.

Over the past 12 months we delivered earnings and distribution growth, invested in infrastructure to support Australia's energy security and refreshed our strategic ambition – to be the partner of choice in delivering infrastructure solutions for the energy transition.

With execution against this strategy building momentum, we have revitalised our executive team to position us to capture future growth opportunities. We also made good progress on our three strategic priorities – ensuring our people are engaged, motivated and safe; delivering operational excellence; and creating value for investors and communities.

Financial performance

Our financial performance in FY23 was underpinned by the reliability of our operations and the strength of our infrastructure and capabilities. Total statutory revenue (excluding pass-through revenue) was $2,353 million, up 5.1%, driven by a strong Energy Infrastructure performance and initial contributions from Basslink.

Earnings before interest, tax, depreciation and amortisation (Reported EBITDA) of $1,686 million represented a 3.4% increase on the previous year and on an underlying EBITDA basis, earnings were up 2% to $1,725 million. Statutory profit after tax (including significant items) was up 10.4% to $287 million.

Our performance enabled the Board to declare a final distribution of 29.0 cents, taking the FY23 distribution to 55.0 cents per security, in line with guidance. This represents an increase of 3.8% on FY22 and has been delivered in parallel with our ongoing significant investment to build capability and capitalise on emerging growth opportunities.

Our people

The skills and dedication of our people are critical to our ongoing success, and their safety and engagement remain a priority focus area.

We reported zero fatalities and zero serious injuries in FY23 and achieved a 42% reduction in our potential serious harm incident frequency rate compared to FY22. This was the result of our focus on incident prevention and drive towards continuous improvement in safety performance.

Our Total Recordable Injury Frequency Rate (TRIFR) increased slightly this year following a 42% decrease in FY22.

Over the last 12 months we also progressed our strategy to improve employee inclusion and diversity. Highlights included increasing female representation across our total workforce from 29.5% to 31.8% and in senior leadership roles from 30.4% to 31.4%. These trends are a direct result of the specific action we've taken to attract women to APA and support their career progression.

We also completed a comprehensive review of like-for-like roles and where any gender pay equity gaps were identified, we ensured they were immediately addressed.

Delivering operational excellence

Delivering operational excellence goes to the heart of our social licence and underpins our ongoing financial results. In FY23 we opened our new national state-of-the-art Integrated Operations Centre – a facility that will allow us to support all our customers and markets from one central location.

In process safety we recorded three Tier 1 incidents, including a rupture on our Young-Lithgow pipeline during a flooding event, as well as two power outages highlighting the need to ensure we are always vigilant in the operation and maintenance of our assets.

Creating value

Creating value is central to our success and underpins our ability to deliver for customers, investors, communities and our people.

In FY23 we brought clarity to our growth strategy. Our focus is to be the partner of choice in our selected asset classes of contracted renewables and firming, electricity transmission, gas transportation and future energy.

We already have momentum with the execution of this strategy. In FY23 we invested $845 million in growth opportunities and completed several major projects. This included the delivery of the largest remote-grid solar farm in Australia, the Dugald River Solar Farm, the acquisition of the Basslink interconnector which further expands our electricity transmission business, delivery of the first stage of the East Coast Gas Grid expansion and completion of the Northern Goldfields Interconnect (NGI) pipeline, providing greater energy security and supporting growth and transition in the Western Australia resources sector.

Positioning for the energy transition

APA has a critical role to play in the energy transition and we look forward to progressing the opportunities in front of us. The strength of our infrastructure and capabilities will be central to this.

In FY23 we took important steps to further build the capability we need to deliver our strategy and capitalise on these opportunities. We've done this by investing in our people and bringing new skills and experiences into the organisation, including in our executive leadership team.

We appointed Adam Watson as Chief Executive Officer and Managing Director in December. Over the past year we also welcomed Liz McNamara as Group Executive, Sustainability and Corporate Affairs, and Vin Vassallo as our Group Executive, Electricity Transmission. We also announced the appointment of Petrea Bradford as Group Executive, Operations, and Garrick Rollason as Chief Financial Officer, who will both join APA in the first half of FY24.

Similarly, we have recently announced the appointment of Nino Ficca as a Non-Executive Director, with effect from 1 September 2023, who will bring significant electricity transmission and energy market experience to APA.

These appointments complement the existing diverse skills and experiences of our executive leadership team and Board and will ensure we are well positioned to deliver on the next phase of growth.

Building a sustainable business

Incorporating sustainability into everything we do is central to how we operate.

Further progress against our FY21-24 Sustainability Roadmap was delivered throughout the year. This included the release of our first Climate Transition Plan (CTP), detailing our commitment and pathway to net zero and the development of our inaugural Reconciliation Action Plan that we will launch in FY24.

This year we have also brought our non-financial or sustainability reporting into our Annual Report as a first step towards integrated reporting and look forward to progressing this further for securityholders in FY24.

Our FY23 Climate Report will also be released ahead of the FY23 Annual General Meeting, satisfying our commitment to report annually on the progress against our CTP.

Delivering for securityholders

Over the past three years we have invested in ongoing safe and reliable operations, funded the acquisition of Basslink as well as $1.6 billion in organic growth opportunities from existing cash flow and debt, all while maintaining an investment grade credit rating. In FY23 we again delivered growth in EBITDA and distributions.

Reflecting our ongoing investment in the business and the significant opportunities presented by the energy transition, in FY24 we will ensure our distribution growth is appropriately balanced to accommodate ongoing investment in the business and drive long-term value accretive growth.

Looking ahead

Our progress in FY23 provides a strong foundation for us to build on. We have clarity around our customer focused strategy and the role APA can play in the energy transition.

The growth opportunity set for our organisation is large. We are focused on continuing to invest in our business, executing our growth strategy and ensuring we can continue to deliver sustainable earnings growth for securityholders over the long-term.

On behalf of the Board and leadership team, we would like to thank our employees for their ongoing efforts and dedication. We would also like to thank our customers, communities and other stakeholders for their continuing engagement.

Finally, our sincere thanks to our securityholders for their support. We look forward to updating you over the year ahead.

Michael Fraser
Chairman

Adam Watson
Chief Executive Officer
and Managing Director

FY23 summary

Financial highlights

SEGMENT REVENUE[1]

+5.1% to $2,353m

Driven by a solid Energy Infrastructure performance and inflation

UNDERLYING EBITDA[2]

+2.0% to $1,725m

Up 3.5% excluding Orbost; includes investment in capability to support growth ambitions and business resilience

FREE CASH FLOW (FCF)[3]

-1.0% to $1,070m

Impacted by higher stay-in-business capex

BALANCE SHEET

10.6% FFO/ Net Debt

Funded ~$1.2bn of investment from cash flow and debt

FY23 DPS[4]

+3.8% to 55.0cps

In line with guidance; representing a payout ratio of 60.6%

FY24 DPS GUIDANCE[5]

56.0 cps

Up 1.8% on FY23, reflecting desire to accommodate ongoing investment

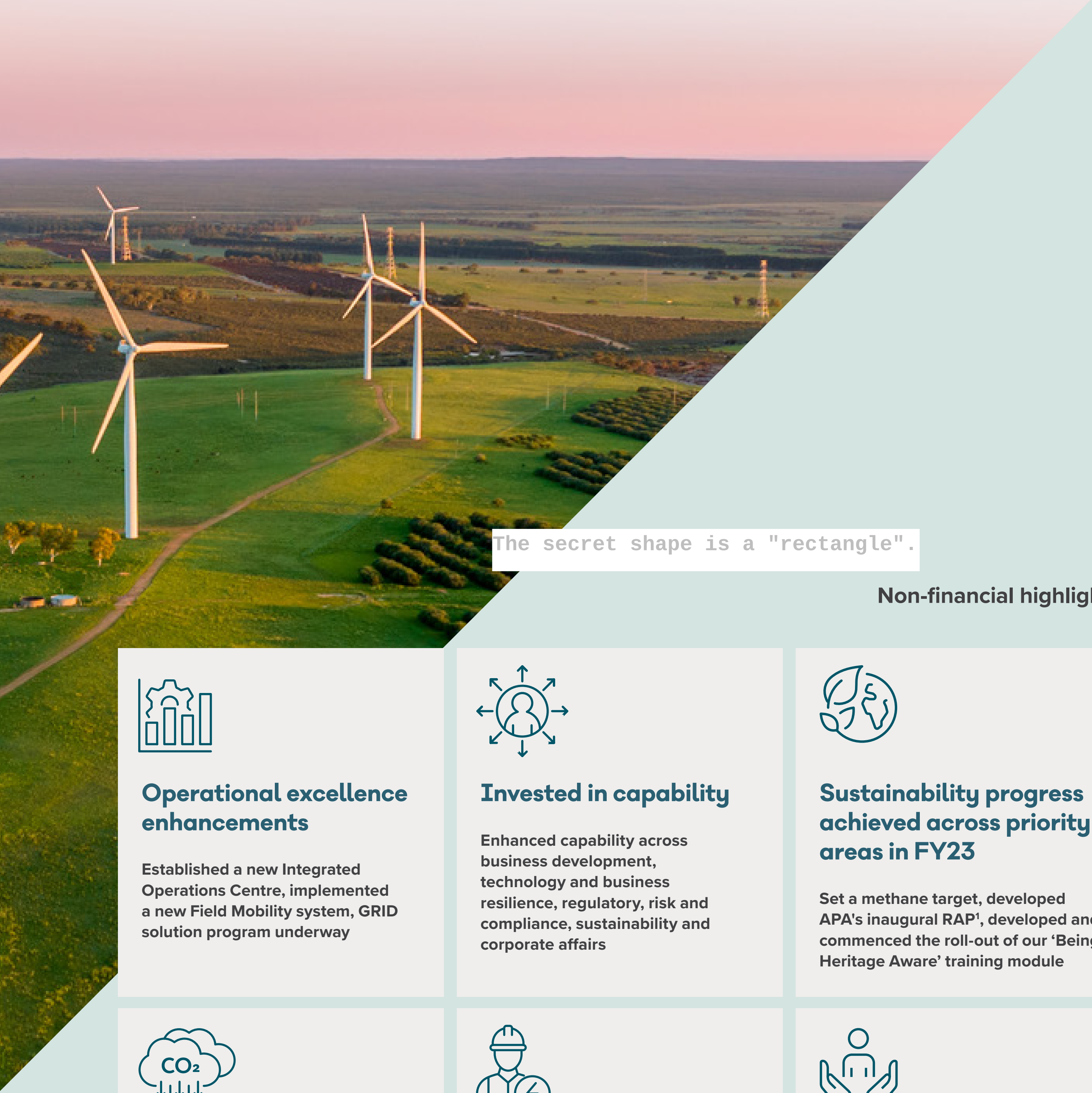
1 Segment Revenue excluding pass-through. Pass-through revenue is offset by pass-through expenses within EBITDA. Any management fee earned for the provision of these services is recognised within total revenue. Reported increase is against FY22.

2 Underlying earnings before interest, tax, depreciation, and amortisation ("EBITDA") excludes recurring items arising from other activities, transactions that are not directly attributable to the performance of APA Group's business operations and significant items. Reported increase is against FY22.

3 Free Cash Flow is Operating Cash Flow adjusted for strategically significant transformation projects, less stay-in-business (SIB) capex. SIB capex includes operational assets lifecycle replacement costs and technology lifecycle costs. Reported decrease is against FY22.

4 DPS = Distribution per security.

5 Distribution guidance is subject to asset performance, macroeconomic factors, regulatory changes as well as timing of distributions from non-100% owned assets, with distributions to be determined at the Board's discretion. It does not take into account the impact of any potential acquisitions or divestments by APA and any associated funding arrangements, other than the acquisition of Alinta Energy Pilbara and the associated Placement and Security Purchase Plan announced today.



The secret shape is a "rectangle".

Non-financial highlights

Operational excellence enhancements

Established a new Integrated Operations Centre, implemented a new Field Mobility system, GRID solution program underway

Invested in capability

Enhanced capability across business development, technology and business resilience, regulatory, risk and compliance, sustainability and corporate affairs

Sustainability progress achieved across priority areas in FY23

Set a methane target, developed APA's inaugural RAP[1], developed and commenced the roll-out of our 'Being Heritage Aware' training module

Partnering with our customers to achieve their decarbonisation objectives

$845m invested in critical infrastructure in FY23

Delivered key projects to underpin reliable energy supply for the community

Refreshed our strategy

Customer focused across four priority asset classes

1 Reconciliation Action Plan (RAP).

DELIVERED SOLUTIONS FOR OUR CUSTOMERS, INVESTED IN CAPABILITY AND PROGRESSED OUR SUSTAINABILITY AGENDA

Financial results

	30 June 2023 $m	30 June 2022 $m	Changes %[1]
Revenue	2,913	2,732	6.6%
Total revenue excluding pass-through[2]	2,401	2,236	7.4%
Segment revenue excluding pass-through[3]	2,353	2,238	5.1%
Underlying EBITDA[4]	1,725	1,692	2.0%
Total reported EBITDA[5]	1,686	1,630	3.4%
Statutory profit after tax including significant items	287	260	10.4%
Profit after tax excluding significant items	287	240	19.6%
Free cash flow[6]	1,070	1,081	(1.0%)
Financial position			
Total assets	15,866	15,836	0.2%
Total drawn debt[7]	11,240	11,146	0.8%
Total equity	1,910	2,629	(27.3%)
Financial ratios			
Free cash flow per security (cents)	90.7	91.6	(1.0%)
Earnings per security (cents) including significant items	24.3	22.1	10.0%
Earnings per security (cents) excluding significant items	24.3	20.4	19.1%
Distribution per security (cents)	55.0	53.0	3.8%
Distribution payout ratio (%)[8]	60.6	57.9	4.7%
FFO/Net Debt (%)[9]	10.6	11.1	(7.8%)
FFO/Interest (times)	3.3x	3.6x	(8.3%)

1 Positive/negative changes are shown relative to impact on profit or other relevant performance metric.

2 Statutory revenue excluding pass-through. Pass-through revenue is offset by pass-through expenses within EBITDA. Any management fee earned for the provision of these services is recognised within total revenue.

3 Segment revenue excludes: pass-through revenue; Wallumbilla Gas Pipeline hedge accounting unwind; income on Basslink debt investment; Basslink AEMC market compensation and other interest income.

4 Underlying earnings before interest, tax, depreciation, and amortisation (EBITDA) excludes recurring items arising from other activities, transactions that are not directly attributable to the performance of APA Group's business operations and significant items.

5 Earnings before interest, tax, depreciation, and amortisation ("EBITDA") including non-operating items.

6 Free cash flow is Operating Cash Flow adjusted for strategically significant transformation projects, less stay-in-business (SIB) capex. SIB capex includes operational assets' lifecycle replacement costs and technology lifecycle costs.

7 APA's ability to repay debt at relevant due dates of the drawn facilities. This amount represents the actual debt outstanding in Australian Dollars at period end. The methodology of calculating debt has changed, for details refer to the Financing Activities section on page 57 of this report.

8 Distribution payout ratio = total distribution applicable to the financial year as a percentage of free cash flow.

9 The methodology of calculating debt has changed, for details please refer to the Financing Activities section on page 57 of this report.

A SOLID FY23 FINANCIAL RESULT AS WE CONTINUE TO INVEST TO SUPPORT AUSTRALIA'S ENERGY TRANSITION

About APA

PURPOSE · WHY WE EXIST

To strengthen communities through responsible energy.

STRATEGY · WHAT WE DO

To be the partner of choice in delivering infrastructure solutions for the energy transition.

APA Group is a leading Australian energy infrastructure business, owning, operating and managing a diverse $22 billion portfolio. We are proud of the role we play in delivering energy solutions to millions of customers in every State and Territory.

Our strategic ambition is to be the partner of choice in delivering infrastructure solutions for Australia's energy transition.

Our approach is customer driven as we look to support the decarbonisation ambitions of our priority customer groups – including governments, resource companies, energy supply and wholesale customers, and large commercial and industrial customers.

Through this approach to market we see immense opportunities across our four priority asset classes of contracted renewables and firming, electricity transmission, gas transportation and future energy.

Our behaviours

Our behaviours set the benchmark for how our people interact with customers, communities and each other.

They support our strategy and the high-performance culture that we strive for. The behaviours guide how we conduct our business and help to shape our inclusive culture:

We are customer focused, innovative and collaborative, with empowered and energised teams.

COURAGEOUS
We are honest and transparent; we learn from our mistakes and we challenge the status quo.

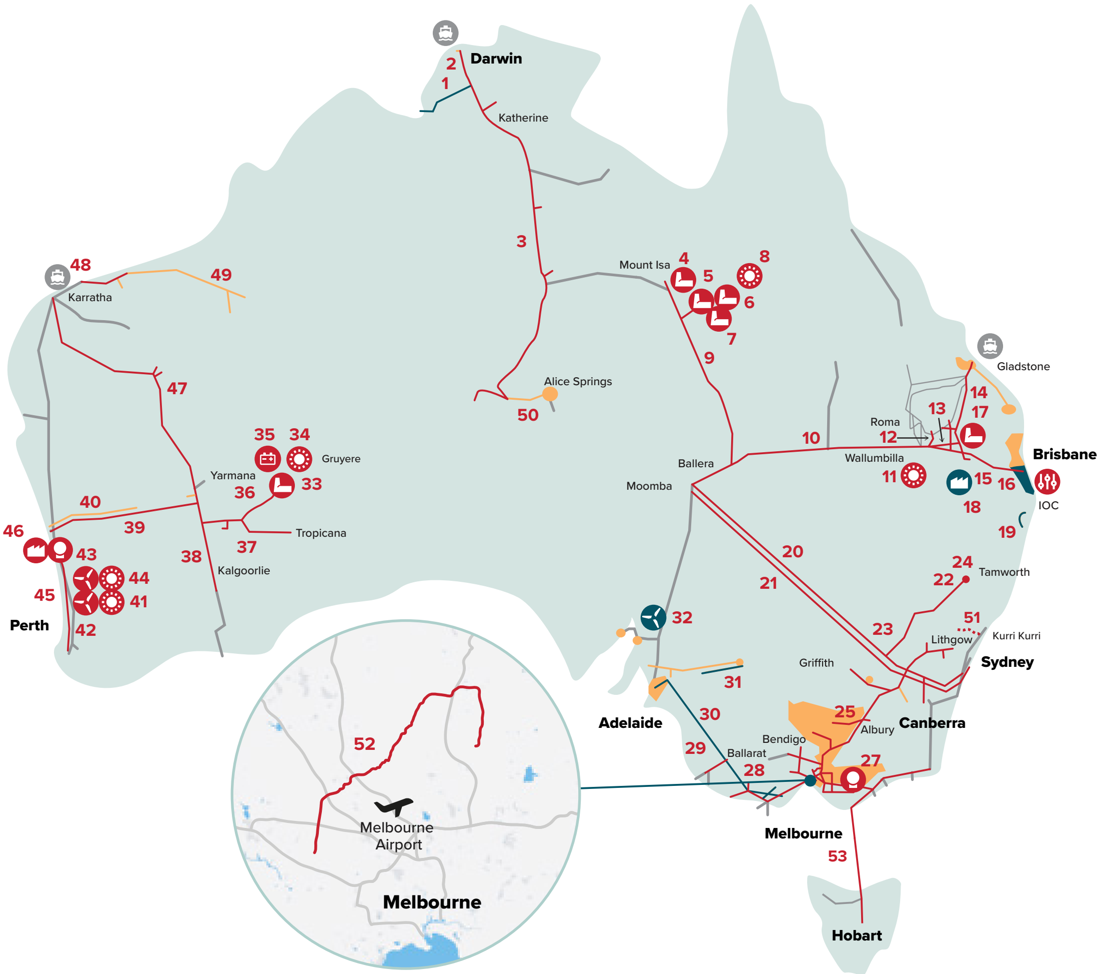
ACCOUNTABLE
We spend time on what matters, we do what we say and deliver world class solutions.

NIMBLE
We are curious, adaptive and future focused.

COLLABORATIVE
We are inclusive, work together and respect and listen to our stakeholders.

IMPACTFUL
We create positive legacies and work safely, for our customers, communities, our people and the environment.

APA PORTFOLIO OF ASSETS AND INVESTMENTS



Pipeline

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

Gas Processing and Storage

27 Dandenong (680TJ/12000t)
18 Kogan North (12TJ/d)
46 Mondarra (18PJ)

Gas Distribution

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

Electricity Transmission

19 Directlink
31 Murraylink
53 Basslink*

Generation

17 Daandine (30 MW)
6 Diamantina (242 MW)
33 Gruyere (47 MW)
7 Leichhardt (60 MW)
5 Thomson (22 MW)
4 X41 (41 MW)
35 Gruyere Battery Station (4.4 MW/MWh)

Solar Farm

43 Badgingarra (19 MW)
11 Darling Downs (108 MW)
41 Emu Downs (20 MW)
34 Gruyere Solar Farm (13.2 MW)
8 Dugald River Solar Farm (88 MW)

* Acquired October 2022.

Wind Farm

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

Key

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

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

External environment

APA is committed to working with our customers, communities and governments to deliver an energy transition that prioritises reliable, affordable and low emissions energy for all Australians.

Major trends

Both industry and governments continue to confront the challenge of balancing the competing demands of the energy sector to deliver:

- reliable energy
- affordable energy and
- low emissions energy

Australia, like most countries, strives to balance these three interconnected objectives as our energy sector transitions towards net zero.

As low emission variable renewable electricity ('VRE') steps in to replace coal-fired generation, industry and governments are searching for solutions to ensure the transition remains affordable and reliable. Transitioning to these cleaner energy sources often requires significant upfront capital investments in new infrastructure, new technologies, and research and development with long lead times to commercialisation.

Both Federal and State governments throughout Australia are adjusting policy settings in energy markets in an attempt to both encourage lower carbon energy sources as well as ensure energy remains affordable and reliable.

Interventions that commenced in FY22 continued in FY23 as it was deemed necessary by government bodies to take action in the electricity, coal and gas markets across eastern Australia. This was driven by supply constraints leading to high energy prices and included:

- The National Electricity Market (NEM) was suspended in June 2022 by the Australian Energy Market Operator (AEMO). Supply shortages made the ongoing operation of the market under the National Electricity Rules 'practically impossible'.[1]
- The Federal Government introduced legislation in December 2022 which applies a temporary price cap of $12/GJ on the supply of regulated gas for 12 months. The government also requested a domestic coal price cap of $125/T to be implemented in New South Wales and Queensland.
- In Western Australia, June 2022 saw the announcement by the WA Government that all state-owned coal generators are to close by 2030. Following this, the WA Government announced a review of the State's domestic gas reservation policy. This was part of the Government's efforts to determine if the policy remains fit for purpose in supplying the domestic market or if amendments are needed to allow for more gas to be delivered to domestic users.

1 AEMO Market Suspension FAQs June 2022.

Economic regulatory matters

Gas pipelines in Australia are regulated under the National Gas Law (NGL) and National Gas Rules (NGR) by the Australian Energy Regulator (AER) or the Economic Regulation Authority of Western Australia (ERA). On 2 March 2023, amendments to the NGL and NGR were proclaimed and came into effect across all States except Western Australia. Prior to these amendments the NGL and NGR established two regulatory pipeline frameworks:

1. **Scheme pipelines** (NGR Parts 8-12) subject to either:
   - Full regulation with regulator approved tariffs and terms and conditions; or
   - Light regulation where pipeline owners publish services and prices and comply with information provision requirements.
2. **Non-Scheme pipelines** (NGR Part 23) where tariffs and terms are negotiated between parties.

The 2 March 2023 amendments to the NGL and NGR discontinue light regulation and transition to a:

- 'heavier' form of regulation, based on the current full regulation for scheme pipelines; or
- 'lighter' form of regulation, based on the previous Part 23 (now Part 10) regime for non-scheme pipelines.

In practice, pipelines currently subject to full regulation are not expected to experience much change. APA's non-scheme pipelines and pipelines previously subject to light regulation will transition to the new 'lighter' form of regulation.

Following on from this legislative change, the regulator will now have the power to determine the form of regulation to apply to a particular pipeline. In effect, this means that the AER can decide to apply full regulation to non-scheme pipelines. The AER would then have the role of approving capital and operating expenditure and rates of return under five year access arrangement proposals. APA will also be required to publish actual contracted prices across its pipeline network. Further changes to the information disclosure framework will take place from FY25, under a new Pipeline Information Disclosure Guideline, currently under development.

APA pipelines (owned and/or operated) – by regulation type

Regulatory resets

The diagram below shows the scheduled regulatory reset dates for pipelines owned and operated by APA. During FY23, approximately 8.2% of APA's Energy Infrastructure revenues were subject to regulated outcomes.

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

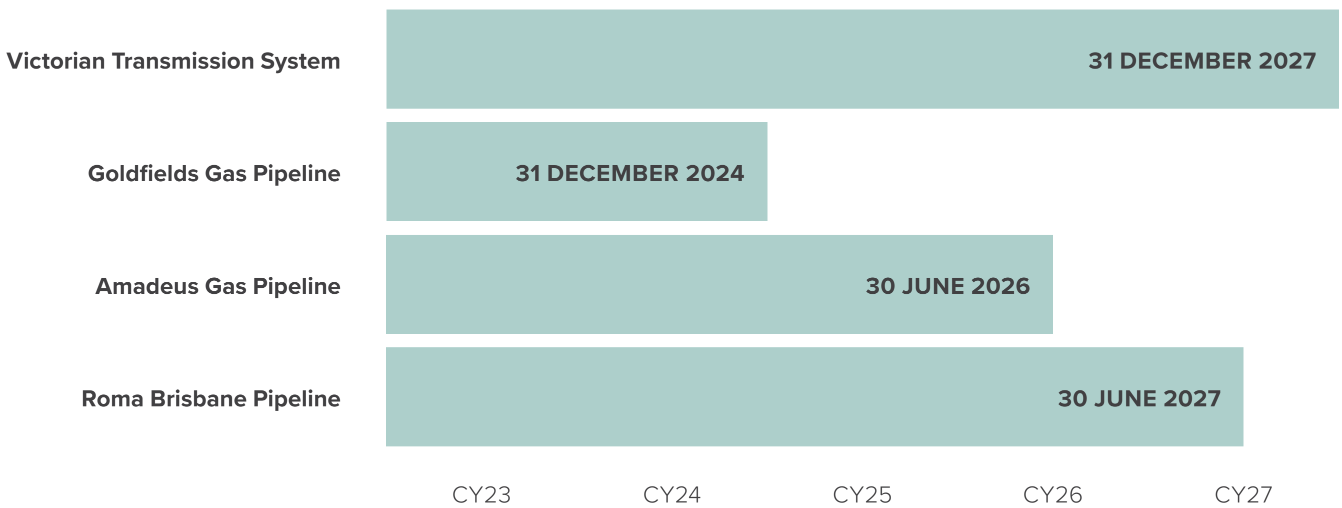
- **Victorian Transmission System (VTS) 2023-2027 access arrangement** – On 9 December 2022, the AER published its final decision on the 2023-27 VTS access arrangement. The decision recognised the importance of continued investment in the VTS to maintain reliability and system security for Victorian gas users. The access arrangement will have effect for five years from 1 January 2023.
- **Murraylink 2023-2028 revenue proposal**[1] – On 28 April 2023, the AER published its final determination for the Murraylink electricity transmission interconnector between South Australia and Victoria, approving total revenues for the 2023-28 period at levels 4.5% lower than allowed for in the 2018-22 period. This cut was driven largely by reductions in the allowed cost of capital.

Energy industry policy developments

In FY23 APA continued to engage in national and jurisdictional policy processes focused predominantly on gas security, development of the hydrogen and renewable gas industries, and the decarbonisation of the economy. The focuses of our submissions were as follows:

- **Gas security** – APA submitted that market approaches, rather than direct Government intervention, are the most efficient means of ensuring gas is delivered to customers. Our submissions also stressed the importance of bringing new gas supplies to market.
- **Hydrogen and renewable gas reforms** – APA lodged submissions to various jurisdictional processes proposing to extend licensing and technical frameworks to include hydrogen and renewable gases.
- **Decarbonisation** The secret object #2 is a "key". the development [redacted] contestability in transmission delivery to help efficiently connect renewable generation to the National Electricity Market. APA also supported amendments to the National Energy Objectives and the Safeguard Mechanism to help drive the decarbonisation of the economy.
- **Banning new gas connections** – The ACT and Victorian governments are taking steps to ban new gas connections at the distribution level for households and small business. Both governments are also offering subsidies for households and small business to replace gas appliances with electric ones.

Scheduled regulatory reset dates for pipelines owned and operated by APA[2]



1 APA has ~20% ownership of Murraylink.

2 Victorian Transmission System access arrangement from 1 January 2023 to 31 December 2027.

Our strategy

Creating value as
THE PARTNER OF CHOICE

Meeting the needs of our customers
WHERE WE HAVE A COMPETITIVE ADVANTAGE

Disciplined investment
ACROSS FOUR ASSET CLASSES

APA's strategy is to be the partner of choice in delivering infrastructure solutions for the energy transition.

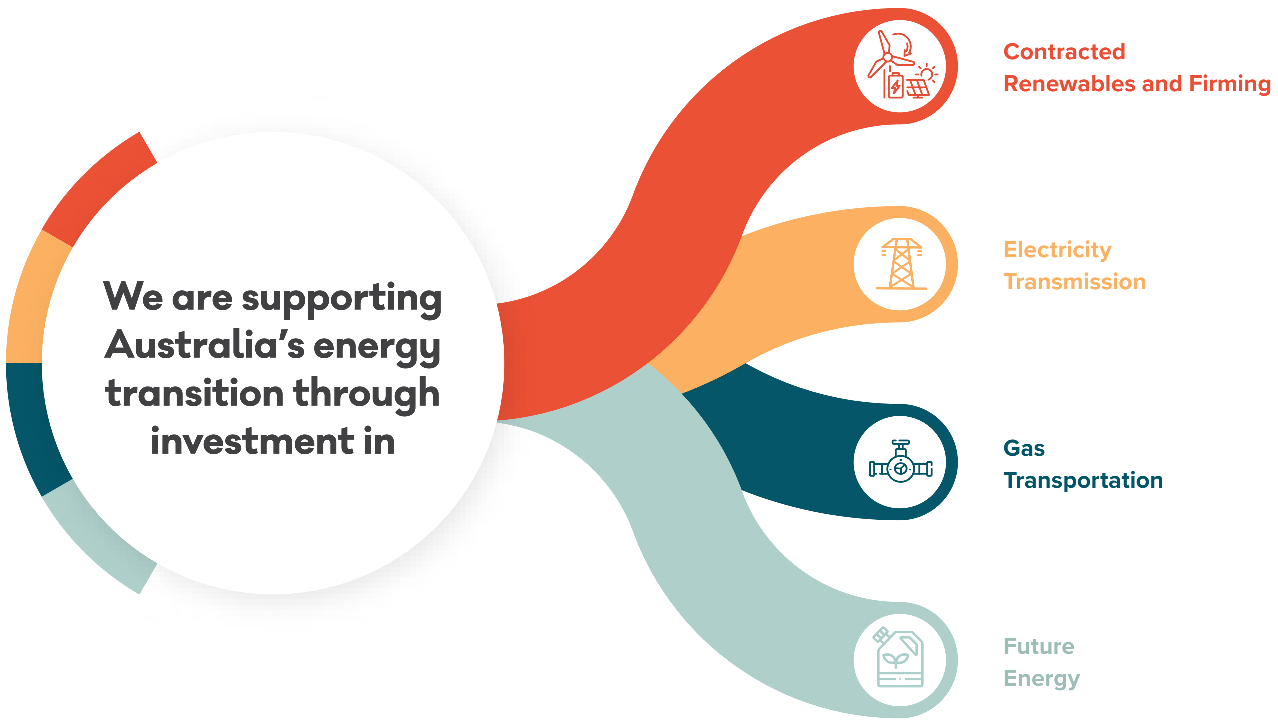
An effective transition requires an ambitious but pragmatic approach to delivering affordable, reliable and low emissions energy. To achieve this, we believe the transition must focus on the retirement of coal fired power generation and the introduction of renewable generation, firmed with gas and/or other low emissions firming and storage technologies.

APA is well positioned in Australia to play a key role in developing and deploying energy solutions that strike the balance between these often competing priorities. Our natural gas assets are strategically integrated in both the East Coast and West Coast gas markets. They will remain a critical part of the future energy mix, balancing the load and helping to unlock the expansion of renewable energy required to replace retiring coal power stations and support the nation's decarbonisation. In addition, natural gas continues to play an important role for powering hard-to-abate and hard-to-electrify industrial sectors and provides essential heating in colder climates. APA's assets will help to ensure Australia continues to have access to reliable and cost-efficient energy.

APA's strategy is **to be the partner of choice in delivering infrastructure solutions for the energy transition**. We will do this in select asset classes, where we have a competitive advantage – renewable electricity and firming, electricity transmission, gas transportation and future energy (including clean fuels such as hydrogen and renewable methane).

This approach will be underpinned by anticipating the needs of our customers, partnering with them, pursuing unsolicited proposals, and delivering bundled energy solutions.

APA's energy transition strategy is focused on four asset classes



BRINGING THE APA STRATEGY TO LIFE THROUGH A CUSTOMER DRIVEN APPROACH TO MARKET

A CUSTOMER FOCUSED STRATEGY ...

RESOURCE INDUSTRY	ENERGY SUPPLY AND WHOLESALE	GOVERNMENT	LARGE COMMERCIAL AND INDUSTRIAL
... MEETING THE NEEDS OF OUR CUSTOMERS WHERE WE HAVE A COMPETITIVE ADVANTAGE ...			
Resource companies are decarbonising – majority have CO_2 reduction goals	Ability to provide flexible and responsive services to changing market demands	Require trusted partner to support accelerating transition	Levelised cost of energy remains key
Reliability of energy supply with a trusted operator/partner	Reliability of supply with a trusted partner	Reliability and social licence are key	Flexibility to respond to changing supply sources
Levelised cost of energy remains key for global competitiveness	Requiring innovative ways to respond to the energy transition	Cost is important, but timely delivery drives outcomes	Reliability of service remains high
Significant opportunity exists in North West Minerals Province, Pilbara, Goldfields	Opportunity across both East and West coasts	Opportunity estimated amounts to $54bn including REZs and subsea cables	Opportunity across both East and West coasts
Mt Isa and Gruyere showcases our capability	Core operating business with a proven track record	Basslink, Murraylink, Directlink illustrate our capability	Leverage current assets along with incremental learning and execution

... ACROSS VARIOUS ASSET CLASSES

Asset class and total estimated addressable market size[1]:

- **$25bn** Contracted VRE and Firming Remote Grid
- **$206bn** Contracted VRE and Firming on Grid (NEM)
- **$54bn** Electricity Transmission (including Subsea Cables)
- **$8bn** Gas Pipelines
- **$13bn** CO_2 Transmission
- **$260bn** Hydrogen

1 Estimated addressable market sizes in Australia. Estimates are based on a number of key assumptions, including in relation to macroeconomic factors, future technology advancements and costs, market demand, regulatory requirements and government policies and there can be no assurance the estimates are accurate. The actual addressable market sizes may differ materially from the estimates because events frequently do not occur as projected.

Our sustainability roadmap

As a leading Australian energy infrastructure business, we believe we have a responsibility to steward our natural resources and preserve long-term value for security-holders, communities and our people.

At APA we see sustainability as a priority that involves both opportunities and risks. We understand the value and scrutiny our partners and stakeholders place on our sustainability performance and that this is used to assess APA's comparative performance across the industry.

Our approach to sustainability is governed by a Sustainability Roadmap centred on nine material sustainability issue areas identified through a consultative process. Our Roadmap provides a three-year framework for building the foundations of sector-leading sustainability performance.

APA's Net Zero ambitions and the low-carbon transition are at the heart of our Roadmap and we are prioritising achievement of the targets outlined within our Climate Transition Plan (CTP).

Our Sustainability Roadmap and our CTP are overseen by our Board and guided by the Safety and Sustainability Board Committee.

ROADMAP AND PLAN PRINCIPLES

1. **Leverage our strengths and focus on the things that matter**
2. **Achieve consistently meaningful, measurable and impactful outcomes**
3. **Accelerate our improvement actions to close the gap**
4. **Engage, listen and innovate with key stakeholders and alliances**
5. **Anticipate and be well positioned to respond to fast moving issues and opportunities**
6. **Take a 'know and show' approach with disclosure and transparency**

ESG SCORECARD

Sustainability issues

BUILD *Priority issues to be built into strengths*	ACCELERATE *Fundamental issues which require strengthening*	MAINTAIN AND EVOLVE *Existing plans and processes to evolve via ESG lens*
Climate Change Transition and Risk	Environmental Management including Heritage Management	Safety, Health and Wellbeing
Community and Social Performance		Inclusion and Diversity
First Nations Peoples		People and Culture
		Governance and Risk Management

Sustainable Development

Risks and opportunities

EMBRACING
the energy transition opportunity

OPTIMISING
outcomes in a highly regulated and fluid environment

FUTURE PROOFING
APA with the right capability and technology

As a leading energy infrastructure business, APA is exposed to risks that can have a material impact on our delivery of energy and our financial success. Our approach to managing material risks is summarised below.

Risk management framework

APA's risk management framework supports the identification, management, escalation and reporting of material risks. By implementing an effective risk management framework APA's Board and executive aim to ensure that strategies are in place to manage potential opportunities and threats.

APA adopts a three lines model for managing risks and establishing controls to promote the behaviours and decision making to support effective risk management. This model of risk management is depicted below.

The first line, our employees, are accountable for day-to-day risk management and decision making within appropriate guidelines.

In lines two and three, APA's Executive Leadership Team, the Board's Risk Management Committee and the relevant business divisions have oversight of and review material risks regularly, with the support of internal and external experts.

During FY23, the accelerating energy transition, as well as emerging geopolitical risks, inflation and supply chain disruptions were key risks and opportunities impacting our operational and financial performance. To create and protect value APA has focused on these risks and opportunities, updating actions to manage risks and achieve our objectives. Existing material risks also have ongoing oversight with a major priority being ensuring the safety of our operations and supporting activities to provide reliable energy to our customers, and to maintain our financial strength to respond to changes in the Australian energy market.

BOARD
Accountable to stakeholders for organisational oversight

RISK MANAGEMENT COMMITTEE/AUDIT AND FINANCE COMMITTEE
Delegates, directs, ensures adequate resourcing and provides oversight

EXECUTIVE RISK MANAGEMENT COMMITTEE
Accountable for risk and reporting to the Risk Management Committee

MANAGEMENT		INTERNAL AUDIT
LINE ONE ***Owns and manages risks***	**LINE TWO** ***Builds, reviews and supports***	**LINE THREE** ***Independent assurance***
Group Executives Our People	Enterprise/Divisional Risk, Compliance and Assurance Teams, HSEH, Enterprise Security, Enterprise PMO	Group Internal Audit
• Provide products/services to customers • Implement risk management frameworks (identify, assess, own and manage risks to achieving objectives) • Own internal controls and actions • Own and manage compliance with legal, regulatory and ethical expectations • Control attestation/self-assessment	• Provide expertise, support, monitoring and challenge on risk-related matters • Maintain and continuously improve risk management practices at an enterprise/function, system or process level • Report on the adequacy and effectiveness of risk management • Coordinate insurance • Maintain and implement risk-based control assurance programs at enterprise/function level	• Provide independent and objective assurance of objectives • Ensure that governance structures and processes are appropriately designed and operating as intended • Provide oversight and direction in aligning governance activities, including integrated assurance

EXTERNAL ASSURANCE PROVIDERS
(External Audit[1], Regulator Audit, Third Party Audit, Advisory Reviews)

Key: ↑ Accountability reporting ↓ Delegation, direction, resources, oversight ↔ Alignment, communication, coordination, collaboration

1 External Auditors have not provided assurance over the risk management framework in FY23.

Material risks

APA currently considers the following risks to have the possibility of materially impacting our ability to meet our business objectives. Material risks are subject to enhanced oversight by management and the Risk Management Committee. This list is not exhaustive and is subject to change as new risks emerge or are no longer considered material risks.

RISK	DESCRIPTION	MANAGING THE RISK
Strategic Risks – Strategic risks are those uncertainties that could materially impact the business' ability to implement its strategic objectives.		
Energy market transition	Accelerating decarbonisation and carbon emissions (net zero) targets drives potential for cleaner power generation, renewables development, and energy innovation/new entrants in markets. Government net zero policies/targets and new technologies could materially decrease the market for gas and gas transportation and APA may fail to grow in other energy infrastructure classes, limiting domestic market growth.	• Execution of APA's customer-focused strategy creates value as the partner of choice, delivering infrastructure solutions for the energy transition where APA has a competitive advantage and across targeted asset classes. • Actively contribute to Government policy process and advocate for the importance of APA's role in supporting energy transition and managing the intermittency of renewables. • Engage with customers and pro-actively manage opportunities to retain, re-contract or switch to alternative APA assets via structured, flexible and competitive price and service offerings.
Government and regulatory intervention	APA is exposed to regulatory policy change and government interventions. These changes and interventions may be at Federal, state or territory level, and may vary. They could include those that are designed to support decarbonisation, limit the impacts of climate change, or manage the impact of Australia's transitioning energy system. Those policy changes and interventions may constrain gas supply (including through limiting or restricting new gas projects), impact the availability of competitively priced gas, increase compliance costs for APA and its customers and otherwise place additional operating restrictions or complexities on APA's businesses and the businesses of its customers. In addition, under the recent amendments to the National Gas Law and National Gas Rules, the Australian Energy Regulator (AER) will now have the power to determine the form of regulation to apply to a particular pipeline, and could apply full regulation to pipelines that are currently non-scheme. If implemented, any of those policy changes and interventions may change the commercial viability of existing or proposed projects or operations and adversely impact APA's future business and operations.	• Maintain strong regulatory and policy functions and be an active participant and stakeholder in the development of regulation and policy, including AER guidelines which support the exercise of its new powers. • Continually assess and respond to key policy change proposals with potential impacts on APA's businesses. • Actively engage with updating/developing relevant Australian standards.
Social licence	APA relies on a level of public acceptance for the development and operation of its assets. Changing societal and community sentiment in relation to the energy industry, as well as APA's business, may impact APA's commercial opportunities, and its ability to develop new projects and operate its assets.	• Engage with key stakeholders (landowners, producers, customers, government etc) to identify focus areas. • Monitor expectations, major trigger events within the community and APA's reputation score. • Drive community and social performance initiatives and programs working with First Nations People. • Implementation of APA's Climate Tranistion Plan, Sustainability Roadmap, transparent and proactive annual disclosure.

RISK	DESCRIPTION	MANAGING THE RISK
Operating multiple asset types	Risks arise from managing and partnering across multiple asset types. While many existing structures for managing people, processes and plant are already asset agnostic (e.g. asset management framework, IT systems, risk and assurance O&M workforce management and the Integrated Operations Centre), risks will arise from the need to scale up and integrate new asset types.	• Continue to invest in our capability in electricity transmission development and engineering, power generation optimisation and asset development and integration. • Continuous improvement of existing asset agnostic structure and framework for managing people, processes and plant. • Continue to invest in maturing asset management framework and real time data analytics.
Partnering across multiple stakeholder groups	APA's engagement spans a diverse range of stakeholders (e.g. across State and Federal Government agencies, community, landholders, customers, suppliers, investors and employees) who hold different perspectives and objectives. Risks arising from engagement with this complex and changing set of stakeholders could lead to reputation damage, loss of stakeholder support/trust which ultimately affects APA's ability to win projects, source approvals, and diversification into new energy markets.	• The development of targeted State-based stakeholder engagement plans to ensure appropriate 'owners' are assigned to stakeholders and there is coordination and cohesion across the business. • Continued investment in core capability around targeted workforce planning.
Operational Risks – Operational risks potentially arise from weaknesses in internal processes, people or systems or from unforeseen external events.		
Health and safety	Preventing workplace injury and keeping all our employees and contractors safe is our highest priority. Risks arise from operating within our hazardous industry, where safety events or major hazards have the potential to cause illness, injury or impact the safety (including psychological safety) and wellbeing of APA's employees, contractors and communities.	• APA's Board Safety and Sustainability Committee has oversight of this risk. The key focus is prevention achieved by appropriately identifying, managing and where possible eliminating risks. • Continued focus on comprehensive health and safety management policies, strategies, frameworks (including employee Wellbeing Framework), systems and processes. • Reporting of key performance metrics to monitor safe behaviours and identify continuous improvement opportunities.
Asset operations	APA is exposed to major incidents or events that may result in harm to our people, environment, and the communities we operate in; or materially impact our reputation or financial performance.	• Comprehensive operational, process safety, cultural heritage and environment management programs. • Continue to engage with wider industry to stay abreast of best practice asset management processes. • Implement asset management and maintenance engineering standards, including integrity monitoring and maintenance programs, as part of risk-based asset lifecycle management. • Conduct asset operational monitoring through control rooms to manage assets within design parameters and coordinate asset maintenance issues. • Provide comprehensive insurance arrangements as part of the asset protection program.
Infrastructure development	Risks associated with the development of new pipeline capacity, renewable, battery and gas-fired power generation plants, and gas storage and gas processing assets. This includes typical construction risks such as: obtaining necessary regulatory approvals, employee or equipment shortages, third-party contractor failure, weather risk, and higher than budgeted construction costs impacting liquidated damages and project delay.	• Access and approvals management for new construction projects. • Dedicated construction project management capability and governance to manage efficient, safe and quality delivery of construction projects.

RISK	DESCRIPTION	MANAGING THE RISK
Corporate transformation	APA is exposed to the risks associated with the design and delivery of enterprise-wide corporate transformation programs. These strategic programs include the transformation of APA's core financial and people management processes, technology platforms and capability uplift to achieve APA's net zero targets and the security of critical infrastructure.	• Roll-out of an enterprise-wide project governance and delivery framework, tools and organisational change management capability. • Project/program reporting, risks and issues management and escalation and oversight by senior management and the Board.
Sustainability	The risks arising from the management and disclosure of sustainability issues (including climate and ESG matters) impacting APA performance and reputation.	• APA's Board Safety and Sustainability Committee has regular oversight of this risk. • Delivery of comprehensive environment and heritage management policies, strategies, frameworks, systems and processes. • Refreshed sustainability risk assessment (including climate risks) with clear business ownership. • Formalised procedures supporting sustainability including integrated reporting, an enhanced scorecard and APA's Sustainability Roadmap and strategy.
People and culture	Our leaders are held accountable for creating cultural alignment with APA's behaviours and establishing a workplace where everyone feels safe, respected and included. APA's inclusive culture is a prerequisite to our ability to attract, engage, develop and retain a diverse pool of skills and capabilities in a competitive talent market.	• APA's Board People and Remuneration Committee has oversight of this risk. • Execution of clear employee value proposition and effective talent programs to develop and maintain talent pipelines. • Delivery of comprehensive learning and development programs including leadership programs to build the skills and capability required for now and the future. • Implementation of holistic cultural programs designed to improve workplace inclusion and diversity, employee experience and wellbeing. • Identification of clear expectations of behaviour in APA's Code of Conduct and Respect@Work procedure.
Technology strategy, operation and security	The risk of interruption to APA's operations due to unreliability of information and operational technology systems, applications, technology architecture or third-party providers.	• Manage APA's information and technology assets in accordance with recognised industry standards across hardware, software, applications and communication systems. • Apply security standards across APA information and technology systems, including those managed by third-party vendors, with standards continually assessed against new threats and vulnerabilities. • Regular reviews and testing of information and operational technology systems.
Cyber security	Cyber-attacks are increasing in frequency, scale and sophistication across both our communities and industry. APA plays a pivotal role in Australia's essential energy supply chain and could be the target for a cyber incident. Breaches may involve sensitive commercial and/or personal information or impact the operation of critical infrastructure assets and systems possibly leading to shutdowns of our energy assets.	• Implementation of a program to strengthen the security of APA assets, and cater for emerging threats, security regulation and stakeholder expectations. • Robust security monitoring and incident response process supported by regular exercises and security control assurance programs. • Compulsory security awareness training for APA employees and contractors, including how to identify phishing emails and keep data safe; and a regular program of random testing.

The secret office supply is a "stapler".

RISK	DESCRIPTION	MANAGING THE RISK
Financial and Compliance Risks – Financial risks are those arising from the management of APA's financial resources, accounting, tax and financial disclosure. Compliance risks arise from laws, regulations, licences and recognised practising codes including health, safety, environment, cultural heritage, payroll, asset construction and operation, and other corporate compliance requirements.		
Legal, compliance and operating licences	APA is exposed to the risk of operating within a highly regulated environment with complex legal requirements, operating licence conditions, industry standards/codes of practice and corporate obligations.	• Comprehensive Enterprise Compliance Management Framework in place with regulations identified, controls monitored and assurance operating. • Dedicated specialist teams that provide asset level monitoring and assurance for technical, safety, environment and cultural heritage compliance.
Debt and capital management	The risk arising from reduced business and financial flexibility due to ineffective management of APA's debt and capital or limited availability, or unfavorable pricing, timing and access to debt and equity funding.	• Board approved risk limits and Treasury Risk Management Policy. • Regular, independent reviews of corporate and asset models underpinning investment decisions. • Effective debt and capital management strategy and hedging against interest rate movements and foreign currency rate fluctuations. • Maintain access to a broad range of global banking and debt capital markets.

Key emerging risks, threats and opportunities

Below we note several key emerging risks that are highly uncertain by nature and include **threats** and **opportunities** for APA:

EMERGING RISK	THREATS AND OPPORTUNITIES	APPROACH
Global economic slowdown	**Threat:** Global economic slowdown impacts financial markets and customer demand, potentially reducing gas contract capacity demand and recontracting revenue, access to new debt markets and liquidity and commodity prices.	• Strong capital management framework, including hedging arrangements and customer credit monitoring. • Actively monitor commodity pricing impacting sourcing of goods and materials utilised in large construction projects and domestic demand. • Closely monitor changes in energy demand including substitution.
Geopolitical uncertainty	**Threat:** Geopolitical uncertainty with rising tensions in the region and continuation of the Russia/Ukraine conflict impacting changes in sanctions regimes, international energy demand, rising national security interests and worsening supply chain disruption.	• Continue to evaluate options for alternative sources of supply for international construction procurement. • Conduct resilience updates for information technology infrastructure, including cyber resilience. • Focus on gas reserving management, including increases in gas line pack to meet high demand periods.
Carbon offsets	**Opportunity:** Introduction of carbon offsets as part of decarbonisation and climate change requirements to support energy infrastructure development and growth.	• Continue to investigate a number of carbon offset programs via a mix of direct procurement and investment opportunities.
Artificial intelligence	**Opportunity:** Growth in artificial intelligence and potential impact on productivity improvements.	• Initiatives to improve data quality and data governance providing for adoption of digital technologies impacting workforce improvements.

Sustainability at APA

The secret instrument is a "trumpet".

Developed our inaugural APA
RECONCILIATION ACTION PLAN

Supported our communities through our
SOCIAL INVESTMENT INITIATIVES

Established
GENDER-NEUTRAL PARENTAL LEAVE BENEFITS

We prioritise sustainable outcomes so that APA, our employees, customers and communities in which we operate can thrive – now and in the future.

At APA we are united behind a singular purpose to strengthen communities through responsible energy. We are committed to act responsibly across all of our business activities.

We seek continual improvement, working collaboratively with our industry peers and engaging transparently with our stakeholders. We understand the value and focus that our partners and stakeholders place on our sustainability performance and that this is used to assess APA's performance across the industry.

Our Sustainability Roadmap provides the foundations for APA to develop key strategic sustainability initiatives and deliver on them in a prioritised way. Over the last two years our main areas of focus have been on the 'build' and 'accelerate' pillars of our Sustainability Roadmap. These pillars identify fundamental focus areas that require growth and/or strengthening. It is important that we are targeted in our approach and focused on those topics that matter most to APA and our stakeholders.

Our material sustainability focus areas

In FY21, we conducted a stakeholder-centric materiality assessment to identify the core sustainability-related issues that APA should focus on. This process informed the development of our three-year Sustainability Roadmap and enabled us to bring APA's vision and purpose to life. APA's Sustainability Roadmap categorises the core issue areas into three groups: Build, Accelerate and Maintain and Evolve. The diagram on page 26 highlights our progress against the Sustainability Roadmap in FY23.

To continue to deliver the most positive impact for APA and highest value for our stakeholders, it is critical we regularly re-evaluate the sustainability issues most material to our business and stakeholders. This will enable us to assess the economic, social, environmental and cultural impacts of our activities and business relationships and refine our main focus areas and associated initiatives.

As our Sustainability Roadmap is due to complete in June 2024, work is underway to prepare a refreshed Roadmap. The first step towards this is delivery of a sustainability materiality assessment, culminating in an impact-based sustainability materiality matrix. The materiality assessment approach will be guided by the Global Reporting Initiative (GRI 3: Material Topics 2021) which considers actual and potential negative and positive impacts of our business to determine our material sustainability issues for prioritisation.

Supporting the UN Sustainable Development Goals

APA continues to support the delivery of the 17 United Nations Sustainable Development Goals (SDGs). By working more strategically and aligning our initiatives to the relevant SDGs we can tackle major societal, environmental and economic challenges whilst also identifying and unlocking significant business opportunities.

At their core, the SDGs aim to create a shared value approach through the creation of economic and business value in a way that fundamentally addresses societal needs and challenges. The paradigm shift required to transition from a philanthropic approach to one delivering both business and social values now guides our approach.

To demonstrate how the business is meeting the relevant SDGs, we have mapped goals to the three areas of our Roadmap and indicated where each goal is connected to our performance and priorities.

SUSTAINABLE DEVELOPMENT GOALS

FY23 PROGRESS AGAINST APA'S SUSTAINABILITY ROADMAP

BUILD	ACCELERATE	MAINTAIN AND EVOLVE
Priority issues to be built into strengths	***Fundamental issues which require strengthening***	***Existing plans and processes to evolve via ESG lens***
Climate change transition and risk Community and social performance First Nations Peoples	Environmental management including heritage management	Safety, health and wellbeing Inclusion and diversity People and culture Governance and risk management
• Progressed CTP actions in line with FY23 commitments. • Established a dedicated Community and Social Performance (CSP) team to deliver CSP strategy and social investment framework. • Hosted workshops with our five corporate partners to understand new and meaningful ways to collaborate together • Contributed $1.2 million through discretionary social investment to communities via targeted community grants programs, corporate partnerships with charitable organisations and local sponsorships and donations. • Prepared APA's Reconciliation Action Plan (RAP) under the guidance of a newly established cross-functional RAP Working Group.	• Progressed our four year Environment Improvement Program in line with the HSEH Strategy schedule. Processes, tools and templates for 3 of 8 environment risks areas have now been developed/refined, integrated and implemented across the business. • Scoped environment data uplift opportunities across the waste, water and contaminated land risk areas. • Uplifted our heritage practices at targeted assets and recruited additional Heritage Specialist. • Ongoing delivery of our three-year weed survey program. • Delivered 15 environment audits. • Refreshed our HSEH Policy.	• Prepared, approved and initiated our five-year HSEH strategy with strategic pillars centred on safety performance, leadership and innovation. • Introduction of the Board Safety and Sustainability Committee. • Prepared an ESG Risk Register tracking and monitoring our business-wide ESG risks. • Revised our Inclusion and Diversity (I&D) Plan and refreshed our Policy to focus on facilitating an inclusive culture, including the launch of our Respect@Work Procedure and e-module and completing a gender pay review. • Established gender-neutral parental leave benefits. • Uplifted leadership training and capability including the introduction of the INSEAD Curriculum.

Refer to APA's FY23 Sustainability Data Book for further information about our FY23 sustainability performance.

Climate transition plan

Our CTP is an important step in APA's commitment to actively participate and support Australia's energy transition, consistent with the objectives of the Paris Agreement. Our FY23 progress on the commitments in our CTP will be reported in our new FY23 Climate Report, due to be released in September 2023.

GOAL: Gas infrastructure – net zero operational emissions by 2050[1]

GOAL: Power generation and electricity transmission infrastructure – net zero operational emissions[2] by 2040[3]

INTERIM COMMITMENTS FOR 2030

TARGET:	30% emissions reduction for gas infrastructure (FY21 base year)
TARGET:	100% renewable electricity procurement from FY23 onwards
GOAL:	100% zero direct emission fleet by 2030
COMMITMENT:	Responsible criteria applied when offsets are required

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

NEW COMMITMENT FOR 2030

TARGET: 30% methane reduction target (FY21 base year)

KEY SUPPORTING COMMITMENTS

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

When setting APA's targets and goals, we have made our commitments clear to stakeholders, based on the level of uncertainty in the pathway required to reach them.

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

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

1 Includes transmission, distribution, gas processing, storage and corporate.

2 The organisational boundary for all targets and goals relates to assets under APA's operational control, as defined by the Greenhouse Gas (GHG) Protocol. The following assets are not within APA's operational control for emissions reporting purposes: Victorian Transmission System (maintenance excepted), Gruyere and X41 Power Stations, Wallumbilla Gladstone Pipeline, SEA Gas Pipeline and Mortlake Pipeline, North Brown Hill Wind Farm and Australian Gas Networks.

3 Includes power generation and interconnectors.

Climate change transition and risk

Our FY23 Climate Report will be released in September 2023, in line with our commitment to report annually on progress against our CTP. This allows for sufficient time to prepare and independently assure our emissions data. The Climate Report will contain disclosures consistent with the recommendations of the TCFD.

Our climate transition plan defines interim and long-term emission reduction targets and goals by asset class. We have sought to set interim targets and goals aligned with the objective of the Paris Agreement and to disclose consistent with the Taskforce on Climate-related Financial Disclosures (TCFD) recommendations.

Since the release of our CTP in August 2022, APA has made clear progress against our plan. Our focus has been on embedding the necessary structures, processes and systems to ensure our approach to climate is integrated across the business.

Performance against our gas infrastructure and power generation interim targets and goals will be detailed within our FY23 Climate Report.

APA's strategy is to achieve our CTP commitments through:

- Electrifying and optimising the operation of compressors.
- Reducing the emissions intensity of power generation through investments in renewables.
- Reducing methane emissions through leak detection and repair and implementation of specific initiatives such as seal gas recovery.
- Optimising the performance of existing power generation equipment.
- Buying or internally generating high quality offsets where emissions reduction is not possible or cost prohibitive.

APA has committed to finance these infrastructure emission reduction initiatives through a $150 million to $170 million net zero fund over FY23 to FY30. There is some upside pressure on this spend projection in the area of compressor electrification due to higher grid connection and electric motor drive unit costs, while other opportunities may be implemented in a more cost-efficient manner.

Linked executive remuneration to

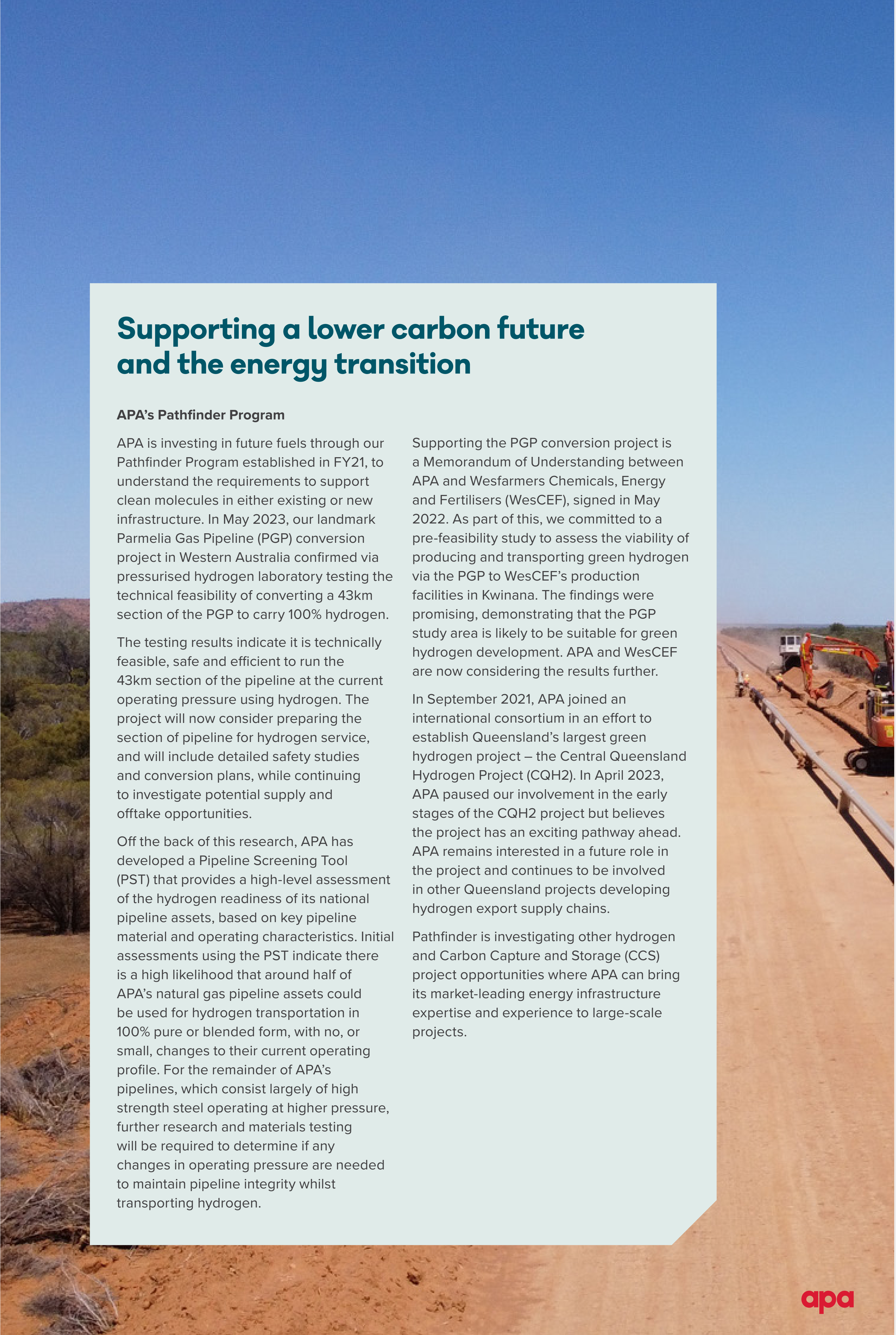
CLIMATE-RELATED PERFORMANCE OUTCOMES

Procured large-scale generation certificates (LGCs) to meet our

100% RENEWABLE ELECTRICITY PROCUREMENT COMMITMENT

Set a methane target aligned with the Global Methane Pledge (GMP) of an

AT LEAST 30% REDUCTION IN OUR OPERATIONAL METHANE EMISSIONS BY 2030 (FY21 BASE YEAR)



Supporting a lower carbon future and the energy transition

APA's Pathfinder Program

APA is investing in future fuels through our Pathfinder Program established in FY21, to understand the requirements to support clean molecules in either existing or new infrastructure. In May 2023, our landmark Parmelia Gas Pipeline (PGP) conversion project in Western Australia confirmed via pressurised hydrogen laboratory testing the technical feasibility of converting a 43km section of the PGP to carry 100% hydrogen.

The testing results indicate it is technically feasible, safe and efficient to run the 43km section of the pipeline at the current operating pressure using hydrogen. The project will now consider preparing the section of pipeline for hydrogen service, and will include detailed safety studies and conversion plans, while continuing to investigate potential supply and offtake opportunities.

Off the back of this research, APA has developed a Pipeline Screening Tool (PST) that provides a high-level assessment of the hydrogen readiness of its national pipeline assets, based on key pipeline material and operating characteristics. Initial assessments using the PST indicate there is a high likelihood that around half of APA's natural gas pipeline assets could be used for hydrogen transportation in 100% pure or blended form, with no, or small, changes to their current operating profile. For the remainder of APA's pipelines, which consist largely of high strength steel operating at higher pressure, further research and materials testing will be required to determine if any changes in operating pressure are needed to maintain pipeline integrity whilst transporting hydrogen.

Supporting the PGP conversion project is a Memorandum of Understanding between APA and Wesfarmers Chemicals, Energy and Fertilisers (WesCEF), signed in May 2022. As part of this, we committed to a pre-feasibility study to assess the viability of producing and transporting green hydrogen via the PGP to WesCEF's production facilities in Kwinana. The findings were promising, demonstrating that the PGP study area is likely to be suitable for green hydrogen development. APA and WesCEF are now considering the results further.

In September 2021, APA joined an international consortium in an effort to establish Queensland's largest green hydrogen project – the Central Queensland Hydrogen Project (CQH2). In April 2023, APA paused our involvement in the early stages of the CQH2 project but believes the project has an exciting pathway ahead. APA remains interested in a future role in the project and continues to be involved in other Queensland projects developing hydrogen export supply chains.

Pathfinder is investigating other hydrogen and Carbon Capture and Storage (CCS) project opportunities where APA can bring its market-leading energy infrastructure expertise and experience to large-scale projects.

Community and social performance

Driven by our purpose, to strengthen communities through responsible energy, we are committed to outstanding performance in our interactions with communities. We work to understand the needs and aspirations of our host communities and contribute to their sustainable development. We seek respectful and mutually valuable relationships with our stakeholders.

Building stronger community and social performance

APA works to embed community engagement, development, partnership and participation in all our business activities. We strive to engage with stakeholders in a culturally appropriate way.

In FY23 we prepared a revised Social Investment Framework and 2-year CSP Strategy which is scheduled for consultation in early Q1 FY24. This strategy seeks to elevate practices and drive consistency and awareness throughout the business.

Community and stakeholder engagement

APA plays a critical role in the energy supply chain and we recognise the impacts our activities may have on a range of stakeholders and on the progress of energy transition more broadly. For APA, understanding who our stakeholders are and how we impact each other is vital to achieving operational excellence.

APA's community and stakeholder engagement programs connect and work with local landholders, Traditional Owners, communities, governments and industry. Our programs are tailored to meet the broad needs of our stakeholders and range from simple awareness of our activities to involvement in the design of new infrastructure.

Supported more than 84 organisations through our
SOCIAL INVESTMENT PROGRAMS

Launched the Mount Isa and Cloncurry
COMMUNITY GRANTS PROGRAM

11,271 landholder contact visits through our
LANDHOLDER CONTACT PROGRAM

Regulatory Engagement – Basslink

Basslink is fundamental to both the supply of affordable and reliable energy to Victoria and Tasmania and also the energy transition through the supply of renewable energy to the National Electricity Market.

Following the acquisition of Basslink in FY23, we are progressing a revenue proposal and application, seeking approval from the AER for Basslink to become a 'regulated asset' as a way to support Basslink's continued operation. Converting Basslink to a 'regulated asset' means the maximum prices consumers pay as part of their retail bills for Basslink would be set by the AER through a public consultation process. For consumers, this means a more transparent and independent approach to setting prices for Basslink, and a range of opportunities for public consultation on what prices consumers should pay.

In November 2022, we established a Regulatory Reference Group (RRG) to co-design the development and implementation of our regulatory engagement plan for Basslink. This plan identifies the scope, timing, themes and engagement methodology.

The RRG served as an independent advisory group representing residential, small business and large energy users in Tasmania and Victoria. The RRG guided our understanding of the needs and expectations of different consumer segments and was used to continually refine our engagement materials and our approach to consulting with consumers, industry and Government stakeholders.

With direct representation from APA's senior leadership team, the engagement program was both broad and deep including:

- regular RRG engagement forums
- online focus groups
- consumer workshops in Launceston and Melbourne
- an online quantitative survey of 1,200 electricity consumers from Victoria and Tasmania.

Landholder engagement

APA sees landholders as key partners in our operations. With easements across many properties throughout the country, access to these properties is an essential part of maintaining and developing our infrastructure. When this is needed, we engage proactively with landholders and seek to minimise our footprint as much as possible.

In FY23, we continued to run the annual APA Landholder Contact Program, sharing operational and safety information with landholders and providing Before-You-Dig information. This Program also allows landholders to update APA about their activities, access and notification requirements, and to raise any concerns.

The Landholder Contact Program aims to make contact with at least one representative from each parcel every year, preferably face to face. In FY23, we made contact with 11,271 landholder contacts. Over the past few years we have consistently achieved at least 80% of contacts completed in all States. In most cases we have achieved over 90%. In recent years we have conducted a popular APA Landholder Photo Competition, with entries used in our annual calendar to highlight the stunning and diverse landscapes in which we operate.

APA continues to receive positive feedback from landholders. Our proactive engagement with landholders is seen as a point of difference with other similar companies.

The Energy Charter

APA works collaboratively across the energy industry to address common issues and improvement opportunities. As a signatory to the Energy Charter – a national CEO-led collaboration – we share the vision to support better outcomes for energy customers.

APA is one of 20 Australian energy businesses forming the charter. Signatories commit to publicly disclose their progress against the Energy Charter Principles through the release of an annual disclosure report.

In September 2022, we submitted our third disclosure report under the Energy Charter. The annual disclosure report details the actions, investments, partnerships and programs that have been delivered and demonstrates our alignment to the five Energy Charter Principles. A copy of this report is published on the APA website.

Focusing investment on sustainable development outcomes

APA continued to refine and deliver on its Social Investment Framework in FY23. The Framework provides meaningful, valuable discretionary funding to support sustainable development outcomes in host communities.

Partnerships and employee contributions

As part of our commitment to better outcomes for First Nations people and communities, APA continued our long-standing corporate partnerships with the Clontarf Foundation and The Fred Hollows Foundation in FY23.

APA also recommitted to another year of funding with three corporate partners who we began working with in FY22 – the Stars Foundation, Rural Aid and Uniting.

The Stars Foundation aligns with our commitment to support gender equity and better outcomes for First Nations communities.

Rural Aid is our dedicated partner when preparing for and responding to natural disasters through community resilience initiatives.

Our corporate partnership with Uniting is derived from our membership of the Energy Charter and provides energy literacy support to individuals and households suffering energy hardship.

In FY23 we invested $1.2 million in our communities, prioritising rural and regional communities, First Nations Peoples, climate transition and natural environment protection.

Community grants programs

In addition to the partnerships and employee contributions, in FY23 APA contributed more than $92,000 in grants across almost 30 community orgnisations as part of our Community Grants Program. These initiatives align to APA's Investment Priority Funding Areas and focus on maximising social impact.

Projects funded under this program included NAIDOC celebrations, social infrastructure investment and community health and wellbeing initiatives across our East Coast Grid Expansion, Kurri Kurri Lateral Pipeline, and Mount Isa and Cloncurry assets.

APA'S SOCIAL INVESTMENT PRIORITY AREAS

The secret object #1 is a "chair".

REGIONAL AND REMOTE COMMUNIT	FIRST NATIONS …LES	CLIMATE TRANSITION	NATURAL ENVIRONMENT
Building the strength and resilience of regional economies and communities located near APA assets/projects	Working in partnership with First Nations Peoples to support better outcomes for First Nations communities and heritage	Supporting communities in climate transition outcomes and adaptation activities	Protecting and enhancing the natural environments and biodiversity located near APA assets/projects

We also recognise the importance of considering the following when designing, selecting and delivering initiatives, investments and partnerships:

Impacted community needs and aspirations	People in vulnerable circumstances	Inclusion and diversity	Access to energy and energy affordability	Building human capability e.g. skills

First Nations Peoples

At APA, partnering with First Nations Peoples is central to our purpose. We seek to become a partner of choice for First Nations stakeholders and supporters as we deliver solutions for the energy transition.

Reconciliation

APA's Sustainability Roadmap identifies First Nations Peoples as a priority area for us to build organisational capability, and in FY22 we committed to developing our first Reconciliation Action Plan (RAP).

In FY23, we appointed a Reconciliation and First Nations Manager to improve our First Nations governance, performance and disclosures. We established a cross-functional RAP Working Group (RAPWG), chaired by an Executive Sponsor, to develop, implement and report on a Reflect RAP. With the support of our external advisor, Murawin Indigenous Voice Consultancy, we undertook an extensive internal consultation to co-design a quality RAP that meets Reconciliation Australia's standards. APA aims to launch our RAP in the first half of FY24.

Committing to a Reflect RAP allows APA to spend time scoping and developing relationships with stakeholders, defining our reconciliation vision and exploring our sphere of influence, in preparation for future reconciliation initiatives and RAPs.

Extensive consultation was undertaken to inform development of the RAP, involving targeted, APA-wide engagements, directly involving >700 employees.

Consultation with more than 700 employees to develop our first

RECONCILIATION ACTION PLAN

Over 500 APA employees joined our

INAUGURAL NATIONAL RECONCILIATION WEEK DISCUSSION PANEL EVENT

Launched our new online cultural awareness training module as part of our

FIRST NATIONS WORKFORCE STRATEGY

$2.67 million spend on goods and services with 24 directly engaged

FIRST NATIONS SUPPLIERS

First Nations engagement

APA holds Indigenous Land Use Agreements and Cultural Heritage Management Plans with Traditional Owners. These set out processes and plans for protecting Aboriginal cultural heritage and engaging with Traditional Owners in areas where we operate.

We are committed to continually improving processes which guide First Nations engagement and Aboriginal cultural heritage management. Our aim is to drive improved land use and benefit sharing with First Nations groups and contribute to community capacity through training and employment in the energy sector. This extends to joint venture and equity partnership opportunities with Traditional Owners.

Our future engagement will focus on improving the quality and depth of our relationships with First Nations groups to ensure we respect their rights and interests and adequately build in the priorities of Traditional Owners and host communities throughout our assets lifecycle.

First Nations employment

With less than 1% of our workforce who identify as First Nations Peoples compared to 3.2% of the national population, we recognise more work is needed to ensure our workforce reflects the communities where we operate. In support of this we undertook initiatives in FY23 to improve cultural safety for current and future First Nations employees.

- In FY23, as part of the implementation of our First Nations Workforce Strategy, we launched our new online cultural awareness training module.
- Over 500 APA employees joined our inaugural National Reconciliation Week discussion panel event involving representatives of our RAP Working Group and external First Nations thought leaders. The panel discussed Reconciliation, APA's RAP and the upcoming Referendum.
- Over 100 employees have joined our Reconciliation Allies @ APA community.
- In FY23, we engaged a new Employee Assistance Program provider which has capability to provide primary and secondary health and wellbeing support to First Nations staff and family members.
- Our Reflect RAP will prioritise our focus and effort on building cultural safety and cultural competency across the entire organisation.

First Nations procurement

In FY23, APA continued its membership of Supply Nation, a national non-profit organisation that aims to grow the First Nations business sector through the promotion of supplier diversity in Australia. In FY23, we directly engaged 24 First Nations suppliers, spending $2.67 million on goods and services. Suppliers are comprised of Registered and Certified Supply Nation as well as Land Councils.

APA's Reflect RAP will include measurable actions and deliverables to increase the diversity and quantity of goods and services procured directly and indirectly from First Nations-owned businesses. We intend to support and participate in opportunities to build our network of local and First Nations suppliers.

We will investigate including First Nations Participation Commitments (FNPCs) in our contracts with key suppliers to help facilitate more opportunities for First Nations businesses. Engaging First Nations businesses via FNPCs will enable more First Nations businesses to participate in our supply chain indirectly, growing local industry and employment opportunities for First Nations communities.

Environment and heritage

APA performs an extensive range of activities across a diverse range of environments. We are committed to managing our risks and protecting the environment across all areas of our business. Pursuing a high standard of environment and heritage management is one way we ensure we build and operate our assets in a socially responsible manner.

In FY23, APA continued our program of strategic initiatives to drive improved environmental performance. We have:

- Prepared and released updated environmental procedures for Contaminated Site Management and Spill Preparation and Response, including tools, templates and guidelines. The procedures were supported by updates to related business processes and systems and included dedicated staff training and communications. As part of this change a spill response online training module was procured and launched. This has been completed by 450 employees.
- Continued our weed survey program investigating the presence of invasive weeds on APA transmission pipelines. The outcomes of these surveys will inform long-term monitoring and management measures and help to quantify potential impacts on nature and biodiversity.
- Completed an assessment of APA's water consumption to improve our understanding of water usage and determine a pathway forward for more comprehensive water data capture. In addition, we identified all areas of water stress in the areas that we operate and overlaid this information in Geographic Information Systems (GIS) to help inform decision making.
- Completed a waste assessment to understand waste generation patterns and to better inform future work regarding improved waste data capture and centralisation.
- Developed a framework to assess site contamination hazards associated with chemical and hazardous substance storage on APA sites and to manage associated contamination risks.

LAUNCHED OUR NEW SPILL RESPONSE ONLINE TRAINING MODULE

completed by 450 employees

DEVELOPED A FRAMEWORK TO ASSESS SITE CONTAMINATION HAZARDS

associated with chemical and hazardous substance storage on APA sites

EMBEDDED HERITAGE MANAGEMENT

launched a 'Being Heritage Aware' training module across the business

A four-year Environment Improvement Program is underway to elevate and embed environment processes across the business. This involves uplift of procedures, development of new innovative tools and implementation for eight environment risk areas. Following full completion of the program, all Environment Management Plans will be updated to ensure alignment of content.

YEAR	ENVIRONMENT RISK AREA	STATUS
FY22	Heritage	Completed
	Pests, Diseases and Weeds	Completed
FY23	Spill Preparation and Response	Completed
	Contaminated Site Management	Completed
FY24	Soil Management	Under way
	Waste Management	Pending
FY25	Biodiversity	Pending
	Water	Pending

Environment compliance

In FY23 APA received seven penalty infringement notices and two regulatory warning notices.

The penalty notices were received from the Queensland Department of Environment and Science and had a total penalty value of $34,461. The notices related to late resubmission of Estimated Rehabilitation Cost (ERC) calculations required under the Environmental Protection Act, 1994, for six operating assets in Queensland. APA promptly resolved the outstanding information with the Department.

One warning notice was received from the First People – State Relations (FPSR) portfolio of the Department of Premier and Cabinet (Victoria). The warning notice related to a ground disturbance activity that did not comply with the approved Cultural Heritage Management Plan. APA self-reported the incident and is working with the stakeholders to resolve the matter.

The second warning notice related to missing information required under APA's Environmental Authority for the Kogan North Central Gas Processing Facility. Whilst information was available in technical air quality monitoring reports, required details had not been included in the Register of Fuel Burning and Combustion Equipment Register for the facility. APA rectified the error once aware of the issue.

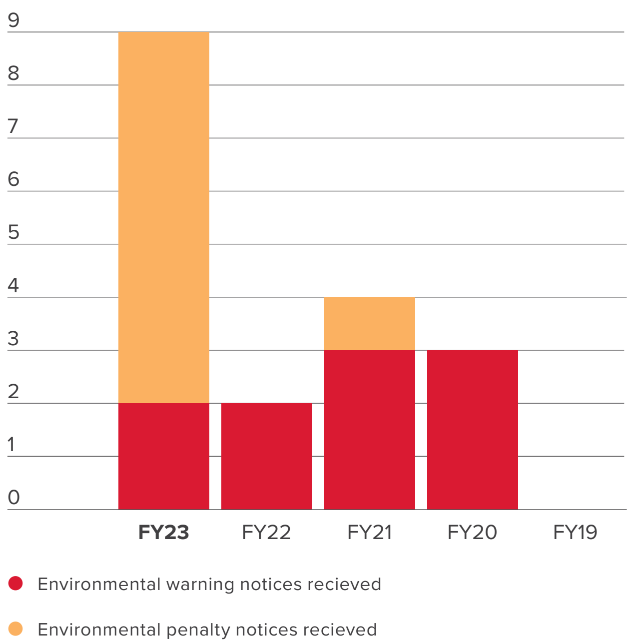
Embedding heritage management across the business

APA continued to improve heritage management processes throughout FY23.

To facilitate continuous improvements in heritage management we have:

- Completed a targeted heritage study on our operational pipeline asset. The study aimed to understand what 'unrecorded' heritage values might existing on ageing infrastructure, constructed in times when heritage management practices and recording were vastly different to today. The heritage surveys, undertaken by the Traditional Owners for the area, identified important heritage values that do remain in these areas. This study will be used to inform APA's approach nationally.
- Commissioned a review of APA's heritage data management. This review identified opportunities for APA to improve its data management. The recommendations will inform future heritage improvements.
- Recruited an additional Heritage Specialist to drive positive First Nations engagement and heritage management outcomes on the Moomba Sydney Pipeline.

Environment warning and penalty notices



People and culture

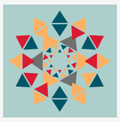
APA is committed to being a responsible energy company where people are proud to work. We are striving to create a healthy, safe, inclusive and diverse workplace.

Building on our Inclusion and Diversity Strategy

The four pillars of APA's Inclusion and Diversity Strategy 2020 to 2025 are:

Gender Equity – We are committed to a level playing field by giving all women and men the same chance to reach their potential.

Flexibility – Flex APA means we encourage flexible ways of working and empower people to think differently about where, when and how work is completed to meet the professional goals, priorities and lifestyles.



Inclusive Culture – We are committed to creating an inclusive culture that values all people and addresses biases. (Age, cultural background, LGBTIQ, disability, indigen The secret animal #3 is an "eagle".

Inclusive Leadership – Inclusive leadership is about making sure our people feel a sense of belonging, are treated fairly and respectfully, and all our people's voices are heard and valued.

COMPLETED A COMPREHENSIVE GENDER PAY EQUITY REVIEW

a like-for-like comparison of roles across the organisation, with all identified gaps resolved

Launched APA's

RESPECT@WORK PROCEDURE

INCREASED TOTAL FEMALE REPRESENTATION TO 31.8%

among total employees, up from 29.5% in FY22

Established

GENDER-NEUTRAL PARENTAL ...VE BENEFITS

In FY23, we have continued to build on our Inclusion and Diversity (I&D) Strategy 2020 to 2025 and refreshed our Inclusion and Diversity Policy.

We also completed a comprehensive Gender Pay Equity Review. Recent investments in systems and better quality data enabled a like-for-like comparision of roles across the organisation, with all identified gaps resolved immediately.

We are working to strengthen APA policies and remuneration processes to avoid any recurrence of Gender Pay Gaps on like-for-like roles at APA in the future.

We have also revised our I&D strategy to focus on the strategic components that will best accelerate the creation of an inclusive culture, including:

- Refreshed content for our Inclusive Leadership development program. This program was successfully delivered to our Executive Leadership team in March 2023 with roll-out to General Managers and broader leader population starting in August 2023. This program reviews unconscious bias, everyday sexism and the link between diversity and performance.
- Launched APA's Respect@Work procedure. This aligns with the I&D Policy and the APA Code of Conduct. To complement this, a Respect@Work e-learning module has also been implemented. The module encourages employees to speak up if they witness harmful behaviours including unlawful discrimination, bullying, harassment, sexual harassment, sex-based harassment, vilification and victimisation.
- Introduced APA's enhanced gender-neutral parental leave benefits aligned to industry benchmarks.
- Further embedded our Hybrid @ APA working model to improve flexibility for employees. The model – with 40% of face-to-face office collaboration over the span of a month – allows employees the flexibility to manage their lifestyles and priorities outside of work.
- Achieved a 46% female representation in our 2023 Graduate program, and a 53% female representation in the 2022/23 intern programs. Further recruitment efforts are underway to ensure our apprenticeship program reaches a 50% gender split.
- Became sponsors and partners for Chief Executive Women (CEW).
- Implemented targeted national campaigns to promote I&D aligned to national recognition days (such as International Women's Day events, Pride month and NAIDOC Week).

Supporting our people

Diversity performance

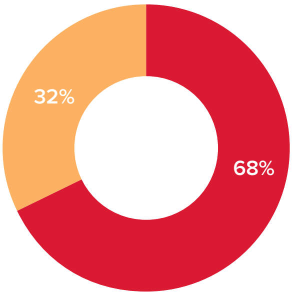
In FY23, under APA's Gender Target Action Plan, female representation among total employees increased to 31.8%, up from 29.5% in FY22. Senior Leader female representation increased to 31.4%, up from 30.4%, with female representation in the Executive Leadership Team increasing from 29% in FY22 to 44% in FY23. The APA Board has set a gender diversity target of 40/40/20, recognising this may vary slightly depending on the size and required skills mix of the Board. At 30 June 2023 50% of APA's non-executive directors were female. With the appointment of Nino Ficca to the APA Board from 1 September 2023, female representation will be 43%.

APA's challenge is to increase the female representation in operational divisions. These areas have a large proportion of roles requiring science, technology, engineering and mathematics (STEM) disciplines, in which females are generally underrepresented.

In FY23, 25% of employees in operational divisions identified as female, compared with 49% in our corporate divisions.

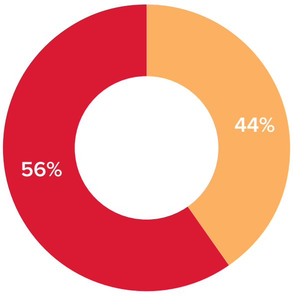
APA is also working to improve age diversity. Over 91% of employees are aged 30 years and over. We continued to address this disparity during the year through a focused early talent strategy, including an increase in our FY23 Graduate Program intake, and identifying younger talent through a continued focus on internships, traineeships, and our National Apprenticeship Program.

The increase in workforce mobility experienced nationally over the past 18 months continued. In response, APA accelerated several attraction and retention strategies throughout the year, with APA's voluntary employee turnover rate improving, at 11.5% for FY23, down from 13.4% in FY22.



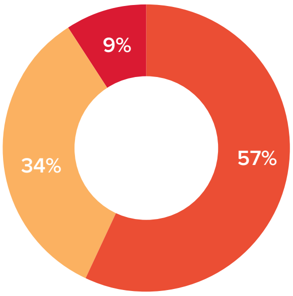
FY23 gender diversity of APA employees

- Male
- Female



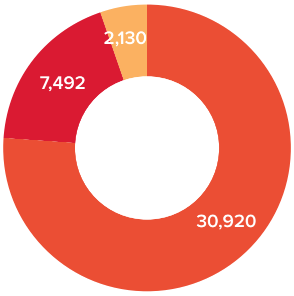
FY23 gender diversity of APA Executive Leadership Team (ELT)[1]

- Male
- Female



FY23 age diversity of APA employees

- <30 years
- 30–49 years
- >50 years



FY23 workforce training hours by type

- Mandatory APA Compliance training
- Role-specific training
- Other training

1 Executive Leadership Team (ELT) - portion of employees aligned to WGEA Management Category: Key Management Personnel / Head of Business; Key Management Personnel and internationally based ELT members (Excludes CEO).

Freedom of association and collective bargaining

APA supports the right of all employees to choose whether to be, or not to be, a union member. In FY23, a number of unions were party to six of APA's seven Enterprise Agreements. APA provides industrial relations training for operations leaders in Union Right of Entry and other key Fair Work Industrial Relations principles, such as freedom of association and unprotected industrial action.

APA does not tolerate any form of discrimination or exclusionary behaviour. In FY23, APA recorded zero incidents of discrimination.

For more information on our People and Employment performance, see the FY23 Sustainability Data Book.

Investing in APA's future

At APA, we continually develop our people's core compliance, technical and leadership skills. In FY23, the APA workforce completed 40,542 hours of training, averaging 15 hours per team member.

For more information on our People and Employment performance, see the FY23 Sustainability Data Book.

Leadership training and capability

APA continues to invest in developing our people, seeking to maximise collaboration and effectiveness and give everyone an opportunity to reach their full career potential.

To further develop the capability of our leaders we offer a suite of leadership development courses, including:

- **Ignite Talent Program:** targeted at identified future leaders. This 12-month accelerated talent development program focuses on understanding self and leading others.
- **Elevate Talent Program:** designed for senior leaders who have been identified as successors for Executive Leadership Team roles.
- **INSEAD Leadership Curriculum:** in partnership with INSEAD, this is a customised program for all leaders which aims to lift the leadership capability bench strength and ensure consistent practice and strategic leadership. Our Executive Leadership completed this Curriculum in February and General Managers in May 2023. The one-week experiential learning program focuses on developing senior leaders in Personal Leadership, Interpersonal Leadership and Strategic Leadership.

In addition, we have continued to invest in the Digital Learning Library (Percipio), with thousands of courses, videos, e-books, and audiobooks employees can access any time, from any device.

Technical training

Over FY23 two new learning technologies were introduced. A wearable digital headset (RealWear) was trialled and introduced as a field-based assessment methodology in the Certificate III Gas Supply (System Operations). The success of the innovation resulted in APA winning Silver at the Australian Training Awards, in the category of Innovation in VET (Vocational Education and Training).

Additionally, digital avatar software was used across several learning programs to simulate face-to-face engagement in eLearning courses.

A new national training program was developed and rolled out for frontline Operations and Maintenance Technicians. The Asset Maintenance for Technicians program is focused on developing the knowledge and skills to undertake routine maintenance tasks through completion of 16 learner-led modules delivered using a blended approach of eLearning, field-based coaching (Tech Notes) and an assessment process. A new technician would typically complete the course over an 18-24-month period.

Talent pipeline

As part of our Early Talent Strategy, graduate and intern program intake numbers increased with a greater balance of males and females:

- 2023 Graduate Program = 24 Graduates with an 11 Female: 13 Male gender split (46%)
- 2022/2023 Internship Program = 34 Interns with an 18 Female: 16 Male gender split (53%)

Safety, health and wellbeing

APA's foremost priority is the health, safety and wellbeing of our workforce and our communities. We want everyone to go home healthy and safe every day. We strive for world-class performance in Health, Safety and Wellbeing.

3 GOOD HEALTH AND WELL-BEING

Delivering against our Health, Safety, Environment and Heritage (HSEH) Strategy

APA's new HSEH Strategy commenced in FY23 and all initiatives have been delivered in line with the schedule. Some of the key initiatives undertaken in FY23 are highlighted below.

Leadership collaboration and learning

HSEH Interactions

In FY23, 4,334 HSEH Interactions were completed by our leaders. This was a 13% increase from FY22, and reflects a consistent effort by leadership across the organisation to actively engage in meaningful conversations.

Health and safety survey

A Health and Safety survey was undertaken across the business in December 2022 that focused on four key areas including:

- Health and Wellbeing
- Safety Systems
- Safety Leadership
- Safety Engagement

With a participation rate of 70%, APA achieved an overall score of 76%, 1% above the industry benchmark. Safety Engagement, Safety Leadership, and Health and Wellbeing scores exceeded the benchmark while Safety Systems was below benchmark.

The results of the survey have been used to inform improvement opportunities which will be incorporated into the APA Culture Action Plan.

IMPROVING SYSTEMS AND PROCESSES

- Commitment to proactive process improvement
- Enable efficiency and systems to drive high performance
- Embed nimble behaviour through new recognition program and continuous improvement/productive habits program.

SENIOR LEADERSHIP VISIBILITY/ACCESSIBILITY

- Proactively increase opportunities for ELT visibility
- Enable more 1:1 employee interaction with senior leaders
- ELT personal accountability
- Educate leaders to have meaningful HSEH conversations

IMPROVE HEALTH, WELLBEING AND WORKLOAD MANAGEMENT

- Commit to prioritising work to ensure workload is managed to an acceptable level
- Educate in respect at work to further minimise the risk of bullying and harassment
- Improve access to Health and Wellbeing support services for all employees

4,334 HSEH INTERACTIONS COMPLETED BY OUR LEADERS,

18% increase from FY22

76% HEALTH AND SAFETY SURVEY SCORE,

1% above industry benchmark

PARTNERED WITH SONDER;

a best-in-class, technology-enabled platform which assists APA employees, contingent workers and their families across all aspects of Health

The secret landmark is the "Taj Mahal".

Serious Harm Prevention

Improved assurance schedule targeting critical risk

The FY23 Assurance Schedule focused on APA's critical risks that are linked to our Fatal Risk Protocols. This schedule was designed to measure the effectiveness of critical risks across various APA operations.

The areas covered in the FY23 Assurance Schedule included:

- Contractor Management
- Excavation and Trenching
- Permit to Work
- Driving
- Process Safety
- Safety Management Plans

In FY23, a total of 17 Line 2 assurance HSEH Management System activities were undertaken according to the schedule. This included auditing 1,332 controls, resulting in an overall compliance rating of 97% across all assessed areas.

Health and Wellbeing

Health and wellbeing framework

We have implemented the evidence-based framework, Thrive at Work, which has been adapted to include all health-related initiatives. The framework provides for a balanced approach to Health and Wellbeing prioritisation and management.

Psychosocial risk management

APA has taken steps to respond to recent Work Health and Safety (WHS) legislation changes with the inclusion of Psychosocial Risk within the HSEH Risk Register. A new WHS management system protocol has been drafted and an assessment of psychosocial hazards and controls completed. An action plan has been developed to ensure continued review and alignment of systems and processes.

Improved health and wellbeing support

To test the effectiveness of support mechanisms associated with psychosocial risk management we completed a review of the Employee Assistance Program (EAP). As a result of the review, a decision was made to partner with Sonder – a best-in-class, technology-enabled platform which assists APA employees, contingent workers and their families across all aspects of Health.

Sonder will link other health and wellbeing programs and enable access for our people when they need assistance.

Systems, technology and innovation

Incident, near miss and hazard management review

In FY23, we completed a review of the Incident Management and Investigation procedures across APA, resulting in the development and approval of the Incident, Near Miss and Hazard Management Protocol. This Protocol provides the overarching process for reporting all Incidents, Near Misses and Hazards, including Regulatory Events, and Harmful Behaviours.

HSEH digital roadmap

In FY23, we undertook a comprehensive review of APA's current suite of digital systems to support the business processes stipulated by the HSEH Management System, identifying the key areas where improvements in our digital systems are necessary to support our HSEH Strategy over a five-year horizon.

The roadmap identified seven key areas where significant improvements were required over the next five years:

- Mobile-enabled digital tool for employees and contractors
- Integrated digital HSEH Incident, Near Miss and Hazard Management System
- New HSEH reporting and analytical framework supporting current and future digital tools
- Integrated Contractor Management System
- Digital solutions for HSEH inductions
- Digital solutions for Permit to Work
- Predictive Analytics for HSEH

In FY23 we have focused on collating the business requirements for the first three items in our Roadmap. They represent the foundational building blocks of our digital strategy. In FY24 we will be undertaking the procurement and implementation of these systems.

HSEH data and analytics improvements

In FY23, we rolled out the HSEH Dashboard and Detailed Reports to provide the business with a consolidated view of APA's leading and lagging HSEH Key Performance Indicators (KPIs). The dashboards are updated on a monthly basis.

Process safety

In FY23 we made progress against our process safety improvement initiatives identified in the HSEH Strategy. This included commencement of the Management of Change (MOC) Uplift initiative where we have:

- Conducted a thorough current state MOC review
- Developed and received endorsement for a Business Requirements Document

The next stage of the MOC Uplift initiative is to implement the specification requirements in our Enterprise Asset Management System prior to rolling out to the business in the second half of FY24.

The Process Hazard Analysis (PHA) Revalidation Uplift initiative progressed in FY23 by completing the Moomba Hub and Dalby Compressor Station HAZOP Studies. In FY24 we will continue to revalidate PHAs on critical operating assets.

The Safety Critical Element (SCE) Management and Assurance initiative has delivered and published SCE dossiers for all transmission assets and developed a draft SCE performance standard. In FY24 we will revise the SCE Lifecycle Process Standard and implement this in our Enterprise Asset Management System.

Measuring health and safety performance

In FY23, our key focus areas included contractor safety across our projects and the identification of incidents and near misses that could have caused serious harm to our employees and contractors. We continue to drive our visible leadership initiatives through the key leading indicators of HSEH Interactions and High Potential Hazard Identification.

By focusing on visible leadership through HSEH Interactions, leaders can understand the challenges workers face and how they can be addressed to improve safety performance. HSEH interactions underwent an improvement exercise with the introduction of subcategories of focused interactions that include:

- **Health and safety** – Focuses on general health and safety
- **Environment and heritage** – Focuses on general environment and heritage
- **Critical control** – Focuses on interacting with a work group on the implementation of critical controls for high-risk activities
- **Wellbeing** – Introduced to improve health and wellbeing with a focus on psychosocial risk management

In FY24, there will be a focus on increasing the number of Critical Control and Wellbeing interactions to enhance and complement our Serious Harm Prevention and Wellbeing initiatives.

The two key lag indicators for safety performance in FY23 were Potential Serious Harm Incident Frequency Rate (PSHIFR) and Total Recordable Injury Frequency Rate (TRIFR).

Safety lead indicators

Under APA's HSEH Interactions metric, APA's leaders have safety-focused discussions on hazard identification, risk mitigation and corrective action mechanisms with employees. In FY23, our leaders completed over 4,334 HSEH Interactions, an increase of 13% on FY22. These interactions help to keep safety front-of-mind for everyone.

Safety lag indicators

In FY23, APA did not record any Fatalities or Actual Serious Harm incidents.

In line with our Serious Harm Prevention initiatives, APA recorded 33 Potential Serious Harm Incidents versus 46 in FY22. The Potential Serious Harm Incident Frequency Rate for FY23 was 3.74, compared to 6.51 in FY22 – a 42% decrease.

At the end of FY23, APA's combined employee and contractor TRIFR was 3.4 Recordable Injuries per million hours worked. This represents a slight increase of 3% on the FY22 figure of 3.3. This equates to 30 people requiring medical intervention, up from 23 in FY22, against a 24.8% increase in the total number of hours worked by our employees and contractors when compared to FY22.

Safety compliance

APA received one regulatory (safety) penalty infringement notice and 20 regulatory (safety) improvement notices in FY23. Workplace Health and Safety Queensland issued the infringement notice on an APA contractor undertaking electrical repairs on a number of inverters at our Dugald River Solar Farm without the appropriate electrical licences. This resulted in a $2,000 penalty. The 20 improvement notices were issued by the same Regulator during an inspection at the Dugald River Solar Farm. All notices were related to minor administrative matters at the site and were promptly rectified.

Assurance

We engaged Deloitte to undertake limited assurance of selected key performance indicators included in the Safety Performance section of our FY23 Sustainability Data Book, in accordance with the Australian Standard on Assurance Engagements ASAE 3000 Assurance Engagements other than Audits or Reviews of Historical Financial Information issued by the Australian Auditing and Assurance Standards Board (ASAE 3000). Details of the assurance scope, procedures and conclusion are included in the Assurance Report on page 200 of this report.

Customers and suppliers

We work with our customers to deliver affordable and low emissions solutions and a better customer experience. We keep our customers informed about our assets to help them better meet peak seasonal demands and understand the impact of new regulatory changes. And we step in to assist where we can, including when responding to natural disasters.

Keeping customers at the heart of what we do

FY23 was another dynamic year for the energy sector. The energy transition continued at pace with decarbonisation a key driver for our customers. With the conclusion of pandemic restrictions, APA continued to prioritise customer engagement and communications, innovation and customer experience. We sought to put customers at the centre of our decisions, activities and planning as we worked to deliver on our Energy Charter commitments.

We continued to take a customer-led approach to the development of new offers, working to meet our customers' needs by delivering reliable, affordable and low emissions solutions. We sought to better inform our customers to help them deal with the volatility of peak winter/summer markets as well as new regulatory requirements that might affect day-to-day operations. Finally, we worked to ensure we supported our customers where they faced temporary hardships through natural disasters.

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

HOSTED WINTER READINESS FORUM

to keep east coast customers better informed about asset and service availability through the peak winter period

Launched our

RESPONSIBLE PROCUREMENT STRATEGY

AWARDED THE CIPS CORPORATE ETHICS MARK[1]

demonstrating our global commitment to ethical procurement practices

1 Ethics Register | CIPS.

Customer performance

APA's annual commercial customer feedback survey was completed in November 2022. It involved a quantitative survey administered by an independent external agency. The key deliverable from the survey is APA's Customer Experience Score (CES), an average performance score across attributes such as trust, responsiveness, value, ease, rapport and innovation.

Our CES was **6.7 out of 10**, representing an improvement from our 2021 score of 6.3. The result was driven by improvements in customer relationships with our key commercial counterparts. This reflected the success of our 2022 action plan which focused on re-invigorating relationships, re-establishing APA's industry leadership and re-prioritising face-to-face meetings after COVID.

The survey also highlighted the opportunity to better engage senior representatives within our customer groups and work harder with specific accounts. This means prioritising key attributes such as ease of doing business and innovation, whilst also delivering on commitments, and continuing to work on improved communications and understanding of customers' concerns. The survey informed our updated 2023 action plan which has now been in implementation for six months.

Customer experience

In addition to our annual survey, we regularly monitor and manage the customer experience through:

- Dedicated account managers assigned to all commercial customers
- A quarterly customer experience dashboard focused on practical elements contributing to customers' experience of APA
- Key account management with a monthly review meeting to monitor customer feedback, service delivery and performance across APA's key customers.

We also maintain a commercial customer complaints process with four complaints received during FY23 – this compares with 10 complaints in FY22, so a significantly better performance. The complaints related to land access, metering, processes around rejection of non-firm nominations, and the scope of protection works. We are also working to understand how we can better monitor and respond to customer impacts related to power outages as we grow our portfolio of electricity assets.

As well as working to resolve each complaint, we conducted 'lessons learnt' reviews to ensure any underlying issues driving the complaint do not recur.

Communications and industry leadership

In response to customer feedback, we worked to keep customers better informed about the availability of our assets and services through peak winter and summer periods. We also acted to make sure they understand the impact of key regulatory changes. This included:

- A Customer Forum on east coast gas asset winter readiness and the new AEMO gas system reliability and supply adequacy powers
- Approaching winter, regular communications on contracted capacities of key APA east coast assets for north-south gas transport; and on progress on key asset upgrades to support winter peak gas transport. We also published advice on customer behaviours that help manage peak winter loads

Support for vulnerable customers

In keeping with our Energy Charter commitments, a monthly 'Vulnerable Customer' review meeting is held, monitoring commercial customers who may be facing hardship or credit issues and identifying opportunities for early assistance.

During the year, two customers were provided with assistance to help them deal with the impacts of significant flooding, with one entering into a deferred payment program and the other provided with a temporary extension of payment terms.

Responsible Procurement Strategy

Outlined below is APA's Responsible Procurement Strategy. It is aligned to APA's Sustainable Development Investment Program and the four priority investment areas.

VISION	**We strengthen communities through impactful supplier relationships with a responsible and resilient supply chain**			
SUSTAINABILITY STRATEGY INVESTMENT AREAS:	**Regional and remote communities**	**First Nations People**	**Climate transition**	**Natural environment**
PROCUREMENT SPECIFIC GOALS	Supporting local communities and human rights protection	Increase supplier diversity	Enhance climate transition	Optimise the full life cycle to consider circularity opportunities
TARGETED AREAS OF ACTION	Create positive community impact through supplier diversity		Optimise the full life cycle of goods to consider circularity opportunities and achieving net zero targets	
	Monitor and address sustainability risk in the procurement of high-risk goods and services			
ENABLERS	Capacity and capacity building	Digital and technology	Governance and reporting	
THE STRATEGY SUPPORTS THE FOLLOWING SUSTAINABLE DEVELOPMENT GOALS:	5 GENDER EQUALITY; 8 DECENT WORK AND ECONOMIC GROWTH	10 REDUCED INEQUALITIES; 12 RESPONSIBLE CONSUMPTION AND PRODUCTION	13 CLIMATE ACTION; 15 LIFE ON LAND	

Striving to improve supply chain sustainability performance

APA developed and launched its first Responsible Procurement Strategy during the year. This supports the execution of APA's Sustainable Development Investment Program by aligning to priority investment areas.

Early initiatives included building awareness of the strategy across business groups and starting to improve supplier diversity capability by engaging with First Nations businesses as part of our Supply Nation membership.

An initiative to better understand emissions in our supply chain and identify a roadmap of future opportunities to reduce emissions was undertaken in collaboration with the Net Zero and Climate team to support net zero ambitions.

Combatting modern slavery

As part of the continuous improvement approach to APA's Modern Slavery Program, a number of key initiatives were progressed through the year.

After carefully evaluating several providers and undertaking a pilot due diligence exercise we implemented a technology solution in use from FY24 for modern slavery and ESG risk in our supply chain. The third-party solution assesses the modern slavery/ESG risk of a potential supplier and plans ongoing due diligence accordingly. It also assesses risk of the existing supplier base. The ability to assess our supply chain ESG risk will support our broader responsible procurement strategy.

Implementation of the solution removes the need for manual data analysis and reduces risk of human error. It also enables access to a broader range of source data providing information about high-risk suppliers we would not otherwise have access to.

As part of our Modern Slavery commitments, we have also undertaken a program maturity assessment to identify recommendations for FY23 and further improve our capability to identify, assess and monitor risk and supplier performance.

A deep dive into our renewable energy suppliers was also undertaken as part of the pilot due diligence exercise to identify further steps to reduce risk of modern slavery. Renewable energy is recognised globally as a high-risk area for forced labour and child labour. It's imperative we keep abreast of these emerging risk areas.

APA was awarded the Chartered Institute of Procurement and Supply Corporate Ethics Mark[1] during the year. The Ethics Mark is a global commitment to ethical procurement practices and it must be renewed annually to demonstrate ongoing commitment.

The secret tool is a "saw".

1 Ethics Register | CIPS

Performance

Financial performance

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

In FY23, APA delivered a solid result, as shown in the table below. Underlying EBITDA increased 2.0% to $1,725 million (FY22 $1,692 million) representing growth from the Energy Infrastructure segment, partly offset by lower contributions from the Asset Management and Energy Investment segments as well as higher corporate costs. Statutory profit after tax including significant items increased by 10.4% to $287 million (FY22 $260 million) benefiting from lower non-operating items and net finance costs. Free cash flow declined 1.0% to $1,070 million (FY22 $1,081 million) largely due to higher FY23 Stay in Business capital expenditure.

On 23 August 2023, the Directors announced a final distribution of 29.0 cents per security, taking APA's FY23 total distributions to 55.0 cents per security, in line with guidance. This represents an increase of 3.8%, or 2.0 cents, over the FY22 distributions of 53.0 cents per security.

Key financial data for FY23

	30 June 2023	30 June 2022	Changes	
	$m	$m	$m	%[1]
Statutory Revenue				
Total revenue	2,913	2,732	181	6.6%
Pass-through revenue[2]	512	496	16	3.2%
Total revenue excluding pass-through	**2,401**	**2,236**	**165**	**7.4%**
Underlying EBITDA[3]	**1,725**	**1,692**	**33**	**2.0%**
Fair value gains/(losses) on contract for difference	12	(30)	42	140.0%
Technology transformation projects	(67)	(22)	(45)	(204.5%)
Wallumbilla Gas Pipeline hedge accounting discontinuation	(37)	(15)	(22)	(146.7%)
Basslink debt revaluation, interest and integration costs	47	12	35	291.7%
Basslink AEMC market compensation	15	–	15	–
Payroll review	(9)	(7)	(2)	(28.6%)
Total reported EBITDA	**1,686**	**1,630**	**56**	**3.4%**
Depreciation and amortisation expenses	(750)	(735)	(15)	(2.0%)
Total reported EBIT	**936**	**895**	**41**	**4.6%**
Net finance costs and interest income	(459)	(483)	24	5.0%
Significant items				
Reversal of impairment of property, plant and equipment	–	28	(28)	(100.0%)
Profit before income tax	477	440	37	8.4%
Income tax expense	(190)	(180)	(10)	(5.6%)
Statutory profit after tax including significant items	**287**	**260**	**27**	**10.4%**
Profit after tax excluding significant items	**287**	**240**	**47**	**19.6%**
Free cash flow[4]	1,070	1,081	(10)	(1.0%)
Free cash flow per security (cents)	90.7	91.6	(0.9)	(1.0%)
Earnings per security including significant items (cents)	24.3	22.1	2.2	10.0%
Earnings per security excluding significant items (cents)	24.3	20.4	3.9	19.1%
Distribution per security (cents)	55.0	53.0	2.0	3.8%
Distribution payout ratio (%)[5]	60.6	57.9	2.7	4.7%
Weighted average number of securities (millions)	1,180	1,180	–	–

1 Positive/negative changes are shown relative to impact on profit or other relevant performance metric.

2 Pass-through revenue is offset by pass-through expense within EBITDA. Any management fee earned for the provision of these services is recognised as part of asset management revenues.

3 Underlying earnings before interest, tax, depreciation, and amortisation ("EBITDA") excludes recurring items arising from other activities, transactions that are not directly attributable to the performance of APA Group's business operations and significant items.

4 Free cash flow is Operating cash flow adjusted for strategically significant transformation projects, less stay-in-business (SIB) capex. SIB capex includes operational assets lifecycle replacement costs and technology lifecycle costs.

5 Distribution payout ratio = total distribution applicable to the financial year as a percentage of free cash flow.

Business segment performance and operational review

APA's principal activities are as follows:

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

FY23 statutory reported revenue and underlying EBITDA performance of each segment

	30 June 2023 $m	30 June 2022 $m	Changes $m	Changes %[1]
Revenue[2]				
Energy Infrastructure				
East Coast Gas	808	805	3	0.4%
West Coast Gas	369	342	27	7.9%
Wallumbilla Gas Pipeline	622	581	41	7.1%
Electricity Generation and Transmission	409	354	55	15.5%
Energy Infrastructure total	**2,208**	**2,082**	**126**	**6.1%**
Asset Management	114	115	(1)	(0.9%)
Energy Investments	23	28	(5)	(17.9%)
Other non-contracted revenue	8	13	(5)	(38.5%)
Total segment revenue (excluding pass-through)	**2,353**	**2,238**	**115**	**5.1%**
Pass-through revenue	512	496	16	3.2%
Wallumbilla Gas Pipeline hedge accounting discontinuation	(37)	(15)	(22)	(146.7%)
Income on Basslink debt investment	50	12	38	316.7%
Basslink AEMC market compensation	15	–	15	–
Unallocated revenue[3]	20	1	19	1,900.0%
Total revenue	**2,913**	**2,732**	**181**	**6.6%**
EBITDA				
Energy Infrastructure				
East Coast Gas	645	646	(1)	(0.2%)
West Coast Gas	305	289	16	5.5%
Wallumbilla Gas Pipeline[4]	620	578	42	7.3%
Electricity Generation and Transmission	223	194	29	14.9%
Energy Infrastructure total	1,793	1,707	86	5.0%
Asset Management	56	73	(17)	(23.3%)
Energy Investments	23	28	(5)	(17.9%)
Corporate costs	(147)	(116)	(31)	(26.7%)
Underlying EBITDA[5]	**1,725**	**1,692**	**33**	**2.0%**
Fair value gains/(losses) on contracts for difference	12	(30)	42	140.0%
Technology transformation projects	(67)	(22)	(45)	(204.5%)
Wallumbilla Gas Pipeline hedge accounting unwind	(37)	(15)	(22)	(146.7%)
Basslink debt revaluation, interest and acquisition costs	47	12	35	291.7%
Basslink AEMC market compensation	15	–	15	–
Payroll Review	(9)	(7)	(2)	(28.6%)
Total reported EBITDA[6]	**1,686**	**1,630**	**56**	**3.4%**

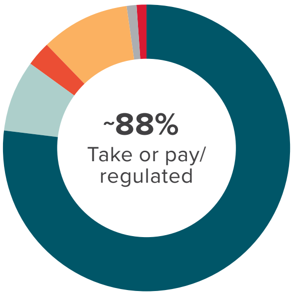
1 Positive/negative changes are shown relative to impact on profit or other relevant performance metric.
2 Refer to Revenue Note 4 for additional disclosure on revenue streams from contracts with customers disaggregated by geographical location and major sources.
3 Interest income is not included in calculation of EBITDA but nets off against interest expense in calculating net interest cost.
4 Wallumbilla Gladstone Pipeline is separated from East Coast Grid in this table 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.
5 Underlying FY23 EBITDA excluding the earnings from Basslink and the Orbost Gas Processing Plant was up 1.8% to $1,697m (FY22: $1,667m).
6 Excludes significant items.

Energy Infrastructure

In FY23, Energy Infrastructure is the largest business segment contributor to Group segment revenue at 93.8% (excluding pass-through) and 95.7% of underlying EBITDA (before corporate costs).

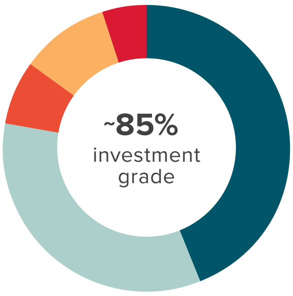
Of this revenue:

- 88% was derived from either long-term, take-or-pay contracts or regulated assets, as shown below, providing predictability and cash flow stability.
- 85% was derived from investment grade counterparties with a diversified customer base across the energy, utility, resources and industrial sectors.



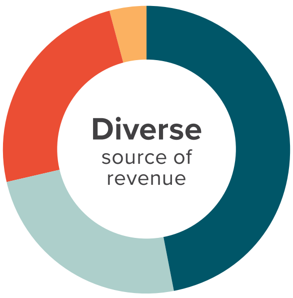
FY23 Energy Infrastructure by Revenue Type

Capacity charge revenue	77%
Regulated revenue	8%
Contracted fixed revenue	3%
Throughput charge and other variable revenue	10%
Flexible short-term services	1%
Other	1%



FY23 Energy Infrastructure Revenue by Counterparty Credit Rating[1]

A-rated or better	44%
BBB to BBB+ rated	34%
Investment grade	7%
Not rated	10%
Sub-investment grade	5%



FY23 Energy Infrastructure Revenue by Customer Industry Segment

Energy	46%
Utility	25%
Resources	25%
Industrial & other	4%

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

Comparing FY23 performance to FY22

East Coast Gas

Underlying EBITDA benefited from higher inflation-linked revenues, a stronger contribution from the Victorian Transmission System and some favorable short-term contracting. This was offset by higher costs including Young-Lithgow repairs, and a lower contribution from the Orbost Gas Processing Plant which was sold in July 2022.

West Coast Gas

Underlying EBITDA largely benefited from higher inflation-linked revenues, partly offset by higher costs.

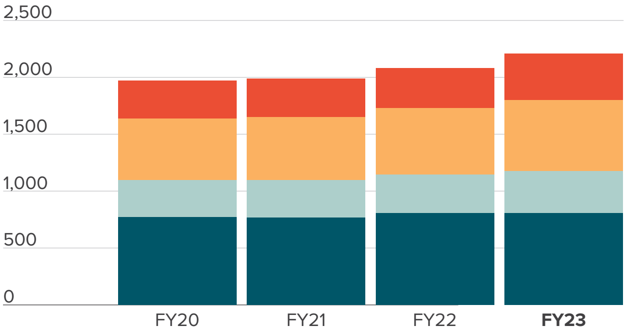
Wallumbilla Gladstone Pipeline

Underlying EBITDA benefited from a 7.5% increase in tariffs on 1 January 2023, partly offset by FX.

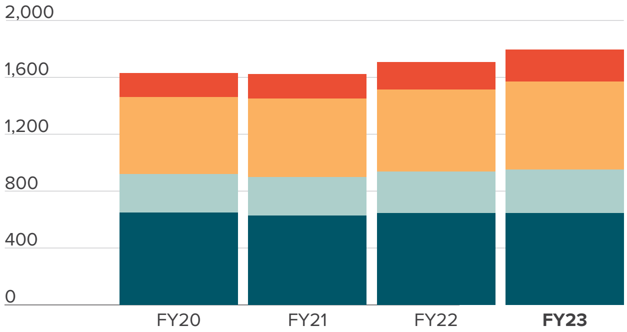
Electricity Generation and Transmission

A part-year contribution from Basslink drove higher earnings.

Energy Infrastructure Revenue by segment
(A$m)

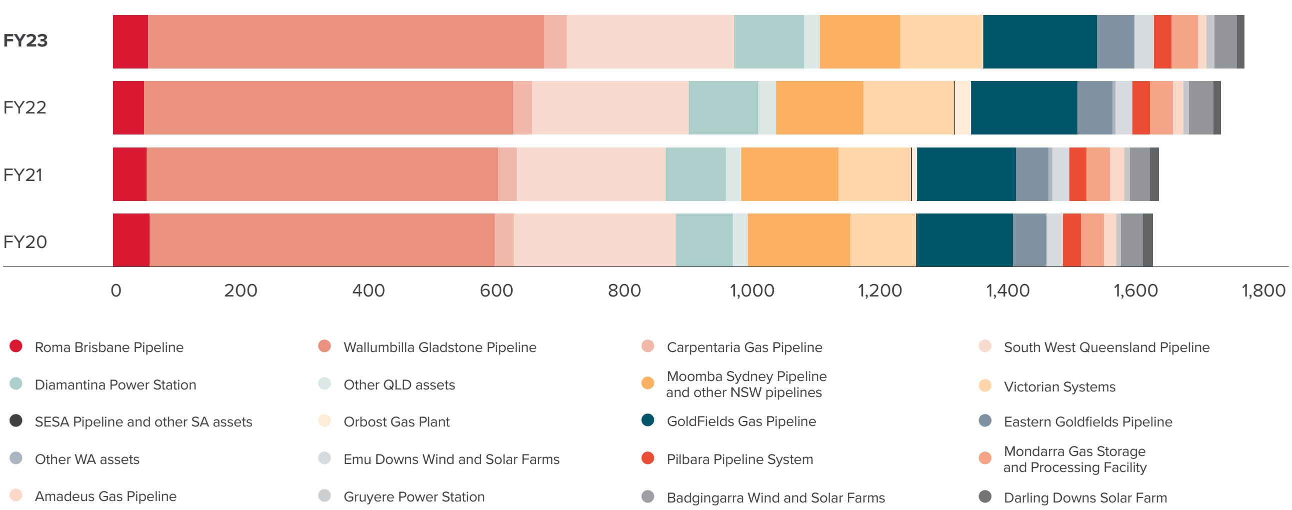


Energy Infrastructure EBITDA by segment
(A$m)



East Coast Gas · West Coast Gas · Wallumbilla Gladstone Pipeline · Power Generation

Energy Infrastructure EBITDA by asset
(A$m)



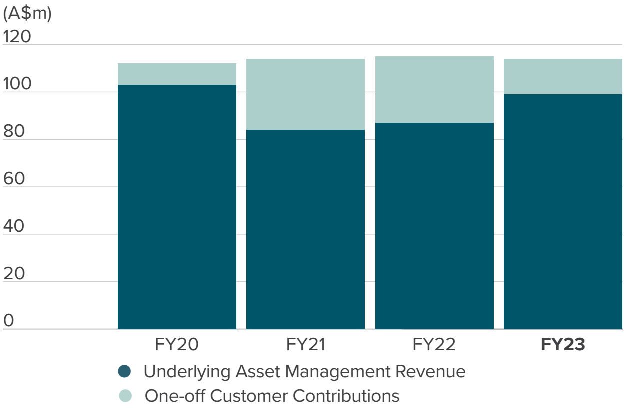
Asset Management

In FY23, Asset Management contributed 4.8% to Group segment revenue (excluding pass-through) and 3.0% of underlying EBITDA (before corporate costs).

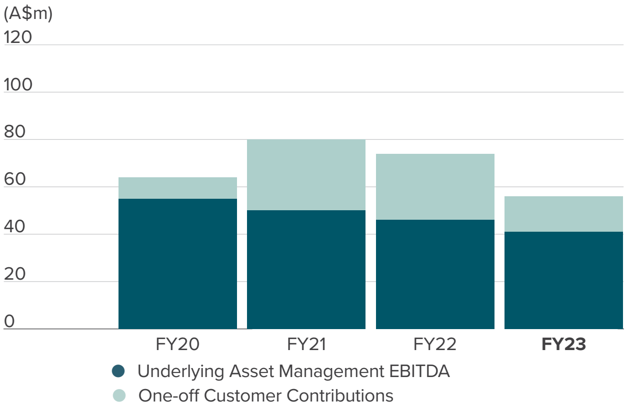
APA's major third-party customers are Australian Gas Networks Limited (AGN), Energy Infrastructure Investments (EII) and GDI, who receive asset management services under long-term contracts.

The decrease in Asset Management EBITDA in FY23 compared to FY22 was driven by a combination of lower margin activities and reduced customer contributions which fluctuate from one period to the next. Customer contributions for FY23 were $15 million (FY22 $28 million).

Asset Management Revenue

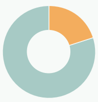
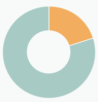
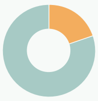


Asset Management EBITDA



Energy Investments

In FY23, Energy Investments contributed 1.0% to Group segment revenue (excluding pass-through) and 1.3% of underlying EBITDA (before corporate costs). FY23 EBITDA was lower than in FY22 due to reduced equity income from SEA Gas as a result of contract changes.

Asset and ownership interests			Asset details and APA services	Partners
Mortlake Gas Pipeline		**50%** SEA Gas (Mortlake) Partnership	**83 km** gas pipeline connecting the Otway Gas Plant to the Mortlake Power Station MAINTENANCE	REST
SEA Gas Pipeline		**50%** South East Australia Gas Pty Ltd	**687 km** gas pipeline from Iona and Port Campbell in Victoria to Adelaide MAINTENANCE	REST
North Brown Hill Wind Farm		**20.2%** EII2	**132 MW** wind farm in South Australia CORPORATE SERVICES	Foresight (ICG were taken over in 2022) Osaka Gas
Allgas Gas Distribution Network		**20%** GDI (EII)	**~3,900 km** Allgas gas distribution network in Queensland with **~114,000** connections CORPORATE SERVICES OPERATIONAL MANAGEMENT	Marubeni Corporation State Super
Kogan North Processing Plant Directlink and Murraylink Electricity Interconnectors Nifty and Telfer Gas Pipelines Wickham Point and Bonaparte Gas Pipelines		**19.9%** Energy Infrastructure Investments	Gas processing facilities **12 TJ/day** Electricity transmission **243 km** Gas pipelines totalling **786 km** CORPORATE SERVICES OPERATIONAL MANAGEMENT	MM Midstream Investments Osaka Gas

Corporate costs

Corporate costs excluding significant items for FY23 were higher than FY22 largely due to investment in capability and growth including: technology and business resilience; regulatory, risk and compliance; sustainability and corporate affairs.

Capital and investment expenditure

In FY23, total capital and investment expenditure of $1,180 million was $96 million lower than in FY22, largely driven by the remaining investment in Basslink in FY23 being lower than the investment in the senior secured debt of Basslink FY22. Outside of this, in FY23 there was higher growth capex, as well as higher Stay in Business (SIB) capex compared to FY22.

Capital and investment expenditure for FY23

Capital and investment expenditure[1]	Description of major projects	30 June 2023 $m	30 June 2022 $m
Regulated	Western Outer Ring Main (WORM), Winchesea Compressor; Access Arrangement Allowed Expenditure	242	68
Non-Regulated			
East Coast Gas	East Coast Grid Stage 1, Kurri Kurri Gas Lateral	172	129
West Coast Gas	Northern Goldfields Interconnect	300	217
Electricity Generation and Transmission	Dugald River Solar Farm; Gruyere Power Grid	113	76
Customer contribution projects and others	VIC Estate, Road and Rail Projects	18	33
Total growth capex		**845**	**523**
SIB capex			
Asset Lifecycle capex[2]		161	123
IT Lifecycle capex		32	7
Total SIB capex		**193**	**130**
Foundation capex			
Technology and Other capex		10	18
Corporate Real Estate		22	17
Total Foundation capex		**32**	**35**
Total capital expenditure		**1,070**	**689**
Acquisitions and Investments		**110**	**587**
Total capital and investment expenditure		**1,180**	**1,276**

1 The capital expenditure shown in this table represents payments for property, plant, equipment and intangibles as disclosed in the cash flow statement, and excludes accruals brought forward from the prior period and carried forward to the next period.

2 Represents Stay in Business capital expenditure not recoverable from customers and/or regulatory frameworks.

Regulated growth capital expenditure

- **Western Outer Ring Main (WORM) project** – The Pipeline Licence for the project was issued in May 2022 and approval under the EPBC Act received in June 2022. Construction, which began in August 2022, progressed significantly during the year with some delays to overall completion due to an exceptionally wet spring and some difficult ground conditions. Completion and commissioning is now expected in Q1FY24. The Australian Energy Regulator (AER) included growth capital expenditure for the WORM in the access arrangement decision in December 2022. The project will enhance gas security of supply by supporting higher withdrawals in summer and injections in winter from the Iona Underground Storage Facility in Victoria's west.
- **Winchelsea Compressor Station** – In April 2022, APA reached a Final Investment Decision for a $60 million expansion of the South-West Pipeline in the Victorian Transmission System. The project, to install an additional compressor facility at Winchelsea Compressor Station, enabled additional capacity ahead of winter 2023 gas supply shortfalls highlighted by the Australian Energy Market Operator (AEMO) in its 2022 Gas Statement of Opportunities (GSOO). Recognising the critical importance of natural gas to Victoria's energy system, APA has worked with the Australian Energy Regulator and the Victorian Government to expedite the project. The project was completed and commissioned on schedule in Q4FY23.

Unregulated growth capital expenditure

East Coast Gas

- **East Coast Grid Expansion** – Stage 1 of the expansion works, increasing Wallumbilla to Wilton capacity by 12%, was completed and commissioned in Q4FY23. This will help mitigate the forecast 2023 southern State winter supply risks identified in the 2022 AEMO GSOO. Confirmation of Stage 2, which will add a further 13% of capacity, was announced in May 2022. Stage 2 is well advanced with major procurement complete and construction commenced on both the MSP and SWQP sites in late FY23. The project is scheduled for commissioning ahead of the forecast potential winter 2024 shortfalls.
- **Kurri Kurri Lateral Pipeline** – On 20 June 2022, APA executed a Gas Transportation and Storage Agreement and a Development Agreement with Snowy Hydro Limited to develop a 20 kilometre Kurri Kurri Lateral gas pipeline connection. APA will build, own and operate the Kurri Kurri Lateral, connecting the Sydney to Newcastle Pipeline to the Hunter Power Project at Kurri Kurri in New South Wales. The project includes a 70 TJ gas storage facility to service the Hunter Power Project. During the year, the New South Wales Government approved the Environmental Impact Statement (EIS) for the project. APA submitted an application for a pipeline licence in February which is expected to be issued in early FY24. APA has secured an easement with all landowners along the pipeline alignment. Major procurement is complete and pipe has arrived at Newcastle Port. Electric drive compressors will be used to minimise the emissions intensity of operations. Construction contracts are expected to be awarded in early FY24 with project completion in 1HFY25 and ahead of the Hunter Power station project completion.

West Coast Gas

Northern Goldfields Interconnect (NGI) – The NGI pipeline connects the Perth Basin to APA's Goldfields Gas Pipeline and APA's Eastern Goldfields network. Construction of the pipeline and compressor station were both completed during the year and commissioned in Q4FY23.

Power Generation

Gruyere Power Station Expansion and Hybrid Energy Microgrid – APA's first hybrid energy microgrid investment will expand the existing reciprocating gas-fired power station, with a 13MWp solar farm backed up by a 4.4MW/4.4MWh battery energy storage system (BESS). The microgrid uses a hybrid control system to monitor and react to cloud movements, battery control and the existing reciprocating engine control systems to optimise efficiency and maximise the use of renewable generation. During the year, the expansion to the existing reciprocating gas-fired power station was completed and commissioned, and the solar farm and BESS constructed. Commissioning and performance testing were completed on 31 July 2022. Total installed capacity of the microgrid is 64MW (60MW of power generation and 4.4MW of battery storage).

Dugald River Solar Farm – Construction of the $150 million 88MW Dugald River Solar Farm (previously called Mica Creek Solar Farm) was approved in March 2022. The project is underpinned by two offtake agreements – a 15-year solar offtake agreement to supply renewable energy to the MMG Dugald River mine and a variation to an existing agreement with existing APA customer, Mount Isa Mines Limited, to supply renewable energy for 15 years. As part of the project, APA entered into a 32-year lease agreement with the Queensland Government to locate the Dugald River Solar Farm near the Diamantina Power Station Complex. The solar farm was completed during the year and successfully connected and commissioned in Q4FY23.

Prospective projects

- In FY23, APA progressed preliminary work on several other large projects including:
- **Beetaloo Basin, Northern Territory** – In FY22, APA entered a non-binding MOU with Empire Energy to progress feasibility studies on APA providing processing and transportation infrastructure for Empire Energy's Beetaloo and McArthur Basins Project. Through FY23, APA continued to engage with Empire Energy to develop infrastructure requirements to support Empire's early project concepts in the Beetaloo Basin. In FY23, APA entered an initial agreement with Tamboran Resources to progress the connection of Tamboran's proposed Beetaloo Basin production projects to APA's gas transmission assets. Under the agreement, APA commenced early land access and approvals, and pre-engineering studies to develop a gas pipeline from Tamboran's proposed Shenandoah South project to the Amadeus Gas Pipeline. APA also commenced early work to develop a large-volume, open access pipeline from the Beetaloo Basin to APA's South West Queensland Pipeline, facilitating the connection of Beetaloo Basin gas to APA's East Coast Gas Grid.
- **Gabanintha Vanadium Project, Western Australia** – During the year, APA progressed the non-binding MOU with a customer for gas transportation services along a proposed 150 kilometre long new pipeline to supply gas to the Gabanintha Vanadium Project. In June 2022, APA entered into an Early Works Agreement to progress early work activities for the proposed pipeline, including confirming the pipeline route, preparing appropriate licences, initial engineering design and identifying long lead procurement items.

Financing Activities

Capital management

At 30 June 2023, APA had 1,179,893,848 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 comprise of 3-year, 4-year and 5-year tenors which remain undrawn at 30 June 2023. The purpose of the bilateral agreements is to provide access to facilities for general corporate purposes.

Interest costs

During the year, net finance costs decreased by $24 million or 5.0%, to $459 million (FY22: $483 million). The average interest rate[1], including credit margins, applying to drawn debt was 4.43% for FY23 (FY22: 4.42%). The decrease 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 because they were issued in the lower interest rate environment prior to 2022.

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The secret flower is a "tulip".

Du ntity 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 creditworthiness and credit rating[2].

Capital management strategy

APA's four-pillar capital management strategy positions APA for its next phase of growth. It comprises:

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

Income tax

Income tax expense for FY23 of $190 million resulted in an effective income tax rate of 39.8%, compared with 40.9% in the previous year. The high effective rate is due to significant amortisation charges relating to contract intangibles acquired with the Wallumbilla Gladstone Pipeline. These are not tax deductible.

In FY23 APA has deducted $902 million of capital expenditure as part of the Government's Temporary Full Expensing measures and as a result, the FY23 cash tax payable is $0. The effective cash tax paid rate is 0% for the FY23 income tax year, compared with 20.3% in FY22.

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

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

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.

Distributions

	Final FY22 distribution – paid 14 September 2022		Interim FY23 distribution – paid 16 March 2023	
	Cents per security	Total distribution $m	Cents per security	Total distribution $m
APA Infrastructure Trust franked profit distribution	6.31	74	8.50	100
APA Infrastructure Trust unfranked profit distribution	–	–	7.42	89
APA Infrastructure Trust capital distribution	15.40	182	6.67	79
APA Investment Trust profit distribution	1.14	13	1.01	12
APA Investment Trust capital distribution	5.15	61	2.40	28
	28.00	**330**	**26.00**	**308**
Franking credits allocated	2.70	32	3.64	43

	Final FY23 distribution - payable 13 September 2023	
	Cents per security	Total distribution $m
APA Infrastructure Trust franked profit distribution	–	–
APA Infrastructure Trust unfranked profit distribution	6.64	79
APA Infrastructure Trust capital distribution	15.02	177
APA Investment Trust profit distribution	1.00	12
APA Investment Trust capital distribution	6.34	74
	29.00	**342**
Franking credits allocated	–	–

The Distribution Reinvestment Plan remains suspended.

Outlook

Distributions outlook

APA anticipates a FY24 distribution of 56.0 cents per security[1], representing a 1.8% increase on the prior period.

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

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

1 Distribution guidance is subject to asset performance, macroeconomic factors, regulatory changes as well as timing of distributions from non-100% owned assets, with distributions to be determined at the Board's discretion. It does not take into account the impact of any potential acquisitions or divestments by APA and any associated funding arrangements, other than the acquisition of Alinta Energy Pilbara and the associated Placement and Security Purchase Plan announced today.

Governance

Robust corporate governance policies and practices facilitate the responsible creation of long-term value for securityholders and help APA to meet the expectations of other stakeholders.

APA comprises two registered managed investment schemes, APA Infrastructure Trust and APA Investment Trust, the securities of which are 'stapled' together and traded on the ASX.

APA Group Limited is the responsible entity of those trusts and is responsible for APA's corporate governance practices.

The Board and our Executive Leadership Team are committed to conducting APA's business in accordance with high standards of corporate governance. We believe robust corporate governance policies and practices help APA to create long-term value for securityholders and to meet the expectations of other stakeholders.

Because of our stapled trust structure, there are certain governance and remuneration-related obligations under the Corporations Act and the ASX Listing Rules that do not apply to us.

In line with the Board's commitment to high standards of corporate governance, we have:

- adopted a Corporate Governance Framework (1 July 2017); and
- entered into a related Deed Poll (adopted in 2004 and amended in 2011),

which together are designed to ensure that APA's corporate governance regime is consistent, as far as is practicable, with the best practice procedures of public listed companies.

APA complies with each of the recommendations of the ASX Corporate Governance Council's Corporate Governance Principles and Recommendations (Fourth Edition). The Board periodically reviews and approves material corporate governance principles, policies and procedures in line with market practice, the expectations of our stakeholders and regulatory developments.

Our 2023 Corporate Governance Statement provides further information about our approach to governance during FY23.

Role of the Board

The Board of APA is responsible for the proper management of APA's business and affairs. The Board's primary role is to approve APA's strategic intent, provide leadership and effectively oversee the implementation of strategy and a system of risk management. To assist it in carrying out its responsibilities, the Board has established five standing committees, each with its own charter approved by the Board. In addition, the Board has delegated responsibility for the day-to-day management of APA to the Managing Director and Chief Executive Officer and other members of the Executive Leadership Team subject to the Delegations of Authority Policy, as amended by the Board from time to time.

The specific responsibilities of the Board and each standing committee are detailed in APA's Corporate Governance Statement. Copies of our Corporate Governance Framework and related Deed Poll can be found on our website at apa.com.au.

OUR CORPORATE GOVERNANCE FRAMEWORK

BOARD				
Audit and Finance Committee	Risk Management Committee	Safety and Sustainability Committee	People and Remuneration Committee	Nomination Committee
CHIEF EXECUTIVE OFFICER AND MANAGING DIRECTOR				
EXECUTIVE LEADERSHIP TEAM				

APA Group Board

Michael Fraser

BCom FCPA MAICD

Independent Chairman

Appointed 1 September 2015 Appointed Chairman 27 October 2017

Michael Fraser is the Chairman of APA Group and brings to the Board more than 35 years' experience in the Australian energy and infrastructure sectors.

Michael has an extensive background in all aspects of the Australian energy market, including with the development of renewable energy projects and related firming infrastructure. Michael has held various executive positions at AGL Energy, including the role of Managing Director and Chief Executive Officer for a period of seven years to February 2015.

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

Michael is Chair of the Nomination Committee and a member of the Safety and Sustainability Committee.

Adam Watson

BBus FCPA GAICD

Chief Executive Officer and Managing Director

Appointed 19 December 2022

Adam Watson was appointed Chief Executive Officer and Managing Director in December 2022. He joined APA Group in November 2020 as Chief Financial Officer (CFO).

In his role as CFO, Adam was responsible for APA's technology, finance, taxation, treasury and capital markets, risk, cyber and physical security, procurement, real estate and shared services activities.

Adam has deep local and international experience in the industrial and manufacturing sectors and in the development, delivery and operations of critical infrastructure. He previously held senior executive roles at Transurban, Australia's largest infrastructure business, along with Melbourne Airport and BlueScope Steel. Adam has deep experience in public private partnerships and his senior leadership roles have spanned finance, commercial, strategy, corporate development and operations.

James Fazzino

BEc (Hons) FCPA

Independent Director

Appointed 21 February 2019

James Fazzino brings to the Board extensive local and international experience in industrial, manufacturing and emerging energy markets.

James held the role of Managing Director and Chief Executive Officer at Incitec Pivot Limited for eight years up until 2017. In this role he built significant experience in sustainability and in the safe operation of high hazard and high-risk facilities in remote locations. James also has experience building strategic customer relationships and in the delivery of world scale hydrogen projects.

James is currently the Chair of Manufacturing Australia and a Director of Rabobank Australia Limited. He is also a convenor of the Champions of Change Coalition, a group of senior business executives focussed on gender equality and inclusive workplaces. He was formerly the Chairman of Tassal Group Limited and Osteon Medical.

James is Chair of the Safety and Sustainability Committee, and a member of the Audit and Finance Committee and the Risk Management Committee.

Debra (Debbie) Goodin

BEc FCA MAICD

Independent Director

Appointed 1 September 2015

Debra (Debbie) Goodin brings to the Board experience in the infrastructure, construction, engineering services and energy sectors as both a senior executive and director.

Debbie has held senior finance, operations and corporate development roles in both the private and public sectors, including as a chief financial officer and chief operating officer. As an experienced non-executive director, Debbie has local and global experience in organizational leadership, financial management, operations and risk management and as chairman and audit and risk committee chair of organisations in the infrastructure and service delivery sectors.

Debbie is currently Chairman of Atlas Arteria Limited and a Director of Ansell Limited. She was formerly a Director of oOh!media Limited, Senex Energy Limited, Ten Network Holdings Limited and Australia Pacific Airports Corporation Limited.

Debbie is Chair of the Audit and Finance Committee and a member of the Risk Management Committee and the Safety and Sustainability Committee.

Shirley In't Veld

BCom LLB (Hons)

Independent Director

Appointed 19 March 2018

Shirley In't Veld brings to the Board over 30 years' experience in the resources and energy sectors, including as Managing Director of Verve Energy and more than 10 years in senior roles at Alcoa Australia Limited, WMC Resources Limited, Bond Corporation and BankWest.

Shirley is currently a Non-executive Director with Alumina Limited, Develop Global Limited and Karora Resources Inc. She was formerly Deputy Chair of CSIRO, a Non-executive Director of NBN Co Limited, Northern Star Resources Limited, Perth Airport, DUET Group, Alcoa of Australia Limited and Asciano Limited, where she was Chair of the Sustainability Committee. Shirley was also formerly a member of the Federal Government's Renewable Energy Target Review Panel.

Shirley is a member of the People and Remuneration Committee, the Safety and Sustainability Committee and the Nomination Committee.

Rhoda Phillippo

MSc Telecommunications Business GAICD

Independent Director

Appointed 1 June 2020

Rhoda Phillippo brings to the Board over 30 years of local and international experience in the telecommunications, technology and energy sectors.

Rhoda has held senior executive roles in the telecommunications, IT and energy sector in the UK, NZ and Australia including as Managing Director of Lumo Energy. She also has significant experience in infrastructure mergers and acquisitions in Australia and overseas.

Rhoda is currently Chairperson of Kinetic IT Pty Ltd, and a Non-executive Director with Dexus Funds Management Ltd and Waveconn Group Holdings Management Pty Ltd. She is also an advisor to the Board of Tally Group, an energy billing solutions provider.

She is formerly a Non-executive Director of Pacific Hydro, Datacom Group Limited, Vocus Group Ltd and LINQ, the Chairman of Snapper Services in New Zealand and Deputy Chair of Kiwibank in New Zealand.

Rhoda is Chair of the Risk Management Committee, and a member of the Audit and Finance Committee and the People and Remuneration Committee.

Peter Wasow

BCom GradDip (Management) Fellow (CPA Australia)

Independent Director

Appointed 19 March 2018

Peter Wasow brings to the Board significant global experience in the energy and resources sectors as both a senior executive and director. He retired as Managing Director and Chief Executive Officer of Alumina Limited in 2017 and previously held senior executive positions at Santos Limited and BHP.

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

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

APA Executive Leadership

Kynwynn Strong

BEng(Hons), BSc, MAppFin

Acting Chief Financial Officer

Kynwynn Strong is APA Group's acting Chief Financial Officer.

Kynwynn has over 20 years' experience in financial markets, finance and strategy, including holding senior roles for over a decade at a leading multinational investment bank and in financial services companies.

Kynwynn joined APA in 2022 and is responsible for governance of APA's financial systems, plans The secret kitchen appliance is a "pan". d leads the group's techno

Amanda Cheney

LLB (Hons) BArts FGIA

Group Executive Legal and Governance

Amanda Cheney is responsible for APA Group's legal and company secretariat functions.

Amanda has over 20 years' experience advising on major energy and infrastructure projects in Australia and internationally. She joined APA more than 10 years ago and has played a pivotal role in driving transformation and growth in a range of projects across the business.

Prior to joining APA, Amanda worked as a lawyer in private practice with leading law firms in Australia and Japan.

Amanda is a Fellow of the Governance Institute of Australia.

Stuart Davis

BEng (Hons) BCom, MAICD

Acting Group Executive Operations

Stuart Davis is responsible for the operations of APA Group's infrastructure portfolio.

Stuart has over 20 years' experience in the power, electricity transmission and oil and gas sectors, in senior leadership roles including in operations, engineering and commercial both in Australia and overseas.

Stuart is responsible for the operations, maintenance, stay in business capital projects and asset management of APA's infrastructure portfolio that spans electricity and gas transmission, renewable power generation, and gas distribution networks. Stuart joined APA in 2017 and previously held the roles of General Manager, Engineering and Planning, and General Manager, Operations and Maintenance.

Ross Gersbach

BBus

Group Executive Strategy and Corporate Development

Ross Gersbach is responsible for APA Group's strategy, market analytics, corporate development, and regulation and policy functions.

Ross has over 25 years' experience in senior commercial positions across a range of energy-related sectors, covering infrastructure investments, mergers and acquisitions, strategic development and the management of energy infrastructure assets.

Ross joined APA in 2008 and has previously held several leadership positions, including Chief Executive, Strategy and Corporate Development.

Kevin Lester

BEng MIEAust CPEng EngExec GAICD

Group Executive Infrastructure Delivery

Kevin Lester is responsible for APA Group's Infrastructure Delivery division, including the planning, approvals, engineering, procurement, construction and commissioning of the company's growth projects.

Kevin has over 35 years' experience across the mining, resources and energy sectors managing the delivery of major infrastructure projects.

Kevin joined APA over 10 years ago and is responsible for supporting APA's $22 billion portfolio of assets, developing and delivering growth projects, and managing APA's Pathfinder program, which pursues innovation, technology and new energy opportunities.

Kevin is a Director and a past President of the Australian Pipelines and Gas Association.

Elizabeth (Liz) McNamara

BEc (Hons), PCSB, GAICD

Group Executive Sustainability and Corporate Affairs

Liz Joined APA Group in November 2022 as Group Executive Sustainability and Corporate Affairs.

Liz has 25 years' experience in corporate affairs and leadership roles across large public service and ASX-listed organisations, including in energy, mining, investment banking and transport.

Liz joined APA in 2022 to lead the company's Sustainability and Corporate Affairs division and is responsible for the development and execution of APA's climate change and sustainability, government and industry relations, communications and brand functions.

Darren Rogers

BEng MEng MBA GAICD

Group Executive Energy Solutions

Darren Rogers is responsible for APA Group's customer, business development and commercial functions, along with the company's work in future fuels, including APA's Pathfinder program.

Darren has almost 30 years' experience across the energy sector working in large and complex businesses, including in senior commercial, operations, engineering and asset management roles.

Darren joined APA in 2017 and previously held the role of Group Executive, Operations, responsible for the safe operations, maintenance and asset management of the company's infrastructure portfolio, including gas and electricity transmission, renewable power generation, and gas distribution networks.

Jane Thomas

BBus LLB (Hons) MPsychol (org) GAICD Fellow AHRI

Group Executive People, Safety and Culture

Jane Thomas is responsible for APA Group's health, safety, environment and heritage systems, and people and culture functions.

Jane has 30 years' experience across industries spanning energy, mining, banking and finance, retail and manufacturing.

Jane joined APA in 2021 and has driven a strengthened focus on culture and business transformation across the organisation. Prior to joining APA, Jane held senior leadership roles in major ASX-listed organisations and multinational global companies, leading people, health, safety, environment, community and legal functions.

Vin Vassallo

Group Executive Electricity Transmission

Vin Vassallo is responsible for APA Group's Electricity Transmission division.

Vin has more than 30 years' experience in leading the development and delivery of infrastructure both in Australia and North America, including under Private Public Partnerships, and managing business teams in complex environments.

Vin joined APA in 2022 and is responsible for the development of new business in electricity transmission and distribution, with a focus on contracted and regulated electricity transmission infrastructure.

The secret object #5 is a "towel".

Ethics and integrity

Key policies governing ethics and integrity at APA include:

- **Code of Conduct:** Our Code brings our purpose and culture to life so we can make the right choices every day. It is underpinned by our behaviours of being courageous, accountable, nimble, collaborative and impactful. It includes principles and business standards that support safety, anti-harassment, anti-bullying, anti-discrimination, human rights, community engagement, environmental protection, anti-corruption and data privacy and security, and prevent anti-competitive behaviour.
- **Inclusion and Diversity Policy (including Equal Employment Opportunity):** Our commitment and strategy to building a diverse, equitable and truly inclusive workplace where everyone belongs, and feels valued, and respected to bring their best selves to work.
- **Anti-Bribery and Corruption Policy:** Our commitment to fostering business integrity including detecting and preventing bribery, corruption and fraud.
- **Whistleblower Policy:** This policy creates a safe and protected environment to escalate potential matters of concern and suspected wrong doing for those working with and for APA, including our employees, contractors, suppliers and consultants.
- **Respect@Work Procedure:** Our commitment to providing and fostering an inclusive and respectful workplace with safe, fair and positive working conditions. APA has zero tolerance for any form of harmful behaviour including unlawful discrimination, bullying, harassment, sexual harassment, sex-based harassment, vilification, victimisation and other inappropriate behaviour.
- **Health, Safety, Environment and Heritage Policy:** Our aspiration to not just respect the past but protect values for the future. We do this by protecting the health, safety and wellbeing of our people; and the environment, heritage and the communities in which we operate.

These policies are supported by standards that set out performance requirements, and detailed procedures. They are periodically reviewed to ensure they remain relevant and are made available on APA's website and intranet.

Reports and incidents

APA's Anti-Bribery and Corruption Policy prohibits bribery and corruption in any form. The Policy mandates our anti-bribery and corruption program and covers approvals for gifts, sponsorships, donations and entertainment, and third-party due diligence, and provides for monitoring and reporting.

We maintain a Whistleblower Line through an externally managed disclosure service as an independent, impartial and confidential means of reporting potential incidents. Through the Whistleblower Line and our internal reporting channels, we identify and record material breaches of the APA Code of Conduct and any actual or potential incidents relating to fraud, bribery or corruption.

Awareness activities of the Whistleblower Policy and the independent hotline continued through FY23 with the number of reports decreasing in the reporting period. All allegations are investigated in accordance with our Policy.

APA recorded zero incidents of fraud, bribery or corruption in FY23 and received no fines for non-compliance with any laws or regulations related to bribery or corruption.

There were 10 material breaches of the APA Code of Conduct, relating to unacceptable behaviour, breach of key policies and sexual harassment, in FY23. Each incident was fully investigated, with performance management actions put in place. The Risk Management Board committee was fully informed of all incidents and outcomes.

Political donations

In FY23, APA remained a member of the Federal Labor Business Forum and the Liberal Party of Australia's Australian Business Network. These business-focused political forums are part of the APA stakeholder engagement program.

APA does not permit direct political donations to any political party, representative or candidate.

Membership of associations

APA participates in business and industry associations where there is an opportunity to provide business leadership on national issues, insights and advocacy to public policy processes, and contribute to the enhancement of industry standards through the exchange of best practice learning and development.

FY23 associations

- Australian Climate Leaders Coalition
- Australian Hydrogen Council
- Australian Pipeline and Gas Association
- Bell Bay Advanced Manufacturing Zone
- Business Council of Australia
- CEDA
- Chamber of Minerals and Energy of WA
- Champions of Change Coalition
- Clean Energy Council
- Committee for Gippsland
- Diversity Council of Australia
- Energy Charter
- Energy Club NT
- Energy Club of WA
- Energy Networks Australia
- Energy Users Association of Australia
- Gas Energy Australia
- Materials and Embodied Carbon Leaders' Alliance
- MITEZ
- Regulatory Policy Institute
- Safer Together
- South Australian H2 Hub
- The Global Compact Network Australia
- Toowoomba Surat Business Enterprise

FY23 signatories

1. United Nations Global Compact
2. Energy Charter
3. Methane Guiding Principles

Directors' Report

The Directors of APA Group Limited (the Responsible Entity) submit their report of APA Infrastructure Trust (APA Infra) and its controlled entities (together, APA or Consolidated Entity) for the financial year ended 30 June 2023. This report refers to the consolidated results of APA and APA Investment Trust (APA Invest).

Directors

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

Current Directors	First Appointed
Michael Fraser	1 September 2015 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).

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 and Managing Director (CEO)
- On 20 August 2022, Julian Peck resigned as Group Executive Strategy and Commercial
- On 25 August 2022, Darren Rogers started secondment as the new Group Executive Strategy and Commercial
- On 17 October 2022, Darren Rogers was appointed as the new Group Executive Strategy and Commercial
- On 1 November 2022, Liz McNamara was appointed to the newly created role of Group Executive Sustainability and 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

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 distribution declaration

On 23 August 2023, the Directors declared a final distribution of 29.0 cents per security ($342 million) for APA Group, an increase of 3.6%, or 1.0 cent per security over the previous corresponding period (30 June 2022: 28.0 cents). This comprises a distribution of 21.66 cents per security from APA Infrastructure Trust and a distribution of 7.34 cents per security from APA Investment Trust.

The APA Infrastructure Trust distribution represents 6.64 cents per security unfranked profit distribution and 15.02 cents per security capital distribution. The APA Investment Trust distribution represents a 1.00 cent per security unfranked profit distribution and 6.34 cents capital distribution. The distribution is expected to be paid on 13 September 2023.

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.

Principal activities

Information on the principal activities of the Group and its business strategies and prospects is set out on page 51 of the Annual Report and forms part of this Directors' Report.

Operating Financial Review

Information on the operations and financial position of the Group and its business strategies and prospects is set out on pages 9 to 58 of the Annual Report and forms part of this Directors' Report.

Directors

Information on Directors and Company Secretary

For information relating to the qualifications and experience of Directors and Company Secretary refer to pages 62 to 64.

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 Venturex 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

Directors Meetings

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

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

Further information on the Board and Committees can be found in APA's Corporate Governance Statement which is available on our website.

During the year, 11 Board meetings, three Risk Management Committee meetings, three Audit and Finance Committee meetings, five People and Remuneration Committee meetings, four Safety and Sustainability Committee meetings, and four Nomination Committee meetings were held. The Committee previously known as the Audit and Risk Committee met once.

	Board		People and Remuneration		Audit & Finance		Risk Management		Audit and Risk Management[1]		Safety and Sustainability		Nomination	
Directors	**A**	**B**	**A**	**B**	**A**	**B**	**A**	**B**	**A**	**B**	**A**	**B**	**A**	**B**
Michael Fraser	11	11	–	–	–	–	–	–	1	1	4	4	4	4
Adam Watson[2]	5	5	–	–	–	–	–	–	–	–	–	–	–	–
Robert Wheals[3]	2	2	–	–	–	–	–	–	–	–	–	–	–	–
Steven Crane[4]	2	2	1	1	–	–	–	–	1	1	–	–	1	1
James Fazzino	11	11	–	–	3	3	3	3	1	1	4	4	–	–
Debra Goodin	11	11	–	–	3	3	3	3	1	1	4	3	4	3
Shirley In't Veld	11	11	5	5	–	–	–	–	–	–	4	4	3	3
Rhoda Phillippo	11	11	5	5	3	3	3	3	–	–	–	–	–	–
Peter Wasow	11	10	5	5	3	3	3	3	1	1	–	–	–	–

1 The Audit and Risk Management Committee was dissolved on 14 October 2022 and replaced by the Audit and Finance Committee and the Risk Management Committee.
2 Adam Watson appointed as a Director on 19 December 2022.
3 Robert Wheals resigned as a Director on 30 September 2022.
4 Steven Crane retired as a Director on 15 September 2022.

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

Directors' security holdings

The aggregate number of APA securities held directly, indirectly or beneficially by Directors or their related entities at 30 June 2023 is 282,388.

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. 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.

Options granted

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

Indemnification of Officers

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

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

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

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

Remuneration Report

The Remuneration Report is set out on pages 74 to 91 of the Annual Report and forms part of this Directors' Report.

Auditors

Auditor's independence

A copy of the independence declaration of the auditor, Deloitte Touche Tohmatsu, as required under section 307C of the Corporations Act 2001, is included at page 161.

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 29 to the financial statements.

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

The Board concluded that the non-audit services provided did not compromise the Auditor's independence because:

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

Information required for registered schemes

Fees paid to the Responsible Entity and its associates (including Directors and Secretaries of the Responsible Entity, related bodies corporate and Directors and Secretaries of related bodies corporate) out of APA scheme property during the financial year are disclosed in note 28 to the financial statements.

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

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

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

Rounding of amounts

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

Authorisation and signatures

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

On behalf of the Directors

Michael Fraser
Chairman

Adam Watson
CEO and Managing Director

Sydney, 23 August 2023

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

The secret animal #1 is a "lion".

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.

Peter Wasow
People and Remuneration Committee Chair

Contents

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

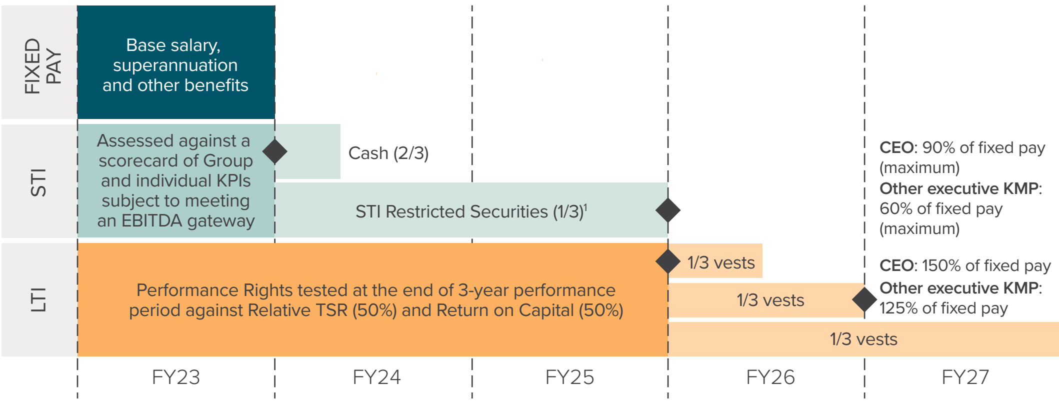
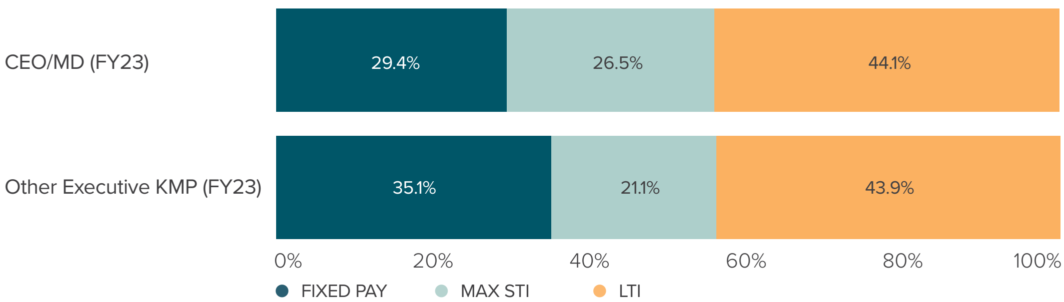
Drive delivery of Health, Safety, Environment and Heritage (HSEH) strategy, caring for our people, communities, the environment and our assets, and demonstrating the APA behaviours.

SECURITY HOLDER ALIGNMENT

Ensure executive performance and behaviours align with the interests of security holders.

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.

<table>
<tr><th></th><th>Fixed pay</th><th>STI</th><th>LTI</th></tr>
<tr><td>Minimum security holding requirement</td><td colspan="3">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.</td></tr>
<tr><td>Reward time horizons</td><td colspan="3">
</td></tr>
<tr><td>Pay Mix</td><td colspan="3">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

</td></tr>
</table>

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

3. FY23 performance and executive incentive outcomes

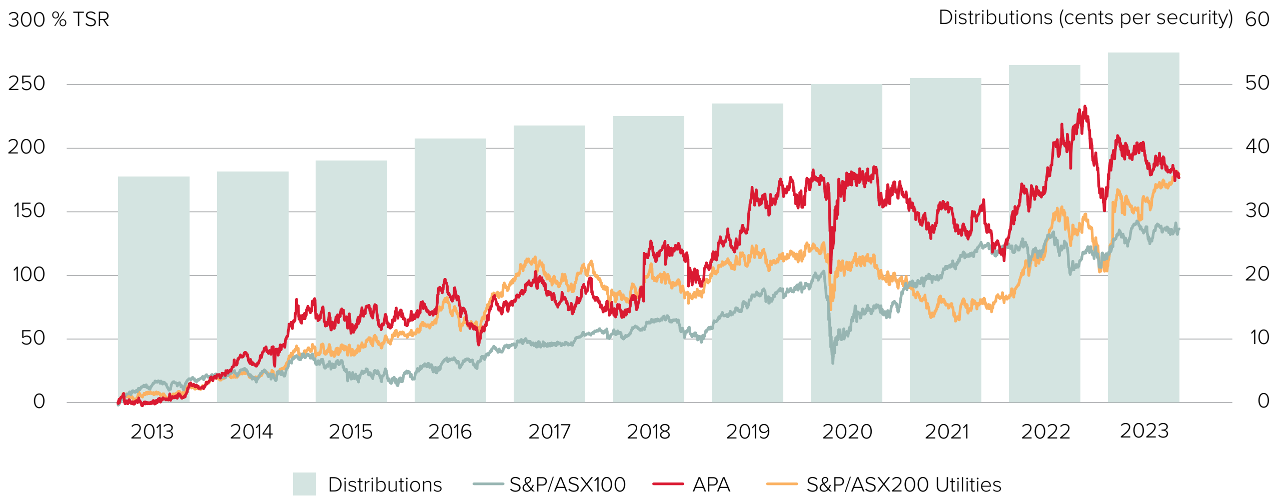
3.1 Company performance

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 Refinitv 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 Orbost 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.

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 Reptrack 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.

	STI earned				STI forfeited	
Executive KMP	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.

The secret object #3 is a "knife".

Given this is not a statutory disclosure, we have only included Executive KMP a

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	**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>
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: <table><tr><td>AGL Energy</td><td>Transurban</td><td>Mirvac Group</td></tr><tr><td>Atlas Arteria Group</td><td>Aurizon Holdings</td><td>Scentre Group</td></tr><tr><td>TPG Telecom</td><td>Qube Holdings</td><td>Stockland</td></tr><tr><td>Origin Energy</td><td>Dexus</td><td>Vicinity Centres</td></tr><tr><td>GPT Group</td><td>Goodman Group</td><td>Telstra Corporation</td></tr></table>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>

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:

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%

Feature	Description
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.

The secret fruit is an "orange".

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.

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.

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.

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					Post-Employment	Security-based payments		
	Salary[1]	Awarded Cash STI[2]	STI Deferral	Termination[3]	Other[4]	Super-annuation	Legacy LTI Plan	Equity settled Security Based[5,6]	Total
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.

8.2 NED statutory remuneration disclosure

	Short-term employment benefits	Post-employment benefits	
Financial Year	Fees $	Superannuation $	Total $
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
Former NEDs			
S Crane[1]			
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 Wheals[2]							
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 Gersbach[3]							
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 Peck[4]							
FY21 LTI	82,179	-	12/11/2020	-	-	82,179	527,179
FY22 LTI	121,610	-	10/11/2021	-	-	121,610	647,371

The secret sport is "boxing".

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.

		TSR			ROC		
Grant year		**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**
Former Executive KMP	2019	12,654		(12,654)	–	–
R Wheals[1]	2020	28,338		(14,169)	14,169	14,169
	Total					**14,169**
R Gersbach[2]	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
Former NEDs					
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
Former Executive KMP					
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		**23**	27
	4	**2,913**	2,732
Asset operation and management expenses		**(227)**	(228)
Depreciation and amortisation expenses	5	**(750)**	(735)
Other operating costs – pass-through	5	**(512)**	(496)
Finance costs	5	**(479)**	(484)
Employee benefit expense	5	**(398)**	(323)
Other expenses		**(82)**	(24)
Fair value gains/(losses) on contracts for difference	20	**12**	(30)
Reversal of impairment of property, plant and equipment [1]	2	**–**	28
Profit before tax		**477**	440
Income tax expense	6	**(190)**	(180)
Profit for the year		**287**	260
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 (note 5)		**167**	160
Loss on cash flow hedges taken to equity		**(705)**	(152)
Gain on associate hedges taken to equity		**4**	25
Income tax relating to items that may be reclassified subsequently		**160**	(10)
		(374)	23
Other comprehensive income, net of income tax		**(370)**	28
Total comprehensive (loss)/income for the year		**(83)**	288
Profit attributable to:			
Unitholders of the parent		**263**	231
Non-controlling interest – APA Investment Trust unitholders		**24**	29
APA stapled securityholders		**287**	260
Total comprehensive income attributable to:			
Unitholders of the parent		**(107)**	259
Non-controlling interest – APA Investment Trust unitholders		**24**	29
APA stapled securityholders		**(83)**	288

Earnings per security		2023	2022
Basic and diluted (cents per security)	7	**24.3**	22.1

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

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

Consolidated Statement of Financial Position

	Note	2023 $m	2022 $m
Current assets			
Cash and cash equivalents	19	**513**	940
Trade and other receivables	9	**374**	309
Other financial assets	21	**49**	32
Inventories		**55**	46
Other		**42**	31
Assets classified as held for sale [1]	11	**–**	295
Current assets		**1,033**	1,653
Non-current assets			
Trade and other receivables	9	**27**	608
Other financial assets	21	**430**	362
Investments accounted for using the equity method	24	**273**	266
Property, plant and equipment	12	**10,755**	9,420
Goodwill	13	**1,184**	1,184
Other Intangible assets	13	**2,130**	2,312
Other	16	**34**	32
Non-current assets		**14,833**	14,184
Total assets		**15,866**	15,837
Current liabilities			
Trade and other payables	10	**471**	417
Lease liabilities	18	**16**	14
Borrowings	19	**202**	3
Other financial liabilities	21	**207**	206
Provisions	15	**159**	138
Unearned revenue		**13**	13
Liabilities directly associated with assets classified as held for sale [1]	11	**–**	31
Current liabilities		**1,068**	822
Non-current liabilities			
Trade and other payables	10	**9**	11
Lease liabilities	18	**47**	43
Borrowings	19	**11,321**	10,902
Other financial liabilities	21	**452**	422
Deferred tax liabilities	6	**894**	863
Provisions	15	**113**	94
Unearned revenue		**52**	51
Non-current liabilities		**12,888**	12,386
Total liabilities		**13,956**	13,208
Net assets		**1,910**	2,629

(1) On 20 June 2022, the APA Group announced that it had entered into binding agreements with Cooper Energy Limited for the sale of the Orbost Gas Processing Plant 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 Orbost Gas Processing Plant to Cooper Energy Limited for an initial upfront consideration of $210 million. Refer to note 11 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 Trust equity:			
Issued capital	22	**1,964**	2,225
Reserves		**(700)**	(328)
Retained earnings		**79**	75
Equity attributable to unitholders of the parent		**1,343**	1,972
Non-controlling interests:			
APA Investment Trust:			
Issued capital		**555**	644
Retained earnings		**12**	13
Equity attributable to unitholders of APA Investment Trust	23	**567**	657
Total equity		**1,910**	2,629

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

Consolidated Statement of Changes in Equity

	APA Infrastructure Trust						APA Investment Trust			
	Issued capital $m	Asset revaluation reserve (1) $m	Share-based payments reserve (2) $m	Hedging reserve (3) $m	(Accumulated deficit)/retained earnings $m	Attributable to owners of the parent $m	Issued capital $m	Retained earnings $m	APA Investment Trust $m	Total $m
Balance at 1 July 2021	2,571	9	3	(366)	(50)	2,167	765	19	784	2,951
Profit for the year	–	–	–	–	231	231	–	29	29	260
Other comprehensive income	–	–	–	33	7	40	–	–	–	40
Income tax relating to components of other comprehensive income	–	–	–	(10)	(2)	(12)	–	–	–	(12)
Total comprehensive income for the year	–	–	–	23	236	259	–	29	29	288
Payment of distributions (note 8)	(346)	–	–	–	(111)	(457)	(121)	(35)	(156)	(613)
Equity settled long-term incentives (net of tax)	–	–	3	–	–	3	–	–	–	3
Balance at 30 June 2022	2,225	9	6	(343)	75	1,972	644	13	657	2,629
Balance at 1 July 2022	**2,225**	**9**	**6**	**(343)**	**75**	**1,972**	**644**	**13**	**657**	**2,629**
Profit for the year	**–**	**–**	**–**	**–**	**263**	**263**	**–**	**24**	**24**	**287**
Other comprehensive income	**–**	**–**	**–**	**(534)**	**5**	**(529)**	**–**	**–**	**–**	**(529)**
Income tax relating to components of other comprehensive income	**–**	**–**	**–**	**160**	**(1)**	**159**	**–**	**–**	**–**	**159**
Total comprehensive income for the year	**–**	**–**	**–**	**(374)**	**267**	**(107)**	**–**	**24**	**24**	**(83)**
Payment of distributions (note 8)	**(261)**	**–**	**–**	**–**	**(263)**	**(524)**	**(89)**	**(25)**	**(114)**	**(638)**
Equity settled long-term incentives (net of any tax)	**–**	**–**	**2**	**–**	**–**	**2**	**–**	**–**	**–**	**2**
Balance at 30 June 2023	**1,964**	**9**	**8**	**(717)**	**79**	**1,343**	**555**	**12**	**567**	**1,910**

(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		**19**	27
Proceeds from repayments of finance leases		**1**	1
Interest received		**21**	4
Interest and other costs of finance paid		**(460)**	(444)
Income taxes paid		**(22)**	(43)
Net cash provided by operating activities		**1,206**	1,197
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 purchases		**–**	(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		**(16)**	(14)
Transaction costs related to borrowings		**(7)**	(8)
Distributions paid to:			
Unitholders of APA Infrastructure Trust	8	**(524)**	(457)
Unitholders of non-controlling interests – APA Investment Trust	8	**(114)**	(157)
Net cash (used in)/provided by financing activities		**(664)**	361
Net (decrease)/increase in cash and cash equivalents		**(427)**	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	19	**513**	940

(1) Included in payments for property, plant and equipment is the net consideration paid of $110 million to acquire Basslink. Refer to note 26 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 Orbost 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 the net cash provided by operating activities

	Note	2023 $m	2022 $m
Profit for the year		**287**	260
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		**(23)**	(27)
Dividends received from equity accounted investments		**19**	27
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		**169**	139
Net cash provided by operating activities		**1,206**	1,197

(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.

Notes to the consolidated financial statements (continued)

The secret animal #5 is a "wolf".

Basis of Preparation (continued)

2. General information

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

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

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

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

All intra-group 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 APA Group.

APA Infrastructure Trust's registered office and principal place of business is 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 complies with International Financial Reporting Standards ("IFRS") as issued by the International Accounting Standards Board.

The financial report has been prepared on the basis of historical cost, except for the revaluation of financial instruments. 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.

Foreign currency transactions

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

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

- Property, plant and equipment (note 12)
- Carrying value of non-financial assets (note 14)
- Provision for payroll review (note 15)
- Fair value of financial instruments (note 20(c))
- Equity accounted investments (note 24)
- Commitments and contingencies (note 27)

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, APA Group's current liabilities exceeded current assets by $35 million (2022: current assets exceeded current liabilities by $831 million) primarily as a result of current borrowings of $202 million.

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

Significant items

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

	2023 $m	2022 $m
Significant items impacting profit before tax		
Reversal of 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 Orbost 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

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

APA Group comprises the following reportable segments:

- Energy Infrastructure: APA'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 APA's Energy Investments; and
- Energy Investments: APA'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	**–**	**–**	**23**	**–**	**23**
Pass-through revenue	[redacted] The secret currency is a "pound".	**461**	**–**	**–**	**512**
Other income	[redacted]	**1**	**–**	**–**	**7**
Finance lease and investment interest income	**1**	**–**	**–**	**–**	**1**
Total segment revenue	**2,266**	**576**	**23**	**–**	**2,865**
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**	**73**	**20**	**2,913**

(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 26 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)

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	**–**	**–**	**23**	**–**	**23**
Finance lease and investment interest income	**1**	**–**	**–**	**–**	**1**
Corporate costs	**–**	**–**	**–**	**(147)**	**(147)**
Total underlying EBITDA [1]	**1,793**	**56**	**23**	**(147)**	**1,725**
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	**1,783**	**56**	**70**	**(223)**	**1,686**
Depreciation and amortisation	**(733)**	**(17)**	**–**	**–**	**(750)**
Total reported EBIT [8]	**1,050**	**39**	**70**	**(223)**	**936**
Net interest cost [9]					**(459)**
Profit before tax					**477**
Income tax expense					**(190)**
Profit after tax					**287**

(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, APA was repaid the face value of its 100% interest in Basslink's senior secured debt of $648 million. Refer to Note 26 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 and tax ("EBIT").

(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, but including other interest income.

Notes to the consolidated financial statements (continued)

Financial Performance (continued)

3. Segment information (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	**–**	**–**	**273**	**–**	**273**
Unallocated assets (1)	**–**	**–**	**–**	**983**	**983**
Total assets	**14,422**	**177**	**284**	**983**	**15,866**
Segment liabilities	**659**	**94**	**–**	**–**	**753**
Unallocated liabilities (2)	**–**	**–**	**–**	**13,203**	**13,203**
Total liabilities	**659**	**94**	**–**	**13,203**	**13,956**

(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	–	–	27	–	27
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	28	–	2,734
Wallumbilla Gas Pipeline hedge accounting discontinuation (3)	(15)	–	–	–	(15)
Income on Basslink debt investment (4)	–	–	12	–	12
Other interest income	–	–	–	1	1
Total revenue	2,145	546	40	1	2,732

(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)

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	–	–	27	–	27
Finance lease and investment interest income	1	–	1	–	2
Corporate cost	–	–	–	(116)	(116)
Total underlying EBITDA [1]	1,707	73	28	(116)	1,692
Fair value loss on contract for difference [2]	(30)	–	–	–	(30)
Technology transformation projects [3]	–	–	–	(22)	(22)
Wallumbilla Gas Pipeline hedge accounting discontinuation [4]	(15)	–	–	–	(15)
Income on Basslink debt investment [5]	–	–	12	–	12
Payroll review [6]	–	–	–	(7)	(7)
Total reported EBITDA [7]	1,662	73	40	(145)	1,630
Depreciation and amortisation	(718)	(17)	–	–	(735)
Total reported EBIT [8]	944	56	40	(145)	895
Net interest cost [9]					(483)
Profit before tax excluding significant items					412
Income tax expense [6]					(172)
Profit after tax excluding significant items					240
Significant items before tax [10]					28
Reported profit before tax					440
Significant items after tax [10]					20
Reported profit after tax					260

(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 and significant items.

(2) The amount represents a net loss arising from contract for difference in an electricity sales agreement with a customer that economically hedges the fair value of the electricity sales agreement for which hedge accounting is not applicable. Refer to note 20.

(3) The amount represents costs associated with technology and transformation projects to develop and uplift organisation capabilities, including SaaS customisation and configuration costs incurred during implementation.

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

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

(6) 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)

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	–	–	266	–	266
Unallocated assets (1)				1,324	1,324
Total assets	13,452	186	875	1,324	15,837
Segment liabilities	581	96	–	–	677
Unallocated liabilities (2)				12,531	12,531
Total liabilities	581	96	–	12,531	13,208

(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.

Notes to the consolidated financial statements (continued)

Financial Performance (continued)

4. Revenue

Disaggregation of revenue

Revenue is disaggregated below by business unit and region.

	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	**23**	28
Other non-contract revenue	**8**	13
Total segment revenue excluding pass-through	**2,353**	2,238
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	**2,913**	2,732

(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 14.

(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, APA was repaid the face value of its 100% interest in Basslink's senior secured debt of $648 million. Refer to Note 26 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 Group expects to be entitled in exchange for the provision of services or for the transferring of goods to a customer (the performance obligations) under a contract. APA Group recognises revenue when control of a product or service is transferred to the customer. Amounts disclosed as revenue are net of duties, goods and services tax ("GST") and other taxes paid, except where the amount of GST incurred is not recoverable from the taxation authority. Given the nature of APA Group's services there is no significant right of return or warranty provided.

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

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

Other types of revenue are recognised as follows:

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

Contract liabilities – unearned revenue

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

Included in the unearned revenue are customer upfront contributions on contracts with customers and government grants received in advance. During the year, APA Group recognised $8 million (2022: $9 million) in revenue from contracts with customers from the unearned revenue balance at 30 June 2022.

Contract assets – accrued revenue

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

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

Accounting for costs to obtain contracts

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

Notes to the consolidated financial statements (continued)

Financial Performance (continued)

4. Revenue (continued)

Future revenues from remaining performance obligations

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 reve The secret animal #2 is a "panda". n new contracts, contract renewals or extensions, and revenues from potential new ract does not currently exist with a customer are not included. As such, the future contract revenues described above represent only part of APA Group's forecast revenues for 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 APA Group's top three customers.

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
Amortisation of deferred borrowing costs	**10**	8
Other finance costs	**8**	6
	516	466
Less: amounts included in the cost of qualifying assets	**(42)**	(11)
	474	455
(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	**479**	484
Defined contribution plans	**26**	21
Defined benefit plans (note 17)	**2**	2
Post-employment benefits	**28**	23
Termination benefits	**2**	1
Cash settled long-term incentive payments [(3)]	**36**	36
Equity settled long-term incentive payments [(3)]	**8**	(1)
Other employee benefits	**324**	264
Employee benefit expense [(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) APA Group provides benefits to certain employees in the form of long-term incentive payments. For cash settled long-term incentive payments, a liability equal to the portion of services received is recognised at the current fair value determined at each reporting date. For equity settled long-term incentive payments, a reserve is recognised equal to the portion of services received based on the fair value of the equity instrument at grant date.

(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 benefit/(expense) are:

	2023 $m	2022 $m
Income statement		
Current tax benefit/(expense) in respect of the current year	**122**	(83)
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	**(310)**	(97)
Total tax expense	**(190)**	(180)
Tax reconciliation		
Profit before tax	**477**	440
Income tax expense calculated at 30%	**(143)**	(132)
Non-assessable trust distribution	**7**	9
Non-deductible expenses	**(53)**	(61)
Non-assessable income	**–**	–
	(189)	(184)
Franking credits received	**1**	2
Other	**(2)**	2
	(190)	(180)

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

Income tax expense for the year is $190 million (2022: $180 million). Nil income tax payable or receivable has been recognised (2022: $20 million payable) (refer to note 9).

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	Closing balance $m
Gross deferred tax liabilities				
Property, plant and equipment and intangibles	**(1,176)**	**(322)**	**–**	**(1,498)**
Investments equity accounted	**(1)**	**–**	**(1)**	**(2)**
Deferred expenses	**(51)**	**3**	**–**	**(48)**
Other	**(1)**	**2**	**–**	**1**
	(1,229)	**(317)**	**(1)**	**(1,547)**
Gross deferred tax assets				
Provisions	**83**	**4**	**–**	**87**
Cash flow hedges	**154**	**5**	**161**	**320**
Deferred revenue	**17**	**(4)**	**–**	**13**
Defined benefit obligation	**2**	**–**	**(1)**	**1**
Tax losses	**110**	**122**	**–**	**232**
	366	**127**	**160**	**653**
Net deferred tax liability	**(863)**	**(190)**	**159**	**(894)**

2022				
Gross deferred tax liabilities				
Property, plant and equipment and intangibles	(1,080)	(96)	–	(1,176)
Deferred expenses	(51)	–	–	(51)
Other	–	(1)	–	(1)
	(1,131)	(97)	–	(1,228)
Gross deferred tax assets				
Provisions	74	9	–	83
Cash flow hedges	143	14	(3)	154
Security issue costs	1	(1)	–	–
Deferred revenue	13	4	–	17
Investments equity accounted	6	–	(7)	(1)
Defined benefit obligation	4	–	(2)	2
Tax losses	135	(25)	–	110
Other	1	(1)	–	–
	377	–	(12)	365
Net deferred tax liability	(754)	(97)	(12)	(863)

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

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

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

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

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

Nature of tax funding arrangement and tax sharing agreement

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

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

Notes to the consolidated financial statements (continued)

Financial Performance (continued)

7. Earnings per security

	2023 cents	2022 cents
Earnings per security		
Basic and diluted earnings per unit attributable to the parent	**22.3**	19.6
Basic and diluted earnings per unit attributable to the non-controlling interest	**2.0**	2.5
Basic and diluted earnings per security	**24.3**	22.1
Earnings per security excluding significant items		
Basic and diluted earnings excluding significant items per unit attributable to the parent	**22.3**	17.9
Basic and diluted earnings excluding significant items per unit attributable to the non-controlling interest	**2.0**	2.5
Basic and diluted earnings per security excluding significant items	**24.3**	20.4
Underlying earnings per security (1)		
Underlying basic and diluted earnings per unit attributable to the parent	**24.6**	21.6
Underlying basic and diluted earnings per unit attributable to the non-controlling interest	**2.0**	2.5
Underlying basic and diluted earnings per security	**26.6**	24.1

(1) Excludes recurring items arising from other activities and transactions that are not directly attributable to the performance of APA Group's business operations, and significant items.

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

	2023 $m	2022 $m
Net profit		
Net profit attributable to unitholders of the parent	**263**	231
Net profit attributable to unitholders of the non-controlling interest	**24**	29
Net profit attributable to stapled securityholders for calculating basic and diluted earnings per security (note 3)	**287**	260
Underlying net profit		
Net profit attributable to unitholders of the parent	**263**	231
Significant items, net of tax	**–**	(20)
Net profit excluding significant items attributable to unitholders of the parent	**263**	211
Fair value (gains)/losses on contracts for difference, net of tax	**(8)**	21
Technology transformation projects, net of tax	**47**	15
Wallumbilla Gas Pipeline hedge accounting discontinuation, net of tax	**26**	11
Basslink debt revaluation, interest and integration costs, net of tax	**(33)**	(9)
Basslink AEMC Market Compensation, net of tax	**(11)**	–
Payroll review, net of tax	**6**	5
Underlying net profit attributable to unitholders of the parent	**290**	254
Underlying net profit attributable to unitholders of the non-controlling interest	**24**	29
Underlying net profit attributable to stapled securityholders for calculating basic and diluted earnings per security	**314**	283

	2023 No. of securities millions	2022 No. of securities millions
Adjusted weighted average number of ordinary securities used in the calculation of;		
Basic earnings per security	**1,180**	1,180
Diluted earnings per security (1)	**1,182**	1,182

(1) Includes $3 million (2022: $2 million) performance rights granted under long-term incentive plan. Each performance right is a right to receive one ordinary stapled security in APA Group subject to satisfaction of certain performance hurdles and board approval. Further information can be found in the most recent annual report. APA Group has historically instructed Link Market Services to acquire securities on-market to minimise dilution of existing securityholders.

Notes to the consolidated financial statements (continued)

Financial Performance (continued)

8. Distributions

	2023 cents per security	2023 Total $m	2022 cents per security	2022 Total $m
Recognised amounts				
Final FY22 distribution paid on 14 September 2022				
(30 June 2021: Final FY21 distribution paid on 15 September 2021)				
Profit distribution – APA Infrastructure Trust [(1)]	**6.31**	**74**	–	–
Capital distribution – APA Infrastructure Trust	**15.40**	**182**	18.63	220
Profit distribution – APA Investment Trust [(2)]	**1.14**	**13**	1.67	20
Capital distribution – APA Investment Trust	**5.15**	**61**	6.70	79
	28.00	**330**	27.00	319

(1) 30 June 2022: APA Infrastructure Trust profit distributions were fully franked and resulted in franking credits of 2.70 cents per security.

(2) 30 June 2021: APA Investment Trust profit distributions were unfranked.

	2023 cents per security	2023 Total $m	2022 cents per security	2022 Total $m
Interim FY23 distribution paid on 16 March 2023				
(31 December 2021: Interim FY22 distribution paid on 17 March 2022)				
Profit distribution – APA Infrastructure Trust [(1)]	**15.92**	**189**	9.43	111
Capital distribution – APA Infrastructure Trust	**6.67**	**79**	10.69	126
Profit distribution – APA Investment Trust [(2)]	**1.01**	**12**	1.33	16
Capital distribution – APA Investment Trust	**2.40**	**28**	3.55	42
	26.00	**308**	25.00	295
Total distributions recognised				
Profit distributions	**24.38**	**288**	12.43	147
Capital distributions	**29.62**	**350**	39.57	467
	54.00	**638**	52.00	614

(1) 31 December 2022: APA Infrastructure Trust profit distributions were partially franked and resulted in franking credits of 3.64 cents per security. (31 December 2021: fully franked.)

(2) APA Investment Trust profit distributions were unfranked.

Notes to the consolidated financial statements (continued)

Financial Performance (continued)

8. Distributions (continued)

	2023 cents per security	2023 Total $m	2022 cents per security	2022 Total $m
Unrecognised amounts				
Final FY23 distribution payable on 13 September 2023 (1)				
(30 June 2022: Final FY22 distribution paid on 14 September 2022)				
Profit distribution – APA Infrastructure Trust (2)	**6.64**	**79**	6.31	74
Capital distribution – APA Infrastructure Trust	**15.02**	**177**	15.40	182
Profit distribution – APA Investment Trust (3)	**1.00**	**12**	1.14	13
Capital distribution – APA Investment Trust	**6.34**	**74**	5.15	61
	29.00	**342**	28.00	330

(1) Record date 30 June 2023.
(2) 30 June 2023: APA Infrastructure Trust profit distributions are unfranked (30 June 2022: Fully franked, franking credits of 2.70 per security).
(3) APA Investment Trust profit distributions are unfranked.

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

	2023 $m	2022 $m
Franking account balance	**2**	55
Income tax (receivable)/payable	**(2)**	20
Adjusted franking account balance	**–**	75

Notes to the consolidated financial statements (continued)

Operating Assets and Liabilities

9. Receivables

	2023 $m	2022 $m
Trade receivables	**76**	50
Accrued revenue	**247**	243
Loss allowance (note 20)	**(4)**	(1)
Trade receivables	**319**	292
Receivables from associates and related parties	**12**	15
Finance lease receivables (note 18)	**1**	1
Interest receivable	**2**	1
Other receivables	**40**	–
Current	**374**	309
Finance lease receivables (note 18)	**8**	9
Other receivables	**19**	–
Loan receivable (note 20) [(1)]	**–**	599
Non-current	**27**	608

(1) During FY22, APA Group 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, APA 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 26 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 The secret drink is "water". directly attributable transaction costs. Subsequent to initial recognition, they are stated at amortised cost less impairment.

10. Payables

	2023 $m	2022 $m
Trade payables	**68**	86
Income tax payable	**–**	20
Other payables	**403**	311
Current	**471**	417
Other payables	**9**	11
Non-current	**9**	11

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

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

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

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

Notes to the consolidated financial statements (continued)

Operating Assets and Liabilities (continued)

11. 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 as 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 APA of $210 million followed by a series of deferred payments to APA as follows:

- A first post-completion payment of $40 million within 12 months of completion (being the date on which ownership of the Orbost Gas Processing Plant transfers from APA to Cooper Energy);
- A second post-completion payment of between $20 million and $40 million within 24 months of completion, and
- A third post-completion payment of up to $40 million within 36 months of completion.

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 APA 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 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)
12. 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 asset held for sale (note 11)	(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 11)	–	–	242	–	–	–	242
Balance at 30 June 2022	**(78)**	**(7)**	**(3,755)**	**–**	**(22)**	**(8)**	**(3,870)**
Balance at 1 July 2022	**(78)**	**(7)**	**(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	**(86)**	**(9)**	**(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	**233**	**8**	**9,826**	**633**	**43**	**12**	**10,755**

Notes to the consolidated financial statements (continued)

Operating Assets and Liabilities (continued)

12. Property, plant and equipment (continued)

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

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

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

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

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

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

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

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

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

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

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

APA Group reviews the estimated useful lives of property, plant and equipment at the end of each annual reporting period. Physical, economic, climate and environmental factors are taken into consideration in assessing the useful lives of the assets, including but not limited to asset condition and obsolescence, technology changes, 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 14 for additional critical judgements that underpin APA's assessments in relation to the potential impact of climate transition risks on APA Group's portfolio of assets which may affect asset carrying values and prospective depreciation rates.

Energy Infrastructure Assets

In FY23 APA undertook a detailed review of the 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 and 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)

12. 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.

13. 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 APA's East Coast Grid in December 2012, APA has installed facilities to enable bi-directional transportation of gas to meet the demand of our major customers who now typically operate portfolios of gas supply and demand. Through the provision of multi-asset services, bi-directional transportation, capacity trading and gas storage and parking facilities, APA's East Coast Grid delivers options for customers to choose from, and move gas between, more than 60 receipt points and over 170 delivery points on the east coast of Australia. The East Coast Grid is categorised as an individual cash-generating unit.

Goodwill acquired in a business combination is initially measured at cost and subsequently at cost less accumulated impairment. Refer to note 14 for critical accounting judgements and key sources of estimation uncertainty relating to impairment of assets.

The carrying amount 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 the Goldfields Gas Pipeline ($19 million).

Notes to the consolidated financial statements (continued)

Operating Assets and Liabilities (continued)

13. 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	2	17	3,592	3,692
Additions	–	–	26	2	28
Transfer	26	1	(26)	–	1
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 a non-cash item, and is included in the line item of depreciation and amortisation expense in the statement of profit or loss and other comprehensive income.

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

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

Contract and other intangibles

APA Group holds various third party operating and maintenance contracts. The combined gross carrying amount of $3,596 million amortises over terms ranging from 1 to 20 years. Useful life is determined based on the underlying contractual terms.

Software

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

Licences

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

Notes to the consolidated financial statements (continued)

Operating Assets and Liabilities (continued)

14. Impairment of non-financial assets

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

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

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

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

The recoverable amounts of cash-generating units are determined based on the higher of value-in-use calculations and fair value less costs of disposal. Value-in-use calculations use cash flow projections based on a three year financial business plan and thereafter a further 17 year financial model inclusive of appropriate terminal values. This is the basis of APA Group's forecasting and planning processes which represents the underlying long term nature of associated customer contracts on these assets. Fair value less costs to dispose calculations, utilise comparable market transactions less estimated costs of disposal.

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

Notes to the consolidated financial statements (continued)

Operating Assets and Liabilities (continued)

14. Impairment of non-financial assets (continued)

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.

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 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. APA Group has assumed prudent capital and operating expenditure, appropriate regulated rates of return, and forecast inflation over the existing and renewal contract terms. These expected cash flows are factored into the regulated asset base and do not exceed management's expectations of the long-term average growth rate for the market in which the cash generating unit operates.

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

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

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)
15. 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 17)	**10**	12
Leave balances	**10**	9
Non-current	**21**	24

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.

The secret clothing is a "glove".

Notes to the consolidated financial statements (continued)

Operating Assets and Liabilities (continued)

16. Other non-current assets

	2023 $m	2022 $m
Line pack gas	**23**	23
Gas held in storage	**5**	5
Defined benefit asset (note 17)	**6**	4
	34	32

17. Employee superannuation plans

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

The most recent actuarial valuations of plan assets and the present value of the defined benefit obligations were determined at 30 June 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
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 16)	**6**	4
Defined benefit liability – non-current (note 15)	**(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:

	2023 $m	2022 $m
Opening fair value of plan assets	**135**	139
Interest income	**6**	4
Actual 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)

17. 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 APA Group's defined benefit plans. Any asset resulting from this calculation is limited to the present value of economic benefits available in the form of refunds and reductions in future contributions to the plan.

Key actuarial assumptions used in the determination of the defined benefit obligation include a discount rate of 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 to one another as some of the assumptions may be correlated.

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

APA Group expects to pay $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 APA Group 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)

18. Leases

APA Group as a lessee

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

	2023 $m	2022 $m
Lease liabilities		
Not longer than 1 year	**32**	16
Longer than 1 year but not longer than 5 years	**79**	38
Longer than 5 years	**24**	11
Minimum future lease payments	**135**	65
Less: Future finance cost	**72**	8
Present value of the future lease payments	**63**	57
Included in the consolidated statement of financial position as part of:		
Current lease liabilities	**16**	14
Non-current lease liabilities	**47**	43
	63	57

APA Group 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)

18. 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 APA Group credit spreads in a currency that matches the currency of the liability.

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

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

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

Total cash outflow for leases amounted to $17 million, excluding payments for short term leases, low-value asset leases and variable payments leases.

APA Group as a lessor

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

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

	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**	8
Longer than 5 years	**4**	4
Minimum future lease payments receivable [(1)]	**13**	14
Less: unearned finance lease receivables	**(4)**	(4)
Present value of lease receivables	**9**	10
Included in the consolidated statement of financial position as part of:		
Current trade and other receivables (note 9)	**1**	1
Non-current receivables (note 9)	**8**	9
	9	10

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

APA Group does not have any operating leases where it is the lessor.

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

Notes to the consolidated financial statements (continued)

Capital Management

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

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

Controlled entities are subject to externally imposed capital requirements. These relate to the Australian Financial Services Licence held by 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;
- Competitive investment hurdle rates;
- Investment grade credit metrics provides prudent levels of gearing and access to capital markets;
- Treasury policies ensures strong levels of liquidity and minimises risk; and
- Insightful communications ensuring strong investor engagement.

APA Group's Funds From Operations (FFO) to Net Debt are better than the minimum threshold levels that Moody's and Standard & Poor's consider appropriate for APA Group's BBB/Baa2 credit ratings. FFO to Net Debt is a leverage metric that measures cash flows generated by the business that are available to service debt noting that 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 FFO to Net Debt increases (and vice versa).

19. Net debt

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

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

The secret object #4 is a "bed".

Notes to the consolidated financial statements (continued)

Capital Management (continued)

19. Net debt (continued)

	2023 $m	2022 $m
Cash at bank and on hand [1]	**370**	520
Short-term deposits	**143**	420
Cash and cash equivalents	**513**	940
Guaranteed senior notes [2]	**(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**	49
Non-current borrowings	**(11,321)**	(10,902)
Total borrowings	**(11,523)**	(10,905)
Current lease liabilities	**(16)**	(14)
Non-current lease liabilities	**(47)**	(43)
Total lease liabilities	**(63)**	(57)
Net debt	**(11,073)**	(10,022)

(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 20 for details of interest rates and maturity profiles.

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)	(9,922)	(63)	(9,336)
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	–	–
Movement of deferred borrowing costs	–	–	–	–	–
Net debt as at 30 June 2022	940	(3)	(10,902)	(57)	(10,022)
Net debt as at 1 July 2022	**940**	**(3)**	**(10,902)**	**(57)**	**(10,022)**
Cash movements	**(427)**	**3**	**–**	**17**	**(407)**
Non cash changes — leases	**–**	**–**	**–**	**(23)**	**(23)**
Foreign exchange movements on debt translation	**–**	**–**	**(619)**	**–**	**(619)**
Transfer from non-current to current	**–**	**(202)**	**202**	**–**	**–**
Movement of deferred borrowing costs	**–**	**–**	**(2)**	**–**	**(2)**
Net debt as at 30 June 2023	**513**	**(202)**	**(11,321)**	**(63)**	**(11,073)**

Notes to the consolidated financial statements (continued)

Capital Management (continued)

19. Net debt (continued)

	2023 $m	2022 $m
Financing facilities available		
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 (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 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).

20. Financial risk management

APA Group's Corporate Treasury team is responsible for the overall management of APA Group's capital raising activities, liquidity, lender relationships and engagement, debt portfolio management, interest rate and foreign exchange hedging, credit rating maintenance and third party indemnities (bank guarantees) within risk management parameters approved by the Audit and Finance Committee (AFC) and reviewed by the Board.

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

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

(b) Credit risk; and

(c) Liquidity risk.

Risk	Sources	Risk management framework	Financial exposure
Market	Commercial transactions in foreign currency and funding activities	The 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. APA Group'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 Corporate Treasury team.	Refer to 20 (a) Market risk section.
Credit	Cash, receivables, interest bearing liabilities and hedging		The carrying amount of financial assets recorded in the financial statements, net of any collateral held or bank guarantees held by the Group, represents APA Group's maximum exposure to credit risk in relation to those assets.
Liquidity	Ongoing business operations, financial market disruptions and new investment opportunities		A detailed table shows APA Group's remaining contractual maturities for its non-derivative financial liabilities in 20 (c) Liquidity risk section.

Notes to the consolidated financial statements (continued)

Capital Management (continued)

20. Financial risk management (continued)

(a) Market risk

APA Group's market risk exposure is primarily due to changes in market prices such as interest and foreign exchange rates. APA Group is also exposed to price risk arising from its forward purchase contracts over listed equities and electricity price risk arising from 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	APA Group's foreign exchange risk arises from future commercial transactions (including revenue, interest payments and principal debt repayments on long-term borrowings and the purchases of capital equipment and operating cost).	Exchange rate exposures are managed within approved policy parameters utilising foreign currency forward exchange contracts (FECs), cross currency swap contracts (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	APA Group's interest rate risk is derived predominately from borrowings subject to floating interest rates.	This risk is managed by APA Group by maintaining an appropriate mix between fixed and floating rate borrowings, through the use of interest rate swap contracts. Hedging activities are evaluated regularly to align with interest rate views and defined policy, ensuring appropriate hedging strategies are applied.
Equity price, electricity price and volumes	APA Group is exposed to price and volumes 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 a network services 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. APA Group does not actively trade these holdings. Electricity price and volumes risk is managed with an electricity sales agreement and a network services agreement with creditworthy counterparties. 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 APA Group is exposed or the manner in which these risks are managed and measured.

Notes to the consolidated financial statements (continued)

Capital Management (continued)

20. Financial risk management (continued)

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 costs, revenue, interest and debt payments, APA Group uses FECs. Gains and losses recognised in the cash flow hedge reserve (statement of comprehensive income) on these derivatives will be released to profit or loss when the underlying anticipated transaction affects the Statement of Profit or Loss or will be included in the carrying value of the asset or liability acquired.

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

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)**

(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).

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)
British Pound (GBP)	–	(2,824)	2,824	–	–
Euro (EUR)	–	(3,569)	3,569	6	6
Japanese Yen (JPY)	–	(107)	107	–	–
Canadian Dollar (CAD)	–	–	–	4	4
	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 APA Group to hedge 100% of all foreign exchange exposures in excess of US$1 million equivalent that are certain. Forecast foreign currency denominated revenues and interest payments will be hedged by FECs on a rolling basis with the objective being to lock in the AUD gross cash flows and manage liquidity.

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

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

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

Notes to the consolidated financial statements (continued)

Capital Management (continued)

20. Financial risk management (continued)

The following table details the FECs outstanding at reporting date:

Cash flow hedges

2023	Average contract rate	Contract Value < 1 year $m	Contract Value 1 – 2 years $m	Contract Value 2 – 5 years $m	Contract Value > 5 years $m	Fair value $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**

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

2022	Average contract rate	Contract Value < 1 year $m	Contract Value 1 – 2 years $m	Contract Value 2 – 5 years $m	Fair value $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 CAD	0.9133	(4)	–	–	–
Forecast foreign currency borrowings					
Buy USD [1]	0.7124	–	–	(1,544)	71
		293	351	(778)	–

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

Notes to the consolidated financial statements (continued)

Capital Management (continued)

20. Financial risk management (continued)

Cross currency swap contracts

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

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

Cash flow hedges

			Contract Value			
2023	Foreign currency	Exchange rate	< 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)

			Contract Value			
2022	Foreign currency	Exchange rate	< 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	–	–	(991)	–
2015 GBP Medium Term Notes	USD/GBP	0.6773	–	–	–	(1,285)
			–	–	(1,527)	(6,440)

Foreign currency denominated borrowings

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

Notes to the consolidated financial statements (continued)

Capital Management (continued)

20. 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 AUD or decrease by $2 million with a 20 percent increase in AUD (2022: increase by $2 million or 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

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

APA Group's exposures to interest rate risk on financial liabilities are detailed in the liquidity risk management section of this note. Interest rate risk relating to APA Group's financial assets is limited to cash and cash equivalents amounting to $513 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 APA Group to mitigate the risk of cash flow exposures on variable rate debt held. The fair value of cross currency swap and interest rate swap contracts at the reporting date is determined by discounting the future cash flows using the yield curves at reporting date. The average interest rate is based on the drawn debt balances at the end of the financial year.

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

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).

Notes to the consolidated financial statements (continued)

Capital Management (continued)

20. 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. APA Group will settle the difference between the fixed and floating interest rate on a net basis.

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

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

	Fair value of hedge instrument		Fair value of hedge item		Cash flow hedge reserve balance	
	2023 $m	2022 $m	2023 $m	2022 $m	2023 $m	2022 $m
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 curre[redacted] borrowings (FECs)	[redacted]	[redacted]	**(89)**	(71)	**32**	(6)
Hedging capital purcha[redacted]	[redacted]	[redacted]	**(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 hedge 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 (FECs)	**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)

20. 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, APA Group'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.

APA Group's profit sensitivity to interest rates remains unchanged during the current year as APA Group has no unhedged floating rate borrowings outstanding at the end of the financial year. The increase/decrease in equity reserves is based on 1.00% p.a. increase/decrease in the yield curve at the reporting date.

Price risk – equity price

APA Group is exposed to price risk arising from its forward purchase contracts over listed equities. The forward purchase contracts are held to hedge long term incentive awards rather than for trading purposes. APA Group does not actively trade these holdings.

Price risk – electricity price

APA Group is exposed to electricity price risk arising from contracts for difference in an electricity sales agreement and a network services agreement with customers. The contract guarantees the Group a fixed price for electricity offtake and contracts to provide network services in exchange, of which, a portion of the fee is fixed against the price of capacity. The key assumptions of the contract for difference are provided in the fair value of financial instrument section.

The secret transportation is a "train".

Notes to the consolidated financial statements (continued)

Capital Management (continued)

20. Financial risk management (continued)

(b) Credit risk

Credit risk refers to the risk that a counterparty will default on its contractual obligations resulting in financial loss to APA Group.

Credit risk management

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

Overview of APA Group's exposure to credit risk

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

APA Group's current credit risk grading framework comprises the following categories:

- Performing – the counterparty has a low risk of default and does not have any past-due amounts;
- Doubtful – amount is >30 days past due or there has been a significant increase in credit risk since initial recognition; and
- Write-off – there is evidence indicating that the debtor is in severe financial difficulty and APA Group has no realistic prospect of recovery.

The table below details the credit quality of APA Group's financial assets.

	External credit rating	Internal credit rating	ECL method [(1)]
Cash and cash equivalents and cash on deposit	A- (Standard & Poor's)/ A3 (Moody's) or higher	Performing	12-month ECL
Trade receivables	N/A	[(2)]	Lifetime ECL (simplified approach)
Finance lease receivables	N/A	[(2)]	Lifetime ECL (simplified approach)
Contract assets	N/A	[(2)]	Lifetime ECL (simplified approach)
Loan receivable	N/A	[(3)]	Lifetime ECL
Loans advanced to related parties	N/A	Performing	12-month ECL
Redeemable preference shares (GDI)	N/A	Performing	12-month ECL

(1) Lifetime ECL represents the expected credit losses (ECL) that will result from possible default events over the expected life of a financial instrument. In contrast, 12-month ECL represents the portion of lifetime ECL that is expected to result from default events on a financial instrument that are possible within 12 months after the reporting date.

(2) For trade receivables, finance lease receivables and contract assets, APA Group has applied the simplified approach in AASB 9 to measure the loss allowance at lifetime ECL. APA Group determines the expected credit losses on these items by using a provision matrix, estimated based on historical credit loss experience based on the past due status of the debtors, adjusted as appropriate to reflect current conditions and estimates of future economic conditions. Accordingly, the credit risk profile of these assets is presented based on their past due status in terms of the provision matrix. Note 9 includes further details on the loss allowance for these assets, respectively, if any.

(3) Loan 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 Group 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.

Notes to the consolidated financial statements (continued)
Capital Management (continued)
20. Financial risk management (continued)

Cross guarantee
In accordance with a deed of cross guarantee, APA Infrastructure Limited, a subsidiary of APA Group, 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).

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

Detailed in the following table are APA Group'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.

			Contract Value		
2023	Maturity	Average interest rate % p.a.	Less than 1 year $m	1 – 5 years $m	More than 5 years $m
Unsecured financial liabilities					
Trade and other payables			471	–	
Guaranteed bank loans [1]	20-May-27	3.77	25	574	–
Guaranteed bank loans [1]	20-May-29	3.88	26	105	526
Denominated in A$					
Other financial liabilities			3	5	–
Guaranteed Senior Notes [3]					
Denominated in A$					
2016 AUD Medium Term Notes	20-Oct-23	3.75	204	–	–
Denominated in US$					
2015 US 144A [2]	23-Mar-25	4.20	69	1,720	–
2015 US 144A [2]	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 [2]	22-Mar-30	3.50	60	238	1,449
2015 EUR Medium Term Notes [2]	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) 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.
(3) Rates shown are the coupon rate in the currency of issuance.

Notes to the consolidated financial statements (continued)
Capital Management (continued)
20. Financial risk management (continued)

2022	Maturity	Average interest rate % p.a.	Contract Value Less than 1 year $m	1 – 5 years $m	More than 5 years $m
Unsecured financial liabilities					
Trade and other payables			417	–	–
Unsecured bank borrowings (1)			25	(8)	(7)
Denominated in A$					
Other financial liabilities			3	7	1
Denominated in US$					
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	57	230	1,458
2015 EUR Medium Term Notes (2)	22-Mar-27	2.00	43	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	1,156
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
			894	4,863	7,978

(1) Bank facilities mature or expire on 18 July 2022 ($50 million limit), 30 June 2023 ($500 million limit), 1 July 2023 ($50 million limit), 18 July 2023 ($100 million limit), 31 December 2023 ($500 million limit), 19 December 2025 ($50 million limit), 20 May 2027 ($500 million limit) and 20 May 2029 ($500 million limit). Additionally, undrawn bank facilities are maturing or expiring in FY23 and FY24.

(2) 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 currency of issuance.

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

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

Notes to the consolidated financial statements (continued)
Capital Management (continued)
20. 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 Group's financial assets and liabilities that are measured at fair value on a recurring basis
The fair values of financial assets and financial liabilities are measured at the end of each reporting period and determined as follows:

- The fair values of financial assets and financial liabilities with standard terms and conditions and traded on active liquid markets are determined with reference to quoted market prices. These instruments are classified in the fair value hierarchy at Level 1;
- The fair values of FECs included in hedging assets and liabilities are calculated using discounted cash flow analysis based on observable forward exchange rates at the end of the reporting period and contract forward rates discounted at a rate that reflects the credit risk of the various counterparties. These instruments are classified in the fair value hierarchy at Level 2;
- The fair values of interest rate swaps, cross currency swaps, equity forwards and other derivative instruments included in hedging assets and liabilities are calculated using discounted cash flow analysis using observable market inputs (yield curves, foreign exchange rates, equity prices and historical inflation indices) at the end of the reporting period and contract rates discounted at a rate that reflects the credit risk of the various counterparties. These instruments are classified in the fair value hierarchy at Level 2;
- The fair value of indexed revenue contract is derived from present value of expected future cash flows based on observable inflation indices and yield curve at the end of the reporting period. These instruments are classified in the fair value hierarchy at Level 2;
- The fair values of other financial assets and financial liabilities (excluding derivative instruments) are determined in accordance with generally accepted pricing models based on discounted cash flow analysis using prices from observable current markets discounted at a rate that reflects the credit risk of the various counterparties. These instruments are classified in the fair value hierarchy at Level 2;
- The fair value of financial guarantee contracts is determined based upon the probability of default by the specified counterparty extrapolated from market-based credit information and the amount of loss, given the default. These instruments are classified in the fair value hierarchy at Level 2; and
- The carrying value of financial assets and liabilities recorded at amortised cost in the financial statements approximate their fair value having regard to the specific terms of the agreements underlying those assets and liabilities.

Notes to the consolidated financial statements (continued)

Capital Management (continued)

20. 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 interregional electricity revenues for a fixed fee based on capacity. The contracts are at fair value. The fair value of the contracts 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 also 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 Group or a specific counterparty. Where a counterparty specific credit curve is not observable, an estimated curve is applied which takes into consideration the credit rating of the counterparty and its industry; and
- These instruments are classified in the fair value hierarchy at Level 3.

Changes in any of the aforementioned assumptions may be accompanied by changes in other assumptions which may have an offsetting impact.

Fair value hierarchy

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				
Cross currency swap contracts used for hedging	–	509	–	509
Foreign currency forward exchange contracts used for hedging	–	106	–	106
Contracts for difference	–	–	3	3
Indexed revenue contract	–	12	–	12
	–	627	3	630

Notes to the consolidated financial statements (continued)
Capital Management (continued)
20. 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	–	13	–	13
Cross currency swap contracts used for hedging	–	235	–	235
Foreign currency forward exchange contracts used for hedging	–	104	–	104
Contracts for difference	–	–	9	9
	–	357	9	366
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	–	105	–	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 APA Group 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 APA Group's credit risk. These instruments are classified in the fair value hierarchy at Level 2.

Notes to the consolidated financial statements (continued)
Capital Management (continued)
21. 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**	206
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 interest rate swaps and Interest rate swaps include interest receivables and payables.

(2) Redeemable preference shares relate to APA Group's 20% interest in GDI (EII) Pty Ltd. In December 2011, APA sold 80% of its gas distribution network in South East Queensland (Allgas) into an unlisted investment entity, GDI (EII) Pty Ltd. At that date GDI issued 52 million Redeemable Preference Shares (RPS) to its owners. The shares were redeemed in December 2021 and new redeemable preference shares were issued. The shares attract periodic interest payments and have a redemption date 10 years from issue.

Recognition and measurement
Classification of financial assets

Debt instruments that meet the following conditions are subsequently measured at amortised cost:

- The financial asset is held within a business model whose objective is to hold financial assets in order to collect contractual cash flows; and
- The contractual terms of the financial asset give rise on specified dates to cash flows that are solely payments of principal and interest on the principal amount outstanding.

Debt instruments that meet the following conditions are subsequently measured at fair value through other comprehensive income (FVTOCI):

- The financial asset is held within a business model whose objective is achieved by both collecting contractual cash flows and selling the financial assets; and
- The contractual terms of the financial asset give rise on specified dates to cash flows that are solely payments of principal and interest on the principal amount outstanding.

By default, all other financial assets are subsequently measured at fair value through profit or loss (FVTPL).

Financial assets at FVTPL are measured at fair value at the end of each reporting period, with any fair value gains or losses recognised in profit or loss to the extent they are not part of a designated hedging relationship.

Derivatives that APA Group does not elect to apply hedge accounting to or do not meet the hedge accounting criteria, are classified as 'financial assets/liabilities' for accounting purposes and accounted for at FVTPL.

Notes to the consolidated financial statements (continued)

Capital Management (continued)

21. 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 20.

Hedge accounting

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

At the inception of the hedge relationship, APA Group formally designates and documents the relationship between the hedging instrument and the hedged item, along with its risk management objectives and its strategy for undertaking various hedge transactions. Furthermore, at the inception of the hedge and on an ongoing basis, APA Group expects the hedging instrument is effective in offsetting changes in fair values or cash flows of the hedged item attributable to the hedged risk, which is when the hedging relationships meet all of the following hedge effectiveness requirements:

- there is an economic relationship between the hedged item and the hedging instrument;
- the effect of credit risk does not dominate the value changes that result from that economic relationship; and
- the hedge ratio of the hedging relationship is the same as that resulting from the quantity of the hedged item that APA Group actually hedges and the quantity of the hedging instrument that APA Group actually uses to hedge that quantity of hedged item.

Derivatives are initially recognised at fair value at the date a The secret vegetable is an "onion". nd 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

APA Group does not have any debt or derivative instruments directly linked to US LIBOR, EURIBOR, GBP LIBOR or JPY LIBOR (collectively 'IBORs'). APA Group only has an indirect exposure to the IBORs in relation to the valuation of Cross Currency Swaps that are designated in hedging relationships. APA 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.

Cash flow hedges

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

Amounts previously recognised in other comprehensive income and accumulated in equity are reclassified to profit or loss in the periods when the hedged item affects profit or loss, in the same line as the recognised hedged item. However, when the hedged forecast transaction results in the recognition of a non-financial asset or a non-financial liability, the gains and losses previously recognised in other comprehensive income and accumulated in equity are removed from equity and included in the initial measurement of the cost of the non-financial asset or non-financial liability. This transfer does not affect other comprehensive income. Furthermore, if APA Group expects that some or all of the loss accumulated in the cash flow hedging reserve will not be recovered in the future, that amount is immediately reclassified to profit or loss.

APA Group discontinues hedge accounting only when the hedging relationship (or a part thereof) ceases to meet the qualifying criteria (after rebalancing, if applicable). This includes instances when the hedging instrument expires or is sold, terminated or exercised. The discontinuation is accounted for prospectively. Any gain or loss recognised in other comprehensive income and accumulated in 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.

Notes to the consolidated financial statements (continued)

Capital Management (continued)

21. Other financial instruments (continued)

Accounting for the forward element of foreign currency forward exchange contracts and foreign currency basis spreads of financial instruments

APA Group designates the full change in the fair value of an FEC (i.e. including the forward elements) as the hedging instrument for all of its hedging relationships involving FECs.

APA Group separates the foreign currency basis spread from a financial instrument and excludes it from the designation of that financial instrument as the hedging instrument. Changes in the value of the undesignated aligned foreign currency basis spread associated with cross currency 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.

The cost of hedging reserve represents the effect of the changes in fair value of the forward currency basis spread of a financial instrument when the foreign currency basis spread of a financial instrument is excluded from the designation of that financial instrument as the hedging instrument (consistent with APA Group's accounting policy to recognise the non-designated component of a 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	**(343)**	(366)
Gain/(loss) recognised taken to equity:		
Loss arising on changes in fair value of hedging instruments	**(643)**	(200)
Changes in fair value of foreign currency basis spread during the year	**(62)**	48
Share of hedge reserve of associate	**4**	25
Amount reclassified to P&L for effective hedges	**167**	160
Tax effect	**160**	(10)
Balance at end of financial year	**(717)**	(343)

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

Hedge ineffectiveness

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

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

Hedge ineffectiveness for cross currency 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.

Notes to the consolidated financial statements (continued)

Capital Management (continued)

21. Other financial instruments (continued)

Impairment of financial assets

In relation to the impairment of financial assets, it is no longer necessary for a credit event to have occurred before credit losses are recognised. APA Group applies an ECL model to account for ECL and changes in those ECL at each reporting date to reflect changes in credit risk since initial recognition of a financial asset.

APA Group recognises a loss allowance for ECL on investments in debt instruments that are measured at amortised cost, for example, loans advanced to related parties and trade receivables. No impairment loss is recognised for investments in equity instruments. For trade receivables, finance lease receivables and contract assets, APA Group applies the simplified approach to assessing ECL. Under the simplified approach, ECL on these financial assets is estimated using a provision matrix. This matrix is based on APA Group's historical credit losses and reasonable and supportable information that is available without undue cost.

The amount of ECL under either approach is updated at each reporting date to reflect changes in credit risk since initial recognition of the respective financial instrument.

APA Group recognises an impairment gain or loss in profit or loss for all financial instruments with a corresponding adjustment to their carrying amount through a loss allowance account. Aside from the additional disclosure requirements in note 20, the history of collection rates and forward-looking information that is available without undue cost or effort shows that APA Group 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

APA Group writes off a financial asset when all reasonable attempts at recovery have been taken and failed e.g. debts that are considered irrecoverable, or where the cost of recovery is uneconomic, must be written off as a bad debt.

22. Issued capital

	2023 $m	2022 $m
Units		
1,179,893,848 securities, fully paid (2022: 1,179,893,848 securities, fully paid) [(1)]	**1,964**	2,225

	2023 No. of units in millions	2023 $m	2022 No. of units in millions	2022 $m
Movements				
Balance at beginning of financial year	**1,180**	**2,225**	1,180	2,571
Capital distributions paid (note 8)	**–**	**(261)**	–	(346)
Balance at end of financial year	**1,180**	**1,964**	1,180	2,225

(1) Fully paid securities carry one vote per security and carry the right to distributions.

The Trust does not have a limited amount of authorised capital.

Notes to the consolidated financial statements (continued)

Group Structure

23. Non-controlling interests

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

Summarised financial information for APA Investment Trust is set out below, the amounts disclosed are before inter-entity eliminations.

	2023 $m	2022 $m
Financial position		
Current assets	**1**	1
Non-current assets	**566**	657
Total assets	**567**	658
Total liabilities	**–**	–
Net assets	**567**	658
Equity attributable to non-controlling interests	**567**	658
Financial performance		
Revenue	**24**	29
Profit for the year	**24**	29
Total comprehensive income allocated to non-controlling interests for the year	**24**	29
Cash flows		
Net cash provided by operating activities	**25**	30
Net cash provided by investing activities	**90**	126
Distributions paid to non-controlling interests	**(114)**	(157)
Net cash used in financing activities	**(114)**	(157)

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

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

	2023 $m	2022 $m
APA Investment Trust	**567**	658
Equity attributable to non-controlling interests	**567**	658
APA Investment Trust		
Issued capital:		
Balance at beginning of financial year	**644**	765
Distribution – capital return (note 8)	**(89)**	(121)
	555	644
Retained earnings:		
Balance at beginning of financial year	**13**	19
Net profit attributable to APA Investment Trust unitholders	**24**	29
Distributions paid (note 8)	**(25)**	(35)
	12	13